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Open-Ended Undertakings for Collective Investment (UCI) Law of 2012

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For the purpose of harmonization with the-

EU Official (a) Act of the “Directive 2009/65/EC of the European Parliament
Journal: L 302, and of the Council of 13 July 2009 on the coordination of laws,
17.11.2009, p. 32 regulations and administrative provisions relating to undertakings
for collective investment in transferable securities (UCITS)”,

EU Official (b) Articles 11 and 13 of the “Directive 2010/78/EU of the
Journal: L 331, European Parliament and of the Council of 24 November 2010
15.12.2010, p.153 amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC,
2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC,

2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC in respect of the powers of the European Supervisory Authority (European Banking Authority), the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority)”

AND for the purpose of implementation with the-

- | | |
|--|---|
| <p>EU Official
Journal: L 176,
10.07.2010, p. 1</p> | <p>(a) Commission Regulation (EU) no 583/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website,</p> |
| <p>EU Official
Journal: L 176,
10.07.2010, p. 16</p> | <p>(b) Commission Regulation (EU) no 584/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities</p> |

AND for the purpose of regulation of the operation and of supervision of Open-ended Undertakings for Collective Investment in Transferable Securities (UCITS) and of Management Companies, as well as for the purpose of regulation of the taxation regime of Open-ended UCITS.

The House of Representatives hereby enacts as follows:

PART I
INTRODUCTORY PROVISIONS

Short title 1. This law shall be cited as the Open-Ended Undertakings for Collective Investment (UCI) Law of 2012.

Interpretation 2. Unless otherwise implied from the context, in the Law,

«Operation licence of a Common Fund» means the licence granted by the Commission in accordance with subsection (1) of section 9.

«Operation licence of a Management Company» means the licence granted by the Commission in accordance with subsection (1) of section 111.

«Operation licence of a Variable Capital Investment Company» means the licence granted by the Securities and Exchange Commission in accordance with subsection (2) of section 9.

«Operation licence of UCITS» means the operation licence of the Common Fund or of the Variable Capital Investment Company granted by the Commission in accordance with subsections (1) to (3) of section 9, as the case may be.

«Application to subscribe to units of UCITS» means the application to purchase units in accordance with paragraph (a) of subsection (1) of section 16.

«Application to redeem units of UCITS» means the application to redeem units in accordance with subsection (2) of section 18.

Annex (I)(1) «Common Fund» means UCITS of the open-ended type in accordance with section 5.

«Competent Authority» means the authority, which each member state designates under Article 97 of Directive

2009/65/EC to supervise compliance with the legal, regulatory and administrative provisions regarding undertakings for collective investment in transferable securities (UCITS).

144(I) of 2007
106(I) of 2009

«Initial capital» means the minimum capital required for granting an operation licence to a Management Company in accordance with subsection (1) of section 110, to a Variable Capital Investment Company in accordance with subsection (2) of section 32 and paragraph (a) of subsection (1) of section 34 and shall have the meaning as is ascribed in subsection (1) of section (2) of the Provision of Investment Services, the Exercise of Investment Activities and the Operation of Regulated Markets Law.

«Republic» means the Republic of Cyprus.

«Market» means the distribution, marketing, promotion or display to the public by any means of units of UCITS or undertakings of collective investments in the Republic.

«Directors», in connection with the Management Company, the Variable Capital Investment Company, and the Depositary means those persons who, under the Law or the instruments of incorporation of the above, effectively determine their policy and represent them.

«ESMA» means the European Securities and Markets Authority, which was established by Regulation (EU) no 1095/2010 of the European Parliament and of the Council.

«Registered Office» in the case of a company has the meaning given to it by section 102 of the Companies Law.

190(I) of 2007
72(I) of 2009

«Qualifying holdings» means any direct or indirect holding in a Management Company which represents at least 10 % of the capital or of the voting rights of the Management Company, in accordance with sections 28, 29 and 30 of the Transparency Requirements (Securities admitted to Trading on a Regulated Market) Law, taking into account the rules of aggregation

provided in sections 34 and 35 of the above Law, or which makes it possible to exercise a significant influence over the management of the Management Company in which that holding subsists.

«Auditor» means the person possessing the necessary qualifications, in accordance with the Companies Law, to be appointed as auditor of a company.

73(I) of 2009

«Securities and Exchange Commission», or in short the «Commission» means the legal person governed by public law which has been established and operates under the Securities and Exchange Commission Law.

«Investment firm» has the meaning given to it in article 4 paragraph 1 no 1) of Directive 2004/39/EC on markets in financial instruments.

«Firm providing investment services» or in short, «E.P.E.Y.», has the meaning given to it in subsection (1) of section 2 of the Law which provides for the Provision of Investment Services, the exercise of Investment Activities and the Operation of Regulated Markets.

«ESRB» means the European Systemic Risk Board.

«Management company» means a company, the regular business of which is the management of UCITS, including the activities provided in subsection (3) of section 109.

«Variable Capital Investment Company» has the meaning given to it in section 6.

«European Commission» means the Commission of the European Communities.

Annex (I)(2)-
Article 2-par.1(a)
of 2009/65/EC

«Depositary» means the legal person to which the duties referred to in subsection (2) of section 10 are assigned and which is subject to the provisions of sections 10 to 15.

«Subsidiary company» has the meaning given to it in sections 2 and 148 of the Companies Law, as well as the meaning given to the term «subsidiary undertaking» by articles 1 and 2 of the Seventh Council Directive 83/349/EEC on consolidated accounts, and include any subsidiary of a subsidiary undertaking of the parent undertaking at the head of those undertakings.

«Common Fund Regulation» means the Common Fund Rules under section 26.

Commission Regulation (EU) no 584/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities.

Commission Regulation (EU) no 1092/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.

Commission Regulation (EU) no 1093/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the establishing of the European Supervisory Authority (European Banking Authority), amending Decision No 718/2009/EC and repealing Commission Decision 2009/78/EC.

Commission Regulation (EU) no 1094/2010 implementing Directive 2009/65/EC of the European Parliament and of the

Council as regards the establishing of the European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC.

Commission Regulation (EU) no 1095/2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the establishing of the European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC.

«Instruments of incorporation» of a UCITS or a Management Company means the memorandum of association and the articles of association as defined in the Companies Law.

«Legislation in force» has the meaning given to it in section 2 of Law regulating the structure, responsibilities, powers, organisation of the Securities and Exchange Commission.

«Transferable securities» means:

- (a) shares in companies and other securities equivalent to shares in companies (hereinafter “shares”),
- (b) bonds and other forms of securitised debt (hereinafter “debt securities”);
- (c) any other negotiable securities giving the right to acquire shares or bonds by subscription or exchange.

«Member State» means a European Union member state or all members participating in the Agreement of the European Economic Area of 2 May 1992 and adjusted from the Protocol of 17 March 1993 amending the Agreement on the European Economic Area.

«Management Company's home Member State» means the member state in which the Management Company has its registered office or its seat.

«UCITS home Member State» means the member state in which the UCITS was granted its operation licence in accordance with section 5 of Directive 2009/65/EC.

«Management Company's host Member State» means a member state, other than its home member state, within the territory of which a management company has a branch or provides its services.

«UCITS host Member State» means a member state, other than the UCITS home member state, in which the units of the UCITS are marketed.

«Units» of UCITS includes also the «shares» of Variable Capital Investment Companies, whereas the reference to «shares» of UCITS does not include units of Common Funds.

«Unit-holder» when referring to a UCITS, means the holder of units or denominations of units of a UCITS or of shares of a Variable Capital Investment Company.

«Money market instruments» means instruments normally dealt in on the money market which are liquid and have a value which can be accurately determined at any time.

«Parent company» has the meaning given to it in sections 2 and 148 of the Companies Law, as well as the meaning given to the term «parent undertaking» in articles 1 and 2 of the Seventh Council Directive 83/349/EEC on consolidated accounts.

«Unit-holders' Register» has the meaning given to it in subsections (3) to (5) of section 22.

«Directive» means the regulatory Directive of the Securities and Exchange Commission published in the Official Gazette of the Republic.

«Directive 78/660/EC» means the Directive 78/660/EC of the European Parliament and of the Council “on the Fourth Council Directive of 25 July 1978 based on article 54(3)(g) of the Treaty on the annual accounts of certain types of companies, as amended by the Directive 2009/49/EC of the European Parliament and of the Council of 18 June 2009”.

«Directive 83/349/EC» means the Directive 83/349/EC of the European Parliament and of the Council “on the Seventh Council Directive based on article 54(3)(g) of the Treaty on consolidated accounts, as amended by the Directive 2009/49/EC of the European Parliament and of the Council of 18 June 2009”.

«Directive 2004/39/EC» means the Directive 2004/39/EC of the European Parliament and of the Council “on the markets in Financial Instruments of 21 April 2004, on the amending Directives 85/611/EC and 93/8/EC of the Council and of the European Parliament”, as amended by the Directive 2010/78/EC of the Council and of the European Parliament of 24 November 2010.

«Directive 2004/109/EC» means the Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 “on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC”, as amended by the Directive 2010/78/EC of the Council and of the European Parliament of 24 November 2010.

«Directive 2009/65/EC» means the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 “on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable

securities (UCITS)”.

«Group of companies» or in short «group» means the group where a company belongs and is constituted of:

- (a) the parent undertaking,
- (b) its subsidiaries,
- (c) the entities in which the parent undertaking possesses a holding as ascribed in subsection (a) of the term «close links»,
- (d)
 - (i) The undertaking or the undertakings that, even though they are not linked to the parent undertaking under subsections (b) and (c), have been set under common management with the parent undertaking by virtue of a contract concluded with the parent undertaking or in accordance with the provisions of their articles of association or,
 - (ii) the undertaking or the undertakings that, even though they are not linked to the parent undertaking under subsections (b) and (c), have administrative, managerial or supervisory bodies that are constituted by majority by the same persons who exercise their duties during the financial year and until the consolidated accounts are drawn up.

«Undertakings for Collective Investment in Transferable Securities» or in short «UCITS» means the undertakings for collective investment in transferable securities of the open-ended type, in accordance with subsections (1) to (4) of section 4.

«Credit institution» shall include both banks and cooperative

credit institutions.

«Persons involved in the activities of a UCITS or any other undertaking for collective investment» means the Management Company of the UCITS or the other undertaking for collective investment, its Depositary, as well as the persons marketing units of the UCITS or of the undertaking for collective investment.

«Liquid assets» means cash, bank deposits and money market instruments.

«Regulated market» has the meaning given to it in subsection (1) of section 2 of the Law which provides for the Provision of Investment Services, the exercise of Investment Activities and the Operation of Regulated Markets.

«Durable medium» means any instrument enabling the investor to store information addressed personally to that investor, in a way that is accessible for future reference, for a period of time sufficient for the purposes of the information and which allows the unchanged reproduction of the information stored.

«Close links» means a situation where two or more natural or legal persons are linked by either:

- (a) «participation», which means the ownership, direct or by way of control, of at least 20 % of the voting rights or capital of an undertaking, or
- (b) «control», which means the relationship between a «parent» undertaking and a «subsidiary», as defined in articles 1 and 2 of Seventh Council Directive 83/349/EEC on consolidated accounts, as well as in the rest cases of links referred to in article 1 paragraphs (1) and (2) of the said Directive, or a similar relationship between any natural or legal person and an undertaking. For the implementation of the above paragraph-

- (i) every subsidiary undertaking of another subsidiary undertaking shall be considered as a subsidiary of the parent undertaking at the head of those undertakings, and
- (ii) the existence of close links between these persons will be implied in the case two or more natural or legal persons are linked to the same person by control on a permanent basis, taking into account the voting rights described in articles 9 and 10 of the Directive 2004/109/EC.

«Third country» shall mean any state other than a member state.

«Branch» shall mean a place of business which forms part of the Management Company, which has no legal personality and which provides the services for which the Management Company has been authorized. All the places of business set up within the territory of the Republic by a Management Company having its registered seat in another member state shall be regarded as a single branch.

«Minister» shall mean the Minister of Finance.

«Cyprus Stock Exchange» shall mean the Stock Exchange established in accordance with section 3 of the Laws on Securities and Stock Exchange of Cyprus.

«Financial instruments» means any instrument enumerated in Part III of the Third Annex of the Law which provides for the Provision of Investment Services, the exercise of Investment Activities and the Operation of Regulated Markets.

(2) In the present Law, unless defined otherwise:

(a) Reference to sections shall be construed as reference to section to the present Law.

(b) Reference to the Law shall be construed as reference to Directives issued on the basis of mandates by the Commission, as well as reference to European Union Regulations issued as implementing measures of Directive 2009/65/EC.

(c) Reference to Action of the European Economic Area or/and of the European Union shall be construed as reference to the said Action as adjusted, amended or repealed.

Scope of application

3. (1) Subject to the provisions of Part I, of Subchapter 2 of Chapter 4 of Part II, of Part III and of Chapter 2 of Part IV, Common Funds established in the Republic, as well as Variable Capital Investment Companies and Management Companies having registered office in the Republic under the Companies Law, and, to the extent that the Law applies to them, the Depositories of the above Common Funds and of Variable Capital Investment Companies, shall be governed by the provisions of the Law.

(2) For the purposes of the Law, a UCITS shall be deemed to be established in its home member state.

(3) A UCITS shall be deemed to be established in the Republic, if it has received operation licence by the Securities and Exchange Commission under section 9.

47(I) of 1999 (4) The international collective investment schemes, as ascribed in section 2 of the International Collective Investment Schemes Law of 1999, shall be exempt from the provisions of the Law.

PART II
PROVISIONS FOR UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN
TRANSFERABLE SECURITIES

CHAPTER 1
DEFINITION AND DISTINCTION OF UCITS

Definition
of UCITS

4. (1) For the purposes of the Law and subject to subsection (2) of the present section, an undertaking for collective investment in transferable securities (UCITS) shall be the undertaking:

- (a) the sole object of which is the collective investment in transferable securities and/or other liquid financial instruments referred to in subsection (1) of section 40, of capital raised from the public,
- (b) which operates on the principle of risk-spreading, and
- (c) the units of which are, at the request of investors, redeemed or repurchased, directly or indirectly, out of this undertaking's assets. Action taken by a UCITS to ensure that the stock exchange value of its units does not significantly vary from their net asset value shall be regarded as equivalent to such redemption or repurchase. If the stock exchange value of the units of a UCITS does not deviate by a percentage higher than 5% of their net asset value, it is deemed that this deviation is not significant.

(2) The following shall not be regarded as UCITS for the implementation of the Law:

- (a) Closed-ended undertakings for collective

investment.

- (b) Undertakings for collective investment which raise capitals without promoting the sale of their units to the public within the European Union or any part of it.
- (c) Undertakings for collective investment the units of which, under their Regulation or their instruments of incorporation may be sold only to the public in third countries.
- (d) Undertakings for collective investment whose investment and borrowing policies, as regards the legislation of their home member state, does not comply with the conditions set in Chapter VII and article 83 of Directive 2009/65/EC.

(3) Variable Capital Investment Companies the assets of which are invested through subsidiary undertakings principally otherwise than in transferable securities are not subject to the provisions of the Law.

(4) A UCITS may be constituted either under the law of contract (Common Fund) or under statute (Variable Capital Investment Company). Whenever a provision of the Law demands from a UCITS to take action, it is deemed that the said provision refers to the Management Company, if the UCITS has been constituted as Common Fund.

(5) A UCITS may be constituted only in accordance with the Law.

(6) UCITS are prohibited under the provisions of the Law from transforming themselves by any means into an undertaking, which is not subject to subsection (1).

(7) The Securities and Exchange Commission may decide to determine, by virtue of a Directive, the categories of UCITS, on the basis of their investment policy and the categories of assets they invest in.

Common
Fund

5. (1) A Common Fund is a pool of assets which belong jointly and ab indiviso to the unit-holders, which are deposited with a Depositary and which constitute a collective portfolio managed by the Management Company to the interest of the unit-holders.

(2) The Common Fund has no legal personality while the unit-holders shall be judicially and extra judicially represented by the Management Company with regard to the legal relationships arising from the management of the Common Fund and to their rights as for its assets. When the Management Company represents the Common Fund's unit-holders, it acts in its own name, underlying however that it acts on behalf of the Common Fund. The Management Company shall exercise all the rights deriving from the assets of the Common Fund.

(3) The unit-holders shall not be responsible for any actions or omissions of the Management Company or of the Depositary in the exercise of their duties. The Common Fund shall not be responsible for the obligations of the Management Company and the Depositary.

Variable
Capital Investment
Company

6. The Variable Capital Investment Company falls into the definition of UCITS in accordance with subsection (1) of section 4, has the legal form of a limited liability company with shares and fulfills all the following conditions, that have to be met cumulatively:

- (a) Its sole purpose is the collective management of its portfolio, by investing in transferable securities and other financial instruments, in accordance with section 40, to the interest of its shareholders,

- (b) It collects the funds it invests for the purposes of paragraph (a) from the public,
- (c) It operates on the principle of risk-spreading, and
- (d) Its shares are redeemed or re-purchased, directly or indirectly, by its assets, following an application of its shareholders, whereas its capital is increased or decreased by the issue of new shares or the redemption or re-purchase of the old ones, without resorting to a capital increase or decrease under Companies Law.

Actions taken by the company, so as the stock exchange value of its shares does not significantly vary from the net asset value of its assets, as it is provided in paragraph (c) of subsection (1) of section 4, shall be regarded as equivalent to redemptions or re-purchases under paragraph (d).

UCITS with
several
investment
compartments

7. (1) A UCITS may comprise several independent investment compartments, each of which constitutes a separate pool of assets and is governed by the provisions of the Law as such. A UCITS containing several investment compartments constitutes a single legal entity.

(2) Each investment compartment of the UCITS issues units corresponding to the assets constituting the relevant pool of assets. The value of the assets per investment compartment may differ.

(3) Unit-holders have rights that arise only from the assets included in the pool of assets of the investment compartment, units of which they have obtained. Each investment compartment is liable for the obligations arising from its constitution, operation or dissolution. The Regulation or the instruments of incorporation of the UCITS may derogate from the above sentence.

(4) The Regulation or the instruments of incorporation of the

UCITS contain a reference to the fact that the UCITS operates with several investment compartments.

(5) A compartment of a UCITS may invest in another compartment of the same UCITS (compartment target), if the above possibility is provided in its articles of association or in its instruments of incorporation, under the condition that all the below obligations are kept:

- (a) The compartment target is not allowed to obtain units of the compartment of the UCITS, which has invested in it.
- (b) The compartment target may invest in compartments of the UCITS, other than the compartment referred in paragraph (a) above, in a percentage that does not exceed, in whole, 10% of its assets.
- (c) The voting rights deriving from the units corresponding to the participation of a compartment of a UCITS to another compartment of the same UCITS, are suspended, within the time period the mutual participation exists.
- (d) The value of the units corresponding to the investments described in paragraphs (a) and (b) is not calculated twice in the evaluation of the net asset of the Common Fund or of the capital of the Variable Capital Investment Company.
- (e) The Management Company assesses neither remunerations and management, distribution, redemption or re-purchase commissions nor distribution, redemption or re-purchase costs, concerning investments of a compartment of a UCITS to another compartment of the same UCITS.

(6) The Securities and Exchange Commission may withdraw the operation licence of one or more compartment of a UCITS, in accordance with the relevant provisions of the Law, without withdrawing the operation licence of the other compartments of the same UCITS.

(7) Each compartment of a UCITS is dissolved and goes into liquidation separately. The dissolution or liquidation of a compartment of a UCITS does not lead to the dissolution or the liquidation of the other compartments of the UCITS.

(8) The Securities and Exchange Commission may regulate, by virtue of Directives, any additional information that the Regulation or the instruments of incorporation of the UCITS should contain, as well as any other issue regarding the constitution, the operation and the dissolution of the UCITS with several investment compartments.

CHAPTER 2 OPERATION OF UCITS

SUBCHAPTER 1 COMMON PROVISIONS

Title 1 Operation licence of UCITS

Submission
of application
for operation
licence of UCITS

8. (1) In order for a UCITS to start business, an operation licence has to be formerly issued and communicated by the Securities and Exchange Commission, in accordance with section 9. Such operation licence shall be valid for all European Union member states.

(2) The Management Company of a UCITS constituted as a Common Fund, apart from the application for grant of operation licence, shall also communicate to the Securities and Exchange Commission the following information:

(a) a statement regarding the assumption of obligation to deposit the initial assets of the Common Fund in cash,

- (b) the name of the Management Company and of the Depositary of the Common Fund, as well as the data regarding to the directors of the Management Company and of the Depositary that shall be responsible, as the case may be, either to manage or to monitor the activity of the Common Fund,
- (c) a statement by the Depositary, confirming that it agrees to exercise the duties of the Common Fund's Depositary, in accordance with the provisions of the Law,
- (d) a Common Fund draft Regulation signed by the Management Company and the Depositary,
- (e) a Common Fund's draft prospectus and
- (f) a Common Fund's draft key investor information.

(3) If the UCITS takes the form of a Variable Capital Investment Company, the company to be constituted or its Management Company, if such Management Company has been designated, shall communicate to the Securities and Exchange Commission the following information:

- (a) Subject to the implementation of sections 34 and 35 of the Law, the name of the Management Company and of the Depositary, as well as of the directors of the Management Company and of the Depositary that shall be responsible to manage the Variable Capital Investment Company.
- (b) Subject to the implementation of section 35 of the Law, a statement by the Depositary, confirming that

it agrees to exercise the duties of the Variable Capital Investment Company's Depository, in accordance with the Law.

(c) Subject to the implementation of section 34 of the Law, a statement of the Management Company, confirming that it agrees to manage the portfolio of the Variable Capital Investment Company.

(d) Variable Capital Investment Company's draft instruments of incorporation, a draft prospectus and a draft key investor information.

(4) For the purpose of implementation of subsections (2) and (3), the Securities and Exchange Commission demands from the Management Company or from the UCITS itself, if the latter is not managed by a Management Company, the provision of the necessary or useful additional or clarifying information.

(5) The information mentioned in subsections (2) to (4) shall be submitted either in the official language of the Republic and in English or only in English, if in the latter case the Securities and Exchange Commission accepts it.

(6) The Management Company or the UCITS itself, if the latter is not managed by a Management Company, are obliged to give notice to the Securities and Exchange Commission of any change that may occur as regards any information on the basis of which the operation licence under subsection (1) will have been granted.

(7) The Securities and Exchange Commission may specify, by virtue of a Directive, the content of the information and of the statements mentioned in paragraphs (a) to (c) of subsection (2) and paragraphs (a) to (c) of subsection (3).

Grant
of operation

9. (1) An operation licence shall be granted to a Common Fund only if the Securities and Exchange Commission approves the

licence
of UCITS

application of its Management Company to manage that Common Fund, its Regulation and the choice of Depositary.

(2) An operation licence shall be granted to a Variable Capital Investment Company only if the Securities and Exchange Commission has formerly approved the instruments of incorporation of the Variable Capital Investment Company and, subject to sections 35 and 34 respectively, the choice of Depositary, which has to meet the requirements stated in the Law, as well as the choice of the Management Company, which has to meet the conditions set by the Law.

(3) In case of a UCITS managed by a Management Company established in a member state other than the Republic, the Securities and Exchange Commission shall approve the application for the grant of operation licence of UCITS submitted by the Management Company, in accordance with section 132. The Securities and Exchange Commission is not allowed either to rely on whether the Management Company is established in the Republic or to request the assignment of the management of the UCITS, in accordance with section 115, to a Management Company established in the Republic, in order to grant the above operation licence of the UCITS.

(4) The Securities and Exchange Commission shall not grant operation licence to a UCITS if:

- (a) it establishes that the Management Company does not comply with the conditions laid down in Part IV, or
- (b) the Management Company is not authorised for the management of UCITS in its home member state, or
- (c) the Depositary does not comply with the conditions laid down in the Law or the directors of the Depositary are not of sufficiently good repute or are not sufficiently experienced, also in relation to the

type of UCITS to be authorized, or

- (d) the UCITS is not allowed, according to its Regulation or its instruments of incorporation, to market its units in the Republic, or
- (e) in the case of a Variable Capital Investment Company, the legislation of the third country governing one or more natural or legal persons, with whom the Variable Capital Investment Company is closely linked, or the difficulties regarding the implementation of the above legislation, prohibit the effective exercise of its supervisory duties.

(5) The Management Company of the UCITS shall be informed, within two months from the submission of the complete application file, according to subsection (2) to (4) of section 8, whether the operation licence of the UCITS has been granted or not. In the case that the Variable Capital Investment Company has not designated a Management Company, Cyprus Exchange and Securities Commission shall inform the Variable Capital Investment Company to be constituted, within six months from the submission of the complete application file, whether the operation licence has been granted or not. Reasons shall be given where the grant of a licence is refused. In case of the Variable Capital Investment Company, the decision of Cyprus Exchange and Securities Commission not to grant the operation licence shall be also communicated to the Registrar of Companies within the above time period, as the case may be.

(6) Within three months from the grant of the Common Fund operation licence, the Management Company shall submit to the Securities and Exchange Commission a certification from the Depositary for the deposit of the Common Fund initial assets. If the Management Company fails to produce this certification within the fixed deadline, the Securities and Exchange Commission shall compulsorily revoke the operation licence of the Common Fund.

(7) It shall be prohibited to market Common Fund's units before the Common Fund's operation licence is communicated, in accordance with subsection (5) and before the Depositary's certification is submitted to the Securities and Exchange Commission, in accordance with subsection (6).

(8) The UCITS may be advertised only after the operation licence is communicated by the Securities and Exchange Commission in accordance with subsection (5).

(9) The UCITS invests its assets according to the provisions of Subchapter 1 of Chapter 3 of Part II, within six (6) months at the latest from the date of the communication of the operation licence of the UCITS in accordance with subsection (5).

Title 2

Depositary

Duties of Depositary 10. (1) Without prejudice to the provisions of section 35 regarding the Variable Capital Investment Companies, the safekeeping of the assets of a UCITS shall be assigned to a Depositary, that shall carry on the duties of the UCITS's Treasurer.

(2) The duties of a Depositary may be assumed by a credit institution, having a registered office in the Republic or its seat in a member state other than the Republic and a branch in the Republic, under the condition that it is entitled, according to the relevant operation licence, to provide the services of a Depositary and that it possesses the necessary organization and infrastructure. The Securities and Exchange Commission may, by virtue of a Directive, specify the organizational prerequisites that a Depositary of UCITS should fulfill, in order to provide its services as such.

(3) The Depositary of a Common Fund:

(a) Ensures that the issue, the marketing, the redemption, the re-purchase and the cancellation of units, entries of any kind in the Unit-holders'

Register, as well as the valuation of units are carried out in accordance with the applicable legislation and the Common Fund regulation.

- (b) Executes the orders of the Management Company, unless these are contrary to the applicable legislation or to the Common Fund regulation and monitors the correct execution of its orders by the Management Company.
- (c) Ensures the payment of the price for the transactions concerning the assets of the Common Fund, within the usual deadlines.
- (d) Ensures that the Common Fund profits are distributed according to the applicable legislation and the Common Fund regulation.
- (e) Co-signs the reports and accounts of the Common Fund mentioned in section 55.

(4) The Depositary of the Variable Capital Investment Company ensures that the requirements referred to in paragraphs (a), (c) and (d) of the above subsection are fulfilled and co-signs the reports and accounts of the Variable Capital Investment Company mentioned in section 55.

(5) The Depositary makes sure that the Management Company or the UCITS itself, in the case that the UCITS is not managed by a Management Company, furnishes it with every piece of information necessary for the exercise of its duties and obligations in accordance with the Law, and that the Management Company or the UCITS itself, in the case that the UCITS is not managed by a Management Company, provides the Depositary with full access to the documents concerning the UCITS.

(6) The Depositary provides, if the UCITS is established in the Republic, to the Securities and Exchange Commission, or, if the UCITS is established in a member state other than the Republic, to the competent authorities of this member state, the possibility to receive, upon the submission of the relevant application, all the information necessary or useful to the exercise of the supervision on the UCITS, that the Depositary gathers during the exercise of its duties.

(7) In the case that the Management Company of the UCITS is established in a member state other than the Republic, the Depositary contracts with the Management Company a written agreement, which regulates the flow of information that are considered to be useful in order for the Depositary to be able to fully exercise the duties referred to in the present section and in other legislative or regulatory provisions regarding the Depositaries in the Republic.

(8) The Securities and Exchange Commission may issue Directives with regard to technical matters or to the details concerning the deposit of the assets of the UCITS to the Depositary for safekeeping or to the measures adopted by the Depositary in order to exercise its duties regarding the UCITS managed by a Management Company established in another member state, including the elements that should be a part of the agreement between the Depositary and the Management Company, in accordance with subsection (7).

Assignment of Depositary duties of 11. (1) The Depositary may assign the safekeeping of the assets of the UCITS to a third party, which shall legitimately exercise the duties of Depositary, provided that there shall be a relevant provision in the UCITS regulation or instruments of incorporation allowing this.

(2) The Depositary may assign the safekeeping of foreign transferable securities or other liquid financial instruments or Cypriot transferable securities or other liquid financial instruments, wherein the UCITS's assets are invested, under the condition that they are listed on a regulated market operating outside the Republic, to an officially authorized Depositary abroad.

(3) The assignment of the safekeeping of the UCITS's assets to a

third party, in accordance with the provisions of subsections (1) and (2), shall be communicated to the Management Company of the UCITS or to the UCITS itself, if the latter is not managed by a Management Company.

(4) The Depositary is entitled to revoke at any time the assignment of the safekeeping of the UCITS's assets to a third party. The termination for any reason of the duties of the Depositary as such shall at the same time entail the termination of the assignment to the third party.

(5) The Depositary shall not assign to a third party the control of the activities of the Management Company and the operation of the Common Fund.

Liability of the
Depositary

12. (1) The Depositary of the Common Fund shall be liable, under the legislation of the Republic, towards the Management Company and the unit-holders for every loss caused to them due to violation of its obligations. The unit-holders of the Common Fund shall have the individual right to take legal action against the Depositary for the loss they suffered due to negligent exercise of its duties.

(2) The Depositary of the Variable Capital Investment Company shall be liable, under the legislation of the Republic, towards the Management Company and its shareholders for every loss caused to them due to violation of its obligations. The shareholders of the Variable Capital Investment Company shall have the individual right, either directly or indirectly through the Management Company, to take legal action against the Depositary for the loss they suffered due to negligent exercise of its duties.

(3) The Depositary shall remain liable, in accordance with subsections (1) and (2), as the case may be, even in the case of the assignment to a third party of safekeeping of all the assets or a part of the assets deposited to it for safekeeping. The Depositary shall be fully liable together with the third party, for the loss caused by the third party to persons mentioned in subsections (1) and (2).

Independence of
the Management

13. (1) The same company cannot carry on:

(a) the duties of Management Company and the duties of

- | | |
|-------------------------------|--|
| Company and the Depositary | <p>Depositary, or/and</p> <p>(b) the duties of Variable Capital Investment Company and the duties of Depositary.</p> <p>(2) While exercising their duties, the Depositary and the Management Company, if such a company exists, shall be obliged to act independently from one another and exclusively in the interest of all unit-holders, regardless of whether they belong to the same group of companies or not.</p> |
| Resignation of the Depositary | <p>14. (1) The Depositary of the UCITS that intends to resign from its duties must inform the Management Company or the UCITS itself, if a Management Company does not exist, of its intentions in writing at least three months before its resignation.</p> <p>(2) The Management Company or the UCITS itself, if the latter is not managed by a Management Company, shall forthwith report the fact to the Securities and Exchange Commission and recommend a new Depositary to replace the one resigned.</p> <p>(3) In the event that the Management Company or the UCITS, as the case may be, delays unjustifiably to recommend a new Depositary, the relevant proposal shall be submitted by the resigning Depositary.</p> <p>(4) The Securities and Exchange Commission approves the choice of the Depositary recommended, otherwise, it requests from the Management Company or the UCITS itself or, in the case of subsection (3), from the resigning Depositary to propose another new Depositary.</p> <p>(5) Following the appointment of the new Depositary, the resigning Depositary shall hand over to the new Depositary the UCITS's assets in its safekeeping as well as every relevant document necessary for the new Depositary to exercise its duties.</p> <p>(6) The Depositary that has submitted its resignation shall continue to exercise its duties until the new Depositary has fully taken over its duties.</p> <p>(7) The resignation and replacement of the Depositary shall</p> |

entail amendment of the UCITS's regulation or instruments of incorporation.

Replacement of the Depositary 15. (1) The Securities and Exchange Commission may request the replacement of the UCITS's Depositary by a new Depositary, in case of serious violation of the Depositary's obligations or in order to protect the interests of unit-holders when the Depositary does not exercise its duties in the interest of all unit-holders. In these cases, the Securities and Exchange Commission shall approve the selection of the new Depositary

(2) The application for the replacement of the Depositary may also be submitted by the Management Company itself, as a representative of the Common Fund's unit-holders or by the Variable Capital Investment Company itself, by virtue of a decision of its Board of Directors.

