

Group Briefing

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Update on Changes to Loan Originating Qualifying Investor AIF Regime

The Central Bank has announced that it intends to amend its requirements for loan originating qualifying investor AIFs (L-QIAIFs).

The Central Bank intends that the relevant section of its AIF Rulebook will be amended to allow L-QIAIFs to invest in “debt and equity securities of entities or groups to which the loan originating QIAIF lends or which are held for treasury, cash management or hedging purposes”. The Central Bank believes that this rule change is consistent with European regulation, particularly the ELTIF Regulation, as it allows an L-QIAIF to make other investments “linked to the loan origination strategy”.

The ability to invest in debt and equity securities is a welcome relaxation

of the existing rules which prohibit an L-QIAIF from investing in non-loan assets. This should be useful in a typical lending arrangement in which the lender grants a loan to the borrower but is also issued with warrants in such a borrower. However, the proposed wording does not contemplate the L-QIAIF investing in debt or equity securities in circumstances in which the L-QIAIF does not at the same time have a loan with the relevant issuer.

This change is expected to come into effect from 3 January 2017 when the Central Bank will publish a revised AIF Rulebook. While not opening a formal consultation process, the Central Bank has indicated that it is willing to consider comments on the proposal. It remains to be seen whether there may

be further changes to the proposed language to broaden the scope of permitted investments or to clarify, for example, the terminology to be used such as “treasury management”. We will keep you updated on developments in this regard.

KEY CONTACTS

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