

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

SUPPLEMENTARY RULES

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REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	18 Dec 2023	See Circular: MFSA Launches Framework for Notified PIFs
1.01	27 Nov 2024	See Circular: Establishment of Single Family Offices in Malta
1.02	12 Feb 2025	See Circular: MFSA Extends the Notified PIF Framework to Cater for Self-Managed Structures
1.03	30 May 2025	See Circular: Various amendments to the Investment Services Rulebooks in the context of EuVECA and EuSEF Regulations
1.04	28 April 2026	See: Amendments to the NPIF Rulebook to Enhance Malta's offering for Single-Family Offices

1. Supplementary Rules applicable to NPIFs using Trading Companies / Special Purpose Vehicles ('SPVs') for Investment Purposes

- 1.1 The SPVs must be established in Malta or in a jurisdiction which is not a FATF blacklisted country.
- 1.2 The NPIF shall through its Directors or General Partner(s) at all times maintain the majority directorship of any SPV.
- 1.3 The NPIF shall ensure that the investments effected through any SPV are in accordance with the investment objectives, policies and restrictions of the NPIF.
- 1.4 The SPV shall be owned or controlled via a majority shareholding of the voting shares either directly or indirectly by the NPIF

2. Supplementary Rules applicable to NPIFs established as Incorporated Cell Companies with Incorporated Cells pursuant to the Companies Act (SICAV Incorporated Cell Companies) Regulations (S.L. 386.14)

- 2.1 The ICC and the individual ICs shall have at least one common director between them.
- 2.2 The ICC and the individual ICs shall have a common registered office.

3. Supplementary Rules applicable to NPIFs established as Incorporated Cells under a Recognised Incorporated Cell Company pursuant to the Companies Act (Recognised Incorporated Cell Companies) Regulations (S.L. 386.15)

- 3.1 ICs set up under a Recognised Incorporated Cell Company (hereinafter referred to as an 'RICC') 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); or
 - an investment company with fixed share capital in terms of the Companies Act (Chapter 386 of the Laws of Malta).
- 3.2 Each IC can be either self-managed or third party managed. If the IC chooses to appoint an investment manager, the appointment should be approved by both the RICC and its Due Diligence Service Provider.
- 3.3 An IC shall appoint its own investment manager which may be the same or different from the investment manager appointed by any other ICs set up under the same RICC.

However, in any case, the investment manager appointed shall be approved by both the RICC and its Due Diligence Service Provider.

Provided that this rule does not apply to self-managed NPIFs and is only applicable to third-party Managed NPIFs.

- 3.4 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.
- 3.5 An IC shall have the same registered office as its RICC at all times.
- 3.6 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 rules applicable to such schemes.
- 3.7 Each IC must issue its own Offering Document which may either be based on the standard form used by ICs that belong to the same RICC or specific to the particular IC. 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.
- 3.8 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 ICs. 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 compliance obligations in relation to its ICs.
- 3.9 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 that IC.
- 3.10 An IC may create sub-funds. In this regard, an IC is required to comply with the applicable provisions of Part A of these Rules.
- 3.11 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.
- 3.12 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.
- 3.13 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.
- 3.14 An IC shall submit a notification 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 these Rules, as applicable.

- 3.15 Upon notification, the IC must provide information on any departure from the standard model agreements endorsed by the RICC.
- 3.16 An IC shall 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.
- 3.17 The IC must inform its RICC of any departure from any standard model agreement and must submit the relevant changes to the MFSA for approval.
- 3.18 An IC of a RICC shall pay the notification and supervision fees applicable to NPIFs as stipulated in the Investment Services Act (Fees) Regulations. Sub-funds of the IC shall pay the notification and supervision fees applicable to sub-funds of a collective investment scheme in terms of the same paragraph.

4. Supplementary Rules applicable to NPIFs investing in DLT Assets

- 4.1 NPIFs investing in DLT assets, either directly or through a trading company/ SPV, shall comply with the SLCs under this Section.

Provided that NPIFs investing in:

- i. DLT assets through a trading company/ SPV shall also comply with the requirements prescribed under Section 3 of this Appendix.
- ii. Units of collective investment schemes which are/have been created through Initial Coin Offerings shall be deemed to comprise 'direct' investments in DLT assets and therefore NPIFs investing in such units shall also comply with the SLCs under this Section.

