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Liechtenstein

Alternative Investment Funds

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This country-specific Q&A provides an overview of alternative investment funds laws and regulations applicable in Liechtenstein.

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Liechtenstein: Alternative Investment Funds

1. What are the principal legal structures used for Alternative Investment Funds?

Under the Liechtenstein Alternative Investment Fund Act (transposing the EEA regulatory frameworks into Liechtenstein law; "**AIFMA**"), an Alternative Investment Fund ("**AIF**") can be established in four distinct legal forms: (1) the contractual form, known as an investment fund (*Investmentfonds*); (2) the trust form, referred to as a collective trusteeship (*Kollektivtreuhänderschaft*); (3) the investment company form, which may be organized as a joint-stock company (SICAV) or a European Company (SE); or (4) the partnership form, specifically the "*Anlage-Kommanditgesellschaft*" or "*Anlage-Kommanditärengesellschaft*". In specific, justified individual cases, the Financial Market Authority ("**FMA**") may also recognize other domestic legal forms, provided these forms do not conflict with the protection of investors or the public interest. However, in practice such other legal forms are hardly ever chosen.

2. Does a structure provide limited liability to the investors? If so, how is this achieved?

Yes, the various AIF structures in Liechtenstein are designed to provide limited liability to investors through statutory provisions. Therefore, investors are not personally liable beyond their committed capital.

3. Is there a market preference and/or most preferred structure? Does it depend on asset class or investment strategy?

The collective trusteeship (*Kollektivtreuhänderschaft*) remains the most popular legal form in the Liechtenstein market, accounting for approximately 56% of all Liechtenstein investment funds as of mid-2025. However, this dominance has been gradually declining from higher levels in previous years, while the popularity of other forms has increased. AIFs in contractual form and investment companies (SICAV) each represented about 22% of the total fund market as of mid-2025. The choice of legal structure is determined not only by the nature of the assets in which the AIF will invest, but also, and in particular, by tax considerations and the target market, including the extent to which the chosen structure is recognised and accepted by investors in that market.

4. Does the regulatory regime distinguish between open-ended and closed-ended Alternative Investment Funds (or otherwise differentiate between different types of funds or strategies (e.g. private equity vs. hedge)) and, if so, how?

The AIFMA distinguishes between open-ended and closed-ended AIFs and provides specific rules for certain fund types and investment strategies, including specialized fund types such as European Venture Capital Funds (EuVECA), European Social Entrepreneurship Funds (EuSEF), and European Long-Term Investment Funds (ELTIF).

With respect to open-ended and closed-ended AIFs, differences arise in operational requirements: Alternative Investment Fund Managers ("**AIFMs**") of open-ended AIFs must employ specific liquidity management systems and conduct regular stress tests that are not mandatory for all closed-ended structures. Furthermore, closed-ended AIFs must draw up a security prospectus in accordance with EU Regulation EU 2017/1129 if they intend to offer fund units publicly.

5. Are there any limits on the manager's ability to restrict redemptions? What factors determine the degree of liquidity that a manager offers investors of an Alternative Investment Fund?

An AIFM's ability to restrict redemptions is limited to exceptional cases and must be in the interest of the investors. While AIFMs can activate liquidity management tools (LMTs) like suspensions or side pockets, the FMA may also mandate their activation or deactivation to ensure investor protection.

The degree of liquidity offered is determined by the necessary alignment between the AIF's investment strategy, its asset liquidity, and its redemption policy. AIFMs must perform regular stress tests under normal and exceptional conditions to ensure these factors remain compatible.

6. What are potential tools that a manager may

use to manage illiquidity risks regarding the portfolio of its Alternative Investment Fund?

AIFMs of open-ended AIFs are required by law to include at least two liquidity management instruments in their constituting documents from a statutory list. These potential tools include e.g. the temporary suspension of subscriptions and redemptions, as well as the implementation of swing pricing (i.e. adjusting the fund's NAV by applying a swing factor to reflect liquidity costs) or dual pricing (i.e. applying separate subscription and redemption prices to reflect liquidity costs). Other tools include the use of redemption fees or anti-dilution levies to protect remaining investors. Additionally, for professional investors, redemptions in kind may be utilized, and AIFMs have the option to use "side pockets" or different sub-funds to separate illiquid assets from the rest of the AIF's portfolio.

