



# Consultation Paper

AFSA-P-CE-2022-0006

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## Proposed Enhancements to the AIFC Asset Management Framework

Unrestricted

October 21, 2022

## Introduction

### *Why are we issuing this Consultation Paper (CP)?*

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to seek suggestions from the market on the proposed Enhancements to the AIFC Asset management Framework.

### *Who should read this CP?*

2. The proposals in this paper will be of interest to current and potential AIFC participants who are interested in asset and fund management activities in or from the AIFC.

### *Terminology*

3. Defined terms have the initial letter of the word capitalised, or of each word in a phrase. Definitions are set out in the Glossary Rules ([GLO](#)). Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

### *What are the next steps?*

4. We invite comments from interested stakeholders on the proposed framework. All comments should be in writing and sent to the address or email specified below. If sending your comments by email, please use “Consultation Paper AFSA-P-CE-2022-0006” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments. The AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.

5. The deadline for providing comments on the proposed framework is **21 November 2022**. Once we receive your comments, we shall consider if any refinements are required to this proposal.

6. AFSA prefers to receive comments by email at [consultation@afsa.kz](mailto:consultation@afsa.kz)

Comments may also be posted to:

Policy and Strategy Division

Astana Financial Services Authority (AFSA)

55/17 Mangilik EI, building C3.2, Kazakhstan

### *Structure of this CP*

Part I - Background;

Part II - Proposals from existing AIFC participants;

Part III - Proposals developed by AFSA;

Part VI – Questions in this consultation paper.

## Part I - Background

1. The Astana Financial Services Authority ("AFSA") intends to enhance the legislative framework governing investment funds in the Astana International Financial Centre (the "AIFC") and activities of the asset and fund managers operating in or from the AIFC.
2. In 2018, the AIFC Collective Investment Scheme Rules (CIS) have been compiled to regulate funds within the AIFC and complement the regulatory framework established by the AIFC Financial Services Framework Regulations and respective AIFC rules in relation to authorisation and supervision of Collective Investment Schemes in the centre.
3. In 2019, the AIFC CIS framework was enhanced to incorporate the following:
  - Listed Funds;
  - Venture Capital and Private Equity Funds;
  - Real Estate Investment Trusts;
  - Foreign Fund Managers and Foreign Funds;
  - Self-managed Funds; and
  - Protected Cell Companies.
4. This Consultation Paper contains proposals from existing AIFC participants stemming from the practical application of the AIFC funds regime and further enhancements developed internally within AFSA.

## Part II – Key Proposals

### A. Limited Partnership as a new form of registration of funds

#### Status quo

5. The AIFC Legal Entities Framework allows a fund to be registered in the form of a Company, including an Investment Company. Investment Companies differ from conventional companies because they can create new shares and redeem existing shares much more easily than traditional companies. An Investment Company must either be an Open-Ended Investment Company or a Closed-Ended Investment Company and must operate for the sole purpose of conducting the business of a Fund.
6. Limited Partnerships may be established in the AIFC for any lawful business, purpose or activity by 2 or more Persons and governed by the AIFC Limited Partnership Regulations and the AIFC Limited Partnership Rules. A Limited Partnership is comprised of a General Partner and Limited Partners. However, the structure of a Limited Partnership is not specified as a fund vehicle in the AIFC legal and regulatory framework and needs further clarity in corporate legislation.

#### Other Relevant Jurisdictions

#### *Abu Dhabi Global Market (ADGM)*

7. As defined in the ADGM Financial Services and Markets Regulations, an investment partnership means, in relation to a Fund, a limited partnership established for the sole purpose of collective investment which is formed and registered under Chapter 24 of the Limited Partnership Act 1907. In accordance with the ADGM Fund Rules, a Fund, if it is a Domestic Fund, is constituted as an Investment Company, Investment Partnership or Investment Trust.

#### *Dubai International Financial Centre (DIFC)*

8. The DIFC regulatory framework for limited partnerships includes the Collective Investment Law and Limited Partnership Law. According to the DFSA Collective Investment Law, domestic funds can be structured as Investment Companies, Investment Partnerships, or Investment Trusts. This provides maximum flexibility and ensures that it is possible to create structures to appeal to the needs and demands of the wider investor base worldwide.
9. DFSA Glossary defines an Investment Partnership as a limited partnership established for the main purpose of collective investment which is formed and registered under the relevant Limited Partnership laws.

