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Table Comparison of DFSA v. FSRA Credit Fund rules

Restrictions	DIFC Credit Fund	ADGM Credit Fund
Investment Objective	Must have as its investment objective to use at least 90% of its assets to "Provide Credit" (i.e., providing a "Credit Facility" to any natural or legal person in his capacity as a borrower or potential borrower).	No 90% threshold stipulated. A Credit Fund must have its operations limited to (1) investments in Credit Facilities, whether by origination, purchase, or participation; (2) activities related to (1), including investment in the equity of a legal entity to which the Private Credit Fund lends or the group to which it belongs; and (3) the holding of Financial Instruments for the purposes of cash management or hedging. This clarifies that a bond fund (bonds being Specified Investments) will not be a Private Credit Fund. The FSRA has also issued guidance that a Venture Capital Fund may not be a Private Credit Fund, so managers of venture debt strategies cannot avail the lighter touch regulatory regime available for Venture Capital Fund managers.
Types of Credit Facilities	Not permitted to provide the following types of Credit Facility: • Letters of credit • Financial guarantees • Cross-border trade finance (trade finance for the trade of goods or services that takes place wholly within a country is permitted on the basis that it is less operationally complex and involves a lower degree of risk)	A Credit Fund will be permitted to invest in "Credit Facilities" (which by definition includes letters of credit and financial guarantees).
Types of Borrowers	Not permitted to lend to • natural persons; • the Fund Manager, a Related Party of the Fund Manager, or any other person acting for or on behalf of the Fund Manager; • another fund or fund manager;	Not permitted to lend to (1) natural persons; (2) other funds; (3) related persons; (4) banks and other lenders; and (5) persons intending to use proceeds of the Credit Facility for speculative investment purposes. *The scope of the restriction in (4) is broad enough to capture any person entering into a Credit Facility as a lender, even in cases when the primary purpose of that person's business is not Providing Credit (such as cases*

	• a financial institution or a person related to a financial institution; • a person who intends to use the credit for the purpose of trading in investments, commodities, or crypto assets; or • a person who intends to use the credit for the purpose of Providing Credit.	*when this is an ad hoc transaction). Guidance may need to be sought from the FSRA on a case-by-case basis if the investee companies of a Private Credit Fund enter into any Credit Facilities as Lenders (e.g., ride hailing companies that provide loans to their drivers to acquire vehicles).*
Investor Base	Limited to Professional Clients (can be an Exempt Fund or a Qualified Investor Fund but not a Retail Fund).	Limited to Professional Clients (can be an Exempt Fund or a Qualified Investor Fund, but not a Retail Fund).
Structure	Must be an Investment Company or an Investment Partnership (but not an open-ended or trust structure).	Must also be closed-ended, but no prohibition on trust structures. *Trust structures are not generally used for private credit funds, either in the ADGM/DIFC or more generally in the industry, so this difference to the DIFC regime is not considered material.*
Management	Fund manager must be located within DIFC (departing from the general position that foreign managers can manage DIFC funds if approved).	Fund manager must be located within ADGM (departing from the general position that foreign managers can manage ADGM funds if approved).
Maximum Term	10 years.	No maximum term.
Strategy.	Must have a clear strategy that aims, within a specified period not exceeding three years from the date the Fund is established, to achieve a diversified portfolio of loans.	Must have an investment strategy designed to achieve a portfolio that meets the Fund's specified diversification and concentration policies within a suitable, stated timeframe.
Concentration Risk (Maximum exposure to single borrower/group of connected borrowers)	25% NAV.	25% of Committed Capital. *There remains a question as to how sponsors can make investments of the appropriate size in the period between first and final closing, when total Committed Capital is less than the target total Committed Capital for the Private Credit Fund. Perhaps they will need to use a Credit Facility (see below).*
Leverage Restriction	10% of the Fund's NAV at any time.	100% of Committed Capital.