(3) If the replacement of the Depositary is requested, the Management Company or the Variable Capital Investment Company, as the case may be, has to recommend a new Depositary for the replacement of the former and to inform respectively the Depositary to be replaced. In case of a Variable Capital Investment Company, the Board of Directors of the Company decides about the recommendation of the new Depositary.

(4) In the case of the replacement of the Depositary, the provisions of subsections (4) to (7) of section 14 apply *mutatis mutandis*.

Title 3

Purchase and redemption of units

Procedure for subscription to units 16. (1) For the marketing of units by the Management Company or by the UCITS itself, in the case the latter is not managed by a Management Company, and the acquisition by the unit-holder of UCITS units, the following are necessary:

(a) an application to subscribe to units communicated to the Management Company or the UCITS itself, in the case the latter is not managed by a Management Company, which may be submitted electronically,

- (b) acceptance of the UCITS regulation or instruments of incorporation and
- (c) full payment to the Depositary of the amount due for the acquisition of units, as determined on the basis of the sale price of units, in cash or in transferable securities or other financial instruments, as long as the Management Company or the UCITS itself, in the case the latter is not managed by a Management Company, accepts the transferable securities or the other financial instruments. The provisions of section 51 shall apply *mutatis mutandis* to the calculation of the value of transferable securities or of financial instruments.

(2) In the event that the amount due for the acquisition of units is paid to the Management Company or the UCITS itself, the Management Company or the UCITS respectively shall deposit the above amount, within the following working day at the latest, to the Depositary. Subject to the implementation of the above sentence, it is prohibited to pay the amount due for the acquisition of the units to a person that is part of the units' marketing network, other than those mentioned in subsection (5). In any case, the transferable securities or other financial instruments shall be deposited to the Depositary of the UCITS for the participation to the UCITS.

(3) The sale price of the units is the price of the date the application to subscribe to units is submitted, as ascribed in section 60.

(4) The Management Company or the UCITS itself, as the case may be, shall hand over free of charge to the applicant to participate to the UCITS the key investor information and the regulation or the instruments of incorporation of the UCITS, and if the applicant requests so, the prospectus and the latest yearly and six-monthly report of the UCITS.

(5) The Management Company or the UCITS itself, as the case may be, may market units of the UCITS also through credit institutions, firms providing investment services or other

investment firms, as well as Management Companies.

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106(I) of 2009

(6) Subject to specific provisions of the Law, the marketing of UCITS units by the persons mentioned in subsection (5), or by other persons acting as representatives of the above persons, is effected in accordance with the provisions of Provision of Investment Services, the Exercise of Investment Activities and the Operation of Regulated Markets Law, which regulate the investment service of reception and transmission of orders.

(7) The Securities and Exchange Commission may regulate, by virtue of Directives:

(a) technical issues or the details of the implementation of subsections (1) to (5), the qualifications and the procedure of authorisation of the persons participating to the UCITS units' marketing network, and in general the qualifications and the obligations of these persons and

(b) the conditions under which it is possible to submit the application to subscribe to UCITS units by electronic means, specifying the security measures that the Management Company or the UCITS itself, as the case may be, has to take, in order to ensure the safety of the investors.

Certificate
of participation
to UCITS

17. (1) The Management Company or the UCITS itself, if the latter is not managed by a Management Company, upon the relevant request of the unit-holder or the co-beneficiary, shall issue a certificate of participation to the UCITS. The unit-holder may also request such a certificate regarding the redemption of the UCITS units.

(2) The certificate of participation, the exact content of which is designated by the Management Company or the UCITS itself, as the case may be, according to the purpose of its issue, following the relevant application of the unit-holder, shall have only probative value with regard to the participation of the unit-holder to the UCITS. In case of differences between the content of the above certificate and the relevant registration to the Unit-holders' Register, the latter shall prevail.

(3) The certificate of subsection (1) may also reflect all the participations to one or more UCITS managed by the Management Company.

(4) The Management Company or the UCITS itself, if the latter is not managed by a Management Company, following the relevant request of the pledge lender or the unit-holder, shall issue a certificate regarding the registration of the pledging of the units to the Unit-holders' Register.

Redemption of units 18. (1) The redemption of UCITS units shall be obligatory upon request of the unit-holder.

(2) For the purpose of the redemption, in accordance with the provisions of subsection (1), the unit-holder submits either a written or an electronic application to the Management Company or the UCITS itself, as the case may be. It shall not be permitted to submit an application for conditional redemption.

(3) The Management Company or the UCITS itself, as the case may be, shall not redeem the units without examining the legal justification of the applicant unit-holder. The shares of the Variable Capital Investment Company redeemed by the Variable Capital Investment Company itself shall be cancelled and its capital shall be decreased by the amount paid from the Variable Capital Investment Company for the redemption of the shares.

(4) The value of the UCITS units redeemed shall be paid in cash within four working days from the date the application for the redemption of the units is submitted. Irrespectively of the present section, payment of the amount due for the redemption of units of Exchange traded UCITS as determined in section 45 and on the basis of the composition of the index, is permitted as long as this is provided for or in the Common Fund Regulation or in the Instruments of Incorporation.

(5) The units of the UCITS shall be redeemed at the redemption price of the date the unit-holder's application for the redemption is submitted. The redemption price shall be calculated in accordance with section 60.

(6) The application to pass from one investment compartment of

a UCITS to another investment compartment of the same UCITS, or from one UCITS to another UCITS, shall be considered as equivalent to application for redemption of the participation to the initial UCITS or to an investment compartment of the said UCITS and as equivalent to acquisition of participation to the new UCITS or to the new investment compartment of the same UCITS.

Suspension of redemption of units by a decision of the Management Company or the UCITS

19. (1) In exceptional cases, when circumstances make it necessary or in cases provided for in the UCITS regulation or its instruments of incorporation, and in any case it is in the unit-holders' interest, it shall be permitted to suspend the redemption of units for a period up to one month, by a decision of the Management Company or the UCITS itself, if the latter is not managed by a Management Company, and a previous permission by the Securities and Exchange Commission. This suspension may be extended for another one (1) month at most following a new permission by the Securities and Exchange Commission, provided that there is valid reason. Exceptionally, the Securities and Exchange Commission may, by a decision, allow the suspension of the redemption of units for a period of time longer than the above time period of one (1) month, in order to safeguard the unit-holders' interest and the smooth operation of the market, provided that the time period during which the redemption of units is suspended shall not exceed three (3) months in total.

(2) The Management Company or the UCITS itself, as the case may be, shall submit forthwith its decision on the suspension of the redemption of units for approval to the Securities and Exchange Commission, in order to receive the permission mentioned in subsection (1) and shall communicate the suspension of the redemption to the competent supervisory authorities of the other member states, where the units of the UCITS are marketed. The decision of the Securities and Exchange Commission by virtue of which the suspension of the redemption is prolonged shall be communicated in accordance with the above.

(3) In the case that the conditions justifying the suspension of the redemption of units cease to apply before the end of the period during which the redemption was decided to be suspended, the Management Company or the UCITS itself, as the case may be,

shall revoke the suspension and shall inform respectively the Securities and Exchange Commission, as well as the competent supervisory authorities of the other member states, where the units of the UCITS are marketed.

(4) The suspension of the redemption, its extension, its expiry or revocation, as well as the reasons of the suspension and its ending point of time, shall be published without delay by an announcement in at least two daily newspapers of wide circulation in Cyprus. The above announcement shall also be inserted on the web page of the Management Company or the UCITS itself, as the case may be.

(5) During the suspension of the redemption of UCITS units, unit-holders it shall not be permitted for unit-holders to submit applications for redemption of units or to redeem units. Nevertheless, the pending applications, namely the applications for redemption of units submitted before the issue of the decision of the Management Company or the UCITS itself, as the case may be, on the suspension of the redemption, shall be satisfied.

Suspension of redemption of units by a decision of the Securities and Exchange Commission

20. (1) The Securities and Exchange Commission, in exceptional cases and in the unit-holders' interest, by virtue of a decision and at its initiative, may suspend the redemption of UCITS units.

(2) The provisions of section 19 in relation to the duration of the suspension, the extension, the publication of announcements of commencement, expiry or revocation of the suspension, the information of the competent supervisory authorities and the restrictions with regard to the submission of application to redeem units as well as with regard to the redemption of UCITS units shall apply *mutatis mutandis* in the case of the suspension of the redemption of units by the Securities and Exchange Commission's decision as defined in subsection (1).

SUBCHAPTER 2

SPECIFIC PROVISIONS

Title 1

Provisions for Common Funds

Value of initial assets of the Common Fund 21. The initial assets of the Common Fund must have a total value of at least two hundred thousand (200.000) Euros and fully paid up in cash. In case of a Common Fund with several investment compartments, the above provision regarding the minimum value of the Fund's initial assets applies to each investment compartment.

Where a Common Fund comprises more than one investment compartments, the above mentioned minimum amount of the initial asset shall apply to each one of these compartments.

Common Fund units 22. (1) The Common Fund's assets shall be divided into registered units or fractions of units. Each unit or fraction of unit represents the same percentage of the Common Fund's assets. The Common Fund may issue units of different categories which will be designated in the Common Fund's regulation. The rights deriving from the units shall be exercised in accordance with the percentage of the total assets that they represent, with the exception of voting rights, which shall be exercised on the basis of one vote per unit. In derogation of the previous sentence and regardless of the application of section 52, the right to the Common Fund's profits and proceeds may differ in each category of units according to the Common Fund regulation.

(2) Common Fund units have no nominal value.

(3) The acquisition of units presupposes that their value will be fully paid to the Depositary and that the participation to the Common Fund will be accepted by the Management Company. The Common Fund units shall be registered, without serial number, to the Unit-holders' Register kept by the Management Company and they shall be observed through entries in it. The above registration to the Unit-holders' Register proves the participation to the Common Fund.

(4) Each participation of a unit-holder or of co-beneficiaries is individually registered in the Unit-holders' Register.

(5) The Unit-holders' Register contains:

- (a) the name and surname of the unit-holder or in the case of legal persons, the name.
- (b) the unit-holder's address or, in case of legal persons, the registered office or, in case of foreign legal persons, the seat, the address and the registration number, the address and the company register number, if such a number exists,
- (c) the identity card or passport number of the unit-holder
- (d) the number of units represented by the participation, as well as,
- (e) any other piece of information which forms the minimum content for the individualization of the unit-holder and its units.

In the case that equal co-beneficiaries are more than one natural person, the information concerning all co-beneficiaries shall be registered.

(6) The Management Company ensures that the Depositary shall have full and continuous access to the Unit-holder's Register.

Co-beneficiaries
of units

23. (1) In the case that the unit beneficiaries are more than one natural person, each beneficiary may, as co-beneficiary of these units, use partially or fully the units of the common account, without the consent of the rest, as especially determined either by all co-beneficiaries during the opening of the account or by the co-beneficiary that submits the application of participation to the Common Fund and pays the value of units acquired. In the event of a redemption of units following the application for redemption by a co-beneficiary entitled to use the units without the consent of the others, the Management Company and the Depositary shall be fully discharged from the obligation to pay any amount to the rest of the co-beneficiaries with regard to the redeemed units.

(2) During the opening of a co-beneficiaries' common account, in accordance with subsection (1), it may be deemed possible to assign that, with the death of any of the co-beneficiaries, its units shall come *ipso jure*, to the possession of the other living co-beneficiaries of the account, up to the last of them. In order for the units to come to the possession of the living co-beneficiaries, in accordance to the present subsection, no inheritance tax or other fee is due.

(3) In order for a new co-beneficiary to be added, the written consent of the Management Company and of all the co-beneficiaries of the account must be given. In order to erase an existing co-beneficiary, the express, written consent of the latter must be given. The information regarding the new co-beneficiary of the units shall be registered to the Unit-holders' Register, whereas the information regarding the unit-holder who ceased to be co-beneficiary are erased.

(4) In the case of acquiring units in accordance with subsection (1), a certificate of participation containing the names of all co-beneficiaries shall be issued for each account, in accordance with the provisions of section 17.

Transfer of units

24. (1) The transfer of the Common Fund's units is notified to the Management Company and is valid against it after the above notification unless such transfer is concerns units admitted to trading on a regulated market and is conducted on the stock exchange; in such a case the transfer is subject to the general and specific provisions applying to such transactions.

(2) The Management Company shall update the Unit-holders' Register with regard to the transfer, by deleting the transferred units from the account of the transferor and registering them in the account of the transferee.

(3) The Management Company, following the relevant application of the transferee, issues a certificate of participation in the transferee's name, in accordance with section 17.

Pledging of units

25. (1) The units of a Common Fund may be pledged as a guarantee of a claim.

(2) With regard to the Management Company, the pledge shall be valid and provide results, from the moment of written announcement of the pledging agreement to the Management Company and, in the case that the units have been listed on a market, under the condition that the necessary formalities for the registration of the pledging agreement to the archives kept have been followed, within the framework of the operation of the said market. The Management Company shall register the pledge to the Unit-holders' Register.

(3) The pledge lender shall be satisfied when the units pledged are redeemed and their value is paid to the pledge lender, until full redemption of the all the pledged units.

(4) In the case that not all the pledged Common Fund units have been redeemed, the pledge lender shall reserve his right deriving from the pledge on the remaining pledged units, without the issue and announcement of a new pledging agreement.

(5) Subsection (2) applies *mutatis mutandis* in the event that pledge on units of the Common Fund is revoked.

Common Fund Regulation	26. (1) The Common Fund regulation, which is a single piece even when the Common Fund is consisted by several investment compartments, contains the terms of operation of the Common Fund, is drawn up jointly by the Management Company and the Depositary of the Common Fund and is approved by the Securities and Exchange Commission.
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(2) Common Fund regulation contains at least:

(a) The name of the Common Fund and the name of the Management Company and of the Depositary.

(b) The objective of the Common Fund, from which its specific investment goals, its investment policy, as well as the criteria of choice of the Common Fund's

investments must arise.

- (c) The duration of the Common Fund or the reference that its duration is indefinite.
- (d) The valuation rules and methods of the Common Fund's assets, as well as the rules of calculation of the units' sale and redemption or re-purchase price.
- (e) The terms for issuing, marketing, cancellation and redemption or re-purchase of units, as well as the terms according to which the redemption or the re-purchase of the units may be suspended, in accordance with section 19, and reference to the fact that the suspension of the redemption may be decided by the Securities and Exchange Commission, at its initiative.
- (f) The duration of the financial year and its closing date.
- (g) The remuneration and the commissions of the Management Company and the Depositary, as well as the calculation method of the above remuneration and commissions.
- (h) The expenses charged on the Common Fund.
- (i) The rules for distributing the Common Fund's proceeds and profits to the unit-holders, and in particular the time and the procedure of the distribution.
- (j) The terms for the publication of information

concerning the Common Fund and its advertising.

- (k) The procedure of amendment of the regulation.
- (l) The reasons of dissolution of the Common Fund.

(3) The Common Fund regulation shall be jointly amended by the Management Company and the Depositary and shall be approved by the Securities and Exchange Commission. The amendments to the Common Fund regulation shall be immediately communicated to the unit-holders, on whom they are binding. Within three months from the above notification of the amendment, unit-holders shall have the right to request the redemption of their units in accordance with the provisions of the Common Fund regulation prior to the amendment.

(4) The Common Fund regulation shall be drawn up in an official language of the Republic or in an official language of the Republic as well as in English or only in English, provided that the information of subsections (2) to (4) of section 8 have also been submitted to the Securities and Exchange Commission, in order for the operation licence of the Common Fund to be granted, only in this language.

(5) The Securities and Exchange Commission, through the issue of a Directive, may specify the issues that constitute the obligatory content of the Common Fund regulation in accordance with subsection (2) and define the form of the regulation and the manner of the presentation of the information contained in the regulation.

Units-holders'
meeting

27. (1) The Management Company may, at any time it deems necessary or fit, convene a unit-holders' meeting for the making of a decision on a specific issue. The meeting shall be convened by means of an invitation by the Management Company addressed to all unit-holders of the Common Fund, containing

the time and place of the meeting, as well as all the issues on the agenda, submitted to the Securities and Exchange Commission, added on the Management Company's web page and published in at least two newspapers of wide circulation in Cyprus, at least twenty days before the meeting takes place. The Management Company, at its discretion, may decide that the invitation for the unit-holders' meeting shall not be published in accordance with the above mentioned and that it will be sent individually to each unit-holder.

(2) Unit-holders representing at least one third (1/3) of the units of the Common Fund have the right to request in writing that a meeting is convened. In such a case, the Management Company calls a unit-holders' meeting within one month from the submission of the unit-holders' request, in which the issues on the agenda will be designated. These issues should refer to the management of the Common Fund or to the provision of specific information to the unit-holders, through the meeting. The Management Company has the right to add more issues on the agenda of the meeting to be convened in accordance with the aforementioned.

(3) The Chairman of the meeting, who leads the discussions that take place during the meeting, is appointed by the Management Company. The Common Fund regulation may contain provisions regarding the procedure for the convention and the conduct of the meeting. However, these provisions cannot derogate from the provisions of the present section.

(4) The meeting, in which all the unit-holders may participate without following any kind of specific procedure, makes decisions by the majority of the units represented at the meeting, unless a higher majority is requested according to the Common Fund regulation. In the latter case, the majority may not exceed 75% of the units represented at the meeting. The Common Fund regulation may contain provisions regarding the quorum necessary for the meeting to take place. In such a case, however, the quorum cannot exceed 20% of the Common Fund units. The

unit-holders participate in the meeting either in person or through a representative, who is specifically authorized for the said meeting or for the meeting that will take place after the adjournment or the interruption of the previous meeting.

(5) It is not permitted for the different categories of units to provide different voting rights to be exercised at the meeting. Fractions of a unit do not hold voting rights.

(6) The decisions of the meeting shall be advisory and shall not bind the Management Company, which remains the only body qualified for the making of all decisions with regard to the management of the Common Fund.

Revocation of the operation licence of a Common Fund

28. (1) The Securities and Exchange Commission, by a decision, shall obligatorily revoke the operation licence of the Common Fund:

- (a) If the Management Company does not submit promptly the Depositary's certification regarding the deposit of the Common Fund initial assets in accordance with subsection (6) of section 9.
- (b) If it is established that the operation licence has been granted to the Common Fund on the basis of false or misleading statements or any other irregular means.

(2) The Securities and Exchange Commission may revoke the operation licence of the Common Fund:

- (a) If the Management Company does not comply with the Common Fund's terms of operation, or
- (b) If any of the conditions required or have been taken into consideration by the Securities and Exchange Commission for the grant of the operation licence is no

longer fulfilled.

(3) In the cases of subsection (2), the Securities and Exchange Commission may indicate a compliance deadline to the Management Company. In the event that the Management Company does not fully comply with the above within the said deadline, the operation licence of the Common Fund is obligatorily revoked.

Dissolution and liquidation of a Common Fund 29. (1) The dissolution of the Common Fund shall take place for one of the following reasons:

- (a) In the case that its operation licence is revoked by the Securities and Exchange Commission.
- (b) Following the relevant decision of its Management Company, provided that it shall consider that the continuation of the operation of the Common Fund is not in the unit-holders' interest.
- (c) With the lapse of its duration determined in its regulation, unless its regulation has been amended before the lapse of the duration of the Common Fund, in order for its duration either to be prolonged or to become indefinite.
- (d) With the occurrence of an incident that shall constitute a reason to dissolve the Common Fund, according to its regulation.
- (e) In case of liquidation, bankruptcy, resignation, mandatory administration or revocation of the operation licence of the Management Company or of the Depositary, if no substitute has been assigned.
- (f) With the redemption of all its units.
- (g) With its merging with another UCITS, or with its split

into other Common Funds.

- (h) By a decision of the Management Company, in the case that its assets are decreased to one-quarter of the threshold provided in section 21 and in the event that this decrease continues for a period of time longer than six months.
- (i) Following a decision the Management Company may take, when the assets of the Common Fund are decreased, so as to become less than the two thirds of the threshold provided in section 21 regarding the minimum initial assets. In any case, the Management Company shall promptly inform the Securities and Exchange Commission with regard to the fact that the assets of the Common Fund have been decreased, so as to become less than the two thirds of the threshold of the minimum initial assets. In the case that the Management Company does not decide to dissolve the Common Fund, the Securities and Exchange Commission may demand from the Management Company to make such decision.

(2) Neither the unit-holders of the Common Fund nor their creditors are entitled to require the dissolution of the Common Fund.

(3) The dissolution of the Common Fund shall be followed by its liquidation, unless the dissolution is due to a fact provided in paragraphs (f) and (g) of subsection (1). The liquidation of the Common Fund shall result to the distribution of the Common Fund's assets, under its liquidator's responsibility. As liquidator shall be assigned by law the Management Company of the Common Fund, unless its dissolution is due to a fact provided in paragraph (e), concerning the Management Company; in such a case, the liquidator shall be assigned by the Depository. In the case that a fact described in paragraph (e) concerns also the Depository, the liquidator of the Common Fund shall be assigned by the relevant decision of the Securities and Exchange Commission. In such a case subsection (2) of section 120 applies

mutatis mutandis. If the liquidator does not duly exercise its duties, the Securities and Exchange Commission, following an application of any person having legal interest therein, appoints a substitute liquidator. The liquidator is not entitled to assign its duties with regard to the liquidation to a third person.

(4) From the dissolution of the Common Fund, the issue of new units shall not be permitted, unless it serves the objective of the liquidation. The redemption of units is possible, if the principle of equal treatment of the unit-holders is served. The Depository of the Common Fund exercises its duties, until the distribution of the Common Fund's assets is completed. The unit-holders shall be satisfied by the liquidation proceeds, after the satisfaction of any claim existing against the Common Fund.

(5) The result of the distribution of the Common Fund's assets is described in a specific report of an independent auditor, which is communicated to the Securities and Exchange Commission, is added on the Management Company's web page and is set at the unit-holders' disposal, at the points where the units of the Common Fund are marketed. For the implementation of the present paragraph, the auditor of the Common Fund is considered to be independent.

(6) The Common Fund's dissolution, as well as its reason are:

- (a) notified immediately by the Management Company to the Common Fund's unit-holders, by means of a publication in at least two daily newspapers of wide circulation in Cyprus and
- (b) added on the Management Company's web page and communicated by the Management Company to the Securities and Exchange Commission, as well as to the competent authorities of the member states where the procedure of notification for the marketing of the Common Fund's units has been kept by the Common Fund.

(7) In case of a Common Fund containing several investment compartments, its dissolution is effected by the dissolution of the last existing compartment.

(8) The Securities and Exchange Commission, by virtue of Directives, may regulate technical issues and specify the implementation details of the present section.

Title 2

Provisions regarding Variable Capital Investment Companies.

Requirements to pursue activities 30. (1)(a) In order for a Variable Capital Investment Company to pursue activities, an operation licence must be formerly issued by the Securities and Exchange Commission, in accordance with section 9.

(b) The Variable Capital Investment Company is prohibited from providing any other activities other than the ones provided for in sub-section (1) of section 4.

(2) The registered office of the Variable Capital Investment Company to which an operation licence will be granted according to subsection (2) of section 9, shall be established in the Republic.

(3) Subject to the provisions of section 34, the management of the Variable Capital Investment Company shall be assigned to a Management Company under Part IV. In the case that the Variable Capital Investment Company has not designated a Management Company, the references in the Law to the Management Company will be deemed as references to the Variable Capital Investment Company.

(4) Subject to the provisions of section 35, the safekeeping of the assets of the Variable Capital Investment Company shall be entrusted to a Depositary, in accordance with sections 10 to 15.

Implementation of 31. (1) The Variable Capital Investment Company will be

the Companies governed by the provisions of the Law and, additionally, by the Law – Specific provisions of corporate law provisions of Companies Law. The sections 4A, 31, 31A, 38 and 39, 41 to 51, 55, 56, 57, 57A to 57F, 60 to 69, 84, 108, 158 to 169 and sections 355 to 361 of the Companies Law shall not apply to Variable Capital Investment Companies.

(2) The provisions of section 169C of the Companies Law regarding the payment of interim dividends shall not apply to Variable Capital Investment Companies.

(3) Without regard to any other provision of the Companies Law, the Variable Capital Investment Companies do not bear the obligation to place at their shareholders' disposal their financial statements, the relevant audit report and the report of the board of directors of the Variable Capital Investment Company. However, if a shareholder of the Variable Capital Investment Company requires to be given the above statements along with the audit report, as well as the report of the board of directors, the Variable Capital Investment Company is obliged to satisfy this request, by providing the required information either by electronic means or in paper, at its discretion, unless the shareholder requests to receive the information in paper, thus the Variable Capital Investment Company is obliged to provide the above to the shareholder in paper.

(4) The provisions of the Companies Law regarding the convocation and the conduct of the general shareholders meeting of the companies listed in an organized (regulated) market apply *mutatis mutandis* to Variable Capital Investment Companies, regardless if the latter are listed in a regulated market or not.

Name– Distinctive title– Capital – Shares 32. (1) The name of the Variable Capital Investment Company contains the reference «Variable Capital Investment Company», whereas the distinctive title contains at least the initial letters «VCIC».

(2) The Variable Capital Investment Company has an initial

capital of two hundred thousand (200.000) Euros, fully paid, by the time it is established, in cash. Where the Variable Capital Investment Company comprises several investment compartments, the above minimum initial capital applies to each compartment.

Where a Variable Capital Investment Company comprises more than one investment compartments, the above mentioned minimum amount of the initial capital shall apply to each one of these compartments.

(3) The capital of the Variable Capital Investment Company is divided into shares having no nominal, but fluctuant value. Furthermore, the capital is equal to the value of the assets of the Variable Capital Investment Company after the deduction of its liabilities. The shares of the Variable Company Investment Company are nominal and fully paid. No fractions of a share are recognised.

(4) The shares of the Variable Capital Investment Company are registered into a Shareholders' Register, to which the subsections (3) and (4) of section 22 apply *mutatis mutandis*. The Variable Capital Investment Company shall issue, following the relevant shareholder's application, a certificate of participation, in accordance with section 17. The share marketing, redemption or re-purchase price of the Variable Capital Investment Company's shares is calculated by dividing the net asset value by the number of the issued shares, plus marketing, redemption or re-purchase fees, as the case may be.

(5) The provisions of subsection (1) of section 22, apart from the first sentence, as well as the provisions of sections 23 to 25, apply *mutatis mutandis* to the shares of Variable Capital Investment Company.

(6) The shares of a Variable Capital Investment Company may be listed in a stock exchange market operating in the Republic or in another member state, in accordance with the provisions governing the said market. By virtue of a Directive, the

Securities and Exchange Commission shall define:

- (a) the obligations of the Variable Capital Investment Company deriving from the listing and the negotiation of its shares, including the appointment of at least one special trader and the terms of the employment agreement concluded between the latter and the company
- (b) the additional information inserted into the instruments of incorporation of the Variable Capital Investment Company, its prospectus, the key investor information, its reports and statements
- (c) any other related issue or any other necessary detail regarding the operation of these UCITS.

Content
of instruments
of incorporation

of 33. (1) The instruments of incorporation of the Variable Capital Investment Company, which form a single piece even when the company has several investment compartments, apart from the necessary information provided in the Companies Law, contain at least:

- (a) The status of the Company as Variable Capital Investment Company, as well as the name of the Management Company and the Depositary, if such

Management Company or Depositary have been designated,

- (b) The object of the Variable Capital Investment Company, from which its investment goals, its investment policy and the criteria of its investments must arise,
- (c) The duration of the Variable Capital Investment Company or the reference that its duration is indefinite,
- (d) The principles and the rules of evaluation of the Variable Capital Investment Company's assets, as well as the rules of calculation of the sale, redemption or re-purchase price of its shares.
- (e) The terms of issue, sale, cancellation, redemption or re-purchase of shares, as well as the conditions under which the redemption or re-purchase of shares may be suspended in accordance with section 19 of the Law, and the reference of the fact that the suspension of the redemption may be decided by the Securities and Exchange Commission at its initiative.
- (f) The duration of the financial year and the date of its closure.
- (g) The remuneration and the fees payable to the Management Company and the Depositary, if such Management Company or Depositary have been designated, as well as the method of calculation of the above remunerations or fees.
- (h) The relationship between the Variable Capital Investment Company, the Management Company and the Depositary and especially, if they belong in the same

group of companies, as well as the criteria and prerequisites provided in section 13.

- (i) The expenses that shall be borne by the Variable Capital Investment Company.
- (j) The rules for distributing the Variable Capital Investment Company's profits to its shareholders, and especially the time and the procedure applied for their distribution.
- (k) The terms for the publication of the information regarding the Variable Capital Investment Company.
- (l) The procedure for the amendment of the instruments of incorporation of the Variable Capital Investment Company.
- (m) The reasons of liquidation of the Variable Capital Investment Company.

(2) Apart from the provisions of paragraph (a) of subsection (4) of section 4 of the Companies Law and the information mentioned in subsection (1), the memorandum of association of the Variable Capital Investment Company must mention the following:

- (a) the issued capital of the Variable Capital Investment Company is fluctuant and equal to the net value of its assets,
- (b) the capital of the Variable Capital Investment Company is divided into shares having no nominal, but fluctuant

value, and

(c) the shares of the Variable Capital Investment Company may be redeemed, following an application of its shareholders, directly or indirectly, from its assets.

(3) In the case that the Variable Capital Investment Company designates a Management Company or/and a Depositary, its instruments of incorporation shall designate the procedure for the assignment of the Management Company or/and the Depositary.

(4) The instruments of incorporation of the Variable Capital Investment Company may contain, apart from the above mentioned, additional or relevant provisions.

(5) The instruments of incorporation of the Variable Capital Investment Company shall be drawn up in an official language of the Republic or both in an official language of the Republic and in English or only in English, in the case that the information mentioned in subsections (2) to (4) of section 8 have been communicated to the Securities and Exchange Commission, for the purpose of the grant of the operation licence to the company, only in this language.

(6) By virtue of a Directive, the Securities and Exchange Commission may specify issues that, in accordance with subsections (1) and (2), constitute the obligatory content of the instruments of incorporation of the Variable Capital Investment Company and define their form and the presentation of the information they contain.

Variable Capital
Investment
Company without
Management
Company

34. (1) In the case that a Variable Capital Investment Company has not designated a Management Company:

- (a) The Commission will grant an operation licence to the Variable Capital Investment Company under the condition that it has a sufficient initial capital of at least three hundred thousand Euros (300.000) and it complies with all of the following preconditions:
- (i) The application for an operation licence is accompanied by a programme of operations setting out, at least, the organisational structure of the Variable Capital Investment Company.
 - (ii) The directors of the Variable Capital Investment Company must be of sufficiently good repute and be sufficiently experienced also in relation to the type of business pursued by the Variable Capital Investment Company. To that end, the names of the directors and of every person succeeding them in office must be communicated forthwith to the Commission. The conduct of a Variable Capital Investment Company's business must be decided by at least two persons meeting the above mentioned conditions.
 - (iii) Where close links exist between the Variable Capital Investment Company and other natural or legal persons, the Commission grants operation licence only if those close links do not prevent the effective exercise of its supervisory functions.

Where a Variable Capital Investment Company comprises more than one investment compartments, the above mentioned minimum amount of the initial capital shall apply to each one of these compartments.

The Commission may by a Directive specify the requirements to be fulfilled, according to the present paragraph, so that a Variable Capital Investment Company is exempted from the obligation to designate a Management Company, the qualifications, the certification procedure, as well as any examination papers concerning the head officers and employees of the Variable Capital Investment Company.

- (b) For the rest issues, regarding the procedure according to which the Commission grants an operation licence to a Variable Capital Investment Company which has not designated a Management Company, sections 8 and 9 shall apply.
- (c) The duties and obligations of the Management Company are undertaken and exercised by the board of directors of the Variable Capital Investment Company.
- (d) The Variable Capital Investment Company is subject to the rules of conduct referred to in section 123.
- (e) Section 115 shall apply mutatis mutandis in the case that a Variable Capital Investment Company delegates to a third party one or more of the functions conducted by it.

(2) The Commission, in the context of exercising prudential supervision on the Variable Capital Investment Companies that have not designated a Management Company, having regard also to the investment policy that the Variable Capital Investment Company applies as well as the nature of the investment company, ensures that the company has sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms including, in particular, rules for personal transactions by its employees or for the holding or management of investments in financial instruments in order to invest its assets and ensuring, at least, that each transaction involving the Variable Capital Investment Company may be reconstructed according to its origin, the contracting parties, its nature, and the time and place at which it was effected and that the assets of the Variable Capital Investment Company are invested according to the legal provisions in force and its instruments of incorporation.

