

Professional Investor Funds (PIFs)

An overwhelming majority of funds in Malta are Professional Investor Funds (PIFs), which are typically in the form of open-ended public or private limited liability investment companies with variable share capital (SICAVs). Voted the best European Fund Domicile by Hedge Fund Review in both 2013 and 2014, the island's successful PIF regime will continue to be a popular choice for both EU and non-EU alternative fund managers.

Types of Professional Investor Funds

A Professional Investor Fund (PIF) is a collective investment scheme in terms of the ISA. There are three different types of PIFs:

- **PIFs promoted to experienced investors:** with a minimum investment of €10k or equivalent, are subject to some investment restrictions, may be leveraged up to 100% NAV, must appoint a Custodian and issue an Offering Document
- **PIFs promoted to qualifying investors:** with a minimum investment of €75k or equivalent, with no investment restrictions (other than in the case of property funds), unlimited leverage, appointment of a Custodian is not mandatory (provided assets are subject to adequate safekeeping arrangements), and must issue an Offering Document
- **PIFs promoted to extraordinary investors:** with a minimum investment of €750k or equivalent, with no investment restrictions, unlimited leverage, appointment of a Custodian is not mandatory (provided assets are subject to adequate safekeeping arrangements) and can issue a simplified marketing document in lieu of a more detailed offering document

The underlying assets in which these funds can invest range from transferable securities, private equity, immovable property and infrastructure, to the more complex asset classes pertaining to the world of debt financing and derivatives. Most Maltese PIFs are used for hedge fund set-ups.



Benefits of PIFs

- ▶ **Flexibility:** Since PIFs are not intended for the general public, but for professional or wealthy investors, they are not burdened with the restrictions usually imposed on retail funds.
- ▶ **No Investment Restrictions:** PIFs benefit from not being subject to investment restrictions (apart from PIFs sold to experienced investors, which have certain investment restrictions).
- ▶ **Fast-Track Licensing:** Provided all documents are submitted to the MFSA, the authority issues an 'in principle' approval within two to three months, depending on the complexity of the structure.
- ▶ **Self-Management:** PIFs may be self-managed without the need to appoint a third-party manager, meaning promoters can use a self-managed fund without the need to have a presence in Malta.
- ▶ **Low Entry Levels:** €10,000 for experienced investors.
- ▶ **Shariah-Compliant Funds:** Malta offers PIFs compatible with Islamic funding structures and financing vehicles, such as Ijarah and Murabahah funds.

Key Features of PIFs

PIFs are regulated by the Investment Services Act and are mostly open-or close-ended investment companies, but unit trusts, contractual funds and limited partnerships can also be used. Self-managed PIFs are also allowed and the manager may also act as administrator.

	Experienced Investors	Qualifying Investors	Extraordinary Investors
Minimum Investment	€10,000	€75,000	€750,000
Setup Time	2-3 months	2-3 months	2-3 months
Investment Restrictions	Yes	None	None
Borrowing Restrictions	Up to 100% of NAV	Up to 100% of NAV	Up to 100% of NAV
Offering Documents	Required	Required	Required or Marketing Document
Third Party Manager	Required or Self-Managed	Required or Self-Managed	Required or Self-Managed
Fund Administrator	Manager may delegate fund administration to third party administrator	Manager may delegate fund administration to third party administrator	Manager may delegate fund administration to third party administrator
Custodian	Required. Must be independent from fund manager.	Optional, provided adequate safekeeping measures.	Optional, provided adequate safekeeping measures.
Auditor	Required	Required	Required
Money Laundering Reporting Office (MLRO)	Required	Required	Required
Compliance Officer (may also act as MLRO)	Required	Required	Required
Listing	Optional	Optional	Optional

Self-Managed PIFs: PIFs may be self-managed without the need to appoint a third-party manager. This means promoters have the option to use a self-managed fund without the need to have a presence in Malta. The management of the assets of the fund would be undertaken by an investment committee with the day-to-day management performed by one or more internal and/or external portfolio managers. Self-managed funds are subject to particular rules regarding the composition of the board members and the investment committee, as well as share capital requirements.

Features applicable to all PIFs:

Service Provider: Must be based in Malta or in a recognised jurisdiction.

Local Representative: Required if all officials and service providers are established abroad.

Reporting Requirements: Half-yearly (PIFs sold to experienced investors only), annual and compliance reports

Application Fees and Expenses: Application fee for a preliminary indication of acceptability is €600

Application for a Licence of a PIF:
€2,000 per scheme
€1,000 per sub-fund

Supervisory Fee:
€2,000 per scheme
€600 per sub-fund