

**International  
Comparative  
Legal Guides**



Practical cross-border insights into alternative investment funds work

**Alternative Investment Funds  
2022**

**10<sup>th</sup> Edition**

Contributing Editor:

**Gus Black**  
Dechert LLP

**ICLG.com**

# Industry Chapter

1

**The State of Play for the Alternative Investment Industry in 2022**  
Jack Inglis, AIMA

# Expert Analysis Chapters

5

**The Retailisation of Private Equity**  
Thiha Tun, Sabina Comis, Angelo Lercara & Richard Horowitz, Dechert LLP

11

**Fund Finance: The Transition to 2022**  
Michael C. Mascia, Cadwalader, Wickersham & Taft LLP

14

**The Evolution of Liquidity Solutions in Private Markets**  
Jeremy Elmore & Sacha Gofton-Salmond, Travers Smith LLP

20

**Bringing Foreign Investment Funds into Japan**  
Yasuzo Takeno & Fumiharu Hiromoto, Mori Hamada & Matsumoto

# Q&A Chapters

25

**Andorra**  
Cases&Lacabra: Miguel Cases Nabau & Laura Nieto

32

**Brazil**  
Lefosse Advogados: André Mileski & Gustavo Paes

41

**Cayman Islands**  
Maples Group: Grant Dixon, Andrew Keast & Stephen Watler

50

**Chile**  
Carey: Cristián Eyzaguirre, Francisco Guzmán & Andrés Latorre

57

**Cyprus**  
Patrikios Pavlou & Associates LLC:  
Angelos Onisiforou & Angeliki Epaminonda

65

**England & Wales**  
Travers Smith LLP: Jeremy Elmore & Emily Clark

78

**Finland**  
Waselius & Wist: Olli Kiuru

86

**Germany**  
Hengeler Mueller Partnerschaft von Rechtsanwälten  
mbB: Christian Schmies & Charlotte van Kampen

92

**Hong Kong**  
Deacons: Taylor Hui, Fiona Fong & Siew Tin Tee

102

**Ireland**  
Dillon Eustace: Brian Kelliher & Richard Lacken

117

**Italy**  
LEXIA Avvocati: Angelo Messore, Francesco Dagnino & Alessandro Dagnino

126

**Japan**  
Anderson Mōri & Tomotsune: Koichi Miyamoto & Takahiko Yamada

136

**Luxembourg**  
GSK Stockmann: Dr. Marcus Peter,  
Corinna Schumacher & Katharina Schiffmann

146

**Scotland**  
Brodies LLP: Andrew Akintewe

155

**Singapore**  
CNPLaw LLP: Amit R. Dhume & Abel Ho

165

**Spain**  
Cases&Lacabra: Miguel Cases Nabau & Araceli Leyva

173

**Switzerland**  
Bär & Karrer Ltd.: Daniel Flühmann & Peter Ch. Hsu

183

**USA**  
Dechert LLP: Karen L. Anderberg & Adrienne M. Baker

# Andorra

Cases&Lacambra



Miguel Cases Nabau



Laura Nieto

## 1 Regulatory Framework

### 1.1 What legislation governs the establishment and operation of Alternative Investment Funds?

The establishment and operation of Alternative Investment Funds (“AIFs”) is governed by Law 10/2008 regulating Andorran Collective Investment Schemes, dated 12 June 2008 (“Law 10/2008”). Law 10/2008 includes the constitution of collective investment schemes in the Principality of Andorra (“Andorra”) and regulates their functioning and distribution. Depending on the type of investor, the purpose of the vehicle and the advertising involved, various schemes may be found from fully regulated collective investment vehicles to closed AIFs.

As Andorra is not a member of the European Union (“EU”), Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers is not applicable. Consequently, the Andorran legal framework, dating from 2008, does not define AIFs as European regulations do. With the exception of undertakings for collective investment in transferable securities, “*organismes d’inversió col·lectiva en valors mobiliaris*” (“OICVMs”), which are aligned with the UCITS Directive, the definition of AIFs comprises other open-ended and closed-ended collective investment schemes (“*organismes d’inversió col·lectiva*” – “OICs”), such as alternative funds *per se* (also known as hedge funds), real estate funds and other OICs as a catch-all term for private equity entities or those which, because of the composition of their assets and diversification risk policies, cannot be included in any other regulated categories.

Obtaining a specific performance objective and fundraising are the distinguishing elements of AIFs.