#### *Qatar Financial Centre (QFC)*

10. Similar to the DIFC practice, limited partnerships may be established in the QFC under the QFC Partnership Regulations and investment partnerships are governed by the Collective Investment Schemes Rules 2010 made under the Financial Services Regulations. As the market in the QFC is onshore, funds are often established under the Qatar state laws however managed by asset manager in the QFC.
11. According to the QFC CIS Rules, schemes can be established in the QFC using one of the following legal forms:
- collective investment companies: a company incorporated under the Companies Regulations if its articles of association provide that the company is established for the sole purpose of constituting a scheme;
  - collective investment partnerships: a limited partnership registered under the Partnership Regulations if its partnership agreement provides that the partnership is established for the sole purpose of constituting a scheme; or
  - collective investment trusts: an express trust created under the Trust Regulations if its trust instrument provides that the trust is established for the sole purpose of constituting a scheme.

### Proposal

12. Limited Partnerships are widely used collective investment vehicles globally to invest in a broad range of asset classes across the alternative investments space. They are particularly suited for private equity, real estate and infrastructure investment vehicles where the investment tends to be of a longer-term nature with capital often drawn down over a period of years.
13. Based on the analysis of peer jurisdictions, it is proposed to enhance the AIFC Asset Management framework by including a Limited Partnership in the list of entities permitted to operate a CIS.

14. Also, it is necessary to amend the AIFC Limited Partnership Regulations and the AIFC Limited Partnership Rules by application of the CIS Rules to a Limited Partnership which is used for collective investments. Moreover, there are some provisions in the AIFC LP Regulations on notification of a change in registered details and Limited Partnerships accounts, which should be disapplied in relation to the Limited Partnerships used for collective investments.

### Questions

- 1) Do you have any concerns relating to our proposals to include a Limited Partnership in the list of entities permitted to operate a CIS? If so, what are they, and how should they be addressed?
- 2) Do you have any concerns about the way in which we propose to amend the AIFC Limited Partnership Regulations and the AIFC Limited Partnership Rules? If so, what are they, and how should they be addressed?

### B. Limitations on Investments by Real Estate Investment Trusts

#### Status quo

15. The CIS Rules envisage a set of provisions to regulate the Real Estate Investment Trusts (REITs) in the AIFC. As of the date of this paper, there is one REIT registered in the AIFC. According to the CIS Rules:
- a. The REITs are not permitted to invest in property under development.
  - b. A Fund Manager of a REIT must include in the Fund's Offering Materials, among other requirements, the maximum percentage of the REIT's assets (by reference to the REIT's net asset value) that may be deployed for the purposes of property refurbishment, retrofitting and renovation, or a statement that no such activities are permitted.
16. In 2021, the Law of the Republic of Kazakhstan "On Investment and Venture Funds" (Article 37) has been amended to allow the assets of an investment fund to be invested in construction in progress.

### Other Relevant Jurisdictions

#### *Hong Kong*

17. REITs are governed by the Securities and Futures Ordinance and Code on REITS. Under the REIT Code, REITs shall only invest in real estate which shall generally be income generating. A REIT may acquire uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, but the aggregate contract value of such real estate shall not exceed 10% of the total net asset value of the REIT at the time of acquisition. REITs are prohibited from investing in vacant land or engaging or participating in property development activities, to mitigate risks of instability in real estate sector.

*Singapore*

18. A REIT established as a unit trust is regulated as a collective investment scheme under the Securities and Futures Act. According to the Code on Collective Investment Schemes a property fund should not undertake property development activities whether on its own, in a joint venture with others, or by investing in unlisted property development companies, unless the property fund intends to hold the developed property upon completion. For this purpose, property development activities do not include refurbishment, retrofitting and renovations.
19. The total contract value of property development activities undertaken and investments in uncompleted property developments should not exceed 10% of the property fund's deposited property.

