

*CONSULTATION PAPER*  
*NO. 12 OF 2025*

**PROPOSED ENHANCEMENTS TO THE  
FSRA'S FUNDS FRAMEWORK**

**24 NOVEMBER 2025**



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## Introduction

### *Why we are issuing this consultation paper*

1. The Financial Services Regulatory Authority (“**FSRA**”) of Abu Dhabi Global Market (“**ADGM**”) has issued this consultation paper to invite public comment on proposed enhancements to its regulatory framework for Funds and Fund Managers and to seek feedback on certain aspects of the current framework.
2. The consultation paper includes the following proposals:
  - a. **Section A** proposes the introduction of a streamlined regulatory framework for Fund Managers of smaller and institutional Funds;
  - b. **Section B** outlines a proposed streamlined regulatory framework for Managers of Funds exclusively targeting institutional investors;
  - c. **Section C** describes a proposal which aims to facilitate employee investment in Exempt Funds and Qualified Investor Funds (“**QIFs**”) managed by their employer;
  - d. **Section D** outlines proposed revisions to the requirements applicable to Foreign Fund Managers;
  - e. **Section E** seeks feedback on certain aspects of the FSRA’s current regulatory framework, in particular its framework for certain specialist classes of Fund and for private REITs; and
  - f. **Section F** outlines certain miscellaneous changes.
3. Capitalised terms contained in this consultation paper have the meanings attributed to them in the FSRA’s Glossary Rulebook (“**GLO**”), unless otherwise defined in this consultation paper.

### *Who should read this consultation paper*

4. This consultation paper should be of particular interest to Authorised Fund Managers, Foreign Fund Managers, Authorised Persons holding a Financial Services Permission for Managing Assets, applicants considering undertaking any of those activities, other persons active in the funds and asset management sector, and their respective professional advisors.

### *How to provide comments*

5. All comments should be made in writing and sent to the email address specified below. Please put the consultation paper number in the subject line. If relevant,

please identify the organisation you represent in providing your comments. The FSRA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of making any comments. Comments supported by reasoning and evidence will be given more weight by the FSRA.

***What happens next***

6. The deadline for providing comments on these proposals is 30 January 2026. When we receive your comments, we will consider whether any modifications to the proposed amendments are required. The FSRA will then proceed to enact the proposed amendments in their final form. You should not act on the proposed amendments described in this consultation paper until the relevant Rules are amended.

***Comments to be addressed to:***

Consultation Paper No. 12 of 2025  
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Abu Dhabi Global Market  
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Abu Dhabi, UAE  
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## Background

1. This consultation paper outlines certain proposed changes to the FSRA's regulatory framework for Funds and Fund Managers, developed as part of a holistic review of that framework. The overall objectives of this review are as follows:
  - a. To ensure that the framework takes account of developments in regulatory requirements elsewhere, including international best practices, to the extent appropriate to the nature of ADGM's Fund management sector, and is clear and user-friendly;
  - b. To reflect insights gained from the FSRA's experience of supervising Fund Managers; and
  - c. To ensure that the framework remains relevant in relation to developments in the Funds industry and continues to support the development and growth of ADGM as a Fund management jurisdiction.
2. To meet these wide-ranging objectives, the FSRA's proposals to enhance its framework will be outlined in two consultation papers.
3. The strategic focus of this first consultation paper is on proposals relevant to private Funds (Exempt Funds and QIFs) and the Managers of such Funds, given the predominance of such Funds in ADGM. The FSRA considers that implementation of the proposals outlined in this consultation paper would significantly enhance its Funds framework, thereby supporting the growth of ADGM as a Fund management jurisdiction and as a progressive international financial centre, while continuing to ensure that key risks are mitigated and that Funds and Fund Managers are regulated in a proportionate manner.
4. The second consultation paper, to be published in 2026, will contain additional proposals relevant to private Funds, as well as detailing certain enhancements to the Public Funds framework. As further proposed revisions to the Funds framework will be published next year, it should be noted that the draft legislative amendments that accompany this consultation paper may be affected by subsequent proposed revisions and are therefore indicative in nature.
5. To ensure its framework remains fit for purpose, in this consultation paper, the FSRA also seeks feedback on certain aspects of its framework introduced in recent years, in particular its framework for certain specialist classes of Funds, including private REITs.

