

ADGM

THE DESTINATION OF CHOICE FOR

INVESTMENT FUNDS



FINANCIAL SERVICES REGULATORY AUTHORITY



ABU DHABI GLOBAL MARKET
سوق أبوظبي العالمي

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ABOUT ADGM'S FINANCIAL SERVICES REGULATORY AUTHORITY

The Financial Services Regulatory Authority (FSRA) is the independent financial services regulator of ADGM and supports Abu Dhabi's ambition to be a progressive and vibrant international financial services centre. The FSRA is responsible for licensing and supervising financial intermediaries, including banks, insurance companies, exchanges and capital market intermediaries conducting financial activities in ADGM and within the financial free zone of Abu Dhabi. The FSRA is committed to providing and operating a fair, well-regulated and robust financial regime that is benchmarked against international standards and best governance practices. The FSRA is a recognised member of the International Organisation of Securities Commissions ("IOSCO"), the International Association of Insurance Supervisors (IAIS) and the Basel Consultative Group of the Basel Committee on Banking Supervision in January 2016.

ADGM, A LEADING INVESTMENT FUNDS PLATFORM

Based on Abu Dhabi Global Market's (ADGM) direct application of Common Law, ADGM's funds framework balances a business friendly environment for industry practitioners whilst retaining appropriate levels of investor protection.

Innovative

Innovative sector-specific frameworks have been developed by ADGM's Financial Services Regulatory Authority (FSRA), including a Private REIT regime, allowing REIT managers to

launch products in a private placement setting without a listing requirement, and a Venture Capital Fund Manager (VCFM) regime that reduces the regulatory requirements applied to qualifying VCFMs including zero regulatory capital requirements.

Global

ADGM FSRA allows fund managers located both within and outside of ADGM to establish funds within its jurisdiction utilising a wide range of corporate, limited partnership and trust vehicles including

Sharia-compliant funds and structures. ADGM fund managers may also establish and manage funds outside of ADGM whilst any Firm with the appropriate regulatory permissions may also promote and sell both ADGM and non-ADGM Funds in and from the jurisdiction.

Flexible

ADGM recognises that the ability for new players to enter the market is key to developing a thriving funds industry. As such, ADGM has developed a framework that allows for start-up and boutique fund managers to establish in ADGM to manage non-retail funds.

“We decided to open an office in the Middle East in order to further expand our business in this important region. In terms of potential jurisdictions we considered a number of factors including- proximity to existing and potential investors, adoption of international regulatory & legal standards, flexibility to adopt our global policies, ease of set up and access to a strong local talent pool. ADGM is the natural choice as a result and has exceeded our high expectations as we've set up our local subsidiary.”

ANDREW PAUL
Head of Group Strategy
Aberdeen Asset Management PLC

WHY ADGM?

ADGM offers fund managers an efficient business environment operating to international regulatory standards.

ADGM's fund framework provides class-rivalling costs and time-to-market, with globally competitive minimum capital requirements. There are no remuneration restrictions on fund managers.

ADGM- THE AWARD WINNING INTERNATIONAL FINANCIAL CENTRE

Abu Dhabi Global Market, an international financial centre in the capital of the United Arab Emirates, fully opened for business on 21st October 2015. A financial free zone, ADGM is an independent jurisdiction encompassing the entire 114 hectares (1.14 sq km) of Al Maryah Island with rules and regulations aligned with international best practice. ADGM's three independent Authorities (Registration Authority, Financial Services Regulatory Authority and the ADGM Courts) provide a holistic environment enabling registered companies to conduct business and operate with confidence.

