Review of the Maltese Funds Regime

- Aim and overview of the review exercise
- Existing fund regime and the proposed consolidation
- Way Forward
Review of the Maltese Fund Regime

Aim

- Improve the competitiveness of the Maltese market
  - Distinct and easily identifiable fund products
  - Increased clarity in terms of the nature of fund products on offer

- Increase the efficiency of the authorisation process and simplifying the supervisory process

- Less Rulebooks
Proposal - Review of the Maltese Funds Regime

- **Phase 1** – Consolidation of the fund regimes which are currently available
- **Phase 2** – Review of the processes in relation to the authorisation of funds
- **Phase 3** – Revamping of application forms and the applicable rulebooks namely:
  - Investment Services Rules for Retail Collective Investment Schemes
  - Investment Services Rules for Professional Investor Funds
  - Investment Services Rules for Alternative Investment Funds
# Current Maltese Fund Regimes

## Retail Funds
- UCITS
- Retail Non UCITS
- Overseas based non UCITS Retail
- Retail AIFs

## Professional Investor Funds
- Experienced Investor PIFs
- Qualifying Investor PIFs
- Extraordinary Investor PIFs

## Alternative Investor Funds
- Retail AIFs
- Professional Investor AIFs
- Experienced Investor AIFs
- Qualifying Investor AIFs
- Extraordinary Investor AIFs
Current Maltese Fund Regimes

• 12 main fund regimes with a variety of permitted structures

• Specialist Funds can be operated under both the PIF and the AIF regime depending on the provisions of the applicable EU Regulations / Directives

• MFSA Circular : de minimis AIFMs and third country managers can establish PIFs whereas AIFMs can establish AIFs

• Private Collective Investment Schemes
Retail fund regimes

- 4 types of retail funds

- Maltese Non-UCITS Retail Schemes [6]
- Overseas-Based Non-UCITS Retail Schemes [4]
- UCITS Schemes [81]
- Retail AIFs [0]
Phase 1: Consolidation of the Retail Investor Funds regime

- Non-UCITS Retail Schemes are currently converting into AIFs/ UCITS.
- No take up of Retail AIFs – permissible in terms of the AIFMD.
Professional Investor fund regimes

- PIFs

- Non retail fund products which can be marketed in Malta and elsewhere in accordance with applicable local law. Does not benefit from a passport.

- Deminimis AIFMs and third country managers

- PIF for Qualifying Investors most in demand
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Experienced Investor</th>
<th>Qualifying Investor</th>
<th>Extraordinary Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility Criteria</td>
<td>Specific Definition Manager / Distributor – ensure sufficient knowledge of investor</td>
<td>Specific Definition</td>
<td>Specific Definition</td>
</tr>
<tr>
<td>Minimum Investment</td>
<td>EUR 10,000 USD 10,000</td>
<td>EUR 75,000 USD 75,000</td>
<td>EUR 750,000 USD 750,000</td>
</tr>
<tr>
<td>Management</td>
<td>Third party manager (not full scope EEA AIFM) or self managed (de minimis only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Custodian</td>
<td>Custodian : EU / MFSA acceptable</td>
<td>No Custodian required, adequate safekeeping</td>
<td></td>
</tr>
<tr>
<td>Investment Restrictions</td>
<td>Derivatives / Repos / stock lending / borrowing</td>
<td>No restrictions except re cross investments into other sub funds</td>
<td>Reporting re currency lending</td>
</tr>
<tr>
<td></td>
<td>Leverage limit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diversification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Statements</td>
<td>Annual Report Custodian statement</td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Commitment draw down funds</td>
<td>Not permitted</td>
<td>Special requirements re record keeping / commitment calls</td>
<td></td>
</tr>
<tr>
<td>Prospectus Disclosure</td>
<td>Prospectus – special disclosure requirements</td>
<td>Prospectus</td>
<td>Prospectus / Marketing Doc</td>
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Phase 1: Consolidation of the fund regimes – Professional Investor Funds

- Elimination of the Experienced Investors Funds
- Amalgamation of the Qualifying Investor Fund and the Extraordinary Fund
- New Qualifying Investor Fund:
  - Increase in Minimum Investment Amount from Euro 75,000 to Euro 100,000
  - Eligibility Criteria revised

Qualifying Investors:
- Minimum Investment of €100,000
- Additional Eligibility Criteria
Proposed revised definition of Qualifying Investors

A Qualifying Investor must be able to meet one or more of the following criteria:

(i) a body corporate which has net assets in excess of EUR750,000 or USD750,000 or which is part of a group which has net assets in excess of EUR750,000 or in each case, the currency equivalent USD750,000;

(ii) an unincorporated body of persons or association which has net assets in excess of EUR750,000, or the currency equivalent USD750,000;

(iii) a trust where the net value of the trust’s assets is in excess of EUR750,000 or the currency equivalent USD750,000;

(iv) an individual, or in the case of a body corporate, the majority of its Board of Directors, or in the case of a partnership its General Partner, who has reasonable experience in the acquisition and/or disposal of funds of a similar nature or risk profile, or property of the same kind as the property, or a substantial part of the property, to which the PIF in question relates;

(v) an individual whose net worth, or joint net worth with that person’s spouse or civil partner, exceeds EUR750,000 or USD750,000, or the currency equivalent;

(vi) a senior employee or director of service providers to the PIF;

(vii) a relation or a close friend of the promoters limited to a total of 10 persons per PIF;

(viii) an entity with (or which are part of a group with) EUR3.75 million or USD3.75 million or more under discretionary management, investing on its own account;

(ix) a PIF promoted to Qualifying or Extraordinary Investors; or

(x) an entity whether a body corporate or partnership wholly owned by persons or entities satisfying any of the criteria listed above which is used as an investment vehicle by such persons or entities.
Proposed revised definition of Qualifying Investors

- Qualifying Investor
  - are entities or individuals with assets in excess of EUR 750,000 or the currency equivalent and/or senior fund personnel
  - invest a minimum EUR 100,000 (no reduction by way of a partial redemption);
  - declare in writing that they are aware of and accept the risks of the proposed investment
Alternative Investor fund regime

- AIFs

Five AIF products + Notified AIF: 3 PIF regimes were reproduced in the Maltese AIF regime + retail AIF + Professional Investor AIF

- All AIF products may be sold in Malta

- AIF professional investors – AIFMD marketing passport; Other AIFs – subject to reverse solicitation or private placement rules in other jurisdictions or (under AIFMD marketing passport) to professional investors

- EEA AIFMs or third country AIFMs
Phase 1: Consolidation of the fund regimes – Alternative Investor Funds

- AIFs for Qualifying Investors:
- Sold to qualifying investors in Malta
- Marketed in EEA to professional investors under MIFID subject to an AIFMD passport
- Marketed to qualifying investors in the EEA or outside of the EEA subject to the law of the relevant jurisdiction
- Similar to eligible investors under the Notified AIFs
## Maltese Fund Regimes before Consolidation

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<th>Retail Funds</th>
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Timeframes

- Phase 1: *Issue of circular outlining the consolidation of the fund regimes*: April 2016

- Phase 2 (Review of the licensing process): End May 2016

- Phase 3 (Review of application documentation and Rulebook): July / September 2016

- Grandfathering of existing Schemes

- Cut-Off Date: 1st June 2016
Thank You