

July 2016

RAIF revolution achieved.

On 14 July 2016, the Luxembourg Parliament adopted the law ('the Law') on the Reserved Alternative Investment Fund ('RAIF'). It will come into effect once published in the Luxembourg Official Gazette ('*Mémorial*'), at a date expected to be next week.

What is a RAIF?

A RAIF is a Luxembourg Alternative Investment Fund ('AIF'), reserved to 'well informed investors' and managed by an external authorised Alternative Investment Fund Manager ('AIFM') subject to the AIFMD requirements. The RAIF is however not subject to clearance by the Commission de Surveillance du Secteur Financier ('CSSF'). Nor is the RAIF subject to (product) supervision by the CSSF.

What are the advantages of a RAIF?

- **Easy and fast to structure:** the RAIF is required to comply with (minimal) risk spreading requirements, except if investing in risk capital where no risk spreading will apply. However unlike the other types of funds, the creation, the fund constitutional and offering documents, the launch, the activities and the liquidation will not be subject to clearance and supervision by the CSSF.
- **Short time to market:** absent the need for regulatory clearance, time to market will be minimal. The RAIF will, upon constitution, immediately enter into the benefit of the European passport available to its Alternative Investment Fund Manager.
- **Indirectly supervised by its AIFM:** the RAIF will be indirectly supervised through its AIFM, affording its 'well-informed' investors a degree of indirect supervision without subjecting the product itself to the approval and supervision required for other types of funds.
- **Highly flexible:** the RAIF will benefit from all the available legal forms (contractual and corporate) and from all the structuring flexibilities (single, umbrella, share classes) available under Luxembourg fund laws as well as from a large choice of investable assets.

- **Asset segregation:** the RAIF can be set up (see above) and operate as a platform (umbrella) for multiple investments allocated to separate ring-fenced compartments, which may be dedicated to different investors and the number of which is not limited.
- **Tax aspects:** the RAIF is generally exempt from Luxembourg net wealth tax and no withholding tax applies on its distributions. In principle, a RAIF is only subject to an annual subscription tax of 0.01% on its net asset value. However, RAIFs investing in risk capital may alternatively benefit from the SICAR tax regime i.e., be fully subject to tax whilst benefitting from an objective exemption for income and gains from securities.

The RAIF is aimed at making full use of the AIFMD passport as well as of all the fund structuring flexibilities under Luxembourg laws without, contrary to other fund types, being subject to any regulatory (product) clearance and supervision. It is expected to be of particular appeal to the institutional alternative market in all its several segments.

For more details, please click [here](#).

For more information please liaise with your usual Linklaters contact who will be delighted to provide you with any further clarification on this new investment opportunity.

This publication is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions on issues reported here or on other areas of law, please contact one of your regular contacts, or contact the editors.

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