



The Reserved Alternative Investment Fund («RAIF») introduced into Luxembourg law : a new Luxembourg success story begins !

The law on RAIFs has now been published in the Luxembourg Official Gazette (*Mémorial*). This new type of alternative investment fund (“**AIF**”) will solve all time-to-market issues due to the fact that it is not regulated itself and that cumbersome licensing procedures with the regulator are thus avoided.

It combines the legal and tax advantages of the fund regimes of the specialised investment funds (“**SIF**”) and the risk-capital investment companies (“**SICAR**”), without, however, being subject to direct regulatory supervision by the Luxembourg regulator (“CSSF”).

The key features of the RAIFs are as follows:

- RAIFs are not subject to the prior authorisation of the CSSF or to its on-going regulatory supervision. “Indirect” supervision takes place through the supervision of the AIFM appointed.
- RAIFs are available to well-informed investors only. This includes mainly institutional investors, professional investors and investors investing certain minimum amounts (at least EUR 125,000).
- RAIFs have to appoint an authorised AIFM
- It is possible to organise RAIFs as umbrella structures with multiple sub-funds.
- RAIFs may opt to have either a fixed or a variable capital structure.
- Risk-diversification requirements are identical to those applicable to SIFs. Should the RAIFs invest in risk capital investments only, then no risk-spreading requirements would apply.
- All well-known Luxembourg legal forms are available for RAIFs:
 - public limited company (*société anonyme* - SA)
 - special limited partnership (*société en commandite spéciale* – SCSp)
 - partnership limited by shares (*société en commandite par actions*, SCA)
 - common fund (*fonds commun de placement* - FCP) (without legal personality)

- common limited partnership (*société en commandite simple* - SCS)
- private limited liability company (*société à responsabilité limitée* - S.à r.l.)
- RAIFs are subject to an annual subscription tax (taxe d'abonnement) at a rate of 0.01%, with several exemptions. Should a RAIF invest into risk capital investments, it is subject to the tax regime applicable to SICARs (it would be fully subject to tax except for risk capital income and gains). The VAT exemption on AIF management services also applies.

No doubt that a new success story in the Luxembourg fund industry has just begun!

You want to set up a RAIF or need some legal information in this respect? Please contact **Adrian Sedlo** at asedlo@sedlo.lu.