In addition, the Andorran Financial Authority (“AFA”) – the regulatory and supervisory authority of the Andorran financial system for banking and insurance sector, whose prior name was the Andorran National Finance Institute “*Institut Nacional Andorrà de Finances*” – is competent to issue technical communications and recommendations in order to develop regulations and standards regarding activity related to OICs. Furthermore, its constitutive law grants the AFA the ability to set the applicable fall-back of international standards for interpretational and prudential supervision purposes. The most relevant technical communications regarding AIFs and AIF management companies are the following:

- Technical Communication 189/09 of 27 July 2009, on registration of foreign collective investment undertakings.
- Technical Communication 7/SGOIC of 27 May 2011, on rules for ethics and behaviour.
- Technical Communication 20/SGOIC of 27 May 2011, on clarification regarding Law 10/2008.

- Technical Communication 23/SGOIC of 27 May 2011, on classification of OICs.
- Technical Communication 28/SGOIC of 29 November 2011, on transactions with related entities and individuals.
- Technical Communication 35/SGOIC of 31 July 2014, on publicly available tariffs.
- Technical Communication 44/SGOIC of 3 August 2018, on distribution to clients of OIC shares under the same investment policy.
- Technical Communication 5/SGOIC of 9 April 2020, on investor transparency and information: costs and charges.
- Technical Communication 23/SGOIC of 12 February 2021, on classification of OICs.

As Andorra is not a member of the EU, the freedom to provide financial services in the European Economic Area does not apply (the so-called “community passport” is not recognised). Consequently, all financial activities directly carried out within the Andorran jurisdiction are subject to prior authorisation by the AFA.

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

Only Andorran financial entities that are authorised to manage OICs can be management companies of Andorran AIFs. OIC management companies are entitled to provide OIC management and OIC advisory services.

The AFA is the regulatory and supervisory authority of such entities. Accordingly, they must comply with licensing requirements.

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

The AFA is responsible for authorising the establishment of Andorran AIFs through a two-tiered procedure comprising: (a) authorisation by; and (b) registration before, the AFA. They acquire the condition of OICs upon registration before the AFA.

The distribution of foreign AIFs, if this is considered active commercialisation, will also trigger registration obligations.

### 1.4 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?

There is no specific distinction between open-ended and

closed-ended AIFs under Andorran legislation. The only categorisation regulated by Law 10/2008 and the AFA's technical communications is as follows: (i) money market funds; (ii) fixed-income funds; (iii) mixed fixed-income funds; (iv) equity funds; (v) mixed equity funds; (vi) guaranteed funds; (vii) real estate funds; (viii) alternative funds; (ix) private equity funds; (x) securitisation funds; and (xi) other funds.

Notwithstanding the aforementioned, the different types of OIC are subsumed within two general categories: (i) "OICVMs"; and (ii) other undertakings for collective investment schemes, "Altres OICs", which include real estate OICs, alternative OICs and other OICs.

The Andorran regulatory regime does not distinguish between the different strategies of funds.

#### 1.5 What does the authorisation process involve for managers and, if applicable, Alternative Investment Funds, and how long does the process typically take?

Prior to the distribution of Andorran AIFs and their subscription, they must be registered before the AFA. Indeed, the regulation of funds is subject to the AFA's approval in the authorisation and registration process of the OIC, which takes around three months.

The documentation required in order to obtain authorisation, prior to the establishment of an Andorran AIF, is the following:

- The prospectus.
- The agreement between the management company and the depositary entity.
- A technical document detailing the particular features of the AIF and the specific investment programme.
- The depositary entity of the OICs being invested in (only for subordinated funds).
- An explanatory memorandum of the control levels conducted by the management company (only for alternative funds).
- A service delegation agreement.

The authorisation also requires the AFA's approval regarding the management company and the choice of the depositary entity.

#### 1.6 Are there local residence or other local qualification or substance requirements for managers and/or Alternative Investment Funds?

As mentioned above, only Andorran financial entities that are authorised to manage OICs can be management companies of Andorran AIFs.

#### 1.7 What service providers are required?

According to applicable law, there must be a depositary entity with which the securities, cash or any other asset, subject to the activity of any AIF, are deposited.

In the case of investment funds, they must be managed by a management company (in the case of investment companies, the appointment of a management company is optional). Functions of management, administration and control can be provided by the management company itself or by a third party.