**Section A: Streamlined regulatory framework for Fund Managers of smaller Funds**

6. The FSRA proposes to introduce a streamlined regulatory framework for Fund Managers of smaller Funds, thereby enhancing the proportionality of its regulatory framework. The proposals take inspiration from the sub-threshold regime applicable under the EU Alternative Investment Fund Managers Directive (“**AIFMD**”), while adapting requirements to the ADGM’s licensing regime. Unlike the current Venture Capital Fund Manager (“**VCFM**”) framework, the proposed framework would not limit the assets in which eligible Fund Managers may invest.
7. The below paragraphs outline the eligibility criteria for the proposed framework, together with the key dispensations proposed to be granted to eligible Fund Managers under that framework (see **Attachment 1** for an overview).
8. This proposed framework for Fund Managers of smaller Funds is referred to in this consultation paper as the Sub-Threshold Fund Manager (“**STFM**”) framework. However, noting the use of the ‘sub-threshold’ designation in the context of AIFMD, the FSRA seeks feedback on whether it would be preferable to use alternative terminology to describe the proposed framework and Fund Managers that fall within scope.

**Proposed Eligibility criteria**

9. It is proposed that a Fund Manager would need to meet the following eligibility criteria to fall within scope of the STFM framework:
  - a. Maximum Committed Capital across all Funds managed by it of \$200 million;
  - b. Manages only closed-ended QIFs or Exempt Funds (or equivalent Foreign Funds); and
  - c. Is not a ‘host’ Fund Manager, as described below.
10. Maximum Committed Capital of \$200 million: in proposing this threshold, the FSRA has considered applicable thresholds under other jurisdictions’ frameworks as well as expected commitment amounts notified to it by Authorised Fund Managers. The proposed threshold is based on Committed Capital rather than AUM as the former avoids the situation whereby market fluctuations or changes in AUM valuations would inadvertently bring an STFM within the ‘full scope’ Fund Manager framework.

11. Manages closed-ended QIFs or Exempt Funds (or equivalent Foreign Funds): allowing STFM to manage only QIFs or Exempt Funds or equivalent Foreign Funds (i.e., Foreign Funds that are not open to retail clients) limits the risk associated with applying a streamlined regulatory regime, given the sophisticated nature of the investors targeted by such Funds. Consistent with a threshold based on Committed Capital, and noting the increased liquidity risk associated with open-ended Funds, it is proposed that such Managers would be permitted to manage closed-ended Funds only.
12. Is not a 'host' Fund Manager: a 'host' Fund Manager is a Fund Manager appointed by fund sponsors to manage the Fund, with the fund sponsor often acting as the delegated investment manager or an investment advisor on the investment committee of the Fund structure. The FSRA does not consider it appropriate that a lighter-touch regulatory regime be applied to such a business model. Therefore, a Fund Manager that either delegates investment management to another party or appoints an investment advisor to assist in the Fund Manager's selection of assets would not be eligible for the STFM framework.
13. As mentioned above, an STFM would not be limited in terms of the assets in which it may invest (albeit only via closed-ended Funds). Therefore, subject to meeting the relevant eligibility criteria and complying with any obligations specific to specialist classes of Fund such as Private Credit Funds, STFM would be permitted to manage such Funds.
14. If implemented, the STFM category of Fund Manager would be created by placing restrictions or conditions upon the Financial Services Permission ("FSP") of new applicants seeking to avail of the framework, rather than by amending the description of the Regulated Activity of Managing a Collective Investment Fund in FSMR.

### **Leverage limit**

15. The proposed eligibility criteria for the STFM framework currently do not include a leverage limit on the Funds managed by STFM. On the one hand, noting the lighter-touch regulatory regime applicable to STFM, a leverage limit could assist in ensuring that the risk associated with such Funds is correspondingly low. On the other hand, the \$200 million Committed Capital threshold limits the systemic importance and effect on financial stability posed by any leveraged Fund. In that context, the FSRA seeks feedback on whether a leverage limit of 100% of Fund Net Asset Value ("NAV") would be appropriate.

### Transitioning between the STFM and ‘full scope’ frameworks

16. It is proposed that, subject to meeting the relevant eligibility criteria, a Fund Manager authorised prior to the introduction of the STFM framework would be permitted to opt-in to the framework. Similarly, if an STFM intends to take on commitments which would cause it to exceed the \$200 million threshold, it would be required to apply to remove the restriction from its FSP in order to become a ‘full scope’ Fund Manager, with the granting of such application being at the FSRA’s discretion.

