# 6 reasons why Irish ICAVs are a go-to fund structure for U.S. managers

*The ICAV has rapidly become a preferred fund structure for U.S.-based asset managers seeking to raise and deploy capital across Europe, especially those pursuing direct lending strategies.* ***Kevin Hogan*** *and* ***Todd Werner*** *unpack why.*

Introduced under the ICAV Act 2015, the Irish Collective Asset-management Vehicle's (ICAV) popularity stems from a combination of tax efficiency, regulatory flexibility, and operational versatility, making it a go-to choice for cross-border fund structuring.

A decade on, this structure continues to increase in popularity as private credit, specifically direct lending, experiences significant growth globally and investor demand shifts more towards Europe. European direct lending assets under management (AUM) are reported to have hit a record $380 billion, more than 70% above pre-pandemic levels, according to a recent report. Meanwhile according to ACI, investor confidence in private credit continues to grow, with global AUM rocketing to $1.6 trillion in mid-2024. Preqin's recently released Private Markets in 2030 report forecasted direct lending's annualized AUM growth at 11.2% between 2024 and 2030, with AUM nearing $1.68tn in five years' time.

Direct lending now represents over half of private credit's global AUM and is growing faster than any other private credit strategies cementing its dominance within the wider sector. While the U.S. direct lending market is well established, there's significant opportunity for growth in the European market, with the ICAV seen as a vehicle GPs can use in Europe, to structure products for European investors.

The ICAV is specifically designed to meet these evolving needs of global investment managers operating across all private asset classes. It specifically meets many of the requirements of U.S. fund managers looking to fundraise in Europe, especially those with direct lending strategies, primarily because it avoids U.S. tax exposure on loan origination.

Establishing an ICAV presents U.S. fund managers with several benefits when fundraising in Europe – including:

## 1. Private markets relevance

Unlike traditional Irish corporate structures like the Variable Capital Company (VCC), the ICAV was purpose-built for investment funds. It's not subject to general Irish company law, which reduces administrative burdens and future-proofs the structure against changes in corporate legislation. ICAVs are not required to hold annual general meetings (AGMs) if shareholders agree, and amendments to their constitutional documents can be made without shareholder approval if certified by the depositary.

## 2. Tax efficiency and U.S. compatibility

One of the most compelling reasons for U.S. fund managers to choose the ICAV is its favorable tax treatment, particularly under the Ireland-U.S. Double Taxation Agreement. Key benefits include:

- No Irish tax at the fund level on investment returns
- No withholding tax on distributions to non-Irish investors
- Exemption from Irish VAT on management fees
- The ICAV is not treated as engaging in a U.S. trade or business

This means by using an ICAV, managers avoid complex tax filings and potential exposure to U.S. taxation. For example, a U.S. private credit fund established as an ICAV can appoint a U.S.-based investment advisor to originate loans in the U.S. without triggering U.S. trade or business rules. Additionally, ICAVs can elect to be treated as partnerships for U.S. tax purposes under the IRS "check-the-box" rules. This avoids the Passive Foreign Investment Company (PFIC) classification, which can be punitive for U.S. taxable investors.

## 3. Regulatory and operational flexibility

The ICAV is regulated by the Central Bank of Ireland (CBI) and can be structured as either open-ended or closed-ended, or as a standalone or umbrella with multiple sub-funds, each with segregated liability. This means managers can run multiple strategies under one legal entity, reducing setup and operational costs.

As an example, a U.S. manager might launch a real estate sub-fund and a private credit sub-fund under the same ICAV umbrella, each with different investor bases and strategies, but sharing the same governance and service provider infrastructure. You can read about the recent Central Bank of Ireland proposed amendments to the AIF Rulebook here.

## 4. AIFMD passporting and fast-track approval

ICAVs are eligible for the Alternative Investment Fund Managers Directive (AIFMD) passport, allowing them to be marketed across the EU to professional investors. This is a major advantage for U.S. managers looking to tap into European institutional capital. In addition, ICAVs structured as Qualifying Investor AIFs (QIAIFs) can benefit from the CBI's 24-hour fast-track approval process, significantly reducing time to market.

## 5. Investor familiarity and global acceptance

The ICAV structure is similar to the Société d'Investissement à Capital Variable (SICAV) used in Luxembourg and other EU jurisdictions, making it familiar to institutional investors. Its corporate form with legal personality also aligns with the expectations of U.S. investors, who are often more comfortable with corporate structures than with trusts or partnerships .

Monterey Insight – Ireland Fund Report 2024 reported that by the end of 2024 there were 309 active private credit ICAVs registered with a total NAV of $59 billion. Of those, 63% have U.S. promoters including Apollo, Bain, Blackrock and KKR, some of the biggest names in the asset class, proving it's a tried and tested vehicle that GPs trust and are familiar with.

## 6. Robust governance and compliance

Despite its flexibility, the ICAV maintains strong governance standards. It must have a board of directors, including at least two Irish-resident directors, it must appoint an AIFM, depositary, and administrator. It's also subject to regular reporting and annual audited financial statements in line with AIFMD requirements. This maintains the balance between flexibility and oversight.

For U.S. managers, especially those with a direct lending strategy, one of the

biggest challenges is the risk that the fund could be deemed to be engaged in a U.S. trade or business, which would subject it to U.S. federal income tax and filing obligations. The ICAV neutralises this risk.

Overall, Ireland also has a seasoned supply of service providers experienced in private markets including administrators, legal advisors, and depositaries. This ecosystem also supports complex loan servicing and reporting, compliance with AIFMD and investor transparency requirements, and scalable infrastructure for large and growing private credit platforms.

The ICAV's tax neutrality, operational efficiency, and regulatory alignment with both U.S. and EU standards make it a uniquely attractive vehicle, which is why it has emerged as a strategic enabler for U.S. fund managers seeking to raise capital in Europe.

## At a glance:

| Advantage | Why it matters for direct lending |
|---|---|
| U.S. tax shield | Avoids U.S. trade/business risk when originating loans |
| Treaty access | Enables tax-efficient structuring for U.S. and global investors |
| Regulatory clarity | Fast-track approval and AIFMD passporting |
| Operational versatility | Supports multi-strategy, multi-investor platforms |
| Investor confidence | Familiar, onshore EU structure with strong governance |

The ICAV is one of several fund structure options available in Europe. Navigating the complexities of choosing a fund structure and administering it can be challenging and time-consuming.

This is where a specialist fund administrator becomes invaluable. A private markets administrator with a proven track record in Europe, can guide managers efficiently through the process. For a comprehensive guide for U.S. managers raising funds in Europe, read here.

With a footprint in Ireland, Aztec can provide introductions to experienced service providers such as lawyers, auditors and tax advisors. If you'd like to know more

about the ICAV and how we can support in establishing and administering yours, please contact us directly.