Variable Capital
Investment
Company without
Depository

35. (1) A Variable Capital Investment Company, the shares of which have been admitted to official listing in a stock exchange operating in the Republic or in another member state, is not required to have a Depository, under the condition that all of the following prerequisites are fulfilled:

- (a) This exemption has been previously authorized by the

Commission.

- (b) At least 80 % of its shares are marketed through the above stock exchange.
- (c) Any transactions which such Variable Capital Investment Company may effect outwith stock exchanges are effected only at the prices of the above stock exchange.
- (d) The above stock exchange shall be stated in its instruments of incorporation.
- (e) The shareholders of the said Variable Capital Investment Company have protection equivalent to that of the shareholders in a Variable Capital Investment Company which has Depositary.

(2) The Variable Capital Investment Companies referred to in subsection (1), shall, in particular:

- (a) State in their instruments of incorporation the methods of calculation of the net asset values of their shares.
- (b) Intervene on the market to prevent the stock exchange values of their shares from deviating by more than 5 % from their net asset values;
- (c) Establish the net asset values of their shares, communicate them to the Commission and publish them on a daily basis.

(3) At least an independent auditor shall:

- (a) ensure, at least twice a month, that the calculation of the value of shares is effected in accordance with the legislation and the instruments of incorporation of the Variable Capital Investment Company and
- (b) ensure that the assets of the Variable Capital Investment Company are invested in accordance with the rules laid down by Law and the instruments of incorporation of the Variable Capital Investment

Company.

(4) A Variable Capital Investment Company, which will market its shares exclusively through a stock exchange operating in the Republic or in another member state and which has not delegated a Depositary, may be granted authorisation, under the condition that it complies with the obligations referred in the present section. Sections 18 to 20, 51 as well as subsections (1) and (3) of the section 60 shall not apply to such Variable Capital Investment Companies.

(5) The Commission may define by Directives the technical issues or details:

(a) for implementing the provisions of the present section, in particular, by specifying the measures, by virtue of which it will be ensured that the shareholders of the said Variable Capital Investment Company have protection equivalent to that of shareholders in a Variable Capital Investment Company which has a Depositary

(b)

the obligations of the Variable Capital Investment Company deriving from the listing and the negotiation of its shares, including the appointment of at least one special trader and the terms of the employment agreement concluded between the latter and the company

the additional information inserted into the instruments of incorporation of the Variable Capital Investment Company, its prospectus, the key investor information, its reports and statements

(c)

any other related issue or any other necessary detail regarding the operation of these UCITS.

(d)

(6) The Commission shall inform ESMA and the European

Commission of the identities of the Variable Capital Investment Companies benefiting from the derogation provided for in the present section.

Change of the persons who manage the Company

36. (1) Any change in the composition of the Board of Directors and the persons who determine the business policy or have the power to represent the Variable Capital Investment Company, shall be communicated by the Variable Capital Investment Company to the Commission without delay and at the latest within five (5) days following the change.

(2) Should the Commission judge that the persons who manage the Variable Capital Investment Company do not possess the necessary credibility and professional experience, the Commission shall request from the Variable Capital Investment Company to replace them immediately. The Variable Capital Investment Company shall forthwith comply with the instructions of the Commission.

Amendment to the instruments of incorporation

37. (1) Any amendment to the instruments of incorporation of the Variable Capital Investment Company is subject to the prior permission of the Commission. The Commission, before granting the requested permission, shall examine the legality of the relevant amendment as well as whether sufficient care is taken for the protection of the interests of shareholders.

(2) The amendments to the instruments of incorporation of the Variable Capital Investment Company shall be immediately communicated to the shareholders, on whom they are binding. Within three months from communication of the amendment of the said instruments of incorporation to the shareholders of the Variable Capital Investment Company, the shareholders have the right to request the redemption of their shares in accordance with the provisions of the said instruments of incorporation prior to their amendment.

Withdrawal of the operation licence

38. The Commission may withdraw the operation licence given to a Variable Capital Investment Company only for the reasons referred to in subsection (1) as well as in the first sentence of subsection (2) of section 121. The Commission communicates its decision to withdraw the operation licence to the Variable Capital Investment Company, to the Companies' Registrar as

well as to the competent authorities of the states, where the shares of the Variable Capital Investment Company are marketed. The Variable Capital Investment Company after being notified of the decision of the Commission regarding the withdrawal of its operation licence, is liquidated according to the provisions of section 39.

Dissolution –
liquidation

39. (1) The Variable Capital Investment Company is liquidated and dissolved:

- (a) when its operation licence is revoked by the Commission;
- (b) after its duration stated in its instruments of incorporation has passed unless the instruments of incorporation of the Variable Capital Investment Company are modified so that its duration is renewed or it becomes a company of indefinite duration;
- (c) when an event specified in its instruments of incorporation has occurred, which leads to its liquidation;
- (d) with the redemption of all of its shares;
- (e) By virtue of a resolution of the general meeting of the shareholders of the Variable Capital Investment Company; or
- (f) with the liquidation, bankruptcy, administrative receivership or withdrawal of the operation licence of the Management Company or of the Depositary, if it does not become possible to replace them, subject to the sections 34 and 35;

(2) In the case that the share capital of the Variable Capital Investment Company reduces either to $\frac{2}{3}$ or to $\frac{1}{4}$ of the minimum initial capital of subsection (2) of section 32 and of paragraph (a) of subsection (1) of section 34, the board of directors of the Variable Capital Investment Company shall convene a general meeting of its shareholders so that it comes in session within forty (40) days starting from the date on which the share capital will reduce to the above limit and decide on the dissolution of the Variable Capital Investment Company. The general meeting, in the above case, is legally in session if at least

two (2) members are physically present or represented by proxy and takes the decision by the majority of the votes represented in the meeting.

(3) In case that the operation licence granted to a Variable Capital Investment Company is withdrawn, the Commission may file to the Court an application for liquidation as well as for the appointment of a liquidator or a temporary liquidator in compliance with the provisions of the Companies Law.

(4) In the case that the Variable Capital Investment Company is liquidated, apart from the stipulations of the Law, the provisions concerning the liquidation in compliance with Part V of the Companies Law shall apply accordingly, to the extent that these provisions are not in conflict with the Law.

(5) In case that a Variable Capital Investment Company comprises more than one investment compartments, its dissolution becomes effective with the dissolution of its last compartment.

CHAPTER 3 OBLIGATIONS OF UCITS

SUBCHAPTER 1 OBLIGATIONS CONCERNING THE INVESTMENT POLICY OF UCITS

Permitted
investments

40. (1) The investments of a UCITS shall comprise only one or more of the following:

- (a) Transferable securities and money market instruments admitted to or dealt in on a regulated market of the Republic or of another member state of the European Union, as the latter defined in article 4(1)(14) of Directive 2004/39/EC of the European Parliament and Council of 21 April 2004 on markets in financial instruments;
- (b) Transferable securities and money market instruments dealt in on another regulated market in a member state, which operates regularly and is recognized and open to the public;

- (c) Transferable securities and money market instruments admitted to official listing on a stock exchange in a third country or dealt in on another regulated market in a third country, which operates regularly, is recognized and open to the public and:
 - (i) is included among the markets stated in the list approved by the Minister of Finance, after an opinion has been expressed by the Commission, or
 - (ii) is included in the fund regulation or instruments of incorporation.

- (d) Recently issued transferable securities, provided that:
 - (i) The terms of issue include an undertaking that an application will be made for admission to official listing on a regulated market among those mentioned in paragraphs (a) to (c); and
 - (ii) The admission referred to in subparagraph (i) takes place within a year of issue;

- (e) Units of UCITS authorised according to Directive 2009/65/EC or other collective investment undertakings within the meaning of subsection (1) of section 4, whether or not established in a Member State, provided that:
 - (i) Such other collective investment undertakings are authorised under laws which provide that they are subject to supervision considered by the Commission to be equivalent to that laid down in Directive 2009/65/EC, and that cooperation between the Commission and the authorities which are competent for the supervision of the said undertakings is sufficiently ensured;
 - (ii) The level of protection for unit-holders in the other collective investment undertakings is equivalent to that provided for unit-holders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of

Directive 2009/65/EC;

- (iii) The business of the other collective investment undertakings is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; and
 - (iv) No more than 10 % of the assets of the UCITS or of the other collective investment undertakings, whose acquisition is contemplated, can, according to their fund regulation or instruments of incorporation, be invested in aggregate in units of other UCITS or other collective investment undertakings;
- (f) Deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the credit institution has its registered office in a third country, provided that it is subject to prudential rules considered by the Commission as equivalent to those laid down in Community law;
- (g) Financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in paragraphs (a) to (c) of subsection (1) or financial derivative instruments dealt in over-the-counter (OTC) derivatives, provided that:
- (i) The underlying of the derivative consists of instruments covered by paragraph (g), financial indices, interest rates, foreign exchange rates or currencies, in which the UCITS may invest according to its investment objectives as stated in its fund regulation or instruments of incorporation;
 - (ii) The counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Commission; and
 - (iii) The OTC derivatives are subject to reliable and

verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the UCITS' initiative.

- (h) Money market instruments other than those dealt in on a regulated market, which fall under section 2, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, provided that they are alternatively:
 - (i) Issued or guaranteed by a central, regional or local authority or central bank of a member state, the European Central Bank, the Community or the European Investment Bank, a third country or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong;
 - (ii) Issued by an undertaking the securities of which are dealt in on regulated markets referred to in paragraphs (a) to (c) of subsection (1);
 - (iii) Issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to prudential rules considered by the Commission to be equivalent to those laid down by Community law;
 - (iv) Issued by other bodies belonging to the categories approved by the Commission provided that investments in such instruments are subject to investor protection equivalent to that laid down in subparagraphs (i) to (iii) and provided that the issuer is a company whose capital and reserves amount to at least EUR 10.000.000 and which presents and publishes its annual accounts in accordance with Fourth Council Directive 78/660/EEC on the annual accounts, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the

financing of securitisation vehicles which benefit from a banking liquidity line.

(2) A UCITS shall not, however:

- (a) invest more than 10% of its assets in transferable securities or money market instruments other than those referred to in subsection (1); or
- (b) acquire either precious metals or certificates representing them.

(3) A UCITS may hold ancillary liquid assets.

(4) A Variable Capital Investment Company may acquire movable or immovable property which is essential for the direct pursuit of its business.

(5) The Commission may specify, by Directive, the characteristics of the instruments in which a UCITS may invest in compliance with the provisions of the present section.

Risk management 41. (1) A Management Company for each of the UCITS that it manages or, the Variable Capital Investment Company itself, in case that it has not designated a Management Company, shall employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the UCITS' portfolio. To this effect, it shall employ a process for accurate and independent assessment of the value of OTC derivatives and it shall communicate to the Commission in regard to the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments regarding each UCITS. The Commission shall ensure that all information received under the present subsection is accessible to ESMA in accordance with article 35 of the Regulation (EU) No 1095/2010, and the ESRB in accordance with Article 15 of the Regulation (EU) No 1092/2010 for the purpose of monitoring systemic risks at Union level.

(2) UCITS may employ techniques and instruments relating to transferable securities and money market instruments under the

conditions and within the limits laid down by the Commission by virtue of a Directive, provided that such techniques and instruments are used for the purpose of efficient portfolio management. When those operations concern the use of derivative instruments, the conditions and limits shall conform to the provisions laid down in the Law. Under no circumstances shall those operations cause the UCITS to diverge from its investment objectives as laid down in the UCITS' fund regulation or instruments of incorporation, or prospectus.

(3) A UCITS shall ensure that its global exposure relating to derivative instruments does not exceed the total net value of its portfolio. The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, the future market movements and the time available to liquidate the positions.

(4) A UCITS may invest, as a part of its investment policy and within the limit laid down in subsections (5), (6) and (7) of section 42, in financial derivative instruments provided that the risk for the underlying assets does not exceed in aggregate the investment limits laid down in section 42. When a UCITS invests in index-based financial derivative instruments, those investments are not required to be combined for the purposes of the limits laid down in Article 42. When transferable securities or money market instruments embed a derivative, this derivative shall be taken into account when complying with the requirements of subsections (1) to (4).

(5) The Commission may, by Directives, define the following:

- (a) Criteria for assessing the adequacy of the risk management process employed by the Management Company in accordance with the present section;
- (b) Detailed rules regarding the accurate and independent assessment of the value of OTC derivatives;
- (c) Detailed rules regarding the content of and procedure to be followed for communicating the information referred to in the present section.
- (d) The conditions as well as the provisions concerning the use

of financial derivative instruments or the investment in such instruments.

Permitted
investment limits

42. A UCITS shall invest no more than 10% of its assets in
- (1) transferable securities or money market instruments issued
 - (a) by the same body. The total value of the transferable securities and the money market instruments held by the UCITS in the issuing bodies in each of which it invests more than 5 % of its assets shall not exceed 40 % of the value of its assets. That limitation shall not apply to deposits or OTC derivative transactions made with financial institutions subject to prudential supervision.
 - (b) The limit of 10% referred to above in paragraph (a) may be raised:
 - (i) To a maximum of 35 % if the transferable securities or money market instruments are issued or guaranteed by a member state, by its local authorities, by a third country or by a public international body to which one or more Member States belong.
 - (ii) To a maximum of 25 % where bonds are issued by a credit institution which is established in a member state and is subject by law to special public supervision designed to protect bond-holders.

The sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. Where a UCITS invests more than 5 % of its assets in the bonds referred to in the present subparagraph which are issued by a single issuer, the total value of these investments shall not exceed 80 % of the value of the assets of the UCITS. The Commission shall send to the European Commission and ESMA a list of the categories of bonds referred to above together with the categories of issuers authorised, to issue bonds complying with the criteria set out above. A notice specifying the status of the guarantees offered according to the above shall

be attached to those lists.

(c) The transferable securities and money market instruments referred to in the cases described in paragraph (b) of the present subsection shall not be taken into account for the purpose of applying the limit of 40 % referred to in paragraph (a) of the present subsection.

(2) A UCITS shall invest no more than 20 % of its assets in deposits made with the same body.

(3) Notwithstanding the limits laid down in subsections (1) and (2), a UCITS shall not combine, where this would lead to investment of more than 20 % of its assets in a single body, any of the following:

(a) Investments in transferable securities or money market instruments issued by that body;

(b) Deposits made with that body; or

(c) Exposures arising from OTC derivative transactions undertaken with that body.

(4) The risk exposure to a counterparty of the UCITS in an OTC derivative transaction shall not exceed either:

(a) 10 % of its assets when the counterparty is a credit institution referred to in paragraph (f) of subsection (1) of section 40; or

(b) 5 % of its assets, in other cases.

(5) The limits provided for in subsections (1) to (4) shall not be combined, and thus investments in transferable securities or money market instruments issued by the same body or in deposits or derivative instruments made with this body carried out in accordance with these subsections shall not exceed in total 35 % of the assets of the UCITS.

(6) Companies which are included in the same group for the purposes of consolidated accounts, as defined in Directive 83/349/EEC for the consolidated accounts or in accordance with

recognized international accounting rules, shall be regarded as a single body for the purpose of calculating the limits contained in this section.

(7) The cumulative investment in transferable securities and money market instruments within the same group for the purposes of consolidated accounts, as defined in Directive 83/349/EEC for the consolidated accounts or in accordance with recognized international accounting rules, is permitted up to a limit of 20 %.

(8) The Commission may define by Directive the technical issues and details for implementing the present section.

Specific
deviations

43. By way of derogation from the limit of 35% provided in subparagraph (i) of paragraph (b) of subsection (1) of section 42, a UCITS may invest in accordance with the principle of risk-spreading up to 100 % of its assets in different transferable securities and money market instruments issued or guaranteed by a member state, one or more of its local authorities, a third country, or a public international body to which one or more member states belong, only if all of the following preconditions are complied with:

- (a) The Commission considers that unit-holders have protection equivalent to that of unit-holders in UCITS complying with the limits laid down in section 42.
- (b) Such a UCITS shall hold securities from at least six different issues, but securities from any single issue shall not account for more than 30 % of the total assets of the UCITS.
- (c) The UCITS shall make express reference in its regulation or in its instruments of incorporation to the member states, local authorities, or public international bodies issuing or guaranteeing securities in which they intend to invest more than 35 % of its assets.
- (d) The UCITS shall include a prominent statement in its prospectus, key investor information and marketing communications drawing attention to the use of the deviation under the present section and indicating the

member states, local authorities and public international bodies in which it intends to invest or has invested more than 35 % of its assets.

UCITS that replicates the composition of a certain stock or debt securities index

44. (1) Without prejudice to the limits laid down in section 48 of the Law, the limits laid down in section 42 of the Law increase up to a maximum of 20 % for investment in shares or debt securities issued by the same body when, according to the UCITS' regulation or instruments of incorporation, its investment objective is to replicate the composition of a certain stock or debt securities index if the following preconditions are complied with:

- (a) The composition of the index is sufficiently diversified;
- (b) The index represents an adequate benchmark for the market to which it refers;
- (c) The index is published in an appropriate manner.

(2) The limit of the subsection (1) increases up to a maximum of 35 % where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. The investment up to that limit shall be permitted only for a single issuer.

(3) The Commission may define by Directive the technical issues and details for implementing this section.

Exchange traded UCITS

45. (1) Notwithstanding the application of subsection (6) of section 32, the listing for trading on a market for exchange traded UCITS, which operates in the Republic or in another member state, of the units of a UCITS replicating a stock market index and has been provided an operation licence either according to section 9 or article 5 of Directive 2009/65/EC, under the condition that at least one special trader has been appointed and, before the trading of the units starts, the assets in transferable securities, have been deposited with the Custodian, according to the composition of the index.

(2) The Commission, by Directive, defines:

- (a) the data that shall be submitted, further to those stated in section 8, so that the UCITS referred to in subsection (1) is provided with the operation licence,
- (b) the obligations of the Management Company arising from the listing and trading of the units, including the appointment of at least one special trader and the terms of the contract between them,
- (c) additional information to be comprised in the UCITS' regulation or instruments of incorporation, the prospectus and the key investor information, its reports and statements,
- (e) any other relevant matter or necessary detail regarding the operation of such UCITS.

UCITS investing
in other UCITS'
units

46. (1) A UCITS may acquire the units of other UCITS or other collective investment undertakings referred to in paragraph (e) of subsection (1) of section 40, provided that no more than 20 % of its assets are invested in units of a single UCITS or other collective investment undertaking..

(2) Investments made in units of collective investment undertakings other than UCITS shall not exceed, in aggregate, 30 % of the assets of the UCITS.

(3) Where a UCITS has acquired units of another UCITS or collective investment undertaking, the assets of the respective UCITS or other collective investment undertaking are not combined for the purposes of the limits laid down in section 42.

(4) Where a UCITS invests in the units of other UCITS or collective investment undertakings that are managed, directly or by delegation, by the same Management Company or by any other company with which the Management Company is linked by common management or control, or by qualifying holdings,

that Management Company or that other company shall not charge subscription, redemption or repurchase fees on account of the UCITS' investment in the units of such other UCITS or collective investment undertakings.

(5) A UCITS that invests a substantial proportion of its assets in other UCITS or collective investment undertakings:

- (a) discloses in its prospectus the maximum level of the management fees that may be charged both to the UCITS itself and to the other UCITS or collective investment undertakings in which it intends to invest; and
- (b) indicates in its annual report the maximum proportion of management fees charged both to the UCITS itself and to the other UCITS or collective investment undertakings in which it invests.

(6) The Commission may define by a Directive the technical issues and details for implementing the present section.

UCITS with
guaranteed assets
or guaranteed
performance

47. (1) The guarantee of the amount invested in the UCITS or both of the UCITS' performance is permitted to be provided by a credit institution which is established in the Republic or in another member state but with a branch in the Republic. Such guarantee shall not be given by the Depositary of the UCITS or other credit institution, to which depositary services has been delegated, under the condition that the provision of such a guarantee as well as the basic principles applying to the said guarantee, particularly if the relevant amount shall be paid to the UCITS itself or to its unit holders, are stated in the regulation or the instruments of incorporation of the UCITS.

(2) The prospectus of the UCITS as well as the key investor information will further specify the way under which the guarantee referred to in the present section is provided.

(3) The amount that may be paid, according to the above, are subject to the same tax rules which apply to the income from investment in UCITS, in compliance with the tax provisions of the Income Tax Law of the year 2002 and the Special Contribution for the Defence of the Republic Law of the year 2002, as amended and applicable.

(4) The Commission, may define by a Directive the technical issues and details for implementing the present section, specifically the content of the information that shall be included with regard to the guarantee, in the regulation, the prospectus ,the key investor information, in an application of subscription or, finally, in any other communication or announcement of the UCITS.

Prohibition to
acquire control

48. (1) A management company acting in connection with all of the Common Funds which it manages and which fall within the scope of Directive 2009/65/EC as well as a Variable Capital Investment Company, shall not acquire any shares carrying voting rights which would enable them to exercise significant influence over the management of an issuing body.

(2) A UCITS may acquire no more than:

- (a) 10 % of the non-voting shares of a single issuing body;
- (b) 10 % of the debt securities of a single issuing body;
- (c) 25 % of the units of a single UCITS or other collective investment undertaking within the meaning of subsection (1) of section 4; or
- (d) 10 % of the money market instruments of a single issuing body.

The limits laid down in paragraphs (b) to (d) may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue, cannot be calculated.

(3) Subsections (1) and (2) do not apply as regards:

- (a) Transferable securities and money market instruments issued or guaranteed by a member state or its local authorities;
- (b) Transferable securities and money market instruments issued or guaranteed by a third country;

- (c) Transferable securities and money market instruments issued by a public international body to which one or more member states belong;
- (d) Shares held by a UCITS in the capital of a company incorporated in a third country investing its assets mainly in the securities of issuing bodies having their registered offices in that country, where under the legislation of that country such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that country; This derogation shall apply only if in its investment policy the company from the third country complies with the limits laid down in sections 42 and 46 as well as in subsections (1) and (2) of the present section. Where the limits set in sections 42 and 46 are exceeded, section 49 shall apply *mutatis mutandis*; or
- (e) Shares held by one or more Variable Capital Investment Companies in the capital of a subsidiary company pursuing, exclusively on its or their behalf, only the business of management, advice or marketing in the country where the subsidiary is established, in regard to the redemption of shares at shareholders' request.

Violation of
investment limits

49. (1) UCITS are not required to comply with the limits laid down in this Subchapter when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.

(2) While ensuring observance of the principle of risk spreading, the recently authorised UCITS may derogate from sections 42 to 46 for six (6) months following the date that their operation licence was notified to them.

(3) If the limits referred to in subsections (1) and (2) are exceeded by the UCITS for reasons beyond the control of a UCITS or as a result of the exercise of subscription rights, that UCITS shall adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its unit-holders.

Subchapter 2: Standing obligations

Borrowing

50. (1) The following shall not borrow:

- (a) The Variable Capital Investment Company and
- (b) A Management Company or Depository acting on behalf of a UCITS.

(2) By derogation of subsection (1), a Variable Capital Investment Company as well as a Management Company, acting on behalf of a UCITS may, however, acquire foreign currency by means of a "back-to-back" loan. Provided further that "back-to-back" loans are those contracted in foreign currency for the acquisition of UCITS's securities of foreign issuers, by depositing to the borrower or to another person indicated by the borrower, of an amount in local currency at least equal to the amount of the loan. The Commission may by a Directive define the particular provisions and conditions for the enforcement of the present paragraph.

- (b) The provisions of subsections (3), (4) and (5) of the present section do not apply to "back-to-back" loans.

(3) By way of derogation from subsection (1), a Variable Capital Investment Company as well as a Management Company, acting on behalf of a UCITS may borrow provided that such borrowing is on a temporary basis and represents no more than 10 % of the net asset value of the UCITS.

(4) By way of derogation from subsection (1), a Variable Capital Investment Company may borrow provided that such borrowing represents no more than 10 % of its net asset value, to enable the acquisition of immovable property essential for the direct pursuit of its business. When a Variable Capital Investment Company borrows according both to the present subsection and subsection (3), the said borrowing shall not exceed 15 % of its net asset value in total.

(5) A Management Company may borrow on its own behalf provided that such borrowing represents no more than 15 % of its own funds, to enable the acquisition of immovable property essential for the direct pursuit of its business.

(6) The Commission may define by Directive the technical issues and details for implementing the present section.

Valuation rules

51. (1) For the valuation of the net asset value of the UCITS, the remuneration and fees of the Management Company for the management of the UCITS and of the Depositary, the transactions commissions, the UCITS expenses, as defined in the Regulation or the instruments of incorporation as well as the profits distributed to the unit-holders, shall be deducted.

(2) The valuation of the UCITS assets shall be conducted according to the following rules:

- (a) The value of transferable securities and money market instruments listed in a regulated market shall be calculated on the basis of the closing price of stock exchange transactions in cash on the same day. In regulated markets operating outside the European Union, when the valuation on the basis of the price referred to above is not possible due to time differences, the value shall be calculated on the basis of the closing price of such regulated markets on the previous business day.
- (b) The value of derivative financial instruments listed in a regulated market shall be calculated on the basis of the closing price or, where such price is not determined, on the basis of the price of the last operation published by the stock exchange for same-day transactions. In regulated markets operating outside the European Union, when the valuation on the basis of the price referred to above is not possible due to time differences, the value shall be calculated on the basis of the closing price published by such regulated markets on the previous business day.
- (c) If no stock exchange transaction was made on the date of valuation, account shall be taken of the price of the previous day when the regulated market was in session and, if no stock exchange transaction was made on that day either, account shall be taken of the last bid or ask price.
- (d) If the market, in which the transferable securities and money market instruments are listed, applies the system of single price, such single price shall be taken into account

for the determination of their value.

(3) The Commission may by Directive determine as well as specify:

- (a) the rules concerning the valuation of the UCITS assets other than those referred to in subsection (2);
- (b) the methods for the valuation of the UCITS assets and rule any details as well as any technical issues concerning the said valuation and
- (c) the rules applying to the calculation of the issue or marketing price as well as the redemption or repurchase price of the units of a UCITS.

Distribution of profits and income of UCITS

52. (1) The income of UCITS from interest, dividends and profits resulting from lottery of debentures at par, shall be distributed annually to unit-holders, after deduction of the total of the financial year's expenses encumbering the UCITS, while the profits from the sale of transferable securities or other liquid financial instruments shall be distributed to unit-holders at the discretion of the Management Company of the Common Fund or at the discretion of the Variable Capital Investment Company, to the extent these are not cancelled out by possible capital losses occurring by the end of the year. The Fund Regulation and/or the instruments of incorporation of the UCITS may provide that the income or the profits of the financial year are not distributed to its unit-holders, but reinvested necessarily.

(2) The income of UCITS according to the first sentence of the subsection (1) may be distributed also during the financial year, as interim dividend, by virtue of a decision of the Management Company of the Common Fund or the board of directors of the Variable Capital Investment Company, under the condition that this possibility is stated in the regulation or the instruments of incorporation of the UCITS.

Prohibition of credits, guarantees and uncovered sales

53. (1) Without prejudice to the application of sections 40 and 41, the following shall not grant loans or act as a guarantor on behalf of third parties:

- (a) the Variable Capital Investment Company and
- (b) a Management Company and the Depositary acting on behalf of a UCITS.

(2) Subsection (1) shall not prevent the UCITS from acquiring transferable securities, money market instruments or other financial instruments provided for in paragraphs (e), (g) and (h) of section 40(1) which are not fully paid.

(3) Neither the Variable Capital Investment Company, nor the Management Company or the Depositary acting on behalf of a UCITS may carry out uncovered sales of transferable securities, money market instruments or other financial instruments provided for in paragraphs (e), (g) and (h) of section 40(1) w.

Free of charge
distribution of
units

54. A UCITS' unit is not issued unless the equivalent of the net issue price is paid into the assets of the UCITS within the usual time limits. This shall not preclude the distribution of units free of charge.

Subchapter 3: Obligations concerning information to be provided to investors

Drawing up and
publication of a
prospectus,
periodical reports
and summarized
statements

55. (1) The Management Company, for each of the Common Funds that it manages, as well as the Variable Capital Investment Company draws up, submits to the Commission and makes available to the investors in all selling points of units the following:

- (a) a prospectus;
- (b) an annual report for each financial year; and
- (c) a half-yearly report covering the first six months of the financial year.

(2) The annual and half-yearly reports shall be drawn up and submitted to the Commission and are made available to the investors in all selling points of units within the following time limits, with effect from the end of the period to which they refer:

- (a) four months in the case of the annual report; and
 - (b) two months in the case of the half-yearly report.
- (3) The Management Company, for every Common Fund it manages, and the Variable Capital Investment Company draws up, submits to the Commission and makes available to the investors in all selling points of units the following:
- (a) summarized statement of the assets and expenses at the end of the first, second and third management quarter; and
 - (b) summarized statement of the assets and expenses at the end of the last trimester of the financial year, which includes a profit and loss account and the distribution of profits for the whole financial year.
- (4) The summarised statements of the first, second and third management quarter are drawn up, submitted to the Commission and placed at the disposal of the investors within fifteen days from the end of the period to which they refer. The summarised statement of the last management quarter is drawn up, submitted to the Commission and placed at the disposal of the investors within two months from the end of the last management quarter.
- (5) The prospectus, the reports and the statements referred to in subsections (1) and (3), are drawn up either in an official language of Republic or both to in official language of the Republic and in English or only in English, in the latter case under the condition that the documents referred to in subsections (2) to (4) of section (8) have been submitted to the Commission, when requesting operation licence, exclusively to that language as well. In every case, the prospectus as well as the above reports and statements shall be drawn in the language in which the regulation or instruments of incorporation of the UCITS has been drawn.
- (6) In case that the UCITS comprises more than one investment compartments, a single prospectus and single reports and statements referred to in subsections (1) and (3) for all of the investment compartments of the said UCITS.

UCITS prospectus 56. (1) The prospectus of the UCITS shall include the

information necessary for investors to be able to make an informed judgment of the investment proposed to them, and, in particular, of the risks attached thereto. The prospectus shall include, independent of the instruments invested in, a clear and easily understandable explanation of the fund's risk profile.

Annex

(2) The prospectus shall contain at least the information provided for in Schedule I of the Annex, in so far as that information does not already appear in the regulation of the Common Fund or instruments of incorporation of the Variable Capital Investment Company in the case that they are annexed to the prospectus of UCITS in accordance with subsection (5). The essential elements of the prospectus shall be kept up to date.

(3) In particular, and according to the investment policy followed by the UCITS, its prospectus shall, further to the information referred to in subsection (2):

- (a) Indicate in which categories of assets a UCITS is permitted to invest and if transactions in financial derivative instruments are authorized. In this event, it should include an express and clear statement indicating if these operations may be carried out either for the purpose of efficient portfolio management especially for the purpose of hedging or as an investment in the context of the UCITS' investment policy as well as a clear reference in the risk profile to the possible outcome of the use of financial derivative instruments.
- (b) When a UCITS invests principally in any category of assets defined in section 40 other than transferable securities and money market instruments or when a UCITS replicates a stock or debt stock index in accordance with section 44, its prospectus shall include a prominent statement drawing attention to its investment policy. A respective statement shall also be included in an explicit point in all marketing communications of the UCITS.
- (c) When the net asset value of a UCITS is likely to have a high volatility due to its portfolio composition or the portfolio management techniques that may be used, each prospectus shall include a prominent statement drawing attention to that possibility. A respective statement shall also be

included in an explicit point in all marketing communications of the UCITS.

(4) The prospectus shall expressly and clearly indicate, in a visible point that it is available to the investors in all selling points of the units as well as in the internet site of the Management Company.

(5) The regulation of a Common Fund or the instruments of incorporation of a Variable Capital Investment Company shall form an integral part of the prospectus and shall be annexed thereto. The above mentioned documents are not, however, required to be annexed to the prospectus of a UCITS provided that the investor:

(a) is informed that, on request, he or she will be sent those documents and.

(b) be apprised of the place where, in each member state in which the units are marketed, he or she may consult them.

(6) The Management Company shall be responsible for every loss the investors may suffer due to false or misleading information or failure to mention any information in the prospectus.

(7) The Management Company, for every Common Fund it manages, and the Variable Capital Investment Company submit to the Commission the prospectus of the UCITS, as formed each time, as well as any amendment of the prospectus, at least fifteen days before the new prospectus, after its amendment, becomes available to the investors. A UCITS, established in the Republic whose portfolio is managed by a Management Company of another member state, submits its prospectus and any amendment thereof to the Commission and to the competent authorities of the latter member state if requested by them. A UCITS authorized in another member state, whose portfolio is managed by a Management Company established in the Republic, submits its prospectus and any amendment thereof to the Commission upon its request.