7. Are there any restrictions on transfers of investors' interests?

Restrictions on the transfer of investor interests in an AIF are primarily governed by the AIF's constituent documents, which must specify any such limitations based on the fund's legal form. For instance, the partnership agreement of an investment limited partnership must explicitly define the transferability of limited partner shares.

Specific rules apply to closed-ended AIFs distributable to retail investors, where the prospectus must disclose details regarding transfer restrictions and any special rights granted to the AIFM or certain investors. These restrictions often serve to maintain the AIF's defined investor circle, as AIFMs may exclude individuals who fail to meet eligibility requirements.

8. Are there any other limitations on a manager's ability to manage its funds (e.g., diversification requirements)?

One of the significant advantages of the Liechtenstein AIF regime is its flexibility regarding diversification, as, in contrast to UCITS, there is generally no statutory minimum diversification requirement for AIFs. This allows for the creation of single-investment funds, which are relatively easy to implement in Liechtenstein with a short time-to-market. However, for specialized fund types like ELTIFs or EuVECAs, specific investment limits and concentration rules mandated by European regulations would apply.

9. What is the local tax treatment of (a) resident, (b) non-resident, (c) pension fund and (d) sovereign wealth fund investors (or any other common investor type) in Alternative Investment Funds? Does the tax status or preference of investors or the tax treatment of the target investments primarily dictate the structure of the Alternative Investment Fund?

Liechtenstein offers a competitive and transparent tax environment for AIFs, where the income generated from the managed assets is generally exempt from domestic tax. There is no withholding tax on distributions made by the AIF, and the jurisdiction does not impose an annual "taxe d'abonnement" on fund assets. For non-resident investors, this means there is effectively no taxation at the fund level in Liechtenstein so that they are taxed solely in their home country according to their local laws. Domestic residents are taxed according to Liechtenstein's general tax rules. The tax status of the target investors and the tax treatment of the underlying investments can constitute drivers for fund structuring, as different legal forms may be chosen to ensure tax transparency or compatibility with double taxation agreements in the target markets.

10. What rights do investors typically have and what restrictions are investors typically subject to with respect to the management or operations of the Alternative Investment Fund?

Investors in Liechtenstein AIF structures generally do not have direct or personal management rights and are excluded from the AIF's day-to-day operations. However, they possess significant information and economic rights, including the right to receive dividends/returns on their fund units and an annual report that includes a balance sheet, an activity report, and disclosures on compensation and leverage.

11. Where customization of Alternative Investment Funds is required by investors, what types of legal structures are most commonly used?

For customized investment solutions, the umbrella structure is widely utilized as it allows for multiple sub-funds with separate investment policies under a single legal roof, which significantly reduces setup costs for subsequent funds. Investment companies (SICAVs) and collective trusteeships are also frequently used for

bespoke mandates, such as private label funds or family office solutions. The flexibility of Liechtenstein law also allows the FMA to approve other legal forms (e.g. limited liability company) if they are better suited to meet the specific requirements of the investors.

12. Are managers or advisers to Alternative Investment Funds required to be licensed, authorised or regulated by a regulatory body?

In Liechtenstein, AIFMs must obtain licensing and authorization from the FMA to conduct their business. Small AIFMs managing portfolios below specified asset thresholds (i.e. EUR 100 million including assets acquired through leverage, or EUR 500 million for unleveraged portfolios with no redemption rights exercisable for five years) are exempt from full licensing but must register with the FMA.

Investment advisers (*Anlageberater*) advising on financial instruments generally require regulatory licensing or authorization under Liechtenstein laws (e.g., Liechtenstein's Wealth Management or Investment Firms Acts).

13. Are Alternative Investment Funds themselves required to be licensed, authorised or regulated by a regulatory body?

Liechtenstein AIFs are registered through a notification process rather than a lengthy individual authorization procedure. Additionally, if an AIF is intended for marketing to investors, a formal marketing notification must be submitted to the FMA, which the authority usually confirms within a few working days.

14. Does the Alternative Investment Fund require a manager or advisor to be domiciled in the same jurisdiction as the Alternative Investment Fund itself?

No, under the European passporting regime, a Liechtenstein AIF can be managed by an authorized AIFM from another EEA member state either cross-border or via a branch. Conversely, a Liechtenstein-authorized AIFM is permitted to manage AIFs domiciled in other EEA member states.

15. Are there local residence or other local qualification or substance requirements for the

Alternative Investment Fund and/or the manager and/or the advisor to the fund?

