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GUERNSEY

GUERNSEY FINANCIAL SERVICES
COMMISSION

THE COLLECTIVE INVESTMENT SCHEMES RULES 1988

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GUERNSEY FINANCIAL SERVICES COMMISSION

THE COLLECTIVE INVESTMENT SCHEMES RULES 1988

The Guernsey Financial Services Commission (the "Commission"), in exercise of the powers conferred on it by Sections 12, 14(2)(a), 14(2)(d), 15(1), 16(1) and (2)(f), 18 and 20 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended hereby makes the following rules:-

PART 1 INTRODUCTORY

1.01 Citation and commencement

These rules (including the schedules hereto) may be cited as the Collective Investment Schemes Rules 1988 (the "rules") and come into operation on 15th November, 1988.

1.02 Interpretation

(1) Unless the context otherwise requires, in these rules expressions defined in the Law have the same meanings as they have in the Law and the following expressions have the meanings assigned to them:-

"accrued margin", in relation to a margined contract, means the amount of margin which, in addition to the amount of initial margin deposited in connection with the contract, would be paid out of the scheme property or received for its account on closing out the contract;

"accumulation unit" means a unit in an authorised scheme described as such;

"annual accounting period" is the period of 12 months between dates specified for that purpose or ending on a particular day specified in any calendar year in the principal documents but this is subject to the provisions of rule 5.01 as to the first annual accounting period or following a change in the dates so specified;

"annual income allocation date" means the date in the calendar year specified in the principal documents or the scheme particulars as the date on or before which allocations of income in respect of each annual accounting period are to be made;

"applicable law", in the case of a company scheme, means the law of a jurisdiction in which the company is incorporated, and in any other case means the governing law specified in the scheme's principal documents;

"approved bank" means a person who is registered under the Protection of Depositors (Bailiwick of Guernsey) Ordinances 1971 to 1988 or under the Depositors and Investors (Prevention of Fraud) (Jersey) Law 1967 or is authorised to carry on a deposit-taking business under the United Kingdom Banking Act 1987 or under the law of any other jurisdiction as may be approved by the Commission;

"approved law firm" means a firm of lawyers qualified under applicable law to practice that law and approved by the Commission for the purposes of these rules;

"approved market" means the Official List of any member State of the European Community and includes the principal or only market established under the rules of an investment exchange specified in paragraphs 1 to 6 .

of Part I of schedule 7 to the rules and any market specified in paragraphs 7-9 of Part I of that schedule;

"approved options and futures market" means a market specified in Part II of schedule 7 to the rules;

"approved securities" means:-

(a) transferable securities which are traded on or under the rules of an approved market otherwise than by virtue of the specific permission of the market authority; and

(b) recently issued transferable securities;

but does not include any investment falling within paragraph 36(1) or (2) of schedule 5 which can be transferred only with the consent of the body corporate which issued the investment or with the consent of any members or debenture holders of that body corporate;

"associate" in relation to a body corporate means:-

(a) any member of the group of which that body corporate forms part;

(b) any body corporate at least one-third of the issued equity share capital of which is beneficially owned by that body corporate or an associate;

(c) any officer of that body corporate or of any associate;

"auditor" means the auditors for the time being of an authorised scheme;

"authorised scheme" means a collective investment scheme declared by the Commission to be an authorised collective investment scheme under Section 8 of the Law;

"base currency" means the currency specified in the principal documents as the base currency of the scheme;

"bearer certificate" means a certificate representing units of any type which contains a statement that the bearer of the certificate is entitled to the number of units of that type represented by the certificate;

"bearer depositary receipt" means the issue by a depositary of a bearer receipt representing registered units;

"business day" means any day normally treated as a business day in Guernsey and under the applicable law of a scheme;

"building society" means a society incorporated (or deemed to be incorporated) under the United Kingdom Building Societies Act 1986;

"cancellation price" means the price for each unit payable by the trustee on the cancellation of units;

"capital property" means all the property held in accordance with the terms of the principal documents, other than income property and any amount for the time being standing to the credit of the distribution account;

"cash" means any currency;

"certificates representing securities" has the meaning given to it in paragraph 36(5) of schedule 5;

"Class A1 Scheme" means an authorised scheme which is declared by the Commission to be a Class A1 Scheme;

"Class A2 Scheme" means an authorised scheme which is declared by the Commission to be a Class A2 Scheme;

"Class B Scheme" means an authorised scheme which is declared by the Commission to be a Class B Scheme;

"close out", in relation to a transaction entered into for an authorised scheme, means the entry, by the trustee or manager (as the case may be), into a further transaction under which the obligation to deliver or receive which arises or may, at the option of the other party to the transaction, arise under the original transaction is offset by an equivalent and opposite obligation or right to receive or deliver;

"commencement date" means the date on which these rules come into operation;

"company scheme" means any authorised scheme constituted as a body corporate;

"contracts for differences" means contracts the rights under which constitute an investment falling within paragraph 36(9) of schedule 5;

"Control of Borrowing Ordinance" means the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976;

"controller" means:-

(a) in relation to a body corporate, a person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the body corporate or another body corporate of which it is a subsidiary; and

(b) in relation to an unincorporated association:-

(i) any person in accordance with whose directions or instructions, either alone or with those of any associate or associates, the officers or members of the governing body of the association are accustomed to act (but disregarding advice given in a professional capacity); and

(ii) any person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15% or more of the voting power at any general meeting of the association;

and for the purposes of this definition "associate", in relation to any person, means that person's wife, husband or minor child or step-child, any body corporate of which that person is a director, any person who is an employee or partner of that person and, if that person is a body corporate, any subsidiary of that body corporate and any employee of any such subsidiary;

"conversion" means the exchange or conversion of units in one constituent part of an umbrella fund for those in another constituent part of the same fund;

"creation price" means the price for each unit payable by the manager to the trustee on the creation of units;

"dealing period" means the period between one valuation point and the next;

"debentures" has the meaning given to it in paragraph 36(2) of schedule 5;

"declaration of authorisation" means the declaration of the Commission that a collective investment scheme is an authorised scheme of a particular class under these rules;

"directors" means the directors, or other members of the principal managing body of a company scheme;

"distribution account" means the account known by that name and opened and maintained in accordance with rule 5.04(2);

"enactment" includes rules and regulations;

"existing scheme" means a collective investment scheme which on or prior to the commencement date, has obtained the consent of the Committee under the Control of Borrowing Ordinance for the issue of units;

"extraordinary resolution" has the meaning assigned to it in rule 7.10;

"feeder fund" means an authorised scheme the sole object of which is to enable investors to participate in or receive profits or income arising from the acquisition, holding, management or disposal of units in a single collective investment scheme;

"forward price" means a price calculated by reference to the valuation point next following the manager's agreement to issue or, as the case may be, to redeem the units in question;

"fund of funds" means an authorised scheme the sole object of which is to enable investors to participate in or receive profits or income arising from the acquisition, holding, management or disposal of units in a number of collective investment schemes;

"futures" means contracts the rights under which constitute an investment falling within paragraph 36(8) of schedule 5;

"generally accepted accounting principles" means accounts prepared in accordance with the standard accounting practice or the generally accepted accounting principles of:-

- (a) the United Kingdom; or
- (b) the United States of America; or
- (c) Canada; or
- (d) any other country the accounting practice or principles of which are approved in writing by the Commission;

"government and other public securities" means investments falling within paragraph 36(3) of schedule 5 which are issued or guaranteed by or on behalf of:-

- (a) the government of the United Kingdom, of Northern Ireland, of any member State of the European Community and of any country or territory specified in Part III of schedule 7 to the rules;

or

(b) a local authority in the United Kingdom or any member State of the European Community; or

(c) an international organisation the members of which include the United Kingdom or another member State of the European Community;

"government and other public securities fund" means an authorised scheme the sole object or the sole investment of which is either investment in government and other public securities or investment in government and other public securities and units in other collective investment schemes which are, or, if authorised, would be, government and other public securities funds;

"group", in relation to a body corporate, means that body corporate, any other body corporate which is its holding company or subsidiary and any other body corporate which is a subsidiary of that holding company. For the purposes of this definition:-

(a) a company is deemed to be a subsidiary of another if (but only if):-

(i) that other either:-

(aa) is a member of it and controls the composition of its board of directors;
or

(bb) holds more than half in nominal value of its equity share capital; or

(ii) the first mentioned company is a

subsidiary of any company which is that other's subsidiary;

(b) (i) a company is deemed to be another's holding company if (but only if) the other is its subsidiary; and

(ii) a body corporate is deemed the wholly-owned subsidiary of another if it has no members except that other and that other's wholly-owned subsidiaries and its or their nominees; and

(c) any reference to a "company" in this definition includes any body corporate;

"Guernsey" means the Bailiwick of Guernsey;

"Guernsey scheme" means an authorised scheme incorporated or established under the law of Guernsey;

"half-yearly accounting period" means the period beginning when the annual accounting period begins and ending on a date specified in the principal documents;

"hedging transaction" means a transaction of the kind described in paragraph 7(2) of schedule 5;

"historic price" means a price calculated by reference to the valuation point immediately preceding the manager's agreement to issue or, as the case may be, to redeem the units in question;

"holder", in relation to a unit in an authorised scheme, means the person who is entered in the register as the holder of the unit or the bearer of a bearer certificate or bearer depositary receipt representing that unit or the first named holder in the case of joint holders;

"income equalisation" means the capital sum referred to in rule 5.06(1);

"income property" means all sums, deemed by the manager, after consultation with the auditor, to be in the nature of income received or receivable in respect of the scheme property but excluding any amount for the time being standing to the credit of the distribution account;

"income unit" means a unit in an authorised scheme which is not an accumulation unit;

"initial margin" means cash or other property deposited in accordance with the rules of an approved options and futures market on entering into a margined contract;

"initial offer" means an offer for sale of units otherwise than on a unitisation where all or part of the consideration paid to the trustee for the units is to be used to acquire the first property (other than that consideration) to be held for the scheme in accordance with the principal documents;

"initial price" means the price stated in the principal documents (whether numerically or by reference to a formula), or, if no such price is stated, such price as may be agreed by the trustee and manager, as being the maximum amount, inclusive of the manager's preliminary charge, if any, which may be paid by a potential investor to the manager for units on an initial offer;

"instruments of entitlement to shares or securities" has the meaning given to it in paragraph 36(4) of schedule 5;

"interim accounting period" has the meaning given to it in rule 5.05;

"interim income allocation date", in relation to an interim accounting period, means the date in the calendar year specified in the principal documents as the date on or before which allocations of income in respect of that interim accounting period are required or authorised to be made or, if the principal documents leave the determination of that date to the discretion of the manager, the date determined for that purpose by the manager;

"investment adviser" means a person who provides the manager or an authorised scheme with advice as to the merits of investment opportunities available to an authorised scheme whether or not he regularly exercises a discretionary power over investments for the account of that authorised scheme;

"issue" means the sale of units by the manager as a principal and "issue price" shall be construed accordingly;

"large deal" means either:-

(a) an offer to acquire units where the total consideration payable would, if the price payable for each unit were the creation price last notified to the trustee, under the provisions of paragraph 19 of schedule 6, before the offer was made, exceed pounds sterling 15,000 (or the equivalent amount in the base currency of the scheme) or such greater sum as may be specified in the scheme particulars; or

(b) a request that units be redeemed where the total consideration payable would, if the price

payable for each unit were the cancellation price last notified to the trustee, under the provisions of paragraph 19 of schedule 6, before the offer was made, exceed pounds sterling 15,000 (or the equivalent amount in the base currency of the scheme) or such greater sum as may be specified in the scheme particulars;

and for these purposes, a number of offers or a number of requests made by or on behalf of the same person as principal in one dealing period shall be treated as one offer or as one request as the case may be;

"Law" means the Protection of Investors (Bailiwick of Guernsey) Law, 1987;

"local authority" means a body as defined in the United Kingdom Local Government Act 1972;

"management agreement" means an agreement under which a person is appointed manager of an authorised scheme other than a unit trust scheme to discharge the duties contemplated by these rules to be undertaken by the manager and in the case where there is a principal manager and a designated manager, or where there is more than one designated manager includes any agreement whereby the principal manager has delegated the performance of some or all of its functions to the designated manager;

"management securities" means securities in a company scheme which:-

(a) are held solely for the benefit of persons employed or engaged in or about the management of the assets of the company scheme (or any associate thereof); and

(b) carry no right or expectation to participate, directly or indirectly, in any of the profits of the company scheme; and

(c) on a winding-up or on redemption, carry no right to receive anything other than the return of the price paid for the securities;

"manager" means:-

(a) the designated manager; or

(b) where there is a principal manager and a designated manager each such person; or

(c) where there is more than one designated manager each such person;

"margin" means cash or other property;

"margined contract" means a contract the rights under which constitute an investment falling within paragraph 36(7)(8) and (9) of schedule 5 being a contract the terms of which are such that scheme property will or may be required to be paid, transferred or deposited as security for the performance of an obligation to deliver or receive property which will or may arise under the contract at the option of either party to the contract or otherwise and includes an option purchased for the scheme under which the total amount of premium which may be payable for the option is not payable on purchase but may be demanded before expiry of the option;

"market dealing bid price", in relation to property of any description at a particular time, means the amount which would be received in consideration for the sale of the property on the assumption that:-

(a) it was sold on the best terms available at that time on an approved market on which it is traded for transactions in property of that description in what, in the reasonable opinion of the manager, is a standard size; and

(b) there had been deducted from the consideration an amount equal to an estimated amount of such fiscal charges, commission and other sales charges as would be payable by the seller in connection with such a sale, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in connection with a transaction of the kind in question;

"market dealing offer price", in relation to property of any description at a particular time, means the amount which would be payable in order to buy the property on the assumption that:-

(a) it was bought on the best terms available at that time on an approved market on which it is traded for transactions in property of that description in what, in the reasonable opinion of the manager, is a standard size; and

(b) the amount payable included an amount equal to an estimated amount of such fiscal charges, commission and other purchase charges as would be payable by the buyer in connection with such a purchase, calculated on the basis that the charges and commission payable were the least that could reasonably be expected to be paid in connection with a transaction of the kind in question;

"marketing" in relation to units in an authorised scheme and a particular country, means the promotion of

that scheme in that country whether by means of prospectuses, advertisements, invitations or otherwise and "to market" shall be construed accordingly;

"mid-market value" means the arithmetic average of the market dealing bid price and the market dealing offer price;

"minimum holding of units", in relation to any units (whether income or accumulation units), means:-

- (a) such number of units of that type; or
- (b) that number of units of that type including fractions as may have such value (calculated at the issue price);

as the principal documents may or the manager may, with the approval of the trustee, from time to time prescribe as the minimum holding a person must have in order to qualify to become a holder of units of that type in the scheme or in order to remain a holder of units of that type in the scheme (after redemption or conversion);

"minimum redemption number of units" in relation to any units (whether income or accumulation units), means:-

- (a) such number of units of that type; or
- (b) that number of units of that type including fractions as may have such value (calculated at the redemption price);

as the principal documents may or the manager may, with the approval of the trustee, from time to time

prescribe as the minimum number in relation to any one transaction of redemption in units of that type;

"money market fund" means an authorised scheme the sole object of which is to enable investors to participate in or receive, profits or income arising from the acquisition, holding, management or disposal of any one or more of the following, or of any one or more of the following and transferable securities:-

(a) deposits;

(b) loans; and

(c) instruments creating or evidencing indebtedness which are not transferable securities;

"near cash" means money in a current account with an approved bank or money in a deposit account with, or on short term loan to, an approved bank which can be withdrawn immediately and without payment of a penalty exceeding more than seven days' interest calculated at ordinary commercial rates and also includes government and other public securities which are readily realisable investments and equivalent investments issued or guaranteed by a government of a country or territory approved by the Commission;

"non-Guernsey scheme" means an authorised scheme which is not a Guernsey scheme;

"option" means a right exercisable within a specified period of time, at the option of the holder of the right, to dispose of or acquire any property at a specified price;

"options" has the meaning given in paragraph 36(7) of schedule 5;

"period of the initial offer" has the meaning given to it in rule 2.04(1);

"periodic charge" means a charge made by the manager in accordance with rule 2.06;

"premium", in relation to an option, means the total amount which the purchaser of the option is, or may be, required to pay in consideration for the right to exercise the option;

"principal documents", in relation to:-

(a) a unit trust scheme, means the trust deed;

(b) a company scheme, means the articles of association of a Guernsey company (or an equivalent document under the applicable law of a non-Guernsey body corporate) the management agreement and the trustee agreement;

(c) a collective investment scheme other than a unit trust scheme or a company scheme, means the documents dealing collectively with the same or similar obligations and duties as the principal documents constituting a unit trust scheme and a company scheme;

"principal manager" means the principal manager appointed under the principal documents which has delegated the performance of some or all of its functions to the designated manager;

"purchase", in relation to an option, means acquiring the right to exercise the option;

"qualified auditor" means a person who holds a current practising certificate issued by:-

(a) (i) The Institute of Chartered Accountants in England and Wales; or

(ii) The Institute of Chartered Accountants of Scotland; or

(iii) The Institute of Chartered Accountants in Ireland; or

(iv) The Chartered Association of Certified Accountants; or

(b) a body outside the United Kingdom undertaking a similar regulatory role and having equivalent professional standards for membership as the bodies specified in paragraph (a) above;

"recently issued transferable securities" means transferable securities:-

(a) which were issued on terms that an application would be made to an exchange or market which, if accepted, would result in the securities becoming approved securities by virtue of paragraph (a) of the definition of "approved securities";

(b) with respect to which no application of the kind described in paragraph (a) of this definition has been refused; and

(c) with respect to which not more than 12 months has passed since the date of their issue;

"recognised scheme" means a scheme which is either declared to be an authorised unit trust scheme or a recognised scheme under the provisions of the Financial Services Act 1986 of the United Kingdom;

"record date" has the meaning given to it in rule 5.04;

"redemption" means the purchase of units from a holder by the manager as a principal and "redeem" and "redemption price" shall be construed accordingly;

"register" has the meaning assigned to it in rule 3.01(1);

"registrar" has the meaning assigned to it in rule 3.01(2);

"relevant time", in relation to the valuation of any property for any purpose for which these rules require the property to be valued, means the time as at which the property falls to be valued for that purpose in accordance with the principal documents;

"scheme particulars", means particulars of an authorised scheme prepared, revised and published in accordance with Part 11 of, and schedule 4, to these rules;

"scheme property" means the capital property and the income property of an authorised scheme but in the case of a company scheme there shall be disregarded any property attributable to management securities;

"securities scheme" means an authorised scheme the sole object of which is to enable investors to participate in or receive profits or income arising from the acquisition, holding, management or disposal of transferable securities and which is not a feeder fund or a fund of funds;

"shares and stock" has the meaning given in paragraph 36(1) of schedule 5;

"subsidiary" has the meaning given in Section 20 of the Protection of Depositors (Bailiwick of Guernsey) Ordinance, 1971;

"these rules" has the meaning given in rule 2.01(7);

"traded option" means an option which, under the terms of a permission relating to options on property of the same kind, is traded or dealt in on an approved options and futures market;

"transferable security" means any investment falling within any of paragraphs 36(1) to (6) of schedule 5 other than an investment title to which either cannot be transferred, or can be transferred only with the consent of a third party other than, in the case of an investment falling within paragraph 36(1) or (2) of schedule 5 either the body corporate which issued the investment or any members or debenture holders of that body corporate;

"trust deed" means a written instrument, whether or not under seal, made between the manager and the trustee constituting the trust and includes supplemental deeds;

"trustee", in relation to an authorised scheme, means the designated trustee in the case of a unit trust scheme or designated custodian in the case of a scheme other than a unit trust scheme;

"trustee agreement" means an agreement under which a body corporate is appointed to hold the scheme property of a company scheme and to discharge the duties imposed by these rules on the trustee;

"umbrella fund" means an authorised scheme which

provides that the contributions of investors and the profits or income out of which payments are to be made to them are pooled in separate parts of the property and that investors in each separate part may exchange rights in one part for rights in another;

"unit" means a unit which represents or is attributable to an undivided share in the scheme property;

"units in collective investment schemes" has the meaning given in paragraph 36(6) of schedule 5;

"unitisation" means arrangements under which:-

(a) the whole or part of the property of a body corporate or a collective investment scheme become the first property to be held under the terms of the principal documents of a newly formed authorised scheme; and

(b) the holders of units in the body corporate or collective investment scheme being wound up or property of which is being transferred become the first holders of units in the newly formed authorised scheme;

"unit trust scheme" means an authorised scheme under which the scheme property is held in trust for the investors;

"valuation point" means the time by reference to which a valuation is carried out for the purposes of determining in accordance with paragraph 2 of schedule 6 the price at which units may be created, cancelled, issued or redeemed; and

"write", in relation to a option, means the granting of the option.

(2) The Interpretation (Guernsey) Law, 1948 applies to the interpretation of these rules throughout the Bailiwick of Guernsey.

(3) Where for the purposes of these rules or for any other purpose any amount in one currency is required to be translated into another currency such translation shall be effected using such rate of exchange or formula as may be prescribed in the principal documents or as the manager shall determine with the approval of the trustee.

(4) In these rules, in the case of an umbrella fund, except where otherwise expressly provided:-

(a) "constituent part" in relation to an umbrella fund, means one of the separate parts into which the property of the umbrella fund is divided; and

(b) a definition of the expression "base currency" shall apply as if the references in that definition to a scheme were references to each separate part of the property into which the scheme property is divided.

(5) A reference in these rules to:-

(a) an enactment is to that enactment as from time to time amended, repealed and replaced, extended or applied by or under any other enactment; and

(b) a document, written notice or written instructions shall be taken to be a reference to a document, notice or instructions given in any legible form provided that a printed copy of the document, notice or instructions can be made.

(6) References in these rules to a numbered rule shall be construed as references to the rule bearing that number in these rules.

(7) References in any of these rules to a numbered paragraph shall, unless the reference is to a paragraph of a specified rule, be construed as references to the paragraph bearing that number in the rule in which it appears.

1.03 Umbrella funds

(1) The following rules shall apply in the case of an umbrella fund as if each reference to an authorised scheme were a reference to each constituent part within the umbrella fund but subject to any modification set out in any particular rule.

(2) In the case of an umbrella fund the exchange or conversion of units in one constituent part for units in another may be effected by the scheme cancelling and creating the appropriate number of units of each class and shall be treated as an issue or redemption of units for the purposes of these rules other than schedule 6.

**PART 2 APPLICATION OF RULES AND CONSTITUTION OF AN
AUTHORISED SCHEME**

2.01 Application of rules

- (1) All of these rules apply to a Class A1 Scheme.

- (2) These rules apply to a Class A2 Scheme except as detailed in the certificate provided in relation to that scheme under rule 10.01(2) or 12.01(3) and accepted by the Commission.

- (3) These rules, other than the rules which are expressed to apply to a Class B Scheme, do not apply to a Class B Scheme:-
 - (a) except to the extent that the principal documents for that scheme expressly incorporate all or any part of these rules (with or without modification); or
 - (b) as laid down by the Commission as a condition of authorisation of the scheme.

- (4) Where these rules confer on the manager, or on the trustee, or on the directors, or on any two of them or on all of them together a discretion to do or refrain from doing an act of any description or to make a decision of any description, such person or persons may not so act, so refrain from acting or make such a decision if expressly forbidden to do so by any of the principal documents.

- (5) A scheme which is an umbrella fund does not qualify to be authorised unless each constituent part would, if it were the subject of a separate application for authorisation qualify for separate authorisation under these rules, and the Commission shall designate the scheme:-
 - (a) a Class A1 Scheme where it is satisfied that every constituent part would qualify for such authorisation;

(b) a Class A2 Scheme where it is satisfied that each constituent part would qualify as either a Class A1 or Class A2 Scheme;

(c) a Class B Scheme where it is satisfied that any constituent part would qualify for such authorisation.

(6) Subject to paragraph 1(3) of schedule 5, in the case of an authorised scheme which is a feeder fund or a fund of funds (the "scheme") the Commission shall not designate the scheme:-

(a) a Class A1 Scheme unless it is satisfied that any collective investment scheme in which the scheme invests or intends to invest is also a Class A1 scheme; or

(b) a Class A2 Scheme unless it is satisfied that any collective investment scheme in which the scheme invests or intends to invest is a Class A1 Scheme, a Class A2 Scheme or a recognised scheme.

(7) In the rules following this rule the term "these rules" shall be interpreted:-

(a) in the case of a Class A1 Scheme as referring to all these rules;

(b) in the case of a Class A2 or B Scheme as referring to the rules applicable to that scheme pursuant to subparagraph (2) and (3) of this rule.

(8) The principal manager and the designated manager or, where there is more than one designated manager each such person, shall be jointly and severally responsible for compliance with these rules, provided that where:-

(a) the principal documents provide for compliance with particular rules by the designated manager, or where there is more than one designated manager, by one designated manager only; and

(b) the Commission is satisfied that together the managers comply with these rules;

each such manager shall be severally responsible for compliance with the particular rules specified under the principal documents.

2.02 The principal documents

(1) The principal documents of an authorised scheme shall:-

(a) contain the matters specified in part I of schedule 1 hereto and otherwise comply with the requirements of that schedule; and

(b) contain no provisions concerning matters which are the subject of these rules other than a provision which:-

(i) is required by part I of schedule 1 or is authorised by part II of that schedule; or

(ii) repeats or in all material respects has the same effect as a provision of any of these rules.

(2) An authorised scheme, whether a Class A1, A2 or B Scheme, shall operate and conduct its affairs in accordance with its principal documents.

2.03 Income and accumulation units

(1) Subject to paragraph (2), the interests of the holders in an authorised scheme shall consist of units (including

fractions of units) each unit representing or attributable to one undivided share in the scheme property.

(2) Where both income and accumulation units are in existence:-

(a) any accumulation units issued otherwise than in pursuance of the initial offer of such accumulation units shall, when issued, each represent or be attributable to the same number (including fractions) of undivided shares in the capital property of the scheme as each other accumulation unit then in existence; and

(b) with effect from:-

(i) the record date for each annual accounting period; and

(ii) the record date for each interim accounting period in respect of which an amount is available for allocation of income in accordance with rule 5.02;

the number (including fractions) of undivided shares in the capital property of the scheme represented by each accumulation unit then in existence shall be increased to such number (calculated to at least five significant figures) as will ensure that thereafter the creation price of an accumulation unit remains unchanged notwithstanding the transfer made to the distribution account.

