

# Macau Investment Funds Law Series: Contractual Fund under Law

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Macau's new **Investment Funds Law (Law No. 11/2025)**, effective **1 January 2026**, positions the **contractual fund** as the foundational and most versatile fund vehicle in the Macau fund ecosystem. Unlike the limited partnership fund (available only for private funds) and the collective investment company (which carries a separate corporate governance overlay), the contractual fund may be used for **both public and private funds**, making it the vehicle of choice for retail-facing products and an option for private strategies.

### Key takeaways

- **Dual availability:** The contractual fund is the only vehicle available for both public and private funds; public funds may only be established in contractual or corporate form. [1]
- **Independent patrimony without legal personality:** The contractual fund is an independent patrimony without legal personality, and may take one of two structural forms — assets held by a custodian or trustee in its name for the benefit of participants, or assets co-owned by participants. [2]
- **Constitutive document:** The constitutive document takes the form of **fund management regulations** (基金管理規章) or a **trust contract** (信託合同). [3]
- **Mandatory custodian for public funds:** A custodian must be appointed for all public contractual funds, responsible for asset safekeeping, rights verification, and operational oversight. [4]
- **Three-pillar management duty:** For public contractual funds, the management entity must discharge investment management, administrative management, and sales management duties. [5]

- **Comprehensive investor protections:** Participants benefit from mandatory prospectuses, periodic disclosure, participants' meetings, prudential concentration limits, and non-excludable management entity liability. [6]
- **Property independence:** Fund assets are strictly separated from those of the management entity, custodian, participants, and all other parties. [7]

## I. Introduction

The contractual fund has long been the dominant fund vehicle in Macau, and under the previous regime (Decree-Law No. 83/99/M and Decree-Law No. 54/95/M) it operated under relatively general provisions. Law No. 11/2025 significantly enhances the regulatory framework while preserving the contractual fund's core character as an **independent patrimony without legal personality**. Unlike the limited partnership fund and the collective investment company — each of which has its own dedicated statutory provisions — the contractual fund is governed primarily by the Law's **general provisions** (Chapter 1) and, for public funds, the comprehensive rules in **Chapter 2**, making it the vehicle to which the Law's default regulatory architecture most directly applies.

This article examines the legal nature and structural options, constitutive documents, establishment procedures, the management and custodian framework, investor protections, and dissolution and liquidation of contractual funds.

## II. Key Provisions and Analysis

### 1. Legal Nature and Structural Forms

The contractual fund is established as an **independent patrimony without legal personality** and may adopt either of two structural forms:

1. **Custodian/trustee model:** Assets are held by the custodian or trustee in its name and for the benefit of participants, who enjoy the rights prescribed by the Law and the fund's constitutive documents.
2. **Co-ownership model:** Assets are co-owned by participants, subject to the management entity's and custodian's duties under the Law and the constitutive documents; no participant may request partition of the fund property.

Fund assets enjoy strict **property independence** — they are separate from the assets of participants, the management entity, the custodian, sales entities, and all other service providers, and may not be seized or attached to satisfy the debts of any such party. In the event of the custodian's insolvency, fund assets held by or registered in the name of the custodian may not be included in the insolvency estate. [2]

## **2. Constitutive Documents**

For contractual funds, the constitutive document takes the form of **fund management regulations** or a **trust contract**. [3] The constitutive document must contain prescribed content including: the fund's name, formation mode, and operating mode; duration and conditions for extension or early termination; governance structure (identifying the management entity, custodian, and their respective powers); participants' rights and obligations; investment scope, policy, and restrictions; unit issuance, subscription, transfer, and redemption procedures; NAV and unit value calculation methodology; income distribution policy; fee structures; participants' meeting procedures; and merger, division, reorganisation, and dissolution arrangements. [8]

Public contractual funds must also prepare a **prospectus** containing complete, true, accurate, and clear information for investor decision-making, as well as a **fund information summary** providing key information in a clear and concise format.

