

INVESTMENT SERVICES RULES FOR PROFESSIONAL INVESTOR FUNDS

PART B: STANDARD LICENCE CONDITIONS

**Appendix I
Supplementary Licence Conditions**

1. *Supplementary Conditions for PIFs established as Limited Partnerships*

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- 1.1 The Scheme shall obtain the written consent of the MFSA before admitting a General Partner. The request for consent shall be accompanied by a Personal Questionnaire (“PQ”) in the form set out in Schedule C to Part A of these Rules duly completed by the person proposed (in the case of an individual) or by the Directors and Qualifying Shareholders of the proposed General Partner (in the case of a body corporate).

Provided that where the proposed corporate General Partner is regulated in a recognized jurisdiction, the request for consent need not be accompanied by the PQ of the Directors and Qualifying Shareholders of the proposed corporate General Partner, but shall include details of the regulatory status of the General Partner.

- 1.2 General Partners shall be persons falling within any one of the following categories:
- i. a company licensed under the Investment Services Act, 1994, for the provision of fund management services; or
 - ii. a company falling within the exemptions applicable to overseas fund managers; or
 - iii. any other entity of sufficient standing and repute as approved by the MFSA;
 - iv. any other individual who satisfies the fit and proper test.

Where the General Partner falls under (iii) and (iv) above, and in the absence of a Manager (as per (i) or (ii)) acting as an additional General Partner, the Scheme shall appoint a Manager acceptable to the MFSA.

- 1.3 The Scheme shall notify the MFSA in writing of the departure of a General Partner within 14 days of the departure. The Scheme shall also request the General Partner to confirm to MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA

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together with the Scheme's notification of departure.

- 1.4 The Scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls to ensure compliance with all regulatory requirements.
- 1.5 The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness of the General Partner(s) and of any party appointed by the Scheme.
- 1.6 Where applicable, the Scheme, or the Manager or Administrator on behalf of the Scheme, is required to disclose to potential investors, the identity of the beneficial owners of the General Partner(s) upon request.

2. *Supplementary Conditions for PIFs established as Investment Companies*

- 2.1 The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness of the Directors of the Scheme.
- 2.2 The Scheme shall at all times have one or more Directors independent from the Manager and the Custodian.
- 2.3 The Scheme shall obtain the written consent of the MFSA before the appointment or replacement of a Director provided that the Scheme shall not appoint a Corporate Director unless such Corporate Director is regulated in a recognized jurisdiction.
- 2.4 The request for consent of the appointment or replacement of an individual as Director shall be accompanied by a PQ in the form set out in Schedule C to Part A of these Rules duly completed by the person proposed. In the case of a Corporate Director, the request for consent shall include details of its regulatory status.
- 2.5 The Scheme shall notify the MFSA in writing of the departure of a Director within 14 days of the departure. The Scheme shall also request the Director to confirm to MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA together with the Scheme's notification of departure.
- 2.6 Where the Scheme has issued "Voting Shares" to the promoters and "non Voting Shares" to Experienced, Qualifying or Extraordinary Investors, any changes in the beneficial ownership of the "Voting Shares" of the Scheme shall be subject to the prior approval of the MFSA. The Scheme, or the Manager or Administrator on behalf of the Scheme, is required to disclose to potential investors, the identity of the beneficial owners of the "Voting Shares" upon request.

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The Scheme shall obtain the written consent of the MFSA before:

- i. making any changes to the rights of its “Voting Shares”;
- ii. redeeming its “Voting Shares”; or
- iii. issuing additional “Voting Shares”.

2.7 Minutes of the meetings of the Board of Directors must be held in Malta at the registered office of the Scheme or at any other place as may be agreed with the MFSA.

