

**Notified Alternative Investment Funds (NAIF) are fully compliant AIFs and are included in the List of Notified AIFs by a licensed AIFMD.**

## LEGAL FORM

A NAIF 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)
- An Incorporated Cell Company of a SICAV ICC
- A Contractual Fund
- An Incorporated Cell of a Recognised Incorporated Cell Company (RICC)

Moreover, a NAIF 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

A NAIF may only target investors qualified as Qualifying or Professional based on the following criteria:

### Qualifying

- Invest a minimum of €100,000 or its currency equivalent in the NAIF;
- Declare in writing to the AIFM and the NAIF that they are aware and accept the risks associated with the proposed investment; and
- Satisfy at least one of the following:
  - a. 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;
  - b. An unincorporated body of persons or association which has net assets in excess of €750,000 or the currency equivalent;
  - c. A trust where the net value of the trust's assets is in excess of €750,000 or the currency equivalent;
  - d. An individual whose net worth or joint net worth with that of the person's spouse, exceeds €750,000 or the currency equivalent; or
  - e. A senior employee or director of a service provider to the NAIF.

### Professional

Professional investors are clients who possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks associated with such decisions. Clients are deemed to be professional investors if they satisfy and comply with the criteria stipulated in Annex II of MiFID.

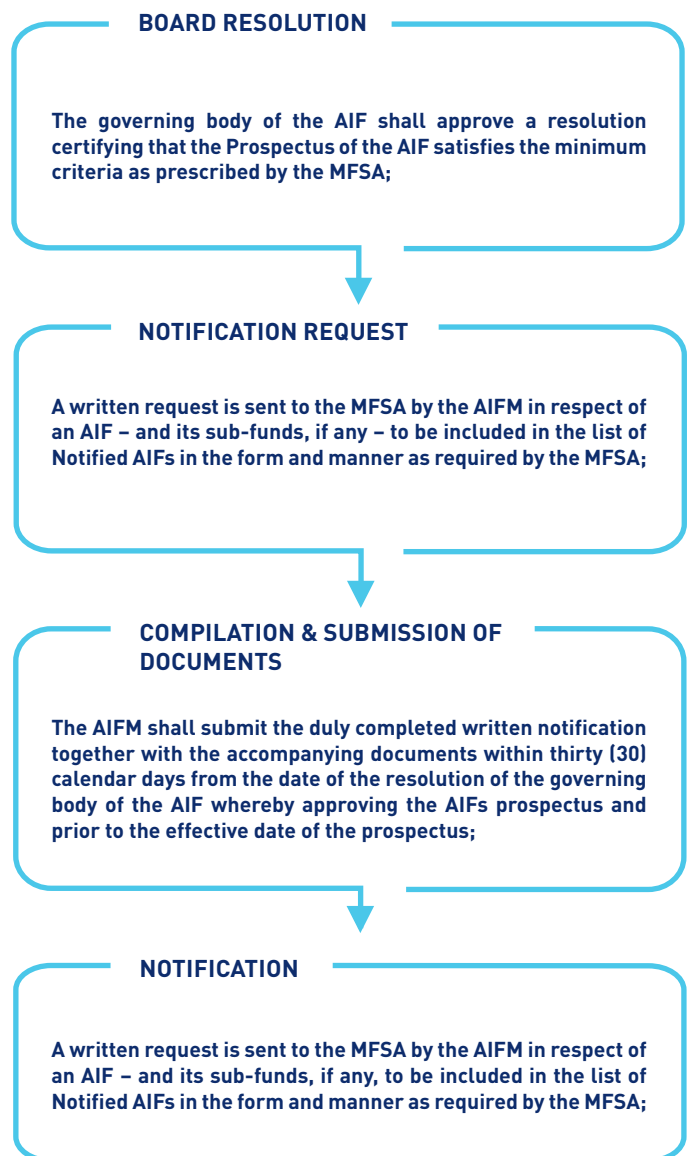
## NOTIFICATION REQUIREMENTS

The main difference between NAIFs and AIFs lies in the fact that NAIFs require a notification process with the MFSA and not a formal 3-phase licensing process, similar to that of an AIF

## INVESTMENT POLICIES AND RESTRICTIONS

NAIFs are generally not subject to any investment restrictions on their investment powers other than those which may be established by the AIFM and set out in the offering documents. A NAIF can be established in respect of AIFs investing in financial instruments, and certain non-financial instruments including real estate, vintage cars, works of art, precious metals and antiques (or as determined by the MFSA). However, NAIFs cannot be Self-managed AIFs or loan funds.

