Preface

The International Financial Products and Services Committee ("IFPSC") publishes a newsletter on a quarterly basis focusing on new international and comparative legal, regulatory, and supervisory issues related to financial institutions worldwide.

The next Issue of the IFPSC’s newsletter will be issued in March 2017.

If you have any comments or are interested in taking a part of the next newsletter or any other IFPSC’s publications, please do not hesitate to contact the Vice-Chair for Publications and Year-In-Review at IFPSC who is currently:

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Untying the Gordian Knot: Progressive Liberalization Of Foreign Exchange Controls in Argentina

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I. Introduction

During 2015 the then-presidential candidate Mr. Mauricio Macri promised the electorate that he would do away with the so-called “foreign exchange deadlock” (FX Deadlock or cepo cambiario) in Argentina. Cepo cambiario was a part of the approximately 2,500 “A” communications issued by the Central Bank of Argentina (CBA) since the end of 2001, a great number of which constituted a type of ‘Gordian Knot’ made of a complex net of foreign exchange (FX) controls that locked much of the cross-border flow of foreign currency into and out of Argentina.

Such process began on December 17, 2015 (as we reported in our previous article1), gradually easing several aspects of the foreign exchange controls and doing away with the “Foreign Exchange Deadlock”.

Then, on August 8, 2016, the CBA issued Communication “A” 6037, which introduced a major and substantive overhaul of the existing foreign exchange regulations on (i) general principles of the local single and free foreign exchange market (FX Market), (ii) payment of imports of goods, (iii) services and other transfers, (iv) financial indebtedness, (v) access by residents to the FX Market, (vi) derivatives and (vii) FX transactions with non-residents. Subsequently the index of code of concepts was reduced so as to expedite FX transactions2. Communication “A” 6039 has been further amended by the CBA.

These regulations put an end to almost 15 years of tight and confusing FX controls in Argentina.

Very recently, the CBA issued Communication “A” 6094 (11/4/16) by which it abrogated regulatory restrictions on the purchase and sale of foreign currency allowing FX transactions in several other facilities or locations than those formerly authorized, with more flexible business hours of operations.

The purpose of this article is to briefly review the most significant changes introduced, showing how the Federal Government has maintained its promise to create a more flexible FX Market, with the ultimate goal of luring, facilitating and increasing incoming foreign investments in Argentina.

II. General Principles

Every FX transaction must be performed at the exchange rate freely agreed to by the parties, subject to CBA’s regulations, through a CBA authorized entity. Every FX transaction must be

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2 CBA Communication “A” 6039 (8/8/16), by which the number of existing code of concepts (315) was slashed to 72.
recorded before the CBA by such entity, and be documented by a
FX slip or deed. The intervening entity must notify the client about
the receipt of funds not later than 24 business hours after the
date of such credit in the correspondent bank’s account.

Business hours for foreign exchange transactions have been
deregulated.

Residents may access to the FX Market for (i) incoming transfers
and payments related to transactions with non-residents; (ii)
payment of obligations with local financial entities and of issue of
foreign-currency-nominated debt securities, and (iii) the purchase
or sale of their own foreign assets.

Although the residents’ obligation to transfer the proceeds of the
exports of goods into Argentina and convert into Pesos still
remains, the mandatory term to do those has been extended
widely to five years for all kind of goods as from the date of their
lading (cumplido de embarque)\(^3\).

A very relevant change has been the simplification of the manner
for requesting and closing a FX transaction: the filing of a duly
signed FX affidavit of the relevant intervening financial or FX
entity, stating the transaction’s code of concept and the relevant
information of the ordering party (with proof of identity or
representation documents, if a juridical entity) and the beneficiary,
shall suffice for access to the FX market by residents and non-
residents alike, unless otherwise stated in specific FX regulations.
This releases clients from the duty to file a significant amount of
paperwork with the banks, with the associated reduction in costs
(such as notary fees, accounting certifications and fees for

\[^3\text{Resolution Nr 242/16, Ministry of Economy and Public Finances.}\]

Standard Anti-Money Laundering and Know Your Customer
statutory controls by banks and FX entities remain in place.

Another substantial change is the reinstatement of foreign
currency arbitrage with financial entities’ resident and non-
resident clients, allowing one to avoid the costly and bureaucratic
two-step process of selling incoming foreign currency (divisas) for
Pesos, and then purchasing foreign currency in Argentina (bills)
with Pesos (or vice-versa for outbound transfers). Now entities
may arbitrage the divisas vs. Pesos at a 1=1 ratio (or, if different
foreign currencies, at the applicable market FX rate for arbitrage
of the foreign currencies). If the intervening entity charges a fee
for such transaction, it must openly inform it to the public.

This means that if a resident has a foreign-currency-nominated
local bank account, he may order the local bank to credit foreign
currency received from abroad or debit it for further transfer
abroad. This is even possible with foreign currency bound to be
transferred to the FX Market and converted into Pesos (e.g.
proceeds of exports of goods and services, advanced payments
and pre-export financings).

Furthermore, financial entities’ clients may permanently authorize
their banks to credit all incoming foreign transfers of foreign
currency in such clients’ foreign-currency-nominated local
accounts, with a US$ 100,000 monthly cap in all the financial
entities, subject to certain requirements. If the transfer
corresponds to funds that are to be converted into Pesos, then
such conversion should be performed in a timely fashion.

Any infringement to FX regulations shall be punished under the
foreign exchange criminal regime (FXCR).
III. Payments of imports of goods

The existing Imports’ Payments Tracking System has been dismantled, and access to the FX market has been substantially simplified.

Imports may be payable in advance to the delivery date, at sight or at term (after the delivery date).

The FX access affidavit must be filed, jointly with proof of compliance with the “Financial and Private Non-Financial Debt Securities and External Indebtedness Reporting Regime” (Comm. “A” 3602) (Comm. “A” 3602) and the “Direct Investments Reporting Regime” (Comm. “A” 4237 as amended) (Comm. “A” 4237), if applicable.

The former DJAI system (Advance Sworn Import Declaration) is long gone. The existence of non-automatic import licenses does not preclude a resident from paying an import.

IV. Services and other transfers

Inbound transfers.

Foreign currency received by residents in connection with services rendered (export), and proceeds received from policies of insurance made with non-resident insurers, should be remitted to Argentina for further conversion into Pesos or credit in a foreign-currency-nominated account within 365 calendar days4 as from the date of their receipt abroad or in Argentina, or their credit in a foreign account. The amount to transfer shall be net of withholdings or discounts made abroad by the client or through an international and habitual offsetting agreement by which the net amount is made available to the resident.