Liechtenstein imposes strict substance requirements to prevent the creation of "letterbox" companies. A Liechtenstein AIFM must have its head office and registered seat within Liechtenstein and must employ at least two qualified managers on a full-time basis. These managers must be residents of Liechtenstein, the EEA, or Switzerland and must demonstrate that they are "fit and proper", in particular in relation to their personal integrity and professional experience. The AIFM must also possess adequate technical and personnel resources to manage its risks and portfolios effectively. The law only provides for limited options to out-source fund related functions.

16. What service providers are required by applicable law and regulation?

Every AIF must have a designated AIFM responsible for portfolio and/or risk management. In addition, the AIF must appoint a depositary, which is typically a Liechtenstein bank, to oversee assets and monitor cash flows. A recognized independent audit firm must also be appointed to perform the annual statutory audit of both the AIF and its AIFM. While many administrative and risk management functions can be performed by the AIFM itself, they may to a certain extent also be delegated to specialized authorized service providers.

17. Are local resident directors / trustees required?

Although Liechtenstein law does not expressly require AIFs to appoint a local director, the FMA generally expects a meaningful local governance and management presence to ensure sufficient substance and effective regulatory oversight. This typically means that at least one board member is resident in Liechtenstein or lives within reasonable commuting distance of Liechtenstein (in practice up to one hour of traveling time from abroad). Overall, while local directors are not strictly required by statute in every structure, local governance and management presence are effectively a regulatory expectation and established market practice, ensuring that the fund's "mind and management" is genuinely located in Liechtenstein.

18. What rules apply to foreign managers or advisers wishing to manage, advise, or otherwise

operate funds domiciled in your jurisdiction?

AIFMs from other EEA member states can operate in Liechtenstein using the EU passport, which requires a notification process between the respective national regulators. Once notified, they can manage Liechtenstein AIFs while remaining primarily under the supervision of their home state for organizational matters, though they must comply with Liechtenstein's rules for marketing and certain conduct. Non-EEA AIFMs are subject to more complex "third-country" rules, which require cooperation agreements between the FMA and the foreign authority and adherence to specific transparency and anti-money laundering standards. The same is true for EEA advisers (advising on financial instruments) which also have access to the EEA passporting regime.

19. What are the common enforcement risks that managers face with respect to the management of their Alternative Investment Funds?

AIFMs in Liechtenstein face enforcement risks mainly from the FMA and in relation to non-compliance with regulatory requirements, investor protection, reporting, AML/KYC, marketing, conflicts of interest, and general governance. Typical FMA audit findings (*Beanstandungen*) and compliance issues include valuation errors, active investment limit breaches, reporting deficiencies, and inadequate delegation or conflict-of-interest controls. Organizational weaknesses in ICT/cybersecurity also constitute a key risk area.

Under the penal provisions, AIFMs can be prosecuted for misdemeanors (*Vergehen*) such as operating without a license or making false disclosures. Additionally, a wide array of administrative offenses (*Übertretungen*) – including breaches of conduct rules, risk management, delegation, and reporting duties – can trigger severe administrative fines. For serious, repeated, or systemic violations, these fines can reach up to CHF 1 million or 10% of annual turnover, and the FMA may ultimately withdraw the manager's license.

20. What is the typical level of management fee paid? Does it vary by asset type?

Typical management fees range from 0.10% to 2.50% p.a., with levels primarily dictated by asset type and investment complexity. High-specialization alternative assets like blockchain, venture capital and private equity command the highest rates, reaching 2.50% p.a.. Conversely, real estate funds show lower pure portfolio management fees (as low as 0.20% p.a.), while

conservative fixed-income funds charge fees in the ballpark for 1.5%.

Fees also vary significantly by share class; institutional or "Seeder" classes frequently pay substantially lower rates than retail equivalents. Furthermore, feeder fund structures might show lower direct management fees (as low as 0.10%) while being subject to additional fee layers at the Master-AIF level.

21. Is a performance fee or carried interest typical? If so, does it commonly include a "high water mark", "hurdle", "water-fall", "preferred return" or other condition? If so, please explain.

Performance fees and carried interest are established features in Liechtensteiner AIFs (as of June 2024, 40% of all AIFs provided for performance fees, and 4% had carried interest models). Their application varies significantly by investment strategy and asset type and range between 1.50% up to 50% (as per June 2024). While common in alternative and private equity structures, traditional real estate or conservative funds may opt not to charge them.