(3) The principal documents of an authorised scheme in which there are only to be accumulation units may, subject to applicable law, prohibit the distribution of income to holders.

2.04 Initial capital property

(1) Where the initial capital property of an authorised scheme is to be acquired by an initial offer that offer shall be at the initial price and that offer shall be kept open for such period ("the period of the initial offer") as is specified in the principal documents or, if no such period is so stated, such period as shall be agreed between the manager and the trustee (and in the case of a company scheme, the directors) which in all cases shall not exceed 30 days (or such longer period as the Commission may approve). Where the initial offer is made in a country outside Guernsey, there may be added to the initial price of units offered in that country an amount sufficient to cover additional duty or taxation leviable in that country or the cost of the remittance of money to Guernsey or such other amount as the Commission may in any particular case permit.

(2) The initial price shall be expressed in the base currency of the scheme but the manager (or in the case of a company scheme, the directors) may agree to issue units during the period of the initial offer in any other currency so long as the trustee is satisfied that the price in that other currency, compared with the initial price, is not at the time of the agreement such as to be likely to result in any material prejudice to the interests of holders or potential holders.

(3) The initial capital property of an authorised scheme may be acquired by it pursuant to a unit for unit exchange, a re-organisation, or an amalgamation of any two or more collective investment schemes (the "arrangement") provided that the terms of the arrangement and the issue price of the units in the new scheme are fully described (by formula or otherwise) in the principal documents.

2.05 Constituents of capital property, hedging transactions and borrowings

- (1) If the principal documents impose restrictions:-
- (a) on the descriptions of asset which may be comprised in the capital property of the scheme; or
 - (b) on the proportion of the capital property of the scheme which may consist of an asset of any description; or
 - (c) on the descriptions of hedging transaction which may be effected on behalf of the scheme; or
 - (d) on borrowings which may be made on behalf of the scheme;

those restrictions shall be observed notwithstanding that they are not imposed by these rules for authorised schemes of the class to which the scheme belongs.

(2) If a statement is made in scheme particulars that the manager will or may in relation to any matter within any of the sub-paragraphs of paragraph (1) adopt, in the management of the scheme, a policy more restrictive than the restrictions imposed in relation to that matter by these rules or by the principal documents, no significant departure may be made in the management of the scheme from that stated policy unless and until the departure has been approved by an extraordinary resolution at a meeting of holders called for the purpose and scheme particulars amended accordingly have been published.

(3) In the case of an umbrella fund there shall be substituted respectively a reference to that part of the scheme particulars and to that part of the principal documents which relates to the constituent part in question.

2.06 Manager's periodic charge

(1) The only payment to be made to the manager out of the property of an authorised scheme by way of remuneration for the manager's services is a periodic charge calculated and accruing due in accordance with this rule.

(2) No such charge is to be payable unless its payment is authorised by the principal documents which specify a maximum thereto before any tax in the nature of value added tax (if any) in accordance with paragraph (4) below and the intervals ("accrual intervals") at which it is to accrue due.

(3) The amount of each payment shall be determined by the manager but shall not exceed the maximum determined in accordance with paragraph (4) below.

(4) The said maximum is such annual percentage as is specified in the principal documents as the maximum of the manager's periodic charge, or such lower annual percentage as is specified in the most recently published scheme particulars as the maximum of the manager's periodic charge, (divided by 365, or if the manager so determines 366 in the case of any leap year), and multiplied by the number of days, including fractions of a day, in the relevant accrual interval (referred to in paragraph (2)) of the value of the scheme property determined in accordance with paragraph (5).

(5) The value of the scheme property referred to in paragraph (4) is the value of that property:-

(a) as at the valuation point at which the relevant accrual interval referred to in paragraph (2) begins or, if the relevant accrual interval does not begin at a valuation point, at the valuation point next before the beginning of that interval; and

(b) determined by striking an arithmetic average of the bid basis of a valuation carried out in accordance with these rules as at that valuation point and the offer basis of that valuation.

2.07 Advertising and marketing the scheme

The manager or, in the case of a company scheme, the company shall:-

(a) only issue or cause to be issued an advertisement for or in connection with a scheme where:-

(i) its contents have been approved by the trustee; or

(ii) no written notice of disapproval has been received within seven days of the advertisement being received by the trustee; and

(b) take all reasonable steps to ensure that any form of marketing or advertising in connection with a scheme in a country or territory outside Guernsey is in accordance with the laws and regulations in force in such country or territory.

2.08 Payments out of and into the scheme property

(1) There shall be paid:-

(a) out of (or as the case may be into) the capital property of an authorised scheme all payments (or repayments) of a capital nature properly so payable; and

(b) out of (or as the case may be into) the income property of an authorised scheme all payments (or

repayments) of an income nature properly so payable;
and

(c) out of the capital property of an authorised scheme all payments of an income nature to the extent that the income property of the scheme is insufficient to meet them when they fall due for payment and such payments may be treated by the manager with the agreement of the trustee as a temporary loan from the capital property to the income property which may be repayable when the income property becomes sufficient so to do.

(2) The following expenses may be paid out of the scheme property if and to the extent that there is authority for such payment in the principal documents:-

(a) any periodic charge payable to the manager under the scheme; and

(b) the fees of the trustee; and

(c) any expenses or disbursements of the trustee which are of descriptions authorised by the principal documents to be paid out of the scheme property.

(3) The following expenses may be paid out of the scheme property and may be so paid whether or not there is authority for it in the principal documents:-

(a) the costs of dealing in the scheme property; and

(b) interest on borrowings permitted under the scheme and charges incurred in negotiating, effecting, varying or terminating the terms of such borrowings; and

(c) taxation and duties payable in respect of the scheme property, the principal documents and the issue of units; and

- (d) any costs incurred in modifying the principal documents; and
- (e) any costs incurred in respect of meetings of holders; and
- (f) any charges reasonably incurred by the trustee in depositing or causing to be deposited any part of the scheme property in a country or territory outside Guernsey including insurance, transit and handling charges; and
- (g) the fees and expenses of the auditor; and
- (h) the fees of the Commission and of any regulatory authority in a country or territory outside Guernsey in which units in the scheme are or may be marketed; and
- (i) the costs incurred in printing and publishing prospectuses, scheme particulars, annual and interim reports; and
- (j) the expenses of the trustee in convening a meeting of holders convened by the trustee alone; and
- (k) the costs incurred in keeping the register; and
- (l) the fees and expenses of any directors, and of any consultants to the scheme appointed with the approval of the manager and the trustee; and
- (m) such amount in respect of the expenses of the establishment of the scheme as is stated in the scheme particulars amortised over such period, not exceeding five years, as may be specified in the scheme particulars; and

(n) expenses incurred in the preparation and printing of certificates, tax vouchers, warrants, proxy cards and contract notes; and

(o) such other costs and expenses as have been approved by the Commission (either generally or in any particular case) and in respect of which disclosure has been made in the scheme particulars;

together with any tax in the nature of value added tax or otherwise payable in respect of such fees and expenses.

(4) If any of the expenses referred to in sub-paragraph (d) or (e) of paragraph (3) are incurred for the benefit, or principally for the benefit, of the manager, such expenses shall be borne by the manager and not paid out of the scheme property unless agreed otherwise by extraordinary resolution of the holders.

(5) In the case of an umbrella fund any expenses which can be paid out of the scheme property under rule 2.06 or this rule and any sums received which are not attributable to one constituent part only shall be allocated amongst the constituent parts in such a way as the manager, after consulting the trustee, considers to be fair to the investors in the various constituent parts.

2.09 Sub-division and consolidation of units

The manager may, at any time when no bearer certificates or bearer depositary receipts are in issue, with the approval of the trustee determine that each unit shall be sub-divided into two or more units (whereupon each unit shall stand sub-divided accordingly) or that one or more units shall be consolidated (whereupon those units shall stand consolidated) PROVIDED THAT in the case of a company scheme such units shall only be sub-divided or consolidated in accordance with the provisions of applicable law.

2.10 Investment and borrowing powers

Schedule 5 to these rules sets out the investment and borrowing powers exercisable in relation to authorised schemes.

PART 3 TITLE TO UNITS AND DEALINGS THEREIN

3.01 The register

(1) The trustee shall establish and maintain in Guernsey a register of the holders ("the register") in accordance with this rule.

(2) The trustee may appoint some other person (including the manager) ("the registrar") to establish and maintain the register on the trustee's behalf in a form and manner approved by the trustee and, if the trustee does so:-

(a) the trustee remains responsible for the discharge of all the trustee's duties in relation to the register under these rules; and

(b) anything required or authorised under these rules to be done in relation to the register by, to or before the trustee may be done by, to or before the registrar.

(3) The register shall be maintained in a legible form or in a manner capable of being reproduced in a legible form.

(4) There shall be entered in the register:-

(a) the name and address (being in the case of a body corporate the address of its registered office or principal place of business) of each holder (but so that for any second or subsequent forename an initial shall suffice) and in the case of joint holders the name shall suffice for any second or subsequent holders, other than one whose units are all for the time being represented by bearer certificates or bearer depositary receipts; and

(b) the number of units (including fractions of a

unit) of each class held by each such holder, other than units the title to which is for the time being represented by bearer certificates or bearer depositary receipts, and the serial numbers, if any, of the certificates issued in respect of those units; and

(c) the date on which the holder was registered in the register in respect of the units standing in his name; and

(d) the number of units (including fractions of a unit) of each class for the time being in issue and represented by bearer certificates or bearer depositary receipts and the serial numbers of those certificates; and

(e) the date on which any transfer is registered (and a sufficient reference to enable the name and address of the transferee to be identified).

The trustee is not bound to register more than four persons as the joint holders of any units.

3.02 The register as evidence of title

(1) Subject to rule 3.05 and any provisions in the principal documents permitted by paragraph 12 of part II of schedule 1, the register shall be conclusive evidence as to the persons entitled to the units entered therein.

(2) No notice of any trust (express, implied or constructive) which may be entered in the register in respect of any unit, shall be binding on the manager or the trustee.

(3) A body corporate may be registered as a holder or as one of joint holders.

3.03 The manager as holder

The manager may become registered as a holder of units and shall be deemed to hold each unit (other than a unit the title to which is for the time being represented by a bearer certificate or a bearer depositary receipt) during such times as neither the manager nor any other person is entered in the register as the holder thereof.

3.04 Certificates

(1) Subject to paragraphs (7) and (8), the manager or the trustee shall within 21 days after the issue to a person of units in an authorised scheme (or, if it be later, within five business days after receipt by the manager of cleared funds by way of consideration for the issue of those units) provide that person with a certificate representing those units in such form as may from time to time be agreed between the manager and the trustee (or in the case of a company scheme, the directors) and, subject to paragraph (3) each such certificate shall:-

(a) bear the name of the scheme and, in the case of an umbrella fund, the name of the constituent part; and

(b) be dated; and

(c) bear the names and addresses of the manager and the trustee; and

(d) subject to sub-paragraph (g) below bear a distinctive number in series; and

(e) specify the number of units represented thereby and, where more than one type of unit in the scheme is available, the type of unit represented thereby; and

(f) state the name, and if the manager so determines

the address, of the holder or, if there be more than one, the name and address of the holder first named in the register and the names only of the others; and

(g) be signed on behalf of the trustee or in the case of a company scheme be issued under seal (unless such sealing is not required under applicable law) in such manner as is specified in the principal documents (which may in addition dispense with the need for distinguishing numbers on such basis as is therein prescribed).

(2) If permitted under applicable law the principal documents may authorise:-

(a) the issue of bearer certificates; and in this case a certificate issued under paragraph (1) shall, if the holder to whom it is issued so requests, instead of stating his name and address, state that the bearer of the certificate is entitled to the units represented by the certificate; and/or

(b) the issue by a depositary of bearer receipts representing registered units.

(3) The principal documents may authorise the manager and trustee to dispense with all or any of the requirements of rule 3.04 but may nonetheless authorise the manager and trustee to issue bearer certificates or bearer depositary receipts and, if they do so, the manager and trustee shall be obliged to deliver bearer certificates or bearer depositary receipts representing such of a holder's units as the holder has requested be so represented.

(4) Certificates shall be valid and binding notwithstanding that before the delivery thereof any person whose signature

appears thereon as a duly authorised signatory ceases to be an authorised signatory.

(5) Upon a sub-division of units in accordance with rule 2.09 the trustee or, in the case of a company scheme, the company shall:-

(a) either issue to each holder of a certificate representing units a new certificate representing the number of additional units to which he has become entitled by reason of the sub-division or endorse his existing certificate to indicate that it represents the original and that additional number of units; and

(b) forthwith give notice of the sub-division to each holder (or to the first named of joint holders) whose name is entered in the register accompanied, except where the principal documents have dispensed with the requirements of rule 3.04, by an additional certificate or an invitation to submit his certificate for endorsement.

(6) Upon a consolidation of units in accordance with rule 2.09 the trustee or, in the case of a company scheme, the company shall:-

(a) endorse each existing certificate to indicate that it represents the consolidated number of units; and

(b) forthwith give notice of the consolidation to each holder (or to the first named of joint holders) whose name is entered in the register accompanied, except where the principal documents have dispensed with the requirements of rule 3.04, by an invitation to submit his certificate for endorsement.

(7) If the principal documents relieve the manager and the

trustee from any obligation to issue certificates representing units other than bearer units or bearer depositary receipts, the manager and the trustee shall be obliged to deliver bearer certificates or bearer depositary receipts representing such of a holder's units as the holder has requested but shall not issue any certificates representing units other than bearer certificates or bearer depositary receipts.

(8) In the case of joint holders, the trustee shall not be bound to issue more than one certificate, and delivery to one such person shall be delivery to all.

(9) This rule does not require the manager and the trustee to issue certificates in respect of units purchased under an arrangement for the purchase of units at regular intervals unless the holder has requested the issue of certificates in respect of them.

3.05 Default by holder

If:-

(a) such evidence is furnished to the trustee as the trustee shall require to show that default has been made by a holder in making any payment in money or a transfer of property due to the manager or the trustee under the provisions of these or any other rules made by the Commission or the principal documents in respect of the creation and issue of units to that holder; and

(b) any certificate in respect of those units which has been signed on behalf of the trustee is received by the trustee;

the trustee shall cancel or make any necessary amendments to that certificate and make any necessary deletion or alteration in the register and thereafter the manager

shall be entitled to the units in respect of which the defaulting holder's name has been removed from the register until the same be cancelled or issued by the manager and the name of the purchaser entered in the register.

3.06 Conversion of registered into bearer certificates or bearer depositary receipts and vice versa

(1) This rule applies where the principal documents authorise the issue of bearer certificates or bearer depositary receipts as permitted by applicable law.

(2) A holder whose units are for the time being evidenced by an entry in the register may apply to the trustee for his name to be struck out of the register in respect of some or all of those units and:-

(a) if he does so; and

(b) where certificates evidencing title to those units have been issued upon surrender to the trustee of those certificates;

his name shall be so struck out and he shall be issued with a bearer certificate or a bearer depositary receipt in substitution therefor.

(3) A holder whose units or some of them are for the time being represented by bearer certificates or bearer depositary receipts may apply to the trustee for his name to be entered in the register in respect of some or all of those units and, upon surrender to the trustee of the bearer certificates or bearer depositary receipts representing title to those units, the trustee shall enter the name of that holder in the register in respect of those units and, unless the principal documents relieve the manager and the trustee from any obligation to issue certificates

representing units, issue to him certificates evidencing his title to those units.

3.07 Exchange and replacement of certificates

(1) Every holder whose units are represented by certificates shall be entitled to exchange any or all of his certificates for one or more certificates of such denominations as he may require representing the same aggregate number of units of the same class but, before any such exchange is carried out, the holder shall surrender the certificate or certificates to be exchanged or shall furnish the evidence required in sub-paragraph (2)(a) and shall pay the sum payable (if any) in respect of the issue of a new certificate or certificates.

(2) If a certificate is defaced, mutilated, lost, stolen or destroyed the trustee may in its discretion issue to the person entitled a new certificate in lieu thereof but no such new certificate shall be issued unless the applicant has:-

(a) furnished to the trustee evidence satisfactory to the trustee of the defacement, mutilation, loss, theft or destruction of the original certificate; and

(b) paid all expenses incurred in connection with the investigation of the facts thereof; and

(c) in the case of defacement or mutilation, produced and surrendered to the trustee the defaced or mutilated certificate; and

(d) if required by the trustee or the manager so to do, furnished to the trustee such indemnity as the trustee or manager may require.

(3) Every certificate issued under this rule shall be

in the name of the holder of the units represented by the certificate or certificates surrendered, defaced, mutilated, lost, stolen or destroyed.

3.08 Transfer of units by act of parties

(1) Subject to paragraph (2), every holder shall be entitled to transfer units held by him in respect of which he is entered in the register by an instrument of transfer in any usual or common form or in such other form as the trustee and the manager (or in the case of a company scheme, the directors) may from time to time approve.

(2) The trustee is not under any duty to accept a transfer:-

(a) if the transfer is of some only of the units of any class held by a holder if such transfer would result in the holder, or the transferee, being a holder of such number of the units of the class in question as would be less than the minimum or more than the maximum holding of units; or

(b) if the principal documents contain a limitation upon the categories of persons who may be holders and the transferee is not within one of those categories; or

(c) unless and until the trustee has been furnished with such evidence and declarations as to status, residence or otherwise as he may require; or

(d) of units over which the trustee, the manager or the authorised scheme may have a lien; or

(e) if the instrument of transfer relates to units of more than one class.

(3) Every instrument of transfer of units shall be signed by or on behalf of the holder transferring the units (or, in the case of a body corporate, sealed by that body or signed by one of its officers) but need not be signed by the transferee unless the units are partly paid; and, unless the transferee is the manager, the transferor shall be deemed to remain the holder until the name of the transferee has been entered in the register.

(4) Every instrument of transfer which is required to be stamped by applicable law must be duly stamped and left with the trustee for registration accompanied by any necessary declarations or other documents that may be required by applicable law and by the certificate or certificates relating to the units to be transferred and by such other evidence as the trustee may require to prove the title of the transferor or his right to transfer the units or, in the case of a body corporate, the authority of the signatory on its behalf. The trustee may dispense with the production of any certificate which has been lost, stolen or destroyed, upon compliance by the transferor with the requirements which apply in the case of an application by him for the replacement thereof.

(5) All instruments of transfer which are registered shall be retained by the trustee for a period of six years and a reference on the register enabling the name of the transferor and the transferee and the date of transfer to be identified.

(6) Subject to rule 3.12 no fee shall be charged for the registration of any transfer or the issue of a new certificate in the name of the transferee; and if some only of the units represented by a certificate are transferred the transferor shall be entitled free of charge to a new certificate in respect of the balance.

3.09 Registration of a transfer in favour of the manager

(1) Upon the registration of a transfer in favour of the manager, the certificate or certificates in respect of the units transferred shall be cancelled and the name of the holder removed from the register in respect of such units, but the name of the manager need not be entered in the register as the holder of such units nor a certificate issued therefor.

(2) Such removal shall not be treated for any purposes as a cancellation, withdrawal or redemption of the units and such units may after the registration of such transfer be sold by the manager or be registered in its name so long as such units have not been cancelled.

3.10 Transfer of units by operation of law

Subject to applicable law:-

(1) On the death of any one of joint holders the survivor or survivors shall be the only person or persons recognised by the trustee and the manager as having any title to or any interest in the units; and upon producing such evidence of death as the trustee may require and delivering up the relevant certificate the survivor or survivors shall be entitled to have such certificate duly marked or to have a fresh certificate issued in his name or their names as may be appropriate.

(2) The legal personal representative of a deceased holder (not being one of two or more joint holders) shall be the only person recognised by the trustee and the manager as having title to the units held by him.

(3) (a) Any person becoming entitled to a unit in

consequence of the death of any sole holder or of the survivor of joint holders, in consequence of bankruptcy, désastre, curatelle or similar proceedings or under an order of a Guernsey court may, subject as hereafter provided, upon producing such evidence as to his title as the trustee may reasonably require, either be registered himself as holder of such unit upon giving to the trustee notice in writing of such his desire or transfer such unit to some other person.

(b) All the provisions of these rules relating to the transfer of units shall be applicable to any such notice or transfer as if it were a transfer signed by such holder.

(c) Subject to sub-paragraph (d), a person becoming entitled to a unit in consequence of death, bankruptcy, désastre, curatelle or similar proceedings or under an order of a Guernsey court may give a discharge for all monies payable in respect of the unit but shall not be entitled in respect of such unit to receive notices of, or attend or vote at, any meeting of holders until he has been registered as a holder.

(d) The trustee may at his discretion retain any monies payable in respect of any unit of which any person under the provisions of this paragraph is entitled to be registered as the holder, or is entitled to transfer, until such person is registered as the holder of such unit or duly transfers it.

3.11 Change of name or address of holder

(1) The principal documents shall require any change of name or address on the part of any holder to be forthwith notified to the trustee by the holder or the manager as the case may be.

(2) The trustee shall:-

(a) upon receipt of notice in writing of a change of name, or of a change of address, of any holder; and

(b) upon being satisfied thereof; and

(c) on compliance with such formalities, including in the case of a change of name, the surrender of any certificate previously issued to such holder, as the trustee may require;

alter the register accordingly and either issue a new certificate to the holder or make an appropriate endorsement to the holder's existing certificate.

3.12 Payment of fees on issue of certificates

If authorised by the principal documents to do so the trustee or the registrar on the trustee's behalf may make:-

(a) the issue of a certificate under these rules other than rule 3.04; and

(b) the registration of any document relating to or affecting the title to any unit;

conditional upon the payment to him of such reasonable fee as the manager and the trustee may agree.

3.13 Trustee to supply certificates

The trustee shall deliver to or to the order of the manager certificates evidencing title to units in such denominations and, unless they are bearer certificates or bearer depositary receipts, in the names of such persons as holders of the units, as the manager may require for the purpose of delivering them to those to whom the manager has issued

units; and he shall do so forthwith upon the request of the manager:-

(a) in the case of units to be issued upon their creation, upon payment to the trustee of the consideration payable in connection with their issue; or

(b) in the case of units which are to be issued otherwise than on their creation, upon the surrender to the trustee of certificates representing that number of units of the relevant type which are to be re-issued.

3.14 Inspection of the register and copies of entries

(1) The trustee shall make the register available for inspection in Guernsey by or on behalf of the holders or the manager free of charge during ordinary office hours (subject to such reasonable restrictions as the trustee may impose but so that not less than two hours in each business day shall be allowed for inspection) except that the register may be closed at such times and for such periods (not exceeding 30 days in any one year) as the trustee may from time to time determine.

(2) The trustee shall supply the manager with a copy of the register or any part of it on request.

(3) The trustee shall supply a holder or his authorised representative free of charge with a copy in print of the entries on the register relating to that holder.

3.15 Pricing of units and dealings by trustee and manager

The manager and trustee of an authorised scheme must comply with the requirements imposed on them by schedule 6 to these rules in relation to:-

(a) the creation, cancellation, issue, and redemption of units; and

(b) the valuation for those purposes of the scheme property.

PART 4 THE MANAGER AND THE TRUSTEE

4.01 Management of the scheme

(1) It is the duty of the manager:-

(a) to manage the scheme in accordance with the principal documents and these rules; and

(b) to make decisions as to the constituents of the scheme property from time to time in accordance with:-

(i) the investment objectives of the scheme as set out in the principal documents or the most recently published scheme particulars; and

(ii) these rules; and

(iii) in the case of a company scheme, subject to any directions from time to time given by the directors.

(2) It is the duty of the trustee:-

(a) to take reasonable care to ensure that the scheme is properly managed by the manager in accordance with paragraph (1); and

(b) to discharge its duties under the principal documents and these rules.

(3) In the case of a company scheme, it is the duty of the directors not to give any directions or exercise any powers, duties or discretions which would or might cause the company to operate otherwise than in accordance with the principal documents or these rules.

(4) The manager, and, in the case of a company scheme, the company and the directors, shall on the request of the trustee forthwith supply the trustee with such information concerning the management and administration of the scheme as the trustee may reasonably require.

(5) The manager of a company scheme is entitled to discharge all the powers, duties and discretions of the directors, subject to sub-paragraph (1) (b) (iii) above and to any provisions of applicable law; and, if so required, the directors shall execute all such deeds and documents and do everything necessary or desirable to give full effect to this provision.

4.02 Auditor

(1) (a) In the case of a scheme other than a company scheme, the manager shall, at the outset and upon any vacancy, with the approval of the trustee appoint a qualified auditor as auditor for the scheme.

(b) In the case of a company scheme, the directors shall, at the outset and upon any vacancy, with the approval of the trustee and in accordance with the principal documents and applicable law appoint a qualified auditor as auditor for the scheme.

(2) The audit fees of the auditor shall be determined or fixed by the manager and the trustee and, in the case of a company scheme, with the sanction of any resolution of holders required under applicable law.

(3) The manager shall have the accounts required to be included in the annual report in accordance with rule 6.01 audited by the auditor; and that report shall be accompanied by a report of the auditor to the holders that those accounts have been audited in accordance with approved auditing standards and stating whether or not in

their opinion they give a true and fair view of the financial position of the scheme as at the end of the annual accounting period.

(4) An auditor may at any time be removed by:-

(a) the manager with the approval of the trustee in the case of scheme other than a company scheme; or

(b) the directors of a company scheme with the approval of the trustee and in accordance with the principal documents and applicable law;

notwithstanding anything in any agreement between the persons concerned, but subject to applicable law, the manager shall forthwith give notice to the Commission of any such removal with a statement of the reasons therefor.

4.03 Inspection and obtaining copies of principal documents and scheme particulars

(1) The manager and the trustee shall each make a copy of the principal documents and of the most recently published scheme particulars available in English for inspection by the public free of charge at all times during ordinary office hours at its principal place of business in Guernsey; and if the manager markets units in the scheme in any other state or territory it shall make available in that state or territory the documents and information prescribed or required there.

(2) The manager and the trustee shall allow any person to obtain a copy of the principal documents and of the scheme particulars on payment of a reasonable fee.