*Greece*

20. Greek REITs are special purpose entities, mainly investing in real estate assets and governed by the Greek REIT Law. The law provides for several restrictions on the nature of assets in which a REIT may invest, including that property under development is allowed only to the extent that it is expected to be completed within 36 months from the issuance of the respective building permit or acquisition of property and that the budget remaining cost do not exceed 40% of the value of the property, which will be evaluated once work is completed.
21. The REIT is prohibited from investing in vacant land or engaging in or participating in property development activities.

*Belgium*

22. Under the current Belgian REIT regime, an undertaking investing in real estate can take a several forms. Developments are allowed but primary undertakings cannot be sold within five years of completion.

*Luxembourg*

23. Although Luxembourg has not yet enacted a REIT regime per se, the specialised investment fund (SIF) regime enacted on February 13, 2007, has developed into a specialised property fund regime. A Fund may invest in any (transferable) real estate asset or right, and more particularly in real estate (i.e. lands and buildings) registered in the name of the SIF, participation in real estate companies (including loans to such companies) the exclusive object and purpose of which are the acquisition, development and sale together with the letting and tenanting of real estate, and various long-term real estate-related interests such as rights to ground rents, long-term leases and option rights over real estate investments.

*United Kingdom*

24. The UK REIT was introduced in the UK with effect from January 1, 2007, by the Finance Act 2006. Development by the UK REIT for investment on its own account is permitted,

and any direct (or qualifying indirect) disposals are generally included within the property rental business unless development costs exceed 30% of the acquisition cost (or the property's value at the time of entry to the UK REIT regime if higher), and the property (or the shares in the company holding the property) is sold within three years of completion.

### *DIFC, ADGM and QFC*

25. Regulatory framework for REITs shares some similarities with the AIFC framework, which includes DFSA Collective Investment Scheme Rules, envisaging a set of provisions to regulate the Real Estate Investment Trusts. REITs are a subset of Property Funds, which can be a Public Fund, Exempt Fund or a Qualified Investor Fund.
26. According to the DIFC regime, a Fund Manager of a Public REIT must ensure, that any investment made in respect of property under development whether on its own or in a joint venture is undertaken only where the REIT intends to hold the developed property upon completion. The total contract value of the property under development in must not exceed 30% of the net asset value of the Fund Property of the Public REIT. It should be noted that DFSA would not consider property development activities to include refurbishment, retrofitting and renovation.
27. The same approach is indicated in the ADGM Fund Rules and the QFC Collective Investment Schemes Rules. However, the total contract value of the immovable under development or redevelopment according to the QFC CIS Rules must not exceed 30% of the gross asset value of the REIT.

Table 1 below summarises key finding across jurisdictions:

**Table 1. REITs investing in development projects**

<b>Jurisdiction</b>	<b>Share of the property under development</b>
<b>Belgium</b>	Developments are allowed, but cannot be sold within five years of completion
<b>Hong Kong</b>	Value shall not exceed 10% of the total net asset value of the REIT
<b>Singapore</b>	Should not exceed 10% of the property fund's deposited property
<b>Greece</b>	Property under development is allowed only if it is expected to be completed within 36 months from the issuance of the respective building permit or acquisition of property and that the remaining cost does not exceed 40% of the value of the property, which will be evaluated once works are completed
<b>Luxembourg</b>	A fund may invest into participations in real estate companies the exclusive object and purpose of which are the acquisition, development, and sale together with the letting and tenancing of real estate.
<b>UK</b>	Development by the UK REIT for investment on its own account is permitted, and is generally included within the property rental business unless development costs exceed 30% of the acquisition cost (or the property's value at the time of entry to the UK REIT regime if higher) and the property is sold within three years of completion

<b>DIFC/ADGM</b>	The total contract value of the property under development must not exceed 30% of the <u>net</u> asset value of the fund property of the Public REIT
<b>QFC</b>	The total contract value of the immovable under development or redevelopment must not exceed 30% of the <u>gross</u> asset value of the REIT

## Proposal

28. Based on the results of our analysis it is proposed to allow the REITs to invest in property under development; however, the AFSA is proposing that given the risks of the construction market and the comparison to other jurisdictions, the total contract value of the property under development must not exceed 10% of the net asset value of the fund property.
29. Additionally, to further limit the risks, it is proposed that REITs investing in property under development select such properties that are guaranteed by a relevant state institution or authority or credible banks.

