

# PLANNING YOUR ROUTE

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## LUXEMBOURG

**GUIDE TO INVESTMENT VEHICLES  
FOR INSTITUTIONAL INVESTORS**



**BNP PARIBAS**

The bank  
for a changing  
world



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—  
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## FOREWORD

As investment managers look to capture alternative sources of yield and diversify their investor base, cross-border fund distribution continues to offer a key route to growth and profitability. Investment in private assets has continued to grow from strength to strength in recent years, and several fund vehicles and regimes have been introduced or renewed in key jurisdictions.

In this guide, we provide you with a concise overview of the key fund vehicles in Luxembourg, in order to help you identify the most appropriate fund vehicles to suit your distribution strategy.

We are proud to be a leader in Luxembourg, the largest European investment fund centre and the second financial centre worldwide in Sustainable Finance. Our 1,000+ people support a variety of funds for your business. We are part of a hub to distribute funds all around the world.

Discover our Luxembourg market expertise and dedicated suite of services. Should you require further information on Ireland, Singapore, Hong Kong or any other jurisdiction across the world, please contact your relationship manager.

# LUXEMBOURG: OUR SERVICES

In Luxembourg, we have comprehensive expertise in administering a wide range of funds, covering private assets, traditional investments as well as liquid alternatives.

As a universal bank, we also offer a wide range of value-added services beyond the central Administration and Depositary services commonly known in Luxembourg, allowing our clients to benefit from a one-stop-shop with fully automated and integrated solutions.

## OUR MAIN SERVICES

### CORE SERVICES

We deliver integrated solutions across the asset servicing value chain. Our clients can benefit from a full suite of fund services: from fiduciary services around Depositary bank and Global Custody, Market and Financing solutions for optimising clients' risk adjusted returns, central administration and distribution support services, investment management and data solutions to collateral solutions.

### MARKET-SPECIFIC SERVICES

In a market environment where clients are in search of yield, we can support the full range of asset classes, strategies and geographies:

- Coverage of all types of fund structures (UCITS, RAIFS, ELTIFs), asset classes and instruments (Listed, OTC, Private).
- A scalable global organisation with a follow-the-sun operating model
- Comprehensive services for Management Companies (ManCo)
- Support in fund distribution with access to 80+ distribution countries in Europe, Asia and America and connection to 5,000+ fund distributors
- Leveraging fintech partnerships to bring next-generation services around Net Asset Value (NAV) oversight and risk/ESG data management.

## WHAT MAKES US DIFFERENT



### WE ARE A LEADING PARTNER FOR ASSET MANAGEMENT FIRMS IN EUROPE'S LARGEST FUND CENTRE

- Third-largest provider in Luxembourg in terms of assets under custody and in terms of the number of funds, regardless of the fund types
- ISAE3402 certified for Fund Administration, Private Capital services, Global Custody and Transfer Agency
- Leading custodian for private capital funds, a growing asset class
- Active participation and involvement with ALFI (Association Luxembourgeoise des Fonds D'Investissement), ABBL (Association des Banques et Banquiers Luxembourg), Luxembourg Stock Exchange, LPEA (Luxembourg Private Equity Association), LuxCMA (Luxembourg Capital Market Association), LuxFLAG (Luxembourg Finance Labelling Agency)



**COMPREHENSIVE AND SPECIALISED OFFER FOR PRIVATE EQUITY, PRIVATE DEBT, INFRASTRUCTURE AND REAL ESTATE FUNDS, ENCOMPASSING**

- Dedicated fund and corporate administration, loan administration, corporate secretarial services



**BANKING SERVICES INCLUDING FINANCING**



**CUTTING-EDGE DIGITAL REPORTING AND ADVANCED RISK AND PERFORMANCE ANALYTICS**



**EXPERTISE TRAINING AND CERTIFICATION FOR OUR EMPLOYEES: AML5, MIFID 2, PRIVATE CAPITAL**



**DEDICATION TO COMPANY ENGAGEMENT AS PART OF OUR LONG-TERM BUSINESS DECISION-MAKING, INCLUDING REDUCTION OF CARBON FOOTPRINT, COMMITMENT TO ESG CRITERIA AND VOLUNTEERING PROGRAMMES**

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Over the years, Luxembourg has built and maintained its reputation as an attractive and safe fund domicile, and as a key hub for sustainable finance.