## NOTIFICATION PROCESS



For more information on NAIF's, please contact Denia Ellul on [dellul@arqgroup.com](mailto:dellul@arqgroup.com). ARQ Group offers a number of complementary services including corporate structures, tax advice, residency & citizenship, compliance, legal service and accounting.

## SERVICE PROVIDERS

The AIFM is responsible for selecting the service providers of the NAIF and must ensure that each service provider is competent, qualified and capable of providing the services in respect of which it is engaged. The NAIF may appoint service providers as it deems necessary. However, it is obliged to appoint an AIFM, an Administrator, a Depositary, Auditor and an MLRO

### 1. Alternative Investment Fund Manager (“AIFM”)

A NAIF must appoint a Maltese or an EU/EEA AIFM. The principle function of the AIFM is the management of the NAIF. The concept of “management of NAIFs” covers the core activities of portfolio management and risk management. The AIFM is also responsible for the marketing of the units of the NAIF.

The AIFM may also perform additional functions in the course of the management of the NAIFs including administration (legal and fund management accounting, customer inquiries, valuation and pricing including tax returns, regulatory compliance monitoring, maintenance of unit/shareholder register, distribution of income, unit/shares issues and redemptions, contract settlements, record keeping) and other services specifically related to the assets of a NAIF.

In addition to the above functions, an AIFM of a NAIF must ensure that all the service providers appointed by or in respect of the NAIF are fit and proper. The same requirement applies in respect of the members of the governing body appointed by the founder shareholder of the NAIF (if any). Thus, the AIFM is required to carry out due diligence checks on the service providers and the governing body of the NAIF, which must be updated annually.

### 2. Administrator

If the NAIF appoints an Administrator based in Malta, this should be recognised by the MFSA in terms of Article 9A of the Investment Services Act. Where the proposed Administrator is based outside Malta, it should be duly authorised to provide administration services to collective investment schemes in a recognised jurisdiction.

### 3. Depositary

The Depositary appointed for a NAIF must be established in Malta in terms of AIFMD. The Depositary is mainly responsible for safe keeping of assets, cash monitoring and oversight in respect of assets and transactions of the NAIF under custody.

AIFMs and prime brokers cannot also act as depositaries. However, this prohibition is lifted in the case of prime brokers where measures have been taken to functionally and hierarchically separate the prime brokerage from the depositary function and provided that no conflicts of interest arise.

### 4. Auditor

The NAIF must also appoint an Auditor approved by the MFSA. The NAIF must make available to the appointed Auditor, the information and explanations it requires to discharge its responsibilities as an auditor and in order to meet the MFSA's requirements.

### 5. Money Laundering Reporting Officer

The NAIF must appoint an MLRO in order to be compliant in all AML/CFT obligations.

## CAPITAL REQUIREMENTS

No minimum capital requirements apply for NAIFs managed by full-scope AIFMs.

## PASSPORTING

The AIFM can market the NAIF on a cross-border basis in line with the Investment Services Act (Marketing of Alternative Investment Funds) Regulations. The NAIF can be marketed to Professional Investors or as otherwise permitted in the applicable jurisdiction where the AIFM is marketing the NAIF.

|   | Application Fee | Annual Supervisory Fee |
|---|-----------------|------------------------|
| At Fund Level   | €2,000          | €2,000                 |
| Per sub-Fund<br>(up to 15)                                | €1,000          | €600                   |
| Incorporated Cells of<br>RICCs<br>(per Incorporated Cell) | €1,000          | €600                   |

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