



Notified Investor Funds

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Introduction

On 22 December 2022, the Malta Financial Services Authority (MFSA) published a consultation document proposing a new framework for Notified Professional Investor Funds (NPIFs). The framework aims to create a lighter, more flexible structure for professional investor funds, complementing existing fund types in Malta and facilitating quicker time to market.

While NPIFs are not licensed by the MFSA, they remain subject to important regulatory and compliance obligations under Maltese law, including Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation.

Regulatory Oversight & AML/CFT Obligations

Although NPIFs follow a notification-based process and are not licensed entities, they are still required to comply with the Prevention of Money Laundering and Funding of Terrorism Regulations (PMLFTR - S.L. 373.01) and the FIAU Implementing Procedures (Parts I & II). As such, NPIFs must maintain:

- ☑ Effective AML/CFT frameworks
- ☑ Ongoing customer due diligence
- ☑ Monitoring and escalation procedures for suspicious activity
- ☑ Regular reviews of the MLRO function and related governance measures

NPIFs must also ensure that any appointed service providers, including administrators and AIFMs, are compliant with local AML/CFT expectations and MFSA's fitness and properness standards.

Due Diligence & Third-Party Oversight

Under the proposed regime, a third-party service provider will be responsible for conducting both initial and ongoing due diligence on the fund, its functionaries, and its structure. This provider must be one of the following:

- ☑ A fund administrator recognised by the MFSA
- ☑ An authorised full-scope AIFM
- ☑ A Corporate Services Provider (CSP) authorised under the Company Service Providers Act and operating above threshold

Due diligence must confirm that the governing body, founder shareholders, service providers, and the appointed MLRO are all fit and proper and meet MFSA expectations.

MLRO Appointment & Compliance Governance

Each NPIF must have a designated MLRO at all times. This function can be carried out by:

- ☒ The fund administrator
- ☒ An officer of the NPIF who has sufficient seniority and authority to fulfil MLRO responsibilities effectively

Additionally, one member of the NPIF's governing body must be a resident of Malta and is responsible for ensuring ongoing regulatory compliance, including submission of an annual compliance certificate to the MFSA. The certificate should confirm that:

- ☒ AML/CFT measures are operational and tested
- ☒ Governance frameworks remain effective

Key risk areas are actively monitored

Operational Safeguards

NPIFs are not required to appoint a custodian, but they must implement adequate asset safekeeping arrangements. These arrangements must be disclosed in the notification submission and outlined clearly in the offering documents.

Professional Disclaimer

While NPIFs benefit from reduced regulatory costs and faster time to market, they still carry serious compliance responsibilities. Promoters are strongly encouraged to seek legal and compliance advice before proceeding with the setup of an NPIF, especially regarding AML/CFT compliance and governance structures.

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