



ABU DHABI GLOBAL MARKET  
سوق أبوظبي العالمي

# CONSULTATION PAPER NO. 3 OF 2019

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23 SEPTEMBER 2019

**PROPOSED REVISION OF FEES RULES**

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## INTRODUCTION

### WHY ARE WE ISSUING THIS PAPER?

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1. The Financial Services Regulatory Authority (“**FSRA**”) of Abu Dhabi Global Market (“**ADGM**”) has issued this consultation paper to consult on proposed changes to certain fees for Domestic Funds, Foreign Fund Managers of Domestic Funds, Remote Bodies and Remote Members.
2. The amendments to the FEES Rules proposed within this paper have been drafted to reflect the FSRA’s ongoing and future workload associated with its funds and markets frameworks. Other proposed changes would align the collection of fund-related fees with the calendar year, rather than the anniversary of the launch of the fund. The proposed changes would not affect the amount of, nor the timing of collection of, fees introduced through the recent implementation of the Domestic Funds passporting regime<sup>1</sup>. The FSRA would like to invite comments on the proposed amendments presented in this paper.
3. Unless otherwise defined, capitalised terms used in this paper have the meanings attributed to such terms as contained in the Financial Services and Markets Regulations 2015 (“**FSMR**”) and/or the Glossary (“**GLO**”).

### WHO SHOULD READ THIS PAPER?

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4. This Consultation Paper may be of particular interest to Fund Managers, Remote Members, Remote Bodies, potential applicants and any professional advisors to those persons.

### HOW TO PROVIDE COMMENTS

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5. All comments should be made in writing and sent to the address or the email address specified below. If sending your comments by email, please use the Consultation Paper number in the subject line. If relevant, please identify the organisation you represent when providing your comments.

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<sup>1</sup> “Fund Passporting Rules (FP)” (March 2019, [http://adgm.complinet.com/en/display/display\\_viewall.html?rbid=4503&element\\_id=19535](http://adgm.complinet.com/en/display/display_viewall.html?rbid=4503&element_id=19535))

6. The FSRA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise at the time of submitting those comments. Comments supported by reasoning and evidence will be given more weight by the FSRA.

#### **WHAT HAPPENS NEXT?**

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7. The deadline for providing comments on the proposed framework is **22 October 2019**. After receiving your comments, we shall consider whether any modifications are required to the proposals and the Board of ADGM and the FSRA will then proceed to enact the proposals in their final form.
8. You should not act on these proposals until final rules and guidance are issued by the FSRA. We shall issue a notice on our website when this happens.

#### **COMMENTS TO BE ADDRESSED TO:**

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## BACKGROUND

- The FSRA has, since its launch, set its fees competitively to encourage the establishment of both Fund Managers and Funds in ADGM, as well as to develop capital markets within ADGM. However, following a review of the administrative and supervisory work performed by the FSRA in this area, the FSRA is now proposing to revise current fee levels and introduce some new fees to better reflect the resources required. In addition, it is proposed that annual fees associated with non-passported Domestic Funds will be collected on a calendar year basis in order to reduce the administrative burden imposed upon both Fund Managers and the FSRA.

## PROPOSED AMENDMENTS - FUNDS

- The proposed revisions to the fee structure related to Domestic Funds are summarized in the following table, where new fees are identified in green.

**Table 1** – current and proposed ADGM Domestic Fund and Prospectus related fees (USD)

Type	Fee designation	Public		Exempt / QIF	
		Standalone	Umbrella <sup>1</sup>	Standalone	Umbrella <sup>1</sup>
Initial	Registration <sup>2</sup>	3,000			
	- per additional sub fund if umbrella fund		1,000 <sup>3</sup>		
Annual <sup>4</sup>	Fund/first sub fund	3,000 <sup>5</sup>		2,000	
	- per additional sub fund		1,000 <sup>3</sup>		1,000 <sup>3</sup>
Ad Hoc <sup>6</sup>	Prospectus amendment	3,000			

### Notes

- The proposed fee for an Umbrella Fund will also cover the first sub fund.
- Payable in accordance with FUNDS Rule 9.3.2(1)(b) whether an application for registration is successful or not.
- For second and subsequent sub funds in an Umbrella Fund.
- Pro-rated for the period up to end of first calendar year, and thereafter payable at the beginning of each subsequent calendar year.
- Effectively includes the existing annual “refresh” fee for a prospectus (FUNDS Rule 9.4.1(4)), currently levied as a standalone item.
- The ad hoc prospectus fee would be payable upon the compulsory issuance of a Replacement Prospectus triggered by changes to the activities of a Public Fund which would render the existing Prospectus materially inaccurate prior to its expiry (FUNDS Rule 9.3.1(3)).

