

## GLOSSARY TO THE INVESTMENT SERVICES RULES FOR PROFESSIONAL INVESTOR FUNDS

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This Glossary should be read in conjunction with the Investment Services Rules for Professional Investors Funds issued by the MFSA.

### A

- “Act” or “ISA”:** The Investment Services Act, 1994.
- “Administrator”:** A person appointed by the Scheme or its Manager responsible for the provision of administration services to the Scheme.
- “Adviser”:** See “Investment Adviser”.
- “Alternative Investment Fund” or “AIF”** An “Alternative Investment Fund” means a collective investment undertaking, including the investment compartments of which: (a) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC.”
- “Alternative Investment Fund Managers Directive” or “AIFMD”** Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directive 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.

### C

- “Civil Partner”** The term “civil partner” shall mean a partner bound by a civil union or a union of equivalent status in terms of the Civil Unions Act.
- “Civil Union”** The term “civil union” shall mean a civil union or a union of equivalent status in terms of the Civil Unions Act.
- “Collective Investment Scheme” or “CIS”** The term ‘Collective Investment Scheme’ shall have the same meaning as that assigned to it in article 2 of the Act.

<b>“Collective Investment Scheme Licence” or “CIS Licence”</b>	The term ‘Collective Investment Scheme’ shall have the same meaning as that assigned to it in article 2 of the Act.
<b>“Compliance Officer”:</b>	The Compliance Officer is the person appointed by the Scheme or its Manager or Trustee as applicable, responsible for ensuring compliance by the Scheme with its applicable Licence Conditions.
<b>“Constitutional Documents”:</b>	The “Constitutional Document” are the documents constituting a Scheme: in the case of a Scheme set up as an investment company, its Memorandum and Articles of Association, statutory documents, or other instruments of incorporation; in the case of a Scheme set up as a limited partnership the Deed of Partnership contract or partnership agreement; in the case of a Scheme set up as a unit trust the trust deed; and in the case of a Scheme set up as a common contractual fund the Fund Rules.
<b>“Custodian”:</b>	The “Custodian” is the person appointed by the Scheme responsible for safekeeping of the assets of the Scheme and in the case of Professional Investor Funds targeting Experienced Investors for carrying a monitoring function over the activities of the Manager.

## D

<b>“De minimis Fund Manager”</b>	<p>A fund manager which:</p> <ul style="list-style-type: none"><li>(i) either directly or indirectly, through a company with which the fund manager is linked by common management or control, or by a substantive direct or indirect holding, manages portfolios of AIFs whose assets under management, including any assets acquired through use of leverage, in total do not exceed a threshold of EUR 100 million; or</li><li>(ii) either directly or indirectly through a company with which the fund manager is linked by common management or control, or by a substantive direct or indirect holding, manage portfolios of AIFs whose assets under management in total do not exceed a threshold of EUR 500 million when the portfolios of AIFs consist of AIFs that are unleveraged and have no redemption rights exercisable during a period of 5 years following the date of initial investment in each AIF.</li></ul>
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**“De minimis self-managed PIF”**

A de minimis self-managed fund is a fund which:

- (i) either directly or indirectly, through a company with which the fund is linked by common management or control, or by a substantive direct or indirect holding, manages portfolios whose assets under management, including any assets acquired through use of leverage, in total do not exceed a threshold of EUR 100 million; or
- (ii) either directly or indirectly through a company with which the fund is linked by common management or control, or by a substantive direct or indirect holding, manage portfolios whose assets under management in total do not exceed a threshold of EUR 500 million when its portfolio is unleveraged and has no redemption rights exercisable during a period of 5 years following the date of initial investment.

## E

**“EEA State”:**

The term “EEA State” shall have the same meaning as that assigned to it in article 2 of the Act.

**“Experienced Investor Declaration Form”:**

A standard form as per Annex I to Appendix III of Part B of these Rules to be completed by Experienced Investors prior to investing in an Experienced Investor Fund.

**“Experienced Investor Fund”:**

A special class of Professional Investor Funds which may only offer their units to Experienced Investors.

**“Experienced Investor”:**

A person having the expertise, experience and knowledge to be in a position to make his own investment decisions and understand the risks involved. An investor must state the basis on which he satisfies this definition, either

1. by confirming that he is:
  - a. a person who has relevant work experience having at least worked in the financial sector for one year in a professional position or a person who has been active in these type of investments; or
  - b. a person who has reasonable experience in the acquisition and/or disposal of funds of a similar nature or risk profile, or property of the same kind as the

- property, or a substantial part of the property, to which the PIF in question relates; or
- c. a person who has made investments amounting to EUR100,000 or USD100,000 within the past 2 years at an average frequency of 3 per quarter;

OR

2. by providing any other appropriate justification.

