

INVESTMENT SERVICES RULES FOR NOTIFIED PROFESSIONAL INVESTOR FUNDS AND RELATED DUE DILIGENCE SERVICE PROVIDERS

PART A: THE NOTIFIED PIF FRAMEWORK

CONTENTS

1.	The Investment Services Act (Notified CISs) Regulations.....	4
2.	NPIFs	4
3.	Eligible Investors in NPIFs.....	6
4.	The Notification Process.....	7
5.	Governing Body	9
6.	Fund Manager	10
7.	Fund Administrator.....	12
8.	Safekeeping	13
9.	Disclosure in the Offering Memorandum of a NPIF	14
10.	Due Diligence.....	14
11.	Duties of the Due Diligence Service Provider	15
12.	Compliance with Regulatory Framework	17
13.	Duties of the Local Member of the NPIF's Governing Body.....	17
14.	Anti-Money Laundering Obligations	18

REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	18 Dec 2023	See Circular: MFSA Launches Framework for Notified PIFs
1.01	5 Sept 2024	See Circular: Publication of Frequently Asked Questions on the Notified PIF Framework and Related Updates to the NPIF Rulebook
1.02	27 Nov 2024	See Circular: Establishment of Single Family Offices in Malta
1.03	12 Feb 2025	See: Circulars dated 12 February 2025 on the Launch of a Framework for Collective Investment Schemes Structured as Limited Partnerships without Separate Legal Personality and on the Extension of the Notified PIF Framework to Cater for Self-Managed Structures
1.04	30 May 2025	See: Circular dated 30 May 2025 on various amendments to the Investment Services Rulebooks in the context of EuVECA and EuSEF Regulations

1. The Investment Services Act (Notified CISs) Regulations

- 1.01 Collective Investment Schemes are regulated by the Investment Services Act, Chapter 370 of the Laws of Malta ("the Act"). The Act provides the statutory basis for regulating Collective Investment Schemes constituted in or operating in or from Malta.
- 1.02 A Professional Investor Fund ('PIF') is a special class of collective investment scheme which falls within the provisions of the Act and is subject to the Investment Services Rules. Presently there are two types of Professional Investor Fund as follows:
- a) PIFs subject to the Investment Services Rules for Professional Investor Funds; and
 - b) PIFs subject to the Investment Services Rules for Notified Professional Investor Funds.
- 1.03 In terms of Regulation 5 of S.L. 370.02 – the Investment Services Act (Exemption) Regulations, Notified Professional Investor Funds ("Notified PIFs" or "NPIFs") are a category of Collective Investment Schemes which are exempt from licensing under the Act, subject to inclusion in the List of NPIFs maintained by the MFSA in terms of S.L. 370.34 - the Investment Services Act (Notified CISs) Regulations ("the Regulations").
- 1.04 A Notified PIF is a PIF which has been notified to the competent authority for inclusion in the List of Notified PIFs and is included in the List of Notified PIFs maintained by the competent authority in terms of Regulation 17 of S.L. 370.34 – the Investment Services Act (Notified CISs) Regulations.

2. NPIFs

- 2.01 A PIF may be eligible for notification in terms of the Regulations, if the following conditions are satisfied:
- i. it is promoted to Qualifying Investors and/or Professional Investors only;
 - ii. at least one of the members of its governing body is resident in Malta;
 - iii. at least one of the members of its governing body is independent from the Manager (where appointed), Custodian (where appointed), Fund Administrator, Due Diligence Service Provider, and founder shareholders of the NPIF;
 - iv. it appoints a Due Diligence Service Provider in terms of Regulation 18 of S.L. 370.34 – the Investment Services Act (Notified CISs) Regulations;
 - v. it appoints a fund administrator in terms of Section 7 of this part of this Rulebook; and

- vi. adequate safekeeping arrangements are in place, in terms of Section 8 of this part of this Rulebook.

- 2.02 The governing body of the NPIF is ultimately responsible for ensuring that the NPIF complies on an ongoing basis with the provisions of the Act, and any applicable regulations and rules issued thereunder.