Performance fees are regularly subject to a High Watermark (HWM) condition. This ensures AIFMs only receive rewards for growth exceeding the AIF's previous historical peak value (all-time high). Some funds utilize a "High-on-High" model, where the NAV must exceed the level at which the fee was last crystallized. A Hurdle Rate – a fixed percentage (e.g., 5% or 8% p.a.) or benchmark return – is often integrated, requiring the AIF to achieve a minimum return before any performance fee is triggered.

Carried Interest is occasionally deployed for private equity and venture capital funds, representing a AIFM's share of realized profits, often set at 20%. These structures almost universally employ a distribution waterfall to define the sequence of payments: (1) Preferred Return: Investors first receive their full contributed capital plus a priority return, commonly 7-8% p.a.; (2) Catch-up: Once the preferred return is met, a catch-up provision allows the AIFM to receive 100% of subsequent distributions until they have reached their designated profit share (e.g., 20% of all distributed profits); and (3) Profit Split: Remaining proceeds are split according to a defined ratio (e.g., 80/20) between investors and the AIFM.

22. Are fee discounts / fee rebates or other economic benefits for initial investors typical in

raising assets for new fund launches?

Economic benefits, fee discounts, and rebates for initial or launching investors are typical in raising assets for AIFs to accelerate asset gathering. These benefits are structured in several ways:

First, AIFs frequently establish dedicated "Seed" or "Seeder" share classes. These classes are reserved for early-stage investors and typically feature discounted ongoing charges, such as lower administration or management fees compared to standard institutional or retail classes.

Second, AIFMs are legally permitted to negotiate direct fee rebates with investors. These rebates must be based on objective criteria such as an investor's willingness to support the fund during its launching phase.

Third, managers utilize Side Letters (see section 5 below). These bilateral agreements frequently offer preferential economic arrangements – such as discounted management fees or carried interest rates – tailored to the timing, size, or strategic nature of the initial commitment. Furthermore, AIFMs can agree to a partial refund of collected fees for institutional investors committing significant capital on a long-term basis.

23. Are management fee "break-points" offered based on investment size?

Management fee breakpoints based on investment size are a well-established feature of Liechtenstein AIFs. Larger investment commitments are commonly rewarded with reduced management fees, ranging from 50% up to 100% of the management fee.

In addition to standardized fee breakpoints, volume-based rebates are a recognized market practice. Under Liechtenstein law, AIFMs may negotiate management fee rebates with investors, provided these are based on objective criteria. The size of an investor's commitment or holdings is the most common and widely accepted criterion. For larger institutional investments, it is also common to grant preferential economic terms through side letters or bespoke agreements, including partial refunds of management fees or reduced management or advisory fees.

Any fee reductions must be applied transparently and consistently within the relevant investor class to ensure compliance with the principle of equal treatment. The applicable fee schedule should be clearly disclosed in the fund documentation, while the depositary is responsible

for verifying the correct calculation and application of fees. Overall, investment-size-based management fee breakpoints and volume-related rebates are an established feature of the Liechtenstein AIF market, providing economic incentives for larger institutional investors while maintaining regulatory transparency and investor fairness.

24. Are first loss programs used as a source of capital (i.e., a managed account into which the manager contributes approximately 10-20% of the account balance and the remainder is furnished by the investor)?

First-loss arrangements are not a standard feature of AIFs, but they are permissible and are occasionally used in institutional fund structures. In a typical first-loss structure, the AIFM, the sponsor, or another designated first-loss provider contributes subordinated capital that absorbs losses before the senior investor classes are affected.

From a regulatory perspective, such arrangements must comply with the general principles of fair treatment of investors, proper governance, transparent disclosure, sound risk management, and effective management of conflicts of interest. The existence of a first-loss tranche, the identity of the first-loss provider, the loss-allocation waterfall, and any preferential economic rights must therefore be clearly disclosed in the constitutional documents of the AIF.

25. What are the typical terms of a seeding / acceleration program?

Liechtenstein law permits AIFMs to grant preferential treatment (including preferential economic terms) to certain investors, provided these arrangements are explicitly provided for in the fund's constituent documents, transparently disclosed in the pre-investment information, and remain consistent with the principles of fair investor treatment and proper conflict-of-interest management. Such differentiation is typically structured through different share classes using differentiation criteria.

Against this background, seeding and acceleration programs are an established feature of the AIF market in Liechtenstein. A common feature of Liechtenstein AIFs is the establishment of dedicated Seed or Founder share classes that are available only during the AIF's launch phase. These classes typically require significantly higher minimum commitments than ordinary investor classes

and are intended exclusively for institutional or professional investors willing to provide substantial early-stage capital.

