

**SECOND SUPPLEMENT TO THE GIBRALTAR  
GAZETTE**

**No. 4385 of 27 July, 2017**

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LEGAL NOTICE NO. 153 OF 2017.

**FINANCIAL SERVICES (INVESTMENT AND FIDUCIARY  
SERVICES) ACT**

**FINANCIAL SERVICES (COLLECTIVE INVESTMENT SCHEMES)  
ACT 2011**

**INTERPRETATION AND GENERAL CLAUSES ACT**

**FINANCIAL SERVICES (COLLECTIVE INVESTMENT SCHEMES)  
(AMENDMENT) REGULATIONS 2017**

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1. Title and commencement.
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4. Amendment of the Financial Services Commission (Fees) Regulations 2016.

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SERVICES) ACT**

**FINANCIAL SERVICES (COLLECTIVE INVESTMENT SCHEMES)  
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**FINANCIAL SERVICES (COLLECTIVE INVESTMENT SCHEMES)  
(AMENDMENT) REGULATIONS 2017**

In exercise of the powers conferred upon the Minister by sections 7, 53 and 54 of the Financial Services (Collective Investment Schemes) Act 2011 and sections 5, 53 and 56 of the Financial Services (Investment and Fiduciary Services) Act, as read with section 23(g)(i) of the Interpretation and General Clauses Act, and in order to transpose provisions of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and related matters, the Minister has made the following Regulations—

**Title and commencement.**

1.(1) These regulations may be cited as the Financial Services (Collective Investment Schemes) (Amendment) Regulations 2017.

(2) These regulations come into operation on the day of publication in the Gazette.

**Amendment of the Financial Services (Collective Investment Schemes) Regulations 2011.**

2.(1) The Financial Services (Collective Investment Schemes) Regulations 2011 are amended as follows.

(2) After Part XI insert—

**“PART XIA  
SMALL SCHEME MANAGERS**

**Scope of this Part.**

111A.(1) This Part provides for the authorisation and conduct of small scheme managers.

(2) This Part does not apply to management companies.

**Interpretation.**

111B. In this Part—

“AIFM Regulations” means the Financial Services (Alternative Investment Fund Managers) Regulations 2013;

“managed scheme” means a collective investment scheme managed by a small scheme manager;

“small scheme manager” means a legal person which is—

- (a) a small AIFM and an external AIFM, both within the meaning of the AIFM Regulations; and
- (b) authorised as a small scheme manager in accordance with regulation 111D.

*Authorisation*

**Applications for authorisation.**

111C.(1) An application for authorisation as a small scheme manager shall—

- (a) be made to the Authority in the form and manner that it may direct; and
- (b) contain or be supported by any information that the Authority may require for the purpose of determining the application.

(2) Without limiting sub-regulation (1)(b), the information to be provided under that sub-regulation by an applicant shall include the identity of any AIF (within the meaning of the AIFM Regulations) managed by the applicant and its investment strategy.

(3) While the Authority's decision in respect of an application is pending, the applicant shall give prompt written notice to the Authority of—

- (a) any alteration proposed by the applicant to the information it supplied to the Authority in relation to the application; or
- (b) the occurrence of any event which the applicant knows affects or may affect that information in any material respect.

**Grant of authorisation.**

111D.(1) The Authority may grant an authorisation under section 27 of the Act to a small scheme manager if the Authority is satisfied that the following conditions are met—

- (a) the small scheme manager is a legal person, the head office and registered office of which are in Gibraltar;
- (b) the small scheme manager will at all times—
  - (i) have the necessary resources and procedures for the proper performance of its business activities;
  - (ii) be able to meet its liabilities as they fall due and will maintain sufficient financial resources to ensure that its business can be wound down in an orderly manner;
- (c) at least two of the individuals who will conduct the business of the small scheme manager are ordinarily resident in Gibraltar;
- (d) the individuals who will conduct the business of the small scheme manager are—

- (i) fit and proper persons with respect to the activity of managing collective investment schemes; and
- (ii) sufficiently experienced in relation to schemes of the type which the small scheme manager manages or proposes to manage and the assets in which those schemes are or will be invested; and
- (e) the identity of any shareholders or members that have qualifying holdings in the small scheme manager, whether direct or indirect, have been disclosed to the Authority and it is satisfied that those shareholders or members are suitable, having regard to the need to ensure the sound and prudent management of the small scheme manager.

