



DIFC INTERMEDIARY SPECIAL PURPOSE VEHICLE REGIME

1. Except for its Special Purpose Company regime (which has a restricted application to structured financing transactions), the DIFC Authority has thus far not made general provision for the establishment of non-regulated special purpose entities in the DIFC without them having a substantial presence in the centre and having undergone a fairly detailed application process.
2. The DIFC Authority favours this substantive presence approach over the brass plate approach found in some offshore jurisdictions for a variety of public policy reasons.
3. However, discussions with a number of center establishments and their professional advisers have identified a need for the establishment of intermediate special purpose vehicles in the DIFC ("**Intermediate SPV**") for both regulated and non-regulated entities that are already substantively present in the DIFC.

(Note: The reference to "intermediate" above implies that it will neither be the primary holding entity at the top of a structure, nor will it be the actual operating entity further down the line in any relevant structure.)

4. The substantive presence approach currently favoured by the DIFC can be considered as not serving any real purpose in respect of Intermediate SPV's, as the primary entity involved (e.g. a DIFC fund, a DFSA regulated Fund Manager, a DIFC holding company/ proprietary investment company or a Single Family office) already has a substantive and/or regulated presence in the DIFC.
5. Consequently, the DIFC Authority has identified this issue to be considered and addressed in the new version of the DIFC Companies Law and Regulations, which are currently undergoing revision.
6. As an interim measure pending the completion of the legislative review process in the above regard, the DIFC Authority Board of Directors has approved on 19 September, 2016, with immediate effect, the following (with the requisite waiver and amendment of the relevant Companies Regulations and the DIFCA Operating Regulations, where applicable):
 - (a) that an interim Intermediate SPV regime be put in place on the basis set out below, until revoked, replaced or superseded by the DIFC Authority Board and/or applicable legislation in this regard;
 - (b) that applicants that qualify for the establishment of Intermediate SPV's should be limited to:
 - (i) collective investment schemes established in the DIFC pursuant to the provisions of the DIFC Collective Investment Law and the DFSA's Collective Investment Rules wishing to establish special purpose vehicle/s to serve the investment structure of the collective investment scheme involved;
 - (ii) collective investment schemes established outside the DIFC managed by a fund manager or an asset manager regulated by the DFSA (i.e. having at least a DFSA Prudential Category 3C license), wishing to establish special purpose vehicle/s to serve the investment structure of the collective investment scheme involved; and
 - (iii) holding companies or other holding entities, proprietary investment vehicles (incorporated or unincorporated) and Single Family Offices having a presence in the DIFC.

(each a "**Qualifying Applicant**");



- (c) that each Qualifying Applicant will have to provide sufficient assurances to the DIFC Registrar of Companies that Intermediate SPV's applied for, will only be used for purposes that fit into the overall objectives of the DIFC and, if applicable, in line with the requirements of the Qualifying Applicant's regulatory status (inclusive of AML requirements) and the UAE's obligations under the OECD's Common Reporting Standard.
- (d) that a simplified application process for establishment is approved for such Intermediary SPV's substantially in line with the guidelines set out in **Annexure 1**;
- (e) that Qualifying Applicants be permitted to utilize their existing presence in the DIFC as the registered office of such Intermediary SPV's and that no additional office space or lease requirements will be imposed on them; and
- (f) that a reduced registration fee of \$1,000 and an annual license fee of \$3,000 be charged in respect of each Intermediate SPV.



Annexure 1: DIFC Intermediate SPV – Abridged Business Plan Template

1. A brief explanation of the purpose of the Intermediate SPV
2. Confirmations:
 - (a) it will be an intermediate special purpose vehicle for a fund/ holding/ proprietary investment purposes;
 - (b) no other business will be undertaken; and
 - (c) details of overall presence in the DIFC.
3. Details of ownership/ management/ governance.
4. Details of the professional support/ service providers involved in the management/ administration of the Intermediate SPV.
5. Regulatory confirmations (if any):
 - (a) AML/ Client due diligence duties and, if so, who is doing it;
 - (b) Regulatory status; and
 - (c) Regulatory filing requirements.

Schedules

A – Full structure diagram

B – Certified passport copies/ certificates of Incorporation & articles of shareholder/s

C – Certified passport copies/ certificates of incorporation of board members

D – CV's of directors and management

Notes:

- (i) Each Intermediate SPV will be subject to the DIFC Companies Act and DIFC Companies Regulations in full.
- (ii) Where more than one Intermediate SPV is applied for in an investment structure, a single abridged business plan will suffice but separate application forms will have to be filled out for each entity to be established.