General

- 4.2 NPIFs falling under this Section shall only be established as investment companies, limited partnerships established in terms of the Companies Act or in terms of the Investment Services Act (Special Limited Partnership Funds) Regulations or unit trusts.

Provided that such schemes shall not be established as:

- i. European Venture Capital Funds in terms of Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital Funds; or
- ii. European Social Entrepreneurship Funds in terms of Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds.

- 4.2a For purposes of this section of the supplementary rules, any reference to the 'appointed fund manager' shall, for self-managed NPIFs, be interpreted as a reference to the portfolio management function.

Competence

- 4.3 Pursuant to Part A of these Rules, the MFSA requires that the parties involved in the NPIF and the service providers of the NPIF have sufficient knowledge and experience

in the field of information technology, DLT assets and their underlying technologies, including but not limited to the Distributed Ledger Technology, at all times.

Governing Body

- 4.4 Pursuant to Rule 8.3 above, the governing body of the NPIF shall, at all times, have at least one member who has sufficient knowledge and experience in the field of information technology, DLT assets and their underlying technologies, including but not limited to the Distributed Ledger Technology.
- 4.5 The members of the governing body shall create an overall structure which will ensure an adequate division of responsibilities in relation to the NPIF and shall carry out all the necessary checks to satisfy themselves that the NPIF's overall structure is consistent with the standards prescribed in the Act and in these Rules and that the terms agreed to in the contracts with the service providers are reasonable and consistent with the standards adopted by the industry.
- 4.6 The governing body of the NPIF shall monitor its service providers on an ongoing basis, including through the conduct of onsite inspections at the offices of such providers, and shall ensure that these are discharging their contractual obligations in a diligent manner.

Fund Manager

- 4.7 The NPIF shall ensure that the Fund Manager shall have such business organisation, systems, experience and expertise for it to act as Manager to a NPIF investing in DLT assets.
- 4.8 The NPIF shall ensure that the appointed Fund Manager has in place an in-house investment committee made up of at least three members.

The in-house investment committee shall, at all times, have at least one individual who has sufficient knowledge and experience in the field of information technology, DLT assets and their underlying technologies, including but not limited to the Distributed Ledger Technology.

- 4.9 The onus of proving that both the proposed Fund Manager and its in-house investment committee meet the above requirements on an ongoing basis is on the NPIF.

Administrator

- 4.10 The NPIF shall ensure that the Administrator shall have adequate business organisation, systems, experience and expertise for it to act as an Administrator to a NPIF investing in DLT assets.
- 4.11 The onus of proving that the proposed Administrator meets the above requirements on an ongoing basis is on the NPIF.

Custodian

- 4.12 The NPIF shall ensure that, where appointed, the Custodian or Prime Broker, shall have the business organisation, systems, experience and expertise for it to act as a Custodian or a Prime Broker to a NPIF investing in DLT assets.

Compliance

- 4.13 The NPIF shall ensure that the local member of the governing body tasked with compliance duties has the experience and expertise for them to enable the compliance function to be properly carried out.

Money Laundering Reporting Officer

- 4.14 In addition to the requirements under the Prevention of Money Laundering and Funding of Terrorism Regulations (LN 372 of 2017 as may be amended from time to time) and the Implementing Procedures issued by the Financial Intelligence Analysis Unit as may be amended from time to time, the MLRO is expected to have the experience and expertise for it to act as MLRO of a NPIF investing in DLT assets.

Auditor

- 4.15 The Auditor shall have the business organisation, systems, experience, and expertise for it to act as an Auditor to a NPIF investing in DLT assets.

Quality assessment of DLT Assets

- 4.16 The NPIF shall ensure that the appointed Fund Manager carries out appropriate research in order to assess the quality of the DLT assets being invested into. The NPIF shall ensure that the appointed Fund Manager keeps a record of the quality assessment and makes it available to the governing body of the NPIF.

- 4.17 Pursuant to Rule 8.16 above, in assessing the quality of the DLT asset to be invested in, the Fund Manager shall take into account, *inter alia*, the following factors:

- i. the Inventor/s and/or Issuer/s, as applicable;
- ii. the protocol/s and the underlying infrastructure;
- iii. the availability and reliability of information and the providers thereof;
- iv. the service providers involved; and
- v. the Exchange/s on which the DLT asset is traded.