#### Question 1

Do you agree with the proposal to introduce a streamlined regulatory framework for Fund Managers of smaller Funds?

#### Question 2

Do you have a view on the use of the term ‘Sub-Threshold Fund Manager’ to describe the proposed framework and Fund Managers that fall within scope? Would an alternative term be preferable?

#### Question 3

Do you agree with the proposed eligibility criteria for STFM, including the proposed \$200 million threshold based on committed capital and the requirement that an STFM manage closed-ended Funds only?

#### Question 4

What is your view on the imposition of a leverage limit of 100% of Fund NAV on Funds managed by STFM?

#### Question 5

Do you have any comments on the proposed process for transitioning between the STFM and ‘full scope’ Fund Manager frameworks?

### Proposed Framework for STFM

17. It is proposed that STFM would be granted some of the same dispensations currently granted to VCFM and that they could avail of a more streamlined authorisation process similar to that currently applied to VCFM. Like VCFM, STFM would still be required to comply with all other requirements applicable to



the Manager of a QIF or Exempt Fund (as applicable). The table below highlights the key aspects of the STFM framework.

Topic	Proposal
<b>Regulatory Permissions</b>	Managing a Collective Investment Fund
<b>Approved Persons and governance and control requirements</b>	<p>Consistent with the VCFM framework, it will not be mandatory to appoint a Finance Officer or establish an internal audit function.</p> <p>It is proposed that the SEO would be made explicitly responsible for compliance with prudential requirements where a Finance Officer is not appointed.</p>
<b>Capital Requirements and Financial Resources</b>	<p>While VCFMs are not currently subject to a minimum capital requirement, it is proposed that an STFM would be subject to a Base Capital Requirement (“<b>BCR</b>”) of \$50,000 (but no Expenditure Based Capital Minimum (“<b>EBCM</b>”)).</p> <p>Imposing a minimum capital requirement on STFM is considered appropriate to ensure that there is a specific regulatory obligation on STFM to continue to maintain a certain minimum level of prudential capital post-authorisation. It is also consistent with ‘gold-plated’ requirements for sub-threshold Managers in certain EU Member States and in the UK.</p> <p>The proposed BCR of \$50,000 is consistent with the BCR applicable to a QIF/Exempt Fund Manager (albeit no EBCM is required in the case of an STFM). It is also considered desirable that the BCR applicable to an STFM should not be lower than that applicable to a Category 4 firm.</p> <p>Beyond this minimum capital requirement, an STFM would also be subject to the other prudential requirements generally applicable to Category 3C firms.</p>
<b>Professional Indemnity Insurance (PII) Cover</b>	An STFM would be required to hold PII cover, consistent with the VCFM framework.

Topic	Proposal
<b>Disclosure requirements</b>	An STFM would be required to clearly disclose in offering documents and in all relevant marketing material that it falls within scope of the FSRA's STFM framework and that, as a result, it is not mandatory for it to comply with certain requirements applicable to other Fund Managers.

### Question 6

Do you have any comments on the proposed framework for STFM's?

### Interaction between the proposed STFM framework and the VCFM framework

18. The proposed STFM and the current VCFM framework are broadly similar in the sense that both apply streamlined regulatory requirements to Fund Managers of smaller Funds. However, there are some differences in the eligibility criteria and in the requirements applied to Managers under the two frameworks. In that context, a key question to be considered is the interaction between the proposed STFM framework and the VCFM framework.
19. The FSRA considers that certain dispensations currently available to VCFMs should continue to apply to such Managers, given the specific nature of the VC ecosystem. For example, as an alternative to having experience in operating a Fund, the SEO of the VCFM and the Licensed Director/Partner of the VC Fund are currently permitted to have relevant experience in the target sectors in which the VCFM seeks to invest.<sup>1</sup> On the other hand, for the same reasons as outlined above in respect of STFM's, the FSRA considers it appropriate that a \$50,000 BCR should also apply to VCFMs, alongside the other prudential requirements generally applicable to Category 3C firms.
20. In terms of the interaction between the VCFM and STFM frameworks, the FSRA notes that one option would be to maintain two distinct frameworks. However, as operating two distinct, but broadly similar, frameworks in parallel would add complexity to its framework, the FSRA instead proposes that VCFMs would become a sub-category of STFM and would be generally subject to the STFM framework, including the \$50,000 BCR. Under this approach, VCFMs would be permitted to launch Funds investing in VC investments only but would be permitted to manage

<sup>1</sup> [Guidance – Regulatory Framework for Fund Managers of Venture Capital Funds \(VER03.181223\).pdf](#)

up to \$200 million in commitments. Other than the cap on FSRA fees currently applied to certain VCFMs under FEES 3.2.3, any additional dispensations to be applied to VCFMs (beyond those to be made available to other STFM) would be applied via Guidance/operational practice.