The principal incentive offered to seed investors is preferential pricing. Seed classes frequently benefit from substantially reduced management fees (up to a 80% decrease), administration fees (up to a 33.33% decrease), and other ongoing fund expenses, such as risk management and custodian fees which can be completely waived. In practice, management fee reductions may range from modest discounts to significantly lower fee schedules depending on the size of the commitment and the commercial objectives of the AIF, such as tiered breakpoints offering a 20.00% relative decrease for large-scale subscriptions. Performance-related compensation may likewise be reduced, including lower carried interest percentages (a 50.00% relative decrease, or 10.00 percentage points lower) or more favourable performance fee arrangements. In addition, seed investors commonly receive volume-based rebates, founder discounts, or permanent fee reductions that continue for the duration of their investment.

26. What industry trends have recently developed regarding management fees and incentive/performance fees or carried interest? In particular, are there industry norms between primary funds and secondary funds?

Recent Liechtenstein AIF market practice broadly follows international trends: management fees have come under downward pressure, particularly for liquid, scalable or lower-capacity strategies. Hedge funds that historically followed the "2 and 20" model increasingly charge around 1-1.5% management fees, while performance fees remain common but are typically subject to high-water marks, hurdle rates, catch-up provisions and appropriate waterfalls.

A clearer distinction has developed between primary and secondary funds. Primary private-equity funds generally continue to charge approximately 2% management fees and around 20% carried interest, reflecting their longer investment and value-creation cycle. Secondary funds, which acquire existing fund interests or portfolios, generally charge lower management fees of approximately 1-1.5% and carried interest of approximately 10-15%. These figures should be regarded as market indications rather than Liechtenstein regulatory requirements.

27. What restrictions are there on marketing Alternative Investment Funds?

Basically, the active marketing of AIF is subject to a license requirement under the AIFMA.

The AIFMA defines "marketing" as the direct or indirect offering or placement of units in an AIF to investors with their domicile or registered office within the EEA provided that such marketing occurs upon the initiative of the AIFM. Therefore, marketing still requires an active action on behalf of the AIFM. Any offer in the legal sense, including an invitation ad offerendum, constitutes marketing. Consequently, the marketing of the fund units requires an active placement or offering on behalf of the offeror (AIFM).

Any marketing activity furthermore must relate to a specific fund/fund assets. Such requirement is fulfilled if the fund assets have been invested, are ready for offering or are already held by an AIF with a specific name.

The Liechtenstein FMA takes the view that publicity does not constitute a requirement for marketing. Therefore, marketing under the AIFMG has a broader scope than the marketing of UCITS which requires a public offer or marketing to Liechtenstein investors under the Act on UCITS (UCITSA).

Under the AIFMA, the FMA directly supervises marketing and distribution activities carried out in Liechtenstein (i.e. to investors with domicile or registered seat in Liechtenstein), including (to some extent) marketing by EEA AIFMs into Liechtenstein under the EEA passporting regime. Liechtenstein AIFMs may likewise market AIFs in other EEA Member States on the basis of the applicable passport.

If the marketing activity is not carried out on the back of an EEA passport, the FMA also accepts the "Reverse Solicitation Principle". Therefore, active marketing of AIF units is denied if the offering or placement of fund units occurs following the initiative of a potential Liechtenstein investor. In particular so called "execution only" transactions initiated by the investor/client do not constitute marketing which would be subject to a license requirement under the AIFM.

28. Is the concept of "pre-marketing" (or equivalent) recognised in your jurisdiction? If so, how has it been defined (by law and/or practice)?

As a member state to the European Economic Area (EEA), Liechtenstein has implemented national legislation to

declare EU Regulation 2019/1156 on pre-marketing directly applicable in Liechtenstein. As a result, some years ago the AIFMA was amended in order to include rules on pre-marketing which are compatible with the afore-mentioned EU Regulations. Therefore, the AIFMA also defines pre-marketing in accordance with the principles of the afore-mentioned EU Regulation.

The Liechtenstein FMA as the regulator in charge also takes the view that mere market sounding activities constitute pre-marketing. As such they are only permissible as long as there is no specific fund or fund assets.

The FMA takes the view that marketing of AIF units is only possible after the AIF has been completely set up and notified to the FMA.