4.04 Record of units held by manager

(1) The manager shall keep a daily record of units held by it, including the class of such units, which have been

acquired or disposed of, and of the balance of any acquisitions and disposals.

(2) The manager shall make that daily record available for inspection in Guernsey by the trustee free of charge at all times during ordinary office hours and shall supply the trustee with a copy of the record or any part of it on request free of charge.

4.05 General powers and duties of the trustee

(1) Subject to paragraph (7) and save where it is contrary to rule 4.01, it is the duty of the trustee to carry out the instructions of the manager as to the investments which are from time to time to comprise the scheme property.

(2) The trustee shall take into its custody or under its control all the scheme property and hold it in trust in accordance with the provisions of the principal documents and these rules.

(3) Subject to paragraph (5), the trustee may at his discretion entrust the documents of title or the documents evidencing title to all or part of the scheme property for safe keeping to some other person (not being the manager) and may arrange for such a person to become the registered holder of scheme property the title to which is in registered form.

(4) Subject to paragraph (5), the manager may, with the agreement of the trustee and if the principal documents permit it, arrange for part of the scheme property to be loaned through the agency of any person approved in writing in that behalf by the Commission; and any income received on account of the loan shall form part of the scheme property. It is hereby declared that, for the avoidance of doubt, this rule shall not apply to the deposit of cash forming part of the scheme property in accordance with the principal documents.

(5) The trustee may take advantage of paragraph (3) or paragraph (4) only if:-

(a) he is satisfied at the outset after making reasonable enquiries, and continues thereafter after repeating those enquiries at reasonable intervals to be satisfied, that the custodian or borrower, as the case may be, is a fit and proper person to be such a custodian or borrower; and

(b) arrangements have been and continue to be made with the custodian or borrower, as the case may be, to protect the rights of the trustee in priority to other creditors of the custodian or borrower which the trustee is satisfied, after making reasonable enquiries, are sufficient under the law of the country or territory where the documents or property will be kept to safeguard the interests of investors and the trustee continues thereafter repeating those enquiries at reasonable intervals so as to be satisfied that the arrangements remain sufficient.

(6) The trustee shall take reasonable care to ensure that the methods used by the manager in calculating prices at which units are created, issued, cancelled and redeemed are in accordance with schedule 6 and shall from time to time and, if requested at any time by a holder or former holder to do so within six months after the completion of the transaction, carry out checks which are adequate to show whether the manager has determined prices within those limits.

(7) The trustee shall be entitled to give notice to the manager that it is not prepared to accept the transfer of any property which in the opinion of the trustee infringes the terms of these rules or of the principal documents; and the trustee shall be entitled to require the manager to secure the transfer in place of any such property of other property acceptable to the trustee.

(8) If services are provided under paragraph (3) by an approved bank or a subsidiary of an approved bank which is an associate of the manager, neither the trustee, the manager nor the person providing the custodial services shall be liable to account either to the other or others of them or to the holders or any of them for any profits or benefits made by or derived from payments made by way of remuneration for the custodial services.

4.06 General provisions applicable to the manager and the trustee

(1) (a) The designated manager and the designated trustee of an authorised scheme shall:-

(i) be different persons and act independently of each other;

(ii) each be incorporated, administered, and have a place of business, in Guernsey;

(iii) not be a subsidiary of the other; and

(iv) not have executive directors or other officers in common.

(b) In the case of a company scheme, the designated custodian shall not have executive directors or other officers in common with those of the company.

(c) The Commission shall be entitled to require such undertakings, bonds, guarantees and assurances as the Commission may determine to secure compliance with paragraph (1)(a) and (b) of this rule.

(2) The manager of an authorised scheme shall give written notice to the Commission of:-

- (a) any proposed alteration to the scheme; and
- (b) any proposal to replace the trustee of the scheme.

Any notice given in respect of a proposed alteration involving a change in the principal documents shall be accompanied by a certificate from an approved law firm either confirming that following the alteration the principal documents will continue to comply with such of these rules as relate to the contents of the principal documents or giving such confirmation subject to such exceptions as are detailed in that certificate (in which case rule 10.02(4) shall apply).

(3) The trustee of an authorised scheme shall give written notice to the Commission of any proposal to replace the manager of the scheme.

(4) No effect shall be given to any such proposal as is mentioned in paragraph (2) or (3) unless:-

- (a) the Commission has given its approval to the proposal; or

- (b) one month has elapsed since the notice was given without the Commission having notified the person serving the notice that the proposal is not approved.

(5) The duties of the manager and the trustee and, in the case of a company scheme, the company and the directors (as the case may be) imposed on each of them by these rules and by the principal documents are in addition to and not in derogation from the duties which are otherwise imposed on them by applicable law; and those parties are required to fulfil those other duties by these rules as well as by such law.

(6) The trustee of a money market fund shall be a bank registered in accordance with the provisions of the Protection of Depositors (Bailiwick of Guernsey) Ordinances 1971 to 1988.

4.07 Voting rights in respect of the scheme property

(1) This rule applies in relation only to authorised schemes which are not feeder funds or funds of funds.

(2) All rights of voting conferred by any of the scheme property shall be exercised or not exercised in such manner as the manager may direct and the manager may refrain at its own discretion from the exercise of any voting rights.

(3) The trustee shall upon the written request of the manager from time to time execute and deliver or cause to be executed or delivered to the manager or its nominees such powers of attorney or proxies as the manager may reasonably require, in such name or names as the manager may request, authorising such attorneys and proxies to vote, consent or otherwise act in respect of all or any part of the scheme property. The manager shall exercise these rights in what it considers to be the best interests of the holders.

(4) The trustee shall without undue delay forward to the manager all notices of meetings, reports, circulars, proxy solicitations and other documents of a like nature received by it or its delegates as registered holder of any investment.

(5) In this rule "vote" includes any consent to or approval of any arrangement, scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the scheme property and "right" includes a requisition or joining in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement or to consent to any short notice of any meeting.

4.08 Replacement and retirement of the trustee

(1) Except with the prior consent of the Commission, a trustee shall not be entitled to retire voluntarily other than upon the appointment of a new trustee.

(2) Subject to rule 4.06(4) in the event of the trustee:-

(a) desiring to retire; or

(b) having an order made or a resolution passed for the winding-up of the trustee (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the trustee) or if its affairs are declared to be in a state of désastre; or

(c) having a receiver appointed of the undertaking of the trustee or any part thereof; or

(d) ceasing to be licensed under the Law; or

(e) being removed from office by an extraordinary resolution; then,

(i) in the case of a unit trust scheme, the manager may by a deed supplemental to the trust deed under the seal of the manager; or

(ii) in the case of a company scheme, the company may by a new trustee agreement;

appoint another person licensed under the Law to be the trustee in place of the retiring trustee in accordance with the provisions of rule 4.06 and any such deed or agreement shall contain such provisions as the manager is advised are necessary or desirable or as the Commission requires to be entered into by the new trustee in order to secure the due performance of its duties as trustee.

4.09 Replacement and retirement of the manager

(1) Subject to rule 4.06, the manager may be removed by notice in writing given by the trustee to the manager in any of the following events:-

(a) if an order is made or a resolution is passed for the winding-up of the manager (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the trustee) or if its affairs are declared to be in a state of désastre; or

(b) if a receiver is appointed of the undertaking of the manager or any part thereof; or

(c) if for good and sufficient reason the trustee is of the opinion and so states in writing to the holders, with reasons, that a change of manager is desirable in the interests of the holders; or

(d) if an extraordinary resolution is passed removing the manager; or

(e) if the holders of three-quarters majority in value of the units (excluding units held or deemed to be held by the manager) make a request in writing to the trustee that the manager be removed; or

(f) if the manager ceases to be licensed under the Law.

(2) Subject to rule 4.06, the manager shall on receipt of such notice cease to be the manager and:-

(a) in the case of a unit trust scheme, the trustee shall by writing under its seal; or

(b) in the case of a company scheme, the company shall by a new management agreement;

appoint some other person licensed under the Law to be the manager of the scheme in accordance with the provisions of rule 4.06; and any such deed or agreement shall contain such provisions as the trustee may be advised are necessary or desirable or as the Commission requires to be entered into by the new manager in order to secure the due performance of its duties as manager.

(3) If the name of the scheme contains a reference to the name of the former manager, the former manager shall be entitled to require the new manager and the trustee forthwith to propose a change in the name of the scheme.

(4) The manager shall have the right to retire in favour of some other person licensed under the Law approved in writing by the trustee upon and subject to fulfilment of the conditions set out in paragraph (2).

(5) Upon the appointment of a new manager:-

(a) the removed or retiring manager shall be released from all further obligations under these rules and under the principal documents but without prejudice to the rights of any person in respect of any act or omission on the part of the removed or retiring manager prior to its retirement or removal; and

(b) the new manager shall thereafter have all the powers, rights, duties and obligations of the manager under these rules and under the principal documents as fully as if it had been originally a party to the principal documents.

(6) Upon the removal or retirement of the manager:-

(a) the removed or retiring manager shall remain entitled to all units held or deemed to be held by it and shall be entitled to require the issue to it of a certificate or certificates in respect thereof (if not previously issued) and to be registered in the register in respect thereof and thereafter to have and exercise all rights of a holder of such units; and

(b) the removed or retiring manager shall, in the case of a company scheme, transfer or procure the transfer at cost to the new manager of any management securities held for its benefit immediately prior to such removal or retirement. If the removed or retiring manager refuses or fails to effect or procure such transfer within 30 days after the date of its removal or retirement the company shall be entitled to transfer such shares on behalf of the removed or retiring manager or its associate, and to account to such person for the proceeds less any costs incurred.

4.10 Manager, trustee and associates not to deal as principals regarding the scheme property

(1) Subject to paragraphs (3) and (4) and paragraph 26 of schedule 6, it is the duty of the manager and of the trustee to take all reasonable steps to ensure that neither of them nor any investment adviser nor any associate of either of them or of any such investment adviser as principal:-

(a) sells, or deals in the sale of, property to the trustee for account of the scheme, or vests property in the trustee against the issue of units in the scheme (otherwise than pursuant to a unitisation), or

(b) purchases property from the trustee acting for the account of the scheme.

(2) The steps referred to in paragraph (1) include the making of reasonable enquiries to determine the identity of the associates of the manager, of the trustee or of any investment adviser.

(3) A transaction in any property is not prohibited by this rule:-

(a) if the value of that property is certified in writing for the purpose of that transaction by a person selected or approved by the trustee as qualified to value property of the description to which that property belongs and the trustee is of the opinion that the terms of that transaction are not such as are likely to result in any prejudice to holders, or

(b) where that property is an investment which is dealt in on an investment exchange, the transaction is effected with or through a member of that exchange under arrangements recorded in writing and made between the manager, the trustee and that member which the trustee and the manager are satisfied impose on that member a duty to take reasonable steps to ensure that every transaction effected by that member for the account of the scheme is effected on the best terms available at the time the transaction is effected, on the market generally for transactions with reliable counterparties of the same size and nature as the transaction in question.

(4) Neither the trustee, the manager, any investment adviser nor any associate of any of them shall be liable to account either to the other or others of them or to the holders or any of them for any profits or benefits made by or derived from or in connection with any transaction permitted by paragraph (3).

PART 5 DISTRIBUTIONS OF INCOME

5.01 Annual accounting periods

(1) The first annual accounting period shall begin:-

(a) where the scheme is the subject of an initial offer, on the first day of the period of the initial offer; or

(b) in the case of an existing scheme, when the scheme is authorised by the Commission or, if the manager on application for authorisation so elects, on the day next following the end of the immediately preceding annual accounting period.

(2) The first annual accounting period shall end:-

(a) on the next day in the calendar year which is the day specified in the principal documents as the day on which the annual accounting period ends; or

(b) if that next day is less than six months after the beginning of the first accounting period and the manager after consulting with the auditor so determines, subject to applicable law, on the first anniversary of that next day.

(3) The first annual accounting period after the making of a change in the dates of the annual accounting period shall begin on the day next following the end of the annual accounting period immediately preceding the making of that change and shall end:-

(a) on the next day in the calendar year which is the new day on which the annual accounting period ends; or

(b) if that next day is less than six months after the beginning of the first accounting period to be completed after the making of the change and the manager after consulting with the auditor so determines, subject to applicable law, on the first anniversary of that next day.

5.02 Amount available for income allocation

On or before each annual income allocation date the manager (or in the case of a company scheme, the directors) shall determine the amount available for income allocation in respect of the immediately preceding annual accounting period, which amount shall be the aggregate of the income property received or receivable in respect of that period less:-

(a) the aggregate of all expenses paid during that period which are payable out of the scheme property in accordance with rule 2.08 and which the manager after consulting with the auditor deems to be properly payable out of income property; and

(b) such provision for taxation as the manager after consulting with the auditor thinks appropriate; and

(c) the aggregate of those parts of the cancellation prices of units cancelled during that period as was payable out of income property in accordance with schedule 6; and

(d) such adjustments as are specified in the principal documents or as the manager after consulting the auditor thinks appropriate.

5.03 Treatment of amount available for allocation of income in relation to accumulation units

(1) In the case of a scheme which has in existence both accumulation units and income units, the amount available for allocation of income in accordance with rule 5.02 shall on the record date be allocated between accumulation units and income units according to the respective shares in the scheme property represented by or attributable to the accumulation units and income units in issue or deemed to be in issue at the end of the relevant annual accounting period.

(2) The amount allocated to the holders of accumulation units in accordance with paragraph (1) or, in the case of a scheme where all the units in existence are accumulation units, the whole amount available for allocation of income under rule 5.02, shall, with effect from the record date, become part of the capital property; and the interests of the unit holders in that amount shall be satisfied in accordance with rule 2.03(2) by an increase, with effect from the record date in the number (including fractions) of undivided shares in the scheme property represented by the accumulation units.

5.04 Annual distribution to holders of income units

(1) Except in the case of a scheme whose units are exclusively accumulation units, on or before each annual income allocation date the trustee shall distribute among the holders and the manager in respect of all income units rateably in accordance with the number of such units held or deemed to be held by them respectively on a date not later than the annual income allocation date selected by the manager ("the record date"):-

(a) if there are no accumulation units, the amount available in accordance with rule 5.02 for allocation

of income in respect of that annual accounting period;
or

(b) if there are accumulation units, that part of that amount which has been allocated to income units in accordance with rule 5.03;

in either case after:-

(i) deducting and carrying forward as income property such amount as may be necessary to adjust that allocation of income to such convenient fraction of a unit of the base currency of the scheme as the manager or in the case of a company scheme, the directors may from time to time determine; and

(ii) deducting all amounts previously allocated by way of interim allocations of income in respect of that annual accounting period.

(2) As soon as practicable after the end of each annual accounting period but not later than the record date the amount of cash required to effect a distribution in accordance with this rule shall be transferred to an account ("the distribution account") but for the purpose of calculating the value of the scheme property such amount shall be deemed to have been transferred as at the end of such accounting period even if such transfer takes place thereafter.

5.05 Interim allocation of income

If the principal documents require or authorise the trustee to make any interim allocation of income before the annual income allocation date in any year in respect of a period ("an interim accounting period") within the annual accounting period, rules 5.02, 5.03 and 5.04 shall apply to the making of that interim allocation of income as if:-

(a) references therein to the annual accounting period were references to the interim accounting period in question and all previous interim accounting periods in the same annual accounting period taken together; and

(b) references therein to the annual income allocation date were references to the interim income allocation date; and

(c) in rule 5.02 for the reference to the amount available for allocation of income in respect of the annual accounting period there were substituted a reference to such amount as may be determined by the manager (or in the case of a company scheme, the directors) to be allocated by way of interim allocation of income not exceeding such sum as in the opinion of the manager represents the amount which would be available for allocation of income under rule 5.02 if the interim accounting period and all previous interim accounting periods in the same annual accounting period taken together were an annual accounting period.

5.06 Income equalisation

The principal documents may provide for income equalisation. If the principal documents so provide:-

(1) An allocation of income (including an allocation to accumulation units) to be made in respect of each unit which is created or issued during the accounting period in respect of which that income allocation is made shall subject to paragraph (2) below include a capital sum representing the manager's best estimate of the amount of income property included in the creation price by reference to which the issue price of that unit was determined. In the case of a company scheme, the creation price may be reduced by the amount of such income property, but an amount equivalent to the income

property shall be added to the creation price and paid into the scheme property upon the creation or issue of a unit.

(2) If the principal documents permit it, the capital sum referred to in paragraph (1) may be an amount arrived at by taking the aggregate of the amounts of such income property in respect of units of the type in question created or issued during the accounting period (or any part thereof determined by the manager after consulting the auditor) and dividing that aggregate by the number of those units and applying the resultant average to each of the units in question.

(3) Income equalisation in the case of a unit issued by the manager in the accounting period in question may be financed out of a payment made by the manager to the trustee in accordance with these rules in respect of that unit and in such event the manager shall be paid by the trustee, out of the distribution account in the case of income units and out of the capital property in the case of accumulation units, a sum equal to the income equalisation applicable to that unit when income allocations (including allocations to accumulation units) are made for that accounting period in accordance with rule 5.04, or in accordance with rule 5.04 as applied by rule 5.05 (interim allocations of income), as the case may be.

(4) The manager may after consulting the auditors make adjustments to the mechanism whereby income equalisation operates if the manager reasonably believes that such adjustments are necessary or expedient in order to provide for equity between holders or as a consequence of fiscal requirements or to cater for the particular circumstances of an authorised scheme.

5.07 How distributions may be made

(1) Any monies payable by the trustee to a holder in respect of any unit the title to which is for the time being represented by a bearer certificate or bearer depositary receipt may be paid by crossed cheque or warrant made payable to the order of the person who, in such manner as is prescribed in the principal documents, has identified himself to the trustee (or his agent for payment) as the person entitled to that distribution and may be sent by post to such address as that person has disclosed to the trustee for that purpose.

(2) Any monies payable by the trustee to the manager or to a registered holder in respect of any unit may be paid by crossed cheque or warrant made payable to the order of, and sent through the post to the usual business address of the manager, or the registered address of such holder, as the case may be, or, in the case of joint holders, made payable to, and sent to the registered address of, that one of the joint holders who is first named on the register.

(3) The payment of any cheque or warrant to the first named of joint holders shall be as effective a discharge to the trustee and the manager as if such first named joint holder were a sole holder.

(4) Every such cheque or warrant which is so sent shall be a satisfaction of the monies payable and shall be a good discharge to the person making the payment.

(5) Where an authority in writing in that behalf has been received by the trustee from the manager or the registered holder or in the case of joint holders from all of them in such form as the trustee or, in the case of a company scheme, the directors, consider sufficient, the trustee shall pay the amount payable to the manager or the holder or

joint holders, as the case may be, to his or their approved bank or other agent with the same effect as hereinbefore provided as though such approved bank or other agent were the sole holder.

(6) Any distribution payment which remains unclaimed shall be dealt with in accordance with the provisions of the principal documents or if there are no such provisions after a period of six years from the date of payment of the same shall then be transferred to and become part of the capital property; and thenceforth neither the payee nor the holder nor any successor in title of his shall have any right thereto or therein except as part of the capital property.

(7) The trustee shall be entitled to appoint a paying agent, with the approval of the manager, and, in the case of a company scheme, the directors; and, if the trustee does so:-

(a) the trustee remains responsible for the discharge of all the trustee's duties under this rule; and

(b) anything required or authorised under this rule to be done by the trustee may be done by the paying agent.

5.08 Distribution statements

(1) On or before each interim income allocation date and on or before each annual income allocation date the trustee (or, in the case of a company scheme, the company) shall send to each holder (or to the first named of joint holders) entered in the register as at the record date and shall on request give to a holder of units the title to which is represented by a bearer certificate or a bearer depositary receipt:-

(a) a statement prepared by the manager showing the calculation of the amount to which the holder is

entitled, whether or not the income is distributed to him or allocated to accumulation units, and, where applicable, a statement of how much of the amount to which he is entitled represents income equalisation; and

(b) if the manager so determines, a statement prepared by the manager identifying the sources of income attributable to the holders by country and the amount of tax (if any) withheld from, or accountable in respect of, such amount.

(2) In the case of any distribution on dissolution of the scheme, any statement prepared under paragraph (1) shall show what proportion of the distribution represents capital and what proportion represents income.

PART 6 REPORTS TO HOLDERS

6.01 Annual and half-yearly reports

(1) The manager shall, in relation to each annual and half-yearly accounting period, prepare a report stating the matters set out in Part I of schedule 2 and otherwise complying with the following requirements of this rule. However a half-yearly report need not be prepared in relation to the first half-yearly accounting period if the first annual accounting period is a period of less than one year.

(2) A report which relates to an annual accounting period shall contain:-

(a) a portfolio statement relating to that period stating the matters set out in Part II of schedule 2; and

(b) a comparative table relating to that period stating the matters set out in Part III of schedule 2; and

(c) a copy of a report of the auditor to the holders on the accounts contained in the report stating the matters set out in Part IV of schedule 2; and

(d) a copy of a report of the trustee to the holders stating the matters set out in Part V of schedule 2 hereto and supplied to the manager by the trustee in accordance with rule 6.04.

(3) A report which relates to any accounting period shall contain the accounts of the authorised scheme for the period to which the report relates, which shall consist of:-

(a) a statement of assets and liabilities stating the matters set out in Part I of schedule 3; and

(b) if a distribution or allocation of income is to be made for that period, an income and distribution account stating the matters set out in Part II of schedule 3; and

(c) if that period is an annual accounting period:-

(i) a capital account stating the matters set out in Part III of schedule 3 hereto; and

(ii) notes to the accounts stating the matters set out in Part IV of schedule 3;

and shall be prepared in accordance with generally accepted accounting principles and shall give a true and fair view of the financial position of the scheme as at the end of the period to which the accounts relate.

(4) In the case of an umbrella fund the manager shall have the following additional obligations:-

(a) to include in each report the following information in relation to each constituent part in the umbrella fund:-

(i) the name of the constituent part; and

(ii) a description of the investment objectives;
and

(iii) such statements about the changes over the period to which the report relates in the capital value of units in the constituent part and the

income therefrom as the manager considers appropriate to enable a holder to judge the relative merits of investment in that constituent part as compared with investment in any other constituent part; and

(b) to supply to any person to whom a report relating to a constituent part has been sent the corresponding report relating to any of the other constituent parts if that person requests that such report be sent to him; and

(c) to state in each report relating to a constituent part the fact that the corresponding report for any other constituent part will be sent to any holder who requests it.

(5) A report which relates to any accounting period shall be signed by two directors of the manager or, if the manager has only one director, by that director and in the case of a company scheme in accordance with applicable law.

6.02 Publication of manager's reports

(1) The manager shall within six months after the end of the annual accounting period and the half-yearly accounting period, publish the manager's annual and half-yearly report respectively in accordance with paragraphs (2) and (3).

(2) The manager shall send a copy of the report to each holder (or to the first named of joint holders) entered in the register on the record date (or, if the report relates to a half-yearly accounting period for which no interim allocation of income is made, as at the last day of that period) and shall give a copy of the report to each holder

of bearer units or bearer depositary receipts on request by the holder.

(3) The manager and the trustee shall make the most recent annual report and the most recent half-yearly report (unless it has been superseded by an annual report) available in English for inspection by the public free of charge at each place specified for the purpose in the most recently published scheme particulars during ordinary office hours.

(4) The manager shall send a copy of the report in English to the Commission when it is published.

6.03 Manager's reports to be offered to purchasers of units

The manager shall not effect any sale of units in an authorised scheme to any person other than a person who is already a holder of units in the scheme until it has offered that person free of charge a copy in English of the most recent annual report of the manager and the most recent half-yearly report of the manager (unless it has been superseded by an annual report).

6.04 Annual report by the trustee

(1) It is the duty of the trustee to enquire into the conduct of the manager and, in the case of a company scheme, the directors, in the management of the scheme in each annual accounting period and to report thereon to the holders.

(2) The trustee's report shall contain the matters set out in Part V of schedule 2 and shall be delivered to the manager in good time to enable him to include a copy of the report in his report to the holders made on or before the annual allocation date.

PART 7 MEETINGS OF HOLDERS

7.01 Convening of meetings, attendance and voting

(1) The trustee, the manager, or, in the case of a company scheme the company, may at any time subject to applicable law convene a meeting of holders on such day, and at such time and place, as may be thought fit.

(2) The manager, or in the case of a company scheme the directors, shall, on the request in writing of such number of holders as may be specified in the principal documents, in accordance with applicable law convene a meeting of holders on such day, and at such time and place, as may be thought fit.

(3) The manager, or (being a holder) any associate of the manager, shall be entitled to receive notice of and attend at any such meeting but, subject to paragraph (4), shall not be entitled to vote but may be counted in the quorum therefor; and accordingly for the purposes of this part of these rules the units held or deemed to be held by the manager or any associate of the manager shall not be regarded as being in issue.

(4) The manager or any associate of the manager shall be entitled to vote and be counted in the quorum at any such meeting in respect of units which he holds as a bare trustee or nominee on behalf of a person entitled to vote and from whom he has received voting instructions.

(5) The manager, the trustee and their respective legal advisers shall be entitled to attend and be heard at every such meeting.

(6) Any such meeting shall be held in Guernsey or at such place as the manager and the trustee may determine or approve, subject to applicable law.

7.02 Powers of a meeting of holders

(1) Subject to paragraph (2), a meeting of holders duly convened and held in accordance with this part of these rules shall (subject to applicable law) be competent by extraordinary resolution:-

(a) to sanction any modification, alteration or addition to the provisions of the principal documents which shall be agreed by the trustee and the manager; and

(b) to remove the manager as provided in rule 4.09(1)(d) and to remove the trustee as provided in rule 4.08(2); and

(c) to approve an arrangement for the reconstruction or amalgamation of the authorised scheme with another body or scheme whether or not that other scheme is a collective investment scheme; and

(d) to approve any departure from stated policy pursuant to rule 2.05(2); and

(e) to terminate the authorised scheme as provided in rule 8.05;

and shall have such further or other powers as are:-

(i) permitted by applicable law and not inconsistent with these rules; or

(ii) required by applicable law.