#### Question 7

Do you have any comments on the proposed interaction between the proposed STFM framework and the current VCFM framework? Do you agree with the FSRA's proposed approach?

#### Targeted amendments to the VCFM framework

21. Finally, the FSRA notes that there are certain ambiguities in the current VCFM framework that it proposes to address. In particular:
  - a. The current VCFM framework is ambiguous as to whether the \$100 million total subscription limit applies at Fund or Fund Manager level. To avoid arbitrage, it is proposed to clarify that the limit applies across all Funds managed by that Manager. As outlined above, the applicable limit would become \$200 million Committed Capital across all Funds (Domestic and Foreign; and
  - b. The current framework allows a VCFM to manage a Feeder Fund in a Master/Feeder structure. Permitting a VCFM to manage a Feeder Fund runs contrary to the intention of building up the VC ecosystem within ADGM. It is therefore proposed to amend relevant Rules/Guidance to make clear that a VCFM in ADGM must manage the Master Fund in a Master/Feeder structure, not just a Feeder Fund.

#### Question 8

Do you agree with the proposed targeted amendments to the VCFM framework?

### **Section B: Streamlined regulatory framework for Managers of Funds targeting institutional investors**

22. The FSRA proposes that a streamlined regulatory framework be introduced for Fund Managers managing Funds targeting exclusively institutional investors. These Institutional Fund Managers ("IFMs") would be permitted to manage QIFs (or equivalent Foreign Funds) with a minimum subscription amount of \$5 million and with no natural person unitholders. The proposal is aimed at applicants primarily

seeking to target sovereign wealth funds or other similar institutional investors. The FSRA considers that the proposal would enhance the proportionality of the FSRA's regulatory framework, considering the lower risk profile of such Fund Managers. The paragraphs below outline the eligibility criteria for the proposed framework, together with the key dispensations to be granted to IFMs under the framework (see **Attachment 1** for an overview).

### **Proposed Eligibility Criteria**

23. It is proposed that a Fund Manager would need to meet the following eligibility criteria to fall within scope of the IFM framework:
  - a. Manages only QIFs or equivalent Foreign Funds (with a minimum subscription amount of \$5 million); and
  - b. Funds managed by the IFM must not have natural persons as unitholders.
24. Manages only QIFs or equivalent Foreign Funds (with a minimum subscription amount of \$5 million): this criterion limits the risk associated with applying a lighter-touch regulatory regime, given the sophisticated nature of the investors targeted by such Funds. The FSRA proposes a minimum subscription amount of \$5 million is a suitable proxy for an institutional investment. This minimum subscription amount would not apply to QIFs more generally; only to QIFs managed by an IFM.
25. Funds managed by the IFM must not have Natural Persons as Unitholders: combined with a minimum subscription amount of \$5 million, the FSRA considers that imposing this requirement as an operating restriction on IFMs makes it more likely that the Fund targets exclusively institutional investors rather than high-net worth individuals. This restriction would not apply to QIFs more generally, but rather just to QIFs managed by an IFM.

#### **Question 9**

Do you agree with the proposal to introduce a streamlined regulatory framework for IFMs?

#### **Question 10**

Do you agree with the proposed eligibility criteria for IFMs? Is the proposed minimum subscription amount of \$5 million appropriate in the context of a Fund targeting exclusively institutional investors?

### Proposed Framework for IFMs

26. It is proposed that IFMs would be granted certain dispensations and would be able to avail of a more streamlined authorisation process similar to that currently applied to VCFMs. Like VCFMs (and STFM), an IFM would still be required to comply with all other requirements generally applicable to the Manager of a QIF. The table below highlights the key aspects of the IFM framework.