Investment companies must also have a suitable administrative and accounting system and internal control procedures, including risk management procedures, together with IT control and safety procedures, money laundering bodies and procedures.

An AIF must be audited and can be marketed by the management company or by a local licensed distributor.

#### 1.8 What rules apply to foreign managers or advisers wishing to manage, advise, or otherwise operate funds domiciled in your jurisdiction?

All financial activities carried out in Andorra are reserved to local licensed entities that compose the Andorran financial system. Therefore, foreign managers or advisers wishing to manage, advise or otherwise operate funds in Andorra have to obtain prior authorisation from the AFA as stated in question 1.2.

#### 1.9 What relevant co-operation or information sharing agreements have been entered into with other governments or regulators?

In June 2011, Andorra signed a Monetary Agreement with the EU. The Monetary Agreement not only recognises the euro as the official currency of the Principality of Andorra, the right to issue euro coins and the obligation to grant euro banknotes and coins with legal tender status issued by the Eurosystem and the EU Member States that have adopted the euro, but represents the cornerstone of the legal changes envisaged for the next 10 years. This is because the Monetary Agreement requires Andorra to adopt, within a certain timeframe, a substantial part of all the EU banking/financial legislation.

Furthermore, in September 2013, the International Organization of Securities Commissions ("IOSCO") protocol for multilateral agreement on consultations was signed.

A Memorandum of Understanding ("MoU") was signed between Andorra and Spain on 4 April 2011. The MoU: (i) constitutes an agreement for consolidated cooperation in the supervisory framework between the AFA and the Bank of Spain; (ii) establishes the terms of the protocol for the relationship and collaboration between both authorities; and (iii) enables the supervisory authority of the country of origin to request information on consolidated risks of banking groups from the relevant authority of the country where the entity has subsidiaries.

Andorra signed, on 12 February 2016, the Multilateral Competent Authority Agreement with the European Union to automatically exchange information under the Common Reporting Standard.

Further, an Andorra-EU Association Agreement is being negotiated as of the time of writing, the outcome on key negotiation areas (e.g., free movement of persons and services) of which still remains to be seen.

## 2 Fund Structures

#### 2.1 What are the principal legal structures used for Alternative Investment Funds (including reference where relevant to local asset holding companies)?

It can either be an investment fund or an investment company. Investment funds can only be managed by a management company, whereas an investment company can be managed directly or by delegating management to an authorised institution, provided that the shareholders' meeting or the board of directors, by delegation, decides it.

#### 2.2 Do any of the legal structures operate as an umbrella structure with several sub-funds, and if yes, is segregation of assets between the sub-funds a legally recognised feature of the structure?

Pursuant to the Andorran funds law, a funds structure may operate as an umbrella structure with sub-funds. Each sub-fund



is treated as a separate entity, with the assets and liabilities segregated from other sub-funds within the umbrella fund.

**2.3 Please describe the limited liability of investors in respect of different legal structures and fund types (e.g. PE funds and LPACs).**

Investors are liable for the debts of the AIF to the extent of their contributions. Consequently, under normal circumstances, an AIF's creditors cannot claim against the investors' assets.

**2.4 What are the principal legal structures used for managers and advisers of Alternative Investment Funds?**

**Investment funds**

As mentioned above, only Andorran financial entities that are authorised to manage OICs can be management companies of Andorran AIFs. Such entities must be established as an Andorran limited company. Management companies must have a minimum equity share capital of EUR 300,000, fully subscribed and paid-in. In addition, they must have a board of directors of at least three members. Management companies are obliged to comply with specific solvency/own funds requirements (for "Altres OICs", these provisions have been aligned with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms – "CRR/CRDIV" – as, mainly, 0.01% of own funds and a civil liability insurance of 0.7% of the OIC's assets), core capital ratio provisions, and its board of directors' members must comply with good governance/suitability requirements.

**Investment companies**

An investment company must be established as an Andorran limited company and can be self-managed or delegate to a management company the management of all or part of the assets of the institution.

Both the management company and the investment company may contract intermediaries or financial agents, who must have the relevant authorisation for rendering such services.

**2.5 Are there any limits on the manager's ability to restrict redemptions in open-ended funds or transfers in open-ended or closed-ended funds?**

In general, both subscriptions and redemptions are made on the basis of the net asset value, which is subject to the subscription/redemption fees and other possible costs borne by the investor. Moreover, subscriptions and redemptions (which set the value date of the request) are made through contributions or charges to the OIC. These circumstances must be set out in the prospectus.

