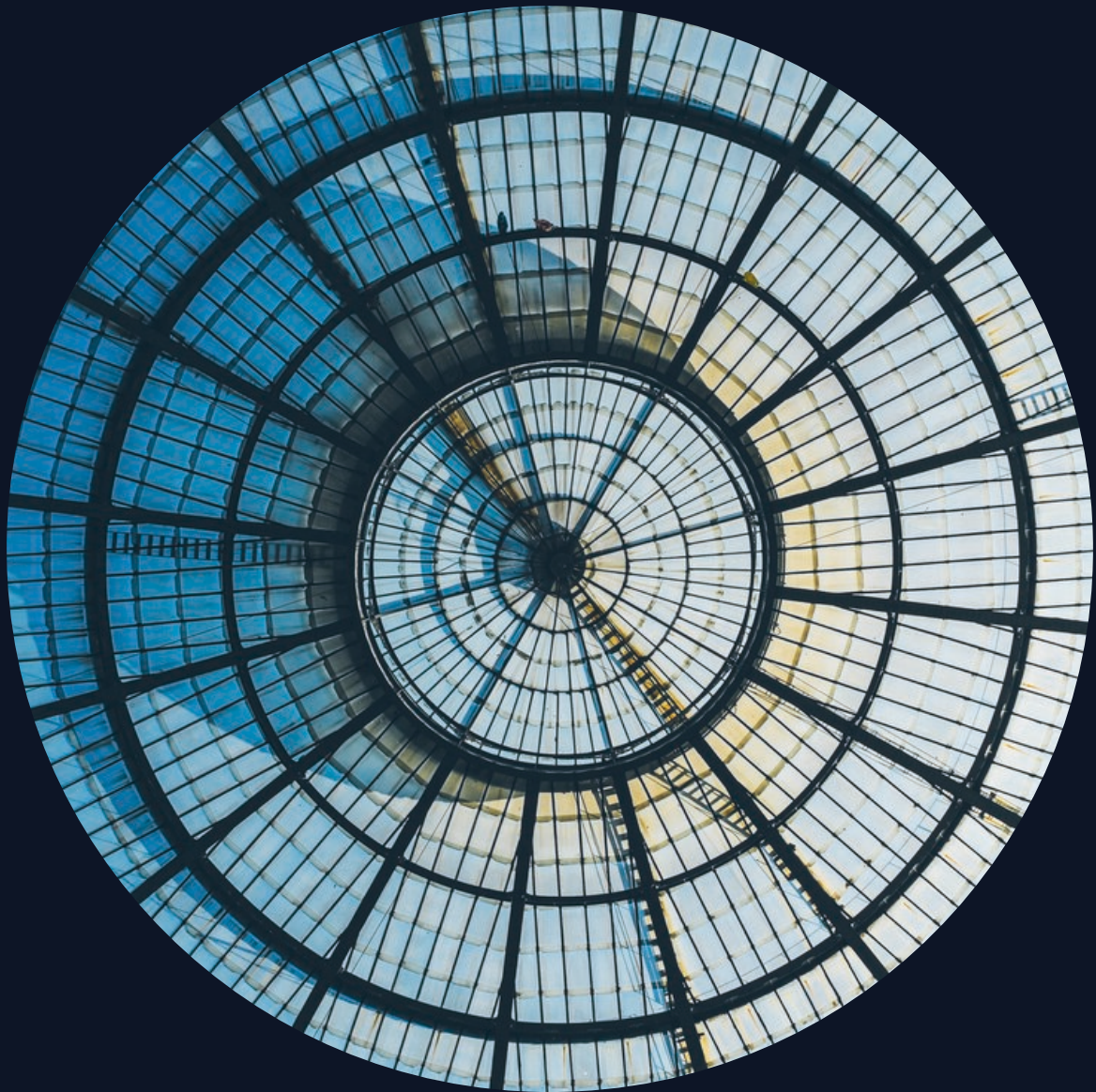


Parallel fund structures
Luxembourg - Cayman



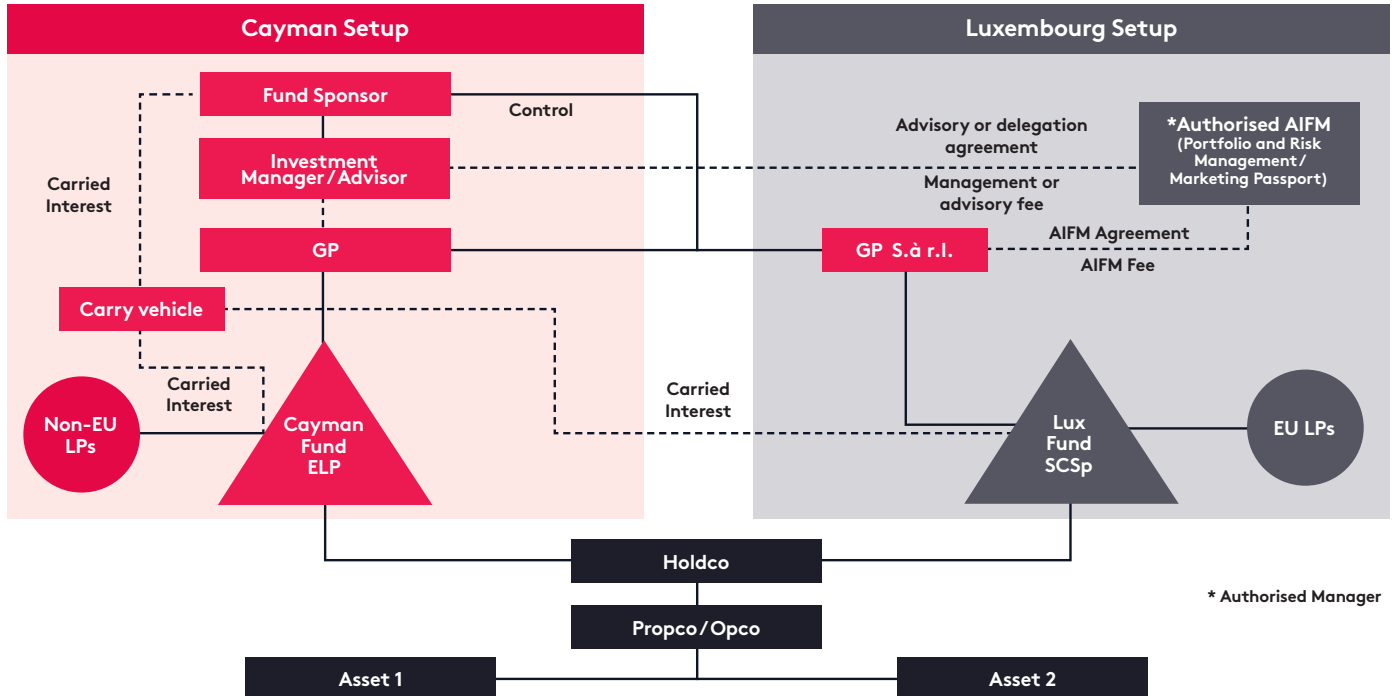
Ogier

We get straight
to the point,
managing
complexity to get
to the essentials.

Contents	
Introduction to parallel fund structures	4
Cayman and Luxembourg for parallel fund structures	6
RAIF considerations and the future of parallel structures	8
Choosing the right team	9
Contact us	10

Luxembourg - Cayman parallel fund structures

The Luxembourg - Cayman parallel fund structure is increasingly a preferred product for sophisticated managers seeking to access European, US and Asian capital.



Introduction to parallel fund structures

They have a number of experienced partners who are all well versed in private funds and know the market well.
Legal 500 EMEA, Luxembourg, Investment Funds, 2022

Genuine global reach via footprint but also deep knowledge of what different partners and associates subject matter strengths are.
Legal 500 Caribbean, Cayman Islands, Investment Funds, 2022

Ogier has a competent and diverse investment funds team, they are always available to discuss and propose alternatives to the project, notwithstanding the difficulties.
Legal 500 EMEA, Luxembourg, Investment Funds, 2022

What is a parallel fund structure?

Parallel funds co-invest and divest alongside the main fund, usually on a pro-rata basis per their commitments, so a manager has two funds side by side which invest and divest at the same time in a common portfolio of assets. The terms on which the parallel fund operates are similar to the terms of the main fund, which means that the parallel fund has a common investment policy and common asset targets to the main fund. The differences between them are mainly due to regulatory or operational reasons.

Why establish a parallel fund structure?

Internal tax/regulatory motives

Certain investors may have internal guidelines or may be subject to a tax and/or regulatory regime, which restricts their ability to invest in an offshore vehicle.

Greater investor reach/customised solutions

Offering a choice between onshore and offshore jurisdictions is likely to meet the needs of a greater range of investors and to provide them with a more customised solution.

Flexible solution/similar strategy

Parallel funds give investors the ability to choose the fund vehicle that will best suit their particular risk profile, regulatory requirements and tax appetite while ultimately remaining invested in the same target investments.

Segregation of jurisdiction-specific expenses

It is also possible to segregate certain regulatory costs. For instance, costs associated with the AIFMD (Directive 2011/61/EU, the Alternative Investment Fund

Managers Directive) can be restricted to the Luxembourg parallel fund with no correlative financial impact on the non-EU main fund.

