

Macau Investment Funds Law Series: Fund Managers under Law

No. 11/2025

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Macau's new **Investment Funds Law (Law No. 11/2025)**, effective **1 January 2026**, sets out the role and obligations of **management entities** as the central actors in the fund ecosystem. For public funds, the management entity must discharge three distinct categories of duty — **investment management**, **administrative management**, and **sales management** — each with granular substantive requirements. The law also broadens the types of entities eligible to serve as management entities, strengthens outsourcing safeguards, imposes strict liability standards, and establishes a parallel but more flexible regime for private funds.

In this Macau Investment Funds Law Series, our companion articles include:

1. Custodians: [link](#);
2. Foreign Funds Inbound & Macau Funds Outbound: [link](#);
3. Sales Entities: [link](#).

Key takeaways

- **Clear eligibility:** Investment fund management companies, Credit institutions, financial companies, and other authorised entities may manage funds. [1]

- **Three-pillar duty framework:** Duties are set out across *investment management*, *administrative management*, and *sales management*. [2]
 - **Prohibited activities and prudential limits:** Management entities may not grant loans from fund assets or exceed prescribed borrowing limits; strict concentration limits and related-party transaction safeguards apply. [6] [9]
 - **Outsourcing with safeguards:** Outsourcing to external investment managers is permitted, subject to due diligence, monitoring, and conflict-of-interest requirements. [7]
 - **Non-excludable liability:** Management entities are liable for NAV miscalculations, false statements, and losses caused by outsourced entities; this liability cannot be contractually excluded or limited for public funds. [8]
 - **Private fund flexibility:** Parallel but more flexible obligations, with no mandatory custodian requirement. [10]
 - **Transition deadline:** Existing funds and entities must comply by **1 January 2027**.
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I. Introduction

Law No. 11/2025 defines the **management entity** as the entity that, for profit, deploys fund assets and exercises the rights inherent in those assets, and ensures the performance of other duties prescribed by the Law and the fund's constitutive documents. The management entity sits at the centre of the fund governance structure — responsible for portfolio decisions, accounting, disclosure, unit-holder servicing, and distribution oversight. ***For the roles of custodians and sales entities, see our companion articles in this Macau Investment Funds Law Series.***

II. Key Provisions and Analysis

1. Eligibility to Act as Management Entity

Four categories of entity are recognised as eligible to serve as management entities for funds domiciled in Macau: [1]

1. **Investment fund management companies.**
2. **Credit institutions.**
3. **Financial companies.**
4. **Other entities** authorised to manage funds.

All management entities must satisfy qualifying conditions including: sound corporate governance and internal controls, adequate financial resources, appropriate human resources and technology, **qualified investment personnel** with at least **three years** of relevant supervisory-institution experience, and sound investment decision-making processes with clear accountability mechanisms. [1]

Investment fund management companies are subject to additional requirements: they must be established as *sociedades anónimas* (companies limited by shares) with a minimum share

capital of **MOP 3,000,000** (or MOP 5,000,000 if also conducting other asset management business), fully paid up in cash at incorporation. [11] Their boards must comprise at least three qualified members, of whom two must be ordinarily resident in Macau. [12] Other aspects of interest are supervisory board (or sole supervisor), corporate secretary, as well as designated officer and responsible person.

2. Overarching Duty and the Three-Pillar Framework

The management entity must perform three categories of duties for each public fund: **investment management, administrative management, and sales management**. [2] In discharging these duties, the management entity must deploy proportionate resources and establish internal controls suited to each fund's nature, complexity, and risk profile. The overarching duty of **prudence, honesty, good faith, diligence, and independence** — acting in the **best interests** of participants — applies throughout. [13]

3. Investment Management

The management entity must adopt **appropriate decision-making processes** for portfolio composition and asset selection in accordance with the fund's constitutive documents, and implement an **effective risk management system** to identify, monitor, and manage fund risks. [3] It must also take **reasonable and prudent measures** to ensure custodians and any external investment managers possess the requisite qualifications, and maintain the resources and authority needed to effectively monitor outsourced activities. This pillar intersects with the prudential concentration limits and related-party transaction safeguards discussed at Section 7 below.

4. Administrative Management

Administrative management encompasses four obligations: (1) **accounting and record-keeping** — managing each fund's assets **separately** with **independent bookkeeping** and maintaining complete records; (2) **asset valuation** — adopting standards appropriate to each asset class and determining fund unit values; [14] (3) **information disclosure** — performing the information and disclosure obligations required by the Law and constitutive documents, such as mid-term reports, and annual reports; [15] and (4) **unit-holder servicing** — ensuring the registration, issuance, redemption, and income distribution for fund units. [4]

The Law imposes strict **publication timelines**: mid-term reports within **two months** of each half-year end; quarterly portfolio, NAV, and unit data within **ten business days** of each quarter end; annual reports within **four months** of the financial year end; and fund unit values disclosed on **each trading day**. The management entity must also **promptly disclose** material events — including NAV miscalculations, significant personnel changes, and relevant judicial or arbitral proceedings. [16] [17]

5. Sales Management

The management entity retains **ultimate accountability** for fund distribution. [5] Where a sales entity is appointed, the management entity must ensure each sales contract complies with the Law and provide the sales entity with all information needed for disclosures. When selling fund units **directly**, the management entity must itself observe the sales conduct

principles — openness, fairness, non-misleading conduct, clear risk disclosure, and no false or exaggerated return promises. **For a detailed discussion, see *article Sales Entities Under Law No. 11/2025* in this Macau Investment Funds Law Series.**

6. Prohibited Activities

The Law expressly prohibits management entities from carrying out the following activities in respect of public funds they manage: [6]

1. **Borrowing** for securities investment funds, except where the loan period does not exceed **180 days** and the cumulative borrowing does not exceed **10%** of the fund's NAV.
2. **Borrowing** for real estate investment funds, except where the cumulative amount does not exceed **50%** of the fund's NAV.
3. **Creating encumbrances** over fund assets, except to secure borrowings permitted under (1) and (2) above.
4. **Granting loans** from fund assets, including providing guarantees.
5. **Exercising significant influence** over companies in which the fund holds equity interests.