The same terms and obligations apply to proceeds from the sale of non-financial, no-produced assets (being economic rights, such as fishing licenses, rights to minerals, space or electromagnetic spectrum, transfers of rights on sportsmen, patents, copyrights, concessions, leases, trademarks, and internet domains) by residents.

In both cases, such obligations shall not apply if the FX regulations allow the application or allocation of the proceeds to cancel foreign financial indebtedness.

Outbound transfers

The FX access affidavit, jointly with proof of compliance with Comm. “A” 3602 and Comm. “A” 4237, if applicable shall suffice for a resident to have access to the FX Market to pay foreign services, interest, earnings and dividends, and acquire or purchase non-financial, non-produced assets.

V. Financial Indebtedness

The proceeds of any foreign financial indebtedness of financial and private non-financial sector and local governments may not be transferred or liquidated into the local FX Market and thus may remain abroad. However, and with the exception of local governments, residents must report the indebtedness in Comm. “A” 3602.

All financial debts of the local financial and private non-financial sector with non-residents transferred into the FX Market must be agreed upon and cancelled after the passage of 120 calendar days (Mandatory Minimum Term), without the possibility of earlier cancellation of principal, irrespective of the manner of payment (with certain specific exceptions). If the disbursed funds are not

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4 The abrogated regulations set forth a 15 business-day term.
transferred into Argentina, the debt may be paid at any time without access to the FX Market (e.g. with funds abroad).

Access to the local FX Market by residents to pay the principal of foreign financial indebtedness requires proof of compliance with Comm. “A” 3602 and passage of the Mandatory Minimum Term.

Payments to foreign creditors of advanced payments and pre-export financing without the application of exports' proceeds abroad shall be treated as a financial debt subject to these regulations, except for the following cases, in which they shall maintain their foreign trade nature: (i) reimbursement of exports’ advanced payments due to delays to embark caused by a legal regulation or to rejection of the goods by importer and transfer back to the exporter; (ii) satisfaction of the balance of advanced payments and pre-export financing after application of exports’ proceeds if it does not exceed the higher of US$ 5,000 and 5% of the funds transferred into Argentina; and (iii) additionally to item (ii) hereinabove, the reimbursement to the foreign creditor of anticipated payments up to US$ 10,000 per calendar month in all the entities authorized to operate FX.

Any indebtedness of local subsidiaries to their foreign head offices and related entities shall be treated as a foreign debt with any kind of creditor (as opposed to treatment under the former regime, which required the prior CBA approval for payments of intercompany debts –approval that was very rarely granted-).

VI. Access by residents to the FX Market

Natural persons, local private sector juridical persons that are not entities authorized to operate FX, trusts and other estates, and local governments may access the FX Market absent prior CBA authorization, for direct investments by residents, foreign portfolio investments by residents, and purchase of foreign currency bills and traveller’s cheques. Certain requirements apply in case of purchases in excess of US$ 2,500 per calendar month (e.g. debit from a local bank account, local e-transfer, or cheque).

VII. Derivatives.

Residents may access the FX Market to pay premiums, constitute collaterals and cancel futures, forwards, swaps, options and other derivatives (Derivatives) settled in foreign institutionalized markets or with foreign counterparts (full-delivery settlement). In case of financial entities, such access is conditioned to compliance with the relevant CBA financial regulations.

The execution and cancellation of Derivatives, which settlement is performed in Argentina by compensation (set-off) in local currency are not subject to local FX regulations. These transactions fall under Argentine law; they are not distinguished by residency of the counterparts, and may not entail present or future obligations to make local payments of foreign currency or transfer foreign currency abroad.

VIII. FX transactions with non-residents

Local financial entities may grant access to the FX Market to certain non-residents for the sale of foreign currency to transfer abroad, and the sale of foreign currency bills, cheques and traveller’s cheques in foreign currency (these non-residents include international agencies, Export Credit Agencies, diplomatic representations, embassies and consulates and their personnel, local representatives of foreign tribunals and bureau, and bilateral agencies).

Likewise, the same access may be granted to other non-residents for transfers to their own foreign accounts of funds collected in Argentina, provided they reasonably demonstrate with
appropriate documentation that the funds correspond to selected
code of concept, without limit and absent prior CBA authorization.

Some of the most relevant concepts are as follows:

- payments at sight of Argentine imports;
- foreign debts caused in financial indebtedness granted by
  non-residents;
- yields of Sovereign Bonds issued in local currency;
- services, profits and other current transfers with abroad;
- repatriation of foreign direct investments in the private non-
  financial sector (in entities that do not control local financial
  entities) and/or real estate, as long as the foreign
  beneficiary resides or was incorporated in a cooperating
  jurisdiction, country or territory according to the Income
  Tax Law and its regulations, for any of the following
  concepts: sale of the direct investment, final liquidation o
  f the direct investment, capital reduction of the local entity,
  and reimbursement of irrevocable capital contributions by
  the local entity;
- collection of services or sale of other portfolio investments
  and their profits (stock portfolio, stakes in local entities,
  investments in mutual funds and local trusts, purchase of
  loans portfolio granted to residents by local banks,
  investments in Peso and foreign-currency-nominated local
  bonds payable locally and the purchase of other internal or
  domestic credits). In these cases, a local financial entity or
  FX agency should certify the expiration of the Minimum
  Mandatory Term between the date of liquidation of the
  foreign currency to constitute these investments and the
  date of their repatriation. Some exceptions apply to the
  Minimum Mandatory Term.

- Indemnification decided by local tribunals in favour of non-
  residents.

Access to the FX Market may be made by a resident on behalf of
a non-resident.

Any other FX transaction with residents is limited to US$ 10,000
per calendar month in all entities authorized to operate FX (e.g.
tourism).

IX. More freedom for FX transactions

The Federal Government is seeking to reduce the costs and
margins of FX intermediation. Three categories of FX offices have
been created, each with different scope of activities: FX houses,
FX agencies and FX bureau.

Now commercial banks and financial companies may hold stakes
in local and foreign FX houses or bureau. Although the CBA
remains as the enforcement authority that grants or rejects FX
houses and bureau licenses, the requirements for opening them
and even for opening new branches, are reduced (e.g. lower
minimum guarantees and capitals). Branches may be located on
the street, in hotels, tourist agencies, or car rental offices, and
even in restaurants and businesses in general. There are no
restrictions on hours of operation.

