



ADVISORY
Industry Information

Updates to the Central Bank's Pre-Submission Process

July 2022

On 1 July 2022, the Central Bank provided an update relating to the pre-submission process it has in place for certain Qualifying Investor Alternative Investment Funds ("QIAIFs"). Going forward this process is only required where it is proposed that a QIAIF will invest in: (i) Irish property assets; or (ii) crypto assets.

Generally QIAIFs can avail of a fast track authorisation process that results in a QIAIF being authorised by the Central Bank within 24 hours of a completed application for authorisation being submitted to the Central Bank. This process also applies in respect of applications for approval of new sub-funds of existing QIAIFs. In the summer of 2020 the Central Bank introduced the pre-submission process for certain types of QIAIFs, being: (i) property QIAIFs; (ii) loan originating QIAIFs; (iii) life settlement QIAIFs; (iv) QIAIFs with high levels of leverage; and (v) QIAIFs with uncommon asset types or with unusual features. QIAIFs subject to this process were required to submit a pre-submission to the Central Bank in advance of an application for authorisation being filed. The Central Bank provided further guidance on the types of information the Central Bank expected to be provided by managers where a pre-submission was required in respect of a QIAIF with the details varying depending on the QIAIF's proposed investment strategy.

The Central Bank has advised that the pre-submission process will only apply to QIAIFs where investment in Irish property assets or crypto assets is proposed. However it has made it clear that it may update the list of QIAIFs which are required to make a pre-submission to the Central Bank in the future by amending the [webpage](#) setting out details of the pre-submission process for QIAIFs.

Investment in Irish Property Assets

Where it is proposed that a QIAIF will invest in Irish property assets, the pre-submission to the Central Bank must contain:

1. copies of the prospectus/supplement(s), as relevant;
2. a completed model portfolio template. The information provided should include a line-by-line breakdown of the properties and related securities/instruments that the QIAIF intends to utilise (an aggregate percentage per asset class is not acceptable). In addition, where available, details of the specific properties that will be invested in by the QIAIF should be included;
3. details of the maximum LTV/leverage limits that will apply including any debt at SPV/intermediate investment vehicle level. The rationale for such limits should also be provided;
4. details of the liquidity status of the QIAIF and the redemption provisions that will apply; and
5. an indication of the expected target market of the QIAIF.



Investment in Crypto Assets

The Central Bank has previously provided guidance in its AIFMD Q&As (ID1145) on investment by QIAIFs in crypto assets which for the purposes of the Central Bank's guidance are crypto-assets that are based on an intangible or non-traditional underlying.

Where it is proposed that a QIAIF will invest in crypto assets, the pre-submission to the Central Bank must contain:

1. information in relation to how the crypto-assets are capable of being appropriately risk managed, including liquidity risk; credit risk; market risk; operational risk (including fraud and cyber risks); money laundering / terrorist financing risk; and legal and reputation risks; and
2. where direct investment in crypto-assets is proposed, the submission should include details from the proposed depositary demonstrating how it is satisfied that it can provide for the safe-keeping of the assets of the QIAIF in accordance with the conditions set down in the European Union (Alternative Investment Fund Managers) Regulations 2013.

The Central Bank has clarified that where a QIAIF proposes to invest no more than 10% of its net asset value in cash-settled Bitcoin futures traded on the Chicago Mercantile Exchange, no pre-submission is required, provided that:

1. the cover letter accompanying the QIAIF application refers to the inclusion of crypto-assets exposure; and
2. in the case of an application for a post authorisation amendment, shareholder approval is obtained for the amendments to the QIAIF's investment strategy to introduce exposure to crypto-assets. The cover letter accompanying the application must reference this.

The Central Bank has also advised that it carries out quality assurance reviews post authorisation on a sample of QIAIFs and that the QIAIFs that are subject to such reviews are selected at the discretion of the Central Bank. The focus on these reviews is the QIAIF's compliance with the requirements of the Central Bank's AIF rulebook and other legislative and regulatory obligations considered applicable. Where a QIAIF is selected for a quality assurance review, the QIAIF's representatives will be required to engage with the Central Bank and provide responses to the Central Bank's comments in a timely manner.

Key Contacts

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