(2) The minimum level of the financial resources required under sub-regulation (1)(b)(ii) is £15,000.

(3) In applying for authorisation, an applicant shall make an assessment of what its financial resources should be in order to satisfy the requirement in sub-regulation (1)(b)(ii) (subject to the minimum £15,000 requirement) and propose this amount to the Authority during the application process.

(4) In granting an authorisation the Authority may require a small scheme manager to maintain financial resources at a level which is higher than—

- (a) the minimum amount specified in sub-regulation (2);  
or
- (b) the amount derived from the small scheme manager's assessment under sub-regulation (3).

(5) For the purposes of sub-regulation (1) “qualifying holding” has the meaning given in regulation 2(1), but as if the references in that regulation to “management company” were references to “small scheme manager”.

*Operating conditions*

**Ongoing authorisation conditions.**

111E.(1) A small scheme manager shall at all times comply with this regulation, regulations 111F to 111K and the authorisation conditions in regulation 111D.

(2) Without limiting section 30 of the Act, in granting an authorisation in accordance with this Part, the Authority may impose any conditions which it thinks appropriate to ensure that a small scheme manager complies with its obligations under sub-regulation (1) and may, at any time, vary or revoke any condition so imposed.

(3) A small scheme manager shall from time to time, provide the Authority with information on—

- (a) the main instruments in which each of its managed schemes are trading;
- (b) the principal exposures and most important concentrations of the schemes that it manages.

(4) Any information provided under sub-regulation (3) must be sufficient to enable the Authority to monitor systemic risk effectively and, in providing that information, a small scheme manager must comply with the requirements of Commission Delegated Regulation (EU) No 231/2013 and have regard to any relevant guidance issued by the Authority.

(5) If there is a material change to any information provided in accordance with sub-regulation (3), the small scheme manager shall notify the Authority in writing of that change—

- (a) in the case of a change planned by the small scheme manager, at least one month before it is implemented; and
- (b) in any other case, immediately after the change occurs.

(6) A small scheme manager must assess regularly (and at least every six months) whether it has the financial resources necessary to comply with regulation 111D(1)(b)(ii) or (4) and, if at any time those resources fall below the level required, the small scheme manager shall–

- (a) notify the Authority of that fact as soon as reasonably practicable; and
- (b) before the end of the period of one month from the date on which the licensee first becomes aware of that fact, submit a realistic recovery plan for the Authority's approval.

(7) If a small scheme manager no longer falls within the definition of a small AIFM under the AIFM Regulations, it shall–

- (a) promptly notify the Authority in writing; and
- (b) within 30 days of ceasing to fall within that definition, apply for authorisation under the Financial Services (Alternative Investment Fund Managers) Regulations 2013.

(8) A person who complies with sub-regulation (7) may continue to act as a small scheme manager until any application made in accordance with sub-regulation (7)(b) has been determined.

**Notifications.**

111F.(1) A small scheme manager shall give written notice to the Authority of–

- (a) any material changes to the conditions for initial authorisation (including, in particular, material changes to the information it was required to supply to the Authority); or
- (b) any event which it knows or suspects may affect such a matter to a material degree.

(2) Without limiting sub-regulation (1), the matters referred to in that sub-regulation include, in particular, any proposal by a small scheme manager to delegate to a third party any function which by virtue of these Regulations is to be undertaken by the small scheme manager.

(3) A small scheme manager shall obtain the consent of the Authority before—

- (a) implementing any alteration of the kind referred to in sub-regulation (1)(a) or (2); or
- (b) taking any action arising from an event of the kind referred to in sub-regulation (1)(b).