		We note that the Private Credit Fund Framework does not distinguish between borrowing structured as a NAV facility (secured against Private Credit Fund assets) on the one hand, or as a subscription facility (secured against undrawn capital commitments) on the other, so this limit would apply to any borrowing.
Policies	Must ensure that the DIFC Credit Fund maintains and adheres to suitable policies and procedures relating to • the assessment, pricing, granting, managing, and acquiring of credit, in accordance with a defined risk appetite statement; • credit monitoring, renewal, and financing; • the criteria, governance, and decision-making structures for (a) and (b); • collateral management; • concentration risk management (see above); • valuation, including collateral valuation, and impairment; • identification and management of problem debt; • forbearance; • delegated authority; and • documentation and security.	Must ensure that the ADGM Credit Fund maintains and adheres to suitable policies and procedures designed to ensure • a risk appetite statement is designed and incorporated into its investment process; • that provision of credit to a borrowing is only made based upon a sound assessment and pricing methodology (see below); • the ongoing monitoring of granted credit, including policies for renewals and refinancing; • that adequate risk management is undertaken, including in relation to credit risk and concentration risk; • the application of stress testing methodologies (see below); • the management of collateral; • that bad debt and impairments are identified and managed; and • the timely, appropriate, and accurate valuation of the fund property.
Frequency of Stress Testing	At least annually (or, at the request of the DFSA, more frequently).	(1) At least semi-annual exposure stress testing of principal market risk factors such as interest rates, FX and credit spreads for all counterparties of the Private Credit Fund, and (2) scenario analysis exercises to be undertaken at least annually and incorporates material risks including yield curve exposure and basis risks, with results shared with the governing body of the fund manager without undue delay. However, the FSRA may direct a fund manager of a Private Credit Fund to conduct more frequent stress testing and scenario analysis.

		The stress testing and scenario analysis programme must be undertaken by qualified personnel not involved in the investment management process of the Private Credit Fund, which for small teams is likely to require a third-party provider, with cost implications for the Private Credit Fund. The result of the stress testing must also now be reported to investors (see below).
Investor Reporting	Periodic reports of a DIFC Credit Fund must include • a breakdown between senior secured debt, junior debt and mezzanine debt; • a breakdown between loans with an amortising repayment schedule and loans with bullet repayments; • a breakdown of the loan-to-value ratio for each loan; • information about non-performing exposures and aggregated information about exposures subject to forbearance activities; and • any material changes to the credit assessment and monitoring process.	Periodic reports of an ADGM Credit Fund must include • a breakdown of the originated loans between senior secured debt, junior debt and mezzanine debt; • a summary of all committed, but undrawn Credit Facilities; • a breakdown of the originated loans between loans made with an amortising repayment schedule and loans made with bullet repayments; • a breakdown of the loan to value ration of each originated loan; • information in respect of non-performing exposures and exposure subject to forbearance activities; • any material changes to the credit assessment and monitoring process; and • a summary of the results of the most recent stress testing undertaken.
Prospectus Content / Disclosure	In addition to standard disclosures, a DIFC Credit Fund prospectus must include risk warnings and statements regarding compliance with the foregoing regulatory requirements, such as risk diversification strategy and borrowing limits.	In addition to standard disclosures, an ADGM Credit Fund prospectus must include risk warnings which draws attention to the unique risks which arise from investing in credit, statements regarding where the fund intends to be concentrated and details of the credit assessment and monitoring processes used.

Fees and Base Capital Requirements.	The licence application fee for the Fund Manager of a DIFC Credit Fund is $10,000 (usually the fee where the Fund is a QIF is $5,000), and the base annual fee is $10,000 (usually the annual fee where the Fund is a QIF is $5,000). The Base Capital Requirement for a manager of a DIFC Credit Fund is $140,000, which is the same as for retail funds (the Base Capital Requirement for fund managers of other Professional Client funds is $70,000).	The same fee and Base Capital Requirements will apply to managers of ADGM Credit Funds as apply to managers of other ADGM Professional Client Funds, namely $10,000 application and annual fees and a base capital requirement of $50,000.
Regulatory Reporting.	The Fund Manager of a DIFC Credit Fund is required to make additional reports to the DFSA as compared to the Fund Managers of other types of DIFC funds, and must submit the following forms on a quarterly basis: Large Exposure, Arrears and Provision, Credit Activity and Trade Finance Activity.	No additional regulatory reporting proposed for managers of ADGM credit funds.