

KEY FACTS FUND SERVICES – SIF/SICAR

LUXEMBOURG IS EUROPE'S MOST POPULAR DESTINATION FOR THE ESTABLISHMENT OF ALTERNATIVE INVESTMENT FUNDS. CRUCIALLY, FOLLOWING THE IMPLEMENTATION OF THE EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE IN JULY 2013, SETTING UP AN EU-DOMICILED FUND IS LIKELY TO BECOME THE PREFERRED WAY IN WHICH TO TARGET EU INVESTORS.

Luxembourg offers the alternative investment community:

- > An onshore EU location, with European “passporting” following the implementation of the AIFM Directive by the law of 13 July 2013
- > A stable legal and regulatory framework offering good investor protections, but with light touch regulation
- > A range of tax benefits
- > A deep pool of service providers

Luxembourg has two regulated alternative investment fund vehicles:

- > SIF (Specialised Investment Fund)
- > SICAR (Investment Company in Risk Capital)

SPECIALISED INVESTMENT FUNDS

The SIF legislation, introduced in 2007, offers fund managers a lightly regulated legal regime which includes a high degree of flexibility in terms of fund structuring and investment policy. The principal features of the SIF regime include:

- > No minimum capital requirement or authorisation by the CSSF for the initiator/promotor
- > A minimum capital requirement of €1,250,000, achieved within 12 months of launch, but only €31,000 upon incorporation
- > An initial minimum investment of €100,000 – limited to well-informed investors
- > No income tax, wealth tax or withholding tax on dividends, interest and liquidation proceeds
- > Tax exempt in Luxembourg, with the exception of an annual subscription tax of 0.01% of AUM
- > The management of a SIF is VAT-exempt
- > Limited access to Luxembourg's tax treaty benefits
- > Ability to invest in a wide range of assets and to be divided into multiple sub-funds
- > Asset diversification – a maximum of 30% of the fund's assets invested in the same security from the same issuer (potential exemptions available for a period of up to three or four years for private equity funds and real estate funds making their first investments)
- > Requirement for a Luxembourg-based Auditor, Depositary and Central Administrator
- > Requirement for a risk manager and in principle a regulated investment manager
- > CSSF (Commission de Surveillance du Secteur Financier) supervision

There are four forms of SIF:

- > SICAV-SIF (open-ended investment company). The most popular SIF structure, this takes the form of a public limited company, partnership limited by shares, limited liability company or a cooperative company organised as a public limited company, with the purpose of investing funds in securities and alternative assets (from real estate to art or fine wine).

- > FCP-SIF (mutual fund). This is an undivided pool of securities composed and managed on behalf of joint owners who are liable only up to the amount of their contribution and whose rights are represented by units reserved for one or more well-informed investors. This undivided pool is represented and held on behalf of investors by a regulated management company established in Luxembourg.
- > Specialised investment funds without the legal form of an FCP or SICAV. These funds are still governed by the SIF law but do not take either of the above legal forms. They are subject to chapter 4 of the SIF law.
- > Special S.C.S. Following the implementation of the AIFM Directive in Luxembourg, a fourth form of SIF became available – the Special S.C.S. This form allows the UK Limited Partnership regime to be replicated under Luxembourg law. The Special S.C.S. legal regime shares various similarities with the UK LP regime, in particular the absence of legal personality.

SICAR

The SICAR legislation, enacted in 2004, allows for the formation of a Risk Capital Investment Company, which is defined as a company:

- > Whose legal status is SCS, SCA, Sàrl, SA, or SC (established as an SA)
- > With the sole activity of investing funds in risk or venture capital as defined in the CSSF circular 06/241
- > Whose shareholders are well-informed investors
- > With its headquarters and administrative centre in Luxembourg

The SICAR is open to a wide range of investment strategies such as venture capital, private equity, mezzanine finance, special situations and clean tech. The main features of a SICAR are:

- > No minimum capital requirement or authorisation by the CSSF required for the initiator/promotor
- > The ability to structure the fund as a company or partnership with the formation of sub-fund(s)
- > A minimum share capital of €1 million but only €31,000 upon incorporation of the SICAR
- > An initial minimum investment of €100,000 – limited to well-informed investors
- > CSSF (Commission de Surveillance du Secteur Financier) supervision
- > 29.22% tax on corporate SICARs (in Luxembourg City) – with an exemption from income tax on income derived from transferable securities under certain conditions
- > Tax exemption on income of transparent SICARs (e.g., partnerships)
- > Exemption from subscription tax, net wealth tax and withholding taxes on dividends, royalties, interest and liquidation proceeds
- > No VAT for the management of a SICAR and no VAT on carried interest
- > Can qualify for the EU Parent-Subsidiary and other Directives and the benefits of Luxembourg's tax treaties
- > Requirement for a Luxembourg-based Auditor, Depositary and Central Administrator
- > Requirement for a risk manager and in principle a regulated investment manager

- ▶ PEOPLE LED
- ▶ TECH ENABLED
- ▶ GLOBAL COVERAGE
- ▶ TAILORED SERVICE

- ▶ 1,100 STAFF
- ▶ 25 JURISDICTIONS
- ▶ 47,000 ENTITIES
- ▶ \$177BN AUA

- ▶ FUNDS
- ▶ PRIVATE CLIENTS
- ▶ CORPORATE CLIENTS
- ▶ MARITIME

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