## Questions

- 3) Do you have any concerns relating to our proposal to allow the REITs to invest in property under development? If so, what are they, and how should they be addressed?
- 4) Do you have any concerns about the permitted percentage (10%) of the net asset value, which might be invested in the property under development? If so, what are they, and how should they be addressed?
- 5) Do you have any concerns relating to risk associated with investment in the property under development? If so, what are they, and how should they be addressed?

## C. Recognition of Foreign Fund Managers

### Status quo

30. The enhancements to the AIFC CIS framework in 2019 provided the basis for Foreign Fund Managers to manage Domestic Exempt Funds in the AIFC. The Foreign Fund Manager needs to be authorised by a Financial Services Regulator in a Recognised Jurisdiction or in a jurisdiction that is otherwise acceptable to the AFSA pursuant to Schedule 3 of CIS.

### Proposal

31. For clarification purposes, it is proposed to include the provisions referring to the existing application form for recognition as a Foreign Fund Manager and the relevant fee in AIFC Fees Rules.



## Questions

- 6) Do you have any concerns relating to our proposal to include the clarifying provisions in relation to a Foreign Fund Manager? If so, what are they, and how should they be addressed?

### D. Enhancements to Self-managed Funds provisions

#### Status quo

32. Self-managed Fund is a collective investment scheme in which an external fund manager is not appointed and in such case the board of directors assume the fund management functions. Enhancements to clarify the legal and regulatory requirements for Self-managed Funds were introduced in 2019. It was decided that such funds must be Exempt Funds and established as Investment Companies only. The board of directors must have at least two directors who are individuals or Bodies corporate. A Self-managed Fund is prohibited from managing other Funds.

#### Other Relevant Jurisdictions

##### *DIFC*

33. The AIFC CIS Rules seem to be adopted based on the DIFC regime, where a Director of a Self-Managed Fund must be a corporate body and be licensed. Such fund manager will only be permitted to manage that single fund.
34. A Corporate Director of an Investment Company, which elects to be internally managed, is required to meet all the other requirements that are applicable to an applicant for a Fund Manager's licence, including the capital requirements (in PIB), and the adequate systems and controls requirements (in GEN).
35. However, as such a Corporate Director can only act as the Fund Manager of the Investment Company (and not of any other Funds), the systems and controls requirements would apply proportionately to the nature and scale of the activities of that company. The Corporate Director would need to seek authorisation or reliance on any applicable exemptions for conducting any other activities.

#### Proposal

36. It is proposed to amend CIS by clarifying that the board of directors of a Self-managed Fund must consist of at least 1 corporate director, which will be licensed for carrying on fund management activities in relation to that Fund. The notion of authorising a collective of natural persons, is in our view fraught with supervisory risks of individuals that may come into and out of the jurisdiction of a financial centre and management disputes causing uncertainty in the event of malfeasance as to the persons who were responsible for such actions.

37. Authorisation appears to be required for a person managing a Self-managed Fund, since such fund manager deals with third parties' assets. However, it is proposed to include guidance that systems and controls requirements may apply proportionately to the nature and scale of the activities of the Fund Manager so that there is proportionate approach between the authorisation of a manager of a Self-managed Fund and conventional Fund Manager who may manage several Funds.

## Questions

- 7) Do you have any concerns relating to our proposals to amend CIS by clarifying that the board of directors of a Self-managed Fund must consist of at least 1 corporate director? If so, what are they, and how should they be addressed?
- 8) Do you have any concerns about the way in which we propose to apply the systems and controls requirements? If so, what are they, and how should they be addressed?

## E. Clarifying provisions for Umbrella Funds

### Status quo

38. According to the AIFC Companies Rules, an Umbrella Fund can be formed as a Protected Cell Company (PCC), and any references to the related terms in these Rules are read in relation to that Umbrella Fund.
39. The AIFC Glossary defines an Umbrella Fund as a Fund in which the contributions of the Unitholders in the Fund and the profits or income out of which payments made to them are pooled separately in a number of Sub-Funds constituting separate parts of the Fund Property.

