

## Q&A – The DFSA Collective Investment Fund regime

This document is not intended to be a complete guide to the DFSA's Collective Investment Fund Regime ("Funds regime"), but addresses some possible questions. We recommend reading the Collective Investment Fund-related Laws and Rules, which can be found on the DFSA website, and especially the [Collective Investment Rules](#) (CIR) and [Islamic Finance Rules](#) (IFR). Click here to view the [DFSA Administered Laws](#) and [DFSA Rulebook](#)

### 1. Can Funds, Fund Managers and Trustees be located inside and outside the DIFC?

DIFC-based Fund Managers and Trustees have the flexibility to establish Funds inside and outside the DIFC. Additionally, adequately regulated foreign fund managers have the flexibility to domicile Funds in the DIFC without having to establish a place of business in the DIFC. Service providers can be selected from inside and outside the DIFC.

## Terminology

### 2. What is the difference between a 'Fund Manager' and an 'Investment/Asset Manager'?

A Fund Manager (IOSCO refers to this as a 'Fund Operator') is the firm who will be undertaking the Financial Service of 'Managing a Collective Investment Fund' (formerly, 'Operating a Collective Investment Fund'). It carries the main responsibility to investors for the establishment, operation and winding up of a Fund. The term Investment/Asset Manager is commonly used, across most jurisdictions, for the person carrying out the more limited role of managing the portfolio of assets within the fund vehicle i.e. making decisions to buy, hold or sell. This may be done under a delegation from the Fund Manager (and if it is done in the DIFC, will constitute the Financial Service of 'Managing Assets'). However, a Fund Manager may also manage the assets of a Fund itself and, if so, will not need to be separately licensed to do so.

### 3. What has happened to the Financial Service of 'Operating a Collective Investment Fund' on my licence?

The term 'Operating a Collective Investment Fund' was changed in 2010 to 'Managing a Collective Investment Fund'. The DFSA register reflects this change.

## Types of Funds

### 4. What is a Domestic Fund?

A Fund is either a Domestic Fund or a Foreign Fund. A Fund is a Domestic Fund if it is either established and domiciled in the DIFC or managed from the DIFC by a DFSA-Licensed Fund Manager ("Domestic Fund Manager") or an External Fund Manager. Types of Domestic Funds include Public Funds, Exempt Funds, and Qualified Investor Funds.

### 5. I am a Domestic Fund Manager and would like to act as Fund Manager for a non-DIFC domiciled Fund. Is this possible?

Yes. A Fund Manager can establish funds in other jurisdictions. Such a Fund is referred to as an External Fund and must comply with the requirements noted below.

## 6. What is an External Fund?

An External Fund is a Fund that is established in a jurisdiction other than the DIFC and is managed by a Fund Manager which is an Authorised Firm. The Fund Manager of an External Fund must have systems and controls which are adequate to ensure compliance with the requirements that apply to the External Fund in the jurisdiction in which it is established or domiciled. The Fund Manager is also obliged to inform the DFSA of the jurisdiction in which the Fund is, or is to be, established or domiciled, and the nature of regulatory requirements applicable to the Fund in that jurisdiction. A Fund Manager of an External Fund is generally not subject to the requirements that apply to other Domestic Funds established in the DIFC. While some limited requirements apply to External Funds, they are not DFSA-regulated Funds.

## 7. What is the difference between a Public Fund, Exempt Fund and Qualified Investor Fund (“QIF”)?

DIFC Funds can be managed by either a DFSA-licensed or an External Fund Manager:

Type of Fund	Public Funds	Exempt Funds	Qualified Investor Funds
<b>Level of regulation</b>	Detailed regulation in line with IOSCO standards	Somewhat less stringent than for Public Funds	Significantly less stringent than for Exempt Funds
<b>Investors and Offer</b>	<ul style="list-style-type: none"> <li>Unitholders include Retail Clients; or</li> <li>Has, or intends to have, more than 100 unitholders; or</li> <li>Some or all of its units are offered to investors by way of public offer.</li> </ul>	<ul style="list-style-type: none"> <li>Only Professional Clients;</li> <li>100 or fewer unitholders; and</li> <li>Units are offered to persons only by way of a Private Placement.</li> </ul>	<ul style="list-style-type: none"> <li>Only Professional Clients;</li> <li>50 or fewer unitholders; and</li> <li>Units are offered to persons only by way of a Private Placement.</li> </ul>
<b>Minimum subscription</b>	N/A	US \$50,000	US \$500,000
<b>Application process time</b>	N/A	5 business days	2 business days