(8) The Commission checks that the prospectus complies with the obligations imposed by the Law in the context of ensuring the full and accurate information provided to the investors, and, if it

considers it necessary or useful, may, by its decision, request either the correction or clarification of any information or data included in the prospectus or the provision of additional clarifications, within a specific time limit.

(9) The prospectus may be provided in a durable medium or by means of a website. A paper copy shall be delivered to the investors on request and free of charge. The specific conditions to be met when providing the prospectus in a durable medium other than paper or by means of a website are defined by the European Commission Regulation no 583/2010 of 1st July 2010 for the application no 2009/65/EC. The Commission, by Directive, may specify the way of the presentation of the data included in the prospectus, so that the presentation of the prospectus is standard for all the UCITS established in the Republic and its content is likely to be understood by retail investors.

(10) Upon request of an investor, the Management Company shall also provide supplementary information relating to the quantitative limits that apply to the risk management of the UCITS, to the methods chosen to this end and to the recent evolution of the main risks and yields of the investment instrument categories.

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|--------------------------------|---|
| Financial year | <p>57. (1) The financial year of the UCITS has the duration of a calendar year.</p> <p>(2) Exception to the above subsection (1) applies to the first financial year of the UCITS, which ends on the 31st of December of the calendar year, during which the operation of the said UCITS started.</p> |
| Annual and half-yearly reports | <p>58. (1) The annual report shall include a balance-sheet or a statement of assets and liabilities, a detailed income and expenditure account for the financial year, a report on the activities of the financial year and the other information provided for in Schedule II of the Annex as well as any significant information which will enable investors to make an informed judgment on the development of the activities of the UCITS and its results. The accounting information given in the annual report shall be audited by one auditor according to international audit standards. The auditor's report, including any reservations of the auditor, shall be reproduced in full in each annual report.</p> |

(2) The half-yearly report is drawn up in accordance with International Accounting Standard 34, at the end of the first semester of each calendar year and includes interim financial statements, as well as the information provided for in Schedule II of the Annex. Where a UCITS has distributed or intends to distribute an interim dividend, the figures contained in the report shall indicate the results after the deduction of the tax, charges and other rights or expenses for the half-year concerned as well as the interim dividend that has been distributed or is to be distributed.

(3) The Commission by Directive may specify the minimum compulsory information contained according to the above in the annually and half-yearly reports, as well as set a uniform type of these reports.

Submission of reports

59. (1) The annual and half-yearly reports are available to the investors in all selling points of the units, as in particular specified in the prospectus of the UCITS and in the key investor information as provided for in section 62. A paper copy of the annual and half-yearly reports shall be delivered to the investors on request and free of charge. The delivery of the reports in paper copy is compulsory in case that the investor requests it.

(2) A UCITS established in the Republic and whose portfolio is managed by a Management Company from a different member state, submits its annual and half –yearly reports to the Commission and, after a relevant request, to the competent authorities of the latter member state. A UCITS from another home member state whose portfolio is managed by a Management Company established in the Republic, submits its annual and half -yearly reports to the Commission upon a request from the Commission.

Publication of other information

60. (1) The UCITS net asset value, the number of its current units, the unit net asset value, the subscription and redemption or repurchase price are calculated every working day by the Management Company and are published the business day after the said calculation, at least in two daily newspapers with wide circulation in the Republic.

(2) To determine the net value of the units of a UCITS, the total

UCITS net asset value shall be divided by the number of its existing units. The determination of the UCITS net asset value is calculated according to the rules of section 51 after deducting its total liabilities from the total value of the UCITS' assets.

(3) The subscription and redemption or repurchase price can exceed or be less, accordingly, of the unit net asset value by the commission of the Management Company as stated in the regulation or instruments of incorporation of the UCITS. The subscription and redemption or repurchase price of the units of the UCITS are determined according to subsection (3) of section 16 and subsection (5) of section 18 accordingly.

(4) The Commission may define by Directive the details and technical issues concerning the implementation of the present section.

Costs for UCITS publications

61. With the exception of the publications that shall be made according to the Law and which encumber the UCITS, any other publication on behalf of the UCITS encumbers the Management Company.

Key investor information

62. (1) The Management Companies, for every UCITS they manage that is established in the Republic, and the Variable Capital Investment Company, under the condition that it is a company with registered office in the Republic which has not appointed a Management Company, shall draw up key investor information, which include appropriate information about the essential characteristics of the UCITS concerned, which is to be provided to investors so that they are reasonably able to understand the nature and the risks of the investment product that is being offered to them and, consequently, to take investment decisions on an informed basis. The words 'key investor information' shall be clearly stated in that document, in an official language of the Republic or in English. In case that this document concerns a UCITS established in the Republic, the units of which are distributed in other member states, these words shall be also translated in the official language of the UCITS host member state or into a language approved by the competent authorities of that member state.

(2) Key investor information shall be fair, clear and not misleading and their content shall be consistent with the relevant

parts of the prospectus.

(3) Key investor information shall be delivered to the prospective investor before filing the subscription application in the UCITS and provide information on the following essential elements in respect of the UCITS concerned:

- (a) identification of the UCITS;
- (b) a short description of its investment objectives and investment policy;
- (c) past-performance presentation or, where relevant, performance scenarios;
- (d) costs and associated charges; and
- (e) risk/reward profile of the investment, including appropriate guidance and warnings in relation to the risks associated with investments in the relevant UCITS.

Those essential elements shall be comprehensible to the investor without any reference to other documents.

(4) Key investor information:

- (a) shall clearly indicate where and how to obtain additional information relating to the proposed investment, including but not limited to where and how the prospectus and the annual and half-yearly report can be obtained on request and free of charge at any time, and the language in which such information is available to investors and
- (b) shall include a clear warning that a person does not incur civil liability solely on the basis of the key investor information, including any translation thereof, unless it is misleading, inaccurate or inconsistent with the relevant parts of the prospectus of the UCITS.

(5) Key investor information shall be used without alterations or supplements, except translation, in all member states where the UCITS is notified to market its units in accordance with section 67.

(6) The detailed and exhaustive content of the key investor information is defined by the Commission Regulation No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC.

Language and
format of the key
investor
information

63. (1) The key investor information is drawn up either in an official language of Republic or both to in official language of Republic and in English or only in English, under the condition that the documents referred to in subsection (5) of section (8) have been submitted to the Commission, when requesting operation licence, exclusively to that language as well. In any case the key investor information shall be drawn up in the same language as the regulation or the instruments of incorporation of the UCITS, its prospectus and the reports and the statements of section 55. The key investor information regarding the UCITS established in other member states, the units of which are distributed in the Republic, are translated in an official language of the Republic or in English. The translation of the information takes place under the responsibility of the Management Company for each of the Common Funds it manages, or the Investment Company and faithfully reflects the content of the original information. Key investor information shall be written in a concise manner and in non-technical language so that it is comprehensible to the retail investors.

(2) The key investor information are available in paper copies and are uploaded in the website of the Management Company or the Variable Capital Investment Company by means of a website, are provided to the potential investors either in a durable medium or through the internet according to subsection (3). A paper copy shall be delivered to the investor on request and free of charge. In addition, an up-to-date version of the key investor information shall be made available on the website of the Management Company or the Variable Capital Investment Company.

(3) The format of the key investor information as well as the specific conditions to be met when providing key investor information in a durable medium other than paper or by means of a website, which does not constitute a durable medium, are defined by the European Commission Regulation no 583/2010 of 1st July 2010 for the application no 2009/65/EC. The Commission, by Directive, may specify further the format of the

key investor information as well as the way of the presentation of the data included in it, so that the presentation of the key investor information is standard for all UCITS established in the Republic and its content is likely to be understood by retail investors.

Distribution of the key investor information to investors

64. (1) The Management Companies, for the Common Funds they manage, and the Variable Capital Investment Companies:

- (a) ensure that the investors, who subscribe in a Common Fund or a Variable Capital Investment Company, either directly through these companies or through another person who acts on their behalf and under their full and unconditional responsibility, are provided with the key investor information on such UCITS in good time before their subscription in such UCITS and free of charge and
- (b) provide the persons of subsection (5) of section 16 with the key investor information, so that the latter is delivered free of charge to the investors who file an application for their subscription in the Common Fund or the Variable Capital Investment Company. The above persons ensure that the key investor information are delivered to the investors in the way described above also by their distributors according to subsection (6) of section 16.

(2) Irrespective of the application of subsection (1), the Management Companies for each of the Common Funds that it manages or, the Variable Capital Investment Companies deliver the key investor information to investment product manufacturers, to the persons who provide investment advice on the units of UCITS or in products offering exposure to UCITS upon their request, so that the latter provide their clients with key investor information in good time and free of charge.

Information provided to the Competent Authorities

65. (1) The Management Companies as well as the Variable Capital Investment Companies established in the Republic shall send the key investor information and any amendments thereto, to the Commission.

(2) The essential elements of key investor information shall be kept up to date.

UCITS'
communications

66. (1) All communications of the UCITS to investors shall be fair, clear and not misleading. Moreover, in the case of marketing communications to investors, these shall be clearly identifiable as such.

(2) Any information or declaration included in a marketing communication comprising an invitation to purchase units of UCITS either it is established in the Republic or distributes its units in the Republic, shall not contradict or diminish the significance of the information contained in the prospectus and the key investor information.

(3) All marketing communications shall indicate, further of the information stated in paragraph (d) of section 43 and the paragraphs (b) and (c) of subsection (3) of section 56, where and in which language the prospectus and the key investor information of the UCITS may be obtained by investors or potential investors, in accordance with section 62, as well as the number of the operation licence of the UCITS.

(4) All communications under the present section, as well as any document or message containing, directly or indirectly, an invitation to purchase units of UCITS, including those that are provided in a website, shall clearly and in a visible point include a statement that investment in units of the UCITS has no guaranteed return and past performance does not guarantee future returns. In the case of UCITS that have guaranteed return, the above statement shall be restricted to the fact that the past performance does not guarantee future returns.

(5) The Commission may, by Directives, specify the rules that a UCITS shall comply with when it publishes its market communications or specify any other particular subject regarding the application of subsection (4).

CHAPTER 4: SPECIAL PROVISIONS APPLICABLE TO UCITS WHICH MARKET THEIR UNITS IN A MEMBER STATE OTHER THAN THE MEMBER STATE IN WHICH THEY ARE ESTABLISHED

SUBCHARTER 1: UCITS ESTABLISHED IN THE REPUBLIC WHICH MARKET THEIR UNITS IN OTHER MEMBER STATES

Notification
Procedure

67. (1) A UCITS authorised in the Republic that proposes to market its units in a member state other than the Republic, shall previously submit a notification letter to the Securities and Exchange Commission. The aforementioned notification letter shall include information on arrangements made for marketing units of the UCITS in the host member state, including, where applicable, the categories of units to be marketed. In the case that the units of a UCITS are marketed by its Management Company, in the context of its cross - border business within the territory of the UCITS host member state, either through the establishment of a branch or under the freedom to provide services, according to section 135, the notification letter shall include an indication of this fact.

(2) A UCITS shall enclose with the notification letter of subsection (1) the latest version of the following documents translated, in accordance with paragraphs (b), (c) and (d) of subsection (3) of section 68:

(a) Its regulation or its instruments of incorporation, its prospectus and its latest annual and half-yearly report, and

(b) Its key investor information.

(3) The Securities and Exchange Commission shall verify the completeness of the documentation submitted in accordance with subsection (1) and (2) and in case it considers it complete, it shall transmit to the competent authorities of the member state where the UCITS shall market its units the information and the documentation along with an attestation that the UCITS fulfils the conditions imposed by Directive 2009/65/EC no later than 10 working days of receipt of the notification letter accompanied by the complete documentation. Upon the transmission of the documentation, the Securities and Exchange Commission shall

immediately notify the UCITS about the above transmission. The transmission and filing of the information, documentation as and of the above attestation may also be performed via electronic means.

(4) The UCITS may start marketing its units within the territory of the UCITS host member state as from the date the Securities and Exchange Commission notifies it of the above transmission to the competent authorities of the UCITS host member state, according to the previous subsection.

(5) The notification letter referred to in subsection (1) and the attestation referred to in subsection (3) are issued in English. However the Securities and Exchange Commission and the competent authorities of the UCITS host member state may agree to that notification letter and attestation being issued and provided in an official language of the Republic and of the host member state.

(6) The Securities and Exchange Commission shall ensure that:

(a) The competent authorities of the UCITS host member state have access, by electronic means, to the documents referred to in subsection (2) and, if applicable, to any translations thereof.

(b) The UCITS keeps those documents up to date and, if applicable, any translations thereof.

(7) The UCITS shall notify any amendments to the documents referred to in subsection (2) to the competent authorities of the host member state and shall indicate where those documents can be obtained electronically. In the event of a change in the information referred to in subsection (1), including any changes regarding the categories of units marketed in the host member state, the UCITS shall give written notice thereof to the

competent authorities of the host member state before implementing the change.

(8) The form and content of the notification letter and the UCITS attestation, and the procedure for the exchange of information and of electronic communication between the Securities and Exchange Commission and the competent authorities for the notification purposes of subsection (1) are set out in the European Commission Regulation No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC.

UCITS'
Obligations

68. (1) A UCITS authorised in the Republic is obliged, in accordance with the laws, regulations and administrative provisions in force in the member state where its units are marketed, to take the measures necessary in order to ensure that facilities for making payments to unit-holders, redeeming or repurchasing units and making available the information required by the UCITS to provide are available in that member state.

(2) A UCITS of subsection (1) shall provide to investors within the territory of the host member state all information and documents which it is required to provide to investors in the Republic, pursuant to Subchapter 3 of Chapter 3 of Part II.

(3) The information or/ and documents of subsection (2) shall be provided in compliance with the following provisions:

(a) Without prejudice to the provisions of Subchapter 3, of Chapter 3 of Part II, such information or/ and documents shall be provided to investors in the way prescribed by the legislation of the UCITS host member state.

(b) The key investor information, in accordance with section 62, shall be translated into the official language of the UCITS host member state or into a language approved by

the competent authorities of that member state.

(c) Information or documents other than key investor information, in accordance with section 62, shall be translated, at the choice of the UCITS, into the official language of the UCITS host member state or into a language approved by the competent authorities of that member state or into a language customary in the sphere of international finance.

(d) Translations of information or/ and documents under paragraphs (b) and (c) shall be produced under the responsibility of the UCITS and shall faithfully reflect the content of the original information.

(4) The obligations set out in subsections (2) and (3) are applicable to any changes in the information and documents referred to therein.

(5) The frequency of the publication of the issue, sale, and redemption or repurchase price of units of UCITS in the host member state shall be subject to the legislation of the Republic.

SUBCHAPTER 2 : UCITS AUTHORISED IN MEMBER STATES OTHER THAN THE REPUBLIC WHICH MARKET THEIR UNITS IN THE REPUBLIC

Notification
Procedure

69. (1) A UCITS authorized in a member state other than the Republic can market its units within the territory of the Republic, after the competent authorities of the UCITS home member state transmit to the Securities and Exchange Commission the notification letter, the information and documents laid down in paragraphs (1) and (2) of article 93 of Directive 2009/65/EC, as well as the attestation laid down in subsection (3) of section 67 and after the above transmission is announced to the UCITS by

the competent authorities of its home member state.

(2) The Securities and Exchange Commission and the competent authorities of the UCITS home member state may agree to the notification letter and the attestation of the subsection (1) being issued and provided in an official language of the Republic and in an official language of the UCITS home member state. In case of absence of such agreement, the notification letter and the attestation shall be issued in English.

(3) The Securities and Exchange Commission shall not request from the competent authorities of the UCITS home member state any complementary documents, certificates and information other than those laid down in subsections (1) and (2) and shall ensure that their electronic transmission and filling is possible. The Securities and Exchange Commission shall also ensure, in collaboration with the competent authorities of the UCITS home member state, that it has access to these data and information, as well as to any translations thereof by electronic means.

(4) In the event of any change regarding the regulation, the instruments of incorporation, the prospectus, the last annual and semi-annual report or the key investor information of a UCITS of subsection (1), the latter shall give notice thereof to the Securities and Exchange Commission and indicate the place where those documents may be obtained in an electronic form. In the event of a change in the information referred to in subsection (1) – apart from the information referred to in the previous sentence which has been communicated along with the notification letter- inclusive of any changes in the categories of units of the UCITS marketed in the Republic, the UCITS shall give written notice to the Securities and Exchange Commission before implementing such change.

(5) The Securities and Exchange Commission, by a Directive, regulates technical issues or sets out the details for implementing the present section.

UCITS'
Obligations

70. (1) A UCITS, authorised in a member state other than the Republic, is obliged, during the marketing of its units in the Republic, to indicate a credit institution in order to ensure that facilities are available in the Republic for making payments to unit-holders, redeeming or repurchasing units and to take the measures necessary in order to ensure that the information, which the UCITS is required to provide, is published in the Republic.

(2) A UCITS that is established in a member state other than the Republic and markets its units in the Republic is obliged to provide to investors within the territory of the Republic all the information and documents it is required to provide to investors in its home member state pursuant to Chapter IX of Directive 2009/65/EC.

(3) The information of subsection (2) shall be provided in compliance with the following provisions:

(a) Without prejudice to the provisions of Chapter IX of Directive 2009/65/EC, such information or/ and documents shall be provided to investors in the way prescribed by the legislation of the Republic.

(b) The key investor information shall be translated into official language of the Republic or in English.

(c) Information or documents other than the key investor information, according to article 78 of Directive 2009/65/EC, shall be translated, at the choice of the UCITS, into an official language of the Republic or in English.

(d) Translations of the aforementioned information or/ and

documents under paragraphs (b) and (c) shall be produced under the responsibility of the UCITS and shall faithfully reflect the content of the original information.

(4) The obligations set out in subsections (1) and (2) shall also be applicable to any changes in the information and documents referred therein.

(5) The frequency of the publication of the issue, sale, and redemption or repurchase price of units of UCITS in the Republic is subject to the legislation of the UCITS home member state.

(6) The UCITS of subsection (1), as regards the announcements made in the Republic, shall comply with the provisions of subsection (1), (2) and (4) of section 66, as well as with the obligations set out in the delegation Directives to be issued by the Securities and Exchange Commission in the context of subsection (5) of the aforementioned section. All marketing communications shall specify where and in which language the prospectus and the key investor information are available to the investors.

Use of name or designation of a UCITS

71. A UCITS authorised in a member state other than the Republic that markets its units in the Republic may use the reference to its legal form, such as «investment company» or «common fund» in its designation in the Republic as it uses in its home member state.

Access to the legislation of the Republic

72. (1) The Securities and Exchange Commission keeps available in its website, in an official language of the Republic and in English, the applicable laws and regulations, which do not fall within the field governed by Directive 2009/65/EC and which are specifically relevant to the arrangements made for the marketing, redeeming or repurchasing of units of UCITS established in another member state within the territory of the

Republic.

(2) The Securities and Exchange Commission, by a Directive, sets out the extent of the information referred to in its website.

CHAPTER 5: MASTER-FEEDER UCITS STRUCTURES – MERGER AND SPLIT OF UCITS

SUBCHAPTER 1: MASTER-FEEDER UCITS STRUCTURES

Obligations
regarding
investment policy

73. (1)

(a) A Feeder UCITS is a UCITS, or an investment compartment thereof, which has been approved to invest, by way of derogation from paragraph (a) of subsection (1) of section 4, sections 40, 42 and 46 and paragraph (c) of subsection (2) of section 48, at least 85 % of its assets in units of another UCITS or investment compartment thereof (master UCITS).

(b) A Master UCITS is a UCITS, or an investment compartment thereof, which cumulatively has, among its unit-holders, at least one feeder UCITS, is not itself a feeder UCITS and does not hold units of a feeder UCITS.

(2) A feeder UCITS may invest up to 15 % of its assets in one or more of the following:

(a) Secondarily in liquid assets in accordance with subsection

(3) of section 40.

(b) Financial derivative instruments, which may be used only for hedging purposes, in accordance with paragraph (g) of subsection (1) of section 40 and subsections (2), (3) and (4) of section 41.

(c) Where the feeder UCITS operates under the form of a Variable Capital Investment Company, in movable and immovable property which is essential for the direct pursuit of its business.

(3) For the purposes of compliance with subsections (3) and (4) of section 41, the feeder UCITS shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under paragraph (b) of subsection (2) with either :

(a) the master UCITS' actual exposure to financial derivative instruments in proportion to the feeder UCITS' investment into the master UCITS, or

(b) the master UCITS' potential maximum global exposure to financial derivative instruments provided for in the master UCITS' regulation or instruments of incorporation in proportion to the feeder UCITS investment into the master UCITS.

(4) The following derogations for a master UCITS shall apply:

(a) if the master UCITS has at least two feeder UCITS as unit-holders, paragraph (a) of subsection (1) of section 4 and paragraph (b) of subsection (2) of section 4 shall not apply, giving the master UCITS the choice whether or not

to raise capital from other investors.

- (b) If the master UCITS does not raise capital from the public in a member state other than that in which it is established, but only has one or more feeder UCITS in that member state, then, if the master UCITS is established in the Republic, Subchapter 1 of Chapter 4 of Part II and the second and the third sentence of subsection (1) of section 149 shall not apply and, if the master UCITS is established in a member state other than the Republic, Subchapter 2 of Chapter 4 of Part II and the second and third sentence of subsection (1) of section 149 shall not apply.

Operation licence
of feeder UCITS

74. (1) The investment of a feeder UCITS, established in the Republic, into a given master UCITS which exceeds the limit applicable under subsection (1) of section 46 for investments into other UCITS, shall be subject to prior approval by the Securities and Exchange Commission.

(2) The feeder UCITS shall be informed within fifteen (15) working days following the submission of the complete file, whether or not the Securities and Exchange Commission has approved its investment into the master UCITS.

(3) The Commission shall grant authorisation if the feeder UCITS, its depositary and its auditor, as well as the master UCITS, comply with all the requirements set out in this Subchapter. For such purposes, the feeder UCITS shall provide to the Securities and Exchange Commission, in an official language of the Republic or in an official language of the Republic as well as in English, or only in English, where that is accepted by the Securities and Exchange Commission, the following documents:

- (a) The regulation or instruments of incorporation of the feeder UCITS and the master UCITS.

- (b) The prospectus and the key investor information of the feeder and the master UCITS.
- (c) The agreement between the feeder and the master UCITS or the internal conduct of business rules referred to in subsection (1) of section 75.
- (d) Where applicable, the information to be provided to unit-holders or shareholders, according to subsection (1) of section 79.
- (e) If the master UCITS and the feeder UCITS have different depositaries, the information-sharing agreement referred to in subsection (1) of section 76 between their respective depositaries and
- (f) If the master UCITS and the feeder UCITS have different auditors, the information-sharing agreement referred to in subsection (1) of section 77, between their respective auditors.

(4) Where the feeder UCITS is established in the Republic and the master UCITS is established in a member state other than the Republic, the feeder UCITS shall provide to the Securities and Exchange Commission an attestation by the competent authorities of the master UCITS home member state that the master UCITS is a UCITS, or an investment compartment thereof, which fulfils the conditions set out in article 58 paragraph (3) (b) and (c) of Directive 2009/65/EC. The attestation shall be provided in the official language of the Republic or in English.

Obligations

75. (1) The master UCITS is obliged to provide the feeder UCITS with all documents and information necessary for the latter to meet the requirements laid down in the Law and Directive 2009/65/EC. For this purpose, the feeder UCITS shall

enter into an agreement with the master UCITS. The aforementioned agreement shall be made available, on request and free of charge, to the unit-holders of both the feeder and master UCITS. In the event that both master and feeder UCITS are managed by the same Management Company, the aforementioned agreement may be replaced by internal conduct of business rules ensuring compliance with the requirements set out in subsections (1) and (2).

(2) The feeder UCITS shall not invest in excess of the limit applicable under subsection (1) of section 46 in units of the master UCITS until the agreement or the business rules referred to in the subsection (1) have become effective.

(3) The master and the feeder UCITS shall take appropriate measures to coordinate the timing of calculation and of publication of their net asset value in order to prevent the possibility of an abusive choice of the optimum regime regarding the units (arbitrage) by conducting market timing actions, namely by taking advantage of the difference between the book and market value of the units.

(4) Without prejudice to sections 18, 19 and 20, if the master UCITS temporarily suspends the subscription, redemption or repurchase of its units, whether at its own initiative or at the request of its competent authorities, each of its feeder UCITS is entitled to suspend the subscription, redemption or repurchase of its units, by derogation from the conditions laid down in sections 18, 19 and 20, within the same period of time as the master UCITS..

(5) If a master UCITS is dissolved, the feeder UCITS shall also be dissolved, unless the Securities and Exchange Commission approves:

(a) The investment of at least 85 % of the assets of the feeder UCITS in units of another master UCITS or

- (b) The amendment of the regulation or instruments of incorporation of the feeder UCITS so that the latter converts into a UCITS which is not a feeder UCITS.

Without prejudice to specific provisions regarding compulsory dissolution, the liquidation of the master UCITS shall take place no sooner than three (3) months after the master UCITS has informed all of its unit-holders and the Securities and Exchange Commission of its decision regarding its compulsory liquidation.

(6) If the master UCITS merges with another UCITS or splits into two or more UCITS, the feeder UCITS shall be dissolved, unless the Securities and Exchange Commission grants approval to the feeder UCITS to:

- (a) Continue to be a feeder UCITS of the master UCITS or another UCITS resulting from the merger or split of the master UCITS, or
- (b) Invest at least 85 % of its assets in units of another master UCITS not resulting from the merger or the split, or
- (c) Amend its regulation or its instruments of incorporation in order to convert into a UCITS which is not a feeder UCITS.

No merger or split of a master UCITS shall become effective, unless the master UCITS has provided its unit-holders and the Securities and Exchange Commission with the information referred to, or comparable with that referred to, in section 92, at the latest within sixty (60) days before the proposed effective date.

Unless the Securities and Exchange Commission has granted permission pursuant to paragraph (a) of the present subsection, the master UCITS shall not allow the feeder UCITS to redeem or repurchase the units of the master UCITS before the merger or

split of the master UCITS becomes effective.

(7) The Commission, by a Directive, shall regulate the following
:

- (α) The content of the agreement or of the internal conduct of business rules referred to in subsections (1) and (2),
- (β) Which measures according to subsection (3) are deemed appropriate, and
- (γ) The procedures for the required approvals pursuant to subsections (5) and (6) in the event of a dissolution, merger or split of a master UCITS.

Depository

76. (1) If the master and the feeder UCITS have different depositaries, those depositaries enter into an information-sharing agreement in order to ensure the fulfillment of the duties of both depositaries. The feeder UCITS shall not invest in units of the master UCITS until the agreement between the depositaries has become effective.

(2) When the Depositaries of the master and of the feeder UCITS comply with the requirements laid down in this Subchapter, it should not be considered that they breach any rules restricting the disclosure of information or relating to data protection, where such rules are provided for in a contract, law or regulation. Such compliance shall not give rise to any civil liability of the Depositaries or any other person acting on their behalf.

(3) The feeder UCITS or, when applicable, its Management Company shall be in charge of communicating to the depository of the feeder UCITS any information about the master UCITS that is required for the fulfillment of the obligations of that depository.

(4) The depositary of the master UCITS shall immediately inform the competent authorities of the master UCITS home member state, the feeder UCITS or, where applicable, the Management Company and the depositary of the feeder UCITS about any irregularities it detects with regard to the master UCITS which are deemed to have a negative impact on the feeder UCITS.

(5) The Securities and Exchange Commission may, by Directives, set out the content of the agreement of subsection (1) and the types of irregularities referred to in subsection (4) which are deemed to have a negative impact on the feeder UCITS.

Auditors

77. (1) When the master and the feeder UCITS have different auditors, those auditors enter into an information-sharing agreement in order to ensure the fulfillment of the duties of auditors, including the arrangements taken to comply with the requirements of subsections (2) and (3). The feeder UCITS shall not invest in units of the master UCITS until the agreement between the auditors has become effective.

(2) In its audit report, the auditor of the feeder UCITS shall take into account the audit report of the master UCITS. If the feeder and the master UCITS have different financial years, the auditor of the master UCITS shall issue an ad hoc report on the closing date of the feeder UCITS financial year.

(3) The auditor of the feeder UCITS shall, in particular, report on any irregularities revealed in the audit report of the master UCITS and on their impact on the feeder UCITS.

(4) Where they comply with the requirements laid down in this Subchapter, neither the auditor of the master UCITS nor that of the feeder UCITS shall be regarded as breaching any rules that restrict the disclosure of information or relate to data protection where such rules are provided for in a contract, law or

regulation. Such compliance shall not give rise to any civil liability of the auditors or any other person acting on their behalf.

(5) The Securities and Exchange Commission, by Directive, sets out the content of the agreement of subsection (1).

Compulsory
information and
marketing
communications
by the feeder
UCITS

78. (1) In addition to the information provided for in Type I of the Schedule, the prospectus of the feeder UCITS contains the following information:

- (a) Declaration that the feeder UCITS is a feeder of a particular master UCITS and as such permanently invests at least 85 % of its assets in units of that master UCITS.
- (b) The investment objective and policy of the feeder UCITS, including the risk profile and whether the performance of the feeder and the master UCITS are identical, or to what extent and for which reasons they differ, including also the description of the investment made in accordance with subsections (2) and (3) of section 73.
- (c) A brief description of the master UCITS, its organisation, its investment objective and policy, including the risk profile, and the indication of how the updated prospectus of the master UCITS may be obtained.
- (d) A summary of the agreement entered into between the feeder UCITS and the master UCITS or of the internal conduct of business rules pursuant to subsection (1) of section 75.
- (e) How the unit-holders of the feeder UCITS may obtain further information on the master UCITS and the

agreement entered into between the feeder UCITS and the master UCITS pursuant to subsection (1) of section 75.

- (f) A description of all remuneration or reimbursement of costs payable by the feeder UCITS by virtue of its investment in units of the master UCITS, as well as of the aggregate charges of the feeder UCITS and the master UCITS, and
- (g) A description of the tax implications of the investment into the master UCITS for the feeder UCITS.

(2) In addition to the information provided for in Type II of the Schedule, the annual report of the feeder UCITS shall include a statement on the aggregate charges of the feeder UCITS and the master UCITS. The annual and the half-yearly reports of the feeder UCITS shall indicate where the annual and the half-yearly report of the master UCITS can be obtained.

(3) In addition to the requirements laid down in sections 56, 59 and 65, the feeder UCITS shall send to the Securities and Exchange Commission the prospectus, the key investor information and any amendment thereto, as well as the annual and half-yearly reports of the master UCITS.

(4) A feeder UCITS shall disclose in any marketing communications that it permanently invests at least 85 % of its assets in units of such master UCITS.

(5) A paper copy of the prospectus, and the annual and half-yearly reports of the master UCITS shall be delivered by the feeder UCITS to investors on request and free of charge.

Information
obligations

79. (1) A feeder UCITS which already pursues activities as a UCITS, including those of a feeder UCITS of a different master

UCITS, shall provide the following information to its unit-holders:

- (a) A statement in which it is declared that the Securities and Exchange Commission has approved the investment of the feeder UCITS in units of such master UCITS.
- (b) The key investor information for investors, in accordance with section 62 of the present law or section 78 of the Directive 2009/65/EC, of the feeder and the master UCITS.
- (c) The date when the feeder UCITS is to start to invest in the master UCITS or, if it has already invested therein, the date when its investment will exceed the limit set under subsection (1) of section 46.
- (d) A statement that the unit-holders of the feeder UCITS have the right to request within 30 days the redemption or repurchase of their units without any charges other than those retained by the UCITS to cover disinvestment costs. That right shall become effective from the moment the feeder UCITS has provided the information referred to in the present subsection.

The aforementioned information shall be provided at least 30 days before the date referred to in paragraph (c).

(2) In the event that the feeder UCITS has been notified in accordance with section 67, the information referred to in subsection (1) shall be provided in an official language of the feeder UCITS host member state or in a language approved by the competent authorities of the feeder UCITS host member state. The feeder UCITS shall be responsible for the translation which shall faithfully reflect the content of the original.

(3) The feeder UCITS is not allowed to invest into the units of the given master UCITS in excess of the limit applicable under subsection (1) of section 46 before the period of thirty (30) days referred to in the last sentence of subsection (1).

(4) The Securities and Exchange Commission, by Directive, sets out :

- (a) The format and the manner in which the information referred to in subsection (1) shall be provided, or
- (b) In the event that the feeder UCITS transfers all or parts of its assets to the master UCITS in exchange for units, the procedure for valuing and auditing such a contribution in kind and the role of the depositary of the feeder UCITS in that process.

Specific obligations of the feeder UCITS

80. (1) The feeder UCITS shall monitor effectively the activity of the master UCITS. In performing that obligation, the feeder UCITS may rely on information and documents received from the master UCITS or, where applicable, its Management Company, its Depositary and its auditor, unless there is reason to doubt their accuracy.