A person qualifying as a ‘Professional client’ as defined in this Glossary, automatically qualifies as an experienced investor.

**“Extraordinary Investor Declaration Form”:** A standard form as per Annex III to Appendix III of Part B of these Rules to be completed by Extraordinary Investors prior to investing in an Extraordinary Investor Fund.

**“Extraordinary Investor Fund”:** A special class of Professional Investor Funds which may only offer their units to Extraordinary Investors.

**“Extraordinary Investor”:** A person who meets one or more of the following criteria:

1. a body corporate, which has net assets in excess of EUR7.5 million or USD7.5 million or which is part of a group which has net assets in excess of EUR7.5 million or USD7.5 million (or equivalent in another currency);
2. an unincorporated body of persons or association which has net assets in excess of EUR7.5 million or USD7.5million (or equivalent in another currency);
3. a trust where the net value of the trust’s assets is in excess of EUR7.5 million or USD7.5million (or equivalent in another currency);
4. an individual whose net worth or joint net worth with that person’s spouse or civil partner, exceeds EUR7.5 million or USD7.5million (or equivalent in another currency);
5. a senior employee or Director of service providers to the PIF;
6. the investor qualifies as a PIF promoted to Extraordinary Investors;
7. an entity (body corporate or partnership) wholly owned by persons or entities satisfying any of the criteria listed above which is used as an investment vehicle by such persons or entities.

## F

<b>“FATF Blacklisted country”:</b>	A country which appears on the FATF list of blacklisted countries.
<b>“FATF”:</b>	Financial Action Task Force.
<b>“Feeder Fund”:</b>	A Scheme which invests at least 85% of its assets in one Scheme or in one Sub-Fund of an Umbrella Scheme.
<b>“Fund of Hedge Funds”:</b>	A Scheme which invests at least 50% of its assets in Hedge Funds.

## H

<b>“Hedge Fund”:</b>	A Scheme that pools investors' investors' money and invest those funds in financial instruments in an effort to make a positive return in all kinds of markets by pursuing leveraging and other speculative investment practices that may increase the risk of investment loss.
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## I

<b>“Investment Advertisement”:</b>	The term ‘investment advertisement’ shall have the same meaning as that assigned to it in article 2 of the Act.
<b>“Investment Adviser”:</b>	An investment adviser is a person appointed by the Scheme or its Manager responsible for amongst others advising the Scheme or the Manager regarding the investment and re-investment of the assets of the Scheme.
<b>“Investment Committee”:</b>	An internal committee of a Self Managed Scheme appointed by the Board of Directors responsible for the functions outlined in para. 4.4 of Appendix I to Part B of these Rules.
<b>“Investment Services Licence Holder”:</b>	An Investment Services Licence Holder is a person who holds an Investment Services Licence.
<b>“Investment Services Licence”:</b>	The term “Investment Services Licence” shall have the same meaning as that assigned to it in article 2 of the Act.

**“Investment Services Rules for Investment Services Providers”:**

The Investment Services Rules for Investment Services Providers are Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act, 1994 applicable to Investment Services Licence Holders and equivalent authorised persons.

**“Investment Services Rules for Professional Investor Funds” or “Rules”:**

The Investment Services Rules for Professional Investor Funds are Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act which outline the regulatory regime applicable to Professional Investor Funds.

**“Investment Services Rules for Recognised Persons”:**

The Investment Services Rules for Recognised Persons Investment Services Rules issued by the MFSA in terms of the Investment Services Act, 1994 applicable to Recognised Private Collective Investment Schemes, Recognised Fund Administrators and for Recognised Incorporated Cell Companies.

**“Investment Services Rules for Retail Collective Investment Schemes”:**

The Investment Services Rules for Retail Collective Investment Schemes are Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act, 1994 applicable to Retail Collective Investment Schemes.

## L

**“Licence Holder”:**

The term “Licence Holder” shall have the same meaning as that assigned to it in article 2 of the Act.

**“Local Representative”:**

A Local Representative is a person appointed by the Scheme responsible for the following functions:

1. act as point of liaison between the MFSA and the Scheme;
2. receive any instructions from the MFSA;
3. provide any information to the MFSA as may be requested by the MFSA from time to time; and
4. act as the Scheme’s Money Laundering Reporting Officer.

## M

**“Manager”:**

A Manager is person appointed by the Scheme responsible for amongst others the management of the assets of the Scheme.