### Public Fund regime

A Public Fund regime provides greater protection to larger numbers of investors (and may include retail investors) through requirements such as the independent oversight of a fund and detailed disclosure in a Prospectus.

### Exempt Fund regime

An Exempt Fund enjoys a fast-track notification process, where the DFSA aims to complete the process within a period of **5 days**, with lesser regulatory requirements than a Public Fund.

### QIF regime

The Qualified Investor Fund (QIF) regime provides proportionate regulation, allowing flexibility for QIF Managers and QIFs, by relying on select key requirements in the Collective Investment Law and the DFSA Rulebook. The regime requires self-certification regarding the adequacy of systems and controls. QIFs enjoy a fast-track notification process where the DFSA aims to complete the process within a period of **2 days**.

## 8. Do the Specialist Fund requirements apply to a QIF?

No, but you can continue to use the Specialist Fund definitions for labelling purposes, but only if you prefer to do so. It is important that the Fund name is not misleading.

**9. Can an External Fund Manager manage a QIF?**

Yes.

**10. Can I offer an Exempt Fund or a QIF to a Retail Client?**

No. Exempt Funds and QIFs are aimed exclusively at Professional Clients by way of private placement. If you wish to offer Units to a Retail Client you will need to change your Fund to Public Fund status. You will be required to demonstrate to the DFSA that you have the necessary systems and controls and oversight arrangements in place for this. To do so you would need to complete the relevant DFSA Fund application forms. You will also need to consider whether you need to apply for a Retail Endorsement to add to your Authorised Firm's DFSA Licence.

**11. What is the Protected Cell Company structure for?**

A Protected Cell Company (PCC) is a company which has separate legal cells embedded in it, and investments in each cell are segregated from investments and liabilities in other cells. The PCC structure for Umbrella Funds (which have separate sub-Funds) allows investors to benefit from sub-Funds having different investment strategies.

**12. How does it work?**

A PCC provides legal segregation of assets and liabilities from cell to cell, thereby minimizing the impact on other cells should one of the cells fail. While a PCC may be used to manage an Umbrella Fund, a more conventional Investment Company or Investment Trust structure may also be used as an Umbrella Fund.

## **Types of Fund Manager**

**13. What is a Domestic Fund Manager?**

A Domestic Fund Manager is a Fund Manager incorporated in the DIFC, licensed and regulated by the DFSA for the Financial Service of Managing a Collective Investment Fund. This allows the firm to act as the Fund Manager of a particular type, or specialist class, of Fund.

**14. What is an External Fund Manager?**

An External Fund Manager is a foreign Fund Manager permitted to establish and manage a Domestic Fund in the DIFC without having to establish a place of business in the DIFC. It must be subject to regulation by a Financial Services Regulator in a Recognised Jurisdiction or a jurisdiction otherwise acceptable to the DFSA with respect to its activity of managing Funds. It is also a requirement for the firm to subject itself to the DIFC laws and the jurisdiction of the DIFC courts, so far as these apply to the firm's activities relating to the Domestic Fund.

Additionally, the firm must appoint a Fund Administrator or Trustee in the DIFC to act as its agent. The DFSA will issue a No-Objection Letter confirming the firm may act in this capacity.

