

Fundraising in Europe 101: Deciding your domicile - 5 Questions Answered

Below is a selection of the questions our attendees asked following our webinar, European fundraising 101: Deciding your domicile, held last month. Our expert panel comprising Alexandrine Armstrong-Cerfontaine, Partner Goodwin Procter; Gregg Beechey, Partner Fried Frank; and Aztec Group's [Marcia Rothschild](#), European Desk Head, and Head of Investor Services for the U.S., [Sadrack Belony](#), pooled their experience to answer them comprehensively.

1. There is a narrative that Ireland makes the most sense for U.S. and UK managers. Will the potential changes to the [Irish AIF Rulebook](#) make Ireland more competitive compared to Luxembourg?

It is a narrative, but not the only one, since historically many investors and fund managers have regarded Luxembourg as more attractive than Ireland. However, the Central Bank of Ireland's recent changes to the Irish AIF Rulebook have leveled the playing field across both jurisdictions. Overall, the difference between Ireland and Luxembourg remains finely balanced and many factors might play into which one works best for managers and their potential investors.

2. What choices are you seeing managers make when considering master feeder, co-investment and parallel funds?

For a master-feeder to be eligible for the Alternative Investment Fund Manager Directive (AIFMD) passport both the master and feeder need to be established in the European Economic Area (EEA), so it must be set up in either Luxembourg or Ireland, leaving little scope for creativity. By contrast, parallel funds may be established in all sorts of locations. As regards co-investments, these vehicles are

set up for investment opportunities offered by a manager or lead sponsor to investors to participate in one or more investments alongside an existing fund structure. There are many alternative structures that may be considered and various reasons why a co-investment is an appropriate solution. For example, an investment exceeds the available undrawn capital of a fund, an investment would otherwise breach fund-level investment restrictions, the vehicle may be useful taking into account portfolio construction and/or diversification considerations, or there may be a strategic benefit to bringing in a particular co-investor.

3. Does it make any difference what domicile a U.S. manager chooses if they are setting up a semi-liquid fund to fundraise in Europe? And what is the distribution benefit for using a UCI Part II if the AIFMD marketing passport remains limited to professional investors?

In theory there is no difference, however in practice a jurisdiction with a well understood semi-liquid structure, for example Luxembourg's UCI Part II may be more suitable because of investor and distributor familiarity. You can read more about operating semi-liquid funds [here](#).

So, the benefit of using a UCI Part II primarily lies in investor and distributor familiarity. Also, certain EEA regulators are more prepared to allow marketing of Part II funds to retail investors despite the lack of a passport because it is at least a regulated retail product. You can read more about the classification of retail investors [here](#).

4. What are the trends and regulations around market sounding (separate to pre-marketing)?

This is a very difficult question to answer in isolation, because the breadth of the pre-marketing definition makes any market soundings outside the pre-marketing regime (so called pre-pre-marketing) quite nuanced and difficult to manage. You can read more about it in this [chapter](#) of our comprehensive guide to fundraising in Europe for U.S. fund managers.

5. Can you differentiate Luxembourg and Switzerland as domiciles for a new European infrastructure fund with investors and target assets primarily in Europe and UK?

Switzerland is not in the European Union or EEA, so it does not offer any of the AIFMD advantages that Luxembourg does, which would be a clear disadvantage. You can read much more detail on the topic in this [chapter](#) of our comprehensive guide to fundraising in Europe for U.S. fund managers.

You can read our comprehensive [guide](#) for U.S. fund managers raising funds in Europe which features the expertise of our Aztec team along with a selection of experts in the area, including Gregg Beechy and Alexandrine Armstrong-Cerfontaine.

You can watch the full webinar recording here:

If you have additional questions that aren't covered here or simply want to discuss a topic raised here or during the webinar, please contact us.



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