(4) If the Authority decides to reject or impose restrictions on a proposed alteration, it shall inform the small scheme manager within one month of receiving the proposal and, subject to sub-regulation (5), an alteration may be implemented if the Authority does not oppose it within that period.

(5) The Authority, by notice to the small scheme manager, may extend the period specified in sub-regulation (4) by up to one month where it considers that doing so is necessary because of the specific circumstances of the case.

(6) The Authority may only authorise a small scheme manager to delegate functions to a third party where the Authority is satisfied that—

- (a) doing so will not—
  - (i) hinder the effective supervision of the small scheme manager; or
  - (ii) prevent the small scheme manager from acting, or its scheme from being managed, in the best interests of investors;
- (b) having regard to the nature of the functions to be delegated, the delegate—



- (i) is qualified and capable of undertaking the functions in question;
  - (ii) if relevant, is subject to appropriate authorisation and regulation; and
  - (iii) does not have interests which may conflict with those of the small scheme manager or investors; and
- (c) the small scheme manager will at any time be able to–
- (i) monitor effectively the activity of the delegate; and
  - (ii) withdraw the delegation with immediate effect when doing so is in the interest of investors.

(7) The liability of a small scheme manager under these Regulations is not affected by the delegation of any functions to third parties.

**General principles.**

111G. A small scheme manager must at all times–

- (a) act honestly and fairly, and conduct its business activities with due skill, care and diligence;
- (b) act in the best interests of its managed schemes, investors in those schemes and the integrity of the market;
- (c) have the resources and procedures necessary for the proper performance of its business activities and use them effectively;
- (d) ensure that relevant individuals are aware of the procedures to be followed for the proper discharge of their functions and responsibilities;

- (e) have clear and documented decision-making procedures and an organisational structure which–
  - (i) allocate functions and responsibilities; and
  - (ii) specify reporting lines;
- (f) have adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the small scheme manager; and
- (g) have effective arrangements for–
  - (i) internal reporting of information at all levels of the small scheme manager; and
  - (ii) providing information to relevant third parties.

**Record Keeping.**

111H.(1) A small scheme manager must at all times maintain records of–

- (a) its business and internal organisation (including, where relevant, any records provided by a scheme's administrator or any provider of safe-keeping functions) including–
  - (i) the main instruments in which its managed schemes are trading, including a breakdown of financial instruments and other assets, the schemes' investment strategies and their geographical and sectoral investment focus;
  - (ii) the markets of which each of its managed schemes is a member or where it actively trades;
  - (iii) the diversification of the portfolios of each of its managed schemes, including their principal exposures and most important concentrations;

- (iv) for each portfolio transaction relating to its managed schemes, a record of information which is sufficient to reconstruct the details of the transaction;
- (b) subscriptions and, where relevant, redemptions of its managed schemes, including information on–
  - (i) the relevant scheme (if there is more than one);
  - (ii) the person giving or transmitting the subscription or redemption;
  - (iii) the person receiving the subscription or redemption;
  - (iv) the type of subscription or redemption;
  - (v) the date and time of the subscription or redemption;
  - (vi) the terms and means of payment;
  - (vii) the date of execution of the subscription or redemption;
  - (viii) the number of units, shares or equivalent amounts subscribed or redeemed;
  - (ix) the subscription or redemption price for each unit, share or, where relevant, the amount of capital committed and paid;
  - (x) the total subscription or redemption value of the units or shares;
  - (xi) the gross value of the subscription or redemption including the charges for subscription or the net amount after charges for redemption.

(2) The records to be maintained under sub-regulation (1)(a)(iv) for each portfolio transaction on an execution venue shall include–

- (a) the name or other designation of the scheme and of the person acting for the account of the scheme;
- (b) the asset and, where relevant, the quantity;
- (c) the type of portfolio transaction;
- (d) the price;
- (e) the date and time of–
  - (i) any transaction and the name or other designation of the person to whom the transaction was transmitted;
  - (ii) any decision to deal and of the execution of any transaction and the name of the person transmitting or executing the order;
- (f) for executed transactions, the counterparty and execution venue identification; and
- (g) for the revoked orders, the reasons for the revocation.

