RIAA Barker Gillette

Insight

DFSA enhances its Collective Investment Funds Regime

Regulatory

The Dubai Financial Services Authority ("DFSA") has announced on 18 December 2018 that, following the consultation period on a number of proposed legislative changes that were set out in Consultation Paper No. 115, the DFSA has made amendments to the Collective Investment Law 2010 and the DFSA Rulebook.

The changes to the DFSA Collective Investment Funds regime have come into force coinciding with the enactment of the DIFC Companies Law 2018 ("Companies Law"). The DFSA consultation included a wide-ranging set of proposals to support the continued development of the funds industry in the Dubai International Financial Centre ("DIFC").

The new provisions further aligns the DFSA Collective Investment Funds regime with international standards, particularly those of the International Organization of Securities Commissions ("IOSCO") and the Financial Stability Board ("FSB"), through measures to enhance liquidity risk management in open-ended funds.

The salient features of the new provisions are:

- Incorporation of the Public Company and Private Company distinction, introduced by the Companies Law, into the DFSA Collective Investment Funds, so that all Investment Companies with retail investor participation would need to be Public Companies;

- Removal of the current limits on the number of investors which a DIFC Fund can have. Currently only a Public Fund is able to have more than 100 investors (including retail), with an Exempt Fund being limited to 100 or fewer investors and a Qualified Investor Fund ("QIF") being limited to 50 or fewer investors. These changes do not alter the current focus of regulation of these Funds, which is based on the type of investors (e.g. any Fund with retail investors will receive higher levels of scrutiny).

- Introduction of a new class of specialist Funds for Exchange-Traded Funds ("ETFs"). These are open-ended Funds, the Units of which are listed and traded on exchanges.

Their introduction would give greater choice of Funds available to investors from the DIFC, with Fund Managers also having a greater choice of Funds they could offer; and

- Enabling a Fund established as an Investment Company to be managed by its sole Corporate Director licensed as a Fund Manager to manage only that Fund and no other.

There are related amendments made in the DFSA Rulebook, including the licensing and annual fees payable to the DFSA in respect of Funds.

The information contained herein is current at the date of publication of this article and available from public sources. Nothing in this article constitutes legal advice and should not be construed as any form of advice.

For further information and assistance with any aspect of the DIFC and DFSA regulatory framework and licensing process, please do not hesitate to contact us.

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