One of the top five asset servicers<sup>1</sup> (Custodian and Administrator), we build long-term partnerships with our clients and endeavour to constantly support their growth. We leverage our experience and market expertise in order to provide them with innovative solutions in products and technologies.

<sup>1</sup> Monterey Insight, 2022



**TRADITIONAL  
ASSETS**

# FUND VEHICLES FOR TRADITIONAL ASSETS

## LUXEMBOURG ENVIRONMENT

### DIVERSE STRUCTURING OPTIONS IN THE LEADING UCITS DOMICILE

- Open-ended Undertakings for Collective Investment in Transferrable Securities (UCITS) can be set up as investment companies with variable capital (Société d'investissement à Capital Variable or SICAV ) or common funds (Fonds Commun de Placement or FCP)
- Structured as a single fund with or without multiple share classes, an umbrella fund with multiple sub-funds or master-feeder structures
- Other fund regimes may be used for traditional strategies (Specialised Investment Funds, Part II Undertakings for Collective Investment or Reserved Alternative Investment Funds) with certain distribution restrictions.

### WITHIN A FLEXIBLE AND SUPPORTIVE ENVIRONMENT

- Flexible use for equity funds, bond funds, mixed funds, multiple-asset class funds, money market funds or exchange-traded funds (ETFs)
- No minimum number of shareholders or unitholders
- Luxembourg UCITS can benefit from a product passport enabling them to be marketed to investors in the European Economic Area
- No withholding tax on dividends paid by Luxembourg funds
- Possibility to list shares or units on stock exchange.

### A LEADING DOMICILE FOR SUSTAINABLE FUNDS

- The Sustainable Finance Disclosure Regulation (SFDR) and the European Taxonomy (Regulation (EU) 2020/852) requirements are applicable to Luxembourg UCITS. UCITS must include certain sustainability related information in their precontractual documents, websites and periodic reports. The extent of information to be disclosed is proportionate to the fund classification under SFDR.
- The Luxembourg Undertakings for Collective Investment (UCI) law foresees a reduction of the annual subscription tax if they invest a minimum of the proportion of their net assets in taxonomy-aligned activities. In order to be eligible for a reduced rate (from 0.01% to 0.04% instead of 0.05%), the portion of taxonomy-aligned assets needs to be certified by an independent auditor and an attestation must be transmitted to the tax administration.
- The Luxembourg Stock Exchange has the first dedicated platform for sustainable securities in the world, the Luxembourg Green Exchange (LGX) which already displays funds classified under Articles 8 and 9 of SFDR
- LuxFLAG, the pioneering finance-labelling agency, labels around 200 financial products from asset managers in over 16 countries.

## KEY FIGURES<sup>1</sup>



**SECOND LARGEST  
INVESTMENT FUND CENTER**

in the world after the US



**EUR 5,028  
BILLION**

of net assets



**330+**

authorized fund managers

Luxembourg is the European leader in responsible investment fund assets, accounting for 34% of funds and 35% of all assets under management in European responsible investment funds<sup>2</sup>

## USEFUL LINKS

### SUPERVISOR

[Commission de Surveillance  
du Secteur Financier | CSSF](#)

### STOCK EXCHANGE

[Luxembourg Stock  
Exchange | LuxSe](#)

### LOCAL PROMOTION AGENCY

[Luxembourg for Finance](#)

### INDUSTRY ASSOCIATION

[Association of the  
Luxembourg Fund  
Industry | ALFI](#)