> FUND MANAGERS

- Legal certainty - direct application of the common law
- ADGM is a tax friendly environment, with 0% direct tax
- Efficient and cost-effective authorisation process
- Low minimum capital requirements
- No remuneration restrictions
- Flexible arrangements for delegation of duties

> FUNDS

- ADGM is a tax friendly environment, with 0% direct tax
- Efficient and cost-effective establishment process
- Limited asset class and spread restrictions for public funds
- No maximum investor restrictions
- No minimum AUM requirements
- Master/Feeder Funds available

> FUND VEHICLES

- Wide range of vehicles available

> FOREIGN FUND MANAGERS

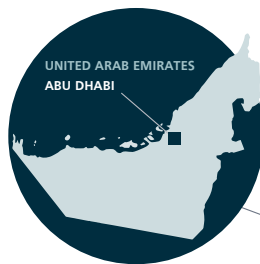
- Ability for foreign fund managers to establish and manage ADGM funds

> FOREIGN FUNDS

- Ability for ADGM firms to manage, promote and distribute non-ADGM funds

> FUNDS PASSPORTING

An ADGM fund manager can opt to register its ADGM Domestic Funds under the UAE Funds Passporting arrangement, allowing direct distribution across the whole of the UAE



Abu Dhabi is the capital and the seat of government of the United Arab Emirates



Abu Dhabi is home to some of the largest **sovereign wealth funds** globally



The United Arab Emirates benefits from a stable political environment and enjoys **one of the world's highest GDP per capita**



Easily **accessible** and an ideal hub for access to Europe, Asia and the Far East

ADGM FUNDS VS FOREIGN FUNDS

ADGM's funds framework provides wide-ranging options for carrying out fund management activities to ADGM fund managers and foreign fund managers alike. ADGM fund managers are permitted to manage both ADGM and non-ADGM funds. Qualifying foreign fund managers are permitted to manage ADGM funds. ADGM authorised firms can promote non-ADGM funds.

DOMESTIC FUNDS

- Established and domiciled in ADGM
- ADGM-based or foreign fund manager
- Marketed in or from ADGM

Public Funds

- All client types including retail clients
- No minimum investment requirements
- Increased level of regulatory oversight
- Investment and borrowing powers restricted
- Registration with FSRA

Exempt Funds

- Professional clients only
- USD \$50,000 minimum investment
- Notification to FSRA
- Private placement
- Reduced regulatory requirements for fund manager

Qualified Investor Funds

- Market counterparties and sophisticated professional clients only
- USD \$500,000 minimum investment
- Notification to FSRA
- Private placement
- Minimal regulatory requirements

FOREIGN FUNDS

- Non-ADGM established or domiciled fund
- ADGM-based or foreign fund manager
- Marketed in or from ADGM

Managing Foreign Funds

- An ADGM fund manager may establish and manage a foreign fund
- Similarly an ADGM asset manager may be appointed as the investment manager to a foreign fund

Marketing Foreign Funds

- An ADGM firm with the appropriate permission may promote a foreign fund in or from ADGM
- Distribution activities must comply with the legislation in the jurisdiction being marketed into
- A foreign fund may not be marketed to retail clients unless it is capable of being offered to retail investors in its home jurisdiction

UNDERSTANDING ADGM FUNDS

ADGM's funds framework allows fund managers to easily provide funds to all investor types, whilst maintaining proportionate levels of investor protection.

PUBLIC FUNDS

Intended for retail clients and made available by public offer, Public Funds attract a higher level of regulatory scrutiny. Public Funds require registration with the FSRA involving lodgement of a prospectus, and may be subject to risk-diversification requirements regarding its investment and borrowing powers.