Risk Management

- 4.18 The NPIF shall ensure that the appointed Fund Manager:
- i. Implements an appropriate, documented and regularly updated quality assessment process when investing on behalf of the NPIF, according to the investment strategy, the objectives and risk profile of the NPIF;

- ii. Ensures that the risks associated with each investment position of the NPIF and their overall effect on the NPIF's portfolio can be properly identified, measured, managed and monitored on an ongoing basis, including through the use of appropriate stress testing procedures; and
 - iii. Ensures that the risk profile of the NPIF corresponds to the size, portfolio structure and investment strategies and objectives of the NPIF as provided for in its constitutional document and Offering Document.
- 4.19 Pursuant to Rule 8.18 above, the NPIF shall ensure that the Fund Manager, within the parameters of the risk management function and prior to investing in a DLT asset on behalf of the NPIF, assesses whether the risk profile of the said DLT asset falls within the scope of the risk management policy of the NPIF.
- 4.20 Where a Risk Manager has been appointed (s)he shall also assess whether the quality assessment carried out in terms of Rule 8.19 above provides reasonable assurance that the DLT asset being invested in on behalf of the NPIF falls within scope of the risk management policy of the NPIF.

Liquidity Management

- 4.21 The NPIF shall ensure that the appointed Fund Manager employs an appropriate liquidity management system and adopts procedures which enable the Manager to monitor the liquidity risk of the NPIF and to ensure that the liquidity profile of the investments of the NPIF complies with its underlying obligations.
- 4.22 The NPIF shall ensure that the appointed Fund Manager regularly conducts stress tests, under normal and exceptional liquidity conditions, which enable it to assess the liquidity risk of the NPIF and monitor the liquidity risk of the NPIF accordingly.
- Provided that the frequency of such stress tests shall be determined on the basis of the nature, scale and complexity of the investments in DLT assets undertaken by the NPIF.
- 4.23 The NPIF shall ensure that the appointed Fund Manager confirms that the liquidity profile and the redemption policy of the NPIF, and/or its Sub-Funds, as applicable, are consistent.
- 4.24 The verification and valuation function shall be performed by:
- i. An external valuer, being a legal or natural person independent from the NPIF, from the Fund Manager and from any other persons with close links to the NPIF or the Manager; or
 - ii. The Fund Manager, provided that the valuation task is functionally independent from the portfolio management function and provided that other measures have been taken to ensure that conflicts of interest are mitigated and that undue influence upon employees is prevented.
- 4.25 The NPIF shall ensure that the person responsible for the verification and valuation function has the business organisation, systems, experience, and expertise necessary

to conduct the required verification and valuation of the NPIF's investments in DLT assets.

5. Supplementary Rules applicable to NPIFs managed by Exempt Fund Managers pursuant to Rule 6.01 of Part A of these Rules

- 5.1 The Due Diligence Service Provider shall be required to submit to the Authority, upon engagement of the fund manager and on an annual basis within two months from year-end thereafter, a written confirmation that the conditions for Rules 6.01(iv) or 6.01(v) of Part A of these Rules are, or remain, satisfied. Such written confirmation/s shall be endorsed by the governing body of the NPIF and shall be submitted in terms of AX48 - Annex H and AX49 - Annex I respectively.

The initial confirmation and endorsement required upon engagement of the manager shall be submitted with the NPIF Notification Form. The annual confirmation and endorsement are required to be submitted through the LH Portal.

- 5.2 The Due Diligence Service Provider and the governing body of the NPIF shall monitor on an ongoing basis that the conditions for Rules 6.01(iv) or 6.01(v) of Part A of these Rules remain satisfied. If at any time the Due Diligence Service Provider and, or the governing body of the NPIF become aware that the conditions of Rules 6.01(iv) or 6.01(v) of Part A of these Rules no longer subsist, they shall inform the Authority immediately, including the reasons therefor, and make arrangements to align the NPIF with regulatory requirements in a timely manner.

- 5.3 Further to Rule 3.01 of Part A of these Rules, where NPIFs are managed by exempt fund managers pursuant to Rules 6.01(iv) or 6.01(v) of Part A of these Rules, Qualifying Investors and, or Professional Investors in the NPIF must invest a minimum of EUR 5,000,000 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;

Provided that such Qualifying Investors and, or Professional Investors shall have aggregate net assets in excess of EUR 50,000,000 or its currency equivalent, irrespective of whether such assets are wholly invested in the Notified PIF.

