

C L I F F O R D

C H A N C E



**UNLOCKING ACCESS TO NEW CAPITAL:
RETAIL AND PRIVATE WEALTH**

MOVING TOWARD DEMOCRATISATION OF PRIVATE ASSETS

Clifford Chance is the market leader among law firms advising global fund sponsors seeking to facilitate access to alternative assets for European non-professional investors.

Our firm has been working with a number of sponsors on designing fund products, both open-ended and closed-end, investing in real estate, private credit, private equity and infrastructure, and accessing individual investors on a pan-European basis.

Luxembourg as domicile of choice



Luxembourg is characterised by a highly flexible regulatory framework and has continually adapted its legislation to the needs of the market.

It is increasingly the domicile of choice for accessing European investors. Other key European jurisdictions also offer forms of regulated fund product which could, in principle, be suitable as a fund vehicle for retail investors to access private assets.



Toolkit

- Unregulated AIF
- Reserved Alternative Investment Fund (RAIF)
- Specialised Investment Fund (SIF)
- Part II UCI
- European Long-Term Investment Fund (ELTIF).



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The Clifford Chance team provides exceptional legal and commercial input. They clearly stand out in the market.

Chambers Global: Investment Funds

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KEY RETAIL INVESTOR / STRUCTURING CONSIDERATIONS

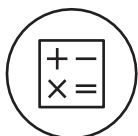
The trend of “retailisation” or “democratisation” of the private / institutional funds in Europe is growing and we regularly work on such projects, including advising on raising capital from traditional wealth platforms and feeder vehicles, through private banking and insurance channels, and from semi-professional and high-net-worth investors directly.

There is no single fund structure that can be freely marketed (i.e., passported) to non-professional investors, but we have witnessed a convergence around Luxembourg-domiciled fund structures as the main fund vehicle, notified / authorised locally for direct retail access and/or potentially in combination with local structuring solutions, depending on the legal, regulatory and tax requirements in the key target jurisdictions.



Regulatory

We recognise that regulatory considerations for offerings to retail investors will be important, from AIFMD (pre-)marketing considerations (some EU countries do not permit marketing under AIFMD to non-professional investors, whilst some explicitly recognise a semi-professional concept) through to EU PRIIPS considerations (required additional KID documentation for non-professional investors).



Tax

We see key differences in terms of tax treatment between the US REIT structure and EU structures that will be important to understand as part of the structuring process. There is no pan-European REIT structure and, as a result, there will be key differences between the tax treatment of a US REIT-based structure and an EU real estate fund.

Tax structuring can in some ways be a red herring for this type of product. It is important to know how investments will be structured underneath the fund vehicle, but it is not possible to make the tax considerations disappear completely, nor is it possible to pass the obligations on to individual investors.

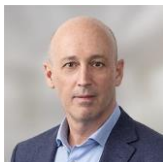


Fund vehicles

Take-up of ELTIFs across Europe has been limited, in part due to the restricted investments and investment purpose requirements under the ELTIF regime, and partly due to differing tax treatment. “Retail” vehicles such as UCITS or ELTIFs may be challenging for real estate assets, given the restrictions on eligible investments for such funds and requirements around liquidity.

We see the most likely option as a combination of private fund structures to be able to bring in different types of investors and/or the use of a Luxembourg FCP or SICAV structure as the main fund vehicle.

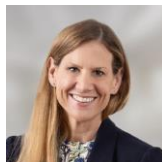
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