X. Conclusion

Full liberalization of FX controls in Argentina remains a current
topic on the agenda of the Executive Branch and the CBA.
Nevertheless, a large leap towards such goal has already been
made, and the not-so-long-ago twists and turns and by-passes
that a lay person or business man had to navigate in order to
remit foreign currency abroad or to receive the same, are over.
In the sphere of local banking, efforts regarding banking regulation levels are being made in order to simplify local banking transactions (e.g. regulations on electronic deposit of cheques, Communication “A” 6071, CBA). Coupled with that, the Tax Amnesty Law passed by National Congress\(^5\) is expected to generate a substantial incoming flow of foreign currency into Argentine banks and the loosening of FX controls seemed necessary in order to serve for that purpose.

So far the Federal Government has been able to loosen the Gordian Knot of FX regulations that had been tied tightly by the former Kirchner administration, without major disruption. Hopefully it will try to sever it completely in the near future.

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\(^5\) Law Nr. 27,260 as amended and its subsequent regulations.
New Classification of Brazilian Private Equity Investment Funds (FIPs) in Brazil

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The Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) issued CVM Instruction No. 578 (ICVM 578/2016), dated August 30, 2016, which modernizes the rules on the incorporation, functioning and administration of Private Equity Investment Funds (Fundos de Investimento em Participações - FIPs). The new classification of these Funds and other relevant issues are outlined herein.

I. Preliminary Considerations

Regarding its nature, the FIP is constituted in the form of a closed-end condominium. It is a communion of resources for the acquisition of the following assets (eligible assets): shares, subscription bonuses, unconvertible debentures and other securities convertible into or exchangeable for shares issued by publicly or privately-held corporations, as well as securities which represent participation in limited liability companies (sociedades limitadas). The Fund must participate in the decision-making process of the invested company with effective influence in defining its strategic policy and management.

The FIP can perform advances for future capital increase in publicly or privately-held corporations that form its portfolio, provided that: (i) on the date of implementation of the advance the FIP has an investment in shares of the company; (ii) this possibility is expressly provided for in the Fund’s regulation, including the subscribed capital which can be used for making the advance; (iii) any form of repentance of the advance by the FIP is prohibited; and (iv) the advance is used to increase the invested company’s capital within a maximum period of 12 months.

II. Decision-Making Process

The Fund's participation in the decision-making process of the invested company can occur through: (i) the holding of shares that integrate the respective control block; (ii) by entering into a shareholders' agreement; or (iii) the conclusion of any contract, agreement or legal business or the adoption of another procedure that ensures to the FIP the effective influence in defining its strategic policy and management, including by the appointment of members of the Board of Directors (Conselho de Administração).

However, the FIP’s participation in the decision-making process of the invested company is no longer required when: (i) the Fund's investment in the company is reduced to less than half the percentage originally invested and represents less than 15% of the share capital of the investee; or (ii) the book value of the investment has been reduced to zero and there is a resolution of the unit holders gathered in the general assembly approved by the majority of the subscribed units of the FIP, provided that the Fund’s regulation does not stipulate a higher quorum.

The requirement for effective influence in defining the strategic policy and management of the invested companies does not apply to the investment in any investee listed in a special segment on trading of securities established by the stock exchange or by an administrator entity of the organized over-the-counter market, returned to the access market, to ensure, through contractual bond, stricter corporate governance standards than those required by law, provided that it corresponds at up to 35% the subscribed capital of the FIP. This limit will be 100% during
the period of application of resources, established within six months of each of the events of payment of the units set forth in the investment commitment.

If the FIP exceeds the above-mentioned limit (35% the subscribed capital of the FIP) for reasons unrelated to the will of the manager, at the end of the respective month and such declassification will endure at the closure of the next month, the administrator must: (i) communicate immediately the occurrence of the declassification liability to CVM, together with the due justification, as well as present a forecast for reframing; and (ii) report to CVM the reframing of the portfolio at the time that it happens.

III. Governance Practices

The privately-held corporation must follow the following practices of governance: (i) to prohibit the issuance of founder shares and not to have outstanding securities of this kind; (ii) to establish a unified mandate of up to two years for all Board of Directors’ members (if there is a Board of Directors); (iii) to provide to the shareholders with copies of related party agreements, shareholders’ agreements and programs of call option of shares or other securities issued by the company; (iv) to adhere to the arbitration chamber for resolution of corporate conflicts; (v) if registered as a publicly-held corporation under Category A, to undertake before the FIP to join a special segment of the stock exchange or an administrator entity of the organized over-the-counter market to ensure the adoption of at least the corporate governance practices laid down in the previous items; and (vi) to do annual audit of its financial statements by independent auditors registered with CVM.

Minimum Investment Limits

The FIP must maintain at least 90% of its net worth invested in the eligible assets. As a general rule, the investment in unconvertible debentures is limited to 33% of the total subscribed capital of the Fund.

The FIP can invest in units of other FIPs or units of Stock Funds – Access Market (Fundos de Ações – Mercado de Acesso) to comply with the minimum threshold of 90%. The FIP investor is required to consolidate the applications of the invested funds, including for purposes of calculation of portfolio concentration limits, except the investments in funds managed by third parties not connected to the administrator or the manager of the FIP investor. The application in units of FIP that invests directly or indirectly in the FIP investor is prohibited.

IV. Overseas Investments

Investments abroad are also allowed. The FIP can invest up to 20% of its subscribed capital in foreign assets of the same economic nature of the eligible assets located in Brazil (domestic assets). Foreign assets are those assets whose issuer is: (i) headquartered outside Brazil; or (ii) has head office in Brazil and assets located abroad, corresponding to 50% or more of the total assets registered in its financial statements. The assets are deemed domestic assets if the issuer is headquartered abroad and has assets in Brazil, corresponding to 90% or more of the total assets registered in its financial statements.

These overseas investments can be made by the FIP, indirectly, through other funds or investment companies abroad, regardless

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7 CVM Instruction No. 480, of December 7, 2009 establishes two different categories of registry: (i) Category A, which authorizes the trading of any types of securities; and (ii) Category B, which excludes shares and share certificates of deposit as well as securities which attribute to the holder the right to acquire shares and share certificates of deposit as a result of the conversion or the exercise of inherent rights, provided that these securities are issued by the same issuer or by a company belonging to its economic group.

