

20 May, 2024

Via Electronic Submission: <https://survey.dfsa.ae/f/135727/5a2e/>

Dubai Financial Services Authority
Level 13, West Wing,
The Gate, DIFC
PO Box 75850
Dubai, UAE

**Re: Consultation Paper No. 158
Credit Funds, Public Property Funds & Real Estate Investment Trusts**

Dear Sir or Madam:

MFA¹ submits these comments to the Dubai Financial Services Authority (“DFSA”) in response to the DFSA’s request for comments on the above-referenced Consultation Paper (“**Consultation Paper**”). MFA welcomes the thoughtful consideration of the DFSA in re-imagining the future regulation of private credit funds and the related Consultation, which would permit Dubai-based managers to manage external funds that are domiciled in jurisdictions other than Dubai.² The global asset management industry has grown considerably,³ and private credit funds comprise a growing and integral part of the global asset management industry and of MFA’s membership.

¹ Managed Funds Association (MFA), based in Washington, DC, New York, Brussels, and London, represents the global alternative asset management industry. MFA’s mission is to advance the ability of alternative asset managers to raise capital, invest, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 member fund managers, including traditional hedge funds, credit funds, and crossover funds, that collectively manage over \$3.2 trillion across a diverse group of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors to diversify their investments, manage risk, and generate attractive returns over time.

² Dubai Financial Services Authority, Consultation Paper No. 158 (Mar. 19, 2024), available at https://dfsae.thomsonreuters.com/sites/default/files/net_file_store/CP_158_Credit_Funds%2C_Public_Property_Funds_%26_REITs.pdf.

³ The global alternative asset management industry, including hedge funds, credit funds, and crossover funds, has assets under management of \$4 trillion (Q4 2022). The industry serves thousands of public and private pension funds, charitable endowments, foundations, sovereign governments, and other global institutional investors by providing portfolio diversification and risk-adjusted returns to help meet their funding obligations and return targets.

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MFA’s comments today on the Consultation Paper are limited to the discussion applicable to private credit funds. MFA member firms include some of the largest and most sophisticated private credit funds in the world, and we welcome the opportunity to serve as a resource to the DFSA Staff as it continues to evaluate the appropriate regulatory oversight of private credit funds.⁴ MFA views the Consultation Paper as an important step forward in recognition of the growing importance of Dubai to MFA member firms and broadly, MFA agrees with the goals of DFSA seeking to reconsider the regulatory oversight of credit funds in Dubai.

Question 1: Do you have any comments on the proposal to allow DIFC Fund Managers to manage External Funds that are Credit Funds?

MFA strongly supports the proposal to allow managers based in the Dubai International Financial Centre (“**DIFC**”) to manage external funds, *i.e.*, private credit funds that are not domiciled in Dubai. MFA furthermore appreciates the efforts of the DFSA in publishing the related Call for Evidence – Private Credit Funds,⁵ on which MFA has commented separately.⁶

Today’s markets are interconnected, with institutional firms such as large private credit funds operating globally in the US, EU, UK, and increasingly, Dubai. Such a fund may find itself having to comply with the most burdensome common requirement amongst jurisdictions or attempt to offer a fund only in that jurisdiction that would operate in parallel to other funds with the same strategy that are offered in other jurisdictions. Regulatory inconsistencies that drive private fund organizational structures can dilute or eliminate economies of scale the manager has sought to achieve. MFA therefore recommends that the DFSA adopt the proposal to allow DIFC-based investment managers to manage external private credit funds that are not domiciled in Dubai.

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⁴ MFA has developed a series of brief “primers” on private credit and related issues such as syndicated loans and collateralized loan obligations (avail. at <https://www.mfaalts.org/issue/alternative-credit/>).

⁵ See Dubai Financial Services Authority, Call for Evidence – Credit Funds (Mar. 2024), available at https://dfsae.thomsonreuters.com/sites/default/files/net_file_store/Call_for_Evidence_Credit_Funds.pdf.

⁶ MFA’s Comment Letter to the DFSA regarding its recent Call for Evidence (*see id.*) is available at <https://www.mfaalts.org/letter/mfa-submits-comment-letter-to-dfsa-in-response-to-private-credit-call-for-evidence/>.

MFA appreciates the opportunity to provide these comments to the DFSA in response to the Call for Evidence. If you have any questions about these comments, or if we can provide further information, please do not hesitate to contact the undersigned (jhan@mfaalts.org) or Jeff Himstreet (jhimstreet@mfaalts.org).

Sincerely yours,

/s/ Jennifer W. Han

Jennifer W. Han

Executive Vice President
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