**15. I am an External Fund Manager. How do I interact with the Fund Unitholders and the DFSA?**

An External Fund Manager must put in place an agreement with a DFSA-authorized Fund Administrator or Trustee who will act as its agent in its dealings with the DFSA and with Unitholders. This agreement also requires and empowers the agent to facilitate:

- Issuance, resale and redemption of the Units of the Fund and the publication of the price at which such issuance, resale and redemption will occur, as provided under the Law and the Rules, from a place of business in the DIFC;
- Sending the reports required under the Law and the Rules to Unitholders of the Fund;
- Access, in the DIFC, to the Constitution and most recent Fund Prospectus to Unitholders and Prospective Unitholders;
- Access, in the DIFC, to the Unitholder register; and
- Access, in the DIFC, to the books and records relating to the Fund, as required by the DFSA and any person providing the oversight functions of the Fund.

**16. I am an External Fund Manager. Must I have premises in the DIFC?**

No. You will rely on your Appointed Agent (a DFSA-licensed Fund Administrator or Trustee) to the Fund to liaise with the DFSA and Unitholders. Your premises will remain in your host jurisdiction unless you wish to become a Domestic Fund Manager.

**Types of Trustee**

**17. I would like to establish an Investment Trust domiciled in the DIFC. Must I use a DFSA-licensed Trustee?**

No. The Funds regime permits you to use either a DFSA-licensed Firm to act as a Trustee or Provide Custody, or an appropriately regulated Trustee or Custody provider in a DFSA Recognised Jurisdiction.

**Specific Costs**

**18. What are the regulatory costs of setting up and carrying on fund management business in the DIFC?**

Firms will find the costs competitive and comparable with other jurisdictions, as follows:

Fees for a DFSA Licensed Fund Manager	Fees (in USD)
Fund Manager licensing application fee (except as an Umbrella Fund)	10,000
Fund Manager annual licence fee (except as an Umbrella Fund)	10,000
Fund Manager of an Umbrella Fund - licensing application fee for the Umbrella Fund	8,000
Fund Manager of an Umbrella Fund - licensing application fee for Each Sub-Fund	1,000
Fund Manager of an Umbrella Fund – annual licensing fee for the Umbrella Fund	8,000
Fund Manager of an Umbrella Fund – annual licensing fee for Each Sub-Fund	1,000

External Fund Manager – application fee	0 <sup>1</sup>
External Fund Manager – annual fee	0

Fees for a Fund	Public Funds	Exempt Funds	Qualified Investor Funds	External Fund
Application Fee	1,000	0	0	0
Annual fee per fund	4,000	4,000	4,000	0
Annual ongoing fee per fund	4,000	4,000	4,000	0

- 19. When should I pay the initial annual fee for a Fund?**  
The fees due for year one should be paid at the time of submitting your Fund registration/notification application to the DFSA.
- 20. Are the annual fees for a Fund linked to the Net Asset Value of the Fund?**  
No, this is a flat fee only.

## How to apply to be a new Domestic Fund Manager

**21. How do I get authorised?**

An applicant should follow the existing approach for Authorised Firms by contacting DIFCA and DFSA Authorisation Enquiries.

**22. If I were to focus on being the Fund Manager of a QIF(s) only, is the Authorisation process different?**

Yes, applicants will be subject to a specific process for authorising Fund Managers, where the activity to be undertaken by the Fund Manager is confined to managing and advising QIFs only, and no other Financial Services. We aim to complete the process within a 4-6 week timetable. You will not be required to submit a regulatory business plan in relation to a Fund Manager of a QIF. The application relies heavily on self-certification and reflects the level of regulatory risks involved. Please refer to the AUT–QIFM: QIF Domestic Fund Manager Form and accompany guidance notes which are located in the AUT–NOTES: Applying for Authorisation — Notes for Applicants.

**23. Is there a difference between the Authorisation process for a Fund Manager of an Exempt Fund and Public Fund?**

Although there is no difference in the time taken to process an application, you will notice a difference in the application form and documentation required for an Exempt Fund Manager. You will not be required to submit a regulatory business plan in relation to a Fund Manager of an Exempt Fund. The application relies heavily on self-certification and reflects the level of regulatory risks involved.

**24. If I apply as a Fund Manager of a QIF/Exempt Fund only, will there be a condition on my DFSA Licence?**

<sup>1</sup> There are no fees directly applicable to the External Fund Manager's business. However, it will of course be responsible for the payment of all Fund-related fees payable to the DFSA.