## UCITS

### LAW OF 17 DECEMBER 2010 (COORDINATED VERSION)

- UCITS are subject to authorisation by the CSSF. Minimum capital of EUR 1,250,000 must be reached within six months from the date of authorisation. The minimum capital of a self-managed UCITS SICAV is EUR 300,000 when authorised by the CSSF
- A UCITS must appoint a management company (if not self-managed), a Luxembourg depository, a Luxembourg auditor and an administrator, registrar and transfer agent which must be located in Luxembourg if the management company is in Luxembourg
- UCITS may invest in transferable securities such as equities, bonds, money market instruments, investment funds and certain derivatives and in techniques and instruments related to transferable securities
- A prospectus, Key Information Document (KID), financial statements (at least audited annually and unaudited semi-annually) and periodic disclosures are mandatory
- It can be marketed to all investors benefitting from EE/EEA passport and has no minimum investment by a shareholder or unitholder
- The Net Asset Value (NAV) must be calculated at least twice a month

<sup>1</sup> Data available at <https://www.cssf.lu/en/statistics/>

<sup>2</sup> Source: <https://www.luxembourgforfinance.com/wp-content/uploads/2019/12/Sustainable-finance-brochure.pdf>

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### MARKET INSIGHT:

In 2022, UCITS represent 81% of the total net assets of Luxembourg regulated funds. While most tier 1 fund managers are already managing Luxembourg UCITS, some have recently made Luxembourg their main hub. Second tier sponsors continue to enter the market as well.

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## PART II FUNDS

### PART II OF LAW OF 17 DECEMBER 2010 (COORDINATED VERSION)

- They can be set as a SICAV/F, FCP or Limited Partnership structure
- Prior to set up, Law 2010 Part II UCIs require authorisation, Luxembourg management company (if not internally managed), Luxembourg depositary, Luxembourg audit, Luxembourg administrator, registrar and transfer agent
- They can benefit from EU/EEA passport if they are managed by an authorised Alternative Investment Fund Manager (AIFM), otherwise they are subject to national private placement regimes.
- There is no minimum investment by a shareholder or unitholder
- Flexible investment policy: these UCIs can invest in transferable securities, alternative investments (e.g. hedge funds), venture capital, futures contracts and options, and real estate
- The NAV must be calculated at least monthly and, if managed by an authorised AIFM, the NAV must be calculated at each share issue
- Mandatory documentation consists of the prospectus, KID, financial statements (at least audited annual and unaudited semi-annual) and periodic disclosures (for full AIFM regime AIFs)

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### MARKET INSIGHT:

Historical vehicle to provide alternative strategies to a wider pool of investors. After a period of stagnation, interest is increasing again due to retail investors' growing appetite for alternative assets.

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## SPECIALISED INVESTMENT FUND (SIF), IN CORPORATE OR PARTNERSHIP FORM

### LAW OF 13 FEBRUARY 2007

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (Société d'Investissement à Capital Fixe or SICAF) or a common fund (FCP)
- SIFs require prior to set-up authorisation, a Luxembourg management company (if not internally managed), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent
- They must be marketed only to well-informed investors. They can benefit from an EU/EEA passport if managed by an authorised AIFM. Otherwise, they are subject to national private placement regimes
- The minimum investment by a shareholder or unitholder is EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities
- A SIF cannot invest more than 30% of its assets, or its commitments to subscribe, to securities of the same nature issued by the same issuer

- A prospectus or offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs) are mandatory
- If a SIF is managed by an authorised AIFM, the NAV must be calculated at each issue or subscription or redemption or cancellation of shares or units and at least once a year; in any case, the NAV is required for reporting purposes

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### MARKET INSIGHT:

SIFs are an important legal structure for private capital funds, but have experienced declining market share since the introduction of the RAIF regime.