(3) The records to be maintained under sub-regulation (1)(a)(iv) for each portfolio transaction outside of an execution venue shall include–

- (a) the name or other designation of the scheme;
- (b) the legal and other documents that form the basis of the portfolio transaction including, in particular, the agreement as executed; and
- (c) the price.

(4) The records to be maintained under sub-regulation (1)(b) shall be retained for a minimum of five years from the relevant subscription or redemption or for any longer period that the Authority may require.

**Systems and controls.**

111I. A small scheme manager must at all times–

- (a) have systems and procedures that are adequate to safeguard the security, integrity and confidentiality of information, taking account of the nature of the information in question;
- (b) have an adequate business continuity policy aimed at ensuring, in the event of an interruption to its systems and procedures, that–
  - (i) essential data and functions are preserved;
  - (ii) services and activities are maintained; and
  - (iii) where (i) or (ii) is not possible, data and functions are recovered, and services and activities are resumed, in a timely manner;
- (c) have accounting policies and procedures which–
  - (i) comply with all applicable accounting standards and rules; and
  - (ii) enable it to deliver audited financial reports which reflect a true and fair value of its financial position in a timely manner to the Authority, at the request of the Authority;
- (d) comply with all regulatory requirements applicable to the conduct of its business activities, so as to promote the best interests of its managed schemes, the investors in those schemes and the integrity of the market;
- (e) take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage, monitor and (where applicable) disclose them; in order to prevent them from adversely affecting the interests of managed schemes and their

investors and to ensure that its managed schemes are treated fairly;

- (f) treat investors fairly and, in particular, ensure that no investor in a scheme may obtain preferential treatment unless that preferential treatment is disclosed in the scheme's rules, offer document or instruments of incorporation;
- (g) be ultimately responsible for the proper valuation of a managed scheme's assets, and the calculation and publication of their net asset value; and
- (h) monitor and evaluate regularly the adequacy and effectiveness of its systems, internal control mechanisms and arrangements, and take appropriate measures to address any deficiencies.

**Management, valuations and accounts.**

111J.(1). A small scheme manager must at all times ensure that, for each managed scheme—

- (a) the investment strategy, liquidity profile and redemption policy are consistent;
- (b) appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the scheme can be performed in accordance with any relevant law or the scheme's rules, offer document or instruments of incorporation;
- (c) the net asset value per unit or share of the scheme is calculated and disclosed to investors in accordance with any relevant law and the scheme's rules, offer document or instruments of incorporation;
- (d) the valuation procedures used provide—
  - (i) for assets to be valued and the net asset value per unit or share to be calculated at least once a year;

- (ii) in the case of an open-ended scheme, for additional valuations and calculations to be carried out at a frequency which is appropriate to the assets held by the scheme and its issuance and redemption frequency; and
- (iii) in the case of a closed-ended scheme, for the carrying out of additional valuations and calculations to be considered when the scheme's capital increases or decreases and, if not carried out, for the small scheme manager to record the reasons for not having done so;
- (e) the investors are informed of any valuations and calculations, as provided for in the scheme's rules, offer document or instruments of incorporation;
- (f) appropriate due diligence is undertaken in the selection and appointment of counterparties and service providers, taking account of the full range and quality of their services, by–
  - (i) exercising due skill, care and diligence before entering into any agreement; and
  - (ii) by continuing to do so on an ongoing basis after entering into any agreement; and
- (g) an audited annual report for each financial year is made available to the Authority, and provided to investors on request, no later than six months after the end of each financial year.

(2) Sub-regulation (1)(g) does not apply to a managed scheme which by law is exempt from the requirement to prepare audited accounts.

(3) Where a managed scheme is required to make public an annual financial report in accordance with Directive 2004/109/EC only the following additional information needs to be provided to investors on request–

- (a) a balance sheet or statement of assets and liabilities;
- (b) an income and expenditure account for the financial year;
- (c) a report on the activities of the financial year; and
- (d) any material changes in the information listed in regulation 111K(3) during the financial year covered by the report.