- 5.4 Where NPIFs are managed by exempt fund managers pursuant to Rules 6.01(iv) or 6.01(v) of Part A of these Rules, the NPIFs shall only allow investments to be made directly by Qualifying Investors and, or Professional Investors. To this effect, NPIFs shall not permit investments made through a nominee.

6. Supplementary Rules applicable to NPIFs set up as self-managed Schemes

- 6.01 This Section is applicable to Notified Professional investor Funds set up as self-managed Schemes.

A self-managed NPIF which satisfies one of the following conditions shall further comply with the requirements contained herein:

- (i) either directly or indirectly, through a company with which the NPIF 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
- (ii) either directly or indirectly, through a company with which the NPIF 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.

Where the conditions prescribed above are no longer met, the self-managed NPIF shall inform the MFSA thereof and shall apply for an extension of its authorisation to either a Notified AIF or a full AIF licence within 30 days from the date of notification thereof to the MFSA.

Provided that in complying with the requirements prescribed in Rule 6.01 (i) and (ii) above the self-managed NPIF 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.

6.01A The requirements prescribed in Rule 6.01 (i) and (ii) above shall not apply where:

- a. the self-managed NPIF is a family office vehicle which invests the private wealth of investors without raising external capital, whereby '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 paragraph, '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; or
- b. the self-managed NPIF qualifies as a family office vehicle which invests the private wealth of investors without raising external capital, and whose only investors are the SM NPIF itself or the parent undertakings or the subsidiaries of the SM NPIF or other subsidiaries of those parent undertakings, provided that none of those investors is itself an AIF, as defined in the Investment Services Act. For the purposes of this paragraph, '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 paragraph, the definitions set out in Rule 6.03, Part A of these Rules shall apply.

Provided that where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of this rule, the requirements of Section 5 of the supplementary rules shall also apply to the SM NPIF, and:

- i. any references therein to the 'fund manager' shall *mutatis mutandis* apply to the SM NPIF;
- ii. any reference therein to Rule 6.01(iv) or (v) of Part A of these Rules shall *mutatis mutandis* apply to Rule 6.01A (a) or (b) of these Supplementary Rules.

Provided further that, where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of this Rule, the following Rules of this Section shall not apply to the SM NPIF:

- a. Rule 6.02(ii);
- b. Rule 6.03;
- c. Rule 6.07 to 6.11
- d. Rule 6.13; and
- e. Rule 6.15.

Due Diligence Service Provider

6.02 Further to Rule 11.04 of Part A of these Rules, a person shall only be eligible for appointment as Due Diligence Service Provider if:

- i. It submits to the Authority a self-declaration, in terms of Annex 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. prior to being appointed to perform such a service, such person shall submit a competency assessment form, in terms of Annex 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.

Notification Stage

6.03 At notification stage, self-managed NPIFs are required to submit additional documentation, as specified in the notification form. This shall include [i] the NPIF's investment strategy; [ii] the competence assessment form; and [iii] the DDSP Attestation Form endorsed by the NPIF's governing body.

Capital Requirements

- 6.04 The NPIF shall be operated in or from Malta. 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 NPIF should not be less than EUR 125,000 or its currency equivalent and the NAV of the NPIF is expected to exceed this amount on an on-going basis. The NPIF should notify the MFSA as soon as its NAV falls below EUR 125,000 or its currency equivalent.

Organisational Requirements

- 6.05 The NPIF 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.
- 6.06 The governing body of the NPIF shall be responsible for the management of the assets of the NPIF. Pursuant to R. 2.01(iii) of Part A of these Rules, at least one member of the governing body shall be resident in Malta. The governing body of the NPIF shall establish an in-house Investment Committee made up of at least three members, whose composition may include board members.

Provided that the member of the governing body responsible for compliance shall not act as Investment Committee member.

Provided further that, where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A, the requirement to establish an Investment Committee, and any applicable requirements thereto under these Rules, shall not apply. The SM NPIF shall instead identify a legal or natural person(s) responsible for the portfolio management function and include relevant details in the notification form. Provided further that the member of the governing body responsible for compliance shall not act as the person identified as responsible for the portfolio management function.

- 6.07 The Investment Committee shall draw up its own Terms of Reference and these shall be provided to the NPIF's governing body. The majority of Investment Committee meetings, the required frequency of which should depend on the nature of the NPIF's investment policy but which should at least be 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.
- 6.08 Minutes of Investment Committee meetings should be available in Malta for review upon request by the MFSA. The role of the Investment Committee will be to:
- i. monitor and review the investment policy of the NPIF;
 - ii. establish and review guidelines for investments by the NPIF;
 - iii. issue of rules for stock selection;
 - iv. set up the portfolio structure and asset allocation; and
 - v. make recommendations to the governing body of the NPIF.
- 6.09 The Investment Committee may delegate the day-to-day investment management of the assets of the NPIF to one or more officials of the NPIF (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 NPIF's Offering Document/marketing document.