Topic	Proposal
<b>Regulatory Permissions</b>	Managing a Collective Investment Fund
<b>Approved Persons and governance and control requirements</b>	<p>Not mandatory to appoint a Finance Officer or establish an internal audit function (consistent with the current VCFM and the proposed STFM frameworks).</p> <p>It is proposed that the SEO would be made explicitly responsible for compliance with prudential requirements where a Finance Officer is not appointed.</p>
<b>Capital Requirements and Financial Resources</b>	<p>It is proposed that an IFM would be subject to a minimum capital requirement equal to the higher of a BCR of <b>\$50,000</b> and an <b>EBCM of 6/52 of AAE</b> (i.e., approximately 50% of the EBCM applicable to 'full scope' Fund Managers).</p> <p>An IFM would also be required to comply with the prudential requirements generally applicable to Category 3C firms, apart from the requirement to hold PII cover (see below).</p> <p>Compared to 'full scope' Fund Managers, a lower capital requirement is considered appropriate for IFMs as, given the limited number of institutional investors typically investing in such Funds, replacing the Fund Manager in the event of Manager insolvency should be less onerous.</p> <p>On the other hand, a higher capital requirement than that proposed to be applied to STFM is considered appropriate for IFMs given the potentially significant size of the Funds managed by such Managers and the fact that IFMs may also</p>

Topic	Proposal
	manage open-ended Funds, which increases the associated liquidity risk.
<b>PII Cover</b>	It is proposed that the requirement to hold PII be removed for IFMs, given the lower risk profile associated with such Managers.

### Transitioning between the IFM and ‘full scope’ framework

27. It is proposed that, subject to meeting the relevant eligibility criteria, a Fund Manager authorised prior to the introduction of the IFM framework would be permitted to opt-in to the framework. Similarly, if an IFM intends to manage Funds that would cause it to no longer meet those eligibility criteria, it would be required to apply to remove the restriction from its FSP in order to become a ‘full scope’ Fund Manager, with the granting of such application being at the FSRA’s discretion.

#### Question 11

Do you have any comments on the proposed framework for IFMs?

#### Question 12

Do you have any comments on the proposed process for transitioning between the IFM and ‘full scope’ Fund Manager frameworks?

### Potential to extend the IFM framework to Investment Managers

28. While not proposing any associated legislative amendments at this stage, the FSRA is of the view that it may be appropriate to extend the exemptions proposed under the IFM framework to a limited subset of investment managers with an FSP for Managing Assets. Such investment managers act only as outsourced investment managers for Fund Managers and do not hold Client Money or Client Assets. As a result, their risk profile from an insolvency perspective is significantly lower than an asset manager that holds Client Assets for individual clients. When establishing in ADGM, such investment managers may typically retain their existing Foreign Funds and foreign domicile of the Fund Manager.
29. Consequently, the FSRA seeks feedback on whether it would be appropriate to extend the IFM framework to investment managers that meet the following criteria:

- a. Provide asset management services to Funds targeting exclusively institutional investors (as described in the IFM framework above); and
- b. Act only on behalf of Fund Managers that are Affiliates.

### Question 13

What is your view on extending the proposed IFM framework to a limited subset of investment managers? Do you agree with the proposed eligibility criteria for such investment managers?

### Section C: Facilitating employee investment in Exempt Funds and QIFs

30. The FSRA notes that, for many Fund Managers, offering employees the opportunity to invest in the Funds they manage is an important mechanism to align employee interests, provide incentives, and promote retention and teamwork. The existence of such employee investment opportunities is generally also viewed positively by third-party investors, as it demonstrates an alignment of interests between investors and senior management.
31. There are several ways in which Fund Managers may provide senior employees with investment opportunities in the Funds that they manage, including by direct investment or by indirect investment in the Fund via a vehicle formed to aggregate employee investments, an employee investment vehicle (“EIV”).
32. The FSRA has received requests from Fund Managers to clarify the status of EIVs and enable their use. Therefore, the FSRA proposes to revise its framework to facilitate employee investment via EIVs. As the FSRA has not received any enquiries in relation to direct investment by employees not able to satisfy Professional Client assessment criteria, its current proposals do not aim to facilitate such direct investment.