Yes, as an example, if you are licensed as a Fund Manager only in respect of QIFs, a condition will be added to your Licence to restrict you to this activity only. If you wish to manage Exempt Funds and/or Public Funds you will need to submit the relevant forms and demonstrate that you have sufficient systems and controls in place to manage such funds.

**25. I am a Fund Manager of a QIF(s) only and wish to manage Exempt Funds/Public Funds, what do I need to do?**

You will need to engage with your DFSA Relationship Manager or, if you do not have a relationship manager, please contact the DFSA through the Supervised Firm Contact Form. Discussion will then take place to determine which of the approaches to vary your licence (if any at all) to take and, subsequently, which fund application forms you will need to submit.

### **Application for a Variation of License**

**26. I am currently regulated by the DFSA. Which application form should I use?**

The Variation of Licence form should be used by an existing Authorised Firm wishing to vary its Licence in respect of Public Funds. However, if you are seeking a Variation of Licence to allow you to Manage Exempt Funds or QIFs only, you should complete the AUT–EFF Applying for Authorisation — Exempt Fund Form or AUT–QIFM QIF Domestic Fund Manager Form and not the Variation of Licence Form.

### **Application to become an External Fund Manager**

**27. To become an External Fund Manager to a DIFC Domestic Fund, what will the application process be and are there any special requirements?**

An External Fund Manager will not be a DFSA-licensed firm and, as a result, the process for reviewing the application will be shorter than for a Domestic Fund Manager. A letter of good standing from the home state financial services regulator, a copy of your licence, and the Appointed Fund Administrator/Trustee agreement should be provided with the relevant AUT–EFM External Fund Manager Form. In this form the applicant will be required to confirm if they are subject to regulation by a financial services regulator in a Recognised Jurisdiction. If not, they will need to be subject to regulation in a jurisdiction otherwise acceptable to the DFSA with respect to managing a collective investment fund. You should refer to the DFSA's Recognised Jurisdiction List on the DFSA website. If your jurisdiction does not appear on this List you will be required to demonstrate to the DFSA that you are from an acceptable jurisdiction. In order to do so you are required to carry out a comparative analysis of your jurisdiction's regulated fund regime against that of the DFSA and highlight where any gaps exist. Where such gaps exist you should also demonstrate controls you intend to implement to match DFSA requirements. As part of your submission you should provide the comparative analysis including gaps and remedies.

**28. I would like to apply to the DFSA as an External Fund Manager. Where can I find a list of DFSA Fund Administrators/Trustees who could act as the agent for my DFSA-domiciled Fund?**

The DFSA Public Register has search criteria which can be used to produce the required list.

**29. I am an External Fund Manager. Will my details be on the DFSA Public Register?**

Yes. A section exists on the DFSA Public Register to reflect any firm issued a No-Objection Letter permitting it to act as an External Fund Manager of a Fund. Attached to the firm's entry in the Register will also be details of the Appointed Fund Administrator or Appointed Trustee acting as its agent in the DIFC.

**Application to establish a Fund**

**30. Will the DFSA accept my Fund application at the same time as my Licensing/Variation of Licence application to become a Fund Manager?**

No. The DFSA will only accept a Fund application once the Fund Manager has completed the Licensing/Variation of Licence process.

**31. Is there a difference between the application process for establishing a Public Fund, Exempt Fund, QIF and External Fund?**

The style of each form reflects the level of regulatory risks involved. For example, much of the Public Fund form is based on open-ended questioning where the DFSA expects narrative responses which describe the systems and controls the Fund Manager has implemented to mitigate regulatory risks inherent to those Funds. This is also reflected in the fact that a Public Fund is subject to a DFSA registration process whilst Exempt Funds, QIFs and External Funds are a notification process only. Much of the questions and information sought in the Exempt Fund form and QIF form relies heavily on self-certification.