The governing body of the NPIF shall endeavour to comply with any applicable corporate governance codes, guidelines, and, or manuals which the Authority may publish from time to time.

- 2.03 The process of notification of NPIFs will also be available to collective investment schemes which are already in possession of a PIF or AIF licence issued by the MFSA, in terms of the Act, or which have been included in the list of Notified AIFs in terms of the Regulations:

Provided that, in cases of conversions, any redemption fees in relation to investors wishing to exit the PIF, AIF or NAIF prior to the conversion shall be waived and no subscription fees will be levied on existing investors in the NPIF.

- 2.04 The notification process cannot be requested for the following collective investment schemes:

- i. Collective investment schemes which are not marketed and sold exclusively to Qualifying Investors and Professional Investors as defined in Rule 3.01 hereunder;
- ii. Collective investment schemes which engage in 'Lending' activity as defined in the 'Standard Licence Conditions Applicable to Collective Investment Schemes authorised to invest through loans' ('Loan Fund Rules'); unless established in terms of: (a) Regulation (EU) No 345/2013 ('EuVECA Regulations'; or (b) Regulation (EU) 346/2013 ('EuSEF Regulation), as outlined in Section 7 of the Supplementary Rules to these Rules;
- iii. Collective Investment Schemes which engage in any activity, or have an investment strategy which is related to any activity, which goes contrary to the MFSA's Risk Appetite Statement.

- 2.05 A NPIF may be established as:

- i. an investment company with variable share capital (SICAV) under the Companies Act (Investment Companies with Variable Share Capital) Regulations;
- ii. an investment company with fixed share capital (INVCO) under the Companies Act (Investment Companies with Fixed Share Capital) Regulations;
- iii. an incorporated cell company (ICC) under the Companies Act (SICAV

- Incorporated Cell Company) Regulations;
 - iv. an incorporated cell (IC) of a Recognised Incorporated Cell Company (RICC) under the Companies Act (Recognised Incorporated Cell Company) Regulations;
 - v. a limited partnership under the Companies Act;
 - vi. a unit trust under the Trust and Trustees Act;
 - vii. a contractual fund under the Investment Services Act (Contractual Funds) Regulations; or
 - viii. a limited partnership under the Investment Services Act (Special Limited Partnership Funds) Regulations.
- 2.06 A NPIF shall be subject to the investment objectives, policies and restrictions outlined in its Offering Memorandum and shall not be subject to any restrictions on the type of asset classes in which it may invest, except for 'Lending' activities as by Rule 2.04(iii) above:

Provided further that in the case of SPVs, a look through approach shall be applied in determining whether the NPIF falls within the provisions set out in these Rules.
- 2.07 A NPIF may only be promoted in jurisdictions outside Malta if it satisfies the relevant rules of such jurisdictions.
- 2.08 The minimum investment which the NPIF may accept is EUR100,000 or its currency equivalent per investor. Once the minimum investment has been made, any additional amount may be invested but the total amount invested must not at any time be less than EUR100,000 or its currency equivalent unless this is the result of a fall in the net asset value.
- 2.09 The MFSA will maintain an updated List of Notified PIFs on its website.

3. Eligible Investors in NPIFs

- 3.01 NPIFs may only be marketed to:
 - 1. Qualifying Investors, being investors that fulfil the following criteria:
 - a. invest a minimum of EUR 100,000 or its currency equivalent in the NPIF, which investment may not be reduced below this minimum amount at any time by way of a partial redemption; and
 - b. declare in writing to the fund manager (where appointed) and the NPIF that they are aware of and accept the risks associated with the proposed investment; and
 - c. satisfy at least one of the following:
 - i. a body corporate which has net assets in excess of EUR

- 750,000 or which is part of a group which has net assets in excess of EUR 750,000 or, in each case, the currency equivalent thereof;
- ii. an unincorporated body of persons or association which has net assets in excess of EUR 750,000 or the currency equivalent;
- iii. a trust where the net value of the trust's assets is in excess of EUR 750,000 or the currency equivalent;
- iv. an individual whose net worth or joint net worth with that of the person's spouse, exceeds EUR 750,000 or the currency equivalent; or
- v. a senior employee or director of a service provider to the NPIF.