### Other Relevant Jurisdictions

#### *DIFC*

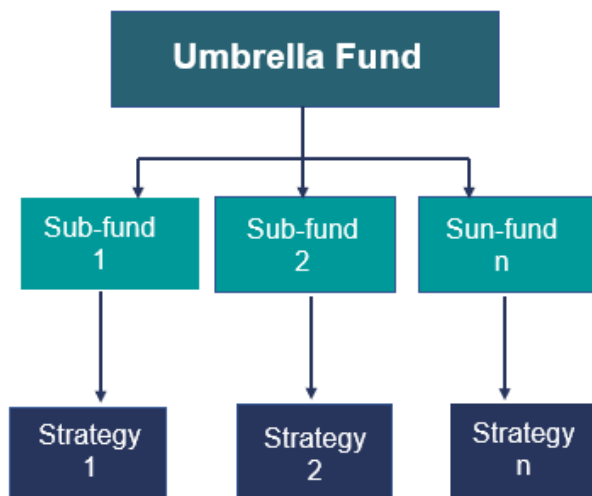
40. According to the DIFC Collective Investment Rules, an Umbrella Fund is prescribed a one of the Specialist Funds, which could be constituted as a PCC, conventional Investment Company, or Investment Trust. An Umbrella Fund using the PCC structure has the benefit of legal segregation of the Fund Property available to each cell of the PCC.
41. Additionally, a Fund Manager of an Umbrella Fund must ensure that none of its Sub-Funds invests in another of its Sub-Funds. Requirements that apply to other Funds apply to Umbrella Funds equally, although there are some Umbrella Fund specific requirements. Key provisions specific to Umbrella Funds are the following:
- Form of an Umbrella Fund;
  - Annual and interim reports;
  - Content of the annual report of an Umbrella Fund;
  - Fund Manager's Report;
  - Investment restrictions applicable to Fund of Funds when investing in a Sub-Fund;
  - Content of a Public Fund Prospectus;
  - Content of a Short Form Prospectus;
  - Transfer schemes Rules; and
  - Winding up.

**ADGM**

42. The ADGM Funds Regime shares some similarities with the DIFC Regime, providing the same definition and other provisions related specifically to an Umbrella Fund.

**Proposal**

43. As can be seen from Figure 1 below, an umbrella fund is a single legal entity holding a range of sub-funds with individual investment strategies, each of which has a separate pool of assets and is treated as an autonomous entity from a regulatory perspective. Such structure allows investors to move from one fund to another at a reduced cost, while allowing for consolidated regulatory and financial reporting.
44. For clarification purposes in relation to Umbrella Funds in the AIFC, it is proposed:
- to introduce an Umbrella Fund (which already exists as a legal structure in AIFC Companies Rules) as a type of Specialist Funds in the CIS 2.4;
  - specify its legal form as a PCC or Investment Company; and
  - add relevant Umbrella Fund specific requirements based on the experience of peer jurisdictions (ADGM, DIFC, QFC).

**Figure 1. Umbrella fund structures****Questions**

- 9) Do you have any concerns relating to our proposals to introduce an Umbrella Fund (which already exists as a legal structure in AIFC Companies Rules) as a type of Specialist Funds in the CIS? If so, what are they, and how should they be addressed?

- 10) Do you have any concerns about the proposed legal form of an Umbrella Fund as a PCC or Investment Company? If so, what are they, and how should they be addressed?
- 11) Do you have any concerns about the way in which we propose to add relevant Umbrella Fund specific requirements? If so, what are they, and how should they be addressed?

## F. Clarifying provisions for Protected Cell Companies (PCCs)

### Status quo

45. PCCs in the AIFC are governed by the AIFC Company Regulations and AIFC Company Rules and are a special type of vehicle created for the purpose of carrying certain financial services. AIFC Insurance and Reinsurance Prudential Rules (PINS) contain a separate chapter for a Captive Insurer in the form of a PCC, including the application of PINS in such case. However, there is no extension of an existing PCC regime in relation to the business of a Fund.

