



THE NOTIFIED PROFESSIONAL INVESTOR FUND



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INTRODUCTION

SINCE LAUNCHING ITS PROFESSIONAL INVESTOR FUND (PIF) REGIME IN 2000, MALTA HAS CONTINUED TO SEEK ADDITIONAL ROUTES TO MARKET FOR SMALLER EMERGING MANAGERS. IN 2023, THE MALTA FINANCIAL SERVICES AUTHORITY (MFSA) ANNOUNCED THE LAUNCH OF A NEW INVESTMENT FRAMEWORK TO ASSIST IN THIS - THE NOTIFIED PIF, OR NPIF. SUBSEQUENTLY, THE MFSA STARTED EXPLORING THE POSSIBILITY OF ALLOWING THE SETTING UP OF NOTIFIED PIFS AS SELF-MANAGED FUNDS. TO THIS EFFECT, IN FEBRUARY 2025, THE SELF-MANAGED NPIF WAS OFFICIALLY LAUNCHED.

NPIFs are a category of Collective Investment Schemes, which are exempt from licensing under the Investment Services 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.

KEY BENEFITS

- Rapid Time to Market: NPIFs boast an incredibly swift setup, with a maximum of just 10 business days required to launch, following the completion of the due diligence exercise. There is no need for prior authorisation from the MFSA.
- Cost Efficiency: Setting up and operating NPIFs comes with reduced expenses compared to traditional funds, making them an attractive option for emerging managers.
- Flexible Management: NPIFs can be managed by authorised EU de minimis Alternative Investment Managers (de minimis AIFMs), or third country AIFMs. The latter do not have any maximum AUM limit.
- Investor Protection: The NPIF framework ensures full compliance with the PIF regime, ensuring investors are safeguarded.
- EEA-Wide Capital Raising: NPIFs can raise capital across the EU and EEA states, following national provisions in respective jurisdictions.
- Diverse Banking Options: Any reputable local or international bank is acceptable for NPIFs.
- Structural Flexibility: NPIFs can take various legal forms, including SICAVs, INVCOs, incorporated cell companies, RICCs, limited partnerships (including without separate legal personality), unit trusts, and contractual funds.
- Indirect Supervision: Although not subject to ongoing direct MFSA supervision, NPIFs are monitored by an appointed service provider, often the fund administrator, under competent authority supervision.
- Solution for Family Offices: NPIFs may be managed by a manager which is exempt from the requirement for an investment services licence, provided that it manages a family office vehicle which invests the private wealth of investors without raising external capital.

ELIGIBILITY CRITERIA

PROFESSIONAL AND QUALIFYING INVESTORS ONLY

NPIFs are open only to professional and qualifying investors, as defined below, and who invest a minimum of €100,000 in the fund, which amount cannot be reduced via subsequent redemptions.

Professional Investors need to satisfy at least two (2) of the following criteria:

- > Carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters
- > Owning a financial instrument portfolio, defined as including cash deposits and financial instruments exceeding €500,000
- > Worked in the financial sector for at least one year in a professional position and having knowledge of the transactions or services envisaged

Qualifying Investors need to satisfy at least one of the following criteria:

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

If the investor is a Family Office, the minimum investment in the NPIF is €5,000,000 or its currency equivalent, which investment may not be reduced below this minimum amount at any time by way of a partial redemption.

Furthermore, the Family Office shall have aggregate net assets in excess of €50,000,000 or its currency equivalent, irrespective of whether such assets are wholly invested in the NPIF.

FUND MANAGER

NPIFs can either be self-managed, via the setting up of an internal Investment Committee, or otherwise appoint a third-party Fund Manager.

If the fund is self-managed or the appointed Fund Manager is a deminimis AIFM, then it is bound by an aggregate maximum AUM limit of €100 million, which increases to €500 million if all funds managed are not leveraged and have a lock-up period of five (5) years.

Third-country AIFMs are not bound by this limit.

INVESTMENT STRATEGIES

All investment strategies are allowed except for 'Loan Funds'. NPIFs are not allowed to engage in 'Lending' activity.

WHAT IS REQUIRED?

AN NPIF REQUIRES THE FOLLOWING TO OPERATE:

FOUNDER SHAREHOLDERS

- > These will be the persons opening the fund.

GOVERNING BODY

- > These will be a board of directors (minimum of three (3) and ideally an odd number), including an independent local director who will handle the fund's compliance matters.
- > *Trident Trust will be able to offer the services of the local independent director, who will also handle compliance matters.*

FUND INCORPORATION

- > A licensed entity, typically a Corporate Service Provider will be required to incorporate the fund and register it with the Malta Business Registry.
- > *Trident Trust, through its CSP licence, will be able to incorporate the fund and also act as the Company Secretary and Registered Office.*

OFFERING DOCUMENTATION

- > The appropriate offering documents, in line with the applicable rules, will need to be drafted for the fund.
- > *We will work with specialised lawyers in the field to draft the fund's offering documentation.*

INITIAL CAPITAL (IF SELF-MANAGED)