2. Professional Investors, being investors who are considered to be a Professional Client or may, on request, be treated as a Professional Client within the meaning of Annex II to MiFID II.

Provided that any professional investor must invest a minimum of EUR 100,000 or its currency equivalent in the NPIF, which investment may not be reduced below this minimum amount at any time by way of a partial redemption.

3.02 The marketing of a NPIF in EU Member States or EEA States other than Malta is not automatic and may be allowed subject to national provisions applicable in the respective jurisdiction.

Provided that this provision does not apply in the event the NPIF is established as a EuVECA or EuSEF fund as outlined in Section 7 of the Supplementary Rules to these Rules.

4. The Notification Process

4.01 The PIF, or a person duly authorised by it to act on its behalf, shall submit a written request for a PIF or for one or more sub-funds of a Notified PIF to be included in the List of Notified PIFs, in accordance with the provisions of the Regulations.

4.02 Prior to the submission of a written request for notification, the governing body of the PIF shall approve a resolution certifying that the Offering Memorandum of the NPIF satisfies the minimum criteria prescribed by the MFSA. A copy of the Offering Memorandum is to be kept at the address of the Notified PIF indicated in the offering memorandum at all times and shall be made available to the MFSA upon request.

4.03 The MFSA shall reject notifications which do not comply with the requirements

prescribed in the Regulations and these Rules.

- 4.04 Pursuant to Rule 4.01, the PIF, or a person duly authorised by it to act on its behalf shall submit the duly completed written notification request together with the accompanying documents to the competent authority within **thirty (30) calendar days** from the date of the resolution of the governing body of the PIF approving the NPIF's Offering Memorandum in terms of Regulation 17 of the Regulations and prior to the effective date of the Offering Memorandum:
Provided that the effective date of the Offering Memorandum shall be a date after the inclusion of the NPIF in the List of Notified PIFs:

Provided further that, in the event that this timeframe is not respected, the notification shall not be considered valid, and a new notification would need to be submitted.

- 4.05 The notification request shall be accompanied by the following:
- i. The notification form – AA46
 - ii. The applicable notification fee in terms of S.L. 370.03 – the Investment Services Act (Fees) Regulations;
 - iii. Pursuant to Rule 4.02 above, a resolution of the governing body of the NPIF, in terms of AX39 - Annex A to these Rules; and
 - iv. A declaration by the Due Diligence Service Provider confirming that it has carried out the necessary due diligence with regards to the functionaries and the governing body of the NPIF. This declaration must include a statement that the Due Diligence Service Provider is satisfied with the outcome of this due diligence exercise. AX41 - Annex B to these Rules includes a specimen declaration form.

- 4.06 The MFSA will proceed to include the NPIF in the List of Notified NPIFs within **ten (10) working days** from the date of filing of a duly completed notification request in original. The notification request shall not be considered as complete unless it is accompanied by the material listed in Rule 4.05 above. Thereafter the Offering Memorandum may be dated.

- 4.07 The inclusion of a NPIF in the List of NPIFs will not imply that the NPIF is licensed by the MFSA. Notified PIFs will only be subject to the supervisory conditions, as provided for in the Regulations and these Rules.

The MFSA may, at any time and at its discretion, remove a NPIF from the List of NPIFs where the MFSA deems this fit, in the interest of safeguarding investors, the integrity of markets and the stability and reputation of the financial sector.

- 4.08 The MFSA shall reject notifications which are incomplete and/or do not comply with requirements prescribed in the Regulations and these Rules.

- 4.09 The procedure outlined in this section shall also apply to the notification of new sub-funds within an existing NPIF.
- 4.10 Provided that in the event of a prospective Notified PIF that is to be structured as a limited partnership in terms of the Investment Services Act (Special Limited Partnership Funds) Regulations, the Partnership Agreement, in conjunction with Annex AX55: Limited Partnership Agreement (LPA) Checklist, shall be submitted to the Authority for prior approval ahead of submission of the documentation referred to in Rule 4.03. Provided that, until MFSA prior approval on the Partnership Agreement is obtained, the notification would not be considered complete and would therefore not be considered as submitted.

