

Central Bank provides clarification on certain requirements applicable to Irish QIAIFs

March 2025

What has the Central Bank published?

On 7 March 2025, the Central Bank of Ireland (**Central Bank**) published a revised version of its [AIFMD Questions & Answers \(Q&A\)](#).

In the Q&A, the Central Bank has provided clarity on the ability of an Irish QIAIF to act as guarantor for third parties as well as providing guidance on the scope of two of the existing rules imposed by it on Irish domiciled loan-originating AIFs.

What clarification has been provided by the Central Bank on the ability of an Irish QIAIF to act as guarantor to third parties?

Helpfully, the Central Bank has confirmed in ID 1160 of the Q&A that it is possible for an Irish QIAIF to provide a guarantee in respect of investments/or intermediate vehicles for such investments in which the QIAIF has a direct or indirect economic interest provided that certain conditions are satisfied.

These include:

- the AIFM being satisfied that such guarantee arrangements are in the best interests of both the QIAIF and its investors and are ancillary to the QIAIF's predominant investment strategy
- the AIFM and the QIAIF's depositary confirm that the proposed transaction is at arm's length and in the best interest of investors
- the prospectus discloses to investors the ability of the QIAIF to provide such guarantees and any associated material risks relating to such arrangements





- the QIAIF complies with provisions of Central Bank ID 1159 which relates to investment via a co-investment vehicle that includes other third-party investors and is not a wholly owned subsidiary of the QIAIF¹ and
- the AIFM must comply with the relevant requirements under AIFMD as applicable in relation to leverage and its risk management, including regularly conducting stress and other applicable requirements of AIFMD which must cover market risks and any resulting impact, including on margin calls, collateral requirements and credit lines.

Does the Central Bank allow an Irish loan-originating QIAIF to originate a loan to a borrower where that borrower intends to acquire a controlling interest in a company?

Yes. The Central Bank has confirmed in ID1162 of the Q&A that a loan-originating QIAIF may originate a loan to a borrower where that borrower has the intention of obtaining a controlling interest in another company.

The Central Bank confirms that the existing prohibition on lending to persons intending to invest in equities or other traded investments or commodities applies where the borrower intends to use the proceeds of the loan to facilitate a trading or speculative investment strategy.

What is meant by the term “financial institutions” for the purposes of the scope of prohibition on Irish loan-originating QIAIFs lending to “financial institutions”?

The Q&A confirms that the definition of “financial institution” in the Central Bank’s AIF Rulebook for the purposes of its prohibition of Irish loan-originating QIAIFs lending to “financial institutions” is aligned with that set out in the new AIFMD II loan origination rules.

This means that “financial institutions” for such purposes should be construed as including any of the following entities:

- a credit institution or a financial institution or an ancillary services undertaking within the meaning of EU CRD IV Directive;
- an insurance undertaking, reinsurance undertaking or an insurance holding company within the meaning of the EU Solvency II Directive;
- an investment firm within the meaning of the EU MiFID II Directive; or
- a mixed financial holding company within the meaning of the EU Financial Conglomerates Directive.

If you have any questions in respect of the Q&A, please get in touch with any of the individuals listed below or your usual contact in Dillon Eustace.

¹ ID 1159 of the Q&A provides as follows:

“Q: I am a QIAIF/RIAIF that intends to invest through a co-investment vehicle that includes other third party investors and is not a wholly owned subsidiary of the QIAIF / RIAIF. Is that permissible?”

A. Yes. The ownership / control of the co-investment vehicle must reflect the actual economic interest that the QIAIF/ RIAIF has in that vehicle and the QIAIF / RIAIF must demonstrate that such arrangements reflect the true economic interests of the parties holding shares in that vehicle. The reasons for use of a co-investment vehicle, rather than a wholly owned subsidiary, must be documented by the Board of the AIFM and approved by the depositary in writing and be available to the Central Bank on request. The arrangement should not be structured in such a way as to circumvent the policy objectives of this Q&A.”

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