(4) The information provided in a report under sub-regulation (1)(g) or (3) shall be—

- (a) prepared in accordance with the accounting standards of the jurisdiction in which the managed scheme is established; and
- (b) audited by one or more persons who are authorised under the law of that jurisdiction to audit accounts in that jurisdiction.

*Information for potential investors*

**Information to potential investors.**

111K.(1) A small scheme manager shall, for any scheme it manages or markets, ensure that a potential investor is provided with the information in sub-regulation (3) in respect of the scheme (and is informed of any material changes to that information) before the potential investor invests in the scheme.

(2) Information provided under sub-regulation (1) must be provided in accordance with the rules, offer document or instruments of incorporation of the relevant managed scheme.

(3) The information that shall be provided to a potential investor in accordance with sub-regulation (1) is—

- (a) a description of the investment strategy and objective of the scheme;



- (b) if applicable, information on where—
  - (i) any master collective investment scheme is established; and
  - (ii) the underlying collective investment schemes are established;
- (c) a description of the types of assets in which the scheme may invest;
- (d) the techniques it may employ and all associated risks;
- (e) any applicable investment restrictions;
- (f) the circumstances in which the scheme may use leverage, including—
  - (i) the types and sources of leverage permitted and the associated risks;
  - (ii) any restrictions on the use of leverage and any collateral and asset re-use arrangements; and
  - (iii) the maximum level of leverage which the small scheme manager is entitled to employ on behalf of the scheme;
- (g) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence or otherwise of any legal instruments providing for the recognition and enforcement of judgements in Gibraltar or the territory where the scheme is established;
- (h) the identity of the small scheme manager, auditor and any other service provider and a description of—

- (i) their respective duties and the investor's rights under the scheme's rules, offer document or instruments of incorporation; and
- (ii) how the safeguarding of assets and monies is managed;
- (i) a description of any delegated management function and of any safe-keeping function, the identity of the delegate and any conflicts of interest that may arise from such delegation;
- (j) a description of the scheme's valuation procedure and, where relevant, the pricing methodology for valuing assets including the methods used in valuing hard-to-value assets;
- (k) a description of the scheme's liquidity risk management, including the redemption rights both in normal and in exceptional circumstances, and the existing redemption arrangements with investors;
- (l) a description of all fees, charges and expenses which are directly or indirectly borne by investors;
- (m) a description of how the small scheme manager ensures a fair treatment of investors and where a preferential right may be granted, fair disclosure of the nature of such rights and disclosure of any related potential conflicts of interest;
- (n) a description of how the small scheme manager ensures the safe-keeping of the assets of its managed schemes and the identity of any entity providing safe-keeping functions;
- (o) the latest audited annual report referred to in regulation 111J(1)(g);
- (p) the procedures and conditions for the issue and sale of units or shares;

- (q) the latest net asset value of the scheme or the latest market price of the unit or share of the scheme or, if it is an initial offer, the initial offer price;
- (r) the latest audited accounts of the scheme, where available; and
- (s) details of how changes can be made to the matters in—
  - (i) paragraph (a);
  - (ii) paragraphs (c) to (f); and
  - (iii) paragraphs (k) and (l).

*Enforcement*

**Application of Part VI of the Act.**

111L.(1) For the purpose of enforcing this Part, the Authority may act in accordance with the provisions of Part VI of the Act, which are to apply with any necessary modifications.

(2) Regulations 111M to 111P apply without limiting this regulation.