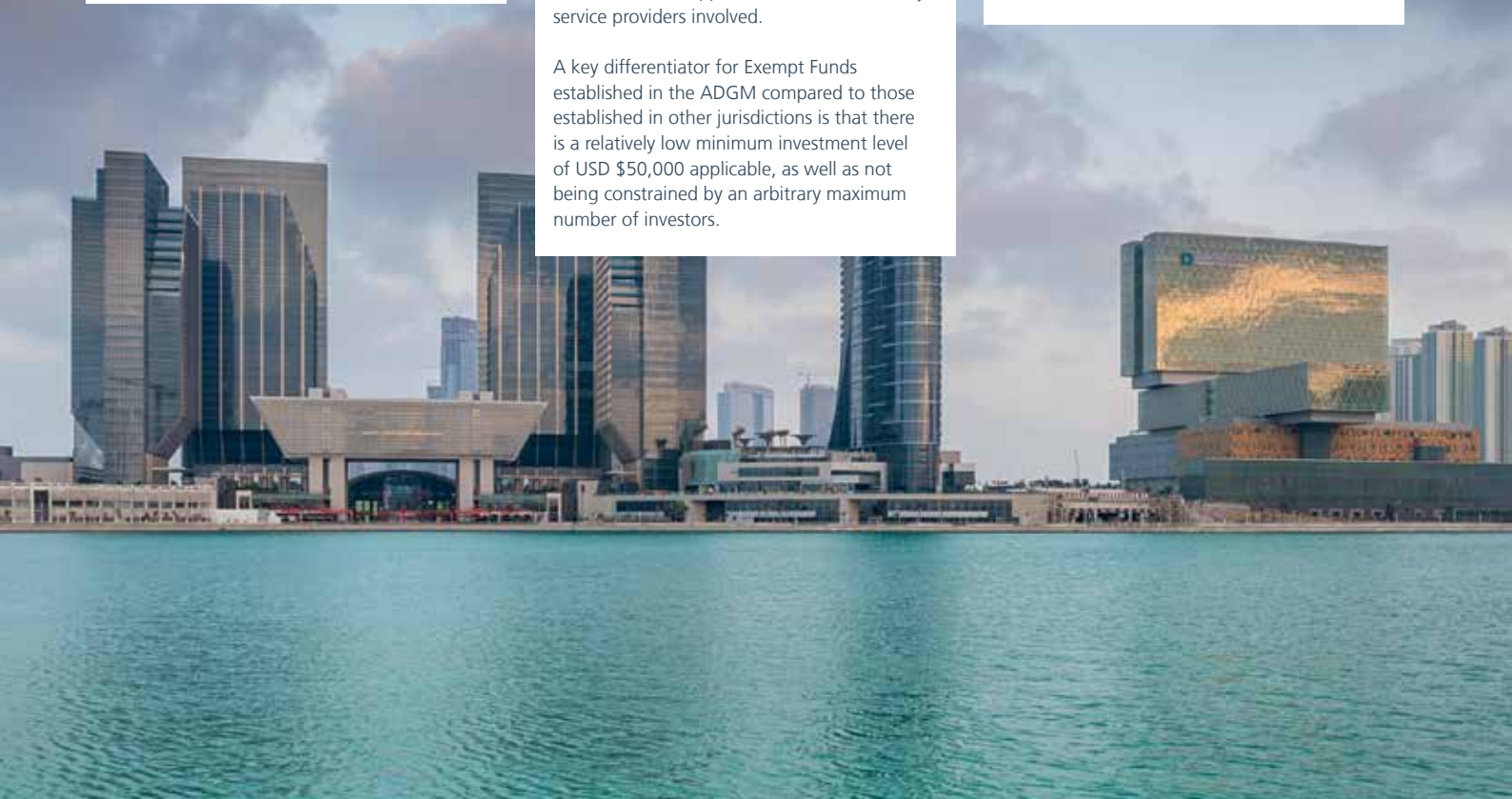
EXEMPT FUNDS

Intended for sale to professional clients by private placement and as such attract a lower level of regulatory scrutiny compared to Public Funds. They are not registered by the FSRA – a fund manager needs only to notify the FSRA 14 days prior to the initial offer of units, detailing the nature of the fund's investment profile, its intended size, prime broker details (if applicable) and details of any service providers involved.

A key differentiator for Exempt Funds established in the ADGM compared to those established in other jurisdictions is that there is a relatively low minimum investment level of USD \$50,000 applicable, as well as not being constrained by an arbitrary maximum number of investors.

