

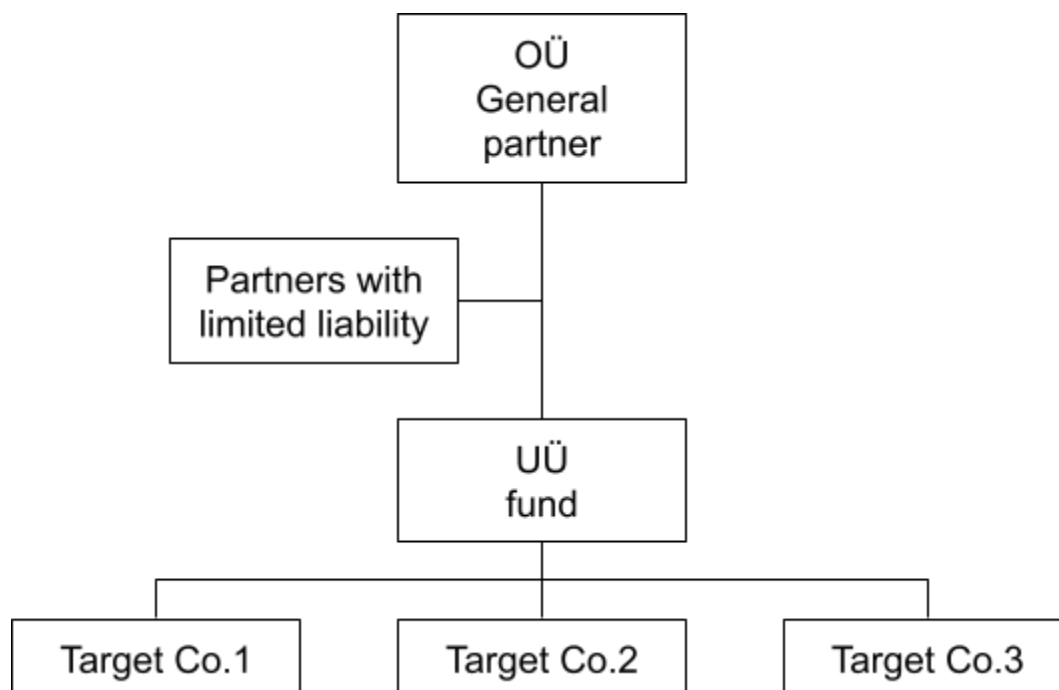
# Trust Fund (Usaldusfond)

## Fact Sheet

In accordance with the Law on Investment Funds, an investment fund can be created in the form of a joint stock company, limited partnership or pension fund. For the establishment, operation and termination of activities of an investment fund will by apply the provisions of the Estonian Commercial Code and the provisions of the Investment Funds Act (IFS).

## Structure

A limited partnership (UÜ) investment trust fund has one general partner (täisosanik) who is liable for all of its assets, and an investor or investors who enter into a partnership as limited partners (usaldusosanik). A partnership agreement is concluded between a general partner and limited partners. Thus, the structure of the fund will look like this:



## Management

A trust fund, created in the form of a limited partnership, can manage its property itself, in this case the property is managed by a general partner on the terms specified in the agreement on the creation of a limited partnership, or it can enter into a management agreement with a third-party manager. A trust fund established in the form of a limited partnership may be managed by a **small fund manager** registered with the Financial Supervision Authority or a **fund**

**manager with an Estonian licence or a licence from another member of the European Economic Area.**

According to § 3 (6) of the Investment Funds Act, **a small fund manager** is a person who:

1. directly or indirectly owns and manages alternative funds with total assets not exceeding 100 million EUR , including all leveraged assets,

or

2. If the total assets do not exceed 500 million EUR, provided that the portfolio of alternative funds consists of alternative funds without borrowing, the buyback of shares or shares cannot be carried out within five years from the date of each investment in the alternative fund.

## Regulator

In the case of a manager of a small fund registered with the Financial Supervision Authority, **the Financial Supervision Authority monitors only the fulfilment of the registration and reporting obligations.**

## Tax treatment

The Trust Fund, created in the form of a limited partnership, is a tax-neutral legal entity to which the principle of “**look-through tax treatment**” is applied. The fund distributes profits to investors without taxes, each of the investors pays taxes in accordance with the tax treatment applicable to the investor in their tax jurisdiction.

A trust fund established in the form of a limited partnership is obliged to maintain accounting records and submit an annual report for the financial year to the commercial register.

## Registration process

To establish an investment trust fund (Usaldusfond), the following steps are required:

1. **Register a limited liability partnership (OÜ)**
2. **OÜ will register** itself as a **small fund manager**. No licence is required, registration is sufficient if the total assets do not exceed 100 million EUR or the total assets do not exceed 500 million EUR, provided that the portfolio consists of alternative funds without leverage and within five years after the date of investment in each alternative fund it is not possible to exercise the right to repurchase shares or shares. In order to register a small fund manager, a written application must be submitted to the Financial Supervision Authority together with the documents specified in the IFS. The Financial Supervision Authority has the right to request additional information and decisions on registration are usually made within two months;

3. The above **OÜ becomes a full partner** and concludes an **agreement between investors on the creation of an investment trust fund** (Usaldusfond) with investors;
4. An **investment trust fund** (Usaldusfond) **is entered into the register** based on an application from a general partner.

## Timing

- Registration of legal entities, collection and preparation of documents for filing an application with the Financial Inspectorate: 1 month
- Completion of registration with the Financial Supervision Authority: 2 months from the date of application.