### Proposal

33. To facilitate employee investment in Exempt Funds and QIFs via EIVs, it is proposed that:
  - a. a specific exclusion be included in Chapter 2 of FUNDS to clarify that an EIV is not an arrangement that constitutes a Fund;
  - b. EIVs be exempted from the minimum subscription requirements applicable to Exempt Funds and QIFs;



- c. FUNDS be amended to provide that the Client classification rules in COBS do not apply to EIVs; and
- d. appropriate restrictions be imposed on the type of employee that may participate in the EIV to ensure that participation is limited to employees that possess sufficient investment knowledge (see below).

### **EIV Participant Criteria**

- 34. The FSRA considers that the key conduct risk associated with EIVs is that individuals are able to invest in a private Fund without having to satisfy the key criteria (Professional Client status and minimum subscription amount); these mitigate against inappropriate distribution. The FSRA proposes to address this risk by limiting EIV participation to ‘front office’ staff directly involved in the Fund’s investment process, consistent with industry requests and with the approach taken in benchmarked jurisdictions. It is therefore proposed to permit the following persons to invest via an EIV:
  - a. Employees or Directors of the Fund Manager of the Fund in which the EIV has subscribed (the “**underlying Fund**”); or
  - b. Employees or Directors of an investment manager or investment advisor appointed by the Fund Manager of the underlying Fund to manage the Fund Property or advise on the investment strategy of the underlying Fund.
- 35. All EIV participants would be required, at the time of their investment in the EIV, to be directly involved in the execution of the investment strategy or in providing investment advice to the Fund Manager in respect of the underlying Fund.
- 36. If a Fund Manager admits an employee to an EIV who does not meet the above criteria, the vehicle would cease to qualify as an EIV, meaning that it would no longer be exempted from being considered as a Fund, triggering minimum subscription and Client classification requirements.
- 37. Consistent with the approach taken in benchmarked jurisdictions, it is proposed that, prior to investment, the Fund Manager would be required to disclose the terms of participation in the EIV and details of the underlying Fund to participating employees. In addition, the Fund Manager must be able to demonstrate to the FSRA that each EIV participant possesses relevant knowledge and experience to understand the relevant investment risks. Participating employees would be required to provide written acknowledgment of the risks inherent in investing in an Exempt Fund or QIF as well as the limitations inherent when investing through an EIV.



#### Question 14

Do you agree with the proposal to facilitate investment in Exempt Funds and QIFs by Employee Investment Vehicles?

#### Question 15

Do you agree with the proposed Employee Investment Vehicle participant criteria and the associated proposed obligations on the Fund Manager?

### Section D: Revisions to the Foreign Fund Manager framework

38. Currently, a Foreign Fund Manager (i.e., a Fund Manager not authorised by the FSRA, referred to in this paper as an “**FFM**”) is permitted to manage a Domestic Fund, subject to compliance with certain requirements outlined in Chapter 7 of FUNDS. While the FSRA has limited powers in respect of FFM, the ADGM could suffer reputational impact should a Domestic Fund managed by an FFM fail.
39. Therefore, to manage the risks associated with the FFM framework, to create greater nexus to ADGM, and to ensure that the barriers to entry are appropriate, it is proposed that additional controls outlined below should be applied in respect of FFM.

Proposed Control	Rationale
Allow FFM to manage closed-ended QIFs only.	<p>This limits the risk associated with the FFM framework due to the sophisticated nature of the unitholders in such Funds. Limiting the ability of FFM to manage open-ended Funds reduces the liquidity risk associated with Funds being managed by FFM.</p> <p>Domestic Funds managed by an FFM that are launched prior to the requirement coming into effect would not be made subject to this requirement.</p>
<p>Require Domestic Funds managed by an FFM to appoint a UAE resident individual as a director.</p> <p>This obligation would apply to a Fund</p>	<p>Requiring Domestic Funds to appoint a UAE resident director creates a nexus to/presence in the jurisdiction, which enhances accountability in the event of conduct issues in relation to the Fund.</p>

