



Scope - Authorised Persons

CLASS MODIFICATION - Authorised Persons undertaking the Regulated Activity of Managing Assets as a digital investment manager

Address:

N/A

Firm Number:

N/A

Notice Number:

WM 52/2020

THE ADGM FSRA HEREBY GIVES NOTICE THAT:

Where an Authorised Person is acting as a digital investment manager¹:

- (1) conducting the Regulated Activity of:
 - (a) Managing Assets only; or
 - (b) Managing Assets alongside one or more of the Regulated Activities of Advising on Investments or Credit, Arranging Deals in Investments or Arranging Custody, but no other Regulated Activity; and
- (2) meets all of the Conditions detailed below in relation to:
 - (a) Financial Instruments;
 - (b) discretionary management; and
 - (c) Client Assets;

the Base Capital Requirement that applies to it is subject to a class modification in accordance with the modified Rule PRU 3.3.2 as it appears below, and the Expenditure Based Capital Minimum is subject to a class modification in accordance with the modified Rule PRU 3.7.1 as it appears below. In the table underlining indicates new text and striking through indicates deleted text, otherwise the Rules remain unaltered.

Authorised Persons wishing to use this class modification are required to notify the FSRA prior to doing so and, subsequently, also notify the FSRA where they wish to discontinue using it.

¹ For further information see "[Supplementary Guidance – Authorisation of Digital Investment Management \(“Robo-advisory”\) Activities](#)", Financial Services Regulatory Authority, July 2019



RULES MODIFIED									
Rulebook Module	Modified Text								
PRU 3.3.2	<p>The table below sets out the Base Capital Requirement for each Category of Authorised Persons.</p> <table border="1"><thead><tr><th>Category</th><th>Base Capital Requirement (US \$)</th></tr></thead><tbody><tr><td>...</td><td>...</td></tr><tr><td>3C</td><td><u>10,000</u> 250,000, except where an Authorised Person has a Financial Services Permission only to carry out the Regulated Activity of Managing a Collective Investment Fund, in which case the Base Capital Requirement is the higher of: a) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or b) 50,000 otherwise.</td></tr><tr><td>...</td><td>...</td></tr></tbody></table>	Category	Base Capital Requirement (US \$)	3C	<u>10,000</u> 250,000, except where an Authorised Person has a Financial Services Permission only to carry out the Regulated Activity of Managing a Collective Investment Fund, in which case the Base Capital Requirement is the higher of: a) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or b) 50,000 otherwise.
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PRU 3.7.1	<p>An Authorised Person must calculate its Expenditure Based Capital Minimum as:</p> <p>(a) in the case of an Authorised Person which holds Client Assets or Insurance Money, 18/52nds;</p> <p>(b) in the case of an Authorised Person in Category 3B or 3C which does not hold Client Assets or Insurance Money, 13/52nds; or</p> <p>(c) in the case of an Authorised Person in Category 4, which does not hold Insurance Money, 6/52nds;</p> <p><u>6/52nds</u> of the Annual Audited Expenditure, calculated in accordance with Rule 3.7.2.</p>								



EFFECTIVE PERIOD

This notice comes into effect on the date of issue of this notice and remains in force until further notice.

CONDITIONS

In order to avail of this class modification, an Authorised Person acting as a digital investment manager must satisfy all of the following conditions.

- (a) Financial Instruments: the products offered by the digital investment manager must be limited to passive investment products such as ETFs and index trackers that are liquid, non-complex and diversified, with the digital investment manager having appropriate systems and controls in place to ensure that the products exhibit those attributes.
- (b) Discretionary management: the discretionary investment management activities undertaken by the digital investment manager must be limited to portfolio rebalancing. Such rebalancing must not involve the purchase of new investment products that were not included in the portfolio originally agreed to by the client.
- (c) Client Assets: the digital investment manager must not hold Client Assets. Instead, clients must have a direct contractual relationship with an independent third-party financial institution to hold Client Assets.

PUBLICATION

For inclusion in the public log of granted waivers and modifications? Yes No

THIS NOTICE IS ISSUED UNDER PART 2 CHAPTER 2 OF THE FINANCIAL SERVICES AND MARKETS REGULATIONS 2015 BY:

NAME:

RICHARD TENG

Position or title:

CHIEF EXECUTIVE OFFICER
FINANCIAL SERVICES REGULATORY AUTHORITY

Date: 20 February 2020