2.8 The Scheme shall act honestly, fairly and with integrity – in the best interests of its investors/shareholders and of the market. Such action shall include:

- i. avoiding conflicts of interest where this is possible and, where it is not, ensuring – by way of disclosure, internal procedures or otherwise – that investors are treated fairly. The following procedures should be followed during Board Meetings, where a member considers that s(he) has or may have a conflict of interest:
 - a. that person should declare that interest to the other members either at the Meeting at which the issue in relation to which s(he) has an interest first arises, or if the member was not at the date of the Meeting interested in the issue, at the next Meeting held after s(he) became so interested;
 - b. unless otherwise agreed to by the other members, a member shall avoid entering into discussions in respect of any contract or arrangement in which s(he) is interested and should withdraw from the meeting while the matter in which s(he) has an interest is being discussed;
 - c. the interested member should not vote at a Meeting in respect of any contract or arrangement in which s(he) is interested, and if s(he) shall do so, his/her vote shall not be counted in the quorum present at the Meeting;
 - d. the minutes of the meeting should accurately record the sequence of such events.
- ii. abiding by all relevant laws and regulations, including in respect of Prevention of Money Laundering;
- iii. avoiding any claim of independence or impartiality which is untrue or

misleading; and

iv. avoiding making misleading or deceptive representations to investors.

3. Supplementary Conditions regarding the use of Trading Companies/ Special Purpose Vehicles (“SPVs”) for investment purposes

- 3.1. The SPVs must be established in Malta or in a jurisdiction which is not an FATF Blacklisted country
- 3.2. The Scheme shall – through its Directors or General Partner(s) – at all times maintain the majority directorship of any SPV.
- 3.3. The Scheme shall ensure that the investments effected through any SPV are in accordance with the investment objectives, policies and restrictions of the Scheme.

4. Supplementary Conditions applicable to PIFs set up as Self-Managed Schemes

NOTE: This Section is applicable to all Self-Managed PIFs.

In the case where a self-managed PIF wishes to avail itself of the de minimis exemption prescribed in Article 3 AIFMD, it shall comply with SLCs 4.1 to 4.15 hereunder.

Other self-managed PIFs shall comply with SLCs 4.2 to 4.15 hereunder.

4.1 A self-managed Scheme (hereinafter referred to as de minimis self-managed Scheme) which satisfies one of the following conditions shall further comply with the requirements contained herein:

(a) Either directly or indirectly, through a company with which the Scheme is linked by common management or control, or by a substantive direct or indirect holding, manage portfolios of AIFs whose assets under management, including any assets acquired through use of leverage, in total do not exceed a threshold of EUR 100 million; or

(b) Either directly or indirectly, through a company with which the Scheme is linked by common management or control, or by a substantive direct or indirect holding, manage portfolios of AIFs whose assets under management in total do not exceed a threshold of EUR 500 million when the portfolios of AIFs consist of AIFs that are unleveraged and have no redemption rights exercisable during a period of 5 years following the date of initial investment in each AIF.

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Where the conditions prescribed above are no longer met, the *de minimis* self-managed Scheme shall inform the MFSA thereof and shall apply for an extension to its *de minimis* PIF Licence to a full AIF Licence within 30 days from the date of notification thereof to the MFSA.

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Provided that in complying with the requirements prescribed in SLC 4.1 (a) and (b) above the *de minimis* self-managed scheme shall further comply with articles 3 and 4 of the Commission delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositories, leverage, transparency and supervision.

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i. The Scheme shall provide information to the MFSA on its investment strategy;

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ii. The Scheme shall regularly, provide the MFSA with information on the main instruments in which it is trading and on its principal exposures and most important concentrations in order to enable the MFSA to monitor systemic risk effectively; and

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Provided that in complying with the requirements prescribed in paragraph [ii] above, the Scheme shall submit to the MFSA the information prescribed in Appendix 5 to these Rules and shall further comply with the applicable provisions of the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositories, leverage, transparency and supervision.