- > The initial, paid-up share capital for the NPIF should not be less than €125,000 or its currency equivalent, and the NAV of the NPIF is expected to exceed this amount on an on-going basis.
- > *This is not required if the NPIF is third-party managed.*

INVESTMENT COMMITTEE (IF SELF-MANAGED)

- > The governing body of the NPIF would need to establish an in-house Investment Committee made up of at least three members, whose composition may include board members.
- > The Investment Committee should meet at least quarterly and may delegate the day-to-day investment management of the assets to one or more officials of the NPIF, or otherwise be itself collectively responsible for the day-to-day investment management.
- > The role of the Investment Committee will be to:
 - > monitor and review the investment policy of the NPIF;
 - > establish and review guidelines for investments by the NPIF;
 - > issue rules for stock selection;
 - > set up the portfolio structure and asset allocation; and
 - > make recommendations to the governing body of the NPIF.
- > *Trident Trust has the required authorisation from the MFSA to act as Due Diligence Service Provider (DDSP) for a self-managed NPIF and approve Investment Committee members. Should you need, we would also be able to connect you with industry professionals to sit on the fund's Investment Committee.*

FUND MANAGER (IF NOT SELF-MANAGED)

- > This will be the entity managing the fund and needs to be either:
 - > 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
 - > a de minimis AIFM which is duly authorised in an EU or EEA State;
 - > 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 (the current list of third-country eligible domiciles is attached in Annex 1). 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

- > a manager established in Malta which enjoys certain exemptions from the requirement for an investment services licence, to the extent that the NPIF it manages is a family office vehicle which invests the private wealth of investors without raising external capital.
- > *We will be able to connect you to an appropriate fund manager, should you not already have one.*

FUND ADMINISTRATOR

- > This will be the entity carrying out the fund's administrative services and needs to be in possession of a Fund Administration recognition certificate issued by the MFSA.

DUE DILIGENCE SERVICE PROVIDER

- > This will be the licenced entity, usually the Fund Administrator, who will carry out all initial due diligence and ongoing supervision on the fund and all its service providers.
- > *Trident Trust will be acting as your Fund Administrator and DDSP, whether the fund is third-party manager or otherwise self-managed.*

MONEY LAUNDERING REPORTING OFFICER

- > The fund will require an MLRO to carry out its Anti-Money Laundering obligations.
- > *Trident Trust will be able to offer you the services of an MLRO for your fund.*

CUSTODIAN

- > This is optional and there is no obligation for one to be appointed, as long as there are alternate safekeeping arrangements in place.
- > A sample NPIF structure is attached in Annex 2.

THE NOTIFICATION PROCESS

A WRITTEN REQUEST MUST BE SUBMITTED TO THE MFSA FOR A NPIF TO BE INCLUDED IN THE LIST OF NPIFS, WITHIN 30 DAYS OF A RESOLUTION BY THE GOVERNING BODY OF THE NPIF CERTIFYING THAT THE OFFERING MEMORANDUM OF THE FUND SATISFIES THE MINIMUM CRITERIA PRESCRIBED BY THE MFSA.

This request must be accompanied by:

- > The notification documents
- > The applicable notification fee
- > A resolution of the governing body of the NPIF certifying that the Offering Memorandum of the NPIF satisfies the minimum criteria prescribed by the MFSA
- > A declaration by the DDSP confirming that it has carried out the necessary due diligence, and is satisfied with the outcome, with regards to the functionaries and the governing body of the NPIF, including the Investment Committee Members (if self-managed)

As the DDSP, Trident will carry out all due diligence required and take care of the notification process on your behalf.

CONTACT

IF YOU'RE INTERESTED AND WANT TO KNOW MORE, DO NOT HESITATE TO GET IN TOUCH WITH ONE OF THE BELOW.



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Trident Fund Services (Malta) Limited is regulated by the Malta Financial Services Authority to provide fund administration services in terms of the Investment Services Act, 1994.

ANNEX 1

LIST OF JURISDICTIONS WITH WHOM THE MFSA HAS SIGNED A BILATERAL COOPERATION AGREEMENT/MEMORANDUM OF UNDERSTANDING ON SECURITIES (AS OF JANUARY 2024).

- > Abu Dhabi
- > Albania
- > Australia
- > Bahamas
- > Bahrain
- > Bermuda
- > Brasil
- > British Virgin Islands
- > Canada
- > Cayman
- > Dubai
- > Egypt
- > Guernsey
- > Hong Kong
- > India
- > Isle of Man
- > Israel
- > Japan
- > Jersey
- > Kazakhstan
- > Korea
- > Labuan
- > Malaysia
- > Maldives
- > Mauritius
- > Mexico
- > Montenegro
- > Morocco
- > New Zealand
- > North Macedonia
- > Pakistan
- > Qatar
- > Singapore
- > Switzerland
- > South Africa
- > Tanzania
- > Thailand
- > Turkey
- > United Arab Emirates
- > United Kingdom
- > United States
- > Vietnam

ANNEX 2

SAMPLE NPIF STRUCTURE