## **3. Establishment**

**Public contractual funds** require the **prior approval** of the AMCM. The application must include the fund's establishment and operation plan, draft constitutive documents, draft prospectus, draft management entity–custodian contract, fund information summary, and written acceptance declarations from the management entity and custodian. Following approval, the management entity must commence the public subscription procedure within **six months**; the fund is established when it meets minimum subscription thresholds (if any) prescribed in its constitutive documents. [9]

**Private contractual funds** are established under a **filing regime**: the filing must be submitted to the AMCM at least **fifteen business days** before fundraising commences, accompanied by the establishment plan, draft constitutive documents, and management entity and custodian details. If the AMCM does not object within fifteen business days, the fund may begin raising capital. [10]

## **4. Custodian**

A custodian is **mandatory** for all public contractual funds. The custodian must fulfil three core duties: **asset custody**, **rights verification**, and **operational oversight**.

For private contractual funds, a custodian is **not mandatory**; where none is appointed, the management entity must adopt appropriate measures to safeguard fund assets.

## **5. Participants' Rights and Meetings**

Participants in a contractual fund enjoy the following rights: sharing in fund income; participating in the distribution of residual assets on liquidation; transferring or redeeming fund units; convening or attending participants' meetings; exercising voting rights; and bringing judicial proceedings against entities that harm their legitimate interests. [11]

For public contractual funds, participants' meetings must be convened by the management entity, or — if it fails to act — by the custodian, or by participants holding **10% or more** of total fund units. The meeting has competence over early termination, merger, division, reorganisation, material amendments to constitutive documents, and replacement of the management entity or custodian. A quorum of participants representing the majority of fund units is required, and certain resolutions require supermajority approval.

## ***6. Dissolution and Liquidation***

For **public contractual funds**, dissolution occurs when the fund's term expires, the founding document specifies a dissolution event, participants' general meeting votes for early dissolution, or by court judgment. Additional grounds include failure to appoint a new custodian within six months or revocation of establishment permits. The management entity must publish liquidation announcements in newspapers and notify participants within five days. During liquidation, the management entity must sell fund assets in participants' best interests and settle debts, completing the process within six months unless extended. Remaining assets are distributed according to the founding document's provisions.

**Private contractual funds** follow similar dissolution grounds, including term expiration and unanimous participant consent. The liquidator must prepare a liquidation plan covering asset valuation, debt settlement procedures, and participant distribution plans, followed by an independently audited final liquidation report within thirty days of completion. The Macau Monetary Authority issues extinction certificates upon liquidation completion and the funds are considered extinct on the issuance date of such certificates.

## **III. Implications and Next Steps**

The contractual fund remains the cornerstone of Macau's fund industry, available for both public and private funds. Its regulatory framework under Law No. 11/2025 is comprehensive and draws heavily on the Law's general and public fund provisions, meaning that practitioners structuring contractual funds must engage with the full breadth of the statute — from constitutive document requirement, participants' meeting rules, and non-excludable liability.

For **public fund sponsors**, the contractual fund's mandatory custodian requirement, detailed disclosure obligations, and investor protection mechanisms make it well suited for retail distribution — but these come with a correspondingly higher compliance burden. For **private fund sponsors**, the contractual form offers a lighter-touch alternative to the limited partnership fund, with no requirement for a custodian and the flexibility of the filing regime.

## **Footnotes:**

- [1]: Article 4(2) (Public funds — contractual or corporate form only; private funds — any form)
- [2]: Article 4(3) (Contractual fund — independent patrimony and two structural forms)
- [3]: Article 32(2)(i) (Constitutive document — fund management regulations or trust contract)
- [4]: Articles 23, 77–80 (Custodian eligibility and duties — custody, rights verification, and oversight)
- [5]: Article 72 (Management entity's three duties for public funds)
- [6]: Articles 28, 58–59, 64, 70 (Liability, prudential limits, and related-party transactions)
- [7]: Article 10 (Property independence)
- [8]: Article 32(3) (Required content of constitutive documents)
- [9]: Article 50 (AMCM prior approval for public fund establishment)
- [10]: Article 102 (Filing regime for private fund establishment)
- [11]: Article 27 (Participants' rights)