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iii. The Scheme shall provide the MFSA with any additional information required from time to time. In particular, in respect of each annual accounting period, the Scheme shall require its auditor to prepare a management letter in accordance with International Standards on Auditing, which shall be submitted to the MFSA. The auditor must also confirm to the MFSA that the audit has been conducted in accordance with International Standards on Auditing and whether, in the auditor's opinion the methodology used by the Scheme to calculate its assets under management complies with the requirements of the Alternative Investment Fund Management Directive

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4.1A. The *de minimis* self-managed Scheme shall not benefit from any rights to passport in

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terms of the Alternative Investment Fund Managers Directive, unless it chooses to apply for, and is granted, a full AIFMD compliant Licence in accordance with all the conditions in the Alternative Investment Funds Rulebook

Capital Requirements

4.2 The Scheme shall be operated in or from Malta, as agreed with the MFSA. It shall have sufficient financial resources at its disposal to enable it to conduct its business effectively, to meet its liabilities and to be prepared to cope with the risks to which it is exposed. The initial, paid up share capital for the Scheme should not be less than EUR 125,000 or USD125,000, and the NAV of the Scheme is expected to exceed this amount on an on-going basis. The Scheme should notify the MFSA as soon as its NAV falls below EUR125,000 or USD125,000.

Operational Arrangements

4.3 The Scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls to ensure compliance with all regulatory requirements and shall provide the MFSA with all the information it may require from time to time.

4.4 The management of the assets of the Scheme is to be the responsibility of the Board of Directors, at least one of whom must be resident in Malta. The Board of Directors of the Scheme shall establish an in-house Investment Committee made up of at least three members, whose composition may include Board members. The Terms of Reference of this Investment Committee – which regulate the proceedings of the Investment Committee – and any changes thereto, is subject to the prior approval of the MFSA. The majority of Investment Committee meetings – the required frequency of which should depend on the nature of the Scheme's investment policy, but which should be at least quarterly – are to be physically held in Malta. Investment Committee meetings are deemed to be physically held in Malta if the minimum number of members that form a quorum necessary for a meeting are physically present in Malta.

4.5 Minutes of Investment Committee meetings should be available in Malta for review during MFSA's compliance visits. The role of the Investment Committee will be to:

- i. monitor and review the investment policy of the Scheme;
- ii. establish and review guidelines for investments by the Scheme;
- iii. issue of rules for stock selection;

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- iv. set up the portfolio structure and asset allocation; and
 - v. make recommendations to the Board of Directors of the Scheme.
- 4.6 Where the Scheme has not appointed an Investment Committee, the functions mentioned under para 4.5 above shall be undertaken by the Directors of the Scheme and any reference to Investment Committee throughout this Appendix shall be construed as reference to the Board of Directors of the Scheme.
- 4.7 The Investment Committee may delegate the day-to-day investment management of the assets of the Scheme to one or more officials of the Scheme (referred to as “the Portfolio Manager/s”) – who will effect day-to-day transactions within the investment guidelines set by the Investment Committee and in accordance with the investment objectives, policy and restrictions described in the Scheme’s Offering Document/ Marketing Document.
- 4.8 The Scheme shall obtain the written consent of the MFSA before the appointment or replacement a member of the Investment Committee or a Portfolio Manager. The MFSA reserves the right to object to the proposed replacement or appointment and to require such additional information it considers appropriate. The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness, including competence, of the members of the Investment Committee and of the Portfolio Manager/s.
- The request for consent of the appointment of a member of the Investment Committee or a Portfolio Manager shall be accompanied by a PQ in the form set out in Schedule C to Part A of these Rules and a detailed CV of the person proposed.
- 4.9 The Scheme shall notify the MFSA in writing of the departure of a Member of the Investment Committee and/ or a Portfolio Manager within 14 days of the departure. The Scheme shall also request the Investment Committee and/ or the Portfolio Manager, as applicable, to confirm that his/ her departure has no regulatory implications or otherwise provide any relevant details, as appropriate. A copy of such request shall be provided to MFSA.
- 4.10 The Scheme shall have adequate arrangements, in agreement with and subject to the approval of the MFSA, to ensure adequate monitoring of the activities of the Portfolio Manager/s and the Investment Committee.
- 4.11 The Scheme shall on a continuing basis ensure that it has sufficient management resources to effectively conduct its business.

Dealing by Officials of the Scheme

- 4.12 Where the Scheme allows its officials to deal for their own account, it is responsible for ensuring that such a practice does not lead to abuse. The standards and procedures to be adopted should include the following:
- i. The Scheme must take appropriate steps to ensure that officials act in conformity with the statutory requirements concerning insider dealing and market abuse.
 - ii. The Scheme must take reasonable steps to ensure that its officials do not initiate personal transactions which might impair their ability to manage the Scheme's assets objectively and effectively or which might create a conflict between their own interest and that of the Scheme.
 - iii. Internal mechanisms should be established to prompt the Compliance Officer's intervention if and when in respect of any staff member, abnormal behaviour or patterns concerning investment transactions are observed.

