

L-QIF “Limited Qualified Investor Fund”

The innovative new fund solution in Switzerland



L-QIF stands for the latest innovation in the Swiss fund market – the “Limited Qualified Investor Fund”. Under Swiss law, the L-QIF is designed to offer investors considerable advantages over previously well-known structures such as funds for qualified investors and, in particular, meet the needs of Swiss institutional investors in terms of flexibility and time to market. In light of this, the Federal Council initiated the consultation process for amending the Collective Investment Schemes Act (CISA) in June 2022.

Background

Since CISA was introduced in 2007, there have been different types of funds under Swiss law: contractual funds, investment companies with variable capital (SICAVs), limited partnerships for collective investment (LPs) and investment companies with fixed capital (SICAFs). All of these different fund structures require FINMA product approval and are subject to restrictions concerning investment strategy design. This means that fund launches and life cycle management can sometimes be unnecessarily time-consuming and that innovative investment strategies geared towards specific institutional investors are often impracticable in the guise of a Swiss fund. This can apply to alternative investments, for example. Against this backdrop, the L-QIF concept is designed to relax the aforementioned restrictions specifically for qualified investors as, unlike private investors, they are able to understand the risks of an investment instrument in detail and independently assess the suitability of it.

A look beyond Switzerland's borders shows that the L-QIF concept is nothing new and is already successfully established in other fund jurisdictions (e.g. Luxembourg's Reserved Alternative Investment Fund or RAIF).

How it works

Unlike other current well-known fund structures, the L-QIF concept is centered around waiving FINMA's product approval obligation. This means deliberately dispensing with dual supervision (at product and institutional level) and that FINMA is not involved in the fund launches.

To ensure the necessary product quality and security, legislators stipulate that the fund management company and asset manager must be a FINMA-supervised institution (or supervised by equivalent foreign supervision). The fund management company is therefore required to take on even greater responsibility in this respect.

As the L-QIF will be regulated by CISA, it is classified as a Swiss collective investment for tax purposes, while advantageous stamp duty and VAT treatment is guaranteed in accordance with Circular 24 of the Swiss Federal Tax Administration.

Your L-QIF solution with UBS White Labelling Solutions

As one of Switzerland's leading fund management companies, UBS Fund Management (Switzerland) AG has been closely involved in developing the L-QIF concept from the very beginning. UBS White Labelling Solutions will continue to promote this important innovation together with the Asset Management Association Switzerland (AMAS) and will keep you informed of future developments.

Tailor-made ESG mandates

White label funds – also in form of a L-QIF - are particularly suitable for implementing tailor-made ESG mandates. This is because you have the choice of the various Environmental, Social and Governmental sustainability criteria you want to apply, either in your role as asset manager or in your role as sponsor together with your chosen asset managers. Through our Proxy-Voting offering you also have the ability to either opt for principles and standards defined in the publicly available UBS Management Company proxy voting directive policy or to opt for a dedicated directives, according to your role as sponsor and/or the delegated asset manager, for executing voting preferences. With a white label fund solution, we can assist you in implementing the regulatory and operational set up of your ESG strategy.

Benefits

The benefits of the new L-QIF structure for sponsors and investors are obvious:

- Increased flexibility and freedom in the design of the investment strategy
- Concentrated portfolios can now be implemented in a CH fund / all asset classes can be implemented in one fund structure
- Improved time to market (launch and adjustments)
- Same tax treatment as all other Swiss collective investment schemes

Entry into force per 1.3.2024

The Swiss parliament passed the bill in the final votes on December 17, 2021. The consultation process on the implementing regulations ended in December 2022. In its meeting on 31 January 2024, the Federal Council has decided that the revised Collective Investment Schemes Act (CISA) and the adapted Collective Investment Schemes Ordinance (CISO) will come into effect per 1 March 2024.

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