**32. How long does it take to establish an Exempt Fund?**

The DFSA will only accept a Fund application from an already DFSA Licensed Fund Manager or existing External Fund Manager. Where a Fund Manager is looking to establish an Exempt Fund, the DFSA will aim to complete the Exempt Fund Notification process within **5 business days**. We recommend that you submit the relevant documentation to the DIFC Registrar of Companies at the same time as submitting the notification to the DFSA.

**33. How long does it take to establish a QIF?**

The DFSA will only accept a Fund application from an already DFSA Licensed Fund Manager or existing External Fund Manager. Where a Fund Manager is looking to establish a QIF, the DFSA will aim to complete the QIF Notification process within **2 business days**. We recommend that you submit the relevant documentation to the DIFC Registrar of Companies at the same time as submitting the notification to the DFSA.

**34. How do I apply to establish a Fund in the DIFC?**

You will need to complete the relevant sections of the Public Fund supplement, Exempt Fund Form or QIF Notification Form and submit this to the DFSA for Registration / Notification purposes. This should be submitted via e-mail to [dfsafunds@dfsae](mailto:dfsafunds@dfsae).

**Changing your QIF/Exempt Fund to Public Fund status**

**35. Currently, I manage an Exempt Fund/QIF but would like to change this to Public Fund status. What am I required to do?**

You will need to complete the Public Fund supplement and submit this to the DFSA. If you are not already licenced to manage Public Funds, you will also need to submit the Core Information form.

### 36. Which application form should I use?

The DFSA applications forms are structured on the basis of the type of fund manager and types of fund to be managed (i.e. Public, Exempt and Qualified Investor Funds) and whether you are also seeking to establish the Fund Manager/Fund(s) inside or outside the DIFC. The forms noted below are available now.

The boxes marked 'X' in the table indicate which forms need to be completed by you, depending on the business model you adopt.

Applicable Form								
Type of Application	AUT-CORE Applying for Authorisation — Core Information Form	AUT-PFS Applying for Authorisation — Public Fund supplement	AUT-EFF Applying for Authorisation — Exempt Fund Form	AUT-QIFM QIF Domestic Fund Manager Form	AUT-EFM External Fund Manager Form	SUP4 Applying to vary a Licence	AUT-QIF Qualified Investor Fund: Notification Form	AUT-EXF External Fund: Notification Form
<b>Establishing a New Fund Manager</b>								
Authorisation as a Domestic Fund Manager of Public Funds	X	X						
Authorisation as a Domestic Fund Manager of Exempt Funds			X					
Authorisation as a Domestic Fund Manager of QIFs				X				
Applying as an External Fund Manager					X			
<b>Variation of License</b>								
Variation of License to become a Domestic Fund Manager of Public Funds		X				X		
Variation of License to become a Domestic Fund Manager of Exempt Funds			X					
Variation of License to become a Domestic Fund Manager of QIFs				X				
<b>Establishing a Fund</b>								
Establishing a Public Fund		X						

Establishing an Exempt Fund			X					
Establishing a QIF							X	
Establishing an External Fund								X

## Responsibility for Processing Application

### 37. Who do I submit my Licensing application to, to become a new Fund Manager?

Please direct all new licensing applications to become authorised as a Fund Manager to Authorisation Enquiries.

### 38. Who do I submit my Variation of License application to, to add Fund Management to my business activities?

If you are an existing Authorised Firm and are seeking to apply for a Variation of License to enable you to manage funds you should direct any enquiries through your relationship manager. If you do not have a relationship manager please contact the DFSA through the [Supervised Firm Contact Form](#).

### 39. Who do I submit my Fund Registration/Notification application to, to establish a Fund?

All Fund Registration/Notification applications these should be submitted to the DFSA Funds Team at [dfsafunds@dfsa.ae](mailto:dfsafunds@dfsa.ae). If you are relationship managed you should also notify your Relationship Manager prior to doing so.

