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AIFMD

Central Bank of Ireland's AIF Rulebook Overhaul Significantly Enhances Framework for Alternative Assets

By Oisin McClenaghan, *Ogier*

The Central Bank of Ireland (CBI) published updates to its rulebook governing alternative investment funds (AIFs) and AIF managers (AIFMs) in Ireland that became effective on 6 May 2026. In addition to aligning the Irish regime with key elements of the updated version of the E.U.'s Alternative Investment Fund Managers Directive (AIFMD II), the reforms target items that should help bolster Ireland's status as a fund domicile among fund managers – particularly those focused on PE and private credit.

This article offers useful context around Ireland's status as a domicile for the private funds industry; the key role the investment limited partnership (ILP) vehicle has played in spurring interest in the jurisdiction; and a detailed breakdown of the key changes to the AIF Rulebook by the CBI that will impact PE and private credit managers.

See this two-part series "Holistic Evaluation of Innovations Intended to Propel the Irish Private Funds Framework": Part One (Jul. 12, 2022); and Part Two (Jul. 19, 2022).

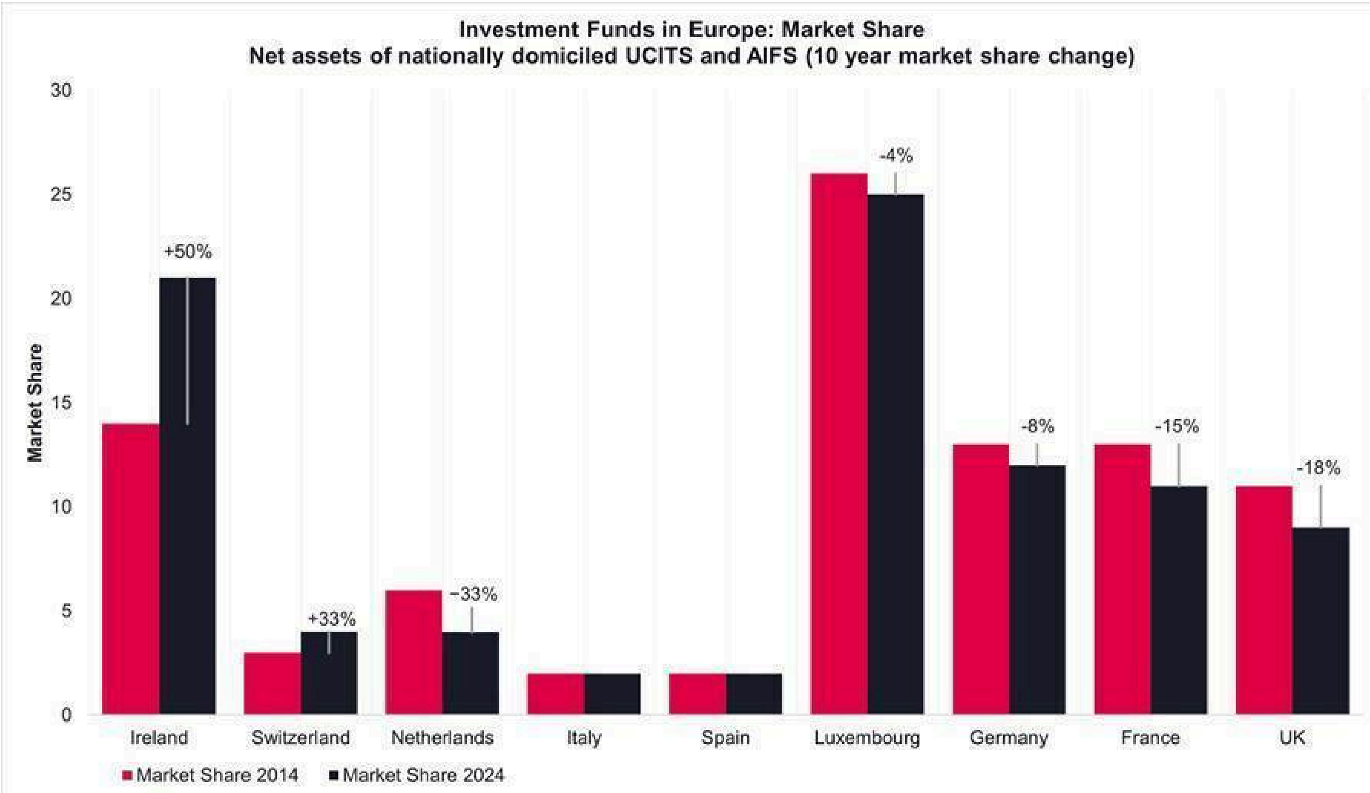
Background

As of the end of 2025, net assets of investment funds serviced in Ireland is $8.2 trillion, while net assets of investment funds domiciled in Ireland is $6.3 trillion. Over 1,000 fund managers – including 297 from North America and 357 from the U.K. – use Ireland as a fund domicile. Irish investment funds are distributed in over 90 countries worldwide. Nearly 18% of Irish investment fund assets are comprised of alternatives (*e.g.*, PE assets), and Irish domiciled AIFs have net assets of over $1.1 trillion.