### Other Jurisdictions

#### *DIFC*

46. The DIFC regulatory framework shares some similarities with the AIFC framework. PCCs are governed by the DIFC Companies Law and DIFC Companies Regulations. However, there is a clear provision that PCCs can only be used for the sole purpose of conducting Insurance Business or the business of a Fund.
47. Moreover, an Investment Company can also take the form of a PCC according to the DFSA Collective Investment Rules. And there are references in these rules regarding the Domestic Funds formed as PCCs.

#### *ADGM*

48. Similar to the DIFC regime, the ADGM Fund Rules contain similar provisions related to the Domestic Funds formed as PCCs.

#### *QFC*

49. Similar to the DIFC regime, the QFC Protected Cell companies are governed by the QFC Companies Regulations. The captive regime is designed to allow a PCC to be established to conduct captive insurance business. However, the QFC Collective Investment Schemes Rules do not include provisions in relation to PCCs.

## Proposal

50. For clarification purposes of the usage of a PCC for the business of a Fund, it is proposed to introduce relevant provisions related to PCCs in the CIS such as:
  - a. Introducing a PCC as a form of a collective investment scheme;
  - b. Creating a new Cell of a Domestic Fund which is a Protected Cell Company;
  - c. Umbrella Fund using the form of a Protected Cell Company, since PCC is a possible form of a legal entity for Umbrella Fund structure; and
  - d. Information disclosure and reporting.
51. Additionally, we propose to clearly state the purpose of creation the PCC as conducting Insurance Business or the business of a Fund in the AIFC Companies Rules.

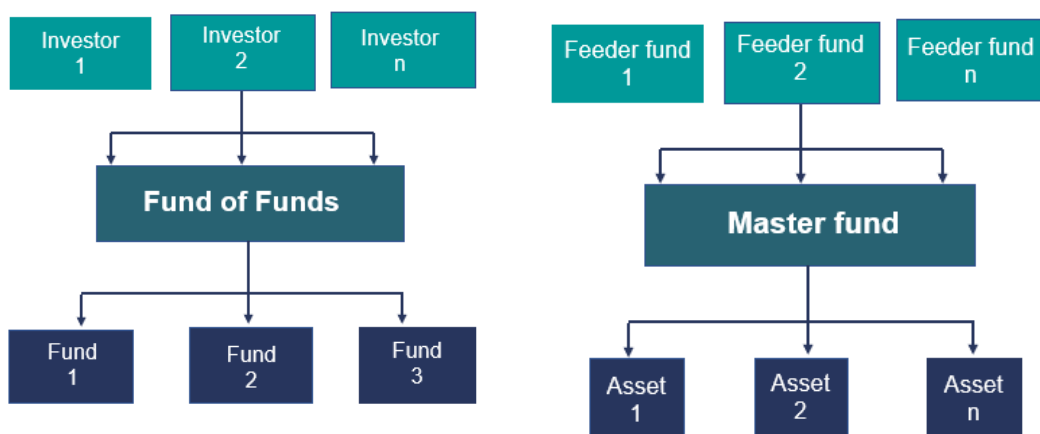
## Questions

- 12) Do you have any concerns relating to our proposals to introduce a PCC as a form of a collective investment scheme? If so, what are they, and how should they be addressed?
- 13) Do you have any concerns relating to PCC specific requirements in CIS? If so, what are they, and how should they be addressed?

### G. Introducing Fund of Funds and Master-Feeder structures

## Status quo

52. The AIFC financial services framework does not specifically provide for the existence of a Fund of Funds and Master-Feeder structure. From Figure 2 below, it can be seen that a Fund of Funds is a pooled investment fund that invests in external funds controlled by other managers from other companies, and Master-Feeder structure allows investors to put capital into the feeder funds, which ultimately invest into a centralized vehicle known as the master fund.
53. The value proposition to investors of a Fund of Funds is the benefit of diversification, the risk of the portfolio itself is reduced by holding investments across a broad set of asset classes and investment strategies. This investment vehicle could become an access solution for individual investors and smaller-sized institutional investors, willing to be an LP in certain funds, but not meeting the criteria.
54. The advantages of implementing a Master-Feeder structure for investors include reduced operational and trading costs, since there are fewer number of transactions carried, and is smoother than a merger in case when investment managers, who have ranges in several countries may have products with similar or even the same strategies, decide to achieve cost reductions by merger or a master-feeder structure creation.