All transactions undertaken by officials on their own account should be at "arm's length" – but this does not preclude discounts being allowed to officials.

Reporting Requirements

- 4.13 The Scheme shall notify the MFSA immediately if it is notified that its auditor intends to qualify the audit report.

Documents and Records

- 4.14 The Scheme or the Administrator shall keep such accounting and other records, in particular regarding the whole process of the investment management function and its monitoring thereof, as are necessary to enable it to comply with the licence conditions and to demonstrate that compliance has been achieved. Records are to be retained in Malta and made available to MFSA's review as the need arises. Records shall be retained for a minimum period of ten years. During the first two years they shall be kept in a place from which they can be produced within two working days of their being requested. After the first two years they shall be kept in a place from which they can be produced within five working days of their being requested.

Conflicts of Interest

- 4.15 The Scheme shall act honestly, fairly and with integrity – in the best interests of its investors/shareholders and of the market. Such action shall include:

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- i. avoiding conflicts of interest where this is possible and, where it is not, ensuring – by way of disclosure, internal procedures or otherwise – that investors are treated fairly. The following procedures should be followed during Investment Committee meetings, where a member considers that s(he) has or may have a conflict of interest:
 - a. that person should declare that interest to the other members either at the Meeting at which the issue in relation to which s(he) has an interest first arises, or if the member was not at the date of the Meeting interested in the issue, at the next Meeting held after s(he) became so interested;
 - b. unless otherwise agreed to by the other members, a member shall avoid entering into discussions in respect of any contract or arrangement in which s(he) is interested and should withdraw from the meeting while the matter in which s(he) has an interest is being discussed;
 - c. the interested member should not vote at a Meeting in respect of any contract or arrangement in which s(he) is interested, and if s(he) shall do so, his/her vote shall not be counted in the quorum present at the Meeting;
 - d. the minutes of the meeting should accurately record the sequence of such events.
- ii. abiding by all relevant laws and regulations, including in respect of Prevention of Money Laundering;
- iii. avoiding any claim of independence or impartiality which is untrue or misleading; and
- iv. avoiding making misleading or deceptive representations to investors.

5. *Supplementary Conditions for PIFs targeting Qualifying or Extraordinary Investors effecting drawdowns on investors' committed funds.*

Qualifying or Extraordinary PIFs established as SICAVs and which wish to effect draw-downs on investors' committed funds are required to comply with the relevant provisions of Legal Notice 361 of 2008 relating to the 'Issue of shares at a discount', in addition to the following SLCs:

- 5.1 The Scheme shall retain at its Registered Office, a copy of its written agreements with investors who have committed to invest in the Scheme. Such agreements shall be available for inspection by MFSA officials during compliance visits.

- 5.2 Any request on committed funds shall be effected pro-rata amongst all relevant investors in the Scheme.
 - 5.3 The Scheme shall only make a fresh call for further commitments once all outstanding commitments from existing investors have been requested.
 - 5.4 Reference to ‘minimum investment’ in SLC 1.52 of Part BII and SLC 1.54 of Part BIII shall be construed as a reference to ‘minimum commitment’.
 - 5.5 In addition to the disclosure requirements applicable to the Offering Document of the Scheme set out in Regulation 15(3) of the Companies Act (Investment Companies with Variable Share Capital) Regulations, the Offering Document shall comply with the applicable disclosure requirements set out in Appendix II of these Rules under the heading ‘Risk Warnings’. In the case of a PIF targeting Extraordinary Investors which has opted to issue a Marketing Document instead of an Offering Document, such disclosure requirements will likewise apply for the Marketing Document.
6. ***Supplementary Conditions for Professional Investor Funds set up as Money Market Funds in accordance with CESR/10-049 (CESR’s Guidelines on a common definition of European money market funds)***