**Suspension or revocation of authorisation.**

111M.(1) The Authority may suspend or revoke an authorisation issued to a small scheme manager where—

- (a) the small scheme manager does not make use of the authorisation for 12 consecutive months;
- (b) the small scheme manager requests that the authorisation is revoked;
- (c) the small scheme manager no longer fulfils the conditions under which authorisation was granted;
- (d) the small scheme manager—

- (i) obtained the authorisation by making false statements or by any other irregular means; or
- (ii) has provided false, inaccurate or misleading information to the Authority since the authorisation was granted;
- (e) the small scheme manager has failed to comply with—
  - (i) a condition imposed upon it by the Authority; or
  - (ii) the notification requirements under regulation 111F;
- (f) the individuals who conduct the business of the small scheme manager have ceased to be fit and proper persons to do so;
- (g) the small scheme manager has infringed or is infringing—
  - (i) these Regulations or the Act; or
  - (ii) an enactment which seeks to prevent money laundering or the financing of terrorism;
- (h) the small scheme manager is operating in a manner which, in the opinion of the Authority, is detrimental to the interests of—
  - (i) one or more of its managed schemes;
  - (ii) participants in any of those schemes; or
  - (iii) the public interest; or
- (i) the small scheme manager falls within any case where any other law provides for suspension or revocation of an authorisation granted in accordance with this Part.

(2) A suspension under sub-regulation (1) may be—

- (a) for a specified period;
- (b) until the occurrence of a specified event; or
- (c) until specified conditions are complied with.

(3) In sub-regulation (2) “specified” means specified by the Authority in a decision notice under regulation 111N.

**Procedure for suspension or revocation.**

111N.(1) Before taking action under regulation 111M, the Authority must give the person concerned a warning notice, stating the action proposed and the reasons for it.

(2) Sub-regulation (1) does not apply if the Authority is satisfied that a warning notice-

- (a) cannot be given because of urgency;
- (b) should not be given because of the risk that steps would be taken to undermine the effectiveness of the action to be taken; or
- (c) is superfluous having regard to the need to give notice of legal proceedings or for some other reason.

(3) A warning notice must-

- (a) give the recipient not less than 14 days to make representations; and
- (b) specify a period within which the recipient may decide whether to make oral representations.

(4) The period for making representations may be extended by the Authority.

(5) Sub-regulations (6) and (7) apply where the Authority has-

- (a) issued a warning notice; or

- (b) dispensed with the requirement to give a warning notice in accordance with sub-regulation (2).

(6) After considering any representations made in accordance with sub-regulation (3), the Authority must issue–

- (a) a decision notice stating that the Authority will take the action specified in the warning notice; or
- (b) a discontinuance notice stating that the Authority does not propose to take that action.

(7) Subject to sub-regulation (8), a decision notice takes effect, and the specified action may be taken–

- (a) at the end of the period for bringing an appeal if no appeal is brought; or
- (b) when any appeal is finally determined or withdrawn.

(8) The Authority may apply to the Supreme Court for permission to take action under regulation 111M where a decision notice has not yet taken effect (whether or not a warning notice has been given).

**Publication of enforcement action.**

111O.(1) This regulation applies where the Authority has taken action under this Part in respect of a small scheme manager.

(2) The Authority may publish on its website, and by any other means that it considers appropriate, any sanction that will be imposed upon a person under a decision notice, unless disclosure would–

- (a) seriously jeopardise the financial markets; or
- (b) cause disproportionate damage to the parties involved.

(3) Sub-regulation (2) does not apply while an appeal could be brought or is pending unless the Authority–

- (a) applies to the Supreme Court for permission to publish the decision notice pending an appeal or the outcome of an appeal; and
- (b) is granted that permission by the Supreme Court.

**Appeals.**

111P.(1) A person who is the subject of a decision notice under this Part may appeal against that decision to the Supreme Court.

(2) An appeal under this regulation shall be made within 28 days beginning with the date on which the decision notice is served.

**Transitional arrangements.**

111Q.(1) This regulation applies to a person who—

- (a) is registered under regulation 11 of the AIFM Regulations and was so registered immediately before the day on which this Part comes into operation; and
- (b) is not authorised as a small scheme manager in accordance with this Part.

(2) A person to whom sub-regulation (1) applies may act as a small scheme manager without being authorised in accordance with this Part—

- (a) for six months from the day on which this Part comes into operation; or
- (b) where within three months from that day the person applies for authorisation in accordance with this Part, until the application has been determined.”.