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## RESERVED ALTERNATIVE INVESTMENT FUND (RAIF)

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (SICAF) or an investment company in risk capital (Société d'investissement en capital à risque or SICAR), as well as a limited partnership or a common fund
- Require an authorised external AIFM (established in Luxembourg, another EU Member State or in a third country), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent
- No fund authorisation is required, enabling efficient time-to-market
- They can be exclusively marketed to well-informed investors and can benefit from the distribution passport of the AIFM
- Minimum subscription amount of EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities
- Flexible investment policy: the RAIF is either subject to SIF diversification rules (see above) or SICAR asset eligibility requirement in case it opts in for the SICAR special tax regime
- The mandatory documentation consists of an offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs)
- The NAV must be calculated on the occasion of each issue or subscription or redemption or cancellation of shares or units and at least once a year; or in any case, the NAV is required for reporting purposes

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### MARKET INSIGHT:

Highly popular vehicle since inception (as of 2023 Q2, 2,330 RAIFs established since 2016) due to its flexibility and speed to market.

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**PRIVATE  
ASSETS**

# FUND VEHICLES FOR PRIVATE ASSETS

## LUXEMBOURG ENVIRONMENT

### A VARIETY OF LEGAL WRAPPERS ADAPTED TO INVESTOR TARGETS AND INVESTMENT POLICY

- Reserved Alternative Investment Funds (RAIF), Specialised Investment Funds (SIF), investment companies in risk capital (Société d'investissement en capital à risque or SICAR) and Securitisation vehicles.
- Complemented by flexible company and partnerships laws.

### FACILITATING TAILORED AND FLEXIBLE PRODUCT DESIGN

- Open-ended, semi open-ended and closed-ended private funds may all be structured using a variety of Luxembourg legal vehicles, including Limited Partnership legal structures (common limited partnership or SCS<sup>1</sup> and special limited partnership or SCSp<sup>2</sup>) leaving extensive contractual freedom to partners.
- Luxembourg debt funds can originate, participate, syndicate loans and accommodate all types of debt strategies including investments in secondary debt, mezzanine and distressed loans.
- Possibility to adopt flexible accounting option principles including International Financial Reporting Standards (IFRS), Luxembourg Generally Accepted Accounting Principles (GAAP), US GAAPs or Limited Partnership Agreements' bespoke requirements.

<sup>1</sup> Société en commandite simple

<sup>2</sup> Société en commandite spéciale

## KEY FIGURES<sup>3</sup>

**+24% IN 2022**

AUM OF REGULATED REAL ESTATE  
INVESTMENT FUNDS INCREASE

**+45% IN 2022**

AUM OF PRIVATE DEBT FUNDS INCREASE,  
TOTALLING EUR 267.8 BILLION

**+20% IN 2022**

OF REGULATED PRIVATE EQUITY FUNDS  
INCREASED, TOTALLING EUR 164.3 BILLION

**2,330+ RAIFs**

ESTABLISHED SINCE 2016

<sup>3</sup> ALFI Annual Report 2023

## USEFUL LINKS

### STOCK EXCHANGE

[Luxembourg Stock Exchange | LuxSe](#)

### LOCAL PROMOTION AGENCY

[Luxembourg for Finance](#)

### INDUSTRY ASSOCIATIONS

[Luxembourg Private Equity Association | LPEA](#)

## RESERVED ALTERNATIVE INVESTMENT FUND

### (RAIF)

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (SICAF) or an investment company in risk capital (Société d'investissement en capital à risque or SICAR), as well as a limited partnership or a common fund.
- Require an authorised external AIFM (established in Luxembourg, another EU Member State or in a third country), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent.
- No fund authorisation is required, enabling efficient time-to-market.
- They can be exclusively marketed to well-informed investors and can benefit from the distribution passport of the AIFM.
- Minimum subscription amount of EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities.
- Flexible investment policy: the RAIF is either subject to SIF diversification rules or SICAR asset eligibility requirement in case it opts in for the SICAR special tax regime.
- The mandatory documentation consists of an offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs).
- The NAV must be calculated on the occasion of each issue or subscription or redemption or cancellation of shares or units and at least once a year; or in any case, the NAV is required for reporting purposes

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### MARKET INSIGHT:

Highly popular vehicle since inception due to its flexibility and speed to market.

