

The drive toward regulated funds

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Ireland is poised to become a prime beneficiary of the trend among alternative investment managers to establish regulated funds as a core part of their offering to investors. Whether managers are creating onshore funds in addition to offshore offerings, packaging their strategy within Ucits-compliant structures to expand their spectrum of potential investors, or redomiciling funds mainly from Caribbean jurisdictions to Europe, there is a clear movement that puts Ireland in pole position as a fund domicile within the European Union.

To some extent this trend is being driven by investor demand for the higher levels of supervision exercised in onshore domiciles, such as Ireland's regulatory requirement for oversight of a fund by a trustee with fiduciary responsibility. Managers with funds in other jurisdictions are undertaking contingency planning in the event that key investors announce that they are no longer comfortable investing in offshore funds.

On top of these developments, the EU's proposed Alternative Investment Fund Managers Directive is looming large, although it is still awaiting final agreement. The directive currently appears to limit distribution of alternative funds in European jurisdictions to regulated vehicles, and the requirements for non-EU based funds to gain access to the market are likely to be arduous at best.

Ireland can already offer alternative managers a choice between its sophisticated fund structure, the Qualifying Investor Fund, which is gaining increasing traction among hedge fund managers, and funds set up under the Ucits rules for retail investors, which offer a tried and tested structure as well as the ability to be freely marketed throughout Europe, free from the uncertainty over the AIFM Directive's eventual provisions.

Daiwa has the capability to provide a full service offering for both Ucits and non-Ucits funds, including administration and accounting, custody and the trustee role, as well as arrangements to handle sub-custody of assets with a prime broker, futures broker or clearing broker. The firm has been active in Ireland for 20 years, having commenced operations in April 1990 with the launch of an Irish Ucits fund distributed by Daiwa Securities.

The firm's experience dates right back to the dawn of Ireland's hedge fund services industry, making its first step into the market in September 1990 when it began servicing a fund managed by Paul Tudor Jones. Throughout its history, Daiwa has prioritised quality rather than quantity in its operations, never taking on new business where it would put its commitments on service quality to existing clients at risk - which is why the firm is happy to use its customers as referees.

Daiwa's background and experience is attuned to the new requirements of managers and investors, providing a comprehensive offering involving all the infrastructure required for effective management, corporate governance and oversight including lawyers, accountants, auditors, advisers and non-executive directors. The firm also offers a complete Ucits solution for managers and promoters entering the market while providing the comfort of segregation, transparency and service quality.

Until a few years ago investors did not regard high levels of fund regulation as a priority and were ready to accept quicker and less costly offshore solutions, but now the balance has tipped. Amid events such as Lehman and Madoff and indifferent stock market performance, investors have lost money they will never see again and need increased reassurance if confidence and trust are to be restored. The quality and solidity Daiwa can provide is an important part of that process.

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[Please click here to read the full Hedgeweek special report on Ireland Hedge Fund Services 2010](#) [1]

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