8 These requirements are contained in items I to VI of article 8 of ICVM 578/2016.

9 The exceptions to this rule are the FIP-E and the FIP-PD&I that can invest up to 100% of their total subscribed capital in unconvertible debentures.
of their form or legal nature. The FIP’s participation in the decision-making process of the invested abroad, with the effective influence on the definition of its strategic policy and management, must be ensured by the manager of the FIP in Brazil and can occur through the administrator or manager of the intermediate vehicle used for the overseas investment. The above-mentioned minimum requirements of corporate governance must be met by the invested abroad, subject to the necessary adaptations arising from the regulation of jurisdiction where the investment is located.

V. Classification of FIPs

The FIPs are classified in the following categories as to the composition of their portfolios: (i) Seed Capital (Capital Semente); (ii) Emerging Companies (Empresas Emergentes); (iii) Infrastructure (Infraestrutura - FIP-IE); (iv) Intensive Economic Production in Research, Development and Innovation (Produção Econômica Intensiva em Pesquisa, Desenvolvimento e Inovação - FIP-PD & I); and (v) Multi-strategy (Multiestratégia).

FIP – Seed Capital - Corporations or limited liability companies invested by FIP – Seed Capital; (i) must have annual gross revenues of up to BRL 16 million11 ascertained in the fiscal year ended year prior to the first contribution to the Fund without having presented revenue exceeding this limit in the last 3 (three) years; and (ii) are exempted from following the above-mentioned governance practices.

If, after the investment by the Fund, the invested company's annual gross revenue exceeds the limit of BRL 16 million, the invested company shall, within two years from the date of closure of the fiscal year in which it presents annual gross revenue in excess of the limit: (i) meet the provisions of items III, V and VI of article 8 of ICVM 578/2016, while its annual gross revenue does not exceed BRL 300 million; or (ii) comply with all the provisions of article 8 of ICVM 578/2016, if its annual gross revenue exceeds BRL 300 million. The annual gross revenue must be ascertained on the basis of the consolidated financial statements of the issuer.

Furthermore, corporations or limited liability companies cannot be controlled directly or indirectly, by a company or group of companies, in fact or in law, which shows total assets exceeding BRL 80 million or annual gross revenue higher than BRL 100 million at the close of the fiscal year immediately preceding the first contribution to the FIP. This provision does not apply when the company is controlled by another FIP, provided that the financial statements of the FIP are not consolidated in the financial statements of any of its unit holders.

If the FIP – Seed Capital is not qualified as an investment entity, in accordance with the specific accounting rules, the invested companies must have their annual financial statements audited by independent auditors registered with CVM.

The target audience of the FIP - Seed Capital comprises all qualified investors and not only professional investors.

11 The new regulation maintained two existing FIPs (FIP-IE and FIP-PD&I) and created three new categories (Seed Capital, Emerging Companies and Multi-strategy).
12 Pursuant to CVM Instruction No. 554 of December 17, 2014 (CVM Instr. 554/2014), the following entities are considered professional investors: (i) financial institutions and other institutions authorized to operate by the Central Bank of Brazil; (ii) insurance companies and capitalization societies; (iii) private welfare opened or closed capital organizations; (iv) individuals or legal entities that hold financial investments in an amount superior to R$ 10 million and that additionally attest in writing their qualified investor condition according to an own term, set forth in Annex 9-A to CVM Instruction No. 539, of November 13, 2013 (CVM Instr. 539/2013); (v) investment funds; (vi) investment clubs, provided they have the portfolio managed by a securities’ portfolio administrator authorized by CVM; (vii) autonomous investment agents and securities’ portfolio administrators, analysts and consultants authorized by CVM in relation to their own monies; and (viii) non-resident investors.

And the following entities are considered qualified investors: (i) professional investors; (ii) individuals or legal entities that hold financial investments in an amount superior to R$ 1 million and that additionally attest in writing their qualified investor condition.
FIP – Emerging Companies - The rules are quite similar but the limits are different. Corporations or limited liability companies invested by FIP – Emerging Companies: (i) must have annual gross revenues of up to BRL 300 million ascertained in the fiscal year ended year prior to the first contribution to the Fund without having presented revenue exceeding this limit in the last 3 (three) years; and (ii) are exempted from following the above-mentioned governance practices.

If, after the investment by the Fund, the invested company's annual gross revenue exceeds the limit of BRL 300 million, the invested company shall, within two years from the date of closure of the fiscal year in which present annual gross revenue in excess of the limit, comply with all the provisions of article 8 of ICVM 578/2016. The annual gross revenue must be ascertained on the basis of the consolidated financial statements of the issuer.

Corporations or limited liability companies cannot be controlled directly or indirectly, by a company or group of companies, in fact or in law, which shows total assets exceeding BRL 240 million or annual gross revenue higher than BRL 300 million at the close of the fiscal year immediately preceding the first contribution to the FIP. This provision does not apply when the company is controlled by another FIP, provided that the financial statements of the FIP are not consolidated in the financial statements of any of its unit holders.

FIP-IE and FIP-PD&I - The FIP-IE and the FIP-PD&I\(^{13}\) shall keep their respective net worth invested in shares, subscription bonuses, debentures convertible or not into shares, and other securities\(^{14}\) issued by publicly or privately-held corporations stocks, provided that they develop in the Brazilian territory new projects of infrastructure (in the case of the FIP-IE) or intensive economic production in research, development and innovation (in the case of the FIP-PD&I), in the sectors of: (i) energy; (ii) transport; (iii) water and sanitation; (iv) irrigation; and (v) other areas regarded as priorities by the Federal Executive Branch.

New projects are those implemented after January 22, 2007, as well as: (i) intensive economic production projects in research, development and innovation implemented after June 27, 2011 in accordance with Law No. 12,431, of June 27, 2011 by special purpose companies that comply with the regulation of the Science and Technology Ministry; and (ii) the expansion of existing projects, already implemented or in the process of being implemented, provided that the investments and the results of the expansion are segregated by means of the formation of a special purpose company.

Each FIP-IE and FIP-PD&I must have at least five unit holders. Each unit holder cannot hold more than 40% of the units issued by the FIP-IE or at FIP-PD&I or obtain a higher yield than 40% of the income of the Fund. The regulation and disclosure material of the FIP-IE and the FIP-PD&I, including the prospectus (if any) should highlight the tax benefits of the Fund and the unit holders, if any, and the conditions that must be met for maintenance of these benefits.