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## SPECIALISED INVESTMENT FUND (SIF)

### IN CORPORATE OR PARTNERSHIP FORM (LAW OF 13 FEBRUARY 2007)

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (Société d'Investissement à Capital Fixe or SICAF) or a common fund (FCP)
- SIFs require prior to set-up authorisation, a Luxembourg management company (if not internally managed), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent
- They must be marketed only to well-informed investors. They can benefit from an EU/EEA passport if managed by an authorised AIFM. Otherwise, they are subject to national private placement regimes
- The minimum investment by a shareholder or unitholder is EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities

- A SIF cannot invest more than 30% of its assets, or its commitments to subscribe, to securities of the same nature issued by the same issuer
- A prospectus or offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs) are mandatory
- If a SIF is managed by an authorised AIFM, the NAV must be calculated at each issue or subscription or redemption or cancellation of shares or units and at least once a year; in any case, the NAV is required for reporting purposes

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### MARKET INSIGHT:

SIFs are an important legal structure for private capital funds, but have experienced declining market share since the introduction of the RAIF regime.

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## SICAR

### (LAW OF 15 JUNE 2004)

- Investment vehicle designed specifically to suit the needs of private equity and venture capital
- Restricted eligibility : investing in capital at risk assets with the intention to ultimately dispose the assets
- Flexible investment policy: no portfolio diversification requirement
- Stringently regulated and supervised vehicle (requiring ex-ante regulatory approval)
- Institutional and professional qualified investors only
- SICAR is exempt of subscription tax. It may benefit from double tax treaties as a fully taxable Luxembourg company.

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### MARKET INSIGHT:

Value of assets under management is almost 10 times lower than SIFs. Although growth is very limited, SICARs remain used as an investment platform for top tier private equity firms.

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## UNREGULATED ALTERNATIVE INVESTMENT FUND (AIF) IN CORPORATE OR PARTNERSHIP FORM

- No investment restrictions
- Indirect supervision (only if qualified as AIFs)
- Institutional and professional investors only
- Single legal entity: not possible to create ring-fenced compartments.

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### MARKET INSIGHT:

Highly popular, notably since increased tailoring of limited partnership vehicles to the needs of the industry in 2014.

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# SECURITISATION VEHICLE

## (LAW OF 22 MARCH 2004)

- May be regulated, or unregulated where the securitisation vehicle does not make more than three issuances a year to the public
- Offers investors a very flexible regime, a high level of protection and legal certainty
- Can be set as corporate entities or funds with no legal personality managed by a management company
- Possibility to quickly set up multiple compartments while ring fencing assets/liabilities.

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### MARKET INSIGHT:

Efficient intermediary holding vehicle for debt strategies.

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# EUROPEAN LONG-TERM INVESTMENT FUND (ELTIF)

## (REGULATION (EU) 2015/760)

- Must qualify as an alternative investment vehicle under AIFMD
- It is usually set-up as a Part II UCI, a RAIF, or a Luxembourg SIF
- Available to both institutional and retail investors. Additional requirements apply to ELTIFs distributed to retail investors
- Eligible investments include debt and equity instruments in all unlisted companies, real assets, infrastructure, other alternative investment funds and ELTIF under specific conditions.
- ELTIFs are restricted from the following asset types and strategies
  - Investments in short sell assets
  - Direct or indirect exposure to commodities
  - Securities lending, borrowing, repurchase transactions or any other agreement that has an equivalent economic effect and poses similar risks, if thereby more than 10% of the ELTIF assets are affected
  - Financial derivative instruments (except for hedging purposes)
- Regulated and supervised vehicle (requiring ex-ante regulatory approval)
- ELTIF in Luxembourg are exempted from the annual subscription tax. Certain countries provide favorable tax incentives to invest in ELTIFs.

