



Co-domiciled Hedge Funds On The Rise As Non-UCITS Onshore Structures Gain Traction - RBC Dexia/KPMG Survey

- *The 24% of respondents who said they had already set up onshore funds preferred co-domiciliation to redomiciliation, i.e. creating funds complementing existing offshore strategies rather than a simple transfer of their domicile to the EU*
- *Of the 27% who are considering creating EU regulated funds in the future, only a minority said they might do so under the UCITS framework*
- *Respondents preferred dedicated alternative structures such as Irish Qualified Investment Funds (QIFs) or Luxembourg Specialised Investment Funds (SIFs)*
- *Only half (49%) of those polled have never domiciled funds in EU-regulated (onshore) centres and currently have no intention of doing so*

LONDON, June 6, 2011 – A survey report released today by RBC Dexia and KPMG predicts that hedge fund managers will continue to create EU-domiciled hedge funds to complement their Cayman Islands or other offshore offerings, but that the QIFs and SIFs were gaining popularity versus the UCITS framework.

The survey challenges the notion that onshore domiciles could rival the supremacy of the Cayman Islands amongst hedge fund managers. Only a quarter (24%) of hedge fund managers said that they had already brought offshore funds onshore. Of those, more than half (55%) said they opted for co-domiciliation by creating onshore clone funds to complement their existing Cayman or other offshore offerings. Less than 5% of those with onshore funds said they had decided to transfer the domicile of their funds to the EU outright. The trend for hedge funds to create more EU regulated funds seems set to continue however, with 27% of respondents stating that they are considering doing so.

Jean-Michel Loehr, Chief of Industry and Government Relations at RBC Dexia, commented: "The survey shows that EU fund domiciles are becoming more and more relevant to the hedge fund community, and that they respond to a real need amongst clients for more liquidity and transparency. Co-domiciliation allows hedge fund managers to cater to investors that are not authorised to buy into Cayman funds with onshore products while retaining their existing offshore strategies."

The prominence of co-domiciliation could be short lived however due to uncertainty over the AIFM Directive: most hedge fund managers considering domiciling their funds in the EU said they would do so before the implementation of the AIFM Directive in 2013, and fully 69% of them said they were considering doing so by transferring the domicile of their existing funds to the EU.

The research also shows that the UCITS framework, which some respondents said was an effective marketing tool to stem outflows during the financial crisis, has lost some of its appeal amongst hedge fund managers. Indeed, whereas those polled were just as likely to set up UCITS

funds as other regulated structures, such as Irish QIFs and Luxembourg SIFs, in the past, 77% of those considering creating an onshore structure in the future now say they would prefer QIFs and SIFs instead.

Tom Brown, KPMG Head of Investment Management for the EMEA Region, said: "The market is starting to realise that even though 90% of alternative strategies can be replicated under UCITS, specialised structures such as SIFs and QIFs offer more flexible liquidity and transparency rules for hedge funds. UCITS still offers very robust protection for investors, but clearly the wholesale shift into alternative UCITS some had been predicting has not taken place."

A full copy of the report is available on [RBC Dexia's website](#) and on [KPMG's website](#).

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,500 professionals in 15 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management practices.

Equally owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.9 trillion in client assets under administration.

www.rbcdexia.com

[Join our LinkedIn group](#)

[Follow us on Twitter](#)

About KPMG

KPMG in Luxembourg is a member of the KPMG Europe LLP group. KPMG Europe LLP, a UK limited liability partnership, is the legal entity which effectively controls the member firms of the KPMG network that have elected to merge with it ("KPMG Europe LLP firms"). KPMG Europe LLP provides no client services. KPMG Europe LLP firms operate in 14 countries across Europe with over 31,000 partners and staff. The group delivers audit, tax and advisory services to help its national and international clients negotiate risks and thrive in the varied environments in which they do business.

KPMG's Global Investment Management and Funds Services practice is represented in over 150 countries, with over 3,700 professionals working directly in this sector.

KPMG member firms are leaders in serving the global investment management and funds industry. Our extensive and integrated practice is supported by our Centres of Excellence, based in key cities around the world.

We work together across jurisdictions to serve global clients. Through our professionals relevant experience, diversity of backgrounds and connectivity KPMG firms' resources are aligned to serve the Funds industry; including mutual funds, hedge funds, private equity funds, real estate funds, along with other product types.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 150 countries and have 138,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

For more information, contact:

RBC Dexia:

Europe

Raphaël Mazet

+44 20 7653 4329

raphael.mazet@rbcdexia.com

North America

Jason Graham

+1 416-955-5800

jason.graham@rbcdexia.com

KPMG:

UK

Tom Brown

Head of KPMG's Investment
Management practice for the Europe,
Middle East and African region

+44 20 7694 5607

tom.brown@kpmg.co.uk

Luxembourg

Vincent Heymans

Head of Financial Services

+352 22 51 51 7917

Vincent.heyman@kpmg.lu

RBC Dexia Investor Services Limited is a holding company that provides strategic direction and management oversight to its affiliates, including RBC Dexia Investor Services Bank S.A., a credit institution licensed in Luxembourg by the Commission de Surveillance du Secteur Financier and the Ministry of Finance. All are licensed users of the RBC trademark (a registered trademark of Royal Bank of Canada) and Dexia trademark (a registered mark of Dexia Crédit Local) and conduct their global custody and investment administration business under the RBC Dexia Investor Services brand name.

© 2011 KPMG S.à r.l., a Luxembourg private limited company, is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.