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\(^{13}\) The FIP-IE and the FIP-PD&I must start its activities and fit in the minimum level of investment within 180 days after the registration of its operation with CVM, as well as to revert any declassification arising from the closure of project in which the Fund has invested.

\(^{14}\) The “other securities” must be any of the eligible assets listed in article 5 of ICVM 578/2016.
FIP – Multi-strategy - The FIP - Multi-strategy is the one that does not qualify in the other categories because it admits the investment in different types and sizes of invested companies and will have the same benefits attributed to the FIP – Capital Seed and to the FIP – Emerging Companies, regarding to the exemption of governance practices, whenever it follows the rules applicable to such Funds.

This FIP can invest up to 100% of its subscribed capital in assets issued or traded abroad, if intended solely to professional investors, provided that: (i) there is a express provision in its regulation admitting the possibility of investment in foreign assets and establishing the maximum percentage of the subscribed capital which may be allocated; (ii) the regulation is explicit as regards the exclusive participation of professional investors; and (iii) the expression Investimento no Exterior (which means Overseas Investment) is included in its name.

VI. Different Classes of Units and Rights

Regardless of the type of investor, the FIP regulation may assign to one or more classes of units distinct financial and economic rights, exclusively as regards: (i) the fixing of administration and management fees; and (ii) the order of preference in the payment of income, depreciation or balance of liquidation of the Fund.

Beyond the above-mentioned financial and economic rights, different rights may also be attributed to FIPs intended exclusively to professional investors or those that receive direct financial support from promotion agencies (organismos de fomento).

The FIP that receives such direct financial support is authorized to borrow directly from promotion agencies, limited to 30% of the assets of the Fund. The exercise of this option is only allowed after obtaining the formal commitment of financial support from promotion agencies in making investments or granting funding in favor of the FIP. To this effect promotion agencies are multilateral organizations (organismos multilaterais), development agencies (agências de fomento) or development banks (bancos de desenvolvimento) that have funds arising out of contributions and dues paid mostly with budgetary resources of one or several Governments, and whose control is governmental or multi-governmental.

VII. General Assembly of Unit holders

In addition to other matters, the general assembly of unit holders of the FIP is privately competent to: (a) approve the acts that characterize potential conflict of interest between the FIP and its administrator or manager and between the FIP and any unit holder or group of unit holders having more than 10% of the subscribed units; (b) include any charges not provided for in ICVM 578/2016 or authorize its increase above the maximum limits established in the Fund’s regulation; and (c) approve the appraisal report of an independent specialist company for payment purposes of units in investment-related assets or rights (including credits) in companies in the process of judicial or extrajudicial recovery or financial restructuring, determining the fair value of such assets or rights.

The votes are calculated according to the quantity of the subscribed units, excluding the delinquent portion, i.e. the units subscribed and not paid in. Therefore, the delinquent portion must be excluded so much for voting power as for purposes of calculation of quorum. The unit holder who has been called upon to pay in the subscribed units and are in default on the date of convening the assembly have no voting rights in relation to their portion subscribed and not paid in.
service providers of the FIP and their respective partners, directors and employees; (v) the unit holder whose interest conflicts with the FIP’s interest; and (vi) the unit holder, in the event of deliberation on the evaluation reports of its/his/her assets that will contribute to the formation of the net worth of the FIP. These restrictions do not apply when the sole unit holders are the above-mentioned persons or if there is express consent of the majority of the other unit holders, manifested in the assembly, or in a proxy that refers specifically to the assembly that will allow the vote.

VIII. Administration and Management

The administration of the FIP comprises the set of services directly or indirectly related to the operation and maintenance of the Fund, which can be provided by the administrator or by a third party hired by the administrator on behalf of the Fund.

Only legal entities authorized by CVM for the professional exercise of securities portfolio management can be administrators of the FIP. The legal entity must appoint a director or managing partner responsible for the FIP’s representation at CVM.

The administrator can hire on behalf of FIP with third parties properly enabled and authorized, the following services to the Fund, with the exclusion of any other not listed: (i) management of the portfolio of the Fund; (ii) investment consulting; (iii) activities of treasury, control and processing of financial assets; (iv) distribution of units; (v) registration of issue and redemption of units; (vi) financial assets custody; and (vii) market maker for the units of the Fund.

As the representative of FIP, the administrator must hire the service providers, by careful prior analysis and selection of the contractor, and will sign the agreement as intervening consenting party.

The contracts for services of portfolio management, activities of treasury, control and processing of financial assets and registration of the issue and redemption of units shall contain a clause stipulating the joint and several liability (solidarity clause)16 between the administrator and the third-party service providers for any damages caused to the unit holders as a result of any conduct contrary to law, to the Fund’s regulation and the normative acts issued by CVM17.

The FIP administered by a financial institution does not need to hire the services of activities of treasury, when they are carried out by its administrators, which in this case are considered authorized to provide such services.

The management of the Fund's portfolio is the professional management of its assets, as set out in the FIP’s regulation, carried out by a legal entity accredited as securities portfolio administrator by CVM, with powers to: (i) negotiate and hire, on behalf of the Fund, the assets and the intermediaries to perform operations of the FIP, representing the Fund to this effect for all legal purposes; (ii) negotiate and hire, on behalf of the FIP, third parties for the provision of advisory and consulting services related directly with investment or divestment in assets of the Fund, as established in the FIP’s investment policy; and (iii) monitor the assets invested by the Fund and exercise the right to vote as a result of these assets, performing all other necessary actions, subject to the manager’s voting policy18.

16 The solidarity clause is not required by CVM in the case of the contract entered into between the administrator and the FIP’s manager given the particularities of this type of Fund.

17 Regardless of this joint and several liability, the administrator is responsible for any losses arising from its acts and omissions, whenever acting contrary to the law, the Fund's regulation or the normative acts issued by CVM. Furthermore, the administrator and each service provider is liable before CVM for its own acts and omissions contrary to the law, the Fund's regulation or the normative acts issued by CVM.

18 Certain responsibilities and obligations of the manager are wider. These responsibilities refer to the hiring of services related to investment or divestment, as well as the manager’s performance on pricing of investments of the FIP.
In the absence of a specific provision in the FIP’s regulation or in the contracts entered into between the administrator and the manager, the manager must forward to the administrator, within five working days after its signature, a copy of each document signed by the manager on behalf of the Fund, without prejudice to the submission, in the form and schedule established in advance by the administrator of any additional information allowing the administrator to correctly comply with its legal and regulatory obligations towards the Fund.