### **Public Funds**

3. The proposals contained in Table 1 would not result in any fee increases at the time of registration of a Public Fund. Annual fees of \$3,000 per annum for each Domestic Public Fund (including the first sub fund of a Public Umbrella Fund, where applicable) would be introduced, along with a fee of \$1,000 per annum for the second and subsequent sub funds of the Umbrella Fund. The proposed prospectus amendment fee of \$3,000 would only be due when the FSRA would have to review out-of-cycle, material amendments that necessitated the reissuance of a filed prospectus.

### **Exempt Funds / QIFs**

4. A \$2,000 annual fee would be introduced for each Domestic Exempt / Qualified Investor Fund. Additionally, in the case of a Domestic Exempt / Qualified Investor Fund that is an Umbrella Fund, the second and subsequent sub funds would each attract incremental annual fees of \$1,000.

### **Timing of fee collection**

5. The proposals also include a change to the timing of fee collection. Registration fees for Public Funds will continue to be due at the time of submission of an application for registration by the FSRA. Annual fees will also be due at the time of registration of Public Funds and notification of Exempt / Qualified Investor Funds, but will be pro-rated for the remaining period of the first calendar year of operation, with annual fees to be collected on 1 January of each subsequent year.

### **Treatment of existing Funds**

6. There are currently a number of existing Exempt / Qualified Investor Funds that are not subject to annual fees. It is proposed to waive the imposition of annual fees for all Exempt / Qualified Investor Funds in existence at the time of implementation of the proposed rule changes until the annual period commencing on 1 January 2021, in order to provide an orderly transition period for the Fund Managers in question.

## **Passported Funds**

7. With the exception of fees charged in relation to the ad hoc replacement of a Public Fund Prospectus, in accordance with FUNDS Rule 9.3.1(3), the fees proposed in Table 1 above will not apply if a Domestic Fund is registered in accordance with the Fund Passporting Rules. The timing of collection of initial and annual passporting fees will remain unchanged by the proposed amendments, with all annual passporting fees continuing to be due upon the anniversary of the registration of a FUND in accordance with the Fund Passporting Rules.

## **Foreign Fund Managers**

8. Foreign Fund Managers may, at the discretion of the FSRA, establish and manage Domestic Funds. The mandatory notification to the FSRA by a Foreign Fund Manager of its intention to manage a Domestic Fund currently has no fee associated with it, despite such notification triggering a substantive review by the FSRA of the credentials and standing of the Foreign Fund Manager with other regulatory authorities.
9. The FSRA proposes introducing a new notification fee of \$5,000 for Foreign Fund Managers seeking to establish and manage Domestic Funds in order to reflect the work undertaken by the FSRA when reviewing such notifications.

## **PROPOSED AMENDMENTS – REMOTE BODIES, REMOTE MEMBERS AND STRUCTURED PRODUCTS**

10. Reflecting the work involved in granting a Recognition Order and undertaking appropriate supervision, the FSRA is proposing that the application fee for a prospective Remote Body be increased from \$5,000 to \$10,000 and that an application fee of \$1,000 be introduced for prospective Remote Member applicants.
11. Both Remote Bodies and Remote Members would be subject to an annual recognition fee of \$1,000. Annual fees would be due immediately after the approval of an application, prorated for the remaining period of the first year operation and thereafter due on 1 January of each subsequent year.

## Structured Products

12. Additionally, the FSRA proposes that a filing fee of \$10,000 be introduced in relation to a Prospectus for a Structured Product. This is consistent with the filing fees levied in connection with the review and filing of a prospectus prepared for the offer of Debentures, Certificates over Debentures or Warrants over Debentures.

### ISSUES FOR CONSIDERATION

- Q1. DO YOU HAVE ANY COMMENTS ON THE PROPOSALS FOR THE REVISION OF EXISTING FEES OR THE INTRODUCTION OF NEW ONES?
- Q2. IS THE COLLECTION OF AN ANNUAL FEE AT THE START OF EACH CALENDAR YEAR PREFERABLE TO ITS COLLECTION ON THE ANNIVERSARY OF EACH FUND'S LAUNCH?