

**Fund Rules (FUNDS)**

\*In this attachment underlining indicates new text and striking through indicates deleted text.

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### 3.4 The different types of Domestic Funds

This table illustrates the different Rules applicable to the three categories of Domestic Fund.

The Fund Rules Chapters	Public Fund	Exempt Fund	QIF
...	...	...	...
<u>Chapter 13A: Requirements Specific to Private Credit Funds</u>		✓	✓
...	...	...	...

## 4. SPECIALIST CLASSES OF FUNDS

### 4.1 Specialist Funds

- 4.1.1 (1) A Domestic Fund that falls within one or more of the criteria specified in Rules ~~4.1.2 to 4.1.4~~ 4.1.7 is hereby prescribed to be a Domestic Fund of that specialist class or classes.
- (2) A Foreign Fund that falls within one or more of the criteria specified in Rules ~~4.1.2 to 4.1.4~~ 4.1.7 is hereby prescribed to be a Foreign Fund of that specialist class or classes for the purposes of:
- managing that Fund in the Abu Dhabi Global Market;
  - marketing of the Units of that Fund in or from the Abu Dhabi Global Market; or
  - determining whether a Domestic Fund investing in such a Fund continues to meet any criteria or other requirements applicable to that Domestic Fund.

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### Private Credit Fund

#### 4.1.7 A Fund is a Private Credit Fund if:

- it is a Domestic Fund that is either an Exempt Fund or a Qualified Investor Fund;
- it is closed-ended; and
- its operations are limited to:
  - investment in Credit Facilities, whether by origination, purchase or participation;
  - investment in Specified Investments which create or acknowledge indebtedness;

- (iii) activities related to (i)-(ii), including investment in the equity of a legal entity or the group to which it belongs and to which the Private Credit Fund lends; and
- (iv) the holding of Financial Instruments for the purposes of treasury, cash management and hedging.

**Guidance**

A Venture Capital Fund may not be a Private Credit Fund.

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**12.3 Duties in relation to Fund Property**

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**Risk management**

12.3.10 A Fund Manager of a Domestic Fund must ensure that the risks inherent in the operation of a Fund are adequately addressed, with due regard to the nature of the strategies and investment process employed by the Fund Manager and the role of Fund Administrators and Eligible Custodians and where appointed, prime brokers.

(1) The Fund Manager of a Domestic Fund must, to the extent proportionate given the nature of the Domestic Fund and the nature and scale of the Fund Manager, ensure functional and hierarchical separation and independence between:

- (a) the risk management functions (Fund valuation and asset pricing); and
- (b) the portfolio management functions (the investment management process).

(2) Where the Fund Manager is unable to demonstrate adequate separation and independence in accordance with (1), the Regulator may require the Fund Manager to appoint an independent, suitably competent and experienced Fund Administrator to perform the functions specified in (1)0.

**Guidance**

1. To provide segregation of the net asset value determination process of the Fund from the investment management process, generally personnel involved in the former should not be involved in the latter. An effective method of achieving such segregation is to delegate the calculation, determination and production of the net asset value to a suitably competent and experienced third party Fund Administrator.

2. Additional risk management requirements applicable to the Fund Manager of a Private Credit Fund are included in Chapter 13A.

**13A. REQUIREMENTS SPECIFIC TO PRIVATE CREDIT FUNDS****13A.1 Application**

13A.1.1 Chapter 13A applies in its entirety to the Fund Manager and, if appointed, the Trustee of a Private Credit Fund, unless otherwise expressly provided in this Chapter.

**Guidance**

1. This Chapter must be read in conjunction with the FUNDS Rulebook as it contains additional Rules that are applicable to Funds and Fund Managers generally.
2. Fund Managers of Private Credit Funds are subject to specific systems and controls requirements that are included in this chapter. Additionally, Private Credit Funds are subject to concentration and diversification requirements that all other Exempt Funds and Qualified Investor Funds are not subject to.

**13A.2 Systems and controls requirements for Fund Managers of Private Credit Funds**

13A.2.1 The Fund Manager of a Private Credit Fund must maintain documented systems and controls that include suitable policies and procedures designed to ensure:

- (a) a Fund risk appetite statement is designed and incorporated into its investment process;
- (b) that provision of Credit to a Borrower is only made based upon a sound assessment and pricing methodology;
- (c) the ongoing monitoring of granted Credit, including policies for renewals and refinancing;
- (d) that adequate risk management is undertaken, including in relation to credit risk and concentration risk;
- (e) the application of stress testing methodologies as set out in Section 13A.7, below;
- (f) the management of collateral;
- (g) that bad debt and impairments are identified and managed; and
- (h) the timely, appropriate and accurate valuation of the Fund Property.