QUALIFIED INVESTOR FUNDS (QIF)

Intended only for sale to market counterparties and other sophisticated professional clients by private placement, QIFs attract a comparatively lower level of regulation than Exempt Funds. Similar to Exempt Funds, QIFs only require notification to the FSRA prior to the initial offer of units and there are no upper limits on investor numbers. The minimum investment size is USD \$500,000.




KEY DIFFERENCES BETWEEN DOMESTIC FUNDS TYPES


	PUBLIC FUNDS	EXEMPT FUNDS	QUALIFIED INVESTOR FUNDS
ELIGIBLE INVESTOR TYPES	All including retail	Professional only	
REGISTRATION OR NOTIFICATION	Registration required	Notification only	
MINIMUM INVESTMENT	No minimum	USD \$50,000	USD \$500,000
MAX INVESTORS	No maximum number of investors		
OFFER BASIS	Public	Private	
OBLIGATIONS OF THE FUND MANAGER, TRUSTEE AND ADMINISTRATOR	Detailed prescriptive rules		Limited prescriptive rules
INVESTMENT AND BORROWING POWERS	<ul style="list-style-type: none"> • Prudent spread of risk in line with objectives • Max 20% investment in other funds • Derivatives to 100% NAV • Max 20% GAV borrowing (65% for Property Funds) • Real Property is permitted 	Governed by the scheme constitution and prospectus	
SAFEKEEPING OF FUND PROPERTY	Fund manager is required to appoint an Eligible Custodian to hold Fund Property except in the case of illiquid assets		
OVERSIGHT REQUIREMENTS	Oversight Committee or Eligible Custodian or Trustee responsible for oversight function	No prescribed oversight requirements	
VALUATION REQUIREMENTS	Prescriptive requirements		Limited requirements
REPORTING REQUIREMENTS	<ul style="list-style-type: none"> • Annual report and fund manager's report • Interim report and fund manager's report • Annual fund auditor's report • Oversight report • Comparative table 	<ul style="list-style-type: none"> • Annual report and fund manager's report • Interim report and fund manager's report • Annual auditor's report (unless requirement is waived) 	<ul style="list-style-type: none"> • Annual report and fund manager's report* • Annual fund auditor's report <p>* An Interim report is only required if there has been a material change during the interim period</p>

FUND VEHICLES



ADGM's funds framework is comprehensive and offers fund managers the maximum range of options when choosing fund vehicles and structures.

OPEN OR CLOSED ENDED INVESTMENT COMPANIES	LIMITED INVESTMENT PARTNERSHIPS	INVESTMENT TRUSTS	PROTECTED CELL COMPANIES (PCC) & INCORPORATED CELL COMPANIES (ICC)
<p>Allowing for incorporation of a fund vehicle using a corporate entity under the ADGM Companies Regulations, open ended investment companies allow for operation of traditional funds with regular subscription and redemption possibilities whilst closed ended investment companies may be used to structure a listed fund vehicle.</p> 	<p>As in other leading fund jurisdictions limited partnership structures can be used as the basis for ADGM fund structures.</p> 	<p>Investment trusts can be used as the basis for funds in ADGM. A fund manager may appoint an eligible trustee through a trust deed in order to establish an investment trust in accordance with provisions in the Financial Services and Markets Regulations 2015.</p> 	<p>ADGM allows the structuring of funds and fund umbrellas using PCCs and ICCs. This allows fund managers to legally segregate the assets and liabilities of each cell whilst operating under common management.</p> 