(2) Where, in connection with an investment in the units of the master UCITS, a distribution fee, commission or other monetary benefit is received by the feeder UCITS, its Management Company, or any person acting on behalf of either the feeder UCITS or the Management Company of the feeder UCITS, that fee, commission or other monetary benefit shall be paid into the assets of the feeder UCITS.

Specific obligations of the master UCITS

81. (1) The master UCITS, which is established in the Republic, shall immediately inform the Securities and Exchange

Commission of the identity of each feeder UCITS that invests in its units. If the feeder UCITS is established in a member state other than the Republic, the Securities and Exchange Commission shall immediately inform the competent authorities of the feeder UCITS home member state of such investment.

(2) The master UCITS shall not charge subscription or redemption or repurchase fees for the acquirement or the transfer of its units from the feeder UCITS.

(3) The master UCITS shall ensure the timely availability of all information, which is required in accordance with the Law or other legal or regulatory provisions of the Republic, or other provisions of the European Union legislation, or the regulation or the instruments of incorporation of the master and feeder UCITS, to the feeder UCITS or, where applicable, its Management Company, and to the competent authorities, the Depositary and the auditor of the feeder UCITS.

Notifications by
the Commission

82. (1) If the feeder UCITS and the master UCITS are established in the Republic, the Securities and Exchange Commission shall immediately notify to the feeder UCITS every decision, measure, observation of non-compliance with the conditions of the present Subchapter or every information notified pursuant to subsections (1) and (2) of section 147 with regard to the master UCITS or, where applicable, its Management Company, its Depositary or its auditor.

(2) If the master UCITS is established in the Republic and the feeder UCITS is established in a member state other than the Republic, the Securities and Exchange Commission shall immediately notify to the competent authorities of the feeder UCITS home member state every decision, measure, observation of non-compliance with the conditions of the present Subchapter or every information notified pursuant to subsections (1) and (2) of section 147 with regard to the master UCITS or, where applicable, its Management Company, its Depositary or its auditor.

(3) If the master UCITS is established in a member state other than the Republic and the feeder UCITS is established in the Republic, the Securities and Exchange Commission shall notify to the feeder UCITS every decision, measure, or observation of non-compliance pursuant to article 67 paragraph 2 of Directive 2009/65/EC of which it has been notified by the competent authorities of the master UCITS home member state.

SUBCHAPTER 2: MERGERS OF UCITS

Definitions

83. «Merger» shall mean :

- (a) The operation whereby one or more UCITS or investment compartments thereof (the merging UCITS), on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing UCITS or an investment compartment thereof (the receiving UCITS), in exchange for the issue to their unit-holders of units of the receiving UCITS and, if applicable, a cash payment not exceeding 10 % of the net asset value of merging UCITS' units.
- (b) The operation whereby two or more UCITS or investment compartments thereof (the merging UCITS), on being dissolved without going into liquidation, transfer all of their assets and liabilities to a newly constituted UCITS or a newly constituted investment compartment thereof (the receiving UCITS), in exchange for the issue to their unit-holders of units of the receiving UCITS and, if applicable, a cash payment not exceeding 10 % of the net asset value of merging UCITS' units.
- (c) The operation whereby one or more UCITS or investment compartments thereof (the merging UCITS), which continue to exist until the liabilities have been discharged, transfer their net assets to another investment

compartment of the same or of another existing UCITS, or to a newly constituted UCITS or to a newly constituted investment compartment thereof (receiving UCITS).

«Domestic merger» shall mean the merger of two or more UCITS, which are established in the Republic, under the condition that one or more of the involved UCITS or all the involved UCITS have been notified pursuant to section 67.

«Cross-border merger» shall mean :

- (a) The merger of UCITS, established in different member states, where at least one is established in the Republic or
- (b) The merger of existing UCITS into a newly constituted UCITS, where all the existing UCITS are established in the Republic and the newly constituted UCITS is established in a member state other than the Republic or the newly constituted UCITS is established in the Republic and all the existing UCITS are established in the same member state other than the Republic.

«Receiving UCITS» shall mean the existing UCITS that absorbs another UCITS, or the new UCITS that is constituted from the merger between two or more UCITS.

«Merging UCITS» shall mean the existing UCITS that is absorbed from another existing UCITS or from a UCITS which will be newly constituted because of the merger.

General provisions – scope of application.

84. (1) A UCITS established in the Republic, whether it functions as a Common Fund or a Variable Capital Investment Company, can participate, as a receiving or merging UCITS, in a cross-border or domestic merger, according to one of the

techniques referred to in section 83.

(2) The provisions of the present Subchapter shall also apply to the mergers between UCITS authorized in the Republic, when no one of these UCITS has been notified in accordance with section 67.

(3) When both receiving and merging UCITS are established in the Republic, the provisions of the present Subchapter, regarding the possibility of the supervisory authorities of member states other than the Republic to take action, shall not apply.

(4) The mergers referred to in section 83 take effect according to the procedure provided for in the provisions of the present Subchapter.

(5) The provisions of sections 201A to 201KD of the Companies Law regarding the mergers shall not apply to the mergers of UCITS.

(6) The Securities and Exchange Commission may, by relevant Directives, specify further the provisions of the sections of the present Subchapter.

Authorisation for the merger 85. (1) When the merging UCITS is established in the Republic, the merger is subject to prior authorisation by the Commission.

(2) The merging UCITS shall notify to the Securities and Exchange Commission, into an official language of the Republic and into an official language of the receiving UCITS host member state, or into another language approved by the competent authorities of that member state, the following :

- (a) The common draft terms of the merger duly approved by the UCITS that participate in the merger or by their Management Companies and the Depositary.
 - (b) An up-to-date version of the prospectus and the key investor information, referred to in article 78 of Directive 2009/65/EC, of the receiving UCITS, if established in another member state.
 - (c) A statement by each of the Depositaries of the merging and the receiving UCITS confirming that, in accordance with section 90, they have checked the compliance of the information set out in paragraphs (a), (f) and (g) of subsection (1) of section 89 with the requirements of the Law and the regulation or instruments of incorporation of the respective UCITS. If the receiving UCITS is established in another member state, the above statement submitted on behalf of that receiving UCITS, shall confirm that, in accordance with article 41 of Directive 2009/65/EC, the Depositary has checked compliance of the information set out in points (a), (f) and (g) of article 40 (1) of Directive 2009/65/EC with the requirements of that Directive and the regulation or instruments of incorporation of the respective UCITS.
 - (d) The information on the impending merger that the merging and the receiving UCITS will provide to their unit-holders.
- (3) If the Securities and Exchange Commission assesses that the submitted particulars, in accordance with subsection (2), are not complete, the Commission shall request additional information within ten working days, at the latest, of receiving the above particulars.
- (4)

- (a) When the receiving UCITS is established in another member state and under the condition that the submitted particulars, in accordance with subsection (2), are complete, the Securities and Exchange Commission shall immediately transmit copies of them to the competent authorities of the receiving UCITS home member state. The Securities and Exchange Commission and the competent authorities of the receiving UCITS home member state shall consider the eventual consequences of the impending merger on unit-holders of the merging and the receiving UCITS in order to ascertain whether sufficient information is provided to unit-holders.

If the Securities and Exchange Commission considers it necessary or prudent, it may require, in writing, that the information to unit-holders of the merging UCITS is clarified.

If the competent authorities of the receiving UCITS home member state consider it necessary, they may require, in writing and within fifteen working days, at the latest, of receipt of the copies of the complete information referred to in subsection (2), that the receiving UCITS modifies or fills up the information to be provided to its unit-holders. For that reason, the competent authorities of the receiving UCITS home member state shall express their dissatisfaction to the Securities and Exchange Commission and shall inform the Commission, whether they consider the modified or additional information addressed to the unit-holders satisfactory or not, within twenty working days of receipt of the particulars.

- (b) When the receiving UCITS is established in the Republic and under the condition that the submitted particulars, in accordance with subsection (2), are complete, the Securities and Exchange Commission shall consider the eventual consequences of the impending merger on unit-holders of the merging and the receiving UCITS in order to ascertain whether sufficient information is provided to unit-holders. If the Securities and Exchange Commission considers it necessary or prudent, it may require in writing:
- (i) Clarifications regarding the information addressed to unit-holders of the merging UCITS.

- (ii) Within fifteen working days, at the latest, of receipt of the particulars referred to in subsection (2), that the receiving UCITS modifies or fills up the information to be disclosed to its unit-holders.

(5) The Securities and Exchange Commission shall inform the merging UCITS, within twenty working days of the submission of the complete information, in accordance with subsection (2), whether or not the merger has been authorised.

(6)

- (a) When the receiving UCITS is established in a member state other than the Republic and, cumulatively :

- (i) The impending merger complies with all requirements of the present section and sections 89 to 91,

- (ii) The receiving UCITS has been notified, in accordance with section 69 of the present law or article 93 of Directive 2009/65/EC, to market its units in the Republic and in the member states where the merging UCITS is either authorised or has been notified to market its units and

- (iii) The Securities and Exchange Commission and the competent authorities of the receiving UCITS home member state are satisfied with the information to be provided to unit-holders regarding the merger, or no indication of dissatisfaction from the competent authorities of the receiving UCITS home member state has been received under the last sentence of paragraph (a) of subsection 4,

the Securities and Exchange Commission, provided that these conditions are met, shall authorise the merger, and shall notify its decision to the competent authorities of the receiving UCITS home member state.

(b) When the receiving UCITS is established in the Republic and, cumulatively :

(i) The impending merger complies with all requirements of the present section and sections 89 to 91,

(ii) The receiving UCITS has been notified, in accordance with section 67, to market its units in the member states where the merging UCITS is either authorised or has been notified to market its units and

(iii The Securities and Exchange Commission is) satisfied with the information proposed to be provided to unit-holders of the merging and the receiving UCITS,

the Securities and Exchange Commission, provided that these conditions are met, shall authorise the merger.

Briefing

86. (1) When the receiving UCITS is established in the Republic and the merging UCITS is established in another member state, the Securities and Exchange Commission shall receive, from the competent authorities of the merging UCITS home member state, copies of the particulars referred to in paragraphs (a), (b), and (c) of subsection (2) of section 85.

(2) The Securities and Exchange Commission and the competent authorities of the merging UCITS home member state shall consider the potential consequences of the merger on unit-

holders of the merging and the receiving UCITS in order to assess whether appropriate information is being provided to unit-holders.

(3) If the Securities and Exchange Commission considers it necessary or prudent, it may require, in writing and within fifteen working days, at the latest, of receipt of the copies of all particulars referred to in subsection (1), that the receiving UCITS modifies or fills up the information to be provided to its unit-holders.

(4) The Securities and Exchange Commission shall inform the competent authorities of the merging UCITS home member state, within twenty working days of receipt of the particulars referred to in subsection (1), whether it is satisfied with the modifications and the additional information to be provided to the unit-holders of the receiving UCITS.

Excess of the investment limits 87. Subject to the principle of risk-spreading, the receiving UCITS may exceed the limits of sections 42 to 46, for a period of six months from the effective date of the merger.

The merger decision 88. (1) Where a UCITS operates under the form of a Common Fund, the decision regarding its merger with another UCITS shall be taken by its Management Company. Where a UCITS operates under the form of a Variable Capital Investment Company, the decision regarding its merger with another UCITS shall be taken by a special resolution of its shareholders' general meeting, unless its instruments of incorporation provide that the relevant decision is taken by its board of directors stating also the necessary quorum or/ and majority for the aforementioned decision. The decision of the shareholders' general meeting shall be taken by the majority of the votes represented in the meeting. The instruments of incorporation of the Variable Capital Investment Company shall not require a majority percentage higher than 75 % of the votes represented in the meeting.

(2) For the application of subsection (1), where a UCITS comprises more than one investment compartments, as unit-

holders are considered those of the compartment that takes part in the merger, unless it is otherwise provided in the regulation or the instruments of incorporation of the UCITS.

(3) With reference to the merger of a UCITS that operates under the form of a Variable Capital Investment Company, an official copy of the merger decision shall be submitted to the Registrar of Companies for registration and publication, according to section 365A of the Companies Law, and a copy of the aforementioned decision shall be attached in every copy of the memorandum of association of the receiving Variable Capital Investment Company.

Draft terms of merger 89. (1) The merging and the receiving UCITS draw up common draft terms of merger, which shall include the following information :

- (a) An identification of the type of merger and the particulars of the UCITS involved.
- (b) The background to and rationale for the impending merger.
- (c) The expected impact of the impending merger on the unit-holders of both the merging and the receiving UCITS.
- (d) The criteria adopted for valuation of the assets and, where applicable, of the liabilities, on the date for calculating the exchange ratio as referred to in subsection (1) of section 95.
- (e) The calculation method of the exchange ratio.

- (f) The planned effective date of the merger.
- (g) The rules applicable, respectively, to the transfer of assets and the exchange of units and
- (h) In the case of a merger pursuant to paragraphs (b) and (c) of subsection (1) of section 83, the regulation or instruments of incorporation of the newly constituted receiving UCITS.

(2) The merging and the receiving UCITS may decide to include additional information in the common draft terms of merger, apart from the information referred to in subsection (1). The Securities and Exchange Commission cannot require from the UCITS to provide such additional information.

(3) The Securities and Exchange Commission may, by a Directive, regulate technical issues or set out the details for implementing this section.

Merger control from the Depository 90. The Depositories of the merging and the receiving UCITS that are authorised in the Republic shall verify the conformity of paragraphs (a), (f) and (g) of subsection (1) of section 89 with the requirements of the Law and the regulation or instruments of incorporation of the UCITS under their responsibility.

Auditors 91. (1) The merging UCITS, which is established in the Republic, shall entrust an independent auditor to validate the following :

- (a) The criteria adopted for valuation of the assets and, where applicable, the liabilities, on the date for calculating the exchange ratio, as referred to in subsection (1) of section 95.

- (b) Where applicable, the cash payment per unit and
- (c) The calculation method of the exchange ratio as well as the actual exchange ratio.

(2) The auditor of the merging UCITS as well as the auditor of the receiving UCITS shall be considered independent auditors for the purposes of subsection (1).

(3) A copy of the reports of the independent auditor shall be made available on request and free of charge to the unit-holders of both the merging UCITS and the receiving UCITS, to the Securities and Exchange Commission and to the competent authorities of the receiving UCITS home member state.

Information and rights of unit-holders

92. (1) The merging and/ or receiving UCITS, which are established in the Republic, shall provide appropriate and accurate information on the impending merger to their respective unit-holders so as to enable them to :

- (a) Make an informed judgment on the basis of full knowledge of the impact of the proposal on their investment and
- (b) Exercise their rights, according to sections 88 and 93.

(2) The information of subsection (1) shall include the following particulars :

- (a) The background to and the rationale for the impending merger.

- (b) The possible impact of the impending merger on unit-holders, including but not limited to any material differences in respect of investment policy and strategy, costs, expected outcome, periodic reporting, possible dilution in performance per unit, and, where relevant, a prominent warning to investors that their tax treatment may be changed following the merger.
- (c) Any specific rights that unit-holders have in relation to the impending merger, including but not limited to the right to obtain a copy of the report of the independent auditor on request, and the right to request the redemption or repurchase or, where applicable, the conversion of their units without charge as specified in subsection (1) of section 93 and the last date for exercising that right.
- (d) The important procedural aspects and the planned effective date of the merger, and
- (e) A copy of the key investor information of the receiving UCITS.

(3) The information of subsections (1) and (2) shall be added on the web page of the Management Company and shall be provided to the unit-holders of the merging and receiving UCITS that are established in the Republic, by the means set out in a Directive issued by the Securities and Exchange Commission, only if the Commission has authorised the proposed merger under section 85. The above information shall be provided at least thirty (30) days before the last date for requesting redemption or repurchase or, where applicable, conversion without additional charge under subsection (1) of section 93.

(4) If the merging or the receiving UCITS has been notified in accordance with article 93 of Directive 2009/65/EC, the information referred to in subsection (2) shall be provided in an

official language of the host member state of the relevant UCITS, or in a language approved by its competent authorities. The UCITS required to provide the information shall be responsible for producing the translation that shall faithfully reflect the content of the original.

(5) The Securities and Exchange Commission, by a Directive, specifies the detailed content and format of the information referred to in the subsections (1) to (3).

Redemption or repurchase right 93. (1) When the merging or receiving UCITS is authorised in the Republic, its unit-holders have the right to request, without any charge other than those retained by the UCITS for meeting disinvestment costs, the redemption or repurchase of their units, by the terms that were applicable before the effective date of the merger, or, where possible, to convert them into units in another UCITS with similar investment policies and managed by the same Management Company or by any other company linked with the management company by way of common management or control, or qualifying holding. The above right shall become effective from the moment that the unit-holders of the merging and the receiving UCITS, will be informed of the proposed merger in accordance with section 92 and shall cease to exist five working days before the date for calculating the exchange ratio referred to in subsection (1) of section 95.

(2) Without prejudice to subsection (1), for mergers between UCITS and by way of derogation from subsection (1) of section 18, the UCITS that take part in the merger and are established in the Republic can decide the temporary suspension of the subscription, redemption or repurchase of units, upon relevant approval of the Securities and Exchange Commission, provided that such suspension is justified for the protection of the unit-holders. Subject to the implementation of the previous sentence, the Securities and Exchange Commission has the right to decide the temporary suspension of the subscription, redemption or repurchase of the units of the UCITS that is established in the Republic and takes part in the merger if in its view the suspension is justified for the protection of the unit-holders.

Costs 94. Except for the case that a UCITS, which operates under the form of a Variable Capital Investment Company, has not designated a Management Company, all costs associated with the preparation and the completion of the merger, especially legal, advisory or administrative costs shall not be charged to the merging or the receiving UCITS, or to their unit-holders.

Effective date of the merger 95. (1) The date on which a merger takes effect as well as the date for calculating the exchange ratio of units of the merging UCITS into units of the receiving UCITS and, where applicable, the determination of the net asset value for cash payments shall be defined in the draft terms of the merger. Those dates shall be after the approval of the merger by unit-holders of the receiving UCITS and the merging UCITS, if such approval is requested.

When there is cross-border merger, the above-mentioned dates are defined by the home member state of the receiving UCITS, this member state is other than the Republic.

(2) The entry into effect of the merger shall be made public through a relevant publication in at least two daily newspapers of wide circulation in Cyprus made by the receiving UCITS that is established in the Republic and shall be notified to the Securities and Exchange Commission and to the other competent authorities involved in the merger procedure.

(3) A merger that has taken effect as provided for in subsection (1) shall not be declared null and void.

Effects of the merger 96. (1) A merger effected in accordance with paragraph (a) of subsection (1) of section 83 shall have the following consequences:

(a) All the assets of the merging UCITS are transferred to the receiving UCITS or, where applicable, to the Depositary of

the receiving UCITS.

- (b) The unit-holders of the merging UCITS become unit-holders of the receiving UCITS and, where applicable, they are entitled to a cash payment not exceeding 10 % of the net asset value of the units they had in the merging UCITS and
- (c) The merging UCITS cease to exist on the entry into effect of the merger.

(2) A merger effected in accordance with paragraph (b) section (83) shall have the following consequences:

- (a) All the assets and liabilities of the merging UCITS are transferred to the newly constituted receiving UCITS or, where applicable, to the Depositary of the newly constituted receiving UCITS.
- (b) The unit-holders of the merging UCITS become unit-holders of the newly constituted receiving UCITS and, where applicable, they are entitled to a cash payment not exceeding 10 % of the net asset value of the units they had in the merging UCITS and
- (c) The merging UCITS cease to exist on the entry into effect of the merger.

(3) A merger effected in accordance with paragraph (c) of section 83 shall have the following consequences:

- (a) The net assets of the merging UCITS are transferred to the receiving UCITS or, where applicable, to the Depositary of

the receiving UCITS.

(b) The unit-holders of the merging UCITS become unit-holders of the receiving UCITS and

(c) The merging UCITS continues to exist until all its liabilities have been discharged.

(4) The Management Company of the receiving UCITS confirms to the Depositary of the receiving UCITS that transfer of assets and, where applicable, of liabilities is complete. Where the receiving UCITS operates as a Variable Capital Investment Company and has not designated a Management Company, it shall itself, according to the aforementioned, give that confirmation to the Depositary of the receiving UCITS.

Tax provisions regarding merger of UCITS

97. (1) The transfer of the assets and liabilities of the UCITS because of the merger shall be exempt from any tax, duty or charge.

(2) In case of merger of UCITS the provisions of Part V of the Income Tax Laws regarding the reorganisation of the companies and the relevant provisions of the Special Contribution for the Defense of the Republic Laws , shall apply.

SUBCHAPTER 3: SPLIT OF UCITS

Split

98. (1) «Split» shall mean the procedure according to which a UCITS established in the Republic splits in two or more UCITS of the same legal form namely of a Common Fund or a Variable Capital Investment Company, with the split UCITS, which are all constituted according to the laws of the Republic.

(2) UCITS that are established in the Republic may be split (hereinafter referred to as «split UCITS») in two or more new UCITS (hereinafter referred to as «availing UCITS»), which are also constituted according to the laws of the Republic, with the possibility of simultaneous designation of a new Management Company or/ and a new Depositary for one or more of the availing UCITS. The split UCITS splits in UCITS of the same legal form, namely that of a Common Fund, if the split UCITS is a Common Fund or that of a Variable Capital Investment Company if the split UCITS is a Variable Capital Investment Company. When a Variable Capital Investment Company splits, if it has designated a Management Company or/ and Depositary, the availing Variable Capital Investment Companies shall also designate the same or another Management Company or/ and the same or another Depositary. If the Variable Capital Investment Company that splits has not designated a Management Company, any reference of the provisions of this section to the Management Company shall mean the Variable Capital Investment Company. However one or more or all the availing Variable Capital Investment Companies may designate a Management Company or Depositary.

(3) On the split of a UCITS, the split UCITS shall dissolve without any consequences relating to dissolution. Its total assets shall be divided into parts corresponding to the availing UCITS and these parts shall become the assets of each availing UCITS. The unit holders of the split UCITS shall become unit holders of one or more availing UCITS.

Split procedure

99. (1) The split takes place upon relevant authorisation of the Securities and Exchange Commission. To receive such authorisation, the Management Company of the split UCITS shall submit the following :

(a) An application accompanied by the terms of the split, pursuant to subsection (2).

- (b) In the event that a new Management Company has been appointed, it shall also submit the split contract between the two or more Management Companies involved in the split. The terms of the split, pursuant to subsection (2), shall be included in the split contract.
 - (c) The regulation or instruments of incorporation of the availing UCITS, the content of which shall be identical to the content of the regulation or instruments of incorporation of the split UCITS, with the necessary amendments as to the names of the availing UCITS, their Management Company and Depositary, or any more particulars regarding their constitution and their authorisation, as well as any amendments that may be required either for adapting to applicable legislation or for practical reasons. The Regulation of the Common Funds shall be signed by the involved Management Companies and Depositaries.
 - (d) A statement by the Depositary (ies) of the availing UCITS to the effect that they accept such duties.
 - (e) An independent auditor's report to the effect that, in his view, the method of division of the assets of the split UCITS, pursuant to paragraph (c) of subsection (2), in conjunction with the method of allocation of unit holders comprised in the terms of the split, according to paragraph (d) of the same subsection, ensures that the financial position of the unit holders of the split UCITS at the date of the split shall not change because of the split. The auditor of the split UCITS is considered independent for the application of the present subsection.
- (2) The terms of the split shall at least include the following:
- (a) The name, scope and details of the operation licence of the split UCITS and the name of its Management Company and its Depositary.

- (b) The name of every split UCITS and the name of their Management Company and Depositary.
- (c) The method by which, on the date of the split, the assets of the split UCITS shall be divided in parts, the number of which shall be equal to the number of availing UCITS, in conjunction with the method of allocation of the unit holders of the split UCITS in each availing UCITS, according to paragraph (d) below. It shall also be ensured that the composition of the part of the assets corresponding to each availing UCITS shall be the same as the composition of the assets of the split UCITS, with the exception of deviations reasonably considered negligible.
- (d) The allocation of unit holders among the availing UCITS or the method of such allocation. Specifically, provision shall be made for whether all unit holders of the split UCITS shall become unit holders of each availing UCITS or whether the unit holders shall be divided into groups corresponding to the availing UCITS and the percentage of the assets of the split UCITS corresponding to each availing UCITS shall be determined on the basis of such groups or whether the allocation shall be made otherwise.
- (e) The method for determining the number of units into which each availing UCITS shall be divided on the date of the split and the number of units of the availing UCITS coming to each unit holder.
- (f) The time period, from the issue of the authorisation by the Securities and Exchange Commission under subsection (1), within which the split will take place. This time period may not exceed two (2) months of the issue of such authorisation, but may be extended by decisions of the Securities and Exchange Commission, but in any case the

total extension time must not exceed two (2) months.

- (g) The period of suspension of the right to redeem units of the split UCITS or the period of non-issue of new units, provided that such suspension is considered necessary by the Management Company. Relevant information shall be included in the notification pursuant to subsection (3).
- (h) Any other useful information in order for the unit holders to form a documented opinion about the split.

(3) At least thirty (30) days before the date of the split, a notification by the Management Companies involved in the split shall be published in the website of the Management Company of the split UCITS and in two daily newspapers of wide circulation in Cyprus, which shall include the following information:

- (a) A summary of the terms of the split,
- (b) The date of the split, and
- (c) The particulars of the authorisation by the Securities and Exchange Commission.

Along with the publication of the above notification, the terms of the split or, where applicable, the draft of the split contract as well as the auditor's report referred to in paragraph (e) of subsection (1) shall be made available to the unit holders free of charge, at the points of market of units of the split UCITS. The aforementioned notification shall include an indication that a split is made and the distribution points of the aforementioned particulars.

(4) In the event that the split UCITS has been notified in accordance with section 67, the information and the particulars referred to in subsection (3) shall be provided to the unit-holders of the host member state in an official language of the split UCITS host member state or in a language approved by the competent authorities of that member state. The UCITS obliged to provide such information shall be responsible for the translation which shall faithfully reflect the content of the information in the original. The Management Company of each availing UCITS upon completion of the split is obliged to comply with the notification procedure of section 67, regarding the marketing of the units of the UCITS in the member states where the units of the split UCITS were marketed.

Effects of the split 100. (1) The following effects shall occur on the date of the split:

- (a) The split UCITS shall dissolve without any consequences relating to dissolution.
- (b) Each of the availing UCITS shall be constituted and shall consist of the part of the split UCITS corresponding to it pursuant to the terms of the split and, therefore, the assets of each availing UCITS shall have separate management and separate depositary, pursuant to the provisions of the Law.
- (c) The unit holders of the split UCITS shall become unit holders of the availing UCITS according to the allocation set out in the terms of the split and the part of the assets of the split UCITS corresponding to the availing UCITS shall be transferred ab indiviso, to the unit holders of the applicable availing UCITS.
- (d) The Management Company of each availing UCITS shall assume its duties on execution of the statements referred to in subsection (1) of section 101. The Management

Company of each availing UCITS shall replace the Management Company of the split UCITS in its rights and obligations that correspond to the assets transferred to the unit holders of the aforementioned availing UCITS. The Management Company of the split UCITS and the Management Company of the availing UCITS shall be fully liable for the obligations of the Management Company of the split UCITS towards the availing UCITS until the Management Company of each availing UCITS fully assumes its duties. In addition, the Depositary of each availing UCITS shall assume duties on execution of the statements referred to in subsection (1) of section 101 and the simultaneous delivery, of the transferable securities and other assets of the availing UCITS. The Depositary of the availing UCITS shall continue to perform its duties until the Depositary of each availing UCITS fully assumes its duties.

Drawing up of the statements and the reports – Information regarding the split

101. (1) The following documents shall be prepared on the date of the split:

- (a) A statement of assets of the split UCITS and their valuation on the basis of applicable rules.
- (b) A statement for each availing UCITS, comprising the assets coming to the unit holders of the availing UCITS, the value of such assets, on the basis of applicable valuation rules, and the value of the net assets of each availing UCITS. This statement shall also include the number of units of each availing UCITS and the relation between the unit holders of the split UCITS and those of the availing UCITS.

(2) The statements referred to in subsection (1) shall be signed by the following:

- (a) The Management Company of the split UCITS,
- (b) The Management Company of each availing UCITS, if different from the Management Company referred to in the above paragraph (a),
- (c) The Depositary of the split UCITS, and
- (d) The Depositary of each availing UCITS, if different from the Depositary referred to in paragraph (c) above.

(3) Within five (5) working days of the split of UCITS, a report shall be prepared by an independent auditor to the effect that the split was made pursuant to the terms of the split. The auditor of the split UCITS shall be considered independent for the application of the present subsection.

(4) The statements referred to in subsection (1) shall be forthwith submitted to the Securities and Exchange Commission. The first statement shall be submitted by the Management Company of the split UCITS and the other statements by the Management Company of each availing UCITS. The Management Company of the split UCITS shall also submit forthwith to the Securities and Exchange Commission the audit report referred to in subsection (3). Within ten (10) working days of the date of the split, the Management Company of the split UCITS shall publish a notification in the press about the occurrence of the split; such notification shall be published in two daily newspapers of wide circulation in Cyprus and shall include a summary of the audit report referred to in subsection (3).

(5) The Management Company of each availing UCITS is obliged to forthwith inform in writing each unit holder of the availing UCITS about the exact number of units in the availing

UCITS that belong to such unit holder at the date of the split.

(6) Any costs and expenses made because of or for the split of a UCITS shall be solely incurred by the involved Management Companies and shall not encumber the split UCITS or the availing UCITS or their unit holders.

Redemption right 102. Any unit holders wishing to be transferred to an availing UCITS other than the UCITS in which he was allocated at the time of the split, or to another UCITS with similar investment policies, which has the same Management Company with the availing UCITS or another affiliated Management Company, may within one (1) month of the date of the split and without any charge other than those retained by the UCITS to meet disinvestment costs, request the redemption or repurchase of their units, under the terms applicable before the effective date of the split, or to convert them into units in another UCITS with similar investment policies and managed by the same Management Company or by any other company with which the Management Company is linked by way of common management or control, or qualifying holding.

Tax provisions regarding the split of UCITS 103. (1) The transfer of the assets of the split UCITS under section 100, as well as any entry, deed or action required to conclude the allocation of the assets of the split UCITS among availing UCITS shall be exempt from any tax, duty or charge.

(2) In case of split of UCITS the provisions of Part V of the Income Tax Laws regarding the reorganisation of the companies and the relevant provisions of the Special Contribution for the Defense of the Republic Laws, shall apply.

Authorisation 104. The Securities and Exchange Commission may, by Directives, regulate the details or technical issues necessary for implementing this Subchapter.

PART III: FOREIGN UNDERTAKINGS FOR COLLECTIVE INVESTMENT

Collective Investment Undertakings which may market their shares in the Republic	<p>105. Among the open-ended undertakings for collective investment, which do not fall within the application field of section 69 and which derive from another member state or from a third country, only those may market their units within the territory of the Republic, which are subject to permanent prudential supervision according to the rules aiming to ensure investors' protection as in force in their home state and under the condition that they have been authorized by the Capital Market Commission for marketing their units within the Republic.</p>
Obligations of the collective investment undertakings	<p>106. (1) The undertakings for collective investment may begin to market their units after the authorisation referred to in section 105 is communicated to the undertaking or its Management Company.</p> <p>(2) The undertakings for collective investment pursuant to section 105 are subject to the rules of the Republic concerning the marketing, advertising and distribution of their units, as well as their notifications to the investors. In the event of change of any particulars on the basis of which the authorisation of section 105 was granted, the undertaking for collective investment or its Management Company shall give immediate notice of such change to the Capital Market Commission. Subsections (5) and (6) of section 16, subsection (1) of section 70 and section 71 shall apply analogously to the undertakings for collective investment referred to in section 105.</p> <p>(3) The undertakings for collective investment of section 105 must take the necessary measures so that the information provided to investors according to their home state rules is also set at the disposal of investors in the Republic.</p>
Supervision	<p>107. (1) The Capital Market Commission has the exclusive power to take action against any undertaking for collective investment pursuant to section 105, as well as against any person being part of the distribution network of such undertaking within</p>

the territory of the Republic, if they infringe any provisions in force in the Republic, that apply on them.

(2) The Capital Market Commission must withdraw the authorisation issued to the undertaking for collective investment according to section 105 only where:

- (a) It detects that the undertaking has obtained the authorisation by making false or misleading statements or by any other irregular means.
- (b) The undertaking or its Management Company does not comply with any terms of the authorisation pursuant to section 105.
- (c) Any of the conditions required or which have been taken into consideration by the Capital Market Committee in order to grant the authorisation of section 105 is no longer fulfilled.