Proposed Control	Rationale
constituted as either an Investment Company or an Investment Partnership (in the latter case, a director of the General Partner would be required to be UAE resident). <sup>2</sup>	Domestic Funds managed by an FFM that are launched prior to the requirement coming into effect would not be made subject to this requirement.
Require an FFM to appoint an ADGM-based Fund Administrator.	<p>Requiring an FFM to appoint an ADGM-based Fund Administrator would allow the FSRA to more readily access Fund records, including unitholder registers, where the need arises.</p> <p>Currently, the default position under FUNDS 7.1.2 is that an FFM is required to appoint an ADGM-based Fund Administrator. However, the Rule explicitly permits an FFM to appoint an administrator located outside of ADGM if that administrator is acceptable to the FSRA. It is proposed to remove this discretion from the Rules.</p>
Require an FFM to appoint an ADGM-licensed Corporate Service Provider (CSP).	The CSP would act as the FFM's agent in respect of the service of process on the FFM and in respect of the submission of any required filings/reports to the FSRA.
Require the FFM to subject itself to ADGM laws and the jurisdiction of the ADGM Courts so far as they apply to its activities relating to the Domestic Fund.	<p>Currently, FUNDS allows an FFM to either:</p> <p>(1) subject itself to the ADGM laws and the jurisdiction of the ADGM Courts so far as they apply to its activities relating to the Domestic Fund;</p>

<sup>2</sup> A Fund constituted as an Investment Trust must appoint an Authorised Person that has a FSP to Act as the Trustee of an Investment Trust so a nexus to the jurisdiction already exists by virtue of that requirement.

Proposed Control	Rationale
	<p>(2) be subject to the laws and regulations of a Zone 1 jurisdiction or Recognised Jurisdiction as they apply to managing Funds; <u>or</u></p> <p>(3) be subject to laws and regulations that are otherwise, in the opinion of the FSRA, reasonably equivalent to those of ADGM as they apply to the management of Domestic Funds.</p> <p>Removing options (2) and (3) would subject the FFM to the general obligations applicable to Fund Managers under the FSRA's Funds framework.</p> <p>Existing FFMs would not be made subject to this requirement in respect of Funds launched prior to this requirement coming into effect, to the extent that they had not subjected themselves to ADGM laws and the jurisdiction of the ADGM Courts in respect of such Funds.</p>
Prohibit an FFM from operating as a 'host' Fund Manager (i.e., delegating investment management).	<p>Permitting an FFM to operate a 'host' Fund Manager would run contrary to the intention of the above proposals (i.e., to enhance the ability of the FSRA to oversee the activities of FFMs and to manage the risks associated with the regime) as the FSRA would lack any nexus through which it could oversee the investment manager to which asset management activities have been outsourced.</p>

40. While not proposing any specific legislative changes at this stage, the FSRA notes that its consultation paper planned for 2026 will likely include a proposal to streamline the Recognised Jurisdiction and Zone 1 jurisdiction lists, which may affect the FFM framework.
41. Finally, while the above proposals aim to apply additional controls under the FFM framework, it is also proposed to revise FUNDS Rule 7.1.2(1)(b), which requires an FFM to appoint an Eligible Custodian in respect of each Domestic Fund. We propose to give the FSRA discretion to permit an FFM not to appoint an Eligible

Custodian in appropriate cases (e.g., where it is impractical and disproportionate to do so given the nature of the Fund's assets). This would align with the approach taken in respect of FSRA-authorized Fund Managers, reflect existing operational practice and codify modifications previously granted in respect of this requirement.

#### Question 16

Do you agree with the proposed revisions to the Foreign Fund Manager framework?

### Section E: Feedback sought on specialist classes of Fund and private REITs

42. Since activities in ADGM commenced in 2015, the FSRA has introduced several specialist classes of Domestic Fund, most notably Private Credit Funds, ADGM Green Funds and ADGM Climate Transition Funds. It has also introduced a framework for REITs that may be offered by private placement to Professional Clients only (private REITs). As the frameworks for such Funds have now been in place for some time, the FSRA considers it appropriate to review whether such frameworks remain appropriate in the context of both the policy objectives they were designed to achieve and the broader ADGM fund management ecosystem.
43. The FSRA also welcomes feedback on its Funds regulatory framework more generally, noting that it will be proposing additional revisions to its framework in next year's consultation paper.

#### Question 17

Do you have any comments on the FSRA's Private Credit Fund framework? Are any specific changes to the framework merited?

#### Question 18

What is your view on the current scope of investible assets and the related attestation requirements for ADGM Green Funds and ADGM Climate Transition Funds?

#### Question 19

Do you have any comments on the FSRA's private REIT framework?

#### Question 20

Do you have any comments on the FSRA's Fund framework more generally, including on current ADGM Fund vehicles?