Scale

A larger investment pool means that funds can more easily reach their target size and meet their investment objectives faster.

Structure optimisation

The parallel fund approach makes it possible to create ad-hoc structures in each jurisdiction to meet the needs of the specific investors targeted, rather than trying to find a 'one size fits all' structure.

How do the parallel structures balance?

The size of a main fund and its parallel funds may not be the same.

For instance, the parallel fund may be larger than the main fund and, in most cases, the AUM of the funds will be aggregated to determine the size of the overall structure.

Investors in the main and parallel funds may also (where appropriate) be aggregated to determine the voting rights of investors in the structure. The main fund and parallel fund are separate legal entities, operated in different jurisdictions and yet are part of the same global asset pool.

 Luxembourg is the leading domicile of choice for funds sponsors seeking to access European capital, thanks to its alternative investment toolbox and sponsor-friendly limited partnerships.



Cayman and Luxembourg for parallel fund structures

They are knowledgeable and responsive, communicate clearly, and have a keen sense of the need to balance legal and commercial concerns. Legal 500 Caribbean, Cayman Islands, Investment Funds, 2022

The team displays very broad and deep experience in Luxembourg funds regulation and finance regulation in general. Legal 500 EMEA, Luxembourg, Investment Funds, 2022

The team is very responsive. Legal 500 EMEA, Luxembourg, Investment Funds, 2021

Why are the Cayman - Luxembourg parallel fund structures generating such strong interest from US and Asian fund sponsors?

It is all about creating a global offering: sponsors have to account for, and manage, the concerns of various types of investors in different jurisdictions. Using one or more parallel funds allows for each to be co-managed and target the same portfolio while meeting the different requirements of investors in different jurisdictions.

Luxembourg and Cayman are well established funds jurisdictions, each dedicated to maintaining the highest global governance standards and, as such, are of interest to the institutional investor world.

There are also a number of similarities between the Cayman exempted limited partnership and the Luxembourg special limited partnership, in particular the flexibility inherent to each. This provides added comfort for a manager looking to operate the funds in parallel in the context of familiarity with the product(s) under its purview and an ability to easily align the fund documentation.

What makes Cayman attractive?

- Familiarity with US and Asian investors and sponsors, no reinvention of the wheel
- A sophisticated and deeply entrenched fund ecosystem which makes this solution efficient from a time to market-perspective
- Tax neutrality
- Flexibility of structuring options and a government that is reactive to industry requirements and embraces evolution within the industry

What makes Luxembourg attractive?

- Luxembourg has historically been Europe's preferred jurisdiction for fund sponsors seeking to access European capital
- Sponsor-friendly limited partnership laws make the country a destination of choice for fund domiciliation
- Offers a flexible and varied corporate toolbox, providing a plethora of corporate/product options to sponsors
- Provides sponsors access to the European passport for marketing purposes where the fund appoints an authorised AIFM (alternative investment fund manager)
- In the Brexit context, a number of Asian and US managers based in the UK are now choosing Luxembourg as their European base

Kate Hodson
Partner
Head of ESG Funds
Hong Kong

 Parallel fund structures are becoming more prevalent in Asia as Asian fund managers attract investors from Europe and look to tailor fund structures to the different needs of their increasingly diverse universe of investors.



RAIF considerations and the future of parallel structures

They are knowledgeable and responsive, communicate clearly, and have a keen sense of the need to balance legal and commercial concerns. Legal 500 Caribbean, Cayman Islands, Investment Funds, 2022

Attentive, knowledgeable, responsive. Particularly strong in structuring vehicles in Cayman. Chambers Global, Cayman Islands, Investment Funds, 2022

The Ogier team makes the Cayman side of a private fund formation seamless. They work efficiently with domestic counsel to quickly get the fund launched. They also provide top to bottom assistance with Cayman specific compliance. Legal 500 Caribbean, Cayman Islands, Investment Funds, 2022

What about the Luxembourg RAIF? What is it and how may it benefit sponsors/investors?

One notable feature of the suite of Luxembourg fund products is a RAIF (reserved alternative investment fund). Although often presented as an unregulated product, a RAIF is more accurately described as a 'hybrid' product since it is indirectly regulated at the level of its manager. A RAIF is required to appoint an authorised AIFM, subject to supervision by its European supervisory authority.

A RAIF is particularly attractive for sponsors looking to set up an umbrella structure, as it offers the possibility of having segregated compartments, making it a good choice of vehicle if a sponsor envisages several investment strategies targeting different pools of investors and/or different portfolios of assets.

A RAIF can be used within a parallel fund structure.

What does the future look like for parallel fund structures?