(2) A meeting of holders shall not be competent to sanction an increase in the maximum of the manager's periodic charge except by an extraordinary resolution which provides that the increase shall become effective at a specified date not.

earlier than 90 days after the date on which the resolution is passed.

(3) If a meeting of holders is convened by the manager, the trustee or in the case of a company scheme, the company, to consider a resolution for the removal of the trustee or the manager, the person convening the meeting shall ensure that the notice is accompanied by a statement of the reasons for proposing the resolution.

7.03 Notices of meetings of holders

(1) Fourteen days' notice (or any longer period of notice specified for the purpose in the principal documents or by applicable law), inclusive of the day on which the notice is served and of the day for which the notice is given, of every meeting shall be given to the holders in the manner provided for in rule 9 below.

(2) The notice shall specify the place, day and hour of the meeting and the terms of the resolutions to be proposed.

(3) A copy of the notice shall be sent by post by the manager to the trustee or by the trustee to the manager as the case may be and, in the case of a company scheme, by the company to both the manager and the trustee.

(4) Subject to applicable law, the accidental omission to give notice to or the non-receipt of notice by any of the holders shall not invalidate the proceedings at any meeting.

(5) There may be included in any notice convening a meeting of the company in relation to a company scheme for the purpose of passing an extraordinary resolution a notice specifying the place, the day and the hour of a subsequent meeting to be held (subject to the passing of the extraordinary resolution at the first meeting) for the

purpose of confirming such extraordinary resolution in accordance with the provisions of applicable law.

7.04 Quorum

(1) Subject to applicable law, the quorum at a meeting of holders shall be such number of holders as is specified in the principal documents.

(2) Subject to paragraph (3), no business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

(3) If within half an hour from the time appointed for the meeting a quorum is not present the meeting shall stand adjourned in accordance with applicable law to such day and time and to such place as may be appointed by the chairman; and (if permitted under applicable law) at such adjourned meeting the holders present in person or by proxy shall be a quorum.

(4) Ten days' notice of any adjourned meeting of holders shall be given in the same manner as for an original meeting where such meeting is adjourned for 14 days or more and such notice shall state (if permitted under applicable law) that the holders present at the adjourned meeting whatever their number and the value of units held by them will form a quorum. Save as aforesaid, it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned meeting.

7.05 The chairman

Some person, who, if applicable law so permits, need not be a holder, either nominated in writing by the trustee or if applicable law does not so permit, elected in accordance with applicable law, shall preside at every meeting of

holders; and, if no such person is nominated or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the holders present shall elect one of their number to be chairman.

7.06 Adjournment

The chairman may, with the consent of any meeting of holders at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

7.07 Votes at meetings

(1) At any meeting of holders a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by the chairman or by one or more holders present in person or, if permitted under applicable law, by proxy and holding or representing such number or value of units as may be specified for this purpose in the principal documents in accordance with applicable law.

(2) Unless a poll is so demanded a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

(3) If a poll is duly demanded it shall be taken in such manner as the chairman may direct and the result of a poll shall be deemed to be the resolution in respect of which the poll was demanded.

(4) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such day, time and place as specified under applicable law or as the chairman may direct. A demand for a poll may be withdrawn at any time.

(5) The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

(6) On a show of hands every holder who (being an individual) is present in person or, if permitted under applicable law, by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote.

(7) On a poll every holder who is present in person or by proxy, if permitted under applicable law, shall have one vote for every complete unit and a further part of one vote proportionate to any fraction of a unit of which he is the holder. A person entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

(8) A body corporate being a holder may authorise such person as it thinks fit to act as its representative at any meeting and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual holder.

(9) In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, if permitted under applicable law, shall be accepted to the exclusion of the votes of the other joint holders (unless agreed otherwise by the joint holders); and for this purpose seniority shall be determined by the order in which the names stand in the register of holders.

(10) On a poll, subject to applicable law, votes may be given either personally or by proxy.

7.08 Proxies

(1) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.

(2) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at such place as the trustee or the manager with the approval of the trustee may in the notice convening the meeting direct, or if no such place is appointed then at the registered office of the manager or, in the case of a company scheme, the company, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the person named in the instrument proposes to vote; and in default the instrument of proxy shall not be treated as valid.

(3) No instrument for appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

(4) A person appointed to act as a proxy need not be a holder.

(5) An instrument of proxy may be in the usual common form or any other form which the trustee approves.

(6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the

previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the units in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer has been received at the place appointed for the deposit of proxies (or if no such place is appointed at the registered office of the manager) before the commencement of the meeting or adjourned meeting at which the proxy is used.

7.09 Minutes

Minutes of all resolutions and proceedings at every meeting of the holders shall be made and duly entered in books to be from time to time provided for the purpose by and at the expense of the manager and, in the case of a company scheme, books shall be kept in accordance with the provisions of applicable law. Any such minute signed in accordance with applicable law and, if necessary, confirmed at a subsequent meeting shall be conclusive evidence of the matters therein stated and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed thereat to have been duly passed.

7.10 Meaning of "extraordinary resolution"

In these rules "extraordinary resolution" means a resolution proposed and passed as an extraordinary or special resolution at a meeting of holders duly convened and held in accordance with this part of these rules and carried, whether on a show of hands or on a poll, by a majority consisting of 75% (or any other proportion specified under applicable law) of the total number of votes cast for and against such resolution. Where under applicable law such resolution requires confirmation at a subsequent meeting by a simple majority, the term

"extraordinary resolution" shall include such confirmation.

7.11 Class meetings

(1) If the trustee is of the opinion that the extraordinary resolution to be proposed is one in relation to which there is or might be a conflict of interest between the holders of accumulation units and the holders of income units or, in the case of an umbrella fund, between the holders of units in one constituent part and the holders of units in another, such resolution shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of all holders it shall be duly passed at separate meetings respectively of the holders of accumulation units and income units or of the holders of units in the one constituent part and of holders of units in the other, as the case may be.

(2) This part of these rules shall apply to each separate meeting of holders of accumulation units and of holders of income units as though references in this part to units and to holders were references respectively to units of the type in question and to the holders of such units.

7.12 Umbrella Funds

Part 7 of these rules shall apply in the case of an umbrella fund to each constituent part as well as to the umbrella fund as a whole and shall so apply as if the reference to the holders were a reference to the holders of units in that constituent part. However, a meeting of holders of units in one constituent part only may, in pursuance of rule

7.02(1):-

(a) sanction a modification, alteration or addition to a provision of the principal documents only if the provision relates only to that constituent part; or

(b) sanction a departure by the manager from a policy statement included in scheme particulars as long as that statement relates only to that constituent part.

PART 8 TERMINATION OF THE SCHEME

8.01 When a unit trust scheme is to be wound up

Forthwith upon the happening of any of the events specified in rule 8.05 the trustee shall cease the creation and cancellation of units in the authorised scheme, the manager shall cease the issue and redemption of units in the authorised scheme and the trustee shall proceed to wind up the authorised scheme in accordance with rule 8.02.

8.02 Manner of winding-up a unit trust scheme

(1) Upon the passing of an extraordinary resolution under rule 7.02(1)(c) approving the reconstruction or amalgamation of the authorised scheme with another body or scheme the trustee shall wind up the authorised scheme in accordance with that resolution or the terms of the approved reconstruction or amalgamation.

(2) In any other case the trustee shall as soon as practicable after the authorised scheme falls to be wound up under rule 8.01 realise the scheme property and, after paying thereout all liabilities properly so payable and retaining provision for the costs of the winding up, distribute the proceeds of that realisation to the holders and the manager as they may direct (upon production by them of evidence as to their entitlement thereto) proportionately to their respective interests in the authorised scheme. Provided that if the manager so directs or the principal documents so require, the trustee shall rather than realising any of the scheme property distribute it in specie amongst the holders in satisfaction of their proportionate entitlements.

(3) Any unclaimed net proceeds or other cash held by the trustee after the expiration of 12 months from the date on which the same became payable shall be distributed by the trustee in accordance with applicable law subject to the trustee having a right, if applicable law so permits, to retain thereout any expenses incurred by it in making that distribution.

8.03 When a company scheme is to be wound up

Forthwith upon the happening of any of the events specified in rule 8.05 the company shall cease the creation and cancellation of units in the company scheme, the manager shall cease the sale and repurchase of units in the scheme and:-

(i) where rule 8.05(a) applies, the directors of the company shall convene an extraordinary general meeting of the company scheme for a date not later than one month after the happening of the event in question for the purpose of considering a resolution to wind up the company; or

(ii) where either rule 8.05(b), (c) or (d) applies, the company scheme shall be wound up in accordance with the terms of the principal documents and applicable law.

8.04 Manner of winding-up a company scheme

On a winding-up the assets available for distribution among the holders of units in a company scheme shall be applied firstly in the payment to the holders of units in the company shares of the scheme property in accordance with their respective interests, and thereafter in the payment to the holders of management securities of sums in accordance with their respective entitlements as provided in the principal documents.

8.05 Winding-up events

The events referred to in rule 8.01 and 8.03 are:-

(a) when the authorisation of the scheme is revoked (unless the Commission in any particular case otherwise directs);

(b) when an extraordinary resolution passed by the holders determines that the authorised scheme shall be wound up;

(c) where the principal documents so provide, when the date for the termination of the authorised scheme is reached without an extraordinary resolution passed by the holders postponing the termination; or

(d) where the principal documents so provide, when the value of the scheme property calculated in accordance with paragraphs 2 and 3 of schedule 5 fall below the value prescribed in the principal documents and scheme particulars for the requisite period and the manager, in the case of a unit trust scheme, or the directors, in the case of a company scheme, elect to wind up the scheme.

PART 9 SERVICE OF NOTICES AND DOCUMENTS

9. Service of notices and documents

(1) Without prejudice to any other method of service under applicable law , any notice or document required to be given to or served upon a holder shall be deemed to have been duly given or served:-

(a) in the case of units for the time being represented by bearer certificates or bearer depositary receipts, if it is given or served in the manner provided for in the most recently published scheme particulars; or

(b) in the case of units held by a registered holder, if it is sent by post to, or left at, his address as appearing in the register.

(2) Any notice or document served by post shall be deemed to have been served on the fifth day following that on which the letter containing the same is posted, and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted.

(3) Service of a notice or document on, or delivery to, any one of several joint holders shall be deemed effective service or delivery on the other joint holders.

(4) Any notice or document (including a cheque or warrant) sent by post shall be sent at the risk of the person entitled thereto.

(5) Any notice or document sent by post to, or left at, the registered address of a holder shall, notwithstanding that such holder be then dead, bankrupt or under mental or other

legal disability and whether or not the trustee or manager has notice of such death, bankruptcy or disability, be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under him) in the units concerned.

PART 10 CLASSIFICATION OF SCHEMES

10.01 Application

(1) The manager of a collective investment scheme seeking a Class A1 Scheme declaration from the Commission shall apply to the Commission and shall provide:-

(a) a certificate from an approved law firm stating that the principal documents comply with all of these rules relating to their contents; and

(b) such other information as the Commission may require.

(2) The manager of a collective investment scheme seeking a Class A2 Scheme declaration from the Commission shall apply to the Commission and shall provide:-

(a) a certificate from an approved law firm detailing those rules (if any) in Parts 3 (except for rule 3.15), 5, 7 (except for rule 7.01 (3) and (4)), 8 or 9 of the rules with which the scheme cannot comply together with the reasons why the scheme overall affords to investors protection at least equivalent to the rules but otherwise confirming that the principal documents comply with such of these rules as relate to their contents; and

(b) such other information as the Commission may require.

(3) The manager of a collective investment scheme seeking a Class B Scheme declaration from the Commission shall apply to the Commission in such form, and shall provide such information, as the Commission may require.

10.02 Declaration

(1) Each declaration of authorisation shall state whether the authorised scheme is a Class A1, A2 or B Scheme.

(2) The Commission shall not grant a Class A2 Scheme declaration unless it is satisfied that where a rule is not complied with the scheme overall affords to investors protection at least equivalent to the rules.

(3) The Commission may (but need not) declare a scheme to be a Class B Scheme if it is satisfied that the scheme has obtained the consent of the Committee under the Control of Borrowing Ordinance for the issue of units.

(4) Where a Class A1 or A2 Scheme seeks to make an alteration to its principal documents, the submission of a certificate from an approved law firm under rule 4.06(2) which does not give an unqualified confirmation that the principal documents will continue to comply with such of these rules as relate to the contents of the principal documents, shall be treated as an application for a Class B Scheme declaration unless the scheme shall still be capable of qualifying as a Class A2 Scheme following the alteration, in which case it shall be treated as an application for a Class A2 Scheme declaration under rule 10.02(2) if the manager specifically so requests.

10.03 Undertakings

In respect of Class A1, A2 or B Schemes, as a condition of authorisation the Commission shall be entitled to require such undertakings, indemnities, bonds, guarantees and assurances as the Commission may determine to secure compliance with these rules.

Part 11 SCHEME PARTICULARS AND PROSPECTUSES

11.01 Preparation of scheme particulars

(1) Scheme particulars complying with schedule 4 shall be prepared by the manager of an authorised scheme and by the directors in the case of a company scheme.

(2) Scheme particulars shall be revised at least once in every 12 months to reflect any changes but not otherwise but if any significant change occurs in the matters stated therein or any significant new matter arises which ought to be stated therein before the scheme particulars are due for such an annual revision they shall be revised immediately that change occurs or new matter arises so far as is necessary to take account of that change or matter.

(3) A revision of scheme particulars may take the form of a complete substitution for the previous particulars or of a supplement to those particulars.

(4) References in these rules to scheme particulars are references to scheme particulars prepared and revised (where revision is required) in accordance with this rule.

11.02 Publication of scheme particulars

The manager of an authorised scheme (and in the case of a company scheme, the company):-

(a) shall not market units in that scheme unless:-

(i) scheme particulars have been prepared in accordance with rule 11.01 in English; and

(ii) arrangements have been made for a printed document containing those particulars to be available in what the manager (and in the case of

a company scheme, the company) reasonably considers to be sufficient numbers to enable it to comply with the requirements of sub-paragraph (b); and

(iii) a copy of that document has been sent to the Commission, and to the trustee; and

(b) shall not effect any sale of units in the authorised scheme to any person (other than the holder of units in the authorised scheme) until it has offered that person free of charge a copy of the scheme particulars.

11.03 Inspection of scheme particulars

The manager of an authorised scheme (and in the case of a company scheme, the company) shall make a copy of the scheme particulars available for inspection by any member of the public free of charge at all times during ordinary office hours at its principal place of business in Guernsey.

11.04 Compensation for false or misleading prospectuses or scheme particulars

(1) The manager and in the case of a company scheme, the directors of an authorised scheme is/are to be treated as responsible for any prospectus or scheme particulars.

(2) The manager and in the case of a company scheme, the directors shall be liable to pay compensation to any person who has purchased or agreed to purchase units in the scheme and suffered loss as a result of:-

(a) any untrue or misleading statement in any scheme particulars, which form part of or constitute a prospectus or the omission therefrom of any matter

required by these rules to be included in the scheme particulars; or

(b) any untrue or misleading statement or omission arising as a result of a failure to revise, update or correct any scheme particulars which form part of or constitute a prospectus in accordance with rule 11.01(2).

(3) The omission from the scheme particulars of any information required under these rules shall be treated for the purposes of paragraph (1) as a statement that there is no such matter.

11.05 Exemption from liability to pay compensation

(1) A person shall not incur any liability under rule 11.04 for any loss in respect of units in an authorised scheme caused by any such statement or omission as is there mentioned if he satisfies the court that at the time when the scheme particulars were prepared or ought to have been revised in accordance with rule 11.01 he reasonably believed, having made such enquiries (if any) as were reasonable, that the statement was true and not misleading or that the matter the omission of which caused the loss was properly omitted and in either case that:-

(a) he continued in that belief until the time when the units were acquired; or

(b) the units were acquired before it was reasonably practicable to bring a correction to the attention of persons likely to acquire units in the authorised scheme; or

(c) before the units were acquired he had taken all such steps as it was reasonable for him to have taken to secure that a correction was brought to the

attention of persons likely to acquire units in the authorised scheme; or

(d) the person who acquired the units was not influenced, or not influenced to any material extent, by that statement, or would not have been influenced, or influenced to any material extent, by the inclusion of the matter omitted, in making his decision to acquire the units.

(2) Without prejudice to paragraph (1), a person shall not incur any liability under rule 11.04 for any loss in respect of any units in an authorised scheme caused by any such statement or omission as is there mentioned if he satisfies the court:-

(a) that before the units were acquired a correction had been published in a manner calculated to bring it to the attention of persons likely to participate in the authorised scheme; or

(b) that he took all such steps as it was reasonable for him to take to secure such publication and reasonably believed that it had taken place before the units were acquired.

(3) A person shall not incur any liability under rule 11.04 if he satisfies the court that the person suffering the loss acquired the units in question with knowledge that the statement was false or misleading or with knowledge of the omitted matter, as the case may be.

(4) A person shall not incur any liability under rule 11.04 as a result of a failure to prepare revised scheme particulars in accordance with rule 11.01(2) if he satisfies the court that he reasonably believed that the change or new matter in question was not such as to call for a revision of the scheme particulars under rule 11.01(2).

Part 12 TRANSITIONAL PROVISIONS

12.01 Authorisation of existing schemes

(1) In the case of an existing scheme if prior to the commencement date:-

(a) an application for authorisation under the Law has been made to the Commission and that application has not been rejected or withdrawn; or

(b) a declaration of authorisation has been issued by the Commission;

then that scheme shall be treated as a Class B Scheme until the application is finally determined or withdrawn or the declaration of authorisation is revoked.

(2) The manager of an existing scheme seeking a Class A1 Scheme declaration shall apply to the Commission and, in the case of an existing non-Guernsey Scheme, shall also provide a certificate from an approved law firm confirming that the undertaking given in accordance with rule 12.03(2) is valid and binding in accordance with applicable law.

(3) The manager of an existing scheme seeking a Class A2 Scheme declaration shall apply to the Commission and,

(a) shall provide:-

(i) a certificate from an approved law firm detailing those rules (if any) in Parts 3 (except for rule 3.15), 5, 7 (except for rule 7.01 (3) and (4)), 8 or 9 of the rules with which the scheme cannot comply together with the reasons why the scheme overall affords to investors protection at least equivalent to the rules; and

(ii) such other information as the Commission may require; and

(b) in the case of an existing non-Guernsey Scheme only, shall also provide a certificate from an approved law firm confirming that the undertaking given in accordance with rule 12.03(2) is valid and binding in accordance with applicable law.

12.02 Amendment to the principal documents in the case of a Class A1 and A2 Scheme

(1) On the first occasion on or after the date the declaration of Class A1 or A2 Scheme authorisation is issued in respect of an existing scheme where an amendment to any of the principal documents is required to be approved by an extraordinary resolution at a meeting of holders called for the purpose ("the relevant occasion") amendments required to the principal documents under which an existing scheme is constituted in order to reflect compliance with these rules shall also be put to the holders for approval. If such amendments are not approved by the holders, the scheme shall be treated as a class B Scheme.

(2) Until two years after the commencement date or until the circumstances of paragraph 1 above occur rule 2.06 shall not apply and the provision in the principal documents under which the existing scheme is constituted concerning the manager's periodic charges shall apply as though it were authorised to be included in the principal documents by schedule 1.

(3) Until such time as is referred to in paragraph (1) above, the principal documents shall, subject to these rules, have effect as if:-

(a) in a case where the principal documents provide for the units in the scheme to be denominated in a currency other than sterling, they contained a statement that that currency was the base currency of the scheme and, in any other case, they contained a statement that sterling was the base currency of the scheme; and

(b) they contained the provisions required by paragraph 13 of Part I of Schedule 1 to these rules to be contained in the principal documents and contained no other provisions relating to the modification of the principal documents; and

(c) where the principal documents contain a provision which is not permitted by these rules or by paragraph (2), the principal documents did not contain that provision; and

(d) where the principal documents contain a provision which is more restrictive than is required by these rules and does not otherwise conflict with these rules, the principal documents did contain that provision; and

(e) where the principal documents do not contain a provision which is required by these rules, the principal documents did contain that provision, Provided that the matters required to be shown by paragraphs 8, 9, 10, 11 and 15 of part 1 of schedule 1 must be shown in the scheme particulars; and

(f) the remaining provisions of the principal documents had, on the date the declaration of Class A1 or A2 Scheme authorisation was issued, been amended in whatever respects were necessary to secure compliance on that date with the requirements of these rules as to matters which must be included in the principal

documents.

(4) In relation to the accounting period current on the date the declaration of Class A1 or A2 Scheme authorisation was issued for an existing scheme and, where the accounting period next after that period begins not more than six months after the date such declaration was issued, in relation to that accounting period:-

(a) Part 6 of these rules shall not apply but the manager shall continue to be obliged to make such reports and deliver such accounts to the holders as he was obliged to do under the terms of the principal documents and under applicable law as they had effect immediately before the date the declaration of authorisation was issued; and

(b) rule 5.06(2) shall have effect as if it permitted grouping for equalisation for such periods as were provided by the terms of the principal documents and under applicable law as they had effect immediately before the date the declaration of Class A1 or A2 Scheme authorisation was issued.

(5) Until the first relevant occasion on which the principal documents are amended under paragraph (1) above, Part I of schedule 1 to these rules shall have effect as if paragraphs 4 and 5 were deleted.

(6) In this rule, an occasion on which the principal documents are amended is not a relevant occasion if:-

(a) the costs of convening and holding the meeting of the holders which is called for the purpose of approving the amendment are paid by the manager from his own resources; and

(b) the amendments proposed and approved on that occasion do not extend beyond the making of modifications to:-

(i) the amount of the remuneration and expenses of the trustee, the manager or the auditor of the scheme;

(ii) the method of charging the remuneration and expenses of the trustee, the manager or the auditor and any consequential changes to the other arrangements for remuneration.

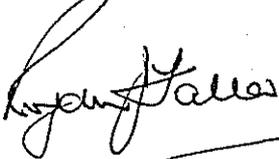
12.03 Overriding effect of the rules

(1) In the case of an existing Guernsey scheme, the principal documents are overridden by these rules and are void to the extent of any inconsistency.

(2) In the case of an existing non-Guernsey scheme, the manager, the trustee and, in the case of a company scheme, the directors shall give an undertaking to the Commission to operate the authorised scheme as if the principal documents were overridden by these rules to the extent of any inconsistency.

(3) Compliance with an undertaking given in accordance with this rule is a condition of the scheme's authorisation as a Class A1 or A2 Scheme.

Made on 8th November, 1988.



Roydon J. Falla, Chairman -
Guernsey Financial Services Commission.

SCHEDULE 1

Rule 2.02

PART I

MATTERS WHICH MUST BE CONTAINED IN THE PRINCIPAL
DOCUMENTS

1. Name of scheme

A statement of the name of the scheme being a name not inconsistent with the objectives of the scheme stated in accordance with paragraph 2 below and in the case of an umbrella fund such a statement in respect of each constituent part.

2. Governing law

A statement of the applicable law under which the principal documents are made and governed.

3. Principal documents to be binding and
authoritative

A statement that the principal documents are binding on each holder as if he had been a party to them and authorise and require the trustee and the manager to do the things required of them under the terms of the principal documents.

4. Status of scheme

A statement of which of the classes of authorised scheme specified by the Commission the scheme belongs to or is intended to belong to; and, in the case of an umbrella fund, this statement is to be made separately in relation to each constituent part.

5. Feeder funds

If the scheme (or in the case of an umbrella fund any constituent part) is a feeder fund, a statement of the name of the scheme into which it is to feed.

6. Base currency

A statement of what currency is the base currency of the scheme, and, in the case of an umbrella fund, this statement is to be made separately in relation to each constituent part.

7. Declaration of trust

A declaration that, subject to the provisions of the principal documents and to all applicable rules for the time being in force under the Law:-

(a) the scheme property (other than sums standing to the credit of the distribution account) is held by the trustee in the case of a unit trust scheme on trust for the holders of the units and, in the case of a company scheme, for the company, and pari passu according to the number of units held by each holder or, in a case where income units and accumulation units are both in issue, according to the number of undivided shares in the scheme property represented by the units held by each holder; and

(b) the sums standing to the credit of the distribution account are held by the trustee on trust to distribute or apply them in accordance with these rules;

and in the case of an umbrella fund the declaration shall be so framed that it will apply to each constituent part separately.

8. Annual accounting period

The dates in the calendar year on which the annual accounting period begins and ends which must, in the case of an umbrella fund, be the same for all the constituent parts.

9. Half-yearly accounting period

The date on which the half-yearly accounting period ends.

10. Annual income allocation date

The date in the calendar year (not being later than three months (or such later date as the Commission may approve) after the date on which the immediately preceding annual accounting period ends) which is to be the annual income allocation date which must, in the case of an umbrella fund, be the same for all the constituent parts.

11. Certificates

(a) Unless provision is contained in the principal documents dispensing with all or any of the requirements of rule 3.04, provision as to the form and content of, and the manner of authenticating and sealing, certificates evidencing title to a holding of units.

(b) A requirement that any change of the name and address on the part of any holders shall forthwith be notified to the trustee by the holder or the manager as the case may be.

12. Holder's liability to pay

Subject to paragraph 14, a provision that a holder is not liable to make any further payment after he has paid the purchase price of his units and that no further liability can be imposed on him in respect of the units which he holds.

13. Variation of principal documents

(1) A provision that no modification, alteration or addition may be made to the principal documents unless approved by an extraordinary resolution at a meeting of holders called for the purpose (unless there are no such holders). But, subject to applicable law, the principal documents may contain a provision that no such approval is required for any modification, alteration or addition which is required solely:-

(a) to implement any change in the law, including a change brought about by an amendment of these rules or of any other rules or regulations made under the Law; or

(b) as a direct consequence of any such change in the Law, or of such rules or regulations; or

(c) to amend any provision in the principal documents which is permitted by paragraph 12 of part II to this schedule; or

(d) to change the name of the scheme; or

(e) to change the dates on which any accounting period begins or ends or to change any income allocation date; or

(f) to replace the manager or the trustee when it has been removed or wishes to retire or has retired; or

(g) to remove from the principal documents obsolete provisions; or

(h) to make a modification, alteration, amendment or addition which the manager and the trustee agree is either for the benefit of the holders and potential

holders or does not involve any of them in any material prejudice.