With regard to paragraphs (b) and (c) of the present section, the Capital Market Committee has the right to set a deadline within which the undertaking for collective investment or its Management Company must comply. If the undertaking for collective investment or its Management Company fail to comply fully within the above deadline the authorisation granted according to section 105, shall be withdrawn.

(3) The Capital Market Commission publishes in its web page, in an official language of the Republic and in English, the laws and regulations each time in force, which rule especially the distribution, redemption or repurchase, within the territory of the Republic, of the units of the undertakings for collective investment referred to in section 105.

Delegation of powers of 108. The Capital Market Commission shall determine by Directive:

- (a) The conditions, procedure and criteria for the authorisation referred to in section 105 - in particular the information that the undertaking for collective investment must submit so as to obtain the authorisation – and for the distribution and, generally, for the marketing of the units of the undertakings for collective investment of section 105 in the Republic.
- (b) The distribution procedure of the units, as regards in specific the way a subscription application to the undertaking for collective investment is submitted and the information handed over to the investors when they submit the application.
- (c) The obligations for ordinary and extraordinary notifications to the investors within the territory of the Republic and the way such notifications shall be made.
- (d) The qualifications and the certification procedure of the persons participating to the distribution network of the undertakings for collective investment, as well as generally the qualifications and the obligations of such persons.
- (e) The obligations of the undertakings for collective investment in the event that they cease to market their units within the territory of the Republic.

PART IV: MANAGMENT COMPANIES

CHAPTER 1: OPERATION OF THE MANAGEMENT COMPANY

Permitted
activities

109. (1) The Management Company is a limited company by shares, which is governed by the provisions of the Law and complementary by the provisions of the Companies Law, which has its registered office and central administration within the territory of the Republic and its main objective is the management of one or more UCITS. Prior authorisation by the Capital Market Commission is required in order for a Management Company to start business. Such authorisation, which is granted as an operation licence, is valid in all member states of the European Union.

(2) The Management Company does not exercise activities other than the management of UCITS authorized under Directive 2009/65/EC, apart from the additional management of other collective investment undertakings following an authorisation by the Capital Market Committee.

(3) The management of UCITS, for the purposes of the Law, shall include the following functions:

- (a) the investment management of the UCITS,
- (b) the administration of the UCITS, which includes the following services:
 - (i) legal and UCITS management accounting services,

- (ii) provision of information and service of the UCITS unit-holders,
 - (iii) valuation of the UCITS portfolio and pricing of their units, including taxation issues,
 - (iv) regulatory compliance monitoring,
 - (v) maintenance of unit-holder register,
 - (vi) distribution of profits of the UCITS,
 - (vii) unit issue, redemption and repurchase,
 - (viii) settlement of contractual obligations, including the dispatch of documents and certificates,
 - (ix) record keeping,
- (c) the advertising of the UCITS and the promotion of their units (marketing).

(4) By way of derogation from subsection (2) the Management Company, following an authorisation of the Capital Market Commission, may provide, in addition to the management of UCITS or other collective investment undertakings, one or more of the following services, under the condition that the provision of such services is indicated in its instruments of incorporation:

(a) the service of management of portfolios of investments, including those owned by pension funds, in accordance with mandates given by investors on a discretionary and client- by-client basis, where such portfolios include one or more financial instruments,

(b) the non-core services:

(i) provision of investment advice concerning one or more financial instruments,

(ii) safekeeping and administration in relation to units of undertakings for collective investment.

(5) The Management Company cannot be authorized to provide only the services of subsection (4), without being authorized for exercising the activity pursuant to subsection (2), or to provide any of the non-core services of paragraph (b) of sub-section (4), without being authorized for the service referred to in paragraph (a) of subsection (4).

(6) The Law which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters shall apply to the provision of the services referred to in subsection (4) by the Management Company.

Share capital of the Management Company

110. (1) The Management Company possesses an initial capital of at least a hundred and twenty five thousand Euros (125.000€), which must be fully paid up, in cash. If the Management Company provides the additional services referred to in subsection (4) of section 109, then its initial capital must also correspond to the limits set out by the Law which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters, for the provision of such services. The own funds of the

Management Company must at no time be less than the amount of its initial capital. The Capital Market Commission may determine, by Directive, the way the own funds of the Management Company are calculated.

(2)

(a) When the value of the portfolios of the Management Company exceeds two hundred and fifty million Euros (250.000.000 €), the own funds of the Management Company, as these are determined in subsection (1) must be increased, with reference to its initial capital as determined in subsection (1), by an amount which is equal to 0,02% of the amount by which the value of the portfolios of the Management Company exceeds two hundred and fifty million Euros (250.000.000 €), where the maximum limit for the increase of the own funds is the amount of ten million Euros (10.000.000€).

(b) For the purposes of paragraph (a) the following portfolios shall be deemed to be the portfolios of the Management Company:

(i) the CommonFunds managed by the Management Company, including portfolios for which the management function has been delegated to third service providers, but excluding portfolios being managed by the Management Company under delegation,

(ii) the Investment Companies for which the Management Company is the designated management company,

(iii) other collective investment undertakings managed by the Management Company including portfolios for which the management function has been delegated to third service providers, by excluding portfolios

being managed by the Management Company under delegation.

(3) Irrespective of the requirements referred to in subsections (1) and (2), the own funds of the Management Company must at no time be less than the amount equivalent to one quarter of its preceding year fixed overheads, or, if the company has not completed a year's business, the amount shall be a quarter of the fixed overheads projected in its business plan, as this plan may have been adjusted following the advice of the Securities and Exchange Commission. In the event of a material change in the business of the Management Company since the preceding year, the requirement of the first sentence is respectively adjusted by the company, following also any advice of the Securities and Exchange Commission.

(4) The Securities and Exchange Commission may allow a Management Company not to provide up to 50% of the additional amount of own funds referred to in paragraph (a) of subsection (2), if it benefits from a guarantee of the same amount given by a credit institution operating within the territory of the Republic or other member state.

Conditions for granting an operation licence 111. (1) The Securities and Exchange Commission may grant an operation licence to a Management Company as long as the following prerequisites are fulfilled:

- (a) The Management Company provides at least the initial capital referred to in subsection (1) of section 110.
- (b) The Management Company has the right shareholders, is dully organized and staffed, and possesses the required financial means and technical infrastructure, in order to be in position to provide its services in accordance with the provisions of the Law, without jeopardizing the interests of the UCITS and the rest collective investment undertakings it manages, or the interests of the clients to whom it provides its services. For this purpose the name or company name of the persons or entities possessing qualifying

holdings to the Management Company, the amount of such holdings and any other information enabling the Securities and Exchange Commission to assess these persons' suitability must be immediately communicated to the Commission. The Securities and Exchange Commission may demand additional information, which shall facilitate its assessment as regards the suitability of the shareholders of the Management Company, even of those who may not possess a qualifying holding, it is possible though, due to the share composition of the Management Company, to substantially influence the Company's decision making.

- (c) The directors of the Management Company are of sufficient good repute and sufficiently experienced also in relation the type of UCITS managed by the company. For this purpose the names of these persons, and of their successors to the office, are communicated forthwith to the Securities and Exchange Commission. The persons who direct the business of the Management Company, according to the above, must be at least two.
- (d) The application for authorisation is accompanied by a program of activity and by a report on the organizational structure of the Management Company which must correspond to the standards set out in subsection (2) of section 112.
- (e) The registered office and the central administration of the Management Company are located within the territory of the Republic.

(2) Where close links exist between the Management Company and other natural or legal persons, the Securities and Exchange Commission shall grant the authorisation only if those close links do not prevent the effective exercise of its supervision. The Securities and Exchange Commission does not grant the authorisation if the law, regulations or administrative provisions of a third country governing one or more natural or legal

persons, with whom the Management Company retains close links, prevent or hinder the effective exercise of its supervisory duties. The Securities and Exchange Commission requires from the Management Companies to provide it with any information it considers necessary or appropriate so as to monitor compliance with the conditions referred to in the present subsection on a continuous basis.

(3) Before granting the operation licence to a Management Company, the Securities and Exchange Commission shall ask for the opinion of the competent authorities of the other interested member state, when the Management Company is one of the following:

- (a) a subsidiary of another management company, investment firm, credit institution or insurance undertaking authorized in another member state, or
- (b) a subsidiary of the parent undertaking of another management company, investment firm, credit institution or insurance undertaking authorized in another member state, or
- (c) a company controlled by the same natural or legal persons who control another management company, investment firm, credit institution or insurance undertaking authorized in another member state.

(4) The Securities and Exchange Commission shall inform the applicant for a Management Company's operation licence, whether such authorisation has been refused or granted, within six months following the submission of a full application. In the case the operation licence is refused reasons shall be given by the Securities and Exchange Commission.

(5) The Management Company may start business as soon as the

granting of the operation licence is notified to it and to the Registrar of Companies.

(6) The Securities and Exchange Commission, through the issue of Directives, may define any details or technical issues concerning the application of the present section, as well as to define or specify the requirements for granting the operation licence to a Management Company, which are stated in the above sub-sections of the present section.

Conditions for the exercise of activities

112. (1) The Management Companies shall comply at all times with the provisions of sections 109, 110 and the subsections (1) and (2) of section 111, as well as the obligations imposed by the Law.

(2) The Management Company, taking into consideration the nature of the UCITS or the other collective investment undertakings it manages, it has:

- (a) Sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms including, in particular, rules for personal transactions by its employees or for the holding or management of investments in financial instruments in order to invest in for its own account, and ensuring, at least, that in each transaction involving the UCITS or another collective investment undertaking, it is possible to define its origin, the parties to it, its nature and the time and place at which it was effected, and that the assets of the UCITS or the other collective investment undertaking the Management Company manages, are invested according to the legal provisions in force and the fund rules or instruments of incorporation.
- (b) Such structure and organization so as to minimize the risk of UCITS' or other collective investment undertakings' or clients' interests being prejudiced by conflicts of interest

between them and the Management Company or between its different clients, or between one of its clients and the UCITS or other collective investment undertaking, or among more UCITS or investment collective undertakings.

The Securities and Exchange Commission specifies the procedures and arrangements as referred to under paragraph (a) of subsection (2), as well as the structures and organizational requirements, so that conflict of interest situations, as these are referred to under paragraph (b) of subsection (2), are avoided or settled.

(3) The Management Company is obliged to possess an internet page.

(4)

(a) If the Management Company provides also the service of portfolio management as referred to in paragraph (a) of subsection (4) of section 109, it is not permitted to invest all or part of the investors' portfolio in collective investment undertakings it manages, unless the clients provide their prior consent in writing.

(b) If the Management Company provides services according to subsection (4) of section 109, it is obliged to be a member of the Investor Compensation Fund for Customers of Investment Firms, under section 17 and Part VII of the Law concerning the provision of Investment Services, the exercise of Investment Activities and the operation of Regulated Markets and the provisions of the Regulations for the Establishment and Operation of an Investor Compensation Fund for Customers of Investment Firms.

(5) The Securities and Exchange Commission shall supervise according to the Law, the Management Companies authorized in the Republic, as regards also:

- (a) their cross border activity either by the establishment of a branch in another member state or under the freedom to provide services in another member state, without prejudice, as regards this cross border activity, to the provisions of Directive 2009/65/EC attributing competencies to the supervisory authorities of the host member state of the Management Company, and
- (b) their cross border activity in a third country after obtaining the authorisation referred to in section 136.

(6) The Securities and Exchange Commission, through the issue of Directives, may specify any details or technical issues concerning the application of the present section; it may especially define the qualifications and the certification procedure of the officers and the personnel of the Management Company.

Shares of the Management Company Qualifying holdings

113. (1) The shares of the Management Company shall be registered and cannot be admitted to trading or traded on a regulated or other stock exchange market.

(2) The provisions of section 33 of the Law providing for the provision of Investment Services, the exercise of Investment Activities and the operation of Regulated Markets concerning the qualifying holdings, also apply to the qualifying holdings under this Law, for the purposes of which the term “investment firms” means respectively “Management Companies”.

Submission of financial details to the Securities and Exchange Commission

114. (1) The Management Company shall submit to the Securities and Exchange Commission, per financial year, an audited annual report as well as semi-annual and quarterly reports which may not be audited. The annual report shall also contain the detailed financial statements of the Management Company, as these are issued according to the International Accounting Standards, as these Standards are adopted by the

European Union, and according to the requirements of the Companies Law, and is accompanied by signed copy of the auditor's report.

(2) The reports mentioned in subsection (1) shall be submitted to the Securities and Exchange Commission within:

- (i) four months, for the annual report,
- (ii) two months, for the semi annual report and
- (iii) one month for the quarterly report,
)

following the end of the period, to which they refer.

(3) The Securities and Exchange Commission is entitled to define, by Directive, the form of the above reports and the way the details they contain should be presented.

Delegation arrangements

115. (1) The Management Company, pursuing the more efficient provision of its services, may delegate a third party to carry out on its behalf one or more of its tasks or functions, where all the following preconditions have to be complied with:

- (a) The third party must be qualified and capable of exercising the delegated activity, taking into consideration the nature of such activity.
- (b) The delegation is effected by means of a written agreement between the Management Company and the third party, which among others, provides for measures which enable

the directors of the Management Company to monitor effectively and at any time the activity of the third party.

- (c) The Management Company informs the Securities and Exchange Commission about the delegation; the Commission transmits the relevant information to the competent authorities of the home member state of the UCITS managed by this company, if the delegation of activities concerns such UCITS.
- (d) The delegation does not prevent or hinder the effective supervision of the Management Company, neither any initial or activity of such company in connection with the delegated functions, which is imposed by the obligation to protect the interests of the UCITS or other collective investment undertakings under management.
- (e) The delegation will not prevent the directors of the Management Company to give at any time further instructions to the undertaking to which the activity was delegated, as well as to revoke the mandate with immediate effect at any time when this is imposed by the interests of the unit-holders of the relevant UCITS or, as the case may be, of another collective investment undertaking.
- (f) The UCITS prospectus and the key investor information refer to the functions which are delegated according to the present section.
- (g) The delegation of functions may not turn the Management Company to a letter-box entity.

(2) When the delegation concerns the task of the portfolio management of a UCITS or another collective investment undertaking of the Management Company, apart from the prerequisites referred to subsection (1), all the following

preconditions must also be followed:

- (a) The delegation is made only to undertakings:
 - (i) which possess an authorisation for the collective management of funds under the Law or Directive 2009/65/EC or under the laws of a third country which provide for protection rules being equivalent to those laid down by the above Directive.
 - (ii) which are authorized for the management of funds and are subject to prudential supervision under the Law which provides the provision of Investment Services, the exercise of Investment Activities and the operation of Regulated Markets, or Directive 2004/39/EC, or under the laws of a third country which provide for protection rules being equivalent to those laid down by the above Directive.

In the case stated under (ii) above the delegation of management is subject to prior authorisation by the Securities and Exchange Commission which shall examine the suitability of the firm as regards the management of the specific UCITS or other collective investment undertaking.

The Securities and Exchange Commission may determine, by Directive, the organizational requirements to be fulfilled by the firm stated under case (ii), so that such firm is in position to undertake the management of the portfolio of the UCITS or other collective investment undertaking.

- (b) Where the delegation is made to a third country undertaking, in addition to the conditions of paragraph (a), cooperation between the Securities and Exchange Commission and the competent supervisory authority of the concerned undertaking must be ensured.
- (c) The mandate concerning the management must be in accordance with the investment allocation criteria periodically laid down by the Management Company.

(d) When the delegation of management concerns the activity of the portfolio management of a UCITS or other collective investment undertaking, it is not made to the UCITS or other undertaking's Depositary; in any case the delegation of management is not made to an undertaking, whose interests may conflict those of the Management Company, of the UCITS or other collective investment undertaking managed by the company, or those of the company's clients.

(3) The liability of the Management Company and of the Depositary shall not be affected by the fact that the Management Company has delegated any functions according to subsections (1) and (2).

(4) The Securities and Exchange Commission may determine, by Directive, any technical issues or specify the details relating to the implementation of the present section.

Amendment to the instruments of incorporation and decrease of share capital.

116. (1) Any amendment to the Management Company's scope or a decrease of its share capital, is subject to prior permission of the Securities and Exchange Commission.

(2) Apart from the cases referred to in subsection (1), any other amendment to the instruments of incorporation of the Management Company, is decided by the competent body or officer of the company, only if the Securities and Exchange Commission has been relatively notified at least ten working days prior to the day on which the resolution for an amendment is taken by the company.

(3) The Securities and Exchange Commission may prohibit, by its decision, any amendment to the Management Company's instruments of incorporation, if it is in contrast to any provisions of the legislation in force, it is possible to affect the smooth operation and integrity of the market or to jeopardize the

interests of the investors.

Change in the share composition and in the Board of Directors

117. (1) Any change in the composition of the Board of Directors, the managing directors and generally the persons who exercise the administration of the Management Company, direct its business, draw its business policy or the persons who are assigned with representation powers towards third parties, is communicated by the Management Company to the Securities and Exchange Commission, with no delay and within five (5) days, at the latest, following the realization of the specific change.

(2) In the case that the Securities and Exchange Commission judges that the persons who exercise the administration or manage the business of the Management Company, who draw its business policy or who are assigned with representation powers towards third parties, do not possess the required credibility and professional experience for the exercise of their duties, it shall invite the Management Company either to replace them immediately or to forbid the assumption of duties by them. The Management Company is obliged to comply directly with the advice of the Securities and Exchange Commission.

Liability of the Management Company

118. (1) The Management Company must operate in a fair and lawful way when carrying out its business activity, showing due care and acting always and exclusively in line with the interests of the UCITS and the rest undertakings for collective investment it manages, as well as the interests of the unit-holders, taking, at the same time, into consideration the safeguarding of the smooth operation and integrity of the market.

(2) The Management Company shall be liable against the unit-holders of the UCITS and of the rest undertakings for collective investments for the negligence it may show when managing them. The contractual limitation of the above liability is prohibited; any limitation clause included in the regulation or the instruments of incorporation of the UCITS and of the rest undertakings for collective investment the Company manages, is

void.

Resignation of the Management Company.

119. (1) The Management Company is not permitted to resign from the management of the UCITS or other collective investment undertaking, unless permission is granted, by the Securities and Exchange Commission or, where the UCITS is authorized in another member state, by the competent authorities of the UCITS home state, for the assumption of their management by another Management Company and this company fully assumes its duties.

(2) When granting such permission to the new Management Company, according to those stated in subsection (1), the Securities and Exchange Commission shall take into account the interests of the unit-holders.

(3) The new Management Company shall be substituted to the rights and obligations of the one resigned, while the withdrawing Management Company shall remain fully liable parallel with the new one, for all its actions and omissions during the period till assumption of duties by the new Management Company.

Replacement of the Management Company

120. (1) The Securities and Exchange Commission may decide, following a relevant request of the Depositary who recommends a new Management Company, to replace a Management Company, that does not safeguard the interests of the UCITS or other collective investment undertakings it manages and of their unit-holders and does not abide by its legal obligations. The unit-holders of the UCITS are not entitled to request from the Securities and Exchange Commission the replacement of the Management Company. In the case of a Variable Capital Investment Company, the replacement of the Management Company may be requested the Board of Directors of the Variable Capital Investment Company, which also suggests the new Management Company.

(2) In the case of replacement of the Management Company

according to those referred to in subsection (1), the withdrawing Management Company remains fully liable, parallel with the new one, for all its actions and omissions during the period till the full assumption of duties by the new Management Company.

(3) The replacement of the Management Company by another Management Company entails a respective modification of the regulation or the instruments of incorporation of the UCITS or the rest collective investment undertakings and is notified to the unit-holders according to subsection (3) of section (26) or subsection (2) of section (37) depending on the case.

(4) The Securities and Exchange Commission, by its decision for the replacement of the Management Company, may impose any measure or term for the safeguarding of the interests of the unit-holders and generally of the investors.

Revocation of the operation licence

121.(1) The Securities and Exchange Commission must revoke the operation licence granted to a Management Company, in the following events:

- (a) The company does not make use of the licence within twelve months since the granting of the licence was notified to it, or expressly resigns from it, or ceases to carry out the activity covered by the licence for a time period longer than six (6) months.
- (b) The licence was granted on the basis of false statements or by any other irregular means.
- (c) The Management Company no longer fulfills the requirements on the basis of which the licence was granted.
- (d) The Management Company submits to the Securities and Exchange Commission a request in writing for the

revocation of its operation licence.

(2) The Securities and Exchange Commission may revoke the operation licence of a Management Company, in addition to the events of subsection (1), if it has seriously or/and repeatedly violated its obligations imposed by the Law. The Securities and Exchange Commission may also revoke the operation licence of a Management Company for the provision of the services of paragraph (a) subsection (4) of section 109, if that Management Company has seriously or/and repeatedly breached its obligations imposed by the Law and by any other law or regulatory stipulation concerning the specific service or any services of paragraph (b) subsection (4) of section 109.

(3) The Securities and Exchange Commission may set a deadline to the Management Company, depending on the circumstances, in order to settle the situation:

(a) If the amount of its own funds becomes smaller than the minimum limits provided by section 110 or

(b) If the company no longer fulfills the capital requirements imposed by the Law concerning the provision of Investment Services, the exercise of Investment Activities and the operation of Regulated Markets, in the case that the licence covers the portfolio management service referred to in subsection (4) paragraph (a) of section 109.

In the case such deadline lapses, and the Management Company does not settle the situation, the Securities and Exchange Commission must revoke the operation licence of the company.

(4) The revocation of the operation licence according to subsections (1), (2) or (3), depending on the case, is partial, namely refers either to the management of collective investment

undertakings other than UCITS, according to subsection (2) of section 109, or to one or more specific activities carried out by the Management Company according to subsection (4) of section 109, given that the reason for revocation concerns such activities, under the condition that the company keeps managing one or more UCITS.

(5) The decision for the revocation of the operation licence is notified to the Management Company and to the Registrar of Companies; it is also notified by the Securities and Exchange Commission to the competent supervisory authorities of the states, where the Management Company has established a branch or provides cross border services and is published in two daily newspapers of wide circulation in Cyprus.

(6) The Management Company, the operation licence of which, is revoked according to the cases of subsections (1) to (3):

- (a) Ceases to carry out the activities or provide the services, for which the operation licence was revoked, directly after the decision for revocation is notified to it.
- (b) Must settle all its obligations arising from the revoked activities and services, within a time period of three months following the communication to it of the decision for revocation.

(7) If the revocation of the operation licence is total, the Management Company is set into liquidation according to the provisions of the Companies Law.

(8) In the case of a total revocation of the Management Company's operation licence the Securities and Exchange Commission may make an application to the Court for liquidation and for the appointment of a liquidator or of a

temporary liquidator, according to the provisions of the Companies Law.

(9) The Securities and Exchange Commission shall take care so that the revocation of the operation licence of a Management Company does not disrupt the smooth operation of the UCITS or the collective investment undertakings it manages. With regard to the Mutual Funds managed by the Management Company, or the Variable Capital Investment Companies, which do not fulfill the requirements of section 34 so as to be discharged from the obligation to appoint a Management Company, the Securities and Exchange Commission appoints a new Management Company according to section 120, or, provided that this is not feasible, revokes the operation licence of the Mutual Fund or the Variable Capital Investment Company. The Securities and Exchange Commission, by its above decision for the revocation of the Mutual Fund's operation licence, appoints a liquidator which is a person other than the Management Company, the operation licence of which has been revoked. In the case the operation licence of a Variable Capital Investment Company is revoked, the Securities and Exchange Commission makes an application to the Court for liquidation and for the appointment of a liquidator or a temporary liquidator, according to the provisions of the Companies Law.

Suspension of the operation licence

122. (1) The Securities and Exchange Commission may suspend the operation licence of a Management Company if it assesses, at its full discretion, that the continuation of the company's activity may jeopardize the interests of the UCITS or the other collective investment undertakings it manages, of its clients or the investors, or generally the smooth operation or the integrity of the market, in the following events:

- (a) In connection with the procedure for revocation of the Management Company's operation licence, for the time period until a decision regarding the revocation is taken.
- (b) Regardless of the commencement of the procedure for the

revocation of the Management Company's operation licence, upon decision of the Chairman or the Vice-Chairman of the Securities and Exchange Commission, who notify the Commission during its upcoming session, when there are suspicions that the Law or another stipulation ruling the provision of services by the Management Company, or generally a provision of the Capital Market legislation may be breached, for the time period during which it is assessed that the above interests are jeopardized.

(2) The suspension of subsection (1) may partial, namely it may concern either the management of collective investment undertakings other than UCITS, according to subsection (2) of section 109, or the activity referred to in paragraph (a) subsection (4) of section 109; in the second case the activities of paragraph (b) subsection (4) of section 109 are also suspended.

(3) In the case of paragraph (b) of subsection (1), the Securities and Exchange Commission with its decision for suspension may set to the Management Company a reasonable deadline in order to settle the situation. Such deadline may not be longer than (1) month starting from the communication of the decision for suspension to the company.

(4) The Management Company must inform the Securities and Exchange Commission for the settlement of the situation within the deadline of subsection (3), where the Securities and Exchange Commission:

- (a) If it judges that the reason for suspension of the operation licence no longer exists it revokes the suspension, notifying the Management Company relatively.
- (b) If the Management Company omits to inform the Securities and Exchange Commission according to those mentioned above, or if the Securities and Exchange Commission

judges that the situation has not been settled or that the interests referred to in subsection (1) are still jeopardized, it extends the suspension and initiates the procedure for revocation of the operation licence, where the suspension applies until the decision for revocation of the operation licence is taken.

(5) In the case of suspension according to subsection (1), the Management Company does not provide those services or perform those activities for which the operation licence is suspended.

(6) The Securities and Exchange Commission may specify, by Directive, the procedure to be followed for the implementation of this section.

(7) In the event of infringement of the provisions of subsection (5) by a Management Company, the Securities and Exchange Commission may impose upon it an administrative fine which shall not exceed the amount of three hundred fifty thousand Euros (€350.000).

Code of Conduct 123. The Securities and Exchange Commission shall issue, by a Directive, a code of conduct of the Management Companies authorized in the Republic and of their personnel. The rules of such code shall implement at least those principles ensuring that the Management Company:

(a) Acts fairly, lawfully and with due care and diligence, depending on the case, when performing its activities, and in the best interests of the UCITS and the rest collective investment undertakings it manages and the integrity and smooth operation of the market.

(b) Possesses and employs effectively the resources required for the proper performance of its activities, implementing

each time the appropriate procedures.

- (c) Acts to prevent and manage conflicts of interest situations, which may arise while performing its activities, and in any case takes care so that the UCITS and the other collective investment undertakings it manages are fairly treated, and
- (d) Complies with all requirements applicable on the performance of its activities, so as to promote the interests of the UCITS and the rest collective investment undertakings under its management in the best way, as well as to promote the integrity and smooth operation of the market.

Handling
complaints
or claims
Availability
of information

of 124. (1) The Management Companies, or the Variable Capital Investment Companies themselves, provided that they do not
– have a Management Company, shall:

- (a) In accordance with the legal framework in the UCITS' host member state, take measures necessary in order to ensure that facilities for making payments to unit-holders, redeeming or repurchasing units and making available the information required by the UCITS to provide are available in that member state.
- (b) Implement appropriate procedures as to ensure dealing with the complaints of investors in units of the UCITS.
- (c) Implement appropriate procedures as to ensure that investors can exercise their rights with no restrictions, even if the UCITS are domiciled in a member state other than the Republic.

The procedures that Management Companies must apply for handling of complaints investors in units of the UCITS provide that investors have the right to file their complaint to the Management Company or the Variable Capital Investment Company itself, provided that it does not have a Management Company, in the official language or one of the official

languages of the investors' member state.

(2) The Management Companies shall implement the appropriate procedures so as to make information available at the request of the public or the competent authorities of the UCITS home member state.

CHAPTER 2: CROSS BORDER PROVISION OF SERVICES BY A MANAGEMENT COMPANY

Freedom of 125. (1) A Management Company which is authorized in the establishment of a Republic and wishes to establish a branch within the territory of Management another member state to pursue activities for which it has been Company authorized, shall notify the Securities and Exchange Commission authorized in the relatively. Republic in another member state

(2) The notification of subsection (1) shall include the following information:

- (a) The member state within the territory of which the Management Company plans to establish a branch.
- (b) The operations program setting out the activities and services which shall be provided within the territory of the member state, as well as the organizational structure of the branch. The program shall also include a description of the risk management process put in place by the Management Company and a description of the procedures and arrangements according to section 124.

- (c) The address in the Management Company's host member state from which documents may be obtained and
- (d) The names of the persons responsible for the management of the branch.

(3) If the Securities and Exchange Commission has no reason to doubt the adequacy of the administrative structure and the financial condition of the Management Company, so that the company is in position to perform the planned activities in the host member state, it shall, within two (2) months from receiving all the information referred to in subsection (2), communicate such information to the competent authorities of the host member state and shall inform the Management Company accordingly. The Securities and Exchange Commission shall also communicate to the competent authorities of the Management Company's host member state details, if applicable, about the Investor Compensation Fund for Clients of Investment Firms, according to the provisions of section 17 and of Part VII of the Law which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters, as well as the provisions of the Regulations for the Establishment and Operation of an Investor Compensation Fund for Clients of Investment Firms. The branch of the Management Company may start business in the host member state, on receipt of a relevant communication by the competent authorities of the host member state, which prepare for supervising the compliance of the branch with the rules under their responsibility according to Directive 2009/65/EC, or on the expiry of the above deadline without receipt of any communication by the competent authorities of the host member state.

(4) If the Securities and Exchange Commission refuses to communicate the information referred to in subsection (2) to the competent authorities of the Management Company's host member state, it shall give reasons for such refusal to the Management Company, within two (2) months of receiving all

the information.

(5) The Management Company, when performing its activities through a branch, shall comply with all the rules drawn up by the host member state pursuant to article 14 of Directive 2009/65/EC; the compliance with such rules shall be supervised by the competent authorities of that member state.

(6) In the event that any of the particulars communicated according to paragraphs (b), (c) and (d) of subsection (2) is about to change, the Management Company shall give written notice of this change to the Securities and Exchange Commission and to the competent authorities of the host member state, one month before implementing the change, so that the Securities and Exchange Commission may take a decision on the change under subsections (3) and (4) and the competent authorities of the Management Company's host member state may proceed to any action necessary so as to prepare for supervising the compliance of the branch with the rules under their responsibility.

(7) In the event of a change in the particulars communicated according to subsection (3), the Securities and Exchange Commission shall inform the competent authorities of the Management Company's host member state accordingly.

Free provision of services in another member state by a Management Company authorized in the Republic

126. (1) A Management Company which has been authorized in the Republic and wishes to pursue, for the first time, activities for which it has been authorized, within the territory of another member state, under the freedom to provide services shall notify the Securities and Exchange Commission accordingly.

(2) The notification referred to in subsection shall (1) include the following information:

(a) The member state within the territory of which the company intends to operate.

(b) The program of operations setting out the activities and services which shall be provided within the territory of the member state, in accordance with the sub-sections (2) to (4) of section 109. The program shall also include a description of the risk management process put in place by the Management Company as well as a description of the procedures and arrangements under section 124.

(3) The Securities and Exchange Commission shall forward the information of subsection (2) to the competent authorities of the Management Company's host member state, within one (1) month of receiving it, and shall notify the Management Company accordingly. The Securities and Exchange Commission shall also communicate to the competent authorities of the Management Company's host member state details about the Investor Compensation Fund for Clients of Investment Firms, which operates according to the provisions of section 17 and of Part VII of the Law which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters, as well as the provisions of the Regulations for the Establishment and Operation of an Investor Compensation Fund for Clients of Investment Firms.

(4) Notwithstanding sections 67, 69 and 132 the Management Company may then start business in the host member state, under the freedom to provide services, when it receives a notification from the Securities and Exchange Commission according to subsection (3).

(5) The Management Company when performing its activities, under the freedom to provide services, shall comply also with section 123; its compliance with this obligation shall be supervised by the Securities and Exchange Commission.

(6) In the event of an upcoming change in any of the particulars communicated according to paragraph (b) of subsection (2), the Management Company shall give written notice of this change to the Securities and Exchange Commission and to the competent authorities of the host member state, before implementing the change.

(7) If a Management Company referred to in subsection (1) refuses to submit to the competent authorities of the host member state, the information they require when exercising their competencies according to their legal framework in the host member state, or fails to take the appropriate steps in order to comply with a rule drawn up in the host member state, compliance with which is supervised by the competent authorities of the host member state, the Commission after it shall be informed by the said competent authorities, it shall, at the earliest, take all appropriate measures to ensure that the Management Company provides the information required or puts an end to the breach. The nature of those measures shall be communicated to the competent authorities of the host member state of the Management Company.

Establishment of a UCITS in a member state other than the Management Company's home member state.