5. Governing Body

- 5.01 The members of the governing body shall:
- i. act honestly and in good faith in what they consider to be the best interests of the NPIF and its investors;
 - ii. exercise reasonable care, skill, and diligence;
 - iii. have, both collectively and individually, an obligation to acquire and maintain sufficient knowledge and understanding of the NPIF's business to enable them to discharge their functions;
 - iv. prior to submitting a request for notification of a PIF, appoint a Due Diligence Service Provider to carry out the necessary due diligence process to ensure that the governing body and functionaries of the NPIF satisfy, at the time of notification, the standards of fitness and properness specified by the MFSA, in terms of Regulation 18 of the Regulations;
 - v. continuously monitor the execution of the functions delegated to the service providers and shall be satisfied that they are performing their functions in accordance with their statutory and contractual obligations; and
 - vi. hold regular meetings and ensure that detailed minutes are taken to record accurately the matters discussed and considered.
- 5.02 Pursuant to Rule 5.01(vi), meetings of the governing body shall have an agenda which is well structured and prepared, giving sufficient time to allow for the input of all the notified parties and service providers before the meeting. Minutes of the meetings must be held in Malta at the address of the NPIF indicated in the offering memorandum or at any other place as may be agreed with the MFSA.
- 5.03 The governing body shall be required to submit to the Authority, on an annual basis, a Compliance Certificate in relation to the NPIF. Such certificate shall be drawn up and signed by the governing body and shall include confirmations regarding the NPIF's compliance with the Act, the Regulations issued thereunder, and these Rules as well as with other relevant legal and regulatory requirements,

including AML/CFT requirements.

6. Fund Manager

6.01 A Notified PIF shall be managed by:

- i. a *de minimis* AIFM in possession of an Investment Services Licence issued in terms of Article 6 of the Act and duly authorised by the MFSA to provide management services to collective investment schemes; or
- ii. a *de minimis* AIFM which is duly authorised in an EU or EEA State; or
- iii. a third country AIFM which is authorised in a jurisdiction with whom the MFSA has signed a bilateral cooperation agreement/ memorandum of understanding on securities, and which the Authority deems to be subject to regulation in an equal or comparable level to that it would have been subject to in Malta. Provided that, where there is no bilateral cooperation agreement/memorandum of understanding on securities in place, the MFSA may accept other forms of agreements/memoranda of understanding which it deems acceptable; or
- iv. a manager established in Malta which is exempt from the requirement for an investment services licence in terms of Regulation 3(1)(f) of S.L. 370.02 – the Investment Services Act (Exemption) Regulations, to the extent that the Notified PIF it manages is a family office vehicle which invests the private wealth of investors without raising external capital; or
- v. a manager established in Malta which is exempt from the requirement for an investment services licence in terms of Regulation 3(1)(t) of S.L. 370.02 – the Investment Services Act (Exemption) Regulations, to the extent that the Notified PIF it manages is a family office vehicle which invests the private wealth of investors without raising external capital.

Provided that this Rule shall not apply to those Notified PIFs which are self-managed.

6.02 For the purposes of Rule 6.01(iv), ‘family office vehicle’ shall mean an investment undertaking which is only available to a group of family members, irrespective of the type of legal structure that may be put in place by them to invest in an undertaking and provided that the sole ultimate beneficiaries of such legal structure are family members, where the existence of the group pre-dates the establishment of the undertaking. This shall not prevent family members joining the group after the undertaking has been established. For the purposes of this Rule 6.02, ‘family members’ means the spouse of an individual, the person who is living with an individual in a committed intimate relationship, in a joint household and on a stable and continuous basis, the relatives in direct line, the siblings, uncles, aunts, first cousins and the dependants of an individual.