Both the management company and the investment company can justifiably limit redemptions, according to the prospectus, which may establish certain limitations, including the provisional suspension of redemptions, in exceptional cases, in the investors' interests. In addition, the AFA may temporarily suspend subscription and redemption when value determination is not possible.

Regarding real estate funds, investors may subscribe or request the redemption of their units at least twice a year.

**2.6 Are there any legislative restrictions on transfers of investors' interests in Alternative Investment Funds?**

There are no Andorran legislative restrictions on transfers of investors' interests in AIFs.

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

Andorran AIFs are composed of Common AIFs and AIFs for well-informed investors.

Common AIFs have to comply with some diversification requirements:

- they cannot invest more than 20% of their assets in financial instruments from the same issuer;
- they may be leveraged to up to 200% of their net asset value; and
- they are able to engage in short selling of securities with some restrictions.

On the other hand, AIFs for well-informed investors are only subject to limits established in their own prospectus.

In the Andorran funds law, there are no specific asset stripping limitations.

**2.8 Does the fund remunerate investment managers through management/performance fees or by a combination of management fee and carried interest? In the case of carried interest, how is this typically structured?**

Both management/performance fees and carried interest are forms of remuneration which are legally recognised. However, Andorran funds regulation does not develop the conditions and particularities for structuring the remuneration method. Notwithstanding, international standards are applied in terms of remuneration.

### 3 Marketing

**3.1 What legislation governs the production and use of marketing materials?**

The production and offering of marketing materials are governed by Law 10/2008 and the Technical Communication 7/SGOIC of 27 May 2011 on rules for ethics and behaviour.

**3.2 What are the key content requirements for marketing materials, whether due to legal requirements or customary practice?**

Advertising must be clear, sufficient, objective and not misleading and must state explicitly that it is an advertisement.

Prior to the investment, the latest published reports and the simplified prospectus – and, if requested, the full prospectus – must be delivered free of charge to the investors.

Marketing materials should contain: (i) a reference to the full prospectus and where it can be consulted; (ii) information regarding the managing company, the custodian and their authorisations to operate; and (iii) relevant information about the product's main characteristics, which must not lead to confusion regarding its content.

Marketing materials may also contain past performance information, in which case they should: (i) include a disclaimer

stating that past performance does not condition future performance, or similar; and (ii) designate where and how to access quarterly and annual reports. They should avoid any expression or argument that may lead the investor to believe that there is a guaranteed positive return, unless there is a minimum return guaranteed, in which case all its elements should be clearly communicated (object, duration, conditions, commissions, etc.).

Also, the typography, format and content of marketing materials should be transparent, clear and accurate, and should not be comparative or estimative.

When marketing activities are conducted through the internet, information shall be displayed in such a manner that the investors have access to the full prospectus prior to subscription.

### 3.3 Do the marketing or legal documents need to be registered with or approved by the local regulator?

All marketing materials shall be registered before the AFA prior to its publication. Any marketing materials shall include the fund's registration number before the AFA.

### 3.4 What restrictions (and if applicable, ongoing regulatory requirements) are there on marketing Alternative Investment Funds?

Alternative Investment Funds for well-informed investors cannot be made available by any disclosure means not specifically addressed to this investor profile.

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

Andorran OIC legislation does not provide for an express definition of "pre-marketing", nor does it recognise an equivalent concept. However, due to the power recognised by the AFA to apply international standards in the exercise of its supervisory activity, further legal developments in EU legislation could be taken into consideration in a factual way so as to build a "pre-marketing" or equivalent concept.

Specifically, following the EU Action Plan on the Capital Markets Union ("CMU"), the European Commission approved Regulation (EU) No 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment funds and amending Regulations (EU) No 345/2013 and (EU) No 346/2013 (the "Pre-marketing Regulation"). Among other reforms aimed at enhancing the regulatory framework applicable to investment funds and to better protect investors, the Pre-marketing Regulation introduces a harmonised concept of pre-marketing, amending the Alternative Investment Fund Managers Directive ("AIFMD").

Specifically, "pre-marketing" is defined as "a direct or indirect provision of information on investment strategies or investment ideas by an AIFM or on its behalf to professional investors domiciled or registered in the Union in order to test their interest in an AIF which is not yet established".