## Supervisory Process

### 40. What is the DFSA's supervisory approach to the Funds regime?

The DFSA operates a risk-based supervision framework, with the primary focus of engaging with firms through ongoing site visits and transaction testing. The DFSA seeks to establish and maintain an ongoing dialogue with a firm's senior management in order to develop and sustain a thorough understanding of the firm's business, systems and controls. This includes risk assessments and thematic work and the possibility that you will have a Relationship Manager allocated to your firm. This approach applies to Domestic Fund Managers and Domestic Funds. For External Fund Managers the relationship will be conducted through the Appointed Fund Administrator or Trustee, and a large degree of reliance will be placed on the supervision of the home-state regulator.

## Oversight Arrangements

### 41. Do I require oversight arrangements for a Public Fund?

Yes. Oversight arrangements are required for Domestic Public Funds as per CIR 10.3.

### 42. Do I require oversight arrangements for an Exempt Fund?

No. But certain specialist funds, i.e. Private Equity and Property Funds which are Exempt Funds, require Investment Committees.

**43. Do I require oversight arrangements for a QIF?**

No. QIFs are permitted to add oversight arrangements if they wish to do so but there are no specific rule requirements.

**44. I propose to manage a Shari'a compliant Fund. Will I still be required to have a Shari'a Supervisory Board ("SSB") at both firm and fund level?**

No. One SSB may be used both for the Firm and the Fund. In addition, an Exempt Fund is not required to appoint an SSB (although its Constitution and Prospectus must be approved by the SSB of the Fund Manager who has an obligation to ensure that it remains Shari'a compliant). There are no specific rule requirements for a QIF. However it would be misleading of the QIF was called an Islamic Fund without there being some Shari'a Supervisory Board or scholar input etc.

## **Marketing Foreign Funds**

**45. I would like to market Foreign Funds in the DIFC. What are the requirements?**

Any Foreign Fund can be marketed if it is domiciled in a Recognised Jurisdiction. If it does not meet this requirement there are various other foreign fund qualifying criteria which are relevant including, but not limited to, if the Foreign Fund meets the Exempt Fund parameters applying to the Offer of a Unit in such a Fund, or if the firm makes a personal recommendation that the investment in the Foreign Fund is suitable for the Client in light of that particular Client's investment needs, objectives and circumstances.

## **Getting Help**

**DFSA Rulebook:** The DFSA website contains more information about the DFSA Administered Laws and DFSA Rulebook. Relevant Law and Rulebook modules for funds include the [Collective Investment Law](#), the [Collective Investment Rules](#) (CIR) and the [Islamic Financial Rules](#) (IFR).

**Enquiries and applications:** Please direct all new licensing applications to become authorised as a Fund Manager to Authorisation Enquiries. If you are an existing Authorised Firm and are seeking to apply for a Variation of Licence to enable you to manage funds you should direct any enquiries through your relationship manager. If you do not have a relationship manager please contact the DFSA through the [Supervised Firm Contact Form](#).

For all Fund Registration/Notification applications these should be submitted to the DFSA Funds Team at [dfsafunds@dfsa.ae](mailto:dfsafunds@dfsa.ae).

If you have a question regarding the DFSA Collective Investment Funds regime that is not answered above, please provide your written question to [dfsafunds@dfsa.ae](mailto:dfsafunds@dfsa.ae) and we will endeavour to answer it and to then update this public document as appropriate.

Visit the DFSA's specific [Collective Investment Funds web page](#) (under the section "Doing Business with the DFSA") at [www.dfsa.ae](http://www.dfsa.ae) for:

- More information regarding the DFSA's Funds regime;
- More information on how to apply to manage or market funds in, or from, the DIFC;
- Full text of the Laws, Regulations and Rules; and
- More news about the DFSA.

#### **General Enquiries**

- Via telephone +971 4 362 1500
- Via e-mail [info@dfsa.ae](mailto:info@dfsa.ae)

#### **About the DFSA**

The DFSA is the independent regulator of financial and ancillary services conducted in or from the DIFC. The DFSA's regulatory mandate covers asset management, banking and credit services, securities, collective investment funds, custody and trust services, commodities futures trading, Islamic finance, insurance, an international equities exchange and an international commodities derivatives exchange.

**Appendix**