6.03 For the purposes of Rule 6.01(v), ‘family office vehicle’ means an investment undertaking (including its directors, partners, members, managers, trustees,

and employees acting within the scope of their position or employment) that: [i] has no clients other than family clients; [ii] is wholly owned by family clients and is exclusively controlled (directly or indirectly) by one or more family members and/or family entities; and [iii] it does not hold itself out to the public as an investment advisor.

For the purposes of this Rule 6.03:

- (a) 'family client' means any [i] family member; [ii] former family member; [iii] key employee; [iv] former key employee; [v] non-profit or charitable organisation which is funded exclusively by one or more family clients;
- (b) 'family entity' means any of the trusts, estates, companies or other entities set forth in the definition for 'family client', but excluding key employees and their trusts;

- (c) 'family member' means all lineal descendants (including by adoption, stepchildren, foster children, and individuals that were a minor when another family member became a legal guardian of that individual) of a common ancestor (who may be living or deceased), and such lineal descendants' spouses or spousal equivalents; provided that the common ancestor is no more than 10 generations removed from the youngest generation of family members;
- (d) 'former family member' means a spouse, spousal equivalent, or stepchild that was a family member but is no longer a family member due to a divorce or other similar event;
- (e) 'former key employee' means a key employee who was engaged by the family office vehicle, provided that upon the end of such individual's employment by the family office vehicle, he or she shall not receive investment advice from the family office vehicle (or invest additional assets therein) other than with respect to assets advised (directly or indirectly) by the family office vehicle immediately prior to the end of such individual's employment, except that he or she shall be permitted to receive investment advice from the family office vehicle with respect to additional investments that he or she was contractually obligated to make prior to the time the person became a former key employee;
- (f) 'key employee' means any natural person (including any key employee's spouse or spousal equivalent who holds a joint, community property, or other similar shared ownership interest with that key employee) who is an executive officer, director, trustee, general partner, or person serving in a similar capacity of the family office vehicle or any employee of the family office vehicle (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the family office vehicle) who, in connection with his or her regular functions or duties, participates in the investment activities of the family office vehicle, provided that such employee has been performing such functions and duties for or on behalf of the family office vehicle, or substantially similar functions or duties for or on behalf of another company, for at least 12 months;
- (g) 'spousal equivalent' means an individual who is in a stable and committed relationship with a family member or key employee and who is living in a joint household with a family member or key employee.

7. Fund Administrator

7.01 Administrative services in relation to a Notified PIF shall be carried out by a fund

administrator that is established in Malta and in possession of a Fund Administration recognition certificate in terms of Article 9A of the Act.

8. Safekeeping

- 8.01 The assets of the NPIF shall be subject to adequate safekeeping arrangements.
- 8.02 Without prejudice to Rule 8.01 above, a NPIF is not required to appoint a custodian in terms of the Investment Services Act (Custodians of Collective Investment Schemes) Regulations (S.L. 370.32).
- 8.03 Notwithstanding Rule 8.02 above, the NPIF may entrust its assets to a Custodian or Prime Broker for safekeeping. In the absence of an appointed Custodian, the NPIF will be responsible for the establishment of proper arrangements for the safekeeping of its assets.
- 8.04 Where the NPIF does not appoint a custodian, responsibility for the establishment of proper arrangements for the safekeeping of the NPIF's assets remains with the governing body and the officers of the NPIF. The applicant will be required to outline as part of the notification process the arrangements that will be put in place to ensure adequate safekeeping of the assets of the NPIF. The arrangements for the safekeeping of assets are also to be outlined in the Offering Document and the MFSA should be notified of any changes thereto in advance of the change being affected.
- 8.05 Where the NPIF intends to appoint a custodian, such custodian shall be:
- i. an entity authorised in terms of the Act and which qualifies as a Depositary or Depositary Lite in terms of the Investment Services Rules; or
 - ii. an entity constituted in a Member State or EEA State and operating from a Member State or EEA State other than Malta, providing the services of Custodian or Prime Broker to collective investment schemes; or
 - iii. an entity constituted outside Malta and operating from outside Malta providing the services of a Custodian or Prime Broker to collective investment schemes where the Due Diligence Service Provider, is satisfied that such entity is of sufficient standing and repute and having the business organization, systems, experience, and expertise deemed necessary for it to act as a Custodian or Prime Broker.
- 8.06 Where appointed, the Custodian shall ensure compliance with the applicable provisions of the Investment Services Act (Custodians of Collective Investment Schemes) Regulations and any other applicable provisions within this Rulebook.