General Requirements

- 6.1 A money market fund shall;
 - a) comply with the provisions of the Act, the applicable conditions prescribed in Parts A and B of these Rules as well as the supplementary licence conditions prescribed hereunder; and
 - b) have the primary objective of maintaining the principal investment of the fund and shall aim to provide a return in line with money market rates.
- 6.2 A money market fund shall provide appropriate information to investors on the risk and reward profile of the fund so as to enable them to identify any specific risks linked to the investment strategy of the fund.
- 6.3 A money market fund shall indicate, in its prospectus drawn up in accordance with the Investment Services Act (Prospectus of Collective Investment Schemes) Regulations, 2005, whether it is a Short-Term Money Market Fund or a Money Market Fund.

- 6.4 A money market fund shall invest in money market financial instruments which comply with the criteria prescribed hereunder in SLC 6.5 or in deposits with credit institutions.
- 6.5 A money market fund shall only invest in the following types of money market financial instruments:
- a. Money market financial instruments admitted to or dealt in on a Maltese regulated market which has been granted authorisation in terms of the Financial Markets Act¹ and which appears on the list of regulated markets prepared and published by the European Commission;
 - b. Money market financial instruments dealt in on another regulated market in another Member State or EEA State, which operates regularly and is recognised and open to the public and which appears on the list of regulated markets prepared and published by the European Commission;
 - c. Money market financial instruments admitted to official listing on a stock exchange in a third country or dealt in on another regulated market in a third country which operates regularly and is recognised and open to the public provided that the choice of stock exchange or market has been approved by the competent authorities or is provided for in law or the fund rules or the instruments of incorporation of the investment company;
 - d. Money market financial instruments issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the Community or the European Investment Bank, a third country or by a public international body to which one or more Member States belong;
 - e. Money market financial instruments issued by an undertaking any securities of which are dealt in on regulated markets referred to in points (a), (b) or (c);
 - f. Money market financial instruments issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the competent authorities to be at least as stringent as those laid down by Community law;

¹ Cap. 345 – Laws of Malta

- g. Money market financial instruments issued by other bodies belonging to the categories approved by the competent authority of the home Member State provided that investments in such instruments are subject to investor protection equivalent to that laid down in points (d), (e) or (f) and provided that the issuer is a company whose capital and reserves amount to at least € 10,000,000 and which presents and publishes its annual accounts in accordance with Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies, and is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- 6.6 The money market financial instruments in which a money market fund invests shall be of high quality, as determined on the basis of, *inter alia*, the following factors by the management company:
- a. the credit worthiness of the financial instrument shall be that of a money market financial instrument of high quality;
 - b. the nature of the asset class represented by the money market financial instrument;
 - c. for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction; and
 - d. the liquidity profile of the money market financial instrument.
- 6.7 For the purposes of paragraph (a) of SLC 6.6 above, a money market instrument shall not be deemed to be of high quality unless it has been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency that has rated the instrument or, if the instrument is not rated, it is of an equivalent quality as determined by the management company's internal rating process.
- 6.8 A money market fund shall have no direct or indirect exposure to equity or commodities, including by virtue of derivatives, and shall only use derivatives in line with the fund's money market investment strategy.
- 6.9 Where derivatives which give exposure to foreign exchange are used in accordance with SLC 6.8, such derivatives shall only be used for hedging purposes.
- 6.10 A money market fund may invest in non-base currency financial instruments, but

shall ensure that the currency exposure is fully hedged.

- 6.11 A money market fund shall carry out and issue daily net asset value and price calculations, and provide for daily subscription and redemption of units.
- 6.12 Where a money market fund is marketed solely as an employee savings scheme to a specific category of investors and is subject to divestment restrictions, it may provide weekly subscription and redemption of units.
- 6.13 When calculating the weighted average life for securities, including structured financial instruments, a money market fund shall base the maturity calculation on the legal residual maturity of the financial instruments until the legal redemption of the instruments.
- 6.14 Where a financial instrument embeds a put option, the exercise date of the put option may be used instead of the legal residual maturity of the financial instrument, subject to the following conditions:
- a. the put option may be freely exercised by the management company at its exercise date;
 - b. the strike price of the put option shall remain close to the expected value of the financial instrument at the next exercise date; and
 - c. the investment strategy of the money market fund gives an indication that there is a high probability of the option being exercised at the next exercise date.
- 6.15 When calculating its weighted average life, a money market fund shall take into account the impact of financial derivative instruments, deposits and efficient portfolio management techniques.