The market maker service can be provided by legal entities duly registered with the administrator entities of the organized markets. The administrator and manager of the FIP cannot provide the market maker service for the units of the Fund. The hiring of related parties to the administrator and manager of the FIP for this purpose must be previously approved by the general assembly of unit holders. The hiring and termination of market maker must be disclosed as a material fact.

Subject to any legal limitations and those provided for in ICVM 578/2016, the administrator has the powers to perform all acts necessary for the operation of the Fund, being responsible for its incorporation and the provision of information to CVM in accordance with ICVM 578/2016 and when requested.

The obligation to prepare the report about the operations and results of the Fund, accompanying the financial statements, is shared between the administrator and the manager. The manager is responsible for signing on behalf of the Fund the shareholders’ agreements of the investee companies, including a clause which confirms that the administrator intervened and agreed with such agreements. The manager is also responsible for maintaining an effective influence in defining the strategic policy and the management of the investee company, besides being responsible for ensuring its corporate governance practices.
IX. Disclosure of Information

The administrator of the FIP must forward to the unit holders, to the administrator entity of the organized market where the units of the Fund are admitted for trading and to CVM, the following periodic information:

(i) on a quarterly basis, within 15 days after the end of the respective calendar quarter: (a) the net worth value of the Fund; (b) the number of issued units; (c) the quantity of unit holders; (d) the profile of the unit holders, specifying the category, number of unit holders and percentage of units, as shown in Annex 46-I to ICVM 578/2016; and (e) the total committed capital and the subscribed and paid in amounts and up to the reference date;

(ii) semi-annually, within 150 days after the close of the respective calendar semester, the composition of the portfolio, listing the quantity and species of the securities that form such portfolio; and

(iii) annually, within 150 days after the close of the fiscal year: (a) the audited financial statements, together with independent auditors’ report and the report of the administrator and manager; (b) the classification of the Fund in accordance with the accounting principles adopted for the assessment of its investments; (c) the costs charged to the Fund, specifying its value and percentage in relation to the annual average net worth value of the Fund.

Among the eventual information that the administrator must provide to the unit holders and to CVM, in the case of a material change in the fair value of the investments of the FIP during the fiscal year, the following disclosures are required: (a) the report of the administrator and the manager with the justifications and details on the change of fair value; and (b) the effect of the new assessment of the results for the year and net worth value of the Fund.

In addition, in the event this type of change happens during the fiscal year, the Fund shall prepare its financial statements for the period between the date of beginning of the fiscal year and the date of the accounting recognition of that change, and submit it to the independent audit.

However, if the accounting effects of the material change in the fair value are recognized until two months prior to the closing date of the fiscal year, the preparation of these financial statements is dismissed.

X. Transitional Provisions

The deadline for adaptation to the provisions of ICVM 578/2016 is: (a) immediately, if the FIP performs any public offer of units registered or exempted from registration; (b) twelve months after the publication of ICVM 578/2016 for a going concern FIP.

The existing Mutual Funds Investing in Emerging Companies (Fundos Mútuos de Investimento em Empresas Emergentes - FMIEEs) can continue to operate in their current templates, without the need for adaptation. The extension of their term of duration, however, is prohibited, unless the new rules are duly observed by the investees.

XI. Preparation and Disclosure of Financial Statements

On August 30, 2016 CVM also issued CVM Instruction No. 579 (ICVM 579/2016), establishing the rules on accounting criteria of
recognition, classification and measurement of assets and liabilities, as well as the recognition of revenue, expenditure appropriation and information disclosure in the financial statements of the FIPs.

ICVM 579/2016 sets forth the requirements to qualify the FIPs as an investment entity or not. This qualification determines specific measurement criteria for the assets related to equity interests, forming the Fund's portfolio, and arises out of the convergence to the criteria contemplated in the international accounting standards issued by the International Accounting Standards Board (IASB).

It also establishes important criteria for the transition to the adoption of these standards, including the treatment of investments in equity interests existing before the term of validity of ICVM 579/2016. The opening balances on the initial adoption of the new accounting standards, that is, to the fiscal year started on or after January 1, 2017, must be adjusted to the criteria set forth in ICVM 579/2016.

It is expected that ICVM 579/2016 will promote significant improvement in the informational regime of the FIPs, unifying the accounting principles adopted in Brazil to those practiced internationally. This will certainly contribute to the generation of useful information for users, and enable comparability between the accounting information of these Funds.
Angel Investors in Brazil

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The concept of angel investor (investidor-anjo) was introduced under Brazilian legislation by Complementary Law No. 155, of October 27, 2016 (CL 155/2016), which amended Complementary Law No. 123, of December 14, 2016, to reorganize and simplify the methodology of calculation of tax due by those opting by the National Simple Tax (Simples Nacional), available for small business owners (empresa de pequeno porte - EPP) and micro business owners (microempresa - ME).

To encourage the activities of innovation and productive investments, companies regularly framed as ME or EPP will be able to receive injections of capital from angel investors, without such contributions forming part of the share capital of the company. Pursuant to CL 155/2016, angel investors are the individuals, legal entities and investment funds that make capital contributions in an ME or EPP through a participation contract with a maximum term of seven years.

An angel investor will not be considered a partner, and neither can be entitled to management or vote in the administration of the company that receives the capital contribution.

The creation of the figure of the angel investor is especially innovative regarding the issue of accountability, once an angel investor does not respond for any debt of the company, even in the event of judicial recovery (recuperação judicial). Furthermore, the disregard of the legal entity doctrine (piercing corporate veil) referred to in article 50 of the Brazilian Civil Code does not apply to angel investors.

On the other hand, CL 155/2016 establishes certain restrictions both with respect to the return on investment as well as regarding the exercise of the right of redemption. The remuneration of the angel investor will be limited to 50% of the profits of the company, subject to the maximum time limit of five years. The right of redemption can only be exercised after the minimum period of two years counted from the date of the capital contribution and may not exceed the amount invested, duly corrected.

Nevertheless, CL 155/2016 allows the transfer of ownership of the capital contribution of an angel investor to third parties, which will require the consent of the partners of the company, unless such transfer has already been permitted under the relevant participation contract.

In addition, protective mechanisms are established in favor of the angel investor, such as right of first refusal to purchase in the event of sale of the company, as well as right to jointly sale the amount of the capital contribution on the same terms and conditions as those offered to the partners of the company.

The legislative innovations regarding capital contributions through angel investors will be in full force and effect as of January 1st, 2017. The Minister of Finance must still regulate the taxation on the withdrawal of the invested capital.