**13A.3 Eligible investments and diversification requirements**

13A.3.1 The Fund Manager of a Private Credit Fund must not allow for Credit to be provided to, or for the benefit of:

- (a) Natural Person(s);
- (b) an Affected Person;
- (c) a Collective Investment Fund;

- (d) a Person intending to utilise such financing for the purpose of speculative investment; or
- (e) a Bank or Lender.

**13A.3.2** A Fund Manager must ensure that the investment strategy of a Private Credit Fund is designed to achieve a portfolio that meets the Fund's specified diversification and concentration policies within a suitable, stated timeframe.

**13A.3.3** The investment strategy of a Private Credit Fund must limit the maximum exposure to a single borrower (or group of connected borrowers) to 20% of the Net Asset Value of the Fund.

#### **13A.4** **Borrowing and leverage**

**13A.4.1** The Fund Manager must ensure that borrowing by a Private Credit Fund must not exceed 100% of the Net Asset Value of the Fund.

#### **13A.5** **Disclosure**

**13A.5.1** The prospectus issued or distributed in respect of a Private Credit Fund must include a prominent risk warning which draws attention to the unique risks which arise from investing in Credit and how the value of an investment in a Private Credit Fund is not guaranteed and is subject to the possibility of investment losses and illiquidity. In addition, the prospectus must include:

- (a) information on the risk and reward profile to enable investors to identify the specific risks linked to a loan origination strategy;
- (b) information on the extent to which the Private Credit Fund intends to be concentrated as regards individual entities, geographical locations and sectors and the risks arising from those proposed concentrations;
- (c) details of the credit assessment and monitoring process used by the Private Credit Fund; and
- (d) information on whether the Fund Manager will provide Unitholders or potential Unitholders with access to records and staff for the purposes of a due diligence process as well as the terms and conditions under which such access may be granted.

#### **13A.6** **Reporting**

**13A.6.1** The periodic reports issued by a Private Credit Fund must include the following information:

- (a) a breakdown of the originated loans between senior secured debt, junior debt and mezzanine debt;
- (b) a summary of all committed, but undrawn Credit Facilities;
- (c) a breakdown of the originated loans between loans made with an amortising repayment schedule and loans made with bullet repayments;

- (d) a breakdown of the loan to value ratio for each originated loan;
- (e) information in respect of non-performing exposures and exposures subject to forbearance activities; and
- (f) material changes to the credit assessment and monitoring process of the Private Credit Fund.

### **13A.7 Stress testing**

#### **13A.7.1 The Fund Manager of a Private Credit Fund must have a comprehensive stress testing programme that:**

- (a) identifies possible events or future changes in economic conditions that could have unfavourable effects on the Private Credit Fund's credit exposures and assess the Private Credit Fund's ability to withstand such changes;
- (b) requires the outcomes of applying stresses to be compared against internal risk limits established by the Fund Manager in respect of the Private Credit Fund;
- (c) considers the evolution of both specific transactions and aggregate exposures, reflecting all forms of counterparty credit risk at the level of specific counterparties, across an appropriate time horizon that represents meaningful stress testing;
- (d) provides at least monthly exposure stress testing of principal market risk factors such as interest rates, FX and credit spreads for all counterparties of the Private Credit Fund in order to identify and enable the Fund Manager to reduce significant concentrations, relative to the internal risk limits, and specific risks when necessary;
- (e) provides at least quarterly multifactor stress testing scenarios and assess material risks including yield curve exposure and basis risks.

#### **Guidance**

Multiple-factor stress tests should, at a minimum, address scenarios where:

- (a) severe economic or market events have occurred;
- (b) broad market liquidity has decreased significantly;
- (c) a large financial intermediary is liquidating positions.

#### **13A.7.2 The results of stress testing performed in accordance with Rule 13A.7.1 must be reported regularly, at least on a quarterly basis, to the Governing Body of the Fund Manager.**

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**APP 5 CONSTITUTION OF A DOMESTIC FUND**

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<b>A</b>	<b>General Information</b>
	The following information:  ...  (5) The legal form of the Fund and whether it is open_ or closed_ ended.  ...

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