9. Disclosure in the Offering Memorandum of a NPIF

- 9.01 Upon inclusion in the list of Notified PIFs and at all relevant times thereafter, the Offering Memorandum of a NPIF shall include all the information listed in AX42 - Annex C to these Rules as well as a disclaimer in the following form on the front page:

"XXXXX Fund is a Notified PIF under the Investment Services Act (Notified CISs) Regulations. Notified PIFs are not licensed by the MFSA. Notified PIFs are required to adhere to the supervisory conditions stipulated in the abovementioned Regulations and in the Investment Services Rules for Notified Professional Investor Funds and related Due Diligence Service Providers.

The content of any marketing or Offering Documentation has not been approved or reviewed by the MFSA and the ultimate responsibility on the content of this documentation lies on the Notified PIF.

Notified PIFs are non-retail schemes and available to investors qualifying as Qualifying Investors and/or Professional Investors. NPIFs are riskier funds by nature in view of the less onerous regulatory requirements that apply and are subject to the minimum level of supervision for a fund in Malta. The MFSA may remove a NPIF from the Register of NPIFs at any time.

Investors in NPIFs are not protected by any statutory compensation arrangements in the events of the fund's failure.

Investors' attention is drawn to the risk disclosures section of this document".

- 9.02 Pursuant to Rule 4.02, prior to the submission of a written request for notification, the governing body of the NPIF shall approve a resolution certifying that the Offering Memorandum of the NPIF satisfies the minimum criteria prescribed by the MFSA.
- 9.03 All necessary information for the sub-fund(s) and class(es) may be included (i) in the main Offering Memorandum , (ii) in a separate document that is distributed with and directly references the main Offering Memorandum , or (iii) in an Offering Memorandum which contains all relevant information for the Notified PIF and the relevant sub-fund and/or class(es) concerned and references the existence and brief terms of the other sub-fund(s) and/or class(es) including any material risks that such other sub-fund(s)/class(es) may pose to the sub-fund(s) and/or class(es) concerned.

10. Due Diligence

- 10.01 A Due Diligence Service Provider shall be entrusted with conducting due diligence with respect to the NPIF, both at notification stage and on an ongoing basis.
- 10.02 At notification stage, prior to submitting a request for notification of a NPIF, the

governing body shall identify and appoint a Due Diligence Service Provider to carry out the necessary due diligence process:

Provided that, the MFSA may, at any time, request the Notified PIF to change such Due Diligence Service Provider, should the Authority not be satisfied with the standard of due diligence carried out.

11. Duties of the Due Diligence Service Provider

- 11.01 The Due Diligence Service Provider shall carry out a due diligence exercise to ensure that other service providers and functionaries, including the governing body, founder shareholders, and MLRO of the NPIF, satisfy at the time of notification and on an ongoing basis, the fitness and properness standards expected by the MFSA.

Provided that, in view of the regulatory status of Fund Administrators of Notified PIFs, this exercise is not required for:

- (i) The Fund Administrator; and
- (ii) The MLRO of the Notified PIF, when this is appointed by the fund in accordance with Rule 14.03(i).

- 11.02 Pursuant to Rule 11.01, the Due Diligence Service Provider shall undertake the “fit and proper” test in order to ensure that other service providers and functionaries, the governing body, founder shareholders and MLRO of the NPIF meet the following four criteria:

- i. Competence – which requires such persons to have sufficient knowledge, skills and experience to fulfil the proposed role/s. The term competence covers both practical and professional experience gained through previous occupations and academic knowledge through education and training.
- ii. Reputation – which means that such persons are of good repute to ensure the sound and prudent management of the Entity.
- iii. Conflicts of Interest and independence of mind – meaning that such persons are able to make sound, objective, and independent decisions.
- iv. Time Commitment – that such persons must be able to commit sufficient time to perform their functions.

