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Investment Funds Update

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Abu Dhabi Global Market Updates Its Fund Manager Regime 2026

This update provides key takeaways and an at-a-glance guide for each of the fund manager categories now available.

On 16 September 2026, the Financial Services Regulatory Authority (**FSRA**) of Abu Dhabi Global Market (**ADGM**) published significant amendments to its funds framework. The amendments arrive as ADGM continues to expand its position as a regional asset management hub, following a reported 245% increase in assets under management in 2024. These amendments revise the Fund Rulebook (**FUNDS**), General Rulebook (**GEN**), Conduct of Business Rulebook (**COBS**), Glossary (**GLO**) and Prudential – Investment, Insurance Intermediation and Banking Rulebook (**PRU**), together with related fee rules and supplementary guidance (together, the **New Rules**).

Our key takeaways and at-a-glance guide for each of the fund manager categories now available are set out below. Unless otherwise defined, capitalised terms have the meanings given to them in the New Rules.

Key Takeaways

- **The 'lighter-touch' venture capital fund manager framework is now extended to other closed-ended strategies.** The New Rules introduce the Sub-Threshold Fund Manager (**STFM**): an Authorised Person whose Financial Services Permission (**FSP**) is limited to Managing a Collective Investment Fund, provided that the Funds it manages are closed-ended, are not invested in by Retail Clients, and that the aggregate Committed Capital across all Funds it manages does not exceed US\$200 million. An STFM need not

appoint a Finance Officer or maintain an internal audit function, and its base capital requirement is fixed at US\$50,000 with no expenditure-based minimum, although Professional Indemnity Insurance (**PII**) must still be maintained. Managers expecting to exceed the US\$200 million threshold should plan the transition to a full-scope permission early (this will require a variation of permission application to the FSRA).

- **Venture capital managers for the first time will be subject to a regulatory capital requirement.** Venture Capital Fund Managers (**VCFMs**) are now a subset of STFM, and as a result (i) the US\$100 million per-fund cap on Venture Capital Funds is replaced by the same manager-level US\$200 million aggregate Committed Capital test that applies to STFM, and (ii) VCFMs now also become subject to the STFM US\$50,000 base capital requirement for the first time, and have until 31 March 2027 to comply. VCFMs nonetheless remain a distinct subset of the STFM category because only VCFMs benefit from the reduced US\$10,000 application and annual supervision fee, which is not extended to STFM generally. The master-feeder provisions for Venture Capital Funds have also been tightened so that an eligible Master Fund must be a Domestic Fund managed by the same Fund Manager.
- **A new Institutional Fund Manager category, with no Committed Capital ceiling.** The New Rules create a new specialist class of fund, the **Institutional Fund**, being a Qualified Investor Fund (**QIF**) or Foreign Fund with a minimum subscription of US\$5 million and that does not accept subscriptions from Natural Persons. Alongside it, the New Rules introduce a corresponding manager category, Institutional Fund Manager (**IFM**), being an Authorised Fund Manager that manages only Institutional Funds. There is no cap on the number of investors, on assets under management or Committed Capital, and Institutional Funds may be open-ended or closed-ended, which opens the route to hedge fund, liquid credit and other open-ended platforms serving sovereign and other institutional capital. Given the narrow eligibility criteria, managers will need to ensure that subscription documents and investor representations reflect the US\$5 million minimum and the exclusion of Natural Persons, as an IFM may only manage Funds that meet these requirements.

Like STFM, IFM need not appoint a Finance Officer or maintain an internal audit function. The prudential treatment, however, differs in two respects:

1. IFM are not required to maintain PII; and
 2. their capital requirement is the higher of US\$50,000 and 6/52nds of annual audited expenditure (less than half of the 13/52nds requirement that continues to apply to the full-scope Fund Manager licence).
- **Stricter requirements for foreign fund managers.** In contrast to the regulatory dispensations for IFM and STFM, the regime for Foreign Fund Managers (**FFM**) has been tightened considerably. An FFM must now:
 1. manage only Domestic Funds that are closed-ended QIFs;
 2. be regulated by, or registered with, a Financial Services Regulator in a Recognised Jurisdiction (the former “otherwise acceptable to the Regulator” alternative is deleted);
 3. submit to ADGM laws and regulations and the jurisdiction of the ADGM Courts in respect of the Fund, with the previous equivalence-based alternatives removed;
 4. appoint an FSRA-licensed Fund Administrator or Trustee;

5. ensure that a UAE-resident Natural Person sits on the board of the Fund (or of its general partner); and
6. appoint an ADGM-licensed corporate service provider as agent for service of process.

Most significantly, an FFM may not engage, or cause the Fund to engage, a third party to provide investment advice or manage Fund Property, which effectively ends “host” arrangements in which a foreign manager acts as Fund Manager of record while a third-party sponsor runs the strategy. Separately, the requirement to appoint an Eligible Custodian is now subject to the carve-out where such appointment would be “impractical and disproportionate”. Taken together, the changes require greater ADGM substance from FFMs. In the DIFC, by contrast, the DFSA’s Consultation Paper No. 173 (July 2026)[\[1\]](#) proposes to abolish its equivalent External Fund Manager regime altogether, so that only managers with full DFSA authorisation may manage DIFC funds.