Growth As a Fund Domicile

As of the end of 2025, Ireland is the world's third largest fund domicile with approximately 6.8% of global investment fund assets domiciled there. Net assets of investment funds domiciled in Ireland increased by 39% in the two-year period to end 2025.

Based on the European Fact Book 2025 released by the European Fund and Asset Management Association (EFAMA), Ireland's share of the European funds market (*i.e.*, AIFs and retail funds established as Undertakings for Collective Investment in Transferable Securities (UCITS)) has increased from 14% to 21% in the last 10 years. Conversely, all other significant European fund domiciles – with the exception of Switzerland – have seen declining market share during that same 10-year period.



To bolster Ireland's status as a domicile, the Irish government initiated a comprehensive review of its investment funds sector and issued recommendations. In response, a number of significant regulatory and tax enhancements to the Irish private credit and PE framework are now effective, including a comprehensively updated AIF Rulebook and specific tax enhancements to the ILP vehicle. Those reforms work in tandem with Ireland's adoption in full with no gold plating of AIFMD II.

See "A U.S. Fund Sponsor's Perspective on AIFMD 2.0" (Sep. 4, 2025).

Rise of ILPs

ILPs have not historically been prominently used by PE and private credit managers, mostly due to the lack of a fit-for-purpose Irish limited partnership structure before 2020 and Ireland's now-superseded loan origination regime. That is changing, however, following the comprehensive overhaul of the ILP vehicle in 2020; the regulatory and tax enhancements introduced by the Irish government; and the array of features that have made Ireland attractive as a jurisdiction.

In the 12 months leading up to June 2026, the number of ILPs established in Ireland increased by more than 225% when compared to the prior 12 months, with just over 50% established by private credit managers; approximately 40% by PE and venture capital managers; and the remaining by infrastructure and real estate managers. Notably, Ireland's early adoption of the AIFMD II loan origination regime in 2025 has contributed to the significant uptick in private credit fund ILP launches in the last 12 months.

See "How Reforms of the Irish Investment Limited Partnership Vehicle Enhance Its Value for Sponsors" (Oct. 26, 2021).

AIF Rulebook Updates

Overview

The CBI's AIF Rulebook is the regulatory framework governing AIFs in Ireland, which was updated by the CBI with reforms that became effective on 5 May 2026. Widely welcomed by the private funds industry, the enhanced framework:

- aligns the Irish regulatory landscape with evolving European rules and global standards – most notably, AIFMD II;
- avoids regulatory gold plating;

- addresses the needs of modern private asset and private credit allocation strategies; and
- comprehensively and pragmatically reinforces investor protections.

According to the CBI, the "Central Bank is reinforcing Ireland's position as a leading jurisdiction for the domiciliation of alternative investment funds. These changes will support greater investor choice, maintain high standards of investor protection, reduce systemic risk and enable continued innovation in fund structuring." The CBI's reforms provide fund managers with a significantly enhanced Irish product range, helping them deliver private assets and direct lending strategies to market with greater efficiency and flexibility.

Notable Reforms

Loan Origination

Ireland historically imposed a number of additional requirements on direct loan origination funds (notably, excluding private credit funds engaged in secondary loans), including:

- a 25% borrower concentration limit;
- a 200% leverage cap; and
- provisions restricting the ability of a loan origination fund to pursue additional investment strategies or underlying investments alongside loan origination.

A significant number of fund managers delivered private credit strategies through Irish fund structures within the parameters of those historic requirements. Those credit funds were primarily established as Irish collective asset management vehicles (ICAVs), the most commonly used Irish corporate fund structures, and as ILPs since they were overhauled in 2020. However, a significant number of fund managers opted to structure their private credit funds in domiciles lacking those loan origination limits and restrictions.

Following Ireland's early adoption of the AIFMD II loan origination requirements in 2025 and the related changes now reflected in the updated AIF Rulebook, the legacy loan original requirements have been fully superseded, including:

- no borrower concentration limits, although AIFs lending to a financial undertaking, other AIFs or UCITS are subject to a 20% concentration limit;
- leverage limits of 175% for open-ended AIFs and 300% for closed-ended AIFs;
- prohibition on the origination of loans with the sole purpose of transferring those loans or exposures to third parties;
- AIFs must retain 5% of each loan originated and subsequently transferred to a third party until either:
  - maturity, for loans shorter than eight years; or
  - eight years; and
- non-E.U. AIFMs may manage closed-ended loan origination AIFs, although access to the European Economic Area (*i.e.*, the E.U., Iceland, Liechtenstein and Norway) via the AIFMD marketing passport continues to require the appointment of an authorised E.U. AIFM.

It is worth noting that AIFs are exempt from the 5% retention requirement when the sale of the loan is necessary to enable the AIFM to implement the AIF's investment strategy in the best interests of its investors, or when the sale is due to a deterioration in the risks associated with the loan.