(2) A provision that, where a relevant modification has been made to the principal documents such modification shall not be approved unless each such modification has been the subject of a separate motion for its approval which has been separately approved by an extraordinary resolution; and for this purpose each of the following is a relevant modification:-

(a) an increase in the maximum of any periodic charge payable to the manager;

(b) a modification to a matter specified in any of the sub-paragraphs of rule 2.05(1) which is the subject of a provision in the principal documents or in scheme particulars.

(3) A provision that no modification may be made to the principal documents which would result in the scheme no longer being able to qualify as an authorised scheme.

(4) In the case of an umbrella fund a provision in respect of each constituent part which satisfies the requirements of paragraph (2) and (3).

14. Partly paid units

In the case of a scheme which issues partly paid units, a provision specifying the rights and obligations of the holder in respect of such partly paid units.

15. Business day

A statement of what days are business days for the purposes of the scheme.

16. Formation expenses

A statement of whether or not the formation expenses will be amortised and (if applicable) the period over which such expenses may be amortised.

17. Meetings

(1) A statement of the number of holders competent to requisition a meeting of holders under rule 7.01(2).

(2) A statement of the number of holders required to constitute a quorum under rule 7.04.

(3) A statement of the number of holders competent to demand a poll under rule 7.07(1).

18. Arrangements for indirect payment for services

A statement of any arrangement the manager has with another person whereby that person will from time to time provide to, or procure for, the manager services or other benefits the nature of which are such that their provision results or is designed to result, in an improvement of the manager's performance in providing its service and for which the manager makes no direct payment but instead undertakes to place business with that person.

19. Umbrella funds

In the case of an umbrella fund:-

(a) a description of the different constituent parts and how units related to each such constituent part are to be distinguished from units related to the other constituent parts;

(b) a statement that holders may exchange rights in one part of the scheme for rights in another.

PART II

MATTERS WHICH MAY BE CONTAINED IN THE PRINCIPAL DOCUMENTS

1. Remuneration and disbursements of the manager and the trustee

A statement:-

(a) authorising the manager to make a periodic charge payable out of the scheme property and specifying how it shall accrue and be paid with a statement of the maximum of that charge expressed as an annual percentage of the value of the scheme property as disclosed in accordance with Part I of schedule 3;

(b) authorising the manager to make a periodic charge payable out of the scheme property expressed as a specified annual percentage of the value of the scheme property lower than the maximum referred to in subparagraph (a) with authority to increase it to a larger percentage of that value (not greater than the said maximum) but with effect only from the expiry of three months from the date on which the manager gives notice in writing to each holder entered on the register of its intention to do so;

(c) authorising the manager to make payments to the trustee by way of remuneration for his services, relieving the trustee for any obligation to account for those payments to the holders or any of them and specifying the basis on which that remuneration is to be calculated and how it should accrue due and be paid;

(d) authorising any payments to the trustee by way of remuneration for his services to be paid (in whole or in part) out of the scheme property;

(e) describing the trustee's expenses or disbursements, including the fees of the registrar (if any) or any expenses or disbursements incurred by the trustee in itself performing the functions of a registrar, which are payable out of the scheme property;

(f) authorising the manager of an umbrella fund to make a charge on the exchange of units in one constituent part for units in another and specifying what the maximum of that charge may be.

2. **Manager's preliminary charge**

A statement of the maximum percentage of the creation price of a unit in the scheme which may be included in the issue price of that unit calculated by reference to that creation price as a preliminary charge receivable by the manager.

3. **Management fund**

A provision for the establishment of a management fund into which the manager's periodic charge shall be paid as a security for payment of expenses payable or likely to be payable under these rules by the manager.

4. **Initial price**

A statement of the initial price of units.

5. **Period of the initial offer**

A statement of the length of the period of the initial offer and a statement specifying the terms and conditions upon which units may be created upon the closing of an initial offer period pursuant to sub-paragraph (2) of paragraph 8 of schedule 6.

6. Constituents of property, hedging transactions and borrowing powers

If the descriptions of asset of which the capital property of the scheme may consist or the proportion of the capital property of the scheme which may consist of an asset of any description or the descriptions of hedging transactions which may be effected on behalf of the scheme or the borrowing powers exercisable in relation to the scheme or the investment powers governing the application of the scheme property are narrower than those permitted for the classes of scheme to which the scheme belongs under these rules, a statement of those narrower descriptions of asset, hedging transactions, borrowing powers, or investment powers.

7. Government and other public securities funds

In the case of a scheme which is a government and other public securities fund, a statement that the manager has discretion to invest more than 35% in value of the scheme property in government and other public securities issued by the same issuer.

8. Accumulation units

A statement whether under the scheme units may be accumulation units only or accumulation units as well as income units and where only accumulation units are to be issued, a provision preventing the payment of income distributions to investors.

9. Interim income allocation date

A provision authorising or requiring interim allocations of income and either specifying what the interim accounting period or periods is or are to be or stating that those matters are left to the discretion of the manager.

10. Cash deposits with trustee, manager or associates

A provision that cash forming part of the scheme property or standing to the credit of the distribution account may be placed by the trustee in any current, deposit or loan account with itself or the manager or with any associate of the trustee or the manager (in each case being an approved bank) so long as that approved bank pays interest thereon at a rate no lower than is, in accordance with normal banking practice, the commercial rate for deposits of the size of deposit in question negotiated at arm's length.

11. Limited categories of holder

A provision that holders of units in the scheme apart from the manager shall be confined to such persons as are described in the principal documents and a provision dealing with the compulsory redemption or sale by the trustee or manager of units held by persons falling outside such categories.

12. Certificates

(a) A provision relieving the manager and the trustee from any duty to issue certificates or from any duty to issue certificates other than bearer certificates or bearer depositary receipts

(b) A provision authorising the issue of bearer certificates by the scheme or the issue of bearer receipts by a depositary holding registered units

(c) A provision authorising the trustee to charge fees under rule 3.12.

13. Holders of bearer certificates or bearer depositary receipts

A statement of how the holders of bearer certificates or bearer depositary receipts are to identify themselves.

14. Grouping periods

A provision authorising grouping for equalisation under rule 5.06(2) of these rules and if grouping is to be permitted a statement of what the grouping periods are to be.

15. Meetings

(a) If the period of notice for the calling of a meeting of holders is to be longer than the period of 14 days referred to in rule 7.03(1), what that longer period is to be.

(b) If the majority necessary for the passing of an extraordinary resolution is to be greater or less than 75% of the total number of votes cast for and against that resolution, what that majority is to be.

16. Manager's and trustee's discretions

A provision that the manager, the trustee or both of them together may not perform or refrain from performing an act of any description or make a decision of any description which they would otherwise have a discretion so to do or not to do in accordance with these rules.

17. Income equalisation

A statement that income equalisation is or is not to apply.

18. Dealings by manager, trustee and other persons

A provision allowing the manager, trustee, any investment adviser, a person of any other specified description or any associate of them ("interested party"):-

(a) to become the owner of units in the scheme and to hold, dispose of or otherwise deal with

those units as if, subject to rule 7.01, that person were not such a person;

(b) to deal in property of any description on that person's individual account notwithstanding the fact that property of that description is included in the scheme property;

(c) to act as agent in the sale or purchase of property to or from the trustee for the account of the scheme;

without that person's having to account to any other such person, to the holders or any of them for any profits or benefits made by or derived from or in connection with any such transaction.

19. Company scheme structure

(1) In the case of a company scheme, a provision creating one or more classes of management securities and providing for their conversion into units.

(2) In the case of a company scheme, a provision setting out the basis upon which holders of units are entitled to have their units redeemed or re-purchased by, or out of funds provided by, the scheme or out of funds represented by management securities.

20. Commission's discretion

Any provision which does not conflict with applicable law and which the Commission approves in writing.

21. Delegation by the manager or trustee

A provision permitting the manager or trustee to delegate all or part of its duties to a person approved by the Commission for the purpose: Provided that such provision shall require the manager or the trustee, as the case may be, to remain liable for the acts and omissions of such person.

22. Duration of the scheme

If the scheme is to terminate after the expiration of a particular period, a statement to that effect.

23. Investment in schemes managed by the manager or its associate

Subject to the provisions of paragraph 13 of schedule 5 a statement that the scheme property may include units in another collective investment scheme which is managed or operated by the manager or by another body corporate in the same group as the manager or which is managed or operated by any person who is a controller of the manager or of whom the manager is the controller.

24. Borrowing from trustee or associates

A provision that money which may be borrowed for the account of the scheme may be borrowed from the trustee or from any associate of the trustee or the manager (being in each case an approved bank) so long as that approved bank charges interest at no greater rate than is, in accordance with normal banking practice, the commercial rate for a loan of the size of a loan in question negotiated at arm's length.

25. Exemption from liability

A provision exempting any person carrying on a restricted activity in relation to an authorised scheme, and, in the case of a company scheme, the directors, from liability for failure in discharging their functions in respect of the scheme to the extent that due care and diligence has been exercised.

26. Investment adviser

A provision authorising the manager to appoint an investment adviser.

27. Minimum holding of units

A statement prescribing the minimum holding an investor must have in order to qualify to become or remain a holder of units of that type in the scheme.

28. Minimum redemption number of units

A statement prescribing the minimum number in relation to any one transaction of redemption in units of that type.

29. Creation and cancellation of units

A statement prescribing:-

(a) the period of time within which the manager shall pay the trustee the creation price pursuant to subparagraph (7) of paragraph 5 of schedule 6; and

(b) the charge on the creation or cancellation of units to effect a conversion for the purposes of subparagraph (4) of paragraph 24 of schedule 6.

30. Calculation

A specification to what number of significant figures a price may be calculated if approved by the Commission under sub-paragraph (5) of paragraph 12 or sub-paragraph (3) of paragraph 13 or sub-paragraph (3) of paragraph 22 of schedule 6.

31. Other charges

A disclosure of any charges under sub-paragraph (4) of paragraph 14 or sub-paragraph (6) of paragraph 15 or sub-paragraph (4) of paragraph 24 of schedule 6.

32. National newspapers

A specification of at least one national newspaper in which prices will be published pursuant to sub-paragraph (1) of paragraph 22 of schedule 6.

33. Settlement

A provision pursuant to sub-paragraph (4) of paragraph 25 of schedule 6 that where units are purchased by the manager on an approved market settlement is to be in accordance with the rules of that market.

34. Issue and redemption of units

A statement of any other arrangements for the purposes of sub-paragraph (6) of paragraph 25 of schedule 6.

35. Transfers

A provision permitting the transfer of scheme property instead of payment of the redemption price under sub-paragraph (3) of paragraph 26 of schedule 6.

36. Suspension of redemption of units

A statement of the period of time for suspension and/or a specification of the conditions for suspension pursuant to sub-paragraph (1) of paragraph 27 of schedule 6.

37. Realisation price in lieu of payment of redemption price

A provision stating that with the approval of the Commission paragraph 29 of schedule 6 is to apply.

38. Umbrella funds

A statement to the effect that holders may, or may not, exchange or convert units in one constituent part for units in another.

SCHEDULE 2

Rule 6.01(1) and (2)

ANNUAL AND HALF-YEARLY REPORTS

PART I: REPORT OF THE MANAGER

The following matters shall be set out in every annual and half-yearly report of the manager:-

1. The names and addresses of the following:-
 - (a) the manager;
 - (b) the trustee;
 - (c) any investment adviser;
 - (d) any registrar;
 - (e) the auditor;
 - (f) the directors, in the case of a company scheme.
2. The objectives of the scheme.
3. The manager's policy for achieving the objectives of the scheme.
4. A statement that the scheme is an authorised scheme within the meaning of the Law.
5. A statement of which of the classes of authorised scheme the scheme belongs to; and in the case of an umbrella fund this statement is to be made separately in relation to each constituent part.
6. A review of the manager's or investment adviser's investment activities during the period to which the report relates.

7. Particulars of any significant change in the scheme particulars made since the making of the last report by the manager.
8. A statement of the amount (if any) to be distributed to holders or accumulated in respect of the period in question.
9. A statement of the total number of the units of each class in existence or deemed to be in existence at the beginning of the period to which the report relates and at the end of that period.
10. A statement of the mid-market value per unit of the scheme property at the beginning and end of the period to which the report relates.
11. A statement of any subdivision, consolidation or bonus or rights issue of units which has been effected during the period to which the report relates.
12. The items prepared in accordance with Parts II and III below.
13. Any other significant information which would enable holders to make an informed judgment on the development of the activities of the scheme during that period and the results of those activities as at the end of that period.

Part II: PORTFOLIO STATEMENT

The portfolio statement included in the report of the manager must specify the investments comprised in the scheme property at the end of the accounting period and give a full description of the significant changes in the portfolio during that period.

PART III: COMPARATIVE TABLE

The comparative table set out in the report of the manager must include:-

1. A performance record over the last three accounting periods, or if the scheme has not been in existence during the whole of that time, a performance record over the whole period in which it has been in existence, showing:-

(a) the total net asset value of the scheme property at the end of each of those periods;

(b) the net asset value per unit and the number of units in existence or deemed to be in existence at the end of each of those periods;

(c) the highest issue price and the lowest redemption price of the units during each of those periods;

(d) the net income per unit distributed or, in the case of accumulation units, allocated during each of those periods;

taking account of any subdivision or consolidation or issue bonus or rights issue of units that occurred during that time.

PART IV: REPORT OF THE AUDITOR

The report of the auditor to the holders for any annual accounting period shall state:-

(a) whether in the auditor's opinion the accounts prepared for that period have been properly prepared in accordance with generally accepted accounting principles and in accordance with these rules and the principal documents; and

(b) without prejudice to the foregoing, whether in the auditor's opinion a true and fair view is given of the financial position of the scheme as at the end of that period; and

(c) if the auditor is of opinion that proper accounting records have not been kept by the manager or that the accounts are not in agreement with the manager's accounting records, that fact; and

(d) if the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit, that fact; and

(e) if the auditor is of opinion that the information given in the report of the manager for that period is inconsistent with the accounts, that fact.

PART V: REPORT OF THE TRUSTEE

The report of the trustee to the holders for any annual accounting period shall state whether in the trustee's opinion the manager has managed the scheme in that period in accordance with the provisions of the principal documents and these rules.

SCHEDULE 3

Rule 6.01(3)

ACCOUNTS

PART I: STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities (or in the case of a company scheme, the balance sheet) included in the accounts shall set out a statement of assets and liabilities as at the end of the period to which the report relates including a portfolio statement representing the different descriptions of assets in which the scheme property is invested, grouped according to a classification appropriate to the stated investment objectives and showing:-

- (a) the total value of all assets of the scheme at the end of the period;
- (b) a description, and the amount, of the actual and future contingent liabilities and of contingent liabilities not provided for;
- (c) the total net value of all the assets of the scheme at the end of the period less the net value of the liabilities of the scheme;
- (d) the percentage of the value of the scheme property that each holding represents;
- (e) instruments creating or acknowledging indebtedness;
- (f) bank balances;
- (g) other assets of the scheme.

PART II: INCOME AND DISTRIBUTION ACCOUNT

The following matters shall be set out in the income and distribution account (or in the case of a company scheme, the statement of income and expenditure) included in the accounts:-

- (a) the total income from assets of the scheme, specifying the descriptions;
- (b) the total other income, specifying the descriptions;
- (c) any periodic charge payable to the manager and authorised to be paid out of the scheme property;
- (d) where any fees or expenses of the trustee have been paid by the manager out of the manager's own resources and not out of the scheme property, the amount of those fees and expenses if not separately shown in the capital account;
- (e) the total amount deducted for taxation (if any) before distribution to the holders;
- (f) the balance brought forward from the last account and balance carried forward to the next account;
- (g) the amount of income available for allocation to the holders in respect of the period;
- (h) the trustee's fees and disbursements payable out of the scheme property distinguishing fees for custody of documents or assets from other fees;
- (i) the auditor's fees payable out of the scheme property;

- (j) the directors' fees payable out of the scheme property;
- (k) the amount of any interim allocation of income;
- (l) the amount of the final allocation of income, showing by way of a note to the account how the amount is made up, taking account of tax and any income equalisation adjustment referred to in rule 5.06;
- (m) if there is a deficit on income account charged to capital account, the amount of that deficit;
- (n) if there is a deficit on capital account charged to income account, the amount of that deficit;
- (o) in the case of a company scheme, instead of the information required in (m) and (n) above, the amount of any transfer to or from reserves;
- (p) any other payments out of the scheme property.

PART III: CAPITAL ACCOUNT INFORMATION

The following matters shall also be included in the accounts:-

1. The value of the scheme property at the beginning of the period;
2. The amount of cash or the value of assets received on the creation of new units;
3. The amount of cash or the value of assets paid out on the cancellation of units;

4. The net increase or decrease in the aggregate value of the scheme property over the period;
5. Any charges and expenses charged to capital;
6. The value of the scheme property at the end of the period;
7. The average rate of dealing commission, incurred in dealing in the scheme property;
8. A statement of the net realised profits or losses during the period;
9. Any other information required by the Commission.

PART IV: NOTES TO THE ACCOUNTS

The following matters shall be set out in the notes to the accounts:-

1. Accounting policies

(a) The policy regarding dividends and other income received and receivable.

(b) The basis of valuation of the scheme property.

(c) The exclusion from the statement of assets and liabilities of any assets or liabilities relating to the income of the scheme or the amount of the current distribution.

(d) If applicable, a statement of the basis for converting amounts in currencies other than the base currency into amounts in the base currency.

(e) An explanation of any tax charge or refund appearing in the income and distribution account.

(f) If applicable, an explanation of the basis for valuing unlisted or suspended securities.

2. Other income

An analysis of the other income shown in the income and distribution account showing separately the following items:-

- (a) interest on loan and debenture stocks;
- (b) interest on deposits and loans;
- (c) dividends.

3. Equalisation

A definition and explanation of income equalisation if it is to apply.

4. Units in issue

The number of units in existence or deemed to be in existence at the end of the period to which the account relates..

5. Net liquid assets

An analysis of net liquid assets as at the end of the period to which the accounts relate (unless they comprise assets of the scheme or are shown in the statement of assets and liabilities) including the following items where applicable:-

- (a) amounts receivable from brokers for sales of securities;

(b) amounts payable to brokers for purchases of securities.

6. Back to back loans .

Details of any back to back loans including the terms and interest rate margins.

7. Partly paid units

A statement showing the uncalled liability in respect of any partly paid units.

8. Forward exchange transactions

A statement of open forward exchange positions.

SCHEDULE 4

Rule 11.01

SCHEME PARTICULARS

1. The manager

The following particulars of the manager shall be stated:-

- (a) its name;
- (b) the nature of its corporate form;
- (c) the country or territory of its incorporation;
- (d) if it is a subsidiary, the name of its ultimate holding company and the country or territory in which that holding company is incorporated;
- (e) (i) the address of its registered office;
(ii) the address of its head office if that is different from the address of its registered office;
- (f) the date of its incorporation;
- (g) the names of its directors and, any significant activities of any directors which are not connected with the business of the manager;
- (h) where the manager is the manager of any other authorised scheme and the Commission so requires, the names of each of those schemes, the investment objectives of those schemes and the fact that the manager is the manager of each of them;
- (i) whether the manager may deal in units without accounting for profits pursuant to paragraph 28 of schedule 6.

2. The trustee

The following particulars of the trustee shall be stated:-

- (a) its name;
- (b) the nature of its corporate form;
- (c) the country or territory of its incorporation;
- (d) if it is a subsidiary, the name of its ultimate holding company and the country or territory in which that holding company is incorporated;
- (e) the address of its registered office;
- (f) the address of its head office if that is different from the address of its registered office;
- (g) the date of its incorporation;
- (h) the amount of its issued share capital and how much of it is paid up;
- (i) a description of its principal business activity.

3. The investment adviser

If the scheme or the manager employs, under the terms of a commercial arrangement, the services of an investment adviser, the following shall be stated:-

- (a) the name of the investment adviser;
- (b) if the investment adviser is a body corporate, the address of its registered office, or, if otherwise, the address of the investment adviser's principal place of business;

(c) if the investment adviser is a body corporate in a group of which the manager or trustee is a member, that fact;

(d) if the principal activity of the investment adviser is other than providing services as an investment adviser, what that principal activity is;

(e) the main terms of the agreement or arrangement under which the investment adviser is retained (other than those relating to the investment adviser's remuneration) and, if the investment adviser has any discretionary authority, that fact and a description of the matters in relation to which the investment adviser has that authority.

4. The registrar

If a registrar is employed, the name and address of the person who maintains the register of holders shall be stated.

5. The auditor

The name and address of the auditor of the scheme shall be stated.

6. The register of holders

The address in Guernsey where the register of holders can be inspected shall be stated.

7. The constitution and objectives of the scheme

The following shall be stated:-

(a) the name of the scheme;

(b) the date on which the scheme was established and, if the duration of the scheme is not unlimited, when it will or may terminate;

(c) that the scheme is an authorised scheme and a statement of which of the classes of authorised scheme declared by the Commission the scheme belongs to;

(d) if the scheme is a feeder fund, a statement of the name and status of the scheme into which it is to feed;

(e) if the scheme is a company scheme, particulars of:-

(i) its capital structure;

(ii) the names of its directors;

(iii) any significant activities of any directors which are not connected with the business of the scheme;

(f) in relation to the investment policy to be adopted by the scheme:-

(i) whether the objective of that policy is to be capital growth, income growth or some other stated policy;

(ii) any economic sectors or geographical areas to which investment will be confined or which are likely to be preferred in the making of decisions as to how the funds of the scheme are to be invested;

(iii) any other limitations on the descriptions of investment which may be included in the scheme property;

(iv) if investment in other collective investment schemes is provided for in the principal documents (including investment in units under paragraph 13 of schedule 5) that fact;

(v) the maximum extent to which scheme property may be invested in:-

(A) securities of a particular type; or

(B) securities of a single issuer or of any class of securities of a single issuer;

(vi) in the case of a securities scheme, the maximum extent to which the scheme property may be invested in:-

(A) Government and other public securities issued by the same issuer; and

(B) securities not officially listed on an investment exchange; and

(C) secondary market securities, that is to say, securities dealt in on a market controlled by an official body under applicable law or by an investment exchange; and

(D) other securities;

(vii) whether the scheme may enter into hedging transactions within the meaning of paragraph 7 of schedule 5 and, if so, what types of transaction are likely to be entered into for the purposes of hedging, the circumstances in which such transactions may be entered into and what are the

limits to the amounts payable by way of premium or margin in connection with such transactions;

(viii) a statement of what borrowing powers are exercisable in relation to the scheme;

(g) in the case of a securities scheme and a fund of funds, the extent to which the scheme property may be invested in the units of collective investment schemes which are managed by the manager or by an associate of the manager;

(h) the circumstances in which the winding-up of the scheme can be decided on, a description of the procedure to be followed in a winding-up and what the rights of holders will be in a winding-up;

(i) the accounting dates; and

(j) the approved markets or approved options and futures markets.

8. The characteristics of units in the scheme

The following shall be stated:-

(a) in relation to each available class of unit in the scheme, the entitlement of the holder of that unit to participate in the scheme property and the income thereof, a statement of the nominal value (if any) of each class of unit and, where there is more than one type of unit, the names given to each class and the characteristics of each class which distinguish it from the others;

(b) if the title to the units or to some of the units will be evidenced by the issue of bearer certificates or bearer depositary receipts, that fact;

(c) if the title to the units or to some of the units is to be evidenced by entries on a register of unit holders, whether or not certificates evidencing title to those units will be issued;

(d) in the case of a unit trust scheme, the fact that the nature of the right represented by units is that of a beneficial interest under a trust and, in the case of any other type of authorised scheme, the nature of the right represented by the units in the scheme;

(e) (i) what voting rights are exercisable by holders at meetings of holders and, if different rights attach to different classes of units, what those different rights are; and

(ii) whether persons other than holders can vote at meetings of holders and who those persons are.

9. Valuation of property, charges and distributions

The following shall be stated:-

(a) how frequently and at what time of day the scheme property will be regularly valued for the purpose of determining prices at which units in the scheme may be purchased from or redeemed by the manager or the scheme and a description of any circumstances in which the scheme may be specially valued;

(b) in relation to each purpose for which the scheme property will be required to be valued, whether it will be valued on an offer basis, a bid basis, a mid-market basis or on any other specified basis;

(c) if the price at which units may be issued by the manager or created by the scheme includes a preliminary charge a statement of the amount of that charge expressed as a percentage of the creation price of those units which is the maximum permitted by the principal document and, if different, the amount currently charged;

(d) how the following remuneration and expenses will be determined where they are payable out of the scheme property:-

(i) the remuneration of the manager; and

(ii) the remuneration of the trustee; and

(iii) where the scheme is a company scheme, the remuneration and expenses of the directors or other members of the company's governing body; and

if the principal documents permit any of the above to be at a higher level, what those higher levels are or how they may be determined;

(e) the nature of any other expenses payable out of the scheme property and how their amounts will be determined;

(f) the dates in each calendar year on which allocations of income are to be made to investors and, in the case of investors who are the holders of bearer certificates or bearer depositary receipts, how they are to identify themselves for the purposes of receiving distributions of income;

(g) where the formation expenses of the scheme are being amortised the amount (or estimated amount) of the

formation expenses and the period over which such expenses are to be amortised;

(h) any charges to be disclosed under subparagraph (4) of paragraph 14 of schedule 6 or subparagraph (6) of paragraph 15 of schedule 6 or subparagraph (4) of paragraph 24 of schedule 6; and

(i) if grouping for equalisation is permitted by the principal documents that fact with an explanation of its meaning and a statement of what the grouping periods are.