<b>“Member State”:</b>	The term “Member State” shall mean a Member State of the European Union.
<b>“MFSA”:</b>	The Malta Financial Services Authority.
<b>“MIFID”:</b>	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directive 85/511/EEC and 93/6/EEC and Directive 2000/12/EC of the European parliament and of the Council and repealing Council Directive 93/22/EEC.
<b>“Money Laundering Reporting Officer” or “MLRO”:</b>	The Money Laundering Reporting Officer is a person appointed by the Scheme in terms of Regulation 15 of the Prevention of Money Laundering and Funding of Terrorism Regulations.

## O

<b>“Offering Document”:</b>	A Prospectus or similar document giving details of the Licence Holder.
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## P

<b>“Personal Questionnaire” or “PQ”:</b>	The Personal Questionnaire is prescribed in Schedule C to Part A of the Investment Services Rules for Professional Investor Funds.
<b>“Prime Broker”:</b>	See “Custodian”.
<b>“Professional Investor Fund promoted to Experienced Investors”:</b>	See “Experienced Investor Fund”.
<b>“Professional Client”</b>	<p>A professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. The following should all be regarded as professionals in all investment services and activities and with respect to all the financial instruments mentioned in Schedule 2 to the Investment Services Act, 1994:</p> <ol style="list-style-type: none"><li>Entities which are required to be authorised or regulated</li></ol>

to operate in the financial markets. The list below should be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a Directive, entities authorised or regulated by a Member State without reference to a Directive, and entities authorised or regulated by a non-Member State:

- i. Credit Institutions
  - ii. Investment Firms
  - iii. Other authorised or regulated financial institutions
  - iv. Insurance Companies
  - v. Collective investment schemes and management companies of such schemes
  - vi. Pension funds and management companies of such funds
  - vii. Commodity and commodity derivatives dealers
  - viii. Locals
  - ix. Other institutional investors
- b. Large undertakings meeting two of the following size requirements on a company basis:
- balance sheet total: EUR20,000,000 or USD20,000,000 (or equivalent in another currency);
  - net turnover: EUR40,000,000 or USD40,000,000 (or equivalent in another currency);
  - own funds: EUR2,000,000 or USD2,000,000 (or equivalent in another currency);
- c. National and regional governments, public bodies that manage public debt, Central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB and other similar international organisations.
- d. Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Clients not falling under any of the above categories, including public sector bodies and private individual investors may also be treated as professional clients upon request subject to the



conditions and procedure set out in Section 2 of Part C1 of the Investment Services Rules for Investment Services Providers.

**“Professional Investor Fund promoted to Extraordinary Investors”:**

See “Extraordinary Investor Fund”.

**“Professional Investor Fund promoted to Qualifying Investors”:**

See “Qualifying Investor Fund”.

**“Professional Investor Fund” or “PIF”:**

Professional Investor Funds are a special class of Collective Investment Schemes which fall within the provisions of the Act. Presently there are three classes of Professional Investor Funds as follows:

1. PIFs promoted to Experienced Investors (or Experienced Investor Funds);
2. PIFs promoted to Qualifying Investors (or Qualifying Investor Funds); and
3. PIFs promoted to Extraordinary Investors (or Extraordinary Investor Funds).

## Q

**“Qualifying Investor Declaration Form”:**

A standard form as per Annex II to Appendix III of Part B of these Rules to be completed by Qualifying Investors prior to investing in a Qualifying Investor Fund.

**“Qualifying Investor Fund”:**

A special class of Professional Investor Funds which may only offer their units to Qualifying Investors.

**“Qualifying Investor”:**

A person who meets one or more of the following criteria:

1. a body corporate which has net assets in excess of EUR750,000 or USD750,000 or which is part of a group which has net assets in excess of EUR750,000 or USD750,000 (or equivalent in another currency);
2. an unincorporated body of persons or association which has net assets in excess of EUR750,000 or USD750,000;
3. a trust where the net value of the trust’s assets is in excess of EUR750,000 or USD750,000 (or equivalent in another currency);

4. an individual, or in the case of a body corporate, the majority of its Board of Directors or in the case of a partnership its General Partner who has reasonable experience in the acquisition and/or disposal of :-
  - 4.1 funds of a similar nature or risk profile;
  - 4.2 property of the same kind as the property, or a substantial part of the property, to which the PIF in question relates;
5. an individual whose net worth or joint net worth with that person's spouse or civil partner, exceeds EUR750,000 or USD750,000 (or equivalent in another currency);
6. a senior employee or Director of service providers to the PIF;
7. a relation or close friend of the promoters limited to a total of 10 persons per PIF;
8. an entity with (or which are part of a group with) EUR3.75 million or USD3.75 million (or equivalent in another currency) or more under discretionary management, investing on its own account;
9. the investor qualifies as a PIF promoted to Qualifying or Extraordinary Investors;
10. an entity (body corporate or partnership) wholly owned by persons or entities satisfying any of the criteria listed above which is used as an investment vehicle by such persons or entities.

