



February 2018

Central Bank of Ireland publishes notice of intention to amend the requirements for Loan Origination Qualifying Investor AIF

Irish loan origination Qualifying Investor AIFs (“**L-QIAIFs**”) have been generating quite a bit of interest amongst assets managers in recent times and there have been increasing numbers of L-QIAIFs established in Ireland since their introduction in 2014 by the Central Bank of Ireland (the “**Central Bank**”) as a unique sub-set of Qualifying Investor AIFs.

On 7 February, 2018, the Central Bank published a notice (the “**Notice**”) indicating its intention to amend the certain of the current requirements applicable to L-QIAIFs as set out under the Central Bank’s AIF Rulebook (the “**Rulebook**”), details of which are provided below.

L-QIAIFs and Passporting in the EU

L-QIAIFs are Irish fund vehicles which are authorised by the Central Bank in accordance with its Rulebook and which also operate within the regulatory framework of the EU’s Alternative Investment Fund Managers Directive 2011/61/EU (“**AIFMD**”). As a result, L-QIAIFs are, subject to certain conditions being met, capable of being marketed throughout the EU to professional investors under the AIFMD marketing passport, thereby making them an attractive vehicle for asset managers looking to raise capital in Europe.

For further information on any of the issues discussed in this article please contact:



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L-QIAIF Limitations

The Central Bank's Rulebook sets out certain prescribed operational requirements and key limitations on the activities which L-QIAIFs can undertake. In particular, L-QIAIFs are currently required to limit their operations to the business of:

- (i) issuing loans;
- (ii) participating in loans;
- (iii) participations in lending;
- (iv) and to operations relating thereto, including investing in debt and equity securities of entities or groups to which the loan originating Qualifying Investor AIF lends or which are held for treasury, cash management or hedging purposes.

L-QIAIF Changes

In the Notice, the Central Bank has indicated that with effect from 7 March, 2018, the list of permitted operations of L-QIAIFs will be expanded to include the ability to "invest in debt/credit instruments". Previously, L-QIAIFs were only permitted to invest in debt/credit instruments other than loans or participations in loans if the issuer was from the corporate group of a borrower to a loan originated by the L-QIAIF or if the investment was part of the treasury management operations of the L-QIAIF. This rule amendment would permit L-QIAIFs to invest in a broad range of debt/credit instruments as part of its core investment strategy. While the Central Bank's other requirements applicable to L-QIAIFs will continue to apply and remain unchanged, this change to the Central Bank's Rulebook in respect of the permitted activities of L-QIAIFs will provide significant and welcome flexibility to the composition of the portfolios of L-QIAIFs. This will be broadly welcomed and will further enhance the attractiveness of the L-QIAIF to asset managers looking to use Ireland as a fund domicile for raising capital in Europe.

The text of the Notice is available here: https://www.centralbank.ie/docs/default-source/Regulation/industry-market-sectors/Funds/AIFS/180207_-_notice-of-intention-final.pdf?sfvrsn=4

The Central Bank decided against a formal consultation in relation to the announced changes in the Notice but it has indicated that comments can be submitted while the proposed amendments to the Rulebook are being finalised.

If you have any queries in relation to the matters detailed in the briefing, please contact your usual Dillon Eustace contact.

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