Parallel fund structures represent a growing trend in the funds industry because of the customised solutions they offer potential investors and the possibility for fund sponsors establishing sizeable funds to reach a much larger investor base for any given investment strategy.

Turnkey solutions designed by leading law firms, such as Ogier, for fund sponsors looking to accommodate the increasing demands of professional and institutional investors, are being developed across the investment funds spectrum.

As they make it possible to meet the needs of specific investors on a targeted basis, parallel funds represent a true opportunity for agile fund sponsors who position themselves as early adopters of this new trend, enabling them to expand their investor reach.

Choosing the right team

The importance of choosing the right legal team

One way to design the most suitable parallel structure for each fund sponsor and its target investors is to anticipate, discuss and design all aspects of the fund structure (ie voting rights, distribution waterfall, cost and expense allocation, management and advisory fees flow, carry vehicles if any, etc) before the launch of the fund and to provide a clean mechanism for each in the fund formation documents.

Only the right legal team can help sponsors ask the right questions at the right time, anticipate potential pitfalls and regulatory challenges before they materialise, and offer practical solutions at each stage of the structuring process, thus significantly reducing delays and costs after launch.

Why choose Ogier as your counsel?

As a leading international legal and professional services firm, we have market-leading funds lawyers in Cayman, Luxembourg and Hong Kong, who can deliver efficient, seamless expertise to clients in Asian, European and US time zones.

Our global network of offices also includes Beijing, Shanghai, Singapore and Tokyo.

Our Investment Funds team has considerable experience in designing the structures best suited to your needs, and can answer any questions you may have.

Our clients benefit from our outstanding local knowledge combined with a global perspective, our deep understanding of parallel fund structuring and our highly regarded cross-jurisdictional approach.

Ogier works with top-tier US and Asian law firms to provide sophisticated tax advice to benefit sponsors, fund structures and their underlying investors.



Best Offshore Law Firm
ALB Hong Kong Law
Awards 2023



Best Offshore Law Firm
WealthBriefing European
Awards 2023



Best Offshore Law Firm
HFM Asian Services
Awards 2022 and 2023



Offshore Firm of the Year
Chambers HNW Awards
2022

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To the point.

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients.

We have three divisions:

Legal: Practical advice on BVI, Cayman, Guernsey, Irish, Jersey and Luxembourg law.

Corporate and Fiduciary: Corporate administration services with a strong reputation in governance and regulatory compliance.

Consulting: Independent guidance on sustainable investing, regulatory compliance and tech.

Core legal services

- Banking and Finance
- Corporate
- Dispute Resolution
- Investment Funds
- Private Wealth
- Regulatory
- Tax

Core corporate and fiduciary services

- Corporate Administration
- Debt Capital Markets
- Funds
- Investor Services
- Private Wealth
- Real Estate

Core sector services

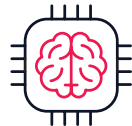
- Aviation and Marine
- Family Office
- Private Equity
- Real Estate
- Restructuring and Corporate Recovery
- Sustainable Investing and ESG
- Technology and Web3

1,100
Employees

108 **40**
Partners Directors

Investment in technology

Our continued investment in our people and technology is transforming the delivery of professional services to our global client network, from live client portals to digital contracts, digital collaboration areas and document compilation.



Sustainability

As an international firm, we support efforts to protect global and local ecosystems. We are continuously and actively reducing our global carbon emissions and environmental impact. We are embedding sustainability at every level.



Corporate Social Responsibility

We're committed to being a good corporate citizen and supporting causes that empower people and enable our communities to thrive. We achieve this through community partnerships, pro bono work and volunteering.



Innovation

Whether we're pioneering new ways to service clients or fostering a culture of continuous improvement, innovation is at the heart of everything we do. We are committed to providing a market-leading service that empowers clients.



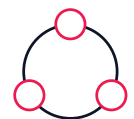
Client Centric

We understand what our clients need to succeed, and do everything to ensure they meet their goals as simply and effectively as possible.



Diversity, Equity and Inclusion

We believe in putting people first. As a global business we recognise diversity, equity and inclusion can be complex, challenging and nuanced. So we're meeting it with courage, drive and openness.



Best Offshore Law Firm
WealthBriefing European Awards 2023



Law Firm of the Year
- Caribbean, Guernsey and Jersey Citywealth IFC Awards 2023



Offshore Firm of the Year
HFM Asian Services Awards 2022



Offshore Firm of the Year
Chambers HNW Awards 2022

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Jersey
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Luxembourg
Shanghai
Singapore
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Our network of locations also includes Beijing, Hong Kong, London, Shanghai, Singapore and Tokyo. Regulatory information can be found at ogier.com.