23 December, 2020

BY EMAIL: fundspolicy@centralbank.ie

Funds Policy
Central Bank of Ireland,
New Wapping Street,
North Wall Quay,
Dublin 1.

RE: Response to Consultation Paper ("CP132") regarding Guidance on Share Class Features of Closed Ended QIAIFs ("CE QIAIFs")

Dear Sir / Madam,

We welcome the Central Bank's consultation paper and we are in favour of the concepts and proposals set out in CP132 generally.

We address the particular questions to stakeholders set out in CP132 below:

1. **Do you have views on the Central Bank's approach to limit the availability of these features to certain types of CE QIAIFs?**

   Response: We do not think that it is useful to limit the ability of these features to certain types of investment strategies: investment strategies by their nature are very difficult to clearly define and we do not see the merit of distinguishing between strategies. In our experience, the common feature between closed-ended funds tends to be the relative illiquidity of some or all of their assets.

   We note that there is a definition of a closed-ended fund in Article 1 of Commission Regulation 694/2014 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to regulatory technical standards determining types of alternative investment fund managers. We would consider that there would be merit in clarifying that this is the definition that applies for the purposes of the AIF Rulebook.

   We would be in favour of applying these rules to closed-ended funds and funds with limited liquidity. The definition of a closed-ended fund in Regulation 694/2014 does not include funds that allow voluntary investor withdrawals before the commencement of its liquidation phase or wind-down (it allows for redemptions after that and for compulsory redemptions (including those approved by shareholder vote) before that). Some limited liquidity funds will not fall within the definition of a closed-ended fund, will have relatively illiquid assets, and will face similar challenges as closed-ended funds as regards needing commitment/drawdown subscriptions mechanisms and associated investor equalisation payment structures, incentive allocation classes and so on. These should continue to be available in the context of such funds. Accordingly, it would be important that the wording of the rules that emerge following CP132 should be drafted in a way that does not preclude other funds from availing of these features.

2. **Are there other aspects or requirements of the Central Bank AIF Rulebook that require clarification or consideration in operationalising these arrangements?**

   Response: We would suggest that the Central Bank adopts a Q&A or changes the definitions section of the AIF Rulebook to clarify that references to shares or units in the Rulebook shall be deemed to include partnership interests and that redemptions shall be deemed to include withdrawals. References to "minimum subscription" should be capable of being interpreted to mean "commitment" as when using a capital commitment structure, and so on.

3. Are the safeguards proposed sufficient? Are there other features which may be desirable or of benefit from an investor protection perspective?

Response: We believe the safeguards proposed are sufficient from an investor protection perspective. We also support the response to this question in the submission provided by Irish Funds in respect of CP132.

Additional comments

We understand that the Central Bank will consider additional changes to the AIF Rulebook, not directly related to CP132, in the context of the conversion of the Rulebook to a regulation. We will be making a separate submission to the Central Bank in that context.

If you have any questions in relation to the content of this submission, please feel free to contact us.

Yours sincerely

Dillon Eustace