See this two-part series: "Core Asset Descriptions and Related Return Drivers of Various Private Credit Asset Classes" (May 28, 2026); and "Variations in Distribution Waterfall Structures Across Private Credit Fund Strategies" (Jun. 11, 2026).

Intermediary Investment Vehicle Requirements

Highly proscriptive rules relating to the establishment of wholly owned fund subsidiaries were replaced with more flexible disclosure, oversight and monitoring requirements. The historic requirements added complexity and occasional unintended tax and/or regulatory consequences when a wholly owned subsidiary was established as an investment conduit by a fund. Conversely, the updated rules eliminate those issues, instead focusing on enhanced offering memorandum disclosures; improved oversight and monitoring by funds' AIFMs; bolstered safeguards for investors; and optimised structuring flexibility.

Fund Finance Transactions

A prohibition on Irish funds acting as guarantors for third-party obligations has been removed. That change simplifies intra-group lending arrangements and syndicated lending involving Irish fund structures and removes an additional layer of structuring complexity. That enhancement reduces structuring costs and provides Irish funds with greater fund financing flexibility and options.

See "Trends in Fund Finance Market and Key Terms Reflect Increased Diversification and Industry Adoption" (May 14, 2026).

Participation Enhancements

The AIF Rulebook now explicitly provides for the allocation of asset-specific returns to individual share classes and non pro rata share class participation to optimise flexibility in connection with excuse and exclude provisions; stage investing; and management participation. The update enhances execution efficiency and clarity; minimises legal complexity; and aligns Ireland with international best practices.

Side Letters

Additional side letter clarity is now provided by aligning the AIFMD shareholder preferential treatment rules with the AIF Rulebook in a manner which removes regulatory ambiguity and streamlines the investor negotiation and onboarding process.

CBI Filing Obligations

Updates to funds' primary legal agreements (*e.g.*, with the investment manager, administrator and transfer agent) no longer need to be submitted to the CBI for approval before they became effective, reducing an administrative burden and any related time lags when updating fund service provider contractual arrangements.

AIFMD II Alignment

In addition to incorporating AIFMD II's more flexible loan origination requirements, the AIF Rulebook also now contains other conforming updates with the E.U. regulations – including enhanced disclosures on selection and use of liquidity management tools.

Side Pocketing

The prior requirement for qualifying investor AIFs (QIAIFs) to classify their liquidity profile as "open-ended with limited liquidity" in their respective offering memoranda to establish side pockets has been removed.

Sponsor Influence

QIAIFs, their GPs and their AIFMs had been restricted from acquiring shares carrying voting rights that enabled them to exercise significant influence over the management of the issuing body. Although that provision was already disapplied to PE, venture capital and development capital funds, it has now been removed for all types of QIAIFs and replaced with a general offering memorandum disclosure obligation.

Subscription and Redemption Flexibility

Less proscriptive and more principal-based requirements relating to in-kind subscriptions and redemptions are now provided for in the updated AIF Rulebook.

Non-E.U. AIFMs

The limited requirements applicable to AIFs with non-E.U. AIFMs are now formally documented in the AIF Rulebook. No new obligations have been created, however, and such AIFs remain unable to use the AIFMD marketing passport available to AIFs with E.U. AIFMs.

See "Gauging European Investors' Appetite for U.S. Funds and Considerations in Marketing to Them" (Nov. 14, 2024).

AIFM / Depositary

The historic obligation for constitutional documents to specify the procedure for replacing a depositary and AIFM no longer applies and has been removed from the AIF Rulebook.

Connected Parties

No changes have been made to the CBI's requirements relating to funds transacting with connected parties, which includes the investment manager, GP, AIFM or their group companies. The AIF Rulebook now includes an additional clarification, however, excluding any such parties' subscriptions, redemptions, conversions or dividends from the connected parties' requirements. That update removes any additional transactional complexity when a group company invests in an AIF.

Charity Share Classes

The creation of share classes that make distributions to charity is now expressly provided for in the AIF Rulebook.

Conclusion

The CBI has taken material steps toward updating, streamlining and simplifying the AIF Rulebook in response to the priorities and recommendations articulated in the Department of Finance's Funds Sector 2030 report, particularly as to the Irish PE and private credit regime. Those reforms should enhance Ireland's standing as a leading PE and private credit domicile as fund managers increasingly avail of the innovative fund structuring options, high standards of investor protection, cost effectiveness and pragmatism that Irish fund structures offer.

See "European PE Fund Domiciles: How Does the U.K. Compare?" (Apr. 30, 2026).

Oisin McClenaghan is a partner and heads the investment funds team at Ogier in Dublin. He advises financial institutions, asset managers and investment banks on the structuring, establishment, marketing and sale of Irish domiciled investment vehicles, including UCITS, AIFs, ICAVs, ILPs, exchange-traded funds, common contractual funds and unit trusts. He also has extensive experience advising fund managers on the structuring, offer and sale of Irish investment funds pursuing investment strategies relating to equities, fixed income, private credit, loan origination, infrastructure, alternatives assets, derivatives, sustainable investments, hedge fund strategies, commodities and real estate.