STRUCTURING OPTIONS

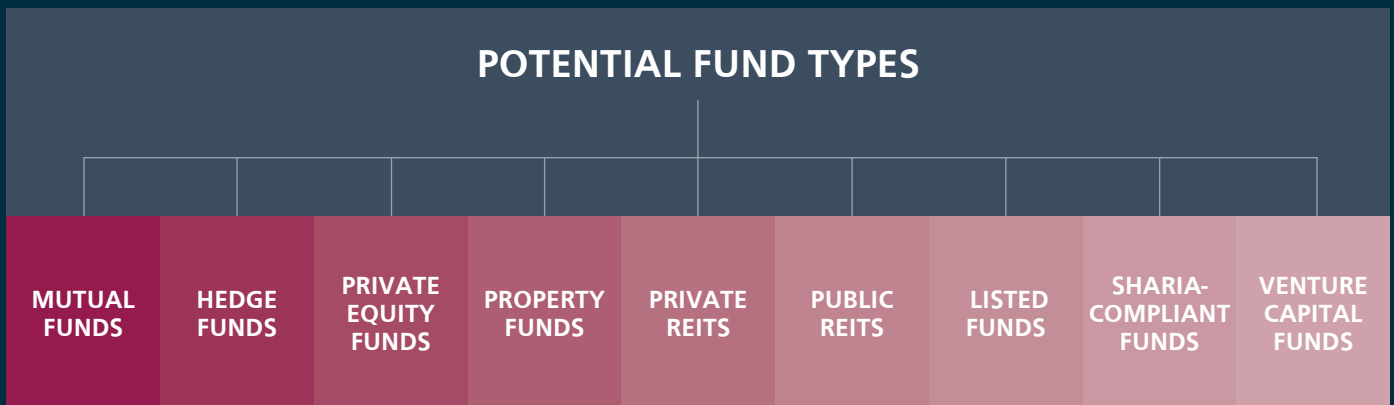
SPVS	RESTRICTED SCOPE COMPANIES	GENERAL PARTNER SPV
<p>ADGM SPVs be utilised by Fund Managers, for example, to structure ringfencing or asset holding vehicles.</p> 	<p>To supplement the range of fund vehicles available, ADGM allows the incorporation of a private limited company designated as a Restricted Scope Company. These are unique ADGM special purpose vehicles which benefit from quick and inexpensive incorporation, and limited public disclosure requirements.</p> 	<p>ADGM Fund Managers using Limited Partnership fund structures have the option to use a specific General Partner SPV for structuring purposes.</p> 

OTHER OPTIONS

MASTER/FEEDER STRUCTURES	UMBRELLA FUNDS
<p>ADGM funds may act as a master fund, a feeder to a foreign fund or as a feeder to another ADGM fund.</p> 	<p>ADGM's framework allows for umbrella structures, where a single umbrella fund may have more than one distinct sub-fund, each with its own investment objective and policy.</p> 

FUND TYPES

The range of options made available by ADGM to fund managers ensures that many types of funds can be established.



OUTSOURCING & SERVICE PROVIDERS

Fund managers may appoint both ADGM and non-ADGM service providers, further increasing the levels of flexibility offered.

ADGM recognises that the funds industry depends upon third-party service providers for the outsourcing of various functions. ADGM's regulatory framework therefore allows for the incorporation and authorisation of such third-party providers including administrators, custodians and trustees. It also allows fund managers to appoint both ADGM and / or foreign domiciled service providers.

This adds to the options available to fund managers establishing a fund in ADGM. It is acceptable for an appointed fund administrator and / or eligible custodian to be located and subjected to regulation outside of ADGM.

The trustee of an investment trust established in ADGM must be authorised for this activity by the FSRA.

“ADGM's funds regime is sophisticated, offering flexibility for fund managers as to fund vehicle (such as protected cell companies, limited partnerships, trusts and investment companies) and level of regulatory oversight (ranging from qualified investor funds to retail funds), as well as appropriate levels of transparency and investor protection.”

JOHN ADAMS
Partner (Asset Management)
Shearman & Sterling (London) LLP

FOREIGN FUNDS

ADGM firms are permitted to conduct certain activities in respect of non-ADGM funds.