Provided that, in view of the regulatory status of Fund Administrators of Notified PIFs, this test is not required for:

- (i) The Fund Administrator; and
- (ii) The MLRO of the Notified PIF, when this is appointed by the fund in accordance with Rule 14.03(i).

- 11.03 The Due Diligence Service Provider shall keep records of all evidence of, and

correspondence regarding, the due diligence process carried out in relation to the functionaries and the members of the governing body of the NPIF.

11.04 A person may be eligible for appointment as Due Diligence Service Provider if it is either:

- i. a recognised fund administrator, in terms of the Investment Services Act; or
- ii. a Company Service Provider, authorised under the Company Service Providers Act which is: (a) not authorised as an under-threshold CSP; and (b) not authorised as an individual CSP.

11.05 Further to Rule 11.04, the following should be noted:

- i. Upon submission of a notification for the inclusion of a NPIF in the list of Notified PIFs, a person that wishes to be appointed as a Due Diligence Service Provider of a Notified PIF shall also submit to the Authority a self-declaration, in terms of AX43 - Annex D to these Rules, stating that it has in place adequate processes and procedures to perform such a role, including appropriate record-keeping arrangements and relevant experience in performing such activity; and
- ii. Those persons falling under Rule 11.04 (ii), shall only be eligible for appointment upon submission of a competency assessment form, in terms of AX44 - Annex E to these Rules, for the Authority's approval.

Provided that, until MFSA approval on the eligibility of the Due Diligence Service Provider is obtained, the notification would not be considered complete and would therefore not be considered as submitted.

Provided further that this Rule shall not apply to those persons seeking to be appointed as due diligence service providers for self-managed NPIFs.

11.06 Pursuant to Rules 11.04 and 11.05, the Authority shall keep a register of persons approved to carry out the activity of a Due Diligence Service Provider.

Provided that a person falling under Rule 11.04, wishing to be included in the register of persons approved to carry out the activity of a Due Diligence Service Provider prior to the submission of a notification for the inclusion of a NPIF in the list of Notified PIFs, shall submit to the Authority AX43-Annex D to these rules, and in the case of a person falling under Rule 11.04 (ii) this shall be accompanied by AX 44 – Annex E. Persons falling under Rule 11.04 (ii) shall only be included following the Authority's approval.

Provided further that a person falling under Rule 11.04, seeking to be appointed as Due Diligence Service Providers for Self-Managed NPIFs and wishing to be

included in the register of persons approved to carry out the activity of a Due Diligence Service Provider prior to the submission of a notification for the inclusion of a NPIF in the list of Notified PIFs, shall submit to the Authority AX43-Annex D to these rules accompanied by AX44-Annex E. Such person shall only be included following the Authority's approval.

12. Compliance with Regulatory Framework

- 12.01 Pursuant to Rule 2.02, the governing body of the NPIF is ultimately collectively responsible for the NPIF's compliance with the applicable provisions of the Act, the Regulations issued thereunder, and these Rules as well as with other relevant legal and regulatory requirements.
- 12.02 In order to enable the compliance function to be properly carried out, the local member of the governing body shall be tasked with compliance duties and with any reporting relating to compliance as required by these Rules and as further detailed in Section 13 hereunder.

13. Duties of the Local Member of the NPIF's Governing Body

- 13.01 The local member of the governing body, appointed in terms of R2.01(iii), shall be responsible for:
- (i) acting as a point of liaison with the MFSA;
 - (ii) leading matters relating to the compliance of the Notified PIF and being in charge of any reporting in relation thereto as required by these Rules;
 - (iii) preparing a "Compliance Report" at least on a yearly basis, to be presented to the governing body of the NPIF, that should indicate any:
 - breaches to the Investment and Borrowing Restrictions;
 - complaints from unit holders in the fund and the manner in which these have been handled;
 - material valuation errors (higher than 0.5% NAV) and the manner these have been handled; and
 - material compliance issues during the period covered by the Compliance Report.