### 3.6 Can Alternative Investment Funds be marketed to retail investors (including any specific treatment for high-net-worth individuals or semi-professional or similar categories)?

According to Law 10/2008, the AFA can restrict the marketing of AIFs to well-informed investors, in case of a low liquidity

level or a high risk of loss for the AIFs. The marketing of AIFs that are limited to well-informed investors is prohibited to retail investors, whose definition is aligned with the Markets in Financial Instruments Directive ("MiFID").

### 3.7 What qualification requirements must be met in relation to prospective investors?

Investment in an AIF reserved for well-informed investors requires a limited level of protection. Pursuant to Law 10/2008, "well-informed" investors are those which meet the criteria of being either: (i) institutional investors; (ii) professional investors; or (iii) other investors who confirm in writing that they adhere to the status of "well-informed" investors and who either: (a) invest a minimum of EUR 50,000; or (b) have been assessed by a credit institution, an investment firm or a management company which certifies the investors' ability to understand the risks associated with investing in the AIF.

With the exception of those limited to well-informed investors, AIFs can be marketed to retail investors upon complying with any other regulatory requirements.

### 3.8 Are there additional restrictions on marketing to public bodies such as government pension funds?

There are no specific restrictions on marketing to public bodies in the Andorran jurisdiction. National and regional governments, the AFA, public institutions, central banks and other international institutions are expressly recognised as professional investors.

### 3.9 Are there any restrictions on the participation in Alternative Investments Funds by particular types of investors (whether as sponsors or investors)?

There are no specific restrictions thereof in the Andorran jurisdiction. However, any such fundraising activities carried out through intermediaries, if qualifying as financial activities falling under the activity reservation regime stated in question 1.2, should be carried out by local financial entities authorised to operate by the AFA.

### 3.10 Are there any restrictions on the use of intermediaries to assist in the fundraising process?

There are no specific restrictions on the participation of particular types of investors other than those that may be imposed by the investors' applicable regulation.

## 4 Investments

### 4.1 Are there any restrictions on the types of investment activities that can be performed by Alternative Investment Funds?

AIFs in Andorra are divided into three categories: (i) Real Estate Investment Funds; (ii) common Alternative Investment Funds; and (iii) Alternative Investment Funds for qualified investors only.

A Real Estate Investment Fund shall invest at least 90% of the annual average of monthly balances of its real estate assets. Additionally: (i) any asset, including rights on such asset, can represent more than 35% of the total assets at the moment of acquisition; (ii) real estate assets being part of the asset state of

the fund, rented to legal entities that are part of the same group, cannot represent more than 35% of the assets of the AIF; and (iii) entities belonging to the same group can only acquire a real estate asset when it is a new construction, it is permitted by its bylaws, the managing company includes it on the prospectus and provides periodical information, and it does not represent more than 25% of real estate investment fund assets.

Overall, other AIFs under Andorran legislation cannot invest more than 20% of their assets in securities or financial instruments from the same issuer, along with other investment restriction particulars.

**4.2 Are there any limitations on the types of investments that can be included in an Alternative Investment Fund's portfolio, whether for diversification reasons or otherwise?**

Please see question 4.1 above.

**4.3 Are there any local regulatory requirements which apply to investing in particular investments (e.g. derivatives or loans)?**

Please see question 4.1 above.

**4.4 Are there any restrictions on borrowing by the Alternative Investment Fund?**

Under Andorran legislation, there are no restrictions on borrowing by AIFs (OICMVs may not generally enter into loans, although they may acquire currencies through back-to-back lending).

**4.5 Are there any restrictions on who holds the Alternative Investment Fund's assets?**

According to Law 10/2008, only Andorran banking entities or authorised credit institutions of EU Member States, OECD Member States or other third countries with prudential standards considered by the AFA as equivalent can hold AIF assets.

## 5 Disclosure of Information

**5.1 What disclosure must the Alternative Investment Fund or its manager make to prospective investors, investors, regulators or other parties, including on environmental, social and/or governance factors?**

Overall, the management company of an AIF must publish a prospectus of each of the AIFs it manages, as well as quarterly reports (for Altres OICs it is not necessary to report on a quarterly basis, according to the AFA criteria). A simplified prospectus and the annual reports must also be disclosed.

Such information must be published in accordance with the prospectus.

Andorran AIFs and foreign AIFs that are going to be distributed in Andorra must be registered in the special AFA registry.