**Figure 2. Fund of Funds and Master-Feeder structures**

### Other Jurisdictions

#### *DIFC*

55. The DIFC regulatory framework for Funds of Funds includes the DFSA Collective Investment Law and DFSA Collective Investment Rules. According to the rules, a Fund is a Fund of Funds if it restricts its investment activities to investing in Units or Debentures of only 2 or more other Funds. Additionally, there are provisions in relation to investing limits for a Fund Manager of a Funds of Funds.
56. A Fund is a Feeder Fund if it is dedicated to investing in the Units or Debentures of a single other Fund (Master Fund). A Fund is a Master Fund if it issues its Units or Debentures only to other Funds which are dedicated to investing in that Master Fund. It should be noted that a Domestic Feeder Fund may have as its Master Fund a Foreign Fund and the same applies to a Domestic Master Fund. The DIFC regime also provides certain eligibility requirements for Feeder and Master types of funds.

#### *ADGM*

57. Similar to the DIFC regime, the ADGM Fund Rules contain almost identical definitions and provisions in relation to the Master-Feeder Funds. However, there are no provisions for the Fund of Funds.

#### *QFC*

58. The QFC Collective Investment Scheme Rules define a Fund of Fund as a scheme dedicated to investments in 2 or more of the schemes or the sub-schemes of umbrella schemes. Additional information to be disclosed for fund of funds includes a prominent risk warning to alert participants to the fact that they may be subject to higher fees arising from the layered investment structure and details of the fees arising at the level of the fund of funds itself and, to the extent known, the schemes (and sub-schemes of umbrella schemes) to which its investments are dedicated.
59. A Feeder Fund is indicated in the QFC Collective Investment Scheme Rules as one of the particular types of QFC schemes and dedicated to investments in another single

scheme. There are provisions for additional information to be disclosed for feeder funds.

## Proposal

60. It is proposed to amend the CIS and the Glossary to include a Fund of Funds, Master Fund, and Feeder Fund as a separate type of Specialist Funds.
61. The following provisions in relation to Fund of Funds are proposed to be included in:
  - a. Definition;
  - b. General investment powers and limits; and
  - c. Risk and fees disclosure.
62. The following provisions in relation to Master Funds and Feeder Funds are proposed to be included in:
  - a. Definitions;
  - b. Fund property requirements;
  - c. General investment powers and limits;
  - d. Prospectus of a Feeder Fund; and
  - e. Risks and fees disclosure.

## Questions

- 14) Do you think we should introduce a Fund of Funds, Master Fund, and Feeder Fund as separate types of Specialist Funds to the AFSA regime? What are your reasons, and how should any additional risks associated with such new types of funds be addressed?
- 15) Do you have any concerns about the way in which we propose to introduce the relevant provisions in relation to Fund of Funds and Master- Feeder Structure? If so, what are they, and how should they be addressed?

### H. Sovereign wealth funds

## Status quo

63. The AFSA wishes to work with sovereign wealth entities in Kazakhstan to encourage them to establish or redomicile existing investment structures from overseas jurisdictions to the AIFC.

## Other Relevant Jurisdictions

### QFC

64. In 2019, QFC Authority and the QFC Regulatory Authority issued a waiver in relation to Qatar Investment Authority operating through Qatar Holding LLC which manages Qatar's reserves in order to create long term value for the State of Qatar. There are

now over a hundred sovereign wealth investment entities conducting their operations internationally from the QFC.