10. The issue and redemption of units in the scheme

The following shall be stated:-

(a) the days and times on which the manager will be available to receive requests for the issue and redemption of units and the procedures for the transaction and settlement of the issue and redemption of units;

(b) the amounts of the following minima and/or maxima (if they apply) for each class of unit in the scheme:-

(i) the minimum and/or maximum number of units which any one person may hold;

(ii) the minimum and/or maximum value of units which any one person may hold;

(iii) the minimum and/or maximum number of units which may be the subject of one transaction of purchase;

(iv) the minimum and/or maximum value of units which may be the subject of one transaction of purchase;

(v) the minimum and/or maximum number of units which may be the subject of one act of redemption;

(vi) the minimum and/or maximum value of units which may be the subject of one act of redemption;

(c) the circumstances in which the redemption of units may be suspended;

(d) following a suspension, the days and times on which the re-calculation of creation and cancellation prices will commence;

(e) the investment exchanges (if any) on which units in the scheme are listed or dealt;

(f) in the case of a large deal, what greater sum (if any) is applicable;

(g) to what number of significant figures a price may be calculated if approved by the Commission under sub-paragraph (5) of paragraph 12 or sub-paragraph (3) of paragraph 13 or sub-paragraph (3) of paragraph 22 of schedule 6;

(h) the name of the national newspaper in which prices will be published and the frequency thereof for the purposes of sub-paragraph (1) of paragraph 22 of schedule 6.

11. General Information

The following shall be stated:-

(a) when annual and half-yearly reports will be published;

(b) the address at which copies of the principal documents (including any amending documents) and of the most recent annual and half-yearly reports may be inspected and from which copies of them may be obtained;

(c) how the manager or the scheme, as the case may be, will publish, for the benefit of holders holding bearer certificates and bearer depositary receipts, notice:-

(i) that annual and half-yearly reports are available for inspection;

(ii) that a distribution has been declared;

(iii) of the calling of a meeting of holders;

(iv) of the termination of the scheme or the revocation or suspension of its authorisation;

(v) that amendments have been made to the principal documents;

(vi) that the scheme particulars have been revised;

(d) the extent to which and the circumstances in which:-

(i) there is any liability to tax on any appreciation in the value of the scheme property or on the income of the scheme property; and

(ii) deductions by way of withholding tax may be made in respect of distributions of income to or from the scheme and in respect of other payments made to the scheme or by the scheme to holders on the redemption of units;

(e) that with the approval of the Commission the provisions of paragraph 29 of schedule 6 are to apply.

12. Additional information

Any other material information:-

(a) which investors and their professional advisers would reasonably require, and reasonably expect to find in the scheme particulars, for the purpose of making an informed judgment about the merits of investing in the scheme and the extent of the risks accepted by so investing; and

(b) which is within the knowledge of the manager or, in the case of a company scheme, the directors of the company scheme or which such person would have obtained by the making of reasonable enquiries.

13. Umbrella Funds

In the case of an umbrella fund:-

(a) the scheme particulars shall contain:-

(i) a statement to the effect that in no circumstances will a holder who exchanges rights or units in one part of the scheme for rights or units in another part of the scheme be given a right by law to withdraw from or cancel the transaction; and

(ii) a statement describing the arrangements made by the principal document for charges (if any) in the case of an exchange of units in one constituent part for units in another, including the maximum amount of the charge and the minimum number of exchanges that will be permitted free of charge; and

(b) any information required by this schedule to be included in scheme particulars is different for different constituent parts it shall be given in relation to each constituent part of the scheme.

SCHEDULE 5

Rule 2.10

INVESTMENT AND BORROWING POWERS

PART I: INTERPRETATION

1. Interpretation

(1) References in this schedule to a numbered paragraph shall be construed as references to the paragraph bearing that number in this schedule.

(2) References in any paragraph of this schedule to a numbered sub-paragraph shall, unless the reference is to a sub-paragraph of a specified paragraph or rule, be construed as references to the sub-paragraph bearing that number in the paragraph in which it appears.

(3) The provisions of this schedule shall apply to an authorised scheme (the "first tier scheme") which beneficially owns all the units (other than management securities) of another company or unit trust (the "second tier scheme") with the following modifications:-

(a) the receipts, expenditure, assets and liabilities of the second tier scheme shall be regarded as the receipts, expenditure, assets and liabilities of the first tier scheme; and

(b) there shall be left out of account the interest of the first tier scheme in the second tier scheme and any payments made by the second tier scheme to the first tier scheme or by the first tier scheme to the second tier scheme.

PART II: VALUATION

2. Property included and assumptions to be made in valuing a scheme

(1) This paragraph and paragraph 3 apply with respect to the determination of the value of the scheme property.

(2) For the purpose of determining the value of the scheme property:-

(a) it shall be assumed that any units which the trustee in the case of a unit trust scheme or, in the case of a company scheme, the company is under an obligation to create or cancel have been created or cancelled, as the case may be, that the trustee or the company has paid or, as the case may be, has received the consideration for those units and that all other things required by this schedule or by the principal documents to be done in consequence thereof were done provided that for the purpose of this sub-paragraph units which the company has provisionally allotted or provisionally cancelled shall not be regarded as units which the company is under an obligation to create or cancel, as the case may be, and accordingly the value of the scheme property shall remain unaffected by such provisional allotment or cancellation;

(b) where the trustee in the case of a unit trust scheme, or, in the case of a company scheme, the company has not done something in consequence of a creation or cancellation of units which it is required to do, it shall be assumed that that thing was done;

(c) subject to sub-paragraph (3) below, where agreements are in existence for the unconditional sale or purchase of property on behalf of the scheme which have not been completed it shall be assumed that

they were completed at that time and that everything required to be done in accordance with their terms was done;

(d) there shall be deducted from the scheme property the items specified in paragraph 3(1)(d) of schedule 6;

(e) there shall be added to the scheme property the items specified in paragraph 3(1)(e) of schedule 6;

(f) in determining the value in the base currency of any scheme property which would otherwise be valued in a currency other than the base currency, the value shall be determined in accordance with paragraph 3(1)(f) of schedule 6.

(3) For the purposes of sub-paragraph (2)(c) above, an agreement shall not be regarded as one for the unconditional sale or purchase of property if either:-

(a) it is a future or a contract for differences which is not yet due to be performed or which is due to be performed but which has been closed out; or

(b) it is an option written for the scheme which has not expired but which has not yet been exercised by the purchaser or which has been exercised but which has been closed out; or

(c) it is an option purchased for the scheme which has not expired but which has not yet been exercised.

3. Valuation of property

(1) The value of the scheme property shall be calculated in accordance with the provisions of this paragraph.

(2) Cash and amounts held on a current or deposit account shall be taken at their nominal value.

(3) The value of an option which is written for the scheme on property of any description shall be the total of the amount of premium which would be paid if an option of that kind on property of that description were purchased at the relevant time on the best terms then available on an approved options and futures market on which such options are traded and an estimated amount of such fiscal charges, commission and other charges as would be payable by the purchaser of such an option, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in connection with the transaction.

(4) The value of a margined contract, which is not a written option, shall be whichever is applicable of the following:-

(i) in a case in which margin would be received for the account of the scheme if the contract were to be closed out at the relevant time, the amount of margin which would be receivable if the contract were closed out at that time on the best terms then available on an approved options and futures market on which contracts of that kind are traded less an estimated amount of such fiscal charges, commission and other charges as would be payable if the contract being valued were then closed out, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in order to close out the contract; and

(ii) in a case in which margin would be payable out of the scheme property if the contract were to be closed out at the relevant time, a negative amount equal to the total of the amount of margin which would be

payable if the contract were closed out at that time on the best terms then available on an approved options and futures market on which contracts of that kind are traded and an estimated amount of such fiscal charges, commission and other charges as would be payable if the contract being valued were then closed out, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in order to close out the contract.

(5) All other property shall be valued:-

(a) in the case of property which is an investment of any description other than a unit in a collective investment scheme, at the market dealing bid price of that investment at the relevant time;

(b) in the case of property which is units in a collective investment scheme, at the amount which would be received if units of the kind in question were offered for redemption at the relevant time in what, in the reasonable opinion of the manager, is a standard size; and

(c) if there is no price of the property in question under sub-paragraph (a) or (b) above, at a reasonable estimate of the amount (subject to approval by the trustee) which would be received by a seller by way of consideration for an immediate transfer or assignment from the seller at arm's length less any fiscal charges, commission and other sales charges which would be payable by the seller.

PART III: BREACH OF INVESTMENT LIMITS

4. Duties of manager and trustee to avoid breach of investment limits

(1) The manager shall take all reasonable steps and exercise all due diligence to avoid the scheme property being used or invested in contravention of whichever is applicable of paragraphs 7 to 15, 20, 21 or 23 to 29.

(2) Subject to the provisions of sub-paragraph (4), the manager shall take all reasonable steps and exercise due diligence to avoid the scheme property being invested in contravention of whichever is applicable of paragraph 16, 17, 19 or 22.

(3) Subject to the provisions of sub-paragraph (4), the trustee shall take all reasonable steps and exercise all due diligence to exercise such degree of supervision over the manager's operation of the scheme as is appropriate with a view to ensuring that the manager fulfils the duties imposed on the manager by sub-paragraphs (1) and (2).

(4) The manager shall not be subject to the duty imposed by sub-paragraph (2) and the trustee shall not be subject to the duty imposed by sub-paragraph (3) insofar as it relates to the manager's duty under paragraph (2) during whichever is the shorter of the period of six months beginning with the first date after the scheme is authorised by the Commission on which persons are invited to become investors in the scheme and the period beginning with that date and ending on the first date on which the value of the scheme property exceeds pounds sterling 1,000,000 or the equivalent amount in the base currency of the scheme other than sterling, but the trustee and the manager shall each take all reasonable steps and exercise all due diligence during whichever is the shorter of those periods to ensure that the

scheme property is invested with the aim of spreading risk and in a manner which is consistent with the manner in which the property must be invested at the end of the relevant period.

(5) In the application of sub-paragraph (4) to a scheme which is authorised pursuant to rule 12 references to the date on which persons are invited to become investors in the scheme shall be construed as references to the commencement date.

5. Duties of manager and trustee in the event of inadvertent breach of investment limits

(1) If the scheme property is, for reasons beyond the control of the manager or trustee, at any time invested in contravention of the limits imposed by this schedule or, if the property of an authorised securities scheme is, by virtue of circumstances of the kind described in paragraph 15(2) or 18, invested otherwise than in accordance with paragraph 15(1) or, as the case may be, paragraph 16 or 17, the manager shall take such steps as are necessary to ensure that sufficient of the scheme property is sold so that the property is invested in a manner which complies with such limits or, as the case may be, with any such paragraph as soon as is reasonably practicable having regard to the interests of investors in the scheme and, in any event, within the period of six months beginning with the date upon which the manager becomes aware that the property was invested in contravention of such limits or, as the case may be, otherwise than in accordance with any such paragraph.

(2) Forthwith upon the trustee becoming aware that circumstances of a kind described in sub-paragraph (1) have arisen, the trustee shall take such steps as are necessary to ensure that the manager fulfils the duty imposed on him by that sub-paragraph.

6. Duties of manager and trustee in the event of other breach of investment limits

(1) If, at any time, the scheme property is invested in contravention of this schedule otherwise than in a case to which paragraph 4(4) applies or by virtue of circumstances of the kind described in paragraph 5, the manager shall, forthwith upon becoming aware of the contravention, take such steps as are necessary to ensure that the scheme property is invested in a manner which complies with this schedule.

(2) Forthwith upon the trustee becoming aware that circumstances of the kind described in sub-paragraph (1) have arisen, the trustee shall take such steps as are necessary to ensure that the manager fulfils the duty imposed on him by that sub-paragraph.

PART IV: INVESTMENT AND BORROWING POWERS

7. Hedging

(1) Subject to the provisions of sub-paragraphs (2) to (10) and notwithstanding any other provision of this schedule, the scheme property may be used in hedging transactions.

(2) No transaction shall be regarded as a hedging transaction for the purposes of this paragraph unless:-

(a) the transaction is one which may reasonably be regarded as economically appropriate to the reduction or elimination of risk arising in the management of the scheme by virtue of fluctuations in the price of investments comprised in the scheme property or by reason of fluctuations in interest or exchange rates;

(b) any instrument used in the transaction is one which, by virtue of the relationship between fluctuations in its price and fluctuations in the price of the scheme property or any part of it or fluctuations in interest or exchange rates, may reasonably be regarded as an instrument which may appropriately be used in order to reduce or eliminate risk arising with respect to the scheme property or the relevant part of it from such fluctuations; and

(c) the purpose of the transaction is the reduction or elimination of risk and not speculation, and, for these purposes, a transaction shall not be regarded as one for the reduction or elimination of risk if, having regard to other hedging transactions which have been entered into in relation to the scheme property or any part of it, it is unreasonable to consider that risk continues to arise of a kind for which the instrument may appropriately be used.

(3) No hedging transaction shall be entered into at any time at which the total value, calculated in accordance with this schedule, of all cash and other property paid, transferred or deposited by way of premium or initial margin which may reasonably be regarded as attributable to any obligation or right then arising under a hedging transaction which is not closed out would, if added to the amount of any premium or initial margin payable in respect of the proposed transaction, exceed 10% in value of the scheme property.

(4) Except in the case of an instrument which is utilised to hedge against fluctuations in exchange rates, no instrument shall be utilised by virtue of this paragraph unless it is either a traded option or an instrument other than a traded option being an instrument which is traded on or under the rules of an approved options and futures market and which is an instrument relating to property with respect to which, or to an index or other factor by reference to which, instruments of that kind have been so traded for a period of at least six months.

(5) Subject to sub-paragraph (6), no hedging transaction under which an obligation to receive or deliver property does arise or may arise at the option of some person other than the scheme, or the trustee or manager acting in such capacity, shall be entered into unless the transaction is covered and, for the purposes of this paragraph, a transaction shall be regarded as covered only if:-

(a) in the case of a transaction under which an obligation to deliver property does or may arise, the scheme property includes either:-

(i) property sufficient to enable that obligation (together with any other similar obligation incurred in relation to the scheme with respect to property of the same kind) to be discharged; or

(ii) rights to acquire property sufficient to enable that obligation (and any other similar obligation incurred in relation to the scheme with respect to property of the same kind) to be discharged; and

(b) in the case of a transaction under which an obligation to receive property does or may arise, the scheme property includes either:-

(i) cash or near cash (which is not otherwise taken into account for the purposes of sub-paragraph (7) or for the purposes of paragraph 14 or 31(1)(c)) sufficient to enable that obligation (and all similar obligations incurred in relation to the scheme) to be discharged; or

(ii) rights to dispose of the property should the obligation to acquire it arise.

(6) For the purposes of sub-paragraph (5), the scheme property shall be regarded as including property sufficient to enable the discharge of an obligation arising under a hedging transaction which is a contract for differences if the property includes property or rights to acquire property, which, by virtue of the correlation between that property and the property, index or other factor by reference to which any amount payable under the hedging transaction is to be calculated, may reasonably be considered to be sufficient to enable the obligation to be discharged.

(7) No option shall be purchased unless the scheme property includes cash or near cash which is not taken into account for the purpose of sub-paragraph (5)(b)(i) or for the purposes of paragraph 14 or 31(1)(c) and which is sufficient to enable the payment of that premium and all other premia then payable including, in the case of an option which is a

margined contract purchased for the scheme, the amount of any premium which will become payable unless the option is sold.

(8) No hedging transaction under which an obligation to receive property does or may arise shall be entered into unless the obligation could be discharged at the time the transaction is effected without contravening any provision of this schedule.

(9) No instrument relating to currency shall be utilised in order to hedge against fluctuations in exchange rates unless the instrument relates to the base currency or to a currency in which the property or any part of it is then denominated.

(10) None of the provisions of sub-paragraphs (2) to (9) shall prevent an instrument being utilised in order to close out a hedging transaction.

(11) If, at any time after a hedging transaction has been entered into, circumstances arise which have the effect that, having disregarded all obligations and rights arising under hedging transactions which have been closed out, the transaction could not then be entered into except in contraventions of any provision of this paragraph, the manager shall forthwith upon becoming aware of that fact take such steps as are necessary to ensure that the provisions of this paragraph are complied with either by closing out the transaction or by providing cover for it or otherwise and the trustee shall, forthwith upon becoming aware of the contravention, take such steps as are necessary to ensure that the manager fulfils that duty.

(12) In the application of this paragraph to a money market fund, sub-paragraph (2)(a) shall have effect as if the reference in that sub-paragraph to investments included reference to such cash, deposits, loans or bills of exchange

as are comprised in the scheme property.

8. Restriction of investment powers exercisable in relation to a scheme

(1) Subject to the provisions of this schedule, the scheme property of a scheme which is not a money market fund shall consist of transferable securities.

(2) Units in a collective investment scheme which has the characteristics described in Paragraph 4 of Schedule 3 of the Law may not be acquired for an authorised scheme unless the manager procures, in such way as the manager shall think fit, that the preliminary charge on the issue of units, or any charge on the redemption of units, in the target collective investment scheme is not suffered directly or indirectly by the authorised scheme or any investors in that scheme.

9. Restriction of securities schemes to investment in approved securities

Subject to paragraph 7, and except as provided in paragraph 10 or 11, the property of a securities scheme shall consist of approved securities.

10. Exception from paragraphs 8 and 9

Notwithstanding the provisions of paragraph 8 and 9:-

(a) up to 10% in value of the property of a securities scheme may consist of transferable securities which are not approved securities; and

(b) the property of a securities scheme may include cash and items of near cash which are not transferable securities provided that the holding of such cash or near cash may reasonably be regarded as necessary in

order to enable units to be redeemed or for the efficient management of the scheme in accordance with its object or for other purposes which may reasonably be regarded as ancillary to the object of the scheme which shall include (without limitation) realising transferable securities for cash and items of near cash where the manager regards this as necessary in the interests of investors.

11. Ability of a securities scheme to invest in open-ended schemes

The property of a securities scheme shall not include units in a collective investment scheme which has the characteristics described in Paragraph 4 of Schedule 3 of the Law unless that scheme is either:-

(a) another securities scheme; or

(b) an authorised scheme which has the characteristics described in sub-paragraph (c)(i) to (iii) of this paragraph; or

(c) a collective investment scheme constituted in a country or territory outside Guernsey units in which are approved securities; and:-

(i) the sole object of which is to invest funds raised from the public in transferable securities;

(ii) which operates on the principle of risk-spreading; and

(iii) the terms of which restrict investment in units in other collective investment schemes to investment in units in schemes of a kind described

in this paragraph and prohibit more than 5% in value of the scheme property consisting of such units.

12. **Limitation on amount which may be invested under paragraph 11**

Subject to paragraph 13, not more than 5% in value of the property of a securities scheme shall consist of units in collective investment schemes of the kind described in paragraph 11.

13. **Limitation on investment in schemes managed by manager or associated company**

None of the property of a securities scheme shall consist of units in another collective investment scheme which is managed or operated by the manager of the former scheme or by another company in the same group as the manager or which is managed or operated by any person who is a controller of the manager or of whom the manager is a controller unless both the principal documents of the former scheme and its scheme particulars clearly state that the scheme property may be invested in such units.

14. **Limitation on investment in instruments conferring rights to subscribe and investment in nil paid or partly paid securities**

(1) The property of a securities scheme shall not include any investments falling within paragraph 36(4) of this schedule unless:-

(a) if the value of all such instruments as are included in the scheme property exceeds 5% of the value of that property, the cost of acquiring the investments to which all such instruments relate could be met in full out of cash or near cash comprised in the scheme

property which is not taken into account for the purpose of sub-paragraph (2) or for the purposes of paragraphs 7(5)(b)(i), 7(7) or 31(1)(c) or out of sums which could be borrowed without contravening paragraph 30(2)(b); and

(b) the right to subscribe conferred by the instrument could be exercised without contravening any provision of this schedule.

(2) The property of a securities scheme shall not include any transferable security if, to the knowledge of the manager, a call is to be made within three months for any sum unpaid on that security unless that call and any other calls for sums unpaid on transferable securities comprised in the property which, to the knowledge of the manager, are to be made within three months, could be met in full out of cash or near cash which is not taken into account for the purposes of sub-paragraph (1) or for the purposes of paragraphs 7(5)(b)(i), 7(7) or 31(1)(c) or out of sums which could be borrowed without contravening paragraph 30(2)(b).

15. Limitation on acquisition of influential stake

(1) Subject to the provisions of sub-paragraph (2), the property of a securities scheme shall not include:-

(a) - shares in a body corporate which carry more than 10% of the rights to vote in all circumstances at general meetings of the body corporate; or

(b) more than 10% of:-

(i) any other shares in a body corporate other than an open-ended investment company; or

(ii) any investment, other than a government and other public security, which falls within paragraph 36(2) of this schedule and is issued by the same issuer;

(iii) the units in any collective investment scheme.

(2) The provisions of sub-paragraphs (a) and (b)(ii) and (iii) shall not have effect in any case in which it was not possible, at the time the transferable securities were acquired, to ascertain whether the acquisition would contravene those provisions.

16. Securities scheme other than government and other public securities funds: spread of investments

Except as provided in paragraph 17 and subject to the provisions of paragraph 18, not more than 5% in value of the property of a securities scheme which is not a government and other public securities fund shall consist of transferable securities issued by the same issuer.

17. Exceptions from paragraph 16

Notwithstanding the provisions of paragraph 16:-

(a) up to 10% in value of the property of a securities scheme which is not a government and other public securities fund may consist of transferable securities other than government and other public securities issued by the same issuer provided that the total value of such transferable securities included in the scheme property does not exceed 40% in value of the scheme property; and

(b) up to 35% in value of the property of a securities scheme which is not a government and other public

securities fund may be invested in government and other public securities issued by the same issuer.

18. Acquisitions as a result of exercise of rights

The provisions of paragraphs 16 and 17 shall not apply in any case in which any of the limits prescribed by those paragraphs is exceeded as a result of the exercise of rights arising in respect of investments comprised in the scheme property.

19. Government and other public securities funds: spread of investments

(1) The property of a government and other public securities fund shall comprise government and other public securities of at least six different issues.

(2) Not more than 30% in value of the property of a government and other public securities fund shall consist of government and other public securities of the same issue.

(3) For the purpose of this paragraph and for those of paragraph 22, government and other public securities shall be regarded as being of a different issue if, notwithstanding that they are issued by the same person, they are issued on different terms whether as to repayment dates, interest rates, the identity of the guarantor, if any, or otherwise.

20. Money market funds: limitation of ability to invest in transferable securities

Not more than 80% in value of the property of a money market fund shall consist of transferable securities.

21. Money market funds: general investment powers

Subject to the provisions of paragraph 8, none of the property of a money market fund shall include anything other than the following:-

(a) cash or deposits with or loans to an approved bank a building society or a local authority but only such deposits or loans which are repayable within a period of six months or which are made on terms on which the trustee or manager may demand repayment within that period unconditionally and without payment of a penalty exceeding more than seven days' interest calculated at normal commercial rates;

(b) government and other public securities which are redeemable at the option of the holder within a period of two years or which will be redeemed by the issuer within that period;

(c) bills of exchange issued on or accepted by an approved bank which are repayable within a period of 12 months;

(d) investments falling within paragraph 36(2) of this schedule which are issued by an approved bank or a building society otherwise than by way of creating or acknowledging indebtedness arising on the making of a deposit or loan of the kind described in sub-paragraph (a) above, are not subordinated and are repayable within the period of 12 months; and

(e) other investments falling within paragraph 36(2) of this schedule which are not subordinated, are traded on or dealt in under the rules of an approved market otherwise than by virtue of the specific permission of the market authority and which are repayable within the period of 12 months.

22. Money market funds: spread of investments

(1) Subject to the provisions of sub-paragraphs (2) and (3):-

(a) not more than 5% in value of the property of a money market fund shall consist of instruments which are not government and other public securities and are issued by the same issuer;

(b) not more than 10% in value of the property of a money market fund shall be kept on deposit with or be on loan to the same person, and, for the purposes of this sub-paragraph, the trustee, each person in the same group as the trustee, any controller of the trustee and any person of whom the trustee is a controller shall all be treated as one person as shall the manager, each person in the same group as the manager, any controller of the manager and any person of whom the manager is a controller;

(c) up to 80% in value of the property of a money market fund may consist of government and other public securities provided that, if more than 35% in value of the property of the fund consists of such securities, the property must include government and other public securities of at least five different issues; and

(d) not more than 30% in value of a money market fund shall consist of government and other public securities of the same issue.

(2) Notwithstanding the provisions of sub-paragraph (1)(b), up to 20% in value of the property of a money market fund may be kept on deposit with or on loan to any one building society or any one approved bank provided that:-

(a) the building society or approved bank is

not in the same group as the manager or trustee and is not a controller of either the manager or the trustee or a person of whom either the manager or the trustee is a controller; and

(b) the amount so deposited or lent does not in any case exceed 10% of the issued share capital and reserves of the relevant building society or approved bank as shown in its last published accounts or if greater shall not exceed 10% of the issued share capital and reserves of a building society or approved bank which is the ultimate holding company, whether direct or indirect, of the relevant building society or approved bank.

(3) The provisions of sub-paragraph (1)(b) and (2) shall not apply in respect of any deposit or loan of up to pounds sterling 1,000,000 or the equivalent amount in the base currency of the scheme other than sterling.

23. Money market funds: limitation of ability to invest in long dated instruments

At least 35% in value of the property of a money market fund shall consist of instruments, deposits or loans which are redeemable or repayable within two weeks, or which are capable of being transferred without the consent of a third party, at not less than their face value in all cases.

24. Application of paragraphs 14 and 15 to money market funds

The provisions of paragraph 14, and those of paragraphs 15(1)(b)(ii) and 15(2) insofar as that paragraph relates to paragraph 15(1)(b)(ii), shall apply in relation to a money market fund in the same way as they apply in relation to a securities scheme.

25. Feeder funds: limitation to investment in units of single collective investment scheme

Subject to paragraphs 7 and 29, the property of a feeder fund shall consist of units in a single authorised scheme or recognised scheme.

26. Funds of funds: limitation to investment in units of other collective investment schemes

Subject to paragraphs 7 and 29, the property of a fund of funds shall consist of units in authorised schemes or recognised schemes.

27. Prohibition on fund of funds investing in another fund of funds

(1) None of the property of a fund of funds shall include units in another fund of funds or units in a recognised scheme which would, if authorised under the Law, be a fund of funds.

(2) None of the property of a fund of funds shall include units in any separate part of the property of an umbrella fund if that separate part of the property would, if authorised under the Law, be a fund of funds.

28. Funds of funds: spread of investments

Not more than 20% in value of the property of a fund of funds shall comprise units in a single authorised scheme or recognised scheme.