(3) In Regulation 126A(3) for “(other than one imposed by regulations 55 to 72)” substitute “(other than one imposed by regulations 55 to 72 or Part XIA)”.

(4) In Regulation 127, after sub-regulation (d) insert—

“(e) acting as a small scheme manager under Part XIA.”.

(5) In Regulation 128–

- (a) re-number the existing regulation as sub-regulation (1); and
- (b) after sub-regulation (1) insert–

“(2) The following do not constitute the carrying on of the restricted activities in section 7(1)(a) of the Act–

- (a) acting as a manager of a non-UCITS collective investment scheme where–
  - (i) the scheme is a managed scheme within the meaning of Part XIA; and
  - (ii) the manager is authorised as a small scheme manager in accordance with that Part; or
- (b) acting as a manager of a non-UCITS collective investment scheme where the manager is authorised as an alternative investment fund manager in accordance with Part 4 of the Financial Services (Alternative Investment Fund Managers) Regulations 2013.”.

**Amendment of the Financial Services (Alternative Investment Fund Managers) Regulations 2013.**

3.(1) The Financial Services (Alternative Investment Fund Managers) Regulations 2013 are amended as follows.

(2) In Regulation 11–

- (a) for sub-regulation (1) substitute–
  - “(1) Subject to sub-regulations (8) and (9), a small AIFM must comply with this regulation.”; and
- (b) after sub-regulation (7), insert–



- “(8) This regulation does not apply to a small AIFM which is–
- (a) an external AIFM; and
  - (b) authorised as a small scheme manager in accordance with Part XIA of the Financial Services (Collective Investment Schemes) Regulations 2011.
- (9) A small AIFM to which sub-regulation (8) applies, when undertaking any activity of a small scheme manager, must act in accordance with Part XIA of the Financial Services (Collective Investment Schemes) Regulations 2011 and the Financial Services (Collective Investment Schemes) Act 2011.”.

**Amendment of the Financial Services Commission (Fees) Regulations 2016.**

4.(1) The Financial Services Commission (Fees) Regulations 2016 are amended as follows.

- (2) In Schedule 1, in Fee Block B1–
- (a) opposite the entry “Small AIFMs” in column 2, for the entry “Discount applicable” in column 4, substitute–  
  
“Discount applicable  
A discount of £6,885 to be deducted from the Base Fee”;
  - (b) in column 2, below the entry “UCITS Management Company” insert the entry “Small Scheme Manager”; and
  - (c) in column 4, opposite the entry “Small Scheme Manager” inserted by paragraph (b) insert the entry–

**“(Base Fee – Discount applicable) + Additional Fee**

Base Fee

A flat fee of £7,140.

Discount applicable

A discount of £2,500 to be deducted from the Base Fee.

Additional Fee

An additional fee of £300 per AIF managed.”.

- (3) In schedule 2, in Fee block B1–
- (a) in column 2, below the entry “UCITS Management Company” in the second place where it occurs insert the entry “Small Scheme Manager”; and
  - (b) opposite the entry “Small Scheme Manager” inserted by paragraph (a)–
    - (i) in column 3, insert the entry “Application to be authorised”; and
    - (ii) in column 4, insert the entry “3,000”.
  - (c) in column 2, for the entry “Small AIFM (Self-managed AIF)” substitute the entry “Small AIFM”; and
  - (d) in column 2, omit the entry “Small AIFM (Externally managed)” and the entries in columns 3 and 4 opposite that entry.

Dated 27<sup>th</sup> July, 2017.

A J ISOLA,  
Minister with responsibility for financial services.

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**EXPLANATORY MEMORANDUM**

These regulations amend the Financial Services (Collective Investment Schemes) Regulations 2011, to provide for the regulation of small scheme managers (small external managers of alternative investment funds). The regulations also make consequential amendments to the Financial Services (Alternative Investment Fund Managers) Regulations 2013 and the Financial Services Commission (Fees) Regulations 2016.

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