127. A Management Company authorized in the Republic may establish a UCITS which shall be authorized in another member state, and manage such UCITS, provided that such company complies with the provisions of sections 125 or 126 and 129 and 131. Vice versa, a Management Company authorized in another member state may establish and manage a UCITS which shall be authorized in the Republic and ruled by the legislation of the Republic, provided that such company complies with the provisions of articles 17 or 18 and 19 and 20 of Directive 2009/65/EC.

Freedom of establishment and of provision of services in the

128. (1) A Management Company authorized in another member state according to Directive 2009/65/EC, may pursue within the territory of the Republic the activity for which it has been

Republic by a Management Company authorized in another member state authorized, either by the establishment of a branch or under the freedom to provide services, and shall be subject to the provisions of articles 17 or 18 and 19 and 20 of Directive 2009/65/EC.

(2) The Management Company referred to in subsection (1) may start business within the territory of the Republic:

- (a) through a branch after the lapse of two (2) months of the Securities and Exchange Commission receiving the information referred to in article 17 paragraph 2 of Directive 2009/65/EC as such information is communicated by the competent authorities of the Management Company's home member state and after the Management Company receives a relevant letter from the Securities and Exchange Commission, which shall include the information referred to in subsection (3), or on expiry of the deadline provided for in the first sentence of subsection (3) without receipt of this letter, or
- (b) under the freedom to provide services, after the information referred to in article 18 paragraph 1 of Directive 2009/65/EC is communicated to the Securities and Exchange Commission by the competent authorities of the company's home member state.

(3) Before the branch of the Management Company starts business in the Republic pursuant to subsection (1), the Securities and Exchange Commission shall, within two (2) months of receiving the information referred to in article 17 paragraph 2 of Directive 2009/65/EC, communicate to the Management Company the rules of conduct applying within the territory of the Republic, with which the Management Company must comply. On receipt of the above communication from the Securities and Exchange Commission by the Management Company, or on expiry of the deadline provided for in the previous sentence without receipt of any communication from the Securities and Exchange Commission, the branch may start business. The obligation of the Management Company to

comply with the provisions of the code of conduct according to section 123 exists regardless of the communication stated above. The Securities and Exchange Commission, by a Directive, may regulate any technical issues and specify any details concerning the implementation of this subsection.

(4) When a Management Company performs its activity in the Republic under the freedom to provide services, is subject to the rules of conduct of its home member state, in accordance with section 14 of the Directive 2009/65/EC.

(5) In the event of a change in the information communicated in accordance with article 17 paragraph 2 (b), (c) and (d) of Directive 2009/65/EC, the Management Company shall give written notice of that change to the Securities and Exchange Commission, at least one (1) month before implementing the change, so that the Securities and Exchange Commission may proceed to any action necessary so as to prepare for supervising the compliance of the Management Company's branch with the rules under its responsibility. If the change concerns the information communicated according to article 18 paragraph 2 (b) of the Directive 2009/65/EC, the Management Company shall give notice of such change to the Securities and Exchange Commission before implementing it.

(6) The provision of services from a company other member state in the Republic, either through the establishment of a branch or through the provision of the services shall not be subject to any authorisation requirement, to any requirement to provide endowment capital or to any other measure having equivalent effect.

Obligations of the Management Companies authorized in the Republic when performing collective

129. (1) A Management Company authorized in the Republic when pursuing the activity of collective portfolio management on a cross border basis to another member state under the conditions provided in section 125 or section 126, shall comply with the rules of the Law which relate to its organization, including delegation arrangements, risk management procedures,

portfolio
management on a
cross border basis

prudential rules and supervision provisions referred to in subsections (2) and (4) of section 112 and the Management Company's reporting obligations. The Securities and Exchange Commission shall be responsible for supervising compliance of the Management Company with the above rules.

(2) A Management Company under the above section, shall take any necessary action by applying the appropriate organizational arrangement so that it shall comply with:

- (a) the rules of the UCITS home member state relating to the constitution and functioning of the UCITS and in specific the rules concerning:
 - (i) the setting up and authorisation of the UCITS,
 - (ii) the issuance, the redemption and/or the repurchase of units of the UCITS,
 - (iii) the investment policy and investment limits include) the calculations of the total exposure and leverage,
 - (iv) the restrictions on borrowing, lending and uncovered selling,
 - (v) the valuation of assets and the accounting of the UCITS,
 - (vi) the issue, redemption or repurchase price and errors on the calculation of the net asset value and the related investor compensation,

- (vii the distribution and reinvestment of the profits,
)

- (vii the disclosure and reporting obligations of the
i) UCITS, including, among others, the prospectus, key
investor information and periodic reports,

- (ix) the marketing and distribution of units of UCITS,

- (x) the relationship with unit-holders,

- (xi) the merging and restructuring of the UCITS,

- (xii the winding up and liquidation of the UCITS,
)

- (xii the content of the unit-holder register or the relevant
i) unit-holder catalogue, where applicable,

- (xi the licensing and supervision fees regarding the
v) UCITS,

- (xv the exercising of unit-holders' voting rights and other
) unit-holders' rights in relation to subparagraphs (i) to
(xiii) and

(b) the rules of the regulation or the instruments of incorporation of the UCITS and the requirements set out in the prospectus, in the key investor information of article 78 of Directive 2009/65/EC, which shall be consistent with the rules of subsection (1) and the rules applicable in the UCITS home member state.

(3) The Management Company of subsection (1), shall be subject to the supervision of the competent authorities of the UCITS home member state, for its compliance with the rules and stipulations referred to in subsection (2). The Securities and Exchange Commission shall be responsible for supervising the adequacy of the organization of the Management Company and the application of the appropriate procedures and arrangements, so that the company is in position to comply with the rules set out in subsection (2).

Obligations of Management Companies authorized in another member state when performing collective portfolio management on a cross border basis in the Republic

130. (1) A Management Company authorized in another member state when pursuing the activity of collective portfolio management within the territory of the Republic, in accordance with the rules set out in section 17 or in section 18 of Directive 2009/65/EC, shall comply with the rules drawn up by its home member state concerning the company's organization, including delegation arrangements, risk management procedures, prudential rules and supervision, procedures referred to in article 12 of Directive 2009/65/EC and the Management Company's reporting obligations. The competent authorities of the Management Company's home member state shall supervise compliance with the above rules.

(2) The Management Company referred to in the above subsection shall proceed to all necessary actions and shall apply the appropriate procedures and adopt the appropriate organizational arrangements so that it complies with:

(a) the rules of the Republic, as the UCITS home member state, which relate to the constitution and functioning of the UCITS and especially, but not exclusively, the rules applicable to:

(i) the setting up and authorisation of the UCITS,

- (ii) the issue, redemption and/ or repurchase of the units of the UCITS,
- (iii) the investment policy and limits, including the calculation of total exposure and leverage,
- (iv) restrictions on borrowing, lending and uncovered sales,
- (v) the valuation of assets and the accounting of the UCITS,
- (vi) the calculation of the issue, redemption and /or repurchase price and the errors in the calculation of the net asset value and related investor compensation,
- (vii) the distribution and reinvestment of the profits,
- (viii) the disclosure and reporting requirements of the UCITS, including, among others, the prospectus, key investor information and the periodic reports,
- (ix) the marketing and distribution of the units of the UCITS,
- (x) the relationship with unit-holders,
- (xi) the merging and restructuring of the UCITS,

- (xii the winding up and liquidation of the UCITS,
)
- (xii the content of the unit-holder Register or the unit-
i) holder list, where applicable,
- (xi the licensing and supervision fees regarding the
v) UCITS,
- (xv the exercise of unit-holders' voting rights and other
) unit-holders' rights in relation to subparagraphs (i) to
(xiii) and
- (b) the rules of the regulation or the instruments of
incorporation of the UCITS and the requirements set out in
the prospectus and the key investor information.

(3) The Management Company of subsection (1) shall be subject to the supervision of the Securities and Exchange Commission, which is the competent authority of the UCITS home member state, for its compliance with the rules and stipulations referred to in subsection (2). The competent authorities of the Management Company's home member state shall be responsible for supervising the adequacy of the organization of the Management Company and the application of the appropriate procedures and arrangements, so that the company is in position to comply with the rules set out in subsection (2).

Management of a UCITS established in another member state by a Management Company authorized in the Republic.

131. (1) Without prejudice to article 5 of the Directive 2009/65/EC, a Management Company authorized in the Republic wishing to manage a UCITS authorized in another member state, regardless of the application of sections 125 and 126, depending on the case, shall submit an application to the competent authorities of the UCITS home member state, which shall include the following:

- (a) The written agreement with the UCITS Depositary referred to in subsection (7) of section 10 and
- (b) Information on delegation and administration arrangements referred to in section 109.

If the Management Company already manages a UCITS of the same type in the UCITS home member state, reference to the documentation already provided shall be sufficient.

(2) Where a Management Company authorized in the Republic wishes to pursue the activity of collective portfolio management within the territory of another member state, in accordance with subsections (2) and (3) of section 109, either by establishing a branch or under the freedom to provide services, the Securities and Exchange Commission shall enclose with the information sent to the competent authorities of the Management Company's host member state an attestation that the Management Company has been authorized pursuant to the provisions of Directive 2009/65/EC, a description of the activities covered by the Management Company's operation licence and details of any restriction on the types of UCITS that the Management Company is authorized to manage.

(3) The Securities and Exchange Commission shall communicate to the competent authorities of the UCITS home member state, when requested by the latter, any clarification and information regarding the documentation referred to in subsection (1) and the attestation referred to in subsection (2) as well as its opinion on whether the specific type of UCITS falls within the activities the Management Company may exercise according to its operation licence. In this case the Securities and Exchange Commission shall provide its opinion for a matter falling within its competences, to the competent authorities of the UCITS home member state, within ten (10) working days of the submission of the relevant request from the competent authorities of the UCITS

home member state.

(4) Any subsequent material modification of the documentation referred to in subsection (1) shall be notified by the Management Company to the competent authorities of the UCITS home member state.

(5) The Securities and Exchange Commission shall update the information included in the attestation referred to in subsection (2) and shall inform the competent authorities of the Management Company's host member state whenever there is a change in the operation licence of that company and the details of any restriction on the types of UCITS that the Management Company can manage according to its operation licence.

Management of a UCITS authorized in the Republic by a Management Company authorized in another member state

132. (1) A Management Company authorized in another member state that wishes to manage a UCITS authorized in the Republic, either by establishing a branch or under the freedom to provide services, apart from those stated in articles 17 and 18 of Directive 2009/65/EC, shall submit an application to the Securities and Exchange Commission and shall notify to it the information referred to in subsection (1) of section 131. If the Management Company already manages a UCITS of the same type, which is also authorized in the Republic, reference to the documentation referred to in subsection (1) of section 131 already provided shall be sufficient. An attestation having the content referred to in article 17 paragraph 3, subparagraph 3 and section 18 paragraph 2, subparagraph 3 of Directive 2009/65/EC, depending on the case, shall also be sent to the Securities and Exchange Commission.

(2) Aiming to ensure compliance of the Management Company with the rules referred to in section 123, the Securities and Exchange Commission, before providing to the Management Company the authorisation for which the latter has applied, may ask the competent authorities of the Management Company's home member state for clarification or information regarding the documentation referred to in subsection (1) and whether the

management of the type of UCITS for which authorisation is requested falls within the scope of the Management Company's authorisation.

(3) The Securities and Exchange Commission after consulting the competent authorities of the Management Company's home member state, may not allow the Management Company to undertake the management of the UCITS authorized in the Republic, only if:

- (a) The Management Company does not comply with the rules falling under the responsibility of the Securities and Exchange Commission pursuant to section 130.
- (b) The Management Company is not authorized by the competent authorities of its home member state to manage the type of UCITS for which authorisation is requested.
- (c) The Management Company has not provided the documentation referred to in subsection (1).

(4) The Management Company shall comply with the rules and requirements referred to in subsection (2) of section 130. The Securities and Exchange Commission shall be responsible for supervising compliance of the Management Company with the above rules and requirements.

(5) Any subsequent material modification of the documentation referred to in subsection (1) shall be notified to the Securities and Exchange Commission by the Management Company. In the case the information included in the attestation referred to in subsection (1) changes the Securities and Exchange Commission shall be informed by the competent authorities of the Management Company's home member state about any change in the scope of the Management Company's authorisation or the details of any restriction on the types of UCITS that the

Management Company is authorized to manage.

(6) The Commission shall not subject the Management Companies of subsection (1) in any additional requirement that may be provided in the Republic, as the UCITS' home member state regarding matters covered by the Directive 2009/65/EC, unless from the cases provided for in the said Directive.

Obligations concerning cross border activity within the territory of the Republic

133. (1) The Management Companies authorized in another member state which pursue cross border activity within the territory of the Republic in accordance with section 128 or section 132:

- (a) Shall regularly submit to the Securities and Exchange Commission periodical reports in relation to the activities they pursue within the Republic. The exact content of such reports and terms within which such reports are submitted shall be specified by a Directive issued by the Securities and Exchange Commission.
- (b) Shall provide to the Securities and Exchange Commission, when required by the latter, the information considered necessary by the Commission for the monitoring of their compliance with the rules under the responsibility of the Management Company's host member state that apply to them. Such requirements, though, of the Securities and Exchange Commission shall not be more stringent than those imposed on Management Companies authorized in the Republic for the monitoring of their compliance with the same standards.

(2) If the Securities and Exchange Commission ascertains that a Management Company authorized in another member state that has a branch or provides services under the freedom to provide services within the territory of the Republic, breaches a rule under its responsibility, it shall require from the Management

company to comply with the rule and inform the competent authorities of the company's host member state thereof.

(3) If a Management Company referred to in subsection (1) refuses to submit to the Securities and Exchange Commission the information it requires when exercising its competencies according to the Law, or fails to take the appropriate steps in order to comply with a rule drawn up in the Republic, compliance with which is supervised by the Securities and Exchange Commission, the Commission shall inform the competent authorities of the Management Company's home member state, so that they shall, at the earliest opportunity, take all appropriate measures to ensure that the Management Company provides the information required or puts an end to the breach. The nature of those measures shall be communicated to the Securities and Exchange Commission.

(4) If, despite the measures taken by the competent authorities of the Management Company's home member state according to subsection (3), or because such measures prove to be inadequate or are not applied by the company, such company continues to refuse to provide to the Securities and Exchange Commission the information required pursuant to subsection (3) or persists in breaching a rule drawn up in the Republic, compliance with which is supervised by the Securities and Exchange Commission, the Commission may:

(a) after informing the competent authorities of the Management Company's home member state, may take the appropriate measures, including those referred to in sections 139 and 150, to settle the situation and, in so far as necessary, to prevent the Management Company from pursuing any further activity within the territory of the Republic. Where the service provided by the Management Company within the territory of the Republic is the management of a UCITS authorized in the Republic, the Securities and Exchange Commission may require from the Management Company to cease managing that UCITS.

(b) after considering that the Management Company's home member state authority has not taken appropriate actions, may

refer the matter to ESMA.

(5) The decision according to which any measure is taken by the Securities and Exchange Commission pursuant to subsections (3) and (4) shall be communicated to the Management Company.

(6) Before following the procedure laid down in subsections (2) to (4), the Securities and Exchange Commission may, in emergencies, take any precautionary measures necessary to protect the investors and others for whom services are provided within the territory of the Republic by the Management Company, informing also the European Commission, the ESMA and the competent authorities of the Management Company's home member state or, depending on the case, the competent authorities of the UCITS, which is authorized in another member state and is managed by that company.

(7) The Securities and Exchange Commission shall inform the European Commission and ESMA of the number and type of cases in which it refused authorisation for the provision of services according to the second sentence of section 127, sections 128 and 132 and of any measures taken pursuant to subsection (4).

Consultation
between the
Securities and
Exchange
Commission and
the competent
authorities of
another member
state

134. (1) The Securities and Exchange Commission shall consult the competent authorities of the home member state of a UCITS managed by a Management Company authorized in the Republic before withdrawing the operation licence of that company. Such authorities have the right to take appropriate measures to protect the UCITS unit-holders, which may include a decision preventing the Management Company from pursuing any further activity within the territory of the UCITS home member state.

(2) The Management Companies authorized in the Republic shall take care, so that the procedures and arrangements referred to in section 124 shall allow the competent authorities of the UCITS home member state to receive the information necessary for

monitoring compliance with the rules applicable on such companies that fall under the responsibility of the UCITS home member state.

(3) The Securities and Exchange Commission shall consult with the competent authorities of the home member state of a Management Company which manages a UCITS authorized in the Republic, before such authorities withdraw the authorisation of the company. The Securities and Exchange Commission has the right to take appropriate measures to protect the UCITS unit-holders, which may include a decision preventing the Management Company from pursuing any further activity within the territory of the Republic.

Marketing of units of a UCITS without establishing a branch or without applying the regime of the free provision of services

135. (1) Where a Management Company authorized in the Republic intends to market the units of a UCITS it manages, as provided in Annex II of the Directive 2009/65/EC and which is authorized in another member state, in a member state other than the Republic, without establishing a branch and without pursuing any other activities or services within the territory of that member state, such marketing shall be subject only to the requirements of Chapter XI of Directive 2009/65/EC.

(2) Where a Management Company authorized in another member state intends to market within the territory of the Republic the units of a UCITS it manages, which is authorized in a member state other than the Republic, without establishing a branch and without pursuing any other activities or services within the territory of the Republic, such marketing shall be subject only to the rules of Sub-chapter 2 of Chapter 4 of Part II.

Licence to provide cross border services

136. (1) The Securities and Exchange Commission shall provide a licence:

(a) to a Management Company authorized in a third country or a Management Company authorized in a member state which does not fulfill the requirements and conditions set out by Directive 2009/65/EC, so that such company may provide collective portfolio management services within

the territory of the Republic through the establishment of a branch and

- (b) to a Management Company authorized in the Republic, so that it pursues activities within the territory of a third country through the establishment of a branch .

(2) The Securities and Exchange Commission shall specify, by Directive:

- (a) The conditions and the procedure according to which the licence referred to in subsection (1) shall be provided.

- (b) The conditions and requirements as well as the documentation and information that the Management Company shall submit to the Securities and Exchange Commission when applying for the licence of subsection (1).

Relations with
third countries

137. (1) Relations with third countries shall be regulated in accordance with the relevant rules laid down in section 135 of the Law which provides for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters. For the purposes of this law the term “CIF” shall mean respectively “Management Company” and the term “provision of investment services” shall mean “provision of services” pursuant to the stipulations of the Law.

(2) The Securities and Exchange Commission shall inform the European Commission and the ESMA of any general difficulties Management Companies encounter in establishing or providing services to any third country as well as of any difficulties UCITS encounter in marketing their units in any third country.

PART V: SUPERVISION

CHAPTER 1: SUPERVISION ORGANISATION

Supervisory authority of the Securities and Exchange Commission

138. (1) The Securities and Exchange Commission is designated as the competent supervisory authority to exercise the powers and appointed by this Law.

(2) The Securities and Exchange Commission is competent to supervise UCITS established in the Republic falling in the field governed by this Law, as well as persons involved in the activity of the aforesaid UCITS.

(3) The Securities and Exchange Commission is competent to supervise UCITS established in other member states distributing their units in the Republic, according to section 69, and monitor the compliance with the provisions of Cypriot legislation falling outside the field governed by Directive 2009/65/EC and section 70.

(4) The Securities and Exchange Commission is competent to supervise undertakings for collective investment under section 105, regarding the distribution of their units in the Republic and their compliance with the requirements set out in section 106 and in the Directives issued by the Commission, based on section 108, and, generally, their compliance with the rules set out in Cypriot legislation that apply to them.

Exercise of the supervisory authority and powers

139. (1) The Securities and Exchange Commission exercises its powers:

- (a) directly or/and
- (b) in collaboration with other competent authorities or persons or/and
- (c) under its responsibility, in case of delegation of powers to other authorities or persons or/and
- (d) by application to the competent judicial authorities.

(2) According to subsection (1), the Securities and Exchange Commission, has, among other, the power to :

- (a) Require existing telephone and existing data traffic records.
- (b) Require the cessation of any action or omission or practice that is contrary to the provisions of this Law or to any provision of the applicable legislation.
- (c) Request the temporary prohibition of professional activity.
- (d) Adopt any type of measure to ensure that the Investment Firms and the persons involved in the activity of UCITS constantly comply with the provisions of this Law and any other provision inserted according to the Commission's legislation.

(e) Require the suspension of the issue, redemption or repurchase of UCITS' units, in the interest of the UCITS' unit-holders or of the public.

(3) The Securities and Exchange Commission has the power to assign to one or more auditors or experts the conduct of general or special, ordinary or extraordinary, audit of a Variable Capital Investment Company, as well as of any person involved in the activity of UCITS, on every matter related to the implementation of this Law or any other provision of the applicable legislation. The provisions of sections 50 and 51 of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law shall apply *mutatis mutandis*.

(4) The Securities and Exchange Commission shall ensure that complete, accurate and updated information on the laws, directives, Regulations of the European Union implementing Directive 2009/65/EC, as well as on other regulatory provisions related to the establishment and operation of UCITS, is easily accessible at a distance or by electronic means, both in an official language of the Republic and in English language.

Supplementary provisions

140. (1) The provisions of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law regarding the supervisory authority of the Commission, its power to collect information, to carry out investigations and inspections, to impose sanctions, to cooperate with the competent supervisory authorities and bodies of other states and, in general, its authority and all its powers, responsibilities and duties, pursuant to the said Law, apply supplementary to the supervision exercised by the Securities and Exchange Commission according to the provisions of this Law.

(2) When examining any kind of applications submitted, the Securities and Exchange Commission has the power to demand,

orally or in writing, the provision of any data and information it deems necessary to exercise its authority, pursuant to this Law.

(3) Irrespective to the provisions of the Cyprus Securities and Exchange Commission Law or any other law, any person to whom the request of the Commission for the collection of information or the conduct of audit or investigation is addressed, shall be bound to comply and provide the requested information timely, fully and accurately.

(4) Irrespective to the provisions of the Cyprus Securities and Exchange Commission Law or any other law, in case of refusal to allow access to information, records, books, accounts, other documents or data stored in computers, during the conduct of investigation or inspection by the Commission, the latter may proceed with the immediate confiscation of the relevant records, books, accounts and other documents and data, as well as of the electronic data storing and transfer medium. It is provided that the Securities and Exchange Commission shall return any confiscated item under the provisions of this subsection to its holder, as soon as the purpose for which it proceeded with the confiscation is fulfilled and, in any case, within forty-five days from the confiscation date.

Power to issue directives. 141. (1) Irrespective to the application of other provision of this Law appointing the issuance of Directive, the Securities and Exchange Commission has the power to issue a Directive for any matter regulated by the Law, in case, according to its judgment, further regulation or specification is required.

(2) The application of the Directives issued by virtue of this Law is obligatory towards the persons to whom they address.

Professional secrecy 142. (1) The provisions of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law regarding the confidentiality duty and the maintaining of professional secrecy by the Commission, as well as the suspension of the professional secrecy in respect of the Commission by persons supervised and monitored by

the latter and the sanctions imposed in case of violation of the professional secrecy, shall apply *mutatis mutandis* with regard to the exercise by the Commission of the powers and responsibilities granted to it by this Law.

(2) In compliance with the obligation deriving from subsection (1), no confidential information received by the persons who work or have worked for the Securities and Exchange Commission, as well as by auditors and experts instructed by the Commission, in the course of their duties, shall be divulged to any person or authority, save in summary or aggregate form, such that UCITS, unit-holder, or any person involved in the activity of UCITS cannot be individually identified, without prejudice to cases covered by criminal law. However, when a UCITS, unit-holder or person involved in the activity of UCITS has been declared bankrupt or is being compulsory wound up, confidential information that does not concern third parties involved in rescue attempts may be divulged in the course of civil or commercial proceedings.

(3) Subsection (2) shall not prevent the Securities and Exchange Commission from exchanging information with the competent authorities of other member states, in accordance with Cypriot legislation or/and other Community legislation applicable to UCITS or to persons involved in their activity or from transmitting it to ESMA in accordance with regulation (EU) No 1095/2010 or the ESRB. That information shall be subject to the conditions of professional secrecy laid down in subsections (1) and (2). The Securities and Exchange Commission exchanging information with the competent authorities of another member state, indicates at the time of communication that such information must not be disclosed without its express consent, in which case such information may be exchanged solely for the purposes for which the Commission gave its consent. In case the competent authorities of another member state exchanging information with the Securities and Exchange Commission indicate at the time of communication that such information must not be disclosed without their express consent, then this information must not be disclosed without the said consent and it is exchanged solely for the purposes for which the said authorities gave their consent.

(4) The Securities and Exchange Commission may conclude cooperation agreements providing for exchange of information with the competent authorities or other authorities or bodies of third countries, as determined in subsection (1) of section 145, only if the information disclosed is subject to guarantees of professional secrecy at least equivalent to those referred to in this section. Such exchange of information shall be intended for the performance of the supervisory task of the Securities and Exchange Commission and the authorities or bodies of those third countries. The information received by the Commission from the authorities or bodies of third countries, as well as the information provided by the Commission to those authorities or bodies, within the framework of the cooperation agreements mentioned above, shall not be disclosed without the express consent of the competent authority or body which has disclosed it and solely for the purposes for which this authority or body gave its consent.

(5) The Securities and Exchange Commission receiving confidential information under subsections (2) and (3), may use this information only in the course of its duties and for one of the following purposes:

- (a) Checking that the conditions governing the taking-up of business of UCITS or of persons involved in their activity are met and facilitating the monitoring of the conduct of that business, especially regarding the administrative and accounting procedures and internal-control mechanisms.
- (b) Taking measures or imposing sanctions.
- (c) Conducting administrative appeals on decisions issued against it.
- (d) Participating in court proceedings in which it is involved.

(6) Subsections (2) and (5) shall not prevent the performance of the Securities and Exchange Commission's duties, not precluding especially the exchange of information covered by the professional secrecy of subsection (1), where that exchange is to take place between the Commission and:

- (a) authorities of the Republic or other member state, with public responsibility for the supervision of credit institutions, investment firms, insurance undertakings or other financial organisations, or authorities of the Republic or other member state being responsible for the supervision of financial markets,
- (b) bodies of the Republic or other member state, involved in the liquidation or bankruptcy of UCITS or undertaking involved in their activity, or other bodies of the Republic or other member state involved in similar procedures,
- (c) persons responsible for carrying out statutory audits of the accounts of credit institutions, investment firms, insurance undertakings or other financial institutions, in case these persons are established in the Republic or other member state or
- (d) bodies which administer investors compensation schemes in the Republic or other member state, for the performance of their duties.
- (e) ESMA, the European Supervisory Authority (European Banking Authority) established by regulation (EU) no 1093/2010 of the European Parliament and of the Council, the European Supervisory Authority (European Insurance and Occupational Pensions Authority) established by regulation (EU) No 1094/2010 of the European Parliament and of the Council and the ESRB.

Cooperation with the competent authorities of other member states

143. (1) The Securities and Exchange Commission shall cooperate with the competent authorities of other member states of the European Union, whenever necessary or useful for the purpose of carrying out its duties under this Law, as well as for facilitating the exercising of powers of other member states' competent authorities, under Directive 2009/65/EC. The said cooperation shall take place, even in cases where the conduct under investigation does not constitute an infringement of any regulation in force in the specific member state.

(2) The Securities and Exchange Commission shall provide to the competent authorities of other member states with the information required for the purposes of carrying out their duties under this Law. In addition, the Securities and Exchange Commission shall cooperate with ESMA for the purposes of Directive 2009/65/EU and in accordance with regulation (EU) no 1095/2010 and shall provide ESMA with all information necessary to carry out its duties, in accordance with article 35 of the said regulation.

(3) Where the Securities and Exchange Commission has grounds to suspect that actions contrary to the provisions of this Law, are being or have been committed on the territory of another member state by entities not subject to its supervision, it shall notify the competent authorities of this state thereof, providing, to the extent possible, to them all information required, in order for them to take appropriate action and inform accordingly the Commission of the outcome of their action and of significant interim developments.

(4) The Securities and Exchange Commission may, within the framework of its powers pursuant to this Law, request the cooperation of the competent authorities of another member state in a supervisory activity or for an on-the-spot verification or in an investigation on the territory of the latter, under the monitoring of the competent authorities of this state. The Securities and Exchange Commission, depending on the decision taken by the other member state's competent authority to which the said request for an on-the-spot verification or investigation

on its territory has been submitted, either carries out itself the verification or investigation or allows one or more auditors or experts to carry out the verification or investigation. If the competent authority of the other member state which has received the request for verification or investigation chooses to carry it out itself, the Securities and Exchange Commission may request that its own officials or members of its staff accompany the persons carrying out the verification or investigation on behalf of the said member state's competent authority. In case the verification or investigation is carried out by the Securities and Exchange Commission or by auditors or experts appointed by the Commission, on the territory of the other member state, to the competent authorities of which the cooperation request has been submitted, the competent authorities of this member state on whose territory the verification or investigation is carried out, may request that their own officials or members of their staff accompany the persons carrying out the verification or investigation.

(5) If the competent authorities of another member state request, within the framework of their powers pursuant to Directive 2009/65/EC, the cooperation of the Securities and Exchange Commission for an on-the-spot verification or an investigation on the territory of the Republic, the Commission either carries out itself the requested verification or investigation or allows the requesting authorities or auditors or experts to carry out the verification or investigation. If the verification or investigation is carried out by the Securities and Exchange Commission, the persons carrying out the verification or investigation on behalf of it, may be accompanied, during the conduct of the verification or investigation, by officials or members of the staff of the competent authorities of the member state requesting the verification or investigation, under the condition that such request has been submitted to the Commission by this competent authority. In case the verification or investigation is carried out in the Republic by the competent authorities of the other member state or by auditors or experts appointed by the latter, the Commission may request that its own officials or members of its staff accompany the persons carrying out the verification or investigation.

(6) The Securities and Exchange Commission, where the verification or investigation is carried out in the Republic, may refuse to exchange information with the competent authorities of another member state, as provided for in subsection (2), or to act on a request for cooperation in carrying out an investigation or on-the-spot verification, as provided for in subsection (5), only where:

- (a) Such an investigation, on-the-spot verification or exchange of information might adversely affect the sovereignty, security or public policy in the Republic.
- (b) Judicial proceedings have already been initiated in respect of the same persons and the same actions before the authorities of the Republic.
- (c) Final judgment in respect of the same persons and the same actions has already been delivered in the Republic.

(7) The Securities and Exchange Commission shall notify the requesting competent authorities of its justified decision taken under subsection (6).

(8) The Securities and Exchange Commission may bring to the attention of ESMA, the following situations:

- (a) Situations where a request to exchange information as provided for in subsections (1) to (4) of section 144 has not been acted upon within a reasonable time or has been rejected.
- (b) Situations where a request to carry out an investigation or on-the-spot verification, as provided for in subsection (5) of section 144, has not been acted upon within a reasonable time or has been rejected.

- (c) Situations where a request for authorisation for its officials to accompany those of the competent authority of the other member state or the auditors or other experts acting on behalf of this authority, has not been acted upon within a reasonable time or has been rejected.

(9) Implementing measures of Directive 2009/65/EC concerning procedures for on-the-spot verifications and investigations are inserted by Regulation 584/2010 of the Committee of 1st July 2010.

(10) The Securities and Exchange Commission may issue a Directive to regulate technical issues or define details regarding the application of this section.

Collaboration with the competent authorities of other member states in cases where the Management Company provides cross border services.

144. (1) The Securities and Exchange Commission shall collaborate closely with the competent authorities of other member states, either to which the Management Companies operating in the Republic, through the provision of services or by establishment of branches, are established, or to which Cypriot Management Companies operate, in order to enable the exercise of the supervisory powers of the Commission or those authorities. For this purpose, the Commission exchanges with these authorities information concerning the management and ownership of such Management Companies that is likely to facilitate their supervision by the Commission or the said authorities, as well as all information likely to facilitate the monitoring of such companies. The cooperation mentioned above is carried out in a way to ensure that the Management Company's host member state, that is to say the Securities and Exchange Commission or the competent authority of the other member state, as per case, collects the information referred to in paragraph (b) subsection (1) of article 133 or article 21 par. 2 of Directive 2009/65/EC accordingly.

(2) In so far as it is necessary for the purpose of exercising their supervisory powers, the Securities and Exchange Commission shall inform the competent authorities of the Management Company's home member state of any measures or sanctions

imposed on this company, including any restrictions on the management company's activities in the Republic, pursuant to subsection (4) of section 133.

(3) The Securities and Exchange Commission shall, without delay, notify the competent authorities of the home member state of a UCITS managed by a Management Company established in the Republic, of any problem identified at the level of this company which may materially affect the ability of the Management Company to perform its duties properly with respect to the UCITS, as well as of any breach of this company's obligations under Part IV.