The FMA further takes the view that no marketing activity exists if the circle of investors in an AIF is confined to those persons which participated in the negotiations and preparations before the set up of the fund and were actively involved in the fund's structuring. As long as no other investors, i.e. potential investors that were not involved in the preparations and the set-up of the AIF are approached, there is no active marketing and, consequently no licensing requirement.

29. Can Alternative Investment Funds be marketed to retail investors?

Yes, under certain circumstances AIF units may be marketed to Liechtenstein Retail Investors.

For this purpose an AIF must file a notification (Vertriebsanzeige) to the regulator. Furthermore, it must provide the potential investors with an adequate Key Investor Information Document/KIID or a basic information sheet pursuant to art. 5 EU Regulation 1286/2014. It must also supply the retail investor with a security prospectus if the respective fund is a closed-ended AIF.

Furthermore, the AIFM must provide more specific information on the subscription, payment and redemption of fund units as required by art. 151a AIFMA.

30. Does your jurisdiction have a particular form of Alternative Investment Fund be that can be marketed to retail investors (e.g. a Long-Term Investment Fund or Non-UCITS Retail Scheme)?

Yes, ELTIF funds are permissible in Liechtenstein.

As an EEA member state Liechtenstein has implemented national legislation to declare EU Regulation 2015/760 on ELTIF as directly applicable in Liechtenstein. However, in practice, ELTIF still are not very frequent in Liechtenstein.

31. What are the minimum investor qualification requirements for an Alternative Investment Fund? Does this vary by asset class (e.g. hedge vs. private equity)?

This depends on whether the investor is a professional investor or a private investor. The AIFMA qualifies a professional investor as an investor which fulfils the requirements as a professional investor pursuant to Annex II of EU Directive 2014/65/EU or which, upon his/her application, can be qualified as a professional investor.

The AIFMA therefore qualifies any other investor which is not a professional investor as a private or retail investor.

Against this background the AIFMA applies EU standards for differentiating professional investors from private investors.

In addition to the afore-mentioned qualifications, the fund documents of each specific AIF can determine specific minimum investment amounts for potential investors. Frequently, AIF which seek to limit the number of their investors may require a rather high minimum investment (i.e. CHF 250'000.- or higher). Other AIF expressly exclude retail investors from the circle of their potential investors. It is also possible that within the same AIF different minimum investor qualification requirements apply and vary by the AIF's asset classes.

32. Are there additional restrictions on marketing to government entities or similar investors (e.g. sovereign wealth funds) or pension funds or insurance company investors?

In principle, such marketing is permissible under the requirement set out above. However, the respective entities (government entities, pension funds or insurance company investors) usually provide for their own investment guidelines which may set forth such additional restrictions.

33. Are there any restrictions on the use of intermediaries to assist in the fundraising

process?

Yes. Such intermediaries, if having their seat or domicile in Liechtenstein, require a license (either pursuant to the Liechtenstein Act on Asset Managers or the Liechtenstein Act on Investment Firms).

To the extent such intermediaries are acting on a cross-border basis from abroad they will require to passport their services to their home regulator (if they operate from another EEA jurisdiction) which then informs the Liechtenstein FMA.

However, if the intermediary provides its services from a non-EU/non-EEA country it will be subject to a license requirement in Liechtenstein if it participates in the active marketing of AIF units in Liechtenstein/to Liechtenstein clients.

As mentioned above, strict compliance with the reverse solicitation principle can release such third country intermediaries from Liechtenstein license requirement. However, it should be noted that only third party/non-EU intermediaries (but not intermediaries from an EEA jurisdiction) can rely on the reverse solicitation principle.

34. Is the use of "side letters" restricted?

This is not the case. In practice, side letters regarding fees are possible and also quite common although they are not expressly dealt with by the AIFMG (see sec. 3 above).

In certain fund structures it is also possible to have a promoter that provides the AIFM with certain suggestions or instructions, as the case may be, regarding the selection of potential investments/fund assets. The agreement with the promoter can also be made in the form of a side letter.

35. Are there any disclosure requirements with respect to side letters?

Yes, such disclosure requirements can exist, as the case may be, under the pertinent KYC/AML legislation.

Depending on the specific structure it can also be advisable to disclose the existence such side letters to the regulator/FMA.

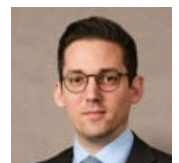
36. What are the most common side letter terms? What industry trends have recently developed regarding side letter terms?

For fee arrangements, please refer to sec. 3.3 above.

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