29. Feeder funds and funds of funds: ability to hold cash and near cash

Notwithstanding the provision of paragraphs 25 and 26, the property of a feeder fund and of a fund of funds may

include cash and money in a current or deposit account which is near cash provided that the holding of such cash or near cash may reasonably be regarded as necessary in order to enable units to be redeemed or for the efficient management of the scheme in accordance with its object or for other purposes which may reasonably be regarded as ancillary to the object of the scheme.

30. Borrowing

(1) (a) In the case of a unit trust scheme, the manager shall take all reasonable steps and exercise all due diligence to ensure that the trustee does not borrow sums of money repayable out of the scheme property except in accordance with the provisions of this paragraph.

(b) In the case of a company scheme, the trustee shall take all reasonable steps and exercise all due diligence to ensure that the manager does not borrow sums of money repayable out of the scheme property except in accordance with the provisions of this paragraph.

(2) No sum shall be borrowed if, on the date it is proposed to borrow the sum, that sum together with all other sums borrowed and not repaid at that date would:-

(a) amount in aggregate to a sum greater than the total of all sums which are to become part of the scheme property within one calendar month of that date; and

(b) if they were immediately repayable, require more than 10% in value of the scheme property to be utilised for the purposes of repayment.

(3) If, at any time, the total of sums borrowed which are repayable out of the scheme property is such that either of the conditions described in sub-paragraph (2)(a) or (b)

is fulfilled the manager or the trustee, as the case may be, shall, as soon as is reasonably practicable having regard to the interests of investors, take such steps as are necessary to ensure that the total of the sums borrowed is reduced so that it does not give rise to circumstances of the kind described in this paragraph.

(4) The foregoing provisions of this paragraph do not apply to any arrangement which may be made without contravening paragraph 7, being an arrangement under which currency other than the base currency is borrowed and an amount of base currency at least equal to the amount of currency borrowed is placed, and continues to be kept, on deposit by the borrower with the lender, the lender's agent or any other person designated by the lender for that purpose provided that if the amount of base currency kept on deposit ceases to be at least equal to the amount of currency borrowed the manager shall, as soon as is reasonably practicable in the interests of investors, take such steps as are necessary to ensure that sufficient base currency is placed on deposit as will secure that the total amount deposited is at least equal to the amount of currency borrowed.

(5) The manager or the trustee, as the case may be, shall take all reasonable steps and exercise all due diligence to exercise such degree of supervision over the operation of the scheme by the trustee or the manager, as the case may be, as is appropriate with a view to ensuring that it fulfils the duties imposed on it by sub-paragraphs (3) and (4).

(6) Nothing in this paragraph shall be construed as preventing the trustee or manager, as the case may be, from borrowing monies in accordance with this paragraph on the best commercial terms available, for the account of the scheme either from itself, acting otherwise than in the scheme's capacity as trustee or manager, or from any person

in the same group as itself or from any controller of it or from any person of whom it is a controller and the trustee or the manager or any such person shall not be liable to account to the scheme for any profit or benefits arising out of such loan.

31. Underwriting and placings

(1) The manager shall not, in his capacity as manager, enter into agreements or understandings of a kind to which this paragraph applies unless:-

(a) in the case of an underwriting or sub-underwriting agreement, the trustee could discharge any obligation the trustee may be called upon to perform in pursuance of the agreement without there being a contravention of whichever is applicable of paragraphs 7 to 28;

(b) in the case of any other agreement or understanding, the transferable securities could be acquired without there being any such contravention; and

(c) in any case other than a case in which the cost of acquiring any transferable securities that the trustee may or will be called upon to acquire in pursuance of any such agreement or understanding is to be met by the issue of units in the scheme, that cost could be met in full out of cash or near cash comprised in the scheme property and which is not taken into account for the purposes of paragraph 7(5)(b)(i), 7(7) or paragraph 14 or out of sums which could be borrowed without contravening paragraph 30(2)(b).

(2) This paragraph applies to any underwriting or sub-underwriting agreement and to any agreement or understanding that transferable securities will be issued to or acquired by the trustee on account of the scheme.

(3) The manager shall take all reasonable steps and exercise all due diligence to ensure that the conditions specified in sub-paragraph (1)(a) to (c) continue to be fulfilled at all times during which the trustee may or will be called upon to acquire transferable securities in pursuance of any agreement or understanding to which this paragraph applies.

(4) The trustee shall take all reasonable steps and exercise all due diligence to exercise such degree of supervision over the manager's operation of the scheme as is appropriate with a view to ensuring that the manager fulfils the duty imposed on it by sub-paragraph (3).

32. Lending, guarantees and indemnities

(1) Subject to the provisions of sub-paragraph (2), none of the scheme property may be lent or used to discharge any obligation arising under a guarantee or indemnity given by the trustee or manager with respect to the obligations of any third party.

(2) For the purposes of sub-paragraph (1), neither the consideration payable for any instrument creating or evidencing indebtedness which, by virtue of any provision of this schedule, may properly be included within the scheme property, nor the placing of money on the deposit or in a current account, nor the transfer of title to any scheme property on terms that involve title being transferred back at some future date shall be regarded as lending.

33. Uncovered sales of property

Neither the trustee nor the manager acting in the capacities of trustee or manager as such shall enter into any agreement to dispose of property which is not a hedging transaction unless the scheme property includes either:-

(a) property sufficient to enable that obligation together with any other similar obligation incurred in relation to the scheme to be discharged; or

(b) rights to acquire property sufficient to enable that obligation together with any similar obligation incurred in relation to the scheme to be discharged.

34. Application of regulations to umbrella funds

(1) In the application to an umbrella fund of paragraphs 7 to 14, 16 to 23, 25 to 33 and paragraph 24 insofar as it relates to the application of paragraph 14 to an umbrella fund, references to the scheme property shall be construed as references to each separate part of the property and those paragraphs shall apply to such funds as if each separate part of the property were the property of a single scheme.

(2) Paragraph 15 shall apply to an umbrella fund which is so constituted that any separate part of the property would be a securities scheme or a money market fund if that part of the property were the property of a single scheme as if all such separate parts of the property constituted one securities scheme.

35. Prohibition on a scheme of a particular kind becoming a scheme of another kind

Other than on a unitisation, the object of a scheme which is a securities scheme, a feeder fund, a fund of funds or a money market fund shall not be altered so as to have the effect that the scheme ceases to be a scheme of that particular kind.

36. Types of investments

For the purposes of the definitions in rule 1.02 the following terms shall have the following meanings:-

(1) Shares and stock

(a) Shares and stock in the share capital of a company.

(b) In this sub-paragraph, "company" includes any body corporate and also any unincorporated body but does not include an open-ended investment company or any body incorporated under the law of, or of any part of, the United Kingdom relating to building societies, industrial and provident societies or credit unions.

(2) Debentures

(a) Debentures, including debenture stock, loan stock, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness, not being instruments falling within sub-paragraph (b) below.

(b) This sub-paragraph shall not be construed as applying:-

(i) to any instrument acknowledging or creating indebtedness for, or for money borrowed to defray, the consideration payable under a contract for the supply of goods or services;

(ii) to a cheque or other bill of exchange, a approved bank draft or a letter of credit; or

(iii) to a bank-note, a statement showing a balance in a current, deposit or savings account or (by reason of any financial obligation contained in it) to a lease or other disposition of property, a heritable security or an insurance policy.

(3) Government and public securities

(a) Loan stock, bonds and other instruments creating

or acknowledging indebtedness issued by or on behalf of a government, local authority or public authority.

(b) Sub-paragraph (2)(b) above shall, so far as applicable, apply also to this sub-paragraph.

(4) **Instruments of entitlement to shares or securities**

(a) Warrants or other instruments entitling the holder to subscribe for investments falling within sub-paragraph (1), (2) or (3) above.

(b) In this sub-paragraph:-

(i) it is immaterial whether the investments are for the time being in existence or identifiable; and

(ii) an investment falling within this sub-paragraph shall not be regarded as falling within sub-paragraph (7), (8) or (9) below.

(5) **Certificates representing securities**

(a) Certificates or other instruments which confer:-

(i) property rights in respect of any investment falling within sub-paragraph (1), (2), (3) or (4) above;

(ii) any right to acquire, dispose of, underwrite or convert an investment, being a right to which the investor would be entitled if it held any such investment to which the certificate or instrument relates; or

(iii) a contractual right (other than an option) to acquire any such investment otherwise than by

subscription.

(b) This sub-paragraph does not apply to any instrument which confers rights in respect of two or more investments issued by different persons or in respect of two or more different investments falling within sub-paragraph (3) above and issued by the same person.

(6) Units in collective investment schemes

Units in a collective investment scheme, including shares in or securities of an open-ended investment company.

(7) Options

Options to acquire or dispose of:-

(a) an investment falling within any other sub-paragraph of this paragraph;

(b) currency;

(c) gold or silver; or

(d) an option to acquire or dispose of an investment falling within this sub-paragraph by virtue of (a), (b) or (c) above.

(8) Futures

(a) Rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed upon when the contract is made.

(b) (i) This sub-paragraph does not apply if the

contract is made for commercial and not investment purposes.

(ii) A contract shall be regarded as made for investment purposes if it is made or traded on an approved market or made otherwise than on an approved market but expressed to be as traded on such a market or on the same terms as those on which an equivalent contract would be made on such a market.

(iii) A contract not falling within subparagraph (b)(ii) above shall be regarded as made for commercial purposes if under the terms of the contract delivery is to be made within seven days.

(iv) The following are indications that any other contract is made for a commercial purpose and the absence of any of them is an indication that it is made for investment purposes:-

(aa) either or each of the parties is a producer of the commodity or other property or it is used in the business of either or each of the parties;

(bb) the seller delivers or intends to deliver the property or the purchaser takes or intends to take delivery of it.

(v) It is an indication that a contract is made for commercial purposes that the price, the lot, the delivery date or other terms are determined by the parties for the purposes of the particular contract and not by reference to regularly published prices, to standard lots of delivery dates or to standard terms.

(vi) The following are also indications that a contract is made for investment purposes:-

(aa) it is expressed to be as traded on a market or on an exchange;

(bb) performance of the contract is ensured by an investment exchange or a clearing house;

(cc) there are arrangements for the payment or provision of margin.

(vii) A price shall be taken to have been agreed upon when a contract is made:-

(aa) notwithstanding that it is left to be determined by reference to the price at which a contract is to be entered into on a market or exchange or could be entered into at a time and place specified in the contract; or

(bb) in a case where the contract is expressed to be by reference to a standard lot and quality, notwithstanding that provision is made for a variation in the price to take account of any variation in quantity or quality on delivery.

(9) Contracts for differences

(a) Rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in the value or price of property of any description or in an index or other factor designated for that purpose in the contract.

(b) This sub-paragraph does not apply where the parties intend that the profit is to be obtained or the loss avoided by taking delivery of any property to which the contract relates.

SCHEDULE 6

Rule 3.15

PRICING OF UNITS AND DEALINGS BY TRUSTEE AND MANAGER

PART I : INTERPRETATION

1. Interpretation

(1) References in this schedule to a numbered paragraph shall be construed as references to the paragraphs bearing that number in this schedule.

(2) References in any paragraph of this schedule to a numbered sub-paragraph shall, unless the reference is to a paragraph of a specified paragraph or rule, be construed as references to the sub-paragraph bearing that number in the paragraph in which it appears.

(3) The following expressions have the meanings assigned to them:-

"cancellation" means the cancellation of units by the scheme;

"cancellation price" means the price calculated in accordance with paragraph 13 of this schedule;

"creation" means the creation of units by the scheme;

"creation price" means a price calculated in accordance with paragraph 12 of this schedule;

"issue" means the sale of units by the manager as principal and "issue price" shall be construed accordingly;

"redemption" means the purchase of units from a holder by the manager as a principal and "redemption price" shall be construed accordingly.

PART II: VALUATION OF PROPERTY

2. Periodic valuation

(1) For the purposes of determining in accordance with this schedule the prices at which units in a scheme may be created, cancelled, converted, issued or redeemed the manager shall regularly carry out a valuation of the scheme property in the base currency with such frequency (not being less frequent than twice in every calendar month and provided that, if a valuation is conducted only twice in a calendar month, there is at least two weeks between each valuation) as is specified for this purpose in the scheme particulars.

(2) The manager may carry out additional valuations of the scheme property for the purposes described in subparagraph (1) if it considers that it is desirable to do so.

(3) The scheme property shall be valued for the purposes of this schedule at a time specified in the scheme particulars.

(4) In valuing the scheme property for the purposes of this schedule, the prices taken shall be the most recent prices that can reasonably be obtained after the valuation point with a view to giving an accurate valuation of the scheme property as at that point.

3. Property to be included and assumptions to be made in a periodic valuation

(1) In calculating the value of the scheme property in accordance with paragraph 2:-

(a) where, immediately before the valuation point, the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme is under an obligation to create or cancel units, it shall be assumed that the units in question were created or cancelled as the case may be, that the trustee or the company has received or, as the case may be, has paid the consideration for those units and that all other things required by this schedule or by the principal documents to be done in consequence thereof were done provided that for the purpose of this sub-paragraph units which the company has provisionally allotted or provisionally cancelled shall not be regarded as units which the company is under an obligation to create or cancel, as the case may be and accordingly the value of the scheme property shall remain unaffected by such provisional allotment or cancellation;

(b) where, immediately before the valuation point, the trustee in the case of a unit trust scheme, or company, in the case of a company scheme, has not done something in consequence of a creation or cancellation of units which it is required to do, it shall be assumed that that thing was done;

(c) subject to sub-paragraph (2), where, immediately before the valuation point agreements are in existence for the unconditional sale or purchase of property on behalf of the scheme which have not been completed, it shall be assumed that they were completed at the time and that everything required to be done in accordance with their terms was done;

(d) there shall be deducted from the scheme property:-

(i) a reasonable estimate by the manager of the total amount of liabilities, including potential

liabilities, in respect of tax on unrealised capital gains which have accrued to date and are payable out of the scheme property including the principal amount of any outstanding borrowings whenever repayable;

(ii) a reasonable estimate by the manager of the total amount of liabilities for tax on realised capital gains in respect of the most recently completed accounting period;

(iii) such sum in respect of tax on capital gains realised in the current accounting period as in the reasonable estimate of the manager will become payable;

(iv) a reasonable estimate by the manager of the total amount of any liabilities for taxation levied on income accrued before the valuation point;

(v) the amount of the manager's periodic charge, if any, together with any tax in the nature of value added tax or otherwise payable in respect of such charge accrued but remaining unpaid;

(vi) a reasonable estimate by the manager of the total amount of any other liabilities payable out of the scheme property with any tax thereon and any accrued interest on borrowings; and

(vii) the value, calculated in accordance with paragraph 4(3), of all options written for the scheme;

(e) there shall be added to the scheme property:-

(i) a reasonable estimate by the manager of the total amount of any claims for repayment of any taxation levied on capital (including capital gains) or on income accrued before the valuation point; and

(ii) a sum representing any interest or dividends accrued but not received or receivable; and

(f) in determining the value in the base currency of any property which would otherwise be valued in a currency other than the base currency, the value shall, unless the manager and the trustee agree that it is in the interest of investors and potential investors that a different rate should be used, in which case the value shall be converted at the rate agreed between them, be converted at a rate of exchange which represents the average of the highest and the lowest rates of exchange quoted, at the relevant time, for conversion of that currency into the base currency on the market on which the manager would normally deal if it wished to make such a conversion;

(2) For the purposes of sub-paragraph (1)(c), an agreement shall not be regarded as one for the unconditional sale or purchase of property if either:-

(a) it is a future or a contract for differences which is not yet due to be performed or which is due to be performed but which has been closed out; or

(b) it is an option written for the scheme which has not expired but which has not yet been exercised by the purchaser or which has been exercised but which has been closed out; or

(c) it is an option purchased for the scheme which has not expired but which has not yet been exercised.

4. Bases of valuation

(1) A valuation carried out in accordance with paragraph 2 shall be in two parts, one on an offer basis and the other on a bid basis.

(2) For each basis of valuation, cash and amounts held on a current or deposit account shall be taken at their nominal value.

(3) For the purposes of paragraph 3(1)(d)(vii), the value of an option written for the scheme on property of any description shall:-

(a) for that part of the valuation which is an offer basis, be the amount of premium which would be received if an option of that kind on property of that description were written on the best terms then available on an approved options and futures market on which such options are traded less an estimated amount of such fiscal charges, commission and other charges as would be payable by the writer of such an option, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in connection with the transaction; and

(b) for that part of the valuation which is on a bid basis, be the total of the amount of premium which would be paid if an option of that kind on property of that description were purchased on the best terms then available on an approved options and futures market on which such options are traded and an estimated amount of such fiscal charges, commission and other charges as would be payable by the purchaser of such an option, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in connection with the transaction.

(4) The value of a margined contract, which is not a written option shall:-

(a) for that part of the valuation which is on an offer basis, be an amount, which may be a negative amount, equal to the total of the following:-

(i) the amount of initial margin which would have to be deposited in order to enter into a contract of that kind on property of that description on the best terms then available on an approved option and futures market on which contracts of that kind are traded; and

(ii) the amount of accrued margin which would be receivable or payable on closing out the contract and which shall be a negative amount if accrued margin would be receivable and which shall be a positive amount if accrued margin would be payable; and

(iii) an estimated amount of such fiscal charges, commission and other charges as would be payable if the contract being valued were then entered into, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in order to enter into the contract; and

(b) for that part of the valuation which is on a bid basis, be whichever is applicable of the following:-

(i) in a case in which margin would be receivable for the account of the scheme if the contract were to be closed out, the amount of margin which would be receivable if the contract were closed out on the best terms then available on an approved option and futures market on which contracts of that kind are traded less an estimated amount of

such fiscal charges, commission and other charges as would be payable if the contract being valued were then closed out, calculated on the basis that the commission and charges payable were the least that could reasonably be expected to be paid in order to close out the contract; and

(ii) in a case in which margin would be payable out of the scheme property if the contract were to be closed out, a negative amount equal to the total of the amount of margin which would be payable if the contract were closed out on the best terms then available on an approved option and futures market on which contracts of that kind are traded and an estimated amount of such fiscal charges, commission and other charges as would be payable if the contract being valued were then closed out, calculated on the basis that the commission and the charges payable were the least that could reasonably be expected to be paid in order to close out the contract.

(5) All other property for that part of the valuation which is on an offer basis, shall be valued:-

(a) in the case of property which is an investment of any description other than a unit in a collective investment scheme, at the market dealing offer price of that property;

(b) in the case of property comprising units in a collective investment scheme, at the price at which units of the kind in question were or would have been created following the most recent valuation of the relevant scheme; or, if:-

(i) there is no such creation price for the units in question; or

(ii) the relevant creation price is higher than the issue price then being offered for deals of the relevant size; or

(iii) the manager, after making reasonable enquiries, has been unable to ascertain the relevant creation price;

at the issue price then being offered for deals of the relevant size; and

(c) if there is no price of the property in question under sub-paragraph (a) or (b) above, at a reasonable estimate of the amount which would be paid by a buyer, by way of consideration, for an immediate transfer or assignment to him at arm's length plus any fiscal charges, commission and other purchase charges which would be payable by him.

(6) All other property, for that part of the valuation which is on a bid basis, shall be valued:-

(a) in the case of property which is an investment of any description other than a unit in a collective investment scheme, at the market dealing bid price of that property;

(b) in the case of property comprising units in a collective investment scheme, at the amount which would be received if units of the kind in question were offered for redemption in what, in the reasonable opinion of the manager, is a standard size; and

(c) if there is no price of the property in question under sub-paragraph (a) or (b) above, at a reasonable estimate of the amount which would be received by a seller by way of consideration for an immediate transfer or assignment from him at arm's length less any fiscal charges, commission and other sales charges which would be payable by him.

PART III: CREATION AND CANCELLATION OF UNITS

5. Creation and cancellation of units

(1) In the case of a unit trust scheme, units may be created or cancelled by the trustee only upon the receipt of written instructions given by the manager and, in the case of a company scheme, units may be created or cancelled only upon receipt by the company and the trustee of written instructions given by the manager, but no units in a company scheme may be created or cancelled without the consent of the trustee.

(2) Subject to paragraph 7, units shall be created upon the receipt of written instructions given by the manager in accordance with the provisions of paragraph 8, 10 or 11 stating, in relation to each type of unit to be created, how many units are to be created, expressed as a number of units or as an amount in value (or partly the one and partly the other).

(3) For the purposes of a unitisation, the trustee, in the case of a unit trust scheme, and the company, in the case of a company scheme, shall create units in favour only of the holders of units in the body corporate or collective investment scheme which is being wound up or property of which is being transferred.

(4) Upon the creation of units, the manager of a scheme which is neither a government and other public securities fund nor a money market fund shall either:-

(a) pay the trustee in cash or in cleared funds, before the close of business on the fourth business day next after the instructions referred to in subparagraph (2) were given, the creation price of those units; or

(b) in any case within sub-paragraph (5) other than a unitisation, ensure that the beneficial interest in the relevant assets is transferred to the trustee forthwith and that legal title to those assets is transferred within the period mentioned in sub-paragraph (a) above.

(5) The trustee, in the case of a unit trust scheme, and the company, in the case of a company scheme, may, whether for the purposes of a unitisation or otherwise, create units in exchange for assets other than money but only if the trustee is satisfied that acquisition of the assets in exchange for the number of units to be created is not likely to result in any material prejudice to the interests of investors or potential investors.

(6) Sub-paragraph (4) shall apply in the case of the manager of a scheme which is either a government and other public securities fund or a money market fund as if the period specified in sub-paragraph (4)(a) were the period ending with the close of business two business days after the giving of the instructions referred to in sub-paragraph (2).

(7) Sub-paragraphs (4) and (6) shall not apply in a case in which the manager acts as agent for the trustee in the case of a unit trust scheme, or company, in the case of a company scheme, but instead the manager shall pay the trustee the creation price of those units within such period as shall be specified in the principal documents next following the receipt of the creation price from the investor.

6. Cancellation of units by a trustee or a company

(1) Subject to paragraph 7, the trustee, in the case of a unit trust scheme, and the company in the case of a company scheme shall cancel units upon:-

(a) the receipt of written instructions by the trustee and, in the case of a company scheme, the company by the manager stating, in relation to each type of unit to be cancelled, how many units or what value of units (or partly the one and partly the other) are to be cancelled and whether the units are ones which the manager owns as principal or whether they are units belonging to an investor (or partly the one and partly the other); and

(b) the delivery to the trustee and, in the case of a company scheme, the company of such evidence of the title to those units of the person seeking to cancel them as the trustee may reasonably require.

(2) The trustee of a scheme which is neither a government and other public securities fund nor a money market fund shall, except where cancellation is to take place under paragraph 26 and provided that the manager has ensured that the scheme property includes or will include sufficient cash in the appropriate currency, pay or shall procure that the manager shall pay the cancellation price of those units out of the scheme property before the close of business on the fourth business day next after the cancellation of the units to the person who was the investor in respect of those units.

(3) In a case in which the manager has not ensured that the scheme property includes or will include sufficient cash in the appropriate currency within the period referred to in sub-paragraph (2), the manager shall ensure that the trustee is able to pay the cancellation price out of the scheme property within 21 days after the cancellation of the units and the trustee shall pay or shall procure that the manager shall pay the cancellation price forthwith upon the manager so ensuring.

(4) Sub-paragraphs (2) and (3) shall apply in the case of the trustee of a scheme which is either a government and other public securities fund or a money market fund as if the period referred to in sub-paragraph (2) were the period ending with the close of business two business days next after the cancellation of the units in question.

7. Refusal to create or cancel units: trustee's powers and duties

(1) Subject to sub-paragraphs (2) and (3), in the case of both a unit trust scheme or a company scheme, the trustee may, on receipt of written instructions directing that units should be created or cancelled forthwith give written notice to the manager stating that the trustee will not procure the creation or cancellation, as the case may be, of all or such number of the units requested to be created or cancelled as is specified in the notice, and the consequence of the giving of that notice shall be that that number of units shall not be created or cancelled.

(2) The trustee may not give such a notice in relation to the creation of units for the purposes of a unitisation and in any other case, may give it only if the trustee is of the opinion that it is not in the interests of investors for the units the subject of the notice to be created or cancelled, as the case may be.

(3) No units shall be created or cancelled during the period in which redemption of units is suspended.

8. Creation of units: initial offer or unitisation

(1) Sub-paragraphs (2), (3) and (4) shall apply instead of paragraphs 10 and 11 for the purpose of determining when, upon the closing of an initial offer or during an initial offer, the manager may, and when it is required to, give

instructions to create units, and sub-paragraph (6) shall apply instead of those paragraphs with respect to the creation of units for the purposes of a unitisation.

(2) The principal documents shall specify the terms and conditions upon which units may be created upon the closing of an initial offer period and the rights and obligations of the manager, the trustee and the company, as the case may be, in respect of such creation, but where units are to be created during an initial offer the following sub-paragraphs shall apply.

(3) The manager may give written instructions to create units in the scheme at the beginning of the first business day during the period of the initial offer.

(4) Subject to sub-paragraph (5), the manager shall, at the beginning of each business day other than the first during the period of the initial offer and at the beginning of the first business day after that period, give instructions to create units in the scheme in such numbers at least as will enable the manager immediately to fulfill all obligations to issue units which it assumed as principal or on behalf of the scheme during the preceding business day.

(5) Sub-paragraph (4) shall not apply if, at the beginning of each business day other than the first during the period of the initial offer and at the beginning of the first business day after that period, the manager pays to the trustee either the total amount received during the previous business day in respect of orders for units to be issued or such amount less the total of its preliminary charge, if any, in respect of those units.

(6) The manager shall have no power to give instructions to create units for the purposes of a unitisation and the trustee, in the case of a unit trust scheme, and the company

and the trustee, in the case of a company scheme, shall have the power to determine what units are to be created having regard to the terms of any arrangements relating to the unitisation to which the scheme is a party.

9. **Compulsory termination of initial offer**

(1) The manager shall cease to agree to issue units as principal or on behalf of the scheme during an initial offer at the initial price and shall not give instructions to create units, other than units which it has already agreed to issue as principal or on behalf of the scheme at the price specified in paragraph 12(1), forthwith upon becoming aware or having reason to believe that, if the scheme property were valued in accordance with Part II of this schedule, the issue price excluding any preliminary charge would differ from the initial price excluding any such charge by 2% or more.