Where a Portfolio Manager is not appointed, the Investment Committee will be considered as collectively responsible for the day-to-day investment management of the assets of the NPIF.

- 6.10 'Portfolio Manager(s)' should be interpreted as the person(s), in charge of the day-to-day investment management of the NPIF, whether he/she is also a member of the Investment Committee or otherwise.

Provided that the member of the governing body responsible for compliance shall not be eligible to serve as a Portfolio Manager for the NPIF.

Provided further that in the event that a body corporate, duly authorised to perform such activity, is appointed, any reference to Portfolio Manager throughout this section shall be construed as a reference to the representative of the body corporate appointed as Portfolio Manager.

- 6.11 Information on the Investment Committee and the Portfolio Manager(s) is required to reach the Authority at notification stage, by means of the NPIF Notification Form. The notification shall be submitted to the Authority, together with the Due Diligence Service Provider's ('DDSP') assessment, duly completed, on the person(s) proposed. The DDSP shall be satisfied, of the fitness and properness, including competence, of the Investment Committee members and of the Portfolio Manager(s) (as applicable), both at notification stage and on an ongoing basis thereafter.

- 6.12 The Due Diligence Service Provider shall, in relation to an individual proposed to hold a position in the Portfolio Management Function (including the Portfolio Manager and the Investment Committee Members) of the Self-Managed NPIF, submit to the Authority the attestation form provided in Annex AX56 – Annex J.

The NPIF shall provide the DDSP with a copy of the suitability assessment carried out by the governing body on the person(s) proposed as Investment Committee member(s) and/or Portfolio Manager(s). Such suitability assessment shall be considered by the DDSP when performing its independent competency assessment with respect to the proposed officials.

Provided that where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A, the fitness and proper assessment undertaken by the Due Diligence Service Provider may exclude the competence criterion set out in Rule 11.02(i), Part A of these Rules.

- 6.13 The Portfolio Manager(s) must submit confirmations to the governing body of the NPIF that they:

- a) operate in accordance with the investment objective and policy described in the NPIF's offering document in general and the investment guidelines issued by the Investment Committee in particular;
- b) report to the Investment Committee on a regular basis any transactions effected on behalf of the Self-Managed NPIF;

- c) provide the Investment Committee with any information as the Investment Committee may require from time to time; and
- d) have appropriate resources available to ensure ongoing access to the market information necessary for making informed investment management decisions.

6.14 The NPIF shall notify the MFSA in writing of the appointment and departure of Investment Committee members and/or of Portfolio Manager(s), in advance of the change. The notification of appointment of committee members and/or portfolio manager(s) shall be accompanied by a declaration confirming that:

- a) the Due Diligence Service Provider has carried out an assessment on the appointed individual and is satisfied that he/ she complies with the standards of fitness and properness required by the MFSA. Where the individual no longer satisfies the fitness and properness standards expected by the MFSA, the Due Diligence Service Provider shall immediately notify the MFSA;
- b) the assessment undertaken has been fully documented, held at the registered office, and is available upon request by the MFSA; and
- c) the assessment carried out will be updated at periodical intervals as applicable and the updates will be documented and will be made available upon request by the MFSA.

In the event of the departure of investment committee members or portfolio manager(s), the NPIF shall also request the relevant individual to confirm that the departure has no regulatory implications or otherwise provide any relevant details, as appropriate. The MFSA may, at its discretion request a copy of such declaration.

Provided that where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A, this Rule should apply *mutatis mutandis* with respect to the person identified as responsible for the portfolio management function.

6.15 In the event of a material change to the investment objectives and/ or investment policies of the Scheme, the NPIF shall inform the DDSP no later than 14 days ahead of the change.

6.16 The NPIF shall have adequate arrangements to ensure adequate monitoring of the activities of the Portfolio Manager/s and the Investment Committee.

Provided that where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A, this Rule should apply *mutatis mutandis* with respect to the person identified as responsible for the portfolio management function.

6.17 The NPIF shall on a continuing basis ensure that it has sufficient management resources to effectively conduct its business.

