

Alternative Investment Funds (AIF) are licensed by the MFSA under the Investment Services Act.

LICENSE REQUIREMENT

The establishment and operation of an AIF requires a category 2 license or more under the Investment Services Act.

LEGAL FORM

An AIF may be incorporated as a:

- Investment company with an open-ended or closed-ended variable share capital (SICAV)
- Investment company with a fixed share capital (INVCO)
- A mutual fund
- Limited Partnership or partnership en Commandite
- Unit Trust

Moreover, an AIF may also take the form of a multi-class fund whereby you have a single fund with multiple share classes, or an umbrella fund which has several sub-funds and share classes.

TARGET INVESTORS

An AIF may only target investors qualified as Qualifying or Professional based on the following criteria:

Qualifying

1. A minimum of €100,000 or its currency equivalent must be invested in the AIF and may not be reduced at any time.
2. Provide a declaration in writing to the AIF Manager, indicating cognisance and acceptance of the risks associated with the investment.

Professional

1. As described by Annex II of Directive 2004/39/EC.

KEY REQUIREMENTS

1. Fund Manager – The AIF may be self-managed (carried out internally) or through the appointment of an AIFM management company.
2. Auditor – approved by the MFSA
3. Money Laundering Reporting Officer – A role required in order to be compliant in all AML/CFT obligations.
4. Compliance Officer – handling all internal compliance and adherence to the obligations and requirements set by the MFSA
5. Custodian - A single local and independent custodian is required for Assets under management.
6. Offering Documents – The MFSA must approve the established investment objectives, policies, restrictions as well as any potential risk factors within the offering documents of an AIF.
7. Shareholders, directors and key personnel within the AIF must go through a PQ process to establish fit and properness and be approved by the MFSA.

CAPITAL REQUIREMENTS

A minimum share capital of €300,000 is required for a self-managed AIF. No minimum capital requirements apply for AIFs managed by AIFMs.

LISTINGS

An AIF may apply for listing on the Malta Stock Exchange

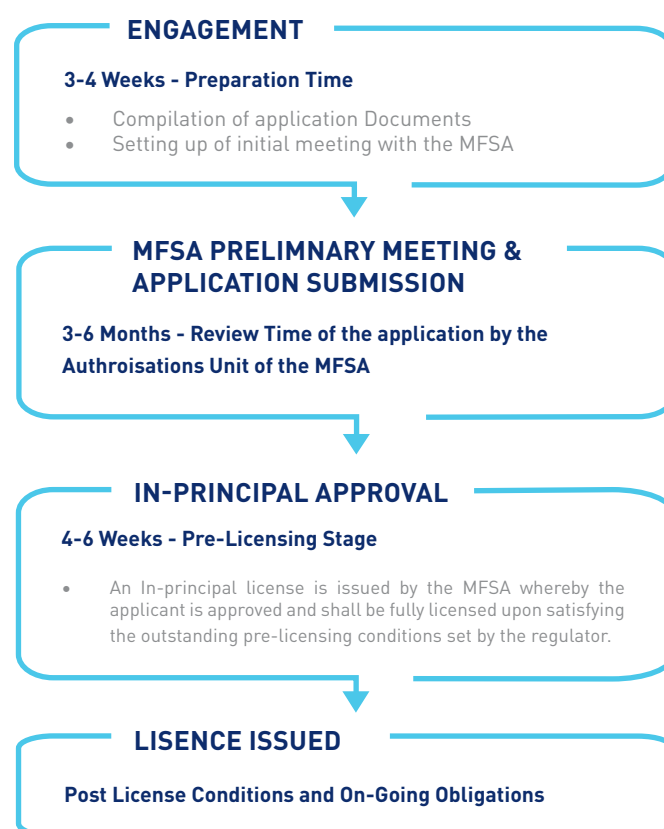
TAXATION

AIFs are exempt from income and capital gains tax (excluding investment in immovable property).

PASSPORTING

AIFs benefit from passporting rights to other EU countries.

LICENSE APPLICATION PROCESS



| | Application Fee | Annual Supervisory Fee |
|----------------------------------------------------------------|-----------------|------------------------|
| At Fund Level | €2,000 | €2,000 |
| Per sub-Fund (up to 15) | €1,000 | €600 |
| Incorporated Cells of RICC's (per Incorporated Cell) | €1,000 | €600 |

For more information on Alternative Investment Funds, please contact Denia Ellul on dellul@arqgroup.com. ARQ Group offers a number of complementary services including corporate structures, tax advice, residency & citizenship, compliance, legal service and accounting.