**5.2 Are there any requirements to provide details of participants (whether owners, controllers or investors) in Alternative Investment Funds or managers established in your jurisdiction (including details of investors) to any**

**local regulator or record-keeping agency, for example for the purposes of a public (or non-public) register of beneficial owners?**

There are no specific AIFMD Andorran legislative requirements to provide details of participants in an AIF. However, AIF managers must keep details of participants' data (with no reporting obligations to AFA nor to any other authority).

On a side note, there is a register obligation which applies as per Act 14/2017 of 22 June 2017 on prevention of money laundering and terrorism financing "*Llei 14/2017, del 22 d'abril, de prevenció del blanqueig de capitals i finançament del terrorisme*" and related legislation regarding the register of beneficial owners, which follows that of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

**5.3 What are the reporting requirements to investors or regulators in relation to Alternative Investment Funds or their managers, including on environmental, social and/or governance factors?**

Overall, management companies (for each of their managed AIFs) and investment companies are obliged to prepare annual reports which shall be published and submitted to the AFA and to the investors. In addition, it is also compulsory to prepare quarterly reports which must be submitted to the AFA.

Management companies and investment companies must report to the AFA any decrease in net assets (if it is less than 10%).

Finally, as mentioned above, prior to the marketing of AIFs, management companies and investment companies must send to the AFA a copy of the marketing materials.

**5.4 Is the use of side letters restricted?**

There are no Andorran provisions regarding the use of side letters. However, using specific language to determine obligations and duties, mentioning their binding character, as well as their signing by the parties, is advisable.

## 6 Taxation

**6.1 What is the tax treatment of the principal forms of Alternative Investment Funds and local asset holding companies identified in question 2.1?**

All the different forms of AIFs receive the same tax treatment. All of them are subject to and not exempt from corporate income tax, but the tax rate is 0%. Consequently, no tax burden is supported by the fund for any kind of income.

**6.2 What is the tax treatment of the principal forms of investment manager/adviser identified in question 2.4?**

The management company/investment manager does not receive any special tax treatment and is subject to corporate income tax at the standard rate of 10%.

**6.3 Are there any establishment or transfer taxes levied in connection with an investor's participation in an Alternative Investment Fund or the transfer of the investor's interest?**

This is not applicable in Andorra.

**6.4 What is the local tax treatment of (a) resident, (b) non-resident, and (c) pension fund investors (or any other common investor type) in Alternative Investment Funds?**

- (a) If the investor is an individual tax resident: (i) there is no tax on distribution of dividends; (ii) there is a 10% rate for capital gains, unless the investor holds a stake of less than 25% or has maintained the investments for at least 10 years; and (iii) there is a 10% rate if the shareholder is a resident legal person.
- (b) If the investor is a non-tax resident individual or legal person, Andorra applies neither withholding tax for income from dividends nor capital gains distributed to non-residents.
- (c) This is not applicable, since pension funds are not regulated in Andorra as a special class of fund.

**6.5 Is it necessary or advisable to obtain a tax ruling from the tax or regulatory authorities prior to establishing an Alternative Investment Fund or local asset holding company?**

No. This is not necessary in Andorra.

**6.6 What steps have been or are being taken to implement the US Foreign Account and Tax Compliance Act 2010 (FATCA) and other similar information reporting regimes such as the OECD's Common Reporting Standard?**

Andorra itself has not signed any intergovernmental agreements, but all Andorran banks have assumed the commitments through their corresponding registration before the Internal Revenue Service ("IRS").

**6.7 What steps have been or are being taken to implement the OECD's Action Plan on Base Erosion and Profit-Shifting (BEPS), in particular Actions 2 (hybrids/reverse hybrids/shell entities) (for example ATAD I, II and III), 6 (prevention of treaty abuse) (for example, the MLI), and 7 (permanent establishments), insofar as they affect Alternative Investment Funds' and local asset holding companies' operations?**

Andorra assumed the commitments of the CRS/OECD on 18 June 2014 and made its first report in September 2018 for major value accounts and in September 2019 regarding the remaining accounts.

**6.8 Are there any tax-advantaged asset classes or structures available? How widely are they deployed?**

No tax-advantaged asset classes/structures are available under the current OIC legislation in Andorra.

**6.9 Are there any other material tax issues for investors, managers, advisers or AIFs?**

No, there are not.

**6.10 Are there any meaningful tax changes anticipated in the coming 12 months other than as set out at question 6.6 above?**

No, there are not.