(2) On the occurrence of circumstances of the kind described in sub-paragraph (1) the manager shall forthwith carry out a valuation of the scheme property for the purposes of determining new prices at which units are to be created, cancelled, converted, issued and redeemed.

10. **Creation and cancellation of units where the scheme is valued at intervals of more than two hours**

(1) This paragraph applies in the case of every scheme the property of which is normally valued for the purposes of paragraph 2 at intervals of more than two hours, and it applies so as to determine when the manager of such a scheme may, and when it is required to, give instructions to create units in the scheme and when it may give instructions to cancel units in the scheme.

(2) Subject to the provisions of sub-paragraph (4), the manager may within the period of two hours immediately after each valuation point, give written instructions to create units but it shall give such instructions within that period to create units in the scheme at least in such number or of such value (or partly the one and partly the other) as will enable it to fulfil all outstanding obligations to issue units which it had assumed, either as principal or on behalf of the scheme, before that valuation point.

(3) Subject to the provisions of sub-paragraph (4), the manager may give instructions to cancel units only within the period of two hours immediately following a valuation point.

(4) Notwithstanding the provisions of sub-paragraphs (2) and (3), the manager may give instructions to create or cancel units otherwise than within the period of two hours following each valuation point provided that it does so by reference to the prices to be calculated at the next valuation point and the units are to be created or cancelled after the next valuation point.

11. **Creation and cancellation of units where the scheme is valued at intervals of not more than two hours**

(1) This paragraph applies to every scheme the property of which is normally valued, for the purpose of paragraph 2, at intervals of not more than two hours and it applies so as to determine when the manager of such a scheme may, and when it is required to, give instructions to create units in the scheme and when it may give instructions to cancel units in the scheme.

(2) The manager may, at any time between one valuation point and the next, give written instructions to create units but it shall give such instructions within that period to create units in the scheme at least in such number or of

such value (or partly the one and partly the other) as will enable it to fulfil all outstanding obligations to issue units which it had assumed, either as principal or on behalf of the scheme, before the former valuation point.

(3) The manager may give written instructions to cancel units at any time between one valuation point and the next.

12. Creation price

(1) The price for each unit payable by the manager on the creation of a unit during an initial offer shall be the initial price of that unit less the amount of any preliminary charge made in respect of that unit.

(2) Subject to sub-paragraphs (5), (6) and (7), the price for each unit payable on the creation of units, otherwise than for creation during an initial offer or for the purposes of a unitisation, shall be the sum of the amounts calculated in accordance with sub-paragraph (4).

(3) For the purpose of sub-paragraphs (1) and (2) units shall be treated as created during an initial offer if they were created after the close of the offer but were units which the manager had agreed, either as principal or on behalf of the scheme, to issue before the offer closed.

(4) The amounts calculated in accordance with this sub-paragraph are an amount in the base currency equal to the value determined on the offer basis by reference to the most recent valuation point of that part of the capital property and income property of the scheme which is attributable to units of the type in question in existence (or assumed, in accordance with paragraph 3(1)(a), to be in existence) at that valuation point divided by the number of those units.

(5) Any price calculated in accordance with this paragraph shall be accurate to at least four significant figures.

(6) The creation price may be a price in a currency other than the base currency provided that the price is calculated at such rate of exchange between that other currency and the base currency as the trustee is satisfied is not likely to result in any material prejudice to the interests of investors or potential investors.

(7) Where units are created in circumstances in which the total price payable in any particular currency for all units created on that occasion would include a fraction of the smallest unit of that currency the total price payable shall be rounded up or down to the nearest such unit.

13. Cancellation price

(1) Subject to sub-paragraphs (3), (4) and (5) and to paragraph 26, the price for each unit payable on the cancellation of units shall be the sum of the amounts calculated in accordance with sub-paragraph (2).

(2) The amounts referred to in sub-paragraph (1) are:-

(a) an amount in the base currency equal to the value determined on the bid basis by reference to the most recent valuation point of that part of the capital property of the scheme which is attributable to units of the type in question in existence (or assumed, in accordance with paragraph 3(1)(a), to be in existence) at that valuation point divided by the number of those units; and

(b) an amount in the base currency equal to the value determined on the bid basis by reference to the most recent valuation point of that part of the income property of the scheme which is attributable to units

of the type in question in existence (or assumed, in accordance with paragraph 3(1)(a), to be in existence) at that valuation point divided by the number of those units.

(3) Any price calculated in accordance with sub-paragraph (1) shall be accurate to at least four significant figures.

(4) The cancellation price may be a price in a currency other than the base currency provided that the price is calculated at such rate of exchange between that other currency and the base currency as the trustee is satisfied is not likely to result in any material prejudice to the interests of investors.

(5) Where units are cancelled in circumstances in which the total price payable in any particular currency for all units cancelled on that occasion would include a fraction of the smallest unit of that currency the total price payable shall be rounded up or down to the nearest such unit.

14. Manager as agent

(1) Where the manager acts as agent:-

(a) for the trustee in the case of a unit trust scheme; or

(b) for a company in the case of a company scheme;

the following sub-paragraphs shall apply.

(2) In connection with the sale or purchase of units otherwise than in the course of an initial offer or otherwise than in the circumstances described in paragraph 26, the price at which the manager sells units shall be a price which is not greater than the total of the creation price next calculated in accordance with paragraph 12(2) and

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the amount, if any, specified in the scheme particulars as the maximum of its preliminary charge, and the price at which it buys units shall be the cancellation price next calculated in accordance with paragraph 13(1).

(3) The manager shall not agree to sell units during an initial offer at a price which is greater than the initial price.

(4) The manager shall not make any charge in connection with its sale or purchase of units except the preliminary charge referred to in sub-paragraph (2) or such other charges as shall be disclosed in the principal documents and scheme particulars.

(5) Save for the charges specified in sub-paragraph (4), any profit realised on the sale by the manager of a unit which is not cancelled shall be for the account of the scheme.

PART IV : ISSUE AND REDEMPTION OF UNITS

15. Prices at which units may be issued and redeemed

(1) The manager shall not agree to issue units during an initial offer at a price which is greater than the initial price.

(2) Except in the case of a large deal, the manager shall either:-

(a) agree to issue and redeem all units at forward prices; or

(b) except in relation to units which he is prohibited by paragraph 17 from issuing or redeeming at historic prices, agree to issue and redeem all units at historic prices.

(3) The manager may, at any time, elect to cease agreeing to issue and redeem units at:-

(a) historic prices and begin agreeing to issue and redeem them at forward prices; or

(b) forward prices and begin agreeing to issue and redeem them at historic prices.

(4) Except in the case of a large deal, the manager shall not issue or redeem units at a price which is either greater than the relevant maximum price notified to the trustee under paragraph 19(1)(b) or less than the relevant minimum price so notified.

(5) The issue price of units may include a preliminary charge, expressed either as a fixed amount or calculated as a percentage of the creation price, but, in either case, the amount of that charge shall not be greater than such

percentage of the creation price as may be stated in the principal documents and scheme particulars as the maximum of that charge.

(6) The manager shall not make any charge in connection with the issue or redemption of units except the preliminary charge referred to in sub-paragraph (5) or such other charges as shall be disclosed in the principal documents and scheme particulars.

(7) The manager may issue or redeem units in a currency other than the base currency provided that the price at which it issues or redeems such units is calculated at a rate of exchange between the base currency and that other currency determined by the manager after consulting the trustee as being a rate which is fair to the relevant potential investor, or relevant investor, as the case may be.

(8) Where the manager receives an offer to acquire units, or a request that units be redeemed, in circumstances in which the total price payable for all units for which the request is made would include a fraction of a unit of currency, it shall round up or down the total payable to the nearest such unit.

16. Manager's discretion in case of large deal

(1) Subject to paragraphs 17 and 18, in the case of a large deal the manager may issue or redeem the units in question at either a forward or an historic price provided that the price is neither greater than the total of the relevant creation price notified to the trustee under paragraph 19(1)(a) and such percentage, if any, of the creation price as may be stated in the scheme particulars as the maximum of its preliminary charge nor less than the relevant cancellation price so notified.

(2) In sub-paragraph (1), the relevant creation price and the relevant cancellation price for units issued or redeemed at a forward price are the prices notified upon the completion of the valuation next following the manager's agreeing to issue or redeem the units and the relevant prices for units issued or redeemed at an historic price are the prices notified upon completion of the last valuation preceding that agreement.

17. Cases in which manager may not deal at an historic price

(1) Except in the case of an initial offer, the manager shall issue or, as the case may be, redeem units at a forward price if the applicant has requested that units be issued or redeemed at a forward price.

(2) Except in the case of an initial offer, the manager shall, subject to sub-paragraph (3), issue or, as the case may be, redeem units at a forward price if the applicant has applied for units to be issued or redeemed and the manager has agreed to issue or to redeem the units without the applicant knowing the price at which the units would be issued or redeemed.

(3) Notwithstanding the provisions of sub-paragraph (2), but subject to the provisions of sub-paragraph (1), if an application for units to be issued or redeemed is received during the period between a valuation point and whichever is the earlier of the end of the two hour period specified in paragraph 10 or 11 above and the completion of the valuation carried out by reference to that valuation point, the manager may issue or redeem the units at an historic price. For the purposes of this paragraph, a valuation is deemed to be completed as soon as the manager first knows of the creation and cancellation prices in question.

(4) The manager shall not issue or redeem units at an historic price if he knows, or has reason to believe, that, if the property of the scheme were valued in accordance with the provisions of Part II of this schedule, its value would have increased or, as the case may be, decreased by 2% or more from the value calculated at the last valuation point.

(5) The manager shall not issue or redeem units at an historic price which is calculated by reference to a valuation point which occurred before the preceding business day.

18. Manager's duty where he knows, or has reason to believe, that value of property has materially changed

(1) If, before the occurrence of circumstances of the kind described in paragraph 17(4), the manager was issuing or redeeming units at an historic price, it shall, forthwith upon the occurrence of those circumstances, cease to do so and shall either:-

(a) issue and redeem units at a forward price until the next valuation point; or

(b) carry out a valuation of the scheme property for the purposes of determining new prices at which units in the scheme are to be created, cancelled, converted, issued and redeemed.

(2) The manager need not, in order to comply with the provisions of sub-paragraph (1)(b), carry out a valuation in accordance with the provisions of Part II of this schedule if it reasonably believes, and the trustee agrees, that an adequate valuation may be obtained by reference to fluctuations in an index of property the composition of which reflects the composition of the scheme property.

19. **Manager's duty to give notification of creation and cancellation prices and of dealing spread**

(1) Forthwith upon a valuation being completed, whether in accordance with Part I of this schedule or by virtue of the provisions of paragraph 18(2), the manager shall notify the trustee, in the case of a unit trust scheme, or the company and the trustee, in the case of a company scheme, of the following:-

(a) the creation and cancellation prices;

(b) if the manager is acting as principal, the maximum issue price and the minimum redemption price for deals which the manager agreed before the valuation point should be done at a forward price and which are to be used for deals, other than large deals, which are to be done at an historic price before the next valuation point; and

(c) the number of units held by the manager as principal at the valuation point.

(2) The price notified as the maximum issue price shall not exceed the total of the creation price notified under sub-paragraph (1)(a), and the maximum amount of any preliminary charge specified in the scheme particulars.

(3) The price notified as the minimum redemption price shall not be less than the cancellation price notified under sub-paragraph (1)(a).

20. **Manager's duty to give notification of any additional valuation and change in pricing basis**

(1) The manager shall inform the trustee, in the case of a unit trust scheme, or the company and the trustee, in

the case of a company scheme, forthwith of:-

(a) any decision to carry out a new valuation other than a regular valuation of the kind described in paragraph 2(1); and

(b) any decision to cease dealing at historic prices or forward prices.

21. Income equalisation

Where income equalisation is to apply:-

(1) On the issue of a unit which the manager has redeemed and not cancelled, it shall pay to the trustee, not later than the date on which sums are distributed to investors, such part of the creation price by reference to which the price of that unit was determined as represented income equalisation.

(2) All payments by the manager under this paragraph shall, to the extent that they relate to any units income on which is accumulated within the scheme property, be treated as part of the capital property and, to the extent that they relate to other units, be allocated for distribution.

22. Publication of issue and redemption prices

(1) The manager shall:-

(a) on each day on which it holds itself out as willing to issue or redeem units, publish cancellation, issue and redemption prices of those units in at least one national newspaper specified in the principal documents and scheme particulars which in the case of a manager which holds itself out as willing to issue or redeem units in the scheme in the United Kingdom shall be a national newspaper in the United Kingdom; and

(b) at least once in every week publish, in like manner, the percentage representing its preliminary charge which shall fall within the maximum percentage stated in the scheme particulars.

(2) Sub-paragraph (1) shall apply in a case in which the manager is acting as agent for the trustee; in the case of a unit trust scheme, or the company in the case of a company scheme as if the references to issue and redemption prices were references to the sum of the relevant creation price and the maximum amount of any preliminary charge made in respect of units sold by reference to that creation price.

(3) The cancellation, issue and redemption prices published in accordance with this paragraph shall be the prices last notified under the provisions of paragraph 19 before the newspaper in which they were published ceased to accept material for publication in the relevant edition, shown in the base currency or in pounds sterling, and shall be accurate to at least four significant figures and the creation price referred to in sub-paragraph (2) shall be the creation price last so notified.

(4) This paragraph 22 shall not be construed so as to apply in the case of the exchange of units in one constituent part for units in another constituent part in the same umbrella fund.

23. Contract notes

Each contract note which is issued on the issue or redemption of units shall state:-

(a) the price in the relevant currency at which the units in question were issued or redeemed or, in a case within paragraph 14, purchased or sold;

(b) the creation or cancellation price (in the relevant currency) by reference to the valuation by reference to which the price at which the units in question were issued or redeemed was calculated; and

(c) either the amount of any preliminary charge (in the relevant currency) if it is of a fixed amount or the percentage representing the manager's preliminary charge.

24. Conversion of units

(1) Subject to sub-paragraph (2), in the case of an umbrella scheme, the trustee, in the case of a unit trust scheme, and the company, in the case of a company scheme, shall if the principal documents permit at the request in writing of the manager convert units in one constituent part for units in another constituent part by the cancellation of the appropriate number of the units to be converted and the creation of an appropriate number of units of the other type subject to both types of units being in existence and being offered for issue at the time that the conversion is requested.

(2) Subject to the provisions of this sub-paragraph, the manager shall make a request for a conversion if it is within the scope of the scheme when requested to do so by an investor but the manager shall be under no duty to make such a request and the trustee or the company, as the case may be, shall be under no duty to give effect to any such request if it would result in the investor being an investor in respect of units of either type less than any minimum number or value of units stated in the scheme particulars as the minimum number or value of units which any investor may hold.

(3) The appropriate number of units for the purposes of this paragraph shall be determined by the manager, after

consulting the trustee, on terms that are fair to the investor seeking the conversion of units and to other investors.

(4) On the creation or cancellation of units to effect a conversion the manager shall make such charge only as is authorised by the principal documents and is not greater than the maximum of such charge stated in the most recently published scheme particulars.

(5) None of the provisions of paragraphs 5 to 23 shall apply when units are converted in accordance with this paragraph.

25. Manager's obligation to issue and redeem units

(1) Subject to sub-paragraphs (2) and (7) and to paragraph 26, the manager shall, except during an initial offer or a unitisation, at the request in writing of any investor agree to redeem units owned by that investor at a price in the base currency or in any other currency in which it has issued units on any previous occasion.

(2) If the manager has kept records which are sufficient to establish that units which have been issued to a particular investor have been issued to him in certain currencies only, the manager may refuse to agree to redeem units at the request of that investor at a price in a currency which is neither the base currency nor one of those currencies.

(3) Except as provided in sub-paragraph (4), when the manager of a scheme which is not a government and other public securities fund or a money market fund has agreed to redeem any units, it shall pay the investor the redemption price (less, if the consideration is to be remitted abroad, the cost of remitting it) not later than the close of business on the fourth business day following the later of the following times:-

(a) the next valuation point occurring after the receipt by the manager of the request to redeem the units; and

(b) the time when the manager is possessed of all duly executed instruments and authorisations as will vest, or enable the manager to arrange for the vesting of, title to the units in itself.

(4) Sub-paragraph (3) does not apply where units are purchased by the manager on an approved market and the principal documents provide that settlement is to be in accordance with the rules of that market.

(5) Sub-paragraph (3) shall apply when the manager of a government and other public securities fund or a money market fund agrees to redeem units as if the period specified in sub-paragraph (3) were the period ending with the close of business on the business day next following whichever is the later of the times specified in sub-paragraph (3)(a) or (b).

(6) Subject to sub-paragraph (7) and any provision in the principal documents to the contrary, the manager must, at any time at which it holds itself out as willing to redeem units, also be willing to issue units and, unless it has reasonable grounds for refusing to do so, at the request in writing of any person agree to issue units to that person at a price in the base currency or if that person requests that units be issued in another currency, and the manager agrees, at a price in that other currency.

(7) (a) The manager is not under any duty to redeem such number or value of units:-

(i) as is below any minimum number or value stated in the scheme particulars as the minimum number or value

of units which may be the subject of one act of redemption (unless the manager is asked to redeem all of an investor's units); or

(ii) as would result in the investor holding fewer than any minimum number or value stated in the scheme particulars as the minimum number or value of units which any investor may hold.

(b) The manager is not under any duty to redeem units if it ensures that the investor is able to sell his units on an investment exchange at a price not significantly different from the price at which they would have been redeemed.

(c) The manager is not under any duty to issue units in a number or to a value which is less than any minimum number or value stated in the scheme particulars as the minimum number or value which may be the subject of any one transaction of purchase or which any investor may hold.

(d) The manager shall not issue or redeem units during a unitisation.

(e) The manager shall not issue units if redemption is suspended.

(8) This paragraph shall apply, in a case in which the manager is acting as agent for the trustee, in the case of a unit trust scheme, or the company in the case of a company scheme, as if:-

(a) the references to the manager issuing and redeeming units were references to its selling and purchasing units;

(b) as if references to the issue price and the redemption price of units were references to the price

less than 5% of all the undivided shares in the scheme property represented by all the units of the scheme in existence, he may, if he is permitted so to do by the terms of the principal documents, at the same time request the manager, instead of paying him the redemption price of those units, to arrange for the transfer to him of scheme property instead of payment of the redemption price and if such a request is made, redemption of the units in question shall take place forthwith in accordance with sub-paragraph (4).

(4) A redemption of units in accordance with this sub-paragraph shall be effected by:-

(a) the manager forthwith giving written notice to the trustee, in the case of a unit trust scheme, or the company and the trustee, in the case of a company scheme, that redemption of the units in question is to be effected by a transfer of scheme property; and

(b) the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme, thereupon cancelling the units in question and transferring to the investor the relevant proportion, or as near as is in the trustee's opinion practicable to the relevant proportion having regard to the need to be fair both to the investor and to continuing investors, of each description of asset in the scheme property.

(5) A redemption of units in accordance with this sub-paragraph shall be effected in the same way as a redemption under sub-paragraph (4) except that the manager shall arrange for a sale of such of the assets in question as are not cash in the base or other currency of redemption and a payment by the trustee to the investor of the net proceeds of that sale and the relevant proportion of cash.

(6) The provisions of this regulation shall not have effect to enable units to be redeemed at a time when redemption is suspended.

(7) This paragraph shall apply in a case in which the manager acts as agent for the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme, as if the references to redemption were references to cancellation.

27. Suspension and resumption of redemption of units

(1) The manager may with the prior agreement of the trustee, or shall if the trustee so requires, at any time for a period not exceeding the period specified in the principal documents or, if none is so specified, one month suspend redemption of units if it, or the trustee in the case of any requirement by it, is of the opinion that the conditions for suspension specified in the principal documents are satisfied or if no such conditions are specified there is good and sufficient reason to do so having regard to the interests of investors.

(2) At the time of suspension of redemption of units under sub-paragraph (1) the manager, or the trustee if it has required the manager to suspend redemption, shall inform the Commission.

(3) Before the resumption of redemption of units, the manager shall inform the Commission.

(4) If redemption of units is suspended, the manager shall forthwith cease issuing units.

(5) Nothing in this paragraph shall prevent the manager from agreeing, during the period in which issue and redemption of units is suspended, to issue or to redeem

units at a price calculated by reference to the first valuation point after resumption of issue and redemption.

(6) This paragraph shall apply in a case in which the manager acts as agent for the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme, as if references to issue and redemption of units were references to the sale and purchase of units by the manager as agent.

28. Manager may deal in units without accounting for profits

Notwithstanding the fiduciary nature of the manager's duties, it may, if there is express provision prominently displayed in the scheme particulars stating that the manager is under no obligation to account to the trustee, in the case of a unit trust scheme, or company in the case of a company scheme or to the investors for any profit it makes on the issue of units or on the re-issue or cancellation of units which it has redeemed, not account for any such profit made since the date on which the relevant scheme particulars were published.

29. Realisation price in lieu of payment of redemption price

(1) The provisions of this paragraph shall apply where the principal documents provide and the scheme particulars state with the approval of the Commission for the matters dealt with in this paragraph.

(2) Where net redemption requests (that is requests for the redemption of units less applications for the issue of units) by reference to a valuation point exceed the percentage specified in the principal documents and scheme particulars of all the undivided shares in the scheme property represented by all the units of the scheme in

existence, the manager may elect that the investors who have served redemption requests shall not be paid the redemption price of their units but shall instead receive the net proceeds of sale of the property represented by their units.

(3) The redemption of units in accordance with this paragraph shall be effected by the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme, cancelling the units in question and the manager arranging for a sale of the relevant proportion of each description of assets in the scheme property as are not cash in the base or other currency of redemption having regard to the need to be fair both to the investors and to the continuing investors and the trustee making payment to each investor of the relevant proportion of the net proceeds of such sale and of such cash.

(4) This paragraph shall apply in a case in which the manager acts as agent for the trustee, in the case of a unit trust scheme, or the company, in the case of a company scheme, as if the references to redemption were references to cancellation.

PART V: MONEY MARKET FUNDS

In the case of a money market fund, in determining the price at which units may be created, issued, cancelled, redeemed or converted, the manager may take into account interest, original issue discount, and other receipts minus expenses and other outgoings that shall accrue between the relevant valuation point and the date on which settlement of the transaction is to take place in accordance with the principal documents provided that the policy of the manager shall be disclosed in the scheme particulars.

SCHEDULE 7

Rule 1.02

PART I: APPROVED MARKETS

1. Any Stock Exchange in Austria, Japan, New Zealand, Norway, Sweden or Switzerland which is a Stock Exchange within the meaning of the law of the country concerned relating to Stock Exchanges.
2. The Helsinki Stock Exchange, the Johannesburg Stock Exchange, the Kuala Lumpur Stock Exchange, the Singapore Stock Exchange and the Australian Stock Exchange Limited.
3. Any Stock Exchange prescribed for the purposes of the Canadian Income Tax Act.
4. Any Stock Exchange in Hong Kong which is recognised under the laws of Hong Kong.
5. Any exchange registered with the Securities and Exchange Commission of the United States as a national Stock Exchange.
6. The Over-the-Counter Market in the United States of America regulated by the National Association of Securities Dealers Inc.
7. The Unlisted Securities Market of the International Stock Exchange of the United Kingdom and Ireland Limited.
8. The "Second Marché" of any Stock Exchange set up in France in accordance with the French legislation.
9. The Tokyo Over-the-Counter Market supervised by the Securities Dealers Association of Japan.

PART II: APPROVED OPTIONS AND FUTURES MARKETS

American Stock Exchange Inc, New York
Australian Financial Futures Market, Melbourne
The Australian Stock Exchange Limited
Chicago Board of Trade
Chicago Board Options Exchange Inc
Chicago Mercantile Exchange (including the International
Monetary Market)
Commodity Exchange Inc, New York
European Options Exchange, Amsterdam
Financial Instruments Exchange, New York
Hong Kong Futures Exchange Limited
International Futures Exchange (Bermuda) Limited (INTEX),
Bermuda
The International Stock Exchange of the United Kingdom and
Ireland Limited
Kansas City Board of Trade
The London International Financial Futures Exchange Limited
Marché à terme d'instruments financiers (MATIF), Paris
Mid-American Commodity Exchange, Chicago
The Montreal Exchange
New York Futures Exchange Inc
New York Mercantile Exchange
New York Stock Exchange
New Zealand Futures Exchange Limited, Auckland
Options and Futures Exchange, Stockholm
Optionsmarked, Stockholm
Osaka Securities Exchange
Pacific Stock Exchange, San Francisco
Philadelphia Stock Exchange
Singapore International Monetary Exchange
Sydney Futures Exchange Limited
Tokyo Stock Exchange
Toronto Futures Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

PART III: COUNTRIES AND TERRITORIES

Australia

Austria

Canada

Finland

Japan

New Zealand

Norway

Sweden

Switzerland

United States of America

at which units are to be sold and purchased by the manager; and

(c) as if the reference in sub-paragraph (3)(b) to title to units being vested in the manager were a reference to units being cancelled by the trustee or the company as the case may be.

26. **Transfer or sale of property in lieu of payment of redemption price**

(1) Subject to the provisions of sub-paragraph (6), where an investor requests redemption of a number of units representing not less than 5% of all the undivided shares in the scheme property represented by all the units of the scheme in existence, the manager may, by serving a notice in writing on the investor not later than the close of business on the second business day following the day on which that request is received, elect that the investor shall not be paid the redemption price of his units but instead shall accept a transfer of scheme property and, if such a notice is so served, unless the investor serves on the manager a notice in accordance with sub-paragraph (2), redemption of those units shall be in accordance with sub-paragraph (4).

(2) Where a notice is served on an investor in accordance with sub-paragraph (1), the investor may serve a further notice on the manager not later than the close of business on the fourth business day following receipt by the investor of the first mentioned notice requiring the manager, instead of arranging for a transfer of property, to arrange for a sale of that property and the payment to the investor of the net proceeds of that sale and, if such a notice is so served, redemption of those units shall take place forthwith in accordance with sub-paragraph (5).

(3) Subject to sub-paragraph (6), where an investor requests a redemption of a number of units representing not