The Compliance Report should also include a confirmation that all the local Prevention of Money Laundering requirements have been satisfied. This confirmation should be obtained from the NPIF's Money Laundering Reporting Officer.

14. Anti-Money Laundering Obligations

14.01 The NPIF shall have an MLRO to carry out the money laundering reporting function in relation to the NPIF at all times. Such MLRO shall be appointed by the governing body of the NPIF:

Provided that the governing body of the NPIF shall notify the MFSA of the appointment, resignation, or removal of the money laundering reporting officer.

14.02 The Due Diligence Service Provider shall be satisfied that the MLRO of the NPIF is 'fit and proper' pursuant to Section 7 of these Rules.

14.03 Without prejudice to its ongoing responsibilities under these Rules, the governing body of the NPIF may, in terms of the Implementing Procedures issued pursuant to the Prevention of Money Laundering and Fund of Terrorism Regulations [S.L. 373.01] delegate the money laundering reporting function of the NPIF to either one of the following:

- i. the administrator of the NPIF, provided that such administrator is a Recognised Fund Administrator in terms of Article 9A of the Act; or
- ii. an officer of the NPIF who has sufficient seniority and command in accordance with the Implementing Procedures referred to above.

14.04 The outsourcing of the money laundering reporting function shall be made by means of a written agreement entered into between the MLRO, the fund manager, the NPIF and the fund administrator (as applicable).

14.05 Where the fund administrator is entrusted with the money laundering reporting function, it shall be responsible to carry out the reporting obligations of the NPIF.

14.06 The governing body of the NPIF will at all times remain responsible for compliance with its obligations as prescribed in the Prevention of Money Laundering and Funding of Terrorism Regulations and the Implementing Procedures issued thereunder and for the carrying out of the measures specifically assigned to the NPIF.

14.07 For the purpose of ensuring compliance with the customer due diligence requirements in relation to the anti-money laundering obligations, the MLRO shall at least on a quarterly basis, submit to the governing body of the NPIF a periodic report which includes the following information:

- i. a complete list of unit-holders of the NPIF;
- ii. details of subscriptions and redemptions carried out by the unit-holders within that period of time to which the report relates; and
- iii. a description of the customer due diligence measures carried out by the NPIF or the administrator on the unit-holders.

The governing body of the NPIF will be responsible for reviewing the report. Where

the report has been drafted by the administrator, a copy thereof shall be transmitted to the fund manager (where appointed).

- 14.08 The governing body of the NPIF shall ensure that the customer due diligence measures being carried out by the administrator comply with the requirements prescribed in the Prevention of Money Laundering and Funding of Terrorism Regulations and the Implementing Procedures issued thereunder.
- 14.09 Where the implementation of the anti-money laundering or counter financing terrorism measures and procedures is outsourced to an administrator, the administrator shall be required to confirm to the fund manager (where appointed) and the governing body of the NPIF that the recordkeeping, reporting, ongoing monitoring, risk management and any other measure being conducted by the administrator are in line with the requirements of the Prevention of Money Laundering and Funding of Terrorism Regulations and the Implementing Procedures issued thereunder.
- 14.10 The governing body of the NPIF must ensure the taking of any action it may deem fit based on the conclusions and findings of the administrator's report or other anti-money laundering concerns that the governing body of the NPIF may become aware of at any time.
- 14.11 Notwithstanding that the reporting obligations have been outsourced to the administrator, should a suspicion of money laundering or financing of terrorism be identified by the governing body of the NPIF or the fund manager (where appointed), it shall file a report with the Financial Intelligence Analysis Unit in accordance with the Prevention of Money Laundering and Funding of Terrorism Regulations and the Implementing Procedures issued thereunder.

Malta Financial Services Authority

Triq L-Imdina, Zone 1

Central Business District, Birkirkara, CBD 1010, Malta

communications@mfsa.mt

www.mfsa.mt