**“Qualifying Shareholder”:**

A qualifying shareholder is a person who has a Qualifying Shareholding.

**“Qualifying Shareholding”:**

The term “qualifying shareholding” shall have the same meaning as that assigned to it in article 2 of the Act.

## R

**“Recognised Fund Administrator” or “Recognised Administrator”:**

A “recognised fund administrator” is a person who is in possession of a recognition to act as an administrator of a collective investment scheme, in or from Malta, in terms of article 9A of the Act.

**“Recognised Private Collective Investment Scheme”:**

A recognised private collective investment scheme is a scheme in possession of a recognition to act as a Private Collective Investment Scheme in terms of the Investment Services Act (Recognition of Private Collective Investment Schemes) Regulations, 2002.

**“Regulation No 345/2013”** The term “Regulation No 345/2013” shall be understood as referring to Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European Venture Capital Funds.

**“Regulation No 346/2013”** The term “Regulation No 346/2013” shall be understood as referring to Regulation (EU) No. 346/2013 of the European Parliament and of the Council of 17 April 2013 on European Social Entrepreneurship Funds.

**“Retail Collective Investment Scheme” or “Retail CIS”:** A retail collective investment scheme is a Collective Investment Scheme which does not qualify as a Professional Investor Fund which is subject to the Investment Services Rules for Retail Collective Investment Schemes.

## S

**“Scheme”:** See “Collective Investment Scheme”.

**“Self Managed Scheme”:** A self-managed scheme is a scheme which has not appointed a Manager as its designated investment manager responsible for the management of its assets.

**“Side Letter”:** A side-letter is a letter or agreement entered into by the Scheme or its Manager on its behalf, with one or more investors, with the purpose of agreeing particular terms relating to redemption conditions, fees or other matters relevant to an investor’s investment in the Scheme.

**“Spouse”** The term “spouse” includes a partner bound by a civil union or by a union of equivalent status in terms of the Civil Unions Act.

**“Special Purpose Vehicle” or “SPV”:** A special purpose vehicle:

1. set up by the Scheme as part of its investment strategy for the purpose of achieving its investment objectives and
2. owned or controlled via majority shareholding of the voting shares either directly or indirectly by the Scheme; and
3. Having the majority of its directors in common with the Scheme which set it up.

**“Standard Licence Conditions” or “SLC”:**

The Standard Licence Conditions are the standard conditions which apply to a Professional Investor Fund which holds a Collective Investment Scheme Licence and which are contained in Part B of these Rules.

The Standard Licence Conditions for Experienced Investor Funds are set out in Part BI of these Rules, in Part BII as regards Qualifying Investor Funds and in Part BIII as regards Extraordinary Investor Funds.

**“Sub-Funds”:**

The sub-funds are distinct class or classes of Units constituting that Sub-Fund in an Umbrella Scheme to which are allocated assets and liabilities distinct from other assets and liabilities allocated to other sub-funds in the same Umbrella Scheme.

**“Sub-Manager”:**

A person generally appointed by the Manager of the Scheme responsible for the day to day management of part or the entire portfolio of the Scheme.

## T

**“Terms of Reference”:**

The “terms of reference” is a document approved by the Board of Directors of a Self Managed Scheme which regulates the proceedings of the Investment Committee of the Scheme. The Terms of Reference ordinarily includes clauses which cover the following areas:

- Composition of the Investment Committee (including the minimum and maximum number of members)
- Appointment of the members of the investment committee (this section would appoint the members of the Investment Committee and list the names of the members)
- Frequency of meetings
- Quorum
- Role of the Investment Committee
- Record Keeping
- Minutes of the meetings of the committee
- Delegation of day to day management to one or more Portfolio Managers
- Appointment of Investment Committee members and Portfolio Managers subject to MFSA approval
- Responsibilities of Portfolio Managers

- Votes of members of the Investment Committee
- Management of conflicts of interests
- Resignation of members of the Investment Committee
- Procedure for amendments to the Terms of Reference.

**“Trading Company”:** See “Special Purpose Vehicle”.

**“Trustee”:** See “Custodian”.

## U

**“UCITS Directive”:** Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

**“Umbrella Scheme”:** A Collective Investment Scheme which may in terms of its constitutional documents issue classes of shares or units which constitute Sub-Funds.