L-QIF “Limited Qualified Investor Fund”

The innovative new fund solution for Swiss investors

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).

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

- Improved time to market
- Greater degree of flexibility and freedom concerning investment strategy design
- Same tax treatment as all other Swiss collective investments

Outlook
After the end of the consultation process on 17. Oktober 2019 the Federal Council published its statement for submission on 19. August 2020. It is expected to be on the agenda in parliament in spring 2021 and subsequently the ordinance based on this will be consult-
ed. Despite the shifting priorities in parliament due to the actual COVID-19 challenges we expect the launch of the first L-QIFs in the second quarter of 2022.

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.

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