

OFC or LPF – Which structure do you need?



Lately, we get asked this question a lot.

Putting aside alternatives from Cayman Islands or the British Virgin Islands for the time being, which of the two Hong Kong fund structures - the open-ended fund company (OFC) or the limited partnership fund (LPF) – should one use?

Based on our experience and knowledge, we drew up an initial checklist for fund managers to determine, generally, which might be more appropriate. Here is a sampling of what fund managers need to consider:

| | Comments |
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| Corporate (OFC) or limited partnership (LPF) structure | This depends primarily on market practice and investor preferences. There are other considerations as well, such as the terms that investors are subscribing under. |
| Umbrella, standalone, parallel or master feeder | For instance, an OFC can be structured as an umbrella fund with statutory segregation of assets and liabilities. Whether a LPF achieves the same segregation contractually or structurally depends on the underlying investments. Parallel or master feeder solutions require separate considerations as well. |
| Open-ended or closed-ended | An open-ended fund company does not necessarily mean high liquidity. Neither is a limited partnership restricted to private equity investments. |
| Government grant scheme | See our previous article - client-alert---the-rush-for-the-pot-of-gold.pdf (shlegal.com) |
| Custodian | An independent custodian is required for an OFC but not for a LPF. |
| Investment manager licensed by the Hong Kong Securities and Futures Commission | A SFC-licensed manager is required for an OFC but not for a LPF, though it doesn't preclude the LPF from engaging a licensed persons or entity in the management structure. |

This is merely a sampling of considerations and there may be regulatory and tax implications, or deal-specific considerations to be evaluated as well.

Which brings us to how Stephenson Harwood can help.

Our experienced practitioners in Hong Kong advise on the structuring, establishment and regulation of investment funds of all types for fund managers and investors. Our expertise extends to fund vehicles including the OFC and the LPF, as well as the more traditional offshore jurisdictional options.

We will be more than happy to help fund managers and stakeholders find their ideal setup. Feel free to contact us for a chat.

Get in touch



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