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### MARKET INSIGHT:

This ELTIF product has been very slow to take off due to the complexity of the requirements. Interest has grown in the last two years with a number of tier one asset managers launching ELTIFs, notably due to certain national tax incentives or favorable treatment as an investment underlying a life insurance policy. ELTIF 2.0 has brought significant simplification and make the product more attractive with clarification and flexibility in the eligible assets requirements, removal of barriers for retail investors and additional provisions on liquidity windows mechanisms.

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## PART II FUNDS

### (PART II OF LAW OF 17 DECEMBER 2010 (COORDINATED VERSION))

- They can be set as a SICAV/F, FCP or Limited Partnership structure
- Prior to set up, Law 2010 Part II UCIs require authorisation, Luxembourg management company (if not internally managed), Luxembourg depositary, Luxembourg audit, Luxembourg administrator, registrar and transfer agent
- They can benefit from EU/EEA passport if they are managed by an authorised Alternative Investment Fund Manager (AIFM), otherwise they are subject to national private placement regimes.
- There is no minimum investment by a shareholder or unitholder
- Flexible investment policy: these UCIs can invest in transferable securities, alternative investments (e.g. hedge funds), venture capital, futures contracts and options, and real estate
- The NAV must be calculated at least monthly and, if managed by an authorised AIFM, the NAV must be calculated at each issue
- Mandatory documentation consists of the prospectus, KID, financial statements (at least audited annual and unaudited semi-annual) and periodic disclosures (for full AIFM regime AIFs).

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#### **MARKET INSIGHT:**

Historical vehicle to provide alternative strategies to a wider pool of investors. After a period of stagnation, interest is increasing again due to retail investors' growing appetite for alternative assets.

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# LIQUID ALTERNATIVES

# FUND VEHICLES FOR LIQUID ALTERNATIVES

## LUXEMBOURG ENVIRONMENT

### A VARIETY OF FUND REGIMES WITH DIFFERENT LEVELS OF PRODUCT REGULATION

- Specialised Investment Funds (SIF), Reserved Alternative Investment Funds (RAIF), Undertakings for Collective Investment in Transferrable Securities (UCITS) or part II Undertakings for Collective Investment (UCI)
- Complemented with flexible company and partnerships laws.

### ALLOWING FOR TAILORED AND FLEXIBLE PRODUCT DESIGN

- Possibility to structure fund as single funds with or without multiple share classes, umbrella funds with multiple sub-funds, master-feeder structures
- Depending on the investment strategy and investor type, hedge funds can be structured with tailored liquidity terms
- Uses a variety of Luxembourg legal vehicles including Limited Partnership legal structures (common limited (common limited partnership or SCS<sup>1</sup> and special limited partnership or SCSp<sup>2</sup>), offering extensive contractual freedom to partners
- Alternative investment funds under the form of an SCSp can adopt flexible accounting option principles: International Financial Reporting Standards (IFRS), Luxembourg Generally Accepted Accounting Principles (GAAP), US GAAPs or other accounting standards considered as equivalent to IFRS by the EU Commission.

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<sup>1</sup> Société en commandite simple

<sup>2</sup> Société en commandite spéciale

## KEY FIGURES<sup>3</sup>

**2<sup>ND</sup> LARGEST FUND  
DOMICILE GLOBALLY**

**1<sup>ST</sup> DOMICILE  
FOR ALTERNATIVE UCITS**

**DISTRIBUTED IN 70 COUNTRIES<sup>4</sup>  
LUXEMBOURG FUNDS**

**6,500+ SCSp CREATED SINCE 2013**

<sup>3</sup>ALFI Annual Report 2022 and CSSF Statistics as at 30 April 2022

<sup>4</sup>ALFI - Countries where Luxembourg funds are registered for sale

## USEFUL LINKS

### STOCK EXCHANGE

[Luxembourg Stock Exchange | LuxSe](#)

### LOCAL PROMOTION AGENCY

[Luxembourg for Finance](#)