7. Prudential Limits and Related-Party Transactions

The Law imposes **prudential concentration limits** on fund asset composition: [9]

For **securities investment funds**, no more than **10%** of a fund's assets may consist of securities issued by the same entity, with a **20%** cap for same-group issuers and up to **35%** for sovereign or public-body securities. [18] For **real estate investment funds**, at least **75%** of assets must be composed of real estate, with a **25%** cap on development projects, and at least **90%** of after-tax net income must be distributed to participants annually. [19]

Temporary breaches (e.g., market fluctuations, mass redemptions) must be immediately notified to the AMCM, with compliance restored within **three months**. [20]

Related-party transactions must satisfy five cumulative conditions: fair market pricing aligned with investment objectives; priority of participant interests; prior custodian consent with disclosure in periodic reports; board review for material transactions; and board review of all related-party transactions at least every six months. [21]

8. Outsourcing of Management Functions

The management entity may outsource functions to third parties by written contract, but this does not discharge its responsibility to the fund and participants. [7] Core principles include: no impairment of AMCM supervision, **effective control and monitoring** by the management entity, and the outsourced entity must possess the requisite qualifications, cooperate with the AMCM, and observe confidentiality obligations.

Outsourcing of investment functions (engagement of external investment managers) triggers additional requirements: [22] clear selection, supervision, and replacement policies; conflict-of-interest identification and disclosure mechanisms; contractual provisions covering authority, reporting, asset protection, and termination arrangements; record accessibility; and verification that the external investment manager is AMCM-authorized or subject to equivalent foreign supervision, with personnel meeting the three-year experience requirement. If the external investment manager engages in misconduct or operational

difficulties, the management entity must **immediately** take remedial measures — including terminating the appointment and notifying the AMCM and investors.

9. Liability

The management entity is liable for losses arising from its fault, with particular exposure across all three management pillars: [8]

- **NAV miscalculation:** Where attributable to the management entity, it must compensate affected participants within **thirty days** of discovering the error — based on the difference between the correct and incorrect NAV — and immediately submit a correction report to the AMCM.
- **False or misleading disclosures:** Liability for false statements, misleading content, or material omissions in the constitutive documents, prospectus, or other fund documents.
- **Transaction processing failures:** Liability for failure to process subscription, redemption, or transfer requests in accordance with constitutive documents.
- **Outsourcing supervision failures:** Liability for failure to reasonably supervise outsourced entities.

For public funds, this liability **cannot be contractually excluded or limited**, except where the loss results from force majeure, investor fault, or causes not attributable to the management entity. [8] The management entity may not disclaim liability by virtue of having outsourced functions to third parties. [23]

10. Private Fund Management Entities

Private fund management entities are subject to a parallel but more flexible regime. [10] Core obligations mirror the public fund framework — management per constitutive documents, investor qualification, unit-holder servicing, investment operations, **separate accounting and independent bookkeeping**, unit value calculation, record-keeping, and information disclosure — but with greater flexibility in scope and detail.

Notably, a custodian is **not mandatory** for private funds: [24] where one is appointed, the management entity must ensure it possesses the requisite qualifications; where none is appointed, the management entity must adopt appropriate measures to safeguard fund assets. An **annual audited report** must be submitted to participants and the AMCM within four months of each financial year end. [25] Management entities and sales entities are prohibited from engaging in **fraud, false statements, or misleading disclosures** at any stage of a private fund's life cycle. [25]

III. Implications and Next Steps

The provisions on the management entity's role across three statutory pillars raise the compliance bar significantly, while making clear the route to compliance. On one hand, **existing management entities** must review their organisational structures, internal controls, and risk management systems against the new qualifying conditions — which may require recruitment or retraining. On the other hand, **investment fund management companies** interested in combining fund management with other asset management business are now

allowed to do so, by obtaining additional authorisation and meeting the higher minimum capital threshold.

While general **outsourcing rules** govern the delegation of functions, particular requirements are made for the outsourcing of investment functions — **entities engaging external investment managers** must build robust selection, monitoring, and conflict-of-interest frameworks, with pre-agreed contractual mechanisms for immediate termination and notification.

All existing funds and entities must bring their management arrangements into full compliance by **1 January 2027**.

Footnotes

- [1]: Article 22
- [2]: Article 72
- [3]: Article 73
- [4]: Article 74
- [5]: Article 75
- [6]: Article 76
- [7]: Article 26(1)–(3)
- [8]: Article 28(1)–(4)
- [9]: Articles 58, 64, and 70
- [10]: Article 104(1)
- [11]: Article 121
- [12]: Article 123
- [13]: Article 21
- [14]: Article 57(6)
- [15]: Article 31(1)
- [16]: Articles 93(1)–(4)
- [17]: Article 91(2)
- [18]: Article 64
- [19]: Articles 66, 68, and 70
- [20]: Article 58(2)
- [22]: Article 26(3)
- [23]: Article 28(5)
- [24]: Article 104(1)(ix)
- [25]: Article 104(2)–(3)

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