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21 Each business is defined by the revenue ceiling which it may not exceed per year. According to the current law, an EPP can make above BRL 360,000 and up to BRL 4,800,000 per year and an ME can make up to BRL 360,000 per year.
Key regulatory developments in Cayman Islands

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I. Developments at home:

- Cayman is continuing to strengthen its leading position for offshore financial services with additional proposed changes to certain laws and regulations designed to enhance compliance with international standards and also with an eye to the Caribbean FATF evaluation in 2017. The Cayman Islands government has prioritised the focus upon the nation’s anti-terror rules designed to punish those who support, provide finance to or recruit for terrorist organisations. The CFATF inspection is due to take place in H2, 2017.

- The Cayman Islands Monetary Authority (CIMA) has published quarterly statistics for regulated service providers across all categories of regulated activity for the period ending September 2016. For investment funds in particular, the numbers evidence stability since the end of Q2: down 2.5% in the registered category; up 0.5% for master funds; and down 1.5% for administered funds. The CIMA do not monitor or publish statistics for those sub-15 investor funds which are structured as unregulated products however the available anecdotal evidence would suggest that the number of these typically smaller-cap, seed stage, ‘fund of one’ etc., type funds being launched is also increasing. Some develop into regulated products, and thus help to increase the CIMA numbers, as promoters move beyond the 15 investor limit and build a successful track record. It is also probably too early to assess the impact of the new Limited Liability Company now available for use in structuring Cayman funds and likely to be popular with sponsors. The expectation is that the LLC will help to increase numbers in all categories of funds. On the other side and more immediately, fund de-registrations will now start to increase as we enter into the final month of the year with an associated downward effect upon the CIMA year-end statistics which will be published early in Jan 2017.

- The Cayman Islands government has now opened a period of public consultation on the planned introduction of a centralised platform for beneficial ownership information. It follows upon the 2013 agreement between the Cayman Islands and the other UK Crown Dependencies and Overseas Territories (CDOTs) to assess if establishing central registers of the natural persons, who ultimately have beneficial ownership and control of companies, would allow tax collectors and law enforcers to more easily access this information. During the 2013 G8 Summit, the UK had advocated that the CDOTs consider whether establishing central registers of beneficial ownership information is the most appropriate and effective way to improve the CDOTs’ domestic legal compliance, as well as the implementation of cross-border assistance, in accordance with internationally adopted and practiced standards. As a move to further enhance the existing systems for maintenance of beneficial
ownership information Cayman has developed the concept of a centralised platform of beneficial ownership information and has entered into an agreement with the UK to implement the platform designed to augment the sharing of beneficial ownership information. The relevant legislative changes, if approved are expected to be implemented by 30 June 2017, in accordance with Cayman’s agreement with the UK.

II. And abroad:

- "The Secretary of State does not have power under the Crown’s prerogative to give notice pursuant to Article 50.....to withdraw from the European Union", so held the English High Court in November. At the time the media reaction to the judgment was as startling as the impact of the judgment itself upon government policy regarding the constitutional and political position of the UK within Europe. Unsurprisingly, the decision was appealed and the Supreme Court is reportedly split over their decision, expected to be issued early in 2017. A majority decision in favour of the government is anticipated although a loss for the appeal will ultimately accelerate progress of a new law designed to allow Article 50 negotiations to be triggered by the end of March. There remains little support within the British parliament for a reversal of the outcome of the June referendum. For those of us in the Cayman Islands, there is no doubt that the legal and constitutional relationship of the UK with its continental neighbours could dramatically impact the Islands’ role in facilitating international investment and our position in the global economy. Importantly, the Cayman Islands Government, together with representatives from the other British Overseas Territories have been maintaining their campaign of direct communications with British government officials about the need for the interests of all British territories to be considered. However, given the possibility of a general election in the UK next year, difficult parliamentary times ahead for pro-Brexit lawmakers within the Conservative Party and the voices of many EU leaders demanding a swift departure for the UK, the offshore centres will have to work hard to have their voices heard.

In a letter to the Treasury dated 28 October, the Chief Executive of the FCA set out the Authority’s view of the regulatory landscape for financial services in a post-Brexit UK as a ‘third country’ under equivalence frameworks, cross-border trade in financial services under WTO protocols, passporting and the general improvement of global regulatory standards. On the subject of equivalence, the Authority noted that whilst some frameworks allow for EU market access in specific areas there is not the same general freedom as passporting and equivalency determinations are also subject to variation or withdrawal in certain circumstances. The Annex to the letter serves as a useful source of information on the equivalency determinations made by the European Commission in respect of a number of third countries as at April 2016. Included in the list are Cayman and the other main offshore jurisdictions.
Latest developments in Egypt

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The weather is now really cold in Cairo; but this is not the case for the banking and finance regime these days as it has a lot of hot and rapid developments that can be briefly summarized as follows:

I. Egypt floated its Egyptian Pounds

As previously expected, the Central Bank of Egypt ("CBE") decided to float its Egyptian Pounds as of November 3, 2016 in order to secure the IMF’s USD 12 billion Loan.

As a normal consequence of the floating, the exchange rates at both the official and parallel markets are now likely the same.

II. CNY/EGP Currency Swap

On December 6th, 2016, a bilateral currency swap agreement was entered into force between the CBE and the People’s Bank of China for a CNY 18 billion against its equivalent in EGP.

III. Mobile Payments Regulations

On November 29, 2016, the CBE issued new regulations for Mobile Payment, whereby the banks that are registered with the CBE are now allowed, in collaboration with mobile operators in Egypt, to provide a range of payment and money transfer services through mobile accounts.

IV. Executive Regulation of the Movable Securities Law

Finally, after almost one year from the issuance date of the Law No. 115 of 2015 governing the creation of security over movable assets (the “Movable Securities Law”), the Executive Regulation thereof was recently issued by the Minister of Investment on December 5, 2016.

For the first time in Egypt and even in the entire Middle East region, according to the Movable Securities Law and its Executive Regulation, the Egyptian Financial Supervisory Authority (“EFSA”) is required to establish an online e-registrar listing all perfected securities over any whatsoever tangible, intangible and future movable assets with some exemptions (the “Movable Securities Registrar”).

The registration with the new Movable Securities Registrar is not mandatory; but, there are a number of legal advantages behind the said registration for creditors. For example, the complete and successful registration of any security over an eligible movable asset with the new Movable Securities Registrar grants the first registered
creditor a priority higher than any other secured creditors to be registered following the registration date of the first creditor. This priority covers also any whatsoever general preferred rights under Egyptian law except for courts’ fee.