### INDUSTRY ASSOCIATIONS

[ALFI](#)

## SPECIALISED INVESTMENT FUND (SIF), IN CORPORATE OR PARTNERSHIP FORM (LAW OF 13 FEBRUARY 2007)

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (Société d'Investissement à Capital Fixe or SICAF) or a common fund (FCP)
- SIFs require prior to set-up authorisation, a Luxembourg management company (if not internally managed), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent
- They must be marketed only to well-informed investors. They can benefit from an EU/EEA passport if managed by an authorised AIFM. Otherwise, they are subject to national private placement regimes
- The minimum investment by a shareholder or unitholder is EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities
- A SIF cannot invest more than 30% of its assets, or its commitments to subscribe, to securities of the same nature issued by the same issuer
- A prospectus or offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs) are mandatory
- If a SIF is managed by an authorised AIFM, the NAV must be calculated at each issue or subscription or redemption or cancellation of shares or units and at least once a year; in any case, the NAV is required for reporting purposes.

### MARKET INSIGHT:

SIFs is a popular fund regime for hedge funds, but have experienced declining market share since the introduction of the RAIF regime.

## RESERVED ALTERNATIVE INVESTMENT FUND (RAIF)

- Can be structured as an investment company with variable capital (SICAV), an investment company with fixed capital (SICAF) or an investment company in risk capital (Société d'investissement en capital à risque or SICAR), as well as a limited partnership or a common fund
- RAIFs require an authorised external AIFM (established in Luxembourg, another EU Member State or in a third country), a Luxembourg depositary, a Luxembourg auditor, a Luxembourg administrator, a registrar and a transfer agent
- No fund authorisation is required, enabling efficient time-to-market

- They can be exclusively marketed to well-informed investors and can benefit from the distribution passport of the AIFM
- Minimum subscription amount of EUR 100,000 or less if the investor's expertise, experience and knowledge can be certified by certain regulated financial entities
- Flexible investment policy: the RAIF is either subject to SIF diversification rules (see above) or SICAR asset eligibility requirement in case it opts in for the SICAR special tax regime
- The mandatory documentation consists of an offering document, KID, financial statements (at least audited annually) and periodic disclosures (for full AIFM regime AIFs)
- The NAV must be calculated on the occasion of each issue or subscription or redemption or cancellation of shares or units and at least once a year; or in any case, the NAV is required for reporting purposes.

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### **MARKET INSIGHT:**

Highly popular vehicle since inception due to its flexibility and speed to market.

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## **UCITS**

### **LAW OF 17 DECEMBER 2010 (COORDINATED VERSION)**

- UCITS are subject to authorisation by the CSSF. Minimum capital of EUR 1,250,000 must be reached within six months from the date of authorisation. The minimum capital of a self-managed UCITS SICAV is EUR 300,000 when authorised by the CSSF
- A UCITS must appoint a management company (if not self-managed), a Luxembourg depositary, a Luxembourg auditor and an administrator, registrar and transfer agent which must be located in Luxembourg if the management company is in Luxembourg
- UCITS may invest in transferable securities such as equities, bonds, money market instruments, investment funds and certain derivatives and in techniques and instruments related to transferable securities
- Risk framework limiting the use of leverage
- Within the constraints of the product rules, it is possible to implement short equity strategy trading liquid stocks, strategies trading futures contracts (commodity trading advisor, global macro) or other strategies trading mainly derivatives (total return swap, interest rate swap)
- A prospectus, KID, financial statements (at least audited annually and unaudited semi-annually) and periodic disclosures are mandatory
- It can be marketed to all investors, benefits from EU/EEA passport and has no minimum investment by a shareholder or unitholder
- The NAV must be calculated at least twice a month.

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### **MARKET INSIGHT:**

50% of the alternative UCITS sub-funds are domiciled in Luxembourg.

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FOR ADDITIONAL INFORMATION, PLEASE CONTACT



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