## 7 Trends and Reforms

**7.1 What have been the main trends in the Alternative Investment Funds space in the last 12 months?**

According to the last annual report published by the Andorran Banking Association ("Associació de Bancs Andorrans"), sustainability has become part of the core business of the Andorran banking industry. COVID-19 has greatly impacted on investments subject to ESG factors.

To this extent, the commitment to sustainability in the banking sector is inevitably being conditioned by the COVID-19 health crisis.

In Andorra, the most recent initiative undertaken by the Andorran banks has been the launch of their own investment funds, exclusively managed in accordance with these criteria.

**7.2 What reforms (if any) in the Alternative Investment Funds space are proposed?**

As stated in question 1.9, the Monetary Agreement sets forth the progressive adoption in Andorra of EU banking/finance legislation, along with respective deadlines.

In this regard, there are specific Directives that will impact on AIFs and their management companies, mainly crystallised through the implementation of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.

Despite the AIFMD's implementation being foreseen for 31 March 2016, it has not yet taken place as at the time of writing.

Moreover, the full implementation of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II") and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFIR") is foreseen by 31 December 2022.





**Miguel Cases Nabau** is the co-managing partner of Cases&Lacambra. He leads the firm's Markets&Financial Services Group and is qualified to practise both in Spain and the Principality of Andorra. He has extensive experience advising credit institutions and investment services firms, being the legal counsel of several national and international financial institutions, public authorities and investment funds.

**Cases&Lacambra**

C/ Manel Cerqueda I Escaler 3-5  
AD700 Escaldes-Engordany  
Andorra

Tel: +376 728 001  
Email: [miguel.cases@caseslacambra.com](mailto:miguel.cases@caseslacambra.com)  
URL: [www.caseslacambra.com](http://www.caseslacambra.com)



**Laura Nieto** is a managing associate of Cases&Lacambra. She is a member of the Markets&Financial Services Group in the firm's Andorran office. Laura specialises in banking and financial regulation, having an in-depth understanding of the asset management industry. Her practice includes the pre-contracting, contracting and post-contracting of financial instruments and structured products, as well as global legal advice on netting market agreements and financial collateral arrangements.

**Cases&Lacambra**

C/ Manel Cerqueda I Escaler 3-5  
AD700 Escaldes-Engordany  
Andorra

Tel: +376 728 001  
Email: [laura.nieto@caseslacambra.com](mailto:laura.nieto@caseslacambra.com)  
URL: [www.caseslacambra.com](http://www.caseslacambra.com)

Cases&Lacambra is a client-focused international law firm with top-tier specialisation in banking, finance and tax law. We offer bespoke advice and solutions to our clients, among which are the most highly reputed national and international financial institutions, family offices, investment firms, group companies and high-net-worth individuals.

[www.caseslacambra.com](http://www.caseslacambra.com)

CASES & LACAMBRA

# ICLG.com



## Current titles in the ICLG series

Alternative Investment Funds  
Anti-Money Laundering  
Aviation Finance & Leasing  
Aviation Law  
Business Crime  
Cartels & Leniency  
Class & Group Actions  
Competition Litigation  
Construction & Engineering Law  
Consumer Protection  
Copyright  
Corporate Governance  
Corporate Immigration  
Corporate Investigations  
Corporate Tax  
Cybersecurity  
Data Protection  
Derivatives  
Designs  
Digital Business  
Digital Health  
Drug & Medical Device Litigation  
Employment & Labour Law  
Enforcement of Foreign Judgments  
Environment & Climate Change Law  
Environmental, Social & Governance Law  
Family Law  
Fintech  
Foreign Direct Investment Regimes  
Franchise  
Gambling  
Insurance & Reinsurance  
International Arbitration  
Investor-State Arbitration  
Lending & Secured Finance  
Litigation & Dispute Resolution  
Merger Control  
Mergers & Acquisitions  
Mining Law  
Oil & Gas Regulation  
Patents  
Pharmaceutical Advertising  
Private Client  
Private Equity  
Product Liability  
Project Finance  
Public Investment Funds  
Public Procurement  
Real Estate  
Renewable Energy  
Restructuring & Insolvency  
Sanctions  
Securitisation  
Shipping Law  
Technology Sourcing  
Telecoms, Media & Internet  
Trade Marks  
Vertical Agreements and Dominant Firms