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The French Macron's Law: establishing a French Limited Partnership (« French LP »), *la Société de Libre Partenariat*

Designed to liberalize the economy and boost growth in France, this draft bill introduces to the French regulatory landscape a new form of investment vehicle mostly similar to Anglo-Saxon limited partnerships.

The French government, by introducing the French LP in its legal framework, clearly demonstrates its intention to attract more foreign investors and to become one of the most favorable jurisdictions in terms of domiciliation of the investment funds.

The French LP is a regulated vehicle supervised by the AMF (the French financial markets regulator), which falls under the definition of the alternative investment fund ("AIF") set out in the AIFMD.

One of the most important characteristics of this Limited Partnership is a very high degree of flexibility. **There is no investment restriction**. Most of the rules governing the investment portfolio may be freely determined in the constitutional documents. **For instance, an investor will be allowed to invest in all asset classes such as unlisted companies, debt instruments, commodities, infrastructure projects and real estate.**

A large flexibility is granted also for the corporate governance rules. The current legal framework of the French LP prohibits Limited Partners from assuming any management tasks towards a third party, except in the situation where that Limited Partners are appointed as a manager. Under the new vehicle, **there is an unrestricted list of examples of acts deemed as non- management tasks that can be undertaken by the Limited Partners without constituting illicit acts of management.**

Regarding tax matters, the French LP is fully exempt from corporate income tax. The purpose of this legislation is also to remedy the shortcomings of the French *Fonds commun de placement* (unit trust) in the area of tax law. Indeed, the French unit trust has usually no access to tax treaties. **With the French LP, foreign investors will be able to take advantage of the large network of double tax treaties signed by France (more than 130). Investors in the fields of private equity, hedge funds, infrastructure and real estate** are more likely to state an interest in this new investment fund.

This new investment vehicle is expected to add strength to the dynamic asset management industry in France. With over three trillion assets under management at the end of 2013, more than 645 asset management companies, four asset managers among the top 25 worldwide, the French asset management industry ranks among the top in Europe and is the third largest asset management center in the world.

The draft bill has been adopted by the Chamber of Deputies on February 19, 2015. The vote of the Senate is expected before the end of the second quarter.

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