(4) The Securities and Exchange Commission shall, without delay, notify the competent authorities of the home member state of a Management Company managing UCITS established in the Republic, of any problem identified at the level of the UCITS which may materially affect the ability of the Management Company to perform its duties properly or to comply with the requirements set out in this Law, which fall under the responsibility of Commission.

(5) Irrespective to the Securities and Exchange Commission's right to carry out on-the-spot verifications of Management Companies' branches established in the Republic, while exercising its supervisory powers according to this Law, the competent authorities of the home member state of a Management Company operating in the Republic, through a branch, may, after having informed the Commission accordingly, carry out, either themselves or through intermediary persons instructed for this purpose, on-the-spot verification of the information referred to in subsections (1) to (4).

Exchange information. of 145. (1) Notwithstanding the application of section 142(1) to (4), the Securities and Exchange Commission may exchange information with:

(a) the authorities of the Republic or other member state which are responsible for overseeing bodies involved in the

liquidation and bankruptcy of UCITS or persons involved in their activity, or other bodies of the Republic or other member state being involved in similar procedures,

- (b) with the authorities of the Republic or other member state which are responsible for overseeing persons that have undertaken to carry out statutory audits of the accounts of credit institutions, investment firms, insurance undertakings or other financial institutions or
- (c) with the authorities or bodies of the Republic or other member state which are responsible for detecting or investigating violations of company law, or, persons not employed to the public sector, to which such duties have been appointed, in view of their specific competence, by the aforesaid authorities or bodies.

(2) The exchange of information according to subsection (1) requires that at least the following conditions are cumulatively met:

- (a) The information is used for the purpose of performing the task of overseeing referred to in subsection (1).
- (b) The information received is subject to the conditions of professional secrecy imposed in section 142.
- (c) Where the information is provided to or originates from another member state, it shall not be disclosed without the express consent of the Securities and Exchange Commission or the authorities or bodies which have disclosed it and, in this case, solely for the purposes for which the Commission or those authorities or bodies gave their consent.

For the application of paragraph (c) of subsection (1), the authorities and bodies communicate to the Securities and Exchange Commission and the Commission communicates to the authorities and bodies of the other member state, ESMA and European Commission the identity and the exact content of the order of persons to whom information is provided.

(3) The provisions of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law regarding the right of the Commission to refuse the exchange of information with the competent authorities or bodies of other member states shall apply *mutatis mutandis* with regard to the exercise of the powers and responsibilities granted to the Commission by this Law.

(4) The procedures for exchange of information between the competent authorities are governed by Regulation 584/2010.

Transmission of information to other authorities 146. (1) The Securities and Exchange Commission may transmit to the Central Bank of Cyprus as well as to the central banks and other bodies of other member states, with a similar function, in their capacity as monetary authorities, information intended for the performance of their tasks. The Central Bank of Cyprus and the central banks or other bodies of an other member state shall communicate to the Commission such information as it may need for the purposes of section 142(4). Information received in this context shall be subject to the conditions of professional secrecy imposed in section 142(1) and (2).

(2) The Securities and Exchange Commission may communicate the information referred to in section 142 to a clearing house or other similar body of the Republic or other member state, recognized under the relevant law for the provision of clearing or settlement services in the Cypriot market or the other Member State's market, if it considers that it is necessary to communicate the information in order to ensure the proper functioning of those bodies in relation to defaults or potential defaults by market participants. The information received in this context shall be subject to the conditions of professional secrecy imposed in section 142(1) and (2). Further disclosure of this information requires the express consent of the Securities and Exchange Commission and the specification of the reasons justifying this consent.

General obligation of 147. (1) The statutory auditor of UCITS or Management Companies, as regulated by this Law or the Company law, as per case, as well as any other person having received legal order for

reporting

the performance of his duties, shall promptly report to the Securities and Exchange Commission any fact or decision concerning that undertaking, of which he has become aware while carrying out his task and which is liable to bring about any of the following:

(a) a material breach of any legislative or regulatory provision which lays down the conditions governing authorisation or which specifically governs the UCITS' activity or persons involved in its activity.

(b) the impairment of the continuous functioning of a UCITS or a person involved in its activity, or

(c) a refusal to certify accounts or statements or an expression of reservations.

(2) The obligation of subsection (1) also covers any fact and decision of which this person becomes aware in the course of carrying out the task described in subsection (1) in an undertaking having close links resulting from a control relationship with the UCITS or a person involved in its activity, within which he is carrying out that task.

(3) The disclosure in good faith to the promptly Commission of any fact or decision referred to in subsections (1) and (2) does not constitute a breach of any limitation or restriction on disclosure of information imposed by any legislative or regulatory provision or by contract and does not lead to any kind of liability for the persons referred to in subsection (1).

Obligation
submission
of
UCITS
publications
and
details

148. (1) Subject to the provisions of this Law that set specific deadlines for the submission of details, documents and reports to the promptly Commission, all UCITS' and Management Companies' publications, obligatory or optional, including those made for advertising purposes, shall be submitted to the Commission within the reasonable required time framework and, in any case, the latest within two working days from the date of their publication.

(2) The Management Company or the Variable Capital Investment Company, as per case, must make with its own expenses explanatory or corrective publications, if this is required by the Securities and Exchange Commission. The Commission may demand the immediate termination or withdrawal of a publication or announcement until the Management Company or the Variable Capital Investment Company proceeds to explanatory or corrective publication or announcement, according to the obligation set above.

(3) The Securities and Exchange Commission may demand from the Variable Capital Investment Company and any person involved in the UCITS' activity, the provision of any detail or information necessary to or useful for the performance of its supervision authority.

(4) Subject to any special provisions of this Law, any amendment of the information submitted to the Securities and Exchange Commission for the granting of an operation licence of UCITS, as this is adjusted during the UCITS's or Management Company's operation, shall be communicated to the Commission without delay. The Commission may, during the exercise of its supervisory authorities, by virtue of this Law, and in order to protect the interests of the investors and the smooth operation of the market, forbid the occurrence of the amendment or set conditions under which this amendment may occur or even impose its cancellation.

(5) Any fact related to UCITS that fall under the provisions of Sub-chapter 2, Chapter 4 of Part II of this Law, which is capable to affect the distribution of these UCITS' units in the Republic, as well as the unitholders' rights, shall also be communicated to the Securities and Exchange Commission without delay.

(6) The Servicing of appropriate documents for the measures taken from the Securities and Exchange Commission or any other competent authority and which are provided for in section 108, paragraph 6 of the Directive 2009/65/EC, is permitted.

CHAPTER 2: MEASURES – SANCTIONS

Measures taken by the Commission

149. (1) The Securities and Exchange Commission is exclusively responsible to take measures against UCITS established in the Republic, in case of violation of any provision of this Law or any provision contained in the UCITS regulation or instruments of incorporation, if this violation is related to the application of this Law. The Securities and Exchange Commission may also take measures against a UCITS or other undertaking for collective investment established in another member state or undertaking for collective investment established in a third country distributing its units in the Republic, in case of violation of any legislative or regulatory provision being in force in the Republic, which is either related to the activity of the said UCITS or undertaking for collective investment or inserted in order to protect the general interest. The aforesaid power of the Commission does not prevent the competent authority of an other member state, under its capacity as the competent authority of the host member state, to take measures against a UCITS established in the Republic, in case of violation of any legislative provision of this member state with regard to matters not subject to Directive 2009/65/EC or in case of violation of articles 92 and 94 of the said Directive.

(2) Any decision for revoking the operation licence of a UCITS established in the Republic, as well as any other measure imposed on this UCITS, or any distribution, redemption or repurchase suspension of its units, shall be communicated by the Securities and Exchange Commission to the competent authorities of the UCITS host member states without delay and in case the Management Company is established in another member state, to the competent authorities of this state too.

(3) Irrespective to the application of other special, as per case, provisions of this Law, the Securities and Exchange Commission is competent to take the measures appointed by the Law against any person involved in the activity of UCITS established in the Republic or UCITS or other undertakings for collective investment distributing their units in the Republic, which are established in other member states or third countries.

(4) In case the Securities and Exchange Commission has specific reasons to believe that a UCITS established in an other member state, which distributes its units in the Republic, breaches an obligation deriving from a provision implementing in the Republic Directive 2009/65/EC that does not grant to the Commission, under its capacity as competent authority of the host member state, the power to take any measure against it, the Commission informs accordingly the competent authorities of the UCITS home member state, in order for them to take the appropriate measures.

(5) If, despite the measures taken by the competent authorities of the UCITS home member state according to subsection (4), or because of the inadequacy of these measures or of the refusal of the UCITS to apply them, this UCITS continues to breach any of its obligations or act in a way contrary to the investors' interests in the Republic, the Securities and Exchange Commission, after having informed accordingly the competent authorities of the UCITS home member state, may take any appropriate measure which deems necessary for the protection of the investors, including its right on one part to set limits to or forbid the

distribution of the UCITS' units in the Republic and on the other part to notify this issue to ESMA.

Administrative
sanctions

150. (1) In case of violation of any provision of this Law, the Securities and Exchange Commission may impose on the person responsible for the violation an administrative fine of up to three hundred fifty thousand euro (EUR 350.000) and in case of a repeated violation, a fine of up to seven hundred thousand euro (EUR 700.000), depending on the gravity of the violation.

(2) Provided that it is proved that the person responsible for the violation, according to subsection (1), obtained gain as a result of this breach or allowed other person to obtain gain as a result of it, the Securities and Exchange Commission has the power to impose an administrative fine of up to double the amount of the gain that the person responsible for the violation has provoked as a result of his action.

(3) The Securities and Exchange Commission publishes, according to its judgment and in any way it deems suitable as per case, any measure or sanction imposed by virtue of this Law, to a UCITS or other undertaking for collective investment distributing its units in the Republic, as well as to any other person involved in their activity in the Republic. This measure or sanction publication can be omitted only in case it may affect the smooth operation of the market or put the investors' interests in danger, or provoke to the interesting parties disproportionate damage.

(4) The administrative fines imposed pursuant to the provisions of this Law are considered as revenue of the Consolidated Fund of the Republic.

(5) In case an administrative fine is not paid, appropriate measures are taken for its collection, pursuant to the provisions of the Cyprus Securities and Exchange Commission Law.

(6) In case of imposing an administrative fine, the Securities and Exchange Commission, may also impose an administrative fine to:

- (a) a legal entity or / and
- (b) a director, manager or official or any other person, if it is proved that the violation committed by the legal entity was a result of his liability, deliberate omission or negligence.

False statements
and withholding
of facts and
Criminal
provisions

151. (1) Any person who, in the course of providing information for any matter falling in the field of this Law, makes a false, misleading or deceitful statement or announcement as to a material fact thereof or conceals a material fact or fails to submit facts, or in any manner impedes the Securities and Exchange Commission's direct collection of information or direct conduct of monitoring or entrance or investigation, is committing an offence punishable by imprisonment of up to five years or a fine

of up to three hundred fifty thousand euro (EUR 350.000) or both such penalties.

The person acting in the way mentioned in this section is presumed to be acting knowingly.

Furthermore, notwithstanding the provisions of this section, any person violating the provisions of this subsection, is also subject to the administrative fines described in section 150 of this Law.

(2) Any person providing the services described in section 109(4), without prior authorisation granted by the Securities and Exchange Commission, is committing an offence punishable, in case of conviction, by imprisonment of up to five years, or a fine of up to three hundred fifty thousand euro (EUR 350.000) or both such penalties.

(3) Any person who knowingly issues, markets or distributes advertisement material or application documents or statements of participation in UCITS or other undertakings for collective investment which cannot, pursuant to this Law, distribute their units in the Republic, is committing an offence punishable, in case of conviction, with imprisonment of up to three years or with a fine of up to two hundred thousand euro (EUR 200.000) or with both such penalties.

(4) In case the aforesaid offences are committed by a legal entity, except from the legal entity itself, criminally liable are also any of the directors, the general manager or any other official or employee or partner of the legal entity who is proved to have consented or to have collaborated in the commission of the offence.

(5) Any person who, according to subsection (4), is criminally liable for the offences committed by a legal entity, is jointly and severally liable along with the legal entity for any damage occurred to a third person as a result of the action or omission of which the offence consists.

(6) Civil liability on the basis of information included in the key investor information, in the language of issue or in any translation, results only and if the said information is misleading, inaccurate or inconsistent with the relevant parts of the prospectus of the UCITS.

Petition before the competent bodies

152. (1) Investors in UCITS or other undertakings for collective investment distributing their units in the Republic, have the right to file their petitions about matters related to the application of this Law before the competent consumer protection or out-of-

court settlement bodies.

(2) The bodies referred to in subsection (1) shall cooperate with the Securities and Exchange Commission and the competent authorities of the other member states of the European Union in the resolution of cross-border disputes.

(3) Any of the following bodies may, by filing a petition before the Court, ask the issue of a prohibitive or imperative decree, including also temporary decrees, against any person that, based on its judgment, participates in or/and is responsible for any breach of the Law, violating the consumers' collective interests that this specific body protects:

:

- (b) Public bodies or their representatives.

- (b) Consumer organizations having a legitimate interest in protecting consumers or

- (c) Professional organizations having legitimate interest in protecting their members.

PART VI: TAXATION PROVISIONS

Taxation
provisions

Income Tax Law

118(I) of 2002

230(I) of 2002

162(I) of 2003

153. (1) UCITS established and operating under the provisions of this Law and persons (natural and legal) acquiring units of the said UCITS are subject to the taxation provisions of the Income Tax Laws and the Special Contribution for the Defense of the Republic Laws.

195(I) of 2004

92(I) of 2005

113(I) of 2006

80(I) of 2007

138(I) of 2007

32(I) of 2009

45(I) of 2009

74(I) of 2009

110(I) of 2009

133(I) of 2010

Special

Contribution for
the Defense of the
Republic Law

117(I) of 2002

223(I) of 2002

188(I) of 2003

178(I) of 2007

23(I) of 2009

44(I) of 2009

75(I) of 2009

111(I) of 2009

132(I) of 2010

Stamp Duty Law

21 of 1967

(2) The establishment of a UCITS and the subscription, redemption, repurchase or transfer of its units are exempt from the stamp duty.

36 of 1968

17 of 1969

26 of 1971

38 of 1972

79 of 1977

29 of 1980

8 of 1984

160 of 1991

60(I) of 1992

68(I) of 1994

1(I) of 1995

9(I) of 1998

121(I) of 2002

222(I) of 2002

179(I) of 2004

209(I) of 2004

130(I) of 2007

152(I) of 2007

**PART VII: TRANSFER OF AN UNDERTAKING FOR COLLECTIVE
INVESTMENTS IN TRANSFERABLE SECURITIES AND A MANAGEMENT
COMPANY FROM AND TO THE REPUBLIC**

<p>Transfer of the registered seat of a Variable Capital Investment Company and A Management Company from</p>	<p>154. (1) The provisions of sections 354A – 354IH of Part VIII of the Company Law regarding the transfer of the registered seat of a company established in an other member state in the Republic and of a company established under Cypriot law in an other member state, through the continuance of operation of the said company as legal entity under the new regime or jurisdiction of the state where the registered office is transferred, apply to the</p>
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and to the Variable Capital Investment Companies and the Management Republic. Companies mutatis mutandis.

(2) The Securities and Exchange Commission may, by issuing a Directive, define the conditions under which the authorisation for the transfer of a company's registered office from and to the Republic, according to subsection (1) is granted and specify the procedure that shall be followed, as per case.

Common Fund 155. (1) Common Funds established and operating under the transfer from and provisions of this Law, may continue their operation in another to the Republic member state under their capacity as UCITS subject to the provisions of Directive 2009/65/EC.

(2)

Common Funds established in another member state, in accordance with the Directive 2009/65/EC

may, following an authorization by the Commission, continue their operation in the Republic, subject to the provisions of this Law.

(3) The Securities and Exchange Commission may, by issuing a Directive, determine the conditions and the procedure for the continuance of the operation of the Common Funds in subsections (1) and (2).

PART VIII: FINAL AND TRANSITIONAL PROVISIONS

Fees and annual
contributions

156. (1) The Undertakings and Companies supervised by the Securities and Exchange Commission pay in favor of the Commission fees, the amount of which is determined by a relevant Directive issued by the latter. These fees are paid by the person being supervised, as follows:

- (a) UCITS established in other member states which intend to distribute their units in the Republic, according to the provisions of Subchapter 2, Chapter 4 of Part II, when starting distributing their units in the Republic,

- (b) Undertakings for collective investment established in another member state or a third country which intend to distribute their units in the Republic, according to Part III, when filing with the Commission the required for the distribution of their units documents,
- (c) UCITS subject to the provisions of Subchapter 1, Chapter 4 of Part II and undertakings for collective investment subject to Part III of this Law, when filing with the Securities and Exchange Commission documents and applications other than the ones mentioned in paragraphs (a) and (c).
- (d) Management Companies established in the Republic which intend to set a branch or carry out, for the first time, the activity for which they have been authorized, in another member state, according to the provisions of sections 125 and 126, Chapter 2 of Part IV, when filing with the Securities and Exchange Commission the notification appointed in subsection (1) of the said sections.
- (e) Management Companies established in another member state which intend to set a branch or carry out, for the first time, the activity for which they have been authorized, in the Republic, according to section 128 Chapter 2 of Part IV, when starting the performance of their activity in the Republic.
- (f) Management Companies established in the Republic which are subject to the provisions of sections 125 and 126, Chapter 2 of Part IV, when filing with the Securities and Exchange Commission documents and applications other than the ones mentioned in paragraph (e).
- (g) Management Companies established in the Republic which intend to carry out their activity in a third country, according to paragraph (b) subsection (1) of section 136,

when filing with the Securities and Exchange Commission
the required details and information.

(h) Management Companies established in a third country and Management Companies of a member state that do not meet the conditions and operation terms of Directive 2009/65/EC, which intend to carry out their activity in the Republic, according to paragraph (a) subsection (1) of section 136, when filing with the Securities and Exchange Commission the required details and information.

(i) When submitting to the Securities and Exchange Commission applications and documents other than the ones mentioned in paragraphs (a) to (h) above, pursuant to the special provisions of this Law.

(2) The following Undertakings and Companies that are supervised by the Securities and Exchange Commission, pay at the end of each calendar year annual contributions, the amount of which is determined by a relevant Directive issued by the latter:

(a) UCITS operating under the provisions of this Law,

(b) Management Companies operating under the provisions of this Law,

(c) UCITS subject to the provisions of Subchapter 2, Chapter 4 of Part II,

(d) Undertakings for collective investment subject to the provisions of Part III of this Law and

(e) Management Companies subject to the provisions of Chapter 2 of Part IV.

(3) The Securities and Exchange Commission may, by issuing a Directive, specify the applications or/and notifications for which fees are owed, pursuant to the provisions of this Law, and, in general, determine any matter related to the fees and annual contributions mentioned in this section.

(4) The fees and annual contributions paid pursuant to the provisions of this section are regarded as revenues of the Securities and Exchange Commission and in case of omission in their payment, additionally to any measures taken according to this Law, the measures adopted in the Cyprus Securities and Exchange Commission Law for the collection of fees apply too.

Repeal of the UCITS Law The Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law 200(I)2004 59(I) 2008	157. (1) Subject to the maintenance in force of the provisions of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law [200(I)/2004 and 59(I)/2008] and the provisions of the Securities and Exchange Commission's Directives issued for the application of the said law, regulating issues for which a time framework for compliance with this Law has been granted, according to sections 158 to 163, and during the whole duration of this transition period set, the provisions of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law are repealed from the date this Law enters into force. In case of violation of any provision of the said law or Directive being in force during the transition period of two (2) months, the measures adopted and the sanctions imposed according to sections 149 to 151 of this Law apply, instead of the measures and sanctions appointed in sections 145 to 150 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law.
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(2) Actions taken and decisions made or issued lawfully by the Securities and Exchange Commission, pursuant to the provisions of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, remain in force and are regarded as taken, made or issued based on the provisions of this Law.

Compliance of 158. (1) Management Companies having already received an
Management operation licence according to the provisions of the Open Ended
Companies with Undertakings for Collective Investment in Transferable
this Law Securities (UCITS) and Related Issues Law, may continue to
operate, provided that:

- (a) when this Law enters into force they will have complied with its provisions, with the exception of the provisions clearly mentioned in paragraph (b) of this subsection,
- (b) they will have complied with the provisions of section 110, first sentence of paragraph (b) subsection (1) of section 111, subsections (2) and (3) of section 112 and sections 123 and 125, the latest within two (2) months since this Law has entered into force.
- (c) In case the existing Management Companies fail to comply with the provisions of this Law within the deadlines mentioned above, the Commission must revoke their operation licence.

(2) The compliance of the Management Companies established in the Republic according to subsection (1) is a prerequisite for the establishment and the cross-border provision of services, according to sections 125, 126, 129 and 131.

(3) Notwithstanding the obligation to comply with the provisions of this Law, according to subsection (1), applications for authorisation, based on section 43 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, filed by companies with the Securities and Exchange Commission at least one month before this Law enters into force and for which the Commission has not issued a decision until the entry into force of the Law, are examined based on the provisions applicable at the date of their filing.

Compliance of 159. (1)
UCITS with this
Law

(α) Variable Capital Investment Companies having already received an operation licence according to the provisions of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, may continue to operate, after the entry into force of this Law, provided that they will have complied with its provisions at the date of their entry into force, with the exception of sections 32 and 33, for which the deadline for compliance comes up to two (2) months. In case the existing Variable Capital Investment Companies fail to comply within the deadlines mentioned above, the Securities and Exchange Commission must revoke their operation licence.

(β) Notwithstanding the obligation to comply with the provisions of this Law, according to subsection (1), applications, based on section 80 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, regarding the establishment and operation of Variable Capital Investment Companies, filed with the Securities and Exchange Commission at least one month before this Law enters into force and for which the Commission has not issued a decision until the entry into force of the Law, are examined based on the provisions applicable at the date of their filing.

(2)

(α) UCITS established in the Republic for which the procedure of section 132 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law has been followed, regarding the distribution of its units in another member state, may, after the entry into force of this Law, continue distributing its units in the specific member state, without being subject to the notification procedure of section 67.

(β) UCITS established in another member state for which

the procedure of sections 129 and 130 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law has been followed regarding the distribution of its units in the Republic, may, after the entry into force of this Law, continue distributing its units in the Republic, without being subject to the notification procedure of section 69.

(γ) In case the UCITS mentioned in paragraph (b) intends to distribute in the Republic sub funds or units categories for which the procedure described in sections 129 and 130 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law has not been followed, it is subject to the notification procedure of section 69.

UCITS simplified prospectus 160. (1) UCITS having received their operation licence according to the provisions of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, shall replace their simplified prospectus, drafted in compliance with the provisions of the said law, with the Key Investor Information appointed in this Law, the latest within a period of twelve months from the entry into force of this Law.

(2) Notwithstanding the obligation to comply with the provisions of this Law, according to subsection (1), UCITS for the establishment and operation of which applications, based on sections 14 and 80 of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, have been filed with the Securities and Exchange Commission at least one month before this Law enters into force, and for which the Commission has not issued a decision until the entry into force of the Law, are not required to additionally submit to the Commission the Key Investor Information inserted by this Law, in order to receive their operation licence.

Compliance of the Undertakings for Collective Investment with this Law 161. (1) Undertakings for collective investment being authorized to distribute their units in the Republic, according to the provisions of section 130A of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, may continue distributing their units provided that they will have complied with the provisions of this Law the latest within a period of two (2) months from the entry into force of the Law.

(2) Notwithstanding the obligation to comply with the provisions of this Law, according to subsection (1), applications for authorisation, based on section 130A of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, filed with the Securities and Exchange Commission at least one month before this Law enters into force and for which the Commission has not issued a decision until the entry into force of the Law, are examined based on the provisions applicable at the date of their filing.

Compliance of Distributors with this Law 162. The distributors of UCITS' or other undertakings for collective investment units in the Republic, according to sections 30 and 130A accordingly of the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law, shall comply with the provisions of this Law

the latest within period of two (2) months from the entry into force of this Law.

References to the UCITS Law 163. Any reference to legislative or regulatory provision made to the Open Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law [200(I)/2004 and 59(I)/2008], is regarded as made to this Law.

Provisions contravening this Law 164. Subject to the application of sections 157 to 162, the provisions of this Law are considered as special regarding the matters they regulate and starting from the date this Law enters into force, any other legislative or regulatory provision that is contrary to the provisions of this Law is repealed.

Entry into force of this Law 165. Subject to any contrary special provision, this Law shall enter into force from the date of its publication in the Official Gazette of Cypriot Republic.

ANNEX

SCHEDULE I

Information that shall be included in the prospectus

1. Information concerning the Common Fund	1.Information concerning the Management Company, including an indication whether the Management Company is established in a member state other than the Republic	1.Information concerning the Variable Capital Investment Company
1.1.Name	1.1.Name, form in law, registered office or registered seat and head	Name, form in law, registered office and head office, if different

	office, if different from the registered office or seat	from the registered office.
1.2.Date of establishment of the Common Fund. Indication of duration, if limited	1.2. Date of incorporation of the company. Indication of duration, if limited	1.2. Date of incorporation of the company. Indication of duration, if limited
1.3.In case of Common Fund with different sub funds, indication of those sub funds	1.3.If the company manages other common funds, indication of those other funds	1.3. In case of Variable Capital Investment Companies with different sub funds, indication of those sub funds
1.4.Statement of the place where the Common Fund regulation (if it is not annexed) and periodic reports may be obtained		1.4. Statement of the place where the Instruments of incorporation (if they are not annexed) and periodic reports may be obtained
1.5.Brief indications of the tax regime applicable to the Common Fund, and, mainly details of whether deductions are made at source from the income and capital gains paid by the Common Fund to unit-holders		1.5. Brief indications of the tax regime applicable to the company, and, mainly details of whether deductions are made at source from the income and capital gains paid by the company to unit-holders
1.6.Accounting and distribution dates		1.6.Accounting and distribution dates
1.7.Names of the persons responsible for auditing the accounting information referred to in subsection (1) of section 58		1.7. Names of the persons responsible for auditing the accounting information referred to in subsection (1) of section 58
1.8.	Names and positions in the company of the members of the administrative, management and supervisory bodies. Details of their man activities outside the company if	1.8. Names and positions in the company of the members of the administrative, management and supervisory bodies. Details of their man activities

	these are of significance with respect to that company	outside the company if these are of significance with respect to that company
1.9. Initial assets	1.9.Amount of the subscribed capital with an indication of the capital paid-up	1.9.Initial capital
1.10.Details of the types and main characteristics of the units and in particular:		1.10. Details of the types and main characteristics of the shares and in particular:
- the nature of the right (real) represented by the unit,		- the certificates and registrations providing evidence of participation in the company,
- the certificates and registrations providing evidence of participation in the Common Fund,		- the characteristics of the shares: the fact that they are registered, as well as the shares' categories. Indication that no denominations are provided for,
- the characteristics of the units: the fact that they are registered, as well as the units' categories. Indication of any denominations which may be provided for,		- indication of unit-holders' voting rights,
- indication of the content of sections related to the convocation of the unit-holders meeting and of unit-holders' voting rights,		- circumstances in which winding-up of the Variable Capital Investment Company may be decided on and winding-up procedure, in particular as regards the rights of shareholders
- circumstances in which winding-up of the Common Fund may be decided on and winding-up procedure, in particular as regards the rights of unit-holders		
1.11.Where applicable, indication of the stock exchanges or markets		1.11. Where applicable, indication of the stock exchanges or markets

where the units are listed
or dealt in

1.12 Procedures and
conditions of issue or/and
sale of units

1.13. Procedures and
conditions of redemption
or repurchase of units and
circumstances in which
redemption may be
suspended. In case of
Common Funds with sub
funds, details of the unit-
holders' right to be
transferred from one sub
fund to the other and the
cost of this transfer

1.14. Description of rules
for determining and
applying income of the
Common Fund

1.15. Description of the
Common Fund's
investment objective,
including its financial
objectives (e.g. capital
growth or income),
investment policy (e.g.
specialization in
geographical or industrial
sectors), any limitations on
that investment policy and
any indication of any
techniques and instruments
or borrowing powers
which may be used in the
management of the
Common Fund

where the shares are listed
or dealt in

1.12. Procedures and
conditions of issue or/and
sale of shares

1.13. Procedures and
conditions of redemption
or repurchase of shares
and circumstances in
which redemption may be
suspended. In case of
Variable Capital
Investment Companies
with sub funds, details of
the shareholders' right to
be transferred from one
sub fund to the other and
the cost of this transfer

1.14. Description of rules
for determining and
applying income of the
Variable Capital
Investment Company

1.15. Description of the
Variable Capital
Investment Company's
investment objective,
including its financial
objectives (e.g. capital
growth or income),
investment policy (e.g.
specialization in
geographical or industrial
sectors), any limitations on
that investment policy and
any indication of any
techniques and instruments
or borrowing powers
which may be used in the
management of the
company

1.16.Rules for the valuation of assets

1.17.Determination of the issue price and redemption or repurchase price of units, in particular:

- the method and frequency of the calculation of those prices,
- indication of the charges relating to the issue, redemption or repurchase of units,
- information concerning the means, place and frequency of the publication of those prices

1.18.Information concerning the manner, amount and calculation of remuneration payable by the Common Fund to the Management Company, to the Depositary or to third parties, and reimbursement of costs by the Common Fund to the Management Company, to the Depositary or to third parties

1.16.Rules for the valuation of assets

1.17. Determination of the issue price and redemption or repurchase price of shares, in particular:

- the method and frequency of the calculation of those prices,
- indication of the charges relating to the issue, redemption or repurchase of shares,
- information concerning the means, place and frequency of the publication of those prices^[1].

1.18. Information concerning the manner, amount and calculation of remuneration payable by the Variable Capital Investment Company to its directors, and members and of the administrative and supervisory bodies, to the Depositary or to third parties, and reimbursement of costs by the Company to its directors, and members and of the administrative and supervisory bodies, to the Depositary or to third parties

[1] Variable Capital Investment Companies within the meaning of section 35, shall also indicate the method and frequency of calculation of the net asset value of their shares, the means, place and frequency of the publication of that value, as well as the

stock exchange of marketing the price, on which determines the price of transactions on the company's shares effected outwith stock exchanges.

2. Information concerning the Depositary:

2.1. Name, form in law, registered office or seat and head office, if different from the registered office.

2.2. Main activity.

3. Information concerning the advisory firms or external investment advisers who give advice under contract which is paid for out of the assets of the UCITS.

3.1. Name or form in law of the company or name of the adviser.

3.2. Material provisions of the contract with the Management Company or the Variable Capital Investment Company, which may be relevant to the unit-holders, excluding those relating to remunerations.

3.3. Other significant activities.

4. Information concerning the arrangements for making payments to unit-holders, redeeming or repurchasing units and making available information concerning the UCITS. Such information must in any way be given in the Republic. In addition, where units are marketed in another member state, such information shall be given in this member state too, being included in the prospectus published there.

5. Other investment information:

5.1. Historical performance of the UCITS (where applicable) – such information may be either included in or attached to the prospectus.

5.2. Profile of the typical investor for whom the UCITS is designed.

6. Economic information:

6.1. Possible expenses or fees, other than the charges mentioned in point 1.17, distinguishing between those to be paid by the unit-holders and those to be paid out of the assets of the UCITS.

SCHEDULE II

Information to be included in the periodic reports

I. Statement of assets and liabilities:

- transferable securities,

- bank balances,
- other assets,
- total assets,
- liabilities,
- net asset value.

II. Number of units in circulation

III. Net asset value per unit

IV. Portfolio, distinguishing between:

- α) transferable securities admitted to official stock exchange listing
- β) transferable securities dealt in on another regulated market
- γ) recently issued transferable securities of the type referred to in paragraph (d) subsection (1) of section 40
- δ) other transferable securities of type referred to in paragraph (d) subsection (1) of section 40,

and analyzed in accordance with the most appropriate criteria in the light of the investment policy of the UCITS (e.g. in accordance with economic, geographical or currency criteria) as a percentage of net assets. For each one of the above investments the proportion it represents for the total assets of the UCITS.

Statement of changes in the composition of the portfolio during the reference period.

V. Statement of the developments concerning the assets of the UCITS during the reference period, including the following:

- income from investments,
- other income,
- management charges,
- Depositary's charges,
- other charges and taxes,
- net income,
- distributions and income reinvested,

- capital increase or reduction,
- appreciation or depreciation of investments,
- any other changes affecting the assets and liabilities of the UCITS,
- transaction costs, which are costs incurred by a UCITS in connection with transactions on its portfolio.

VI. A comparative table concerning the last three financial years, including, for each financial year, at the end of the financial year:

- the total net asset value,
- the net asset value per unit.

VII. Details, by category of transaction within the meaning of section 41, carried out by the UCITS during the reference period, of the resulting amount of commitments.