# Recognised Incorporated Cell Companies

**Confirmation of Malta's flexibility as a fund jurisdiction has been further enhanced by the provision of the Recognised Incorporated Cell Company (RICC) structure.**

In addition to the popular Professional Investor Fund (PIF) Regime, the UCITS fund, as well as the Alternative Investment Fund (AIF), Malta offers another method of setting up Collective Investment Schemes that is more flexible than that available in other jurisdictions. This is the RICC, introduced by the Malta Financial Services Authority (MFSA, the 'regulator') specifically to cater to fund platforms that are looking for an increased amount of flexibility.

## The rules governing the RICC allow for:

- **The complete legal separation of each IC (vs distinct patrimony of Sub-funds under one legal personality)**
- **The fund promoter to generate revenue streams from a platform fee**
- **Each IC within one RICC to be managed differently, with a mix of self-managed and multiple third party managers, as well as managed by AIFMD compliant managers together with deminimis managers**
- **The 'same manager' and also the 'same depositary 'requirement by the AIFMD would therefore not apply to each IC within the same RICC structure**
- **Cross IC investments are permitted.**

A RICC is required to obtain a recognition certificate, rather than a license, and set-up as a limited liability company.

The activities of a RICC are limited to providing administrative services to the Incorporated Cells (ICs), each of which will constitute a separate legal entity, and obtain their own license as a Collective Investment Scheme (CIS).

The administrative services that may be provided by the RICC to the ICs include the following, subject to a 'RICC fee ':

1. Provision of administrative services related to the establishment of ICs;
2. Procurement of external service providers and approval of any changes thereto;
3. Negotiation of service provision agreements for the IC, and changes thereto;
4. Submission of any model agreements to be used by ICs of a RICC;
5. Submission to the competent authority of any changes or amendments to model agreements and submission of any new model agreements negotiated with service providers for approval of the competent authority;
6. Signature of tripartite agreements between service providers, the RICC and an IC based on the model agreements;

7. Standardisation of any other documentation to be used by ICs;

8. Approval and joint signature of any applications for licenses (including variations, extensions thereof) to be submitted by, or on behalf of, ICs which are in the course of being formed;

9. Provision of written declarations identifying any changes to model agreements already submitted to the competent authority, including a NIL declaration confirming that no changes have been made (if applicable) to ensure that on an annual basis the RICC is aware of all agreements in place;

10. Provision of ancillary services as may be approved by the competent authority.

Each IC will have its own legal personality, and will be required to have the same registered office, its own offering documentation, and at least one common director with the RICC.

As a company in its own right, each IC will be required to submit an annual return, financial statements, audit, and tax returns, as well as having a compliance function and a board of directors, as is currently the case for each CIS.

However, some savings may be achieved by efficiencies through centralisation and standardisation when compared to several separate CIS.

ICs of a RICC are very flexible, and may be established in several ways as below:

1. New, transformed, or re-domiciliation;
2. Self-managed, or third party managed; and
3. UCITS, AIF, or PIF

Legal Notice (L.N 119 of 2012) has been supplemented by a set of MFSA Investment Services Rules for Recognised Persons regulating the Application Process for Recognised Incorporated Cell Companies (RICCs) and On-going Recognition Requirements for RICCs including organisational requirements, compliance, conduct of business and outsourcing rules.

Supplementary conditions have also been introduced for Professional Investor Funds established as Incorporated Cells under a Recognised Incorporated Cell Company and Retail Non-UCITs and UCITS schemes established as Incorporated Cells under a Recognised Incorporated Cell Company.

In addition, the Malta Financial Services Authority has issued a **Guide to Establishing Incorporated Cell Companies in Malta,** providing further information to interested parties.

There has been steady growth in the use of RICCs, and as at Q3 2018 there were 6 RICCs in Malta, with a total of 23 cells. Whilst there are benefits of the RICCs platform to larger funds, the structure has been particularly popular with start-up funds. This popularity amongst smaller funds is in part due to the incubation style set-up that it offers, where the RICC offers a set of standardised services to the ICs that are contained within the structure of the platform. A further benefit of the RICC platform is that it allows for economies of scale to be achieved, without resorting to a 'one size fits all' vehicle, and in these times of increased regulation, and the costs of complying with them, this has proved to be very advantageous.

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