### **Section F: Miscellaneous changes**

44. The FSRA proposes a number of miscellaneous changes to COBS, FUNDS and PRU, including amending COBS 8.2.2 to require an MTF that admits to trading Units of a Fund that accepts subscriptions only from Professional Clients to have appropriate systems and controls in place, including controls to restrict trading of Units to Persons that are Professional Clients.

### **Question 21**

Do you have any comments on the proposed miscellaneous amendments?

### **Attachment and Appendices**

The proposed legislative amendments are set out in the following documents.

- **Attachment 1** Overview of proposed STFM and IFM frameworks (compared to ‘full scope’ Fund Manager framework)
- **Appendix 1** Conduct of Business Rulebook (COBS)
- **Appendix 2** Funds Rulebook (FUNDS)
- **Appendix 3** General Rulebook (GEN)
- **Appendix 4** Glossary Rulebook (GLO)
- **Appendix 5** Prudential – Investment, Insurance Intermediation and Banking Rulebook (PRU)

**Attachment 1:** Overview of proposed STFM and IFM frameworks (compared to ‘full scope’ Fund Manager framework)

	<b>‘Full scope’ Fund Manager</b>	<b>Sub-Threshold Fund Manager (STFM) (including VCFMs as a sub-category)</b>	<b>Institutional Fund Manager (IFM)</b>
<b>Purpose</b>	Manage all types of Funds with all types of Clients	Establish a proportionate and risk-based approach to small Fund Managers in broad alignment with benchmarked peers	Establish a proportionate and risk-based approach to Fund Managers managing only QIFs targeting institutional investors
<b>Applicants</b>	All types	Fund Managers of smaller Funds with a lower risk profile and low commitments	Fund Managers targeting institutional investors only
<b>Domestic Funds</b>	Public Funds Exempt Funds QIFs	Exempt Funds and QIFs (closed-ended only)	QIFs
<b>Foreign Funds</b>	All types	Foreign Funds not available to retail clients (closed-ended only)	Foreign Funds equivalent to QIFs
<b>Investors</b>	Depends on the type of Domestic Fund	Professional Clients	Professional Clients (other than natural persons)
<b>Minimum investment</b>	No minimum - Public Fund \$50,000 - Exempt Fund \$500,000 - QIF	\$50,000 – Exempt Fund \$500,000 – QIF	\$5 million
<b>Maximum investment</b>	None	\$200 million committed capital (across multiple Funds)	None

	<b>'Full scope' Fund Manager</b>	<b>Sub-Threshold Fund Manager (STFM) (including VCFMs as a sub-category)</b>	<b>Institutional Fund Manager (IFM)</b>
<b>Fund Asset Limitations</b>	None	None for STFM other than VCFMs. VCFMs are limited to investing in securities or other instruments issued by early-stage companies	None
<b>Key Dispensations</b>			
<b>Authorisation process</b>	Standard authorisation process applies	More streamlined authorisation process compared to 'full scope' Fund Manager	More streamlined authorisation process compared to 'full scope' Fund Manager
<b>Minimum Capital Requirement</b>	Higher of: (1) BCR (\$50,000 for QIF/Exempt Fund Manager and \$150,000 for Public Fund Manager); or (2) EBCM of 13/52 of AAE.	\$50,000 BCR No EBCM	Higher of: (1) \$50,000 BCR; or (2) EBCM of 6/52 of AAE.
<b>Professional Indemnity Insurance (PII)</b>	Required to hold PII under PRU 6.12	Required to hold PII under PRU 6.12	Exempt from requirement to hold PII under PRU 6.12
<b>Mandatory Approved Persons</b>	SEO, Finance Officer, CO and MLRO (GEN 5.5.1)	No mandatory requirement to appoint a Finance Officer	No mandatory requirement to appoint a Finance Officer



	<b>‘Full scope’ Fund Manager</b>	<b>Sub-Threshold Fund Manager (STFM) (including VCFMs as a sub-category)</b>	<b>Institutional Fund Manager (IFM)</b>
<b>Internal Audit</b>	GEN 3.3.13 to 3.3.15 apply	No requirement to establish and maintain internal audit function (i.e., exempt from GEN 3.3.13 – 3.3.15)	No requirement to establish and maintain internal audit function (i.e., exempt from GEN 3.3.13 – 3.3.15)
<b>FSRA Fees</b>	No exemptions	No exemptions for STFM other than VCFMs. For VCFMs, authorisation fees and supervision fees are capped at \$10,000.	No exemptions