As per the Minister of Investment’s request, I have recently attended the Ministerial Committee’s meeting to discuss the new Executive Regulation of the Movable Securities Law in attendance of the Chairman of EFSA who indicated that the new Movable Securities Registrar is expected to be established within the next summer.

Currently, EFSA is in the process of issuing the tender documents for engaging one of the leading companies to operate the new Movable Securities Registrar under the subversion of EFSA.

According to EFSA, the new Movable Securities Registrar will be available online to any legal entity with limited access to individuals and the registration of any security thereat will be cost effective than any other regular scheme.
Brexit – UK Asset Managers and Irish Solutions

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I. Background

On 23 June 2016 the UK held a referendum on its membership of the European Union (“EU”) and, for better or worse, a majority of those voting voted in favour of the UK leaving the EU. Although the term (“Brexit”) was well known in advance of the result of the vote, very little was known of the potential outcomes of the reality of a vote for the United Kingdom to leave the EU.

Although the final impact of Brexit is still a matter of conjecture by experts, politicians and citizens alike, certain facts, as they will apply to the financial services industry, and the funds industry in particular, are known.

In Ireland, where the funds industry has enjoyed a close-knit, long standing and mutually beneficial relationship with the UK asset management industry, steps are being taken to ensure that where UK asset managers have established Irish funds, solutions are put in place to any potential problems arising in the immediate aftermath of Brexit.

II. The Status Quo

Ireland, is a world-renowned domicile of choice for both retail (predominantly UCITS authorised pursuant to the Undertakings for Collective Investment in Transferable Securities Directive 2014/91/EU (the “UCITS Directive”) and non-retail investment funds (predominantly marketed and managed pursuant to the Directive 2011/61/EU on alternative investment fund managers (“AIFMD”, those funds being referred to as “AIFs”)). Ireland has long been the (non-UK) European jurisdiction of choice for establishing funds for UK asset managers. Over one third of all managers establishing funds in Ireland are from the UK, and more than 40% of the 520 overseas AIFMs (regulated managers of AIFs) operating in Ireland on a cross-border basis are UK AIFMs.

Those UCITS established by UK managers, and AIFs managed by UK AIFMs, have benefitted, through EU legislation (the UCITS Directives and AIFMD), from cross-border marketing and managing “passports” essentially granting those managers (subject to certain notification and registration requirements) access to a single marketplace within the EU by virtue of an Irish fund authorisation granted by the Central Bank of Ireland (the “Central Bank”).
III. What Now?

On the UK’s exit from the EU, the UK will no longer (subject of course to negotiation with the EU) have the benefit of the UCITS Directive and AIFMD, thus, at a minimum, losing the following benefits currently automatically afforded to EU managers and AIFMs:

- a UK investment manager of a UCITS (given its role as a promoter or sponsor of the Irish UCITS) will no longer (unless the exit negotiations provide a solution) have the benefit of any EU passport to distribute its UCITS in the EU. That will mean that it will either need to (a) engage suitably authorised distributors in the local markets in the counties of the EU in which it seeks to distribute its UCITS, who have the requisite capacity or (b) set up its own EU based distributor (or UCITS ManCo). Other solutions may also be available such as having board members of the UCITS represent it in cross border sales, given that it is the UCITS itself which has the passport – though this may assume a corporate UCITS structure;

- a UK AIFM will most likely be afforded the same advantages as, for example, a United States AIFM, with regard to managing EU AIFs but it will no longer have the authority to market its EU domiciled AIFs cross-border within the EU. Although similar to a United States AIFM, it should be able to act as investment manager to Irish funds and so continue its management activities, cross-border distribution will most certainly be affected.

Although these changes will have little or no impact for those UK managers whose distribution base is in the UK and therefore not seeking cross-border distribution (as is certainly the case for a number of managers), for those UK managers who see the EU, or even a small number of EU countries, as their target distribution base, steps will have to be taken to ensure that a foothold is kept in the EU in order to retain benefits afforded to EU regulated entities in the financial services industry.

IV. The Irish Solution

Ireland remains a committed member of the European Union, providing full market access to the EU. Given the long-standing relationship between the Irish and UK asset management industries (assisted of course by a shared time zone, language and common law legal system) Ireland provides a natural solution to UK managers seeking to “on-shore” to an EU jurisdiction.

While large-scale re-domiciling from the City of London to Dublin is not predicted, or necessary, establishing branch or affiliated entities of UK managers in Ireland is a relatively painless option for consideration by UK managers.

The available options include:

(i) setting up a UCITS Manco or AIFM (or Super ManCo, that is a regulated entity with capacity to manage and market both UCITS and AIFs) in Ireland;

(ii) using a third party AIFM established in Ireland; or
(iii) putting a UK manager’s fund on a third party platform already established in Ireland.

Though options (ii) and (iii) benefit from undoubted economies of scale, not only in terms of start-up costs, but also in terms of ongoing maintenance costs, both should be considered carefully in terms of practical distribution issues and future business growth.

All three options are tried and tested solutions for existing non-EU managers (notably United States managers) seeking EU distribution and the Irish regulatory authorisation process benefits from a well-established framework and strong working relationship between Irish industry practitioners and the Irish financial regulator, the Central Bank of Ireland (the “Central Bank”).

V. What Next?

In his speech to the Institute of International and European Affairs delivered on 1 December 2016, Cyril Roux, the Deputy Governer of the Central Bank stated that “Since the UK referendum, there has been a material increase in the number of authorisation queries from UK-authorised entities. Many of these engagements have been preliminary in nature. But several have moved into the pre-application or application phase, and this is likely to continue in the coming months as UK firms prepare for the possibility of a loss of passporting rights into the EU.”

While highlighting that Ireland will not serve as a “letter box” for UK entities and the need for “a business or line of business that will be run from Ireland and which we will be effectively supervising”, the Deputy Governor highlighted that potential applicants for authorisation in Ireland will find the Central Bank to be “engaged, efficient, open, and rigorous”.

It is clear that the view of the asset management industry in Ireland, including the view of the regulator, is that UK mangers will continue to explore the “Irish solution” to EU distribution and management for UK managers. Of significant comfort to those UK managers will be their long-standing relationships with Ireland, and of course, the experiences of their non-EU counterparts in establishing related entities in Dublin, in a cost effective and timely manner.