

Fund Finance Friday



Central Bank Of Ireland Removes Prohibition on Irish Funds Guaranteeing Third-Parties

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Ireland is widely recognised as a leading domicile in which to establish investment funds. The most common Irish-regulated fund structures used in fund finance transactions are: (i) Irish collective asset-management vehicles (“ICAVs”); (ii) investment limited partnerships (“ILPs”); and (iii) investment companies or PLCs (together, “Irish Funds”).

The most common category of Irish Fund subject to the Alternative Investment Fund Managers Directive (“AIFMD”), and the fund most used by private capital sponsors, is the Qualifying Investor Alternative Investment Fund (“QIAIF”). A QIAIF is subject to the Central Bank of Ireland’s (“CBI”) AIF Rulebook.

Historically, the AIF Rulebook prohibited QIAIFs from acting as a guarantor on behalf of third parties. Accordingly, cascading pledge structures have often been required or recommended for fund finance transactions where a QIAIF is a feeder fund sitting over a borrower. In other words, the feeder QIAIF grants security to the borrower and the borrower then onwards assigns the benefit of that security to the lender/security agent.

During the course of 2025, the CBI relaxed the guarantee prohibition and announced that the guarantee prohibition would fall away entirely as part of Ireland’s implementation of AIFMD 2.0. For more information regarding these developments, see [here](#) and [here](#).

Ireland transposed AIFMD 2.0 on 1 May 2026 and published its revised AIF Rulebook on 5 May 2026, which confirmed that QIAIFs are now permitted under regulation to guarantee the obligations of third parties.

This is a very welcome development for fund finance transactions and aligns the QIAIF regulatory regime in Ireland with those of other key fund jurisdictions and the CBI’s European Long-Term Investment Fund regime (which does not contain the same third-party guarantee prohibition).

The **Matheson Fund Finance team** has extensive experience advising sponsors, managers and lenders on fund finance transactions. For more information, please contact the Fund Finance team or your usual contact at Matheson.