Short-Term Money Market Funds

- 6.16 In addition to the general requirements prescribed in SLCs 6.1 to 6.15 above, a Short-Term Money Market Fund shall also comply with the following requirements.
- 6.17 A Short-Term Money Market Fund shall only invest in securities with a residual maturity until the legal redemption date which is less than or equal to three hundred and ninety-seven days.

- 6.18 A Short-Term Money Market Fund shall have a portfolio of investments with a weighted average maturity of not more than sixty days and a weighted average life of not more than one hundred and twenty days, and shall take into account the impact of financial derivative instruments, deposits and efficient portfolio management techniques for both its weighted average maturity and weighted average life calculations.
- 6.19 A Short-Term Money Market Fund shall only invest in other collective investment schemes which are labelled or marketed as Short-Term Money Market Funds.
- 6.20 A Short-Term Money Market Fund shall have either a constant or a fluctuating net asset value.

Money Market Funds

- 6.21 In addition to the general requirements prescribed in SLCs 6.1 to 6.15 above, a Money Market Fund shall also comply with the requirements prescribed hereunder.
- 6.22 A Money Market Fund shall only invest in securities with a residual maturity until the legal redemption date of less than or equal to two years:
- Provided that, the time remaining until the next interest rate reset date shall be less than or equal to three hundred and ninety-seven days.
- 6.23 Floating rate securities shall reset to a money market rate or index.
- 6.24 A Money Market Fund shall have a portfolio of investments which has a weighted average maturity of not more than six months and a weighted average life of not more than twelve months and shall take into account the impact of financial derivative instruments, deposits and efficient portfolio management techniques for both its weighted average maturity and weighted average life calculations.
- 6.25 A Money Market Fund shall only invest in other collective investment schemes which are labelled or marketed as Short-Term Money Market Funds or Money Market Funds.
- 6.26 Without prejudice to SLC 6.6(a), a Money Market Fund may invest in money market financial instruments issued or guaranteed by a central regional or local authority or central bank of a Member State, the European Central Bank, the

European Union or the European Investment Bank and which are at least of investment grade quality.

6.27 A Money Market Fund shall have a fluctuating net asset value.

Applicability of Section 6 of this Appendix

6.28 Funds labelled or marketed as money market funds which are created on or after the 1st July 2011 shall comply with these SLCs. The MFSA shall not allow a fund to include the term “money market fund” in its name unless the fund adheres with the above supplementary licence conditions, as applicable.

7. *Supplementary Conditions for PIFs set up as Incorporated Cell Companies with Incorporated Cells pursuant to the [Companies Act \(SICAV Incorporated Cell Companies\) Regulations](#)²*

7.1. Both the Incorporated Cell Company³ and the individual Incorporated Cells⁴ shall be licensed by the MFSA.

7.2. The ICC and the individual ICs shall have at least one common director between them.

7.3. The ICC and the individual ICs shall have a common registered office.

8. *Supplementary Conditions for PIFs established as Incorporated Cells ('IC') under a Recognised Incorporated Cell Company ('RICC') pursuant to the [Companies Act \(Recognised Incorporated Cell Companies\) Regulations](#)⁵*

8.1 Incorporated Cells⁶ set up under a Recognised Incorporated Cell Company⁷ in terms of the Companies Act (Recognised Incorporated Cell Companies) Regulations, 2012 may be set up as:

- an investment company with variable share capital (SICAV) in terms of the Companies Act (Chapter 386 of the Laws of Malta);

² [S.L. 386.14](#)

³ Hereinafter referred to as 'ICC'

⁴ Hereinafter referred to as 'ICs'

⁵ [S.L. 386.15](#)

⁶ Hereinafter referred to as 'ICs'

⁷ Hereinafter referred to as 'RICC'