ESTABLISHING AND MANAGING A FOREIGN FUND

An ADGM fund manager may establish and manage funds in a third party jurisdiction (subject to the regulatory requirements of the host jurisdiction). Should a fund manager choose to do this, it is simply required to file a regulatory notification with the FSRA, including details of the Fund's purpose and investment policy.

INVESTMENT MANAGEMENT

An ADGM investment manager may be appointed by a foreign fund or a foreign fund manager to provide discretionary investment management services to a foreign fund (subject to any regulatory restrictions that may apply in the fund's home jurisdiction).

PROMOTING AND SELLING

Any ADGM firm that holds a licence for advising on investments and arranging investments in respect of units in a collective investment fund may market and sell the units of a foreign fund in or from ADGM, provided that:

- it notifies the FSRA within 30 days of the commencement of the marketing activity;
- it does not sell units of the foreign fund to a retail client unless it is permitted to deal with retail clients, and, the foreign fund is capable of being sold to retail clients in its home jurisdiction;
- certain prospectus requirements for the foreign fund are met; and,
- if sold from ADGM, all applicable local regulatory requirements are adhered to.

FUND MANAGER AUTHORISATION CRITERIA

ADGM's authorisation process has been designed to be risk-based and streamlined, to ensure an efficient and cost-effective time to market.

When the FSRA considers an application for authorisation from a proposed fund manager, it applies a risk-based assessment to the authorisation criteria which varies depending upon the proposed activities of the fund manager, with a less rigorous and risk-proportionate approach applied to a fund manager's application when non-retail funds are being managed (e.g. incubator funds or venture capital funds) in comparison to the more rigorous approach that is applied to the application of a fund manager seeking to manage and sell Public Funds.

FSRA identifies three broad types of fund managers when undertaking the authorisation process:

START-UP FMC

- < 30 clients
- Professional clients only
- Net AUM <USD \$250 million

RESTRICTED FMC

- Professional clients only
- No limits on AUM or number of clients

RETAIL FMC

- All clients including retail clients
- No limits on AUM or number of clients

FEES

ADGM offers a transparent, class-leading regulatory fee structure for Funds and Fund Management Companies. A firm wishing solely to manage collective investment funds would potentially only need to apply for one regulated activity at a cost of USD \$5,000.

FUNDS FEES

PUBLIC FUNDS (USD)

Registration Fee: **\$3,000**

Sub-Fund Registration: **\$1,000**

Annual Fee: **\$3,000**

Sub Fund Annual Fee: **\$1,000**

Prospectus Amendment Fee
\$3,000

EXEMPT FUNDS & QIFs

Registration Fee: **Nil**

Sub-Fund Registration: **Nil**

Annual Fee: **\$2,000**

Sub Fund Annual Fee: **\$1,000**

FOREIGN FUNDS

Notification Fee: **\$1,000**

Funds fees may be subject to changes

FUND MANAGEMENT COMPANY FEES

AUTHORISATION FEES (USD)

Each Regulated Activity:
\$5,000

ANNUAL SUPERVISION FEE

Each Regulated Activity:
\$5,000

APPOINTMENT OF APPROVED INDIVIDUALS

Each Approved Individual:
\$500

FOREIGN FUND MANAGERS

Notification Fee:
\$5,000

FUND MANAGEMENT COMPANY: REGULATORY CAPITAL REQUIREMENT

THE HIGHER OF:

Managers of Public Funds

Managers of Exempt Funds and QIFs

Venture Capital Fund Managers

MINIMUM CAPITAL REQUIREMENT (USD) OR

150,000

50,000

Nil

EXPENDITURE BASED REQUIREMENT

13/52 Annual Expenditure (if not holding client money)

OR

18/52 Annual Expenditure (if holding client money)

Nil

Require more information?

The FSRA Team is available to provide more information and further explanation on the ADGM Funds platform and the various funds structures and types. To apply for authorisation, please feel free to contact our Authorisation Team to arrange for a meeting.

CONTACT US

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