Pot of gold no longer required

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From Ucits IV to Ucits V and soon to be Ucits VI, Ucits are an ever-evolving product developing to address changes in markets and industry. In addition to changes at the European level, Irish Ucits are also evolving domestically.

A key example of this is the upcoming removal of the long-standing Central Bank of Ireland requirement to have a "promoter" for Ucits, in line with a similar change for AIFs in 2013 when the AIFMD came into effect.

The removal of the promoter requirement will reduce a capital burden associated with Ucits in Ireland, which will help smaller managers access Ireland's benefits as a leading Ucits domicile.

Ireland's regime requires Ucits to have a promoter, which is an entity that is the driving force behind a Ucits and that must be "of good repute, [have] sufficient financial resources and a relevant track record in the promotion/organisation of [collective investment schemes]".

Typically the promoter is also the portfolio manager for the Ucits (although this is not required). While many small and medium-sized managers are able to meet the "good repute" and "track record" elements, the requirement to have at least €635,000 ($700,000) in net shareholders funds and to maintain this as long as the entity is a promoter of an Irish Ucits means that Ireland may have traditionally required a little too much "green" for start-up managers.

The requirement for a promoter was, historically, a mechanism whereby the central bank could ensure that Irish funds were being setup and run by experienced firms with sufficient substance and available resources.

However, as time moved on, regulatory changes to specify resourcing and capital requirements for entities associated with investment management and fund promotion/distribution, as well as changes to the Ucits directive (and the implementation of AIFMD) have made this requirement, to an extent, less appropriate.

In addition, the central bank still ensures everything is built on a solid foundation by requiring discretionary managers of Irish Ucits and AIFs to be regulated entities, subject to prudential oversight and also looks into the entity's financial stability.

The removal of the €635,000 ($700,000) requirement means that smaller and medium-sized managers are better placed to set up an Irish Ucits, which can have its pick of global service providers and audit firms operating from Ireland, has a passport to every country in Europe and is well recognised globally.

This change bolsters Ireland's already attractive regime for small to medium-sized managers whereby self-managed Ucits do require €300,000 ($330,000) in minimum regulatory capital but permit any monies provided by the manager in this regard to be removed once there is an equivalent amount in third-party monies.

Irish Ucits are also not required to meet a specific minimum capital threshold as is the case in Luxembourg, which requires a minimum of €1.25m ($1.38m) to be reached within six months of approval.

The removal of the promoter requirement is part of the consolidation of the central bank's current regulatory notices and guidance notes in relation to Ucits into a "Ucits Rulebook", which will be issued in the form of a statutory instrument and was first consulted on in late 2014.

The implementation of the new regime is anticipated over the summer and Dechert's Dublin office has clients waiting to push the button on their own Ucits once the promoter requirement is removed.

While the removal of the promoter requirement may not make the establishment and ongoing running of a Ucits feasible for every manager, it will help. For those small and medium-sized managers that would prefer to test the waters of a Ucits, Ireland still offers several attractive third-party platform options domiciled in the jurisdiction.

The change will assist those on third party platforms, or looking to use them as a starting point to build a base, in moving to a standalone structure by making it just that little bit easier.

Whether you are a manager with an existing sub-fund or a third-party platform looking for your name in lights across your own shiny new Ucits, or considering dipping your toes in the pond by setting up a new product, Ireland's new regime will further open the doors to smaller and medium-sized managers looking to step onto the global stage. CTA

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