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- an investment company with fixed share capital in terms of the Companies Act (Chapter 386 of the Laws of Malta).
- 8.2 Each IC can be either third party managed or self-managed. In the case where an IC is third-party managed, it will be required to appoint an investment manager, which should be approved by the RICC.
- 8.3 An IC which is third-party managed shall appoint its own investment manager which may be the same or different from the investment manager appointed by any other incorporated cells set up under the same RICC. However, in any case, the investment manager appointed has to be approved by both the RICC and the MFSA.
- 8.4 An IC shall, unless otherwise authorised in writing by the MFSA, appoint the service providers selected for it by its RICC, under the same terms and conditions as shall have been approved by the Authority for this purpose.
- 8.5 An IC shall have the same registered office as its RICC at all times.
- 8.6 Each IC is regulated by its own Memorandum and Articles of Association. Each of the constitutional documents or any changes thereto must be endorsed by the RICC. No changes to the constitutional documents of the IC shall be effected except as approved by Resolution of the Board of Directors of the IC and the RICC and in accordance with the Standard Licence Conditions applicable to such schemes.
- 8.7 Each IC must issue its own offering document which may either be based on the standard form used by incorporated cells that belong to the same RICC or specific to the particular incorporated cell. Provided that no offering document or changes thereto shall be issued by the IC unless it has first been approved by the RICC and the MFSA.
- 8.8 An IC that has been granted or has applied for a Collective Investment Scheme Licence may apply for admissibility to listing with the Listing Authority. The MFSA is the Listing Authority in terms of the Financial Markets Act.
- 8.9 The directors of an IC are not required to be the same as those of the RICC. However the RICC and the IC must have at least once common director. The MFSA may require that directors with different competencies sit on the different boards of directors of the incorporated cells. The common director shall report to the Board of the RICC on a regular basis and must provide the RICC with any information that may be relevant to the fulfilment of the RICC's compliance obligations in relation to its incorporated cells.

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- 8.10 In addition to the obligations arising under the Companies Act, the IC shall notify the RICC and the MFSA within 14 days of a director of the IC being appointed or ceasing to be a director of the cell.
- 8.11 An IC may create sub-funds. In this regard, an IC is required to comply with Section 11 of Part A of the Investment Services Rules for Professional Investor Funds, as applicable.
- 8.12 Unless expressly prohibited by any rules, laws or regulations or by its articles of association, an IC shall be permitted to own shares in any other IC of its RICC subject to any conditions that may apply in terms of its licence.
- 8.13 In addition to the requirements of article 6 of the Companies Act, an IC of a RICC shall also indicate in a suitable manner in all of its business letters and forms that it is an IC of a RICC and the name of the RICC.
- 8.14 No IC of a RICC shall transfer, relocate or convert itself in any other manner except as authorised by the competent authority and subject to any conditions which the latter deems fit to impose.
- 8.15 An IC shall apply for a collective investment scheme licence as if it were an independent scheme, provided that it shall also be required to provide the relevant endorsements, resolutions and other approvals from its RICC as required by the applicable Rules and Regulations and will be required to comply with Part A of the Investment Services Rules for Professional Investor Funds, as applicable.
- 8.16 On application, the IC must provide information on any departure from the standard model agreements endorsed by the RICC.
- 8.17 An IC must provide a draft copy of its agreement with the RICC referred to in section 3 of Part BIII of the Investment Services Rules for Recognised Persons.
- 8.18 The IC must inform its RICC of any departure from any standard model agreement and must submit the relevant changes to the Competent Authority for approval.
- 8.19 The MFSA may only grant a Collective Investment Scheme licence to an IC if it is satisfied that the Scheme will comply in all respects with the provisions of the Investment Services Act, the relevant Regulations and MFSA Rules and Standard Conditions.
- 8.20 An IC of a RICC shall pay the licencing and supervision fees applicable to a Collective Investment Scheme as stipulated in paragraph (b) of the Schedule to the

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Investment Services Act (Licence and Other Fees) Regulations. Sub-funds of the IC shall pay the licensing and supervision fees applicable to sub-funds of a Collective Investment Scheme in terms of the same paragraph.