6.18 The NPIF shall, taking into account the size, nature, scale and complexity of the said undertaking and on a best effort basis, refer to the [Guidance on Technology Arrangements, ICT and Security Risk Management, and Outsourcing Arrangements](#).

Dealings by Officials of the NPIF

- 6.19 Where the NPIF 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 NPIF must take appropriate steps to ensure that officials act in conformity with the statutory requirements concerning insider dealing and market abuse;
 - ii. the NPIF must take reasonable steps to ensure that its officials do not initiate personal transactions which might impair their ability to manage the NPIF's assets objectively and effectively or which might create a conflict between their own interest and that of the NPIF;
 - iii. internal mechanisms should be established to prompt the governing body'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

- 6.20 The NPIF is required to submit [Annex 1 – AIFM-Specific Information to be reported \(Article 3\(3\) AIFMD\)](#) and [Annex 2 – AIF- Specific Information to be reported \(Article 3\(3\) AIFMD\)](#) of the (PIF Rules) to the MFSA, in full.

Provided that, where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A:

- i. the requirement to submit Annex 1 shall not apply; and
 - ii. the SM NPIF shall be exempt from submitting certain parts of Annex 2, as the Authority may determine in Guidance Notes to these Rules.
- 6.21 The NPIF shall notify the MFSA immediately if it is notified that its auditor intends to qualify the audit report.
- 6.22 The NPIF 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, if requested, made available to the MFSA for review. 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

- 6.23 The NPIF 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

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.

Provided that, where the SM NPIF satisfies the conditions set out in paragraphs (a) or (b) of Rule 6.01A and is therefore not required to establish an Investment Committee, the provisions of paragraph (i) shall apply *mutatis mutandis* to the person identified as responsible for the portfolio management function.

Risk Warnings

- 6.24 Upon inclusion in the list of Self-Managed NPIFs and at all relevant times thereafter, the Offering Memorandum, instead of the disclaimer included in R.9.01 of Part A of these rules, include a disclaimer in the following form on the front page:

“XXXXX Fund is a Self-Managed Notified PIF under the Investment Services Act (Notified CISs) Regulations. Self-Managed Notified PIFs are not licensed by the MFSA and are internally managed. Self-Managed 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 Self-Managed Notified PIF. Additionally, the MFSA has not vetted or approved the appointment of any Investment Committee member and/or Portfolio Manager engaged by the Self-Managed Notified PIF. Self-Managed Notified PIFs are non-retail schemes and available to investors qualifying as Qualifying Investors and/or Professional Investors. Self-Managed NPIFs are riskier funds by nature in view of the less onerous regulatory requirements that apply, are subject to the minimum level of supervision for a fund in Malta. The Authority may remove a Self-Managed NPIF from the Register of NPIFs at any time. Investors in Self-Managed 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”.

- 6.25 The Offering Memorandum of the Self-Managed NPIF is to provide a detailed and clear indication of the principal risks associated with investing in a Self-Managed NPIF.

7. Supplementary Rules applicable to NPIFs established as EuVECA or EuSEF Funds

- 7.01 The fund manager may establish the scheme as a European venture capital fund in terms of [Regulation \(EU\) No 345/2013](#) and in this regard opt to use the designation 'EuVECA' in relation to the marketing of the qualifying venture capital funds in the Union.
- 7.02 The fund manager may establish the scheme as a European social entrepreneurship fund in terms of [Regulation \(EU\) No 346/2013](#) and in this regard opt to use the designation 'EuSEF' in relation to the marketing of the qualifying social entrepreneurship funds in the Union.
- 7.03 In the cases referred to in Rules 7.01 and 7.02, the fund manager shall be guided by the provisions of Regulations (EU) No 345/2013 and 346/2013, as amended from time to time, prescribing rules for the marketing of qualifying venture capital funds/ social entrepreneurship funds to eligible investors across the Union, for the portfolio composition of the qualifying venture capital funds/ social entrepreneurship funds, for the eligible investment instruments and techniques to be used by qualifying venture capital funds/ social entrepreneurship funds as well as for the organisation, conduct and transparency of managers that market qualifying venture capital funds/ social entrepreneurship funds across the Union.
- 7.04 Rules 7.01 to 7.03 do not apply to Notified Professional Investor Funds set-up as self-managed schemes or managed by exempt fund managers pursuant to Rule 6.01 of Part A of these Rules.

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