

18/10/2017



RAIF: a new asset choice for life assurance portfolios?

The range of assets potentially underpinning a life assurance contract is extended with the introduction of the Reserved Alternative Investment Fund (RAIF).

What is a RAIF?

The Luxembourg Parliament voted on 14 July 2016⁽¹⁾ for the introduction of the Reserved Alternative Investment Fund (RAIF). It is an investment vehicle with indirect supervision. It is not subject to the control or supervision of the local prudential authority (CSSF). It must be managed by an AIFM (Alternative Investment Fund Manager) authorised and located in Luxembourg. AIFMs are subject to specific regulations including a passport for distribution purposes.

The legal framework governing RAIFs is based upon the existing legal regimes for RIS and SICAV schemes. A RAIF may freely adopt all existing legal forms in Luxembourg; mutual fund or SICAV/SICAF. In the latter case, the RAIF may take the form of a public limited company (SA), a limited partnership (SCA) or a special limited partnership (SLP).

The assets of a RAIF must reach EUR 1,250,000 within 12 months following authorization (with a minimum of 5% of the capital at subscription).

Who are the potential investors?

Only those individuals who qualify as “well-informed investors” (experienced/sophisticated investors) can invest in a RAIF.

(1) Law of 23 July 2016 <http://legilux.public.lu/eli/etat/leg/loi/2016/07/23/n7/jo>

Disclaimer

This document was drawn up in October 2017 based on information validated at that date.

Any statements concerning taxation are based upon our understanding of current taxation laws and practices which are subject to change.

This document is of a general nature only. Baloise Vie Luxembourg S.A. does not give any legal or tax advice or any other advice of any kind whatsoever in this document. Clients are urged to seek advice from independent advisers.

Although the information contained in this document comes from reliable sources, Baloise Vie Luxembourg S.A. does not vouch for its correctness, accuracy, pertinence or exhaustiveness or its being up to date in respect of the personal situation of each subscriber. Consequently, Baloise Vie Luxembourg S.A. declines all liability in the event of error, misprint or misinterpretation of the information contained in this document.

All author's rights in this document are the property of Baloise Vie Luxembourg S.A. It may not be disseminated in any form whatsoever without the prior agreement of Baloise Vie Luxembourg S.A.

As such it would be possible to include the shares of a RAIF within a Type D Targeted Investment Strategy (Internal Dedicated Fund of the insurer).

CAA Circular Letter 15/3 defines “simple alternative funds” as follows: investment funds within the meaning of Directive 2011/61/EU other than UCITS fulfilling condition 1 from paragraph m) and investing only in financial instruments.

RAIFs can be regarded as simple alternative funds within the meaning of CAA CL 15/3 described above, provided their underlying assets are restricted to financial instruments.

Type D subscribers are allowed to invest in units of undertakings for collective investment (UCIs) without exposure restrictions. UCIs are not restricted to investment in financial instruments.

As a reminder, type D funds require a minimum premium of EUR 1,000,000 and for the policyholder to declare EUR 2,500,000 in liquid wealth.

It is envisaged that some existing policyholder, particularly those with unregulated funds (as an example) may consider conversion to RAIFs.

If you would like to find out more about this new investment vehicle and how to integrate it into a life assurance policy, please feel free to contact us.