- **A light-touch opt-in for existing fund managers.** Existing FSRA-authorised fund managers wishing to become an STFM or an IFM may do so by filing a short declaration form with the FSRA for a fee of US\$1,000, rather than applying for a full variation of permission. Eligibility for this declaration process is, however, limited to FSRA-authorised fund managers (other than VCFMs) which are not branches and which do not have any FSRA licences other than Managing a Collective Investment Fund, Advising on Investments or Credit and Arranging Deals in Investments or Credit. Firms should therefore review both their full set of permissions and their existing fund portfolio before filing; those not eligible for this process may be required to submit a variation of permission application.

The table below summarises the licensing options now available to managers of ADGM Funds, and the conditions and dispensations each attracts:

	Full-Scope Fund Manager (<i>no change</i>)	Sub-Threshold Fund Manager (STFM) (<i>new</i>)	Venture Capital Fund Manager (VCFM) (<i>updated</i>)	Institutional Fund Manager (IFM) (<i>new</i>)	Foreign Fund Manager (FFM) (<i>tightened</i>)
Who the category is for					
Applicants	Any manager, including retail, open-ended, closed-ended and various strategies	Managers of smaller closed-ended private funds	Managers of early-stage strategies	Managers raising exclusively from institutions	Non-ADGM managers of ADGM Domestic Funds

Permitted activities	Managing a Collective Investment Fund and any other permitted activity (Category 3C)	Managing a Collective Investment Fund, and Advising on Investments or Credit and Arranging Deals in Investments limited to co-investments in its Funds (Category 3C)	Managing a Collective Investment Fund (Venture Capital Funds only), and Advising on Investments or Credit and Arranging Deals in Investments limited to co-investments in its Venture Capital Funds (Category 3C)	Managing a Collective Investment Fund (Institutional Funds only) (Category 3C)	Must be regulated in a Recognised Jurisdiction; no ADGM licence
Eligibility conditions					
Funds	Public Funds, Exempt Funds, QIFs and all Foreign Funds; open-ended or closed-ended	Exempt Funds, QIFs and non-retail Foreign Funds; closed-ended only	Venture Capital Funds only (feeders permitted only if the same VCFM operates the master)	Institutional Funds only (QIFs or Foreign Funds); open-ended or closed-ended; Feeder Funds of an Institutional Master Fund must also qualify	Closed-ended QIFs only
Investors	Retail Clients (Public Funds; no minimum) or Professional Clients	Professional Clients only	Professional Clients only	Professional Clients other than Natural Persons	Professional Clients only
Minimum investment	No minimum – Public Fund US\$50,000 –	US\$50,000 – Exempt Fund US\$500,000 – QIF	US\$50,000 – Exempt Fund US\$500,000 – QIF	US\$5,000,000	US\$500,000

	Exempt Fund US\$500,000 – QIF				
Size limit	None	Aggregate Committed Capital of all Funds managed not to exceed US\$200 million	Aggregate Committed Capital of all Funds managed not to exceed US\$200 million	None	None
Regulatory treatment					
Minimum capital	Higher of base capital (US\$50,000; US\$150,000 for Public Funds) and 13/52nds of annual audited expenditure	Base capital of US\$50,000 only	Base capital of US\$50,000 only (new; transition to 31 March 2027)	Higher of US\$50,000 and 6/52nds of annual audited expenditure	Home jurisdiction requirements
Governance	Finance Officer and internal audit function required	No Finance Officer or internal audit function	No Finance Officer or internal audit function, but Senior Executive Officer expected to have ten years' and Licensed Director or Partner five years' relevant experience	No Finance Officer or internal audit function	Not applicable
Professional Indemnity	PII required	PII required	PII required	No PII required	Not applicable

Insurance (PII)					
FSRA fees	No exemptions	No exemptions	Authorisation and annual supervision fees capped at US\$10,000	No exemptions	Not applicable
What changed on 16 September 2026 and next steps					
Key change	None	New category extending relief: no Finance Officer requirement No internal audit function Fixed base capital requirement of US\$50,000	US\$100 million per-fund cap replaced by the manager-level limit; US\$50,000 base capital now applies; master-feeder conditions tightened	New category offering regulatory relief, with no size limit and no restriction on liquidity profile on the funds provided investor profile and US\$5m minimum subscription requirements are met	May only manage closed-ended QIFs Must submit to ADGM law and Courts FSRA-licensed administrator or trustee UAE-resident director No delegation of portfolio management or advice

[\[1\]](#) The consultation closed on 7 September 2026 and final rules are awaited.

The following Gibson Dunn lawyers prepared this update: Carolyn Abram and Molly Burke.

Gibson Dunn's lawyers are available to assist with any questions you may have regarding these developments. Please contact the Gibson Dunn lawyer with whom you usually work, any member of the firm's Investment Funds practice group, or the authors:

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