### Proposal

65. The fund manager of sovereign wealth funds provides a licensed activity in relation to sovereign funds. However, the AFSA may regard such activity as less risky and, therefore, consider imposing less stringent requirements. One option may be to consider the extension of the use of special purpose companies for these entities, currently only available to authorised firms, or issuing a class waiver or modification notice or guidance to accommodate such kind of funds. The AFSA should be satisfied that the burden experienced of a sovereign wealth fund manager being required to comply with all of the provisions of the AIFC financial services framework and rules would significantly outweigh the benefits that these regulations and rules were intended to achieve. Provisions regarding compliance requirements and risks mitigation measures should be put in place to mitigate such risks, for example having sufficient compliance and money laundering resources.

### Questions

- 16) Do you have any concerns relating to the proposals considering the use of the AIFC regime for sovereign wealth funds? What are your reasons, and how should any additional risks associated with such types of funds be addressed?

#### I. Endowment funds

### Status quo

66. The President in his State of the Nation Address in September highlighted the role of endowment funds in the development of the educational ecosystem. He mentioned that in the world's leading universities, such endowment funds are the basis for sustainable financing of science and innovation.

### Proposal

67. The AIFC framework can accommodate such types of funds in case of future demand and may issue a guidance, providing the detailed information on endowment funds. This will require engaging these endowment funds and exploring proposals in which the AIFC may be able to accommodate such endowment funds, including the use of AIFC foundations and NPIOs for such purposes.

### Questions

- 17) Do you have any concerns relating to the proposals considering the use of the AIFC regime for Endowment funds? What are your reasons, and how should any additional risks associated with such types of funds be addressed?



## Part IV - Questions in this consultation paper

- 1) Do you have any concerns relating to our proposals to include a Limited Partnership in the list of entities permitted to operate a CIS? If so, what are they, and how should they be addressed?
- 2) Do you have any concerns about the way in which we propose to amend the AIFC Limited Partnership Regulations and the AIFC Limited Partnership Rules? If so, what are they, and how should they be addressed?
- 3) Do you have any concerns relating to our proposal to allow the REITs to invest in property under development? If so, what are they, and how should they be addressed?
- 4) Do you have any concerns about the permitted percentage (10%) of the net asset value, which might be invested in the property under development? If so, what are they, and how should they be addressed?
- 5) Do you have any concerns relating to risk associated with investment in the property under development? If so, what are they, and how should they be addressed?
- 6) Do you have any concerns relating to our proposal to include the clarifying provisions in relation to a Foreign Fund Manager? If so, what are they, and how should they be addressed?
- 7) Do you have any concerns relating to our proposals to amend CIS by clarifying that the board of directors of a Self-managed Fund must consist of at least 1 corporate director? If so, what are they, and how should they be addressed?
- 8) Do you have any concerns about the way in which we propose to apply the systems and controls requirements? If so, what are they, and how should they be addressed?
- 9) Do you have any concerns relating to our proposals to introduce an Umbrella Fund (which already exists as a legal structure in AIFC Companies Rules) as a type of Specialist Funds in the CIS? If so, what are they, and how should they be addressed?
- 10) Do you have any concerns about the proposed legal form of an Umbrella Fund as a PCC or Investment Company? If so, what are they, and how should they be addressed?
- 11) Do you have any concerns about the way in which we propose to add relevant Umbrella Fund specific requirements? If so, what are they, and how should they be addressed?
- 12) Do you have any concerns relating to our proposals to introduce a PCC as a form of a collective investment scheme? If so, what are they, and how should they be addressed?
- 13) Do you have any concerns relating to PCC specific requirements in CIS? If so, what are they, and how should they be addressed?
- 14) Do you think we should introduce a Fund of Funds, Master Fund, and Feeder Fund as separate types of Specialist Funds to the AFSA regime? What are your reasons, and how should any additional risks associated with such new types of funds be addressed?
- 15) Do you have any concerns about the way in which we propose to introduce the relevant provisions in relation to Fund of Funds and Master- Feeder Structure? If so, what are they, and how should they be addressed?
- 16) Do you have any concerns relating to the proposals considering the use of the AIFC regime for sovereign wealth funds? What are your reasons, and how should any additional risks associated with such types of funds be addressed?
- 17) Do you have any concerns relating to the proposals considering the use of the AIFC regime for Endowment funds? What are your reasons, and how should any additional risks associated with such types of funds be addressed?