

REGULATION ON COLLECTIVE INVESTMENT SCHEMES (CIS)

Passed by the Board of Directors on 16 March 2011

SECTION 1 : Authority

Regulations are made by the Capital Market Development Authority under the powers conferred on it by Section 9 and Section 60(a) of the Maldives Securities Act (02/2006).

SECTION 2 : Title

Regulations shall be cited as the Collective Investment Schemes (CIS) Regulations. Regulations shall come in to force on the date published in the Government Gazette.

SECTION 3 : Meaning of Collective Investment Scheme

- (1) In this Regulation, a collective investment scheme (or “CIS”) means, any arrangement with respect to property of any description, including money, the purpose or effect of which is to enable persons taking part in the arrangement (the “participants”), whether by becoming owners of the property or any part of it or otherwise, to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income.
- (2) The arrangements must be such that:
 - a) the participants do not have day-to-day control over the management of the property in question, whether or not they have the right to be consulted or to give directions; and
 - b) the arrangements have either or both of the characteristics mentioned in subsection (3); and
 - c) the arrangements satisfy the condition set out in subsection (4).
- (3) The characteristics referred to in subsection (2)(b) are:
 - a) that the contributions of the participants and the profits or income out of which payments are to be made to them are pooled; and
 - b) that the property in question is managed as a whole by or on behalf of the scheme.
- (4) The condition referred to in subsection 2(c) is that the property belongs beneficially to, and is managed by or on behalf of, a company, the trustee of a trust or some other entity or arrangement having as its purpose the investment of its funds with the aim of spreading investment risk and giving its members the benefit of the results of the management of those funds by or on behalf of that company, trust, entity or arrangement.
- (5) Where any arrangements provide for such pooling as is mentioned in subsection (3)(a) in relation to separate parts of the property in question, and each such part is maintained in a portfolio segregated in the books of the scheme from the other assets

of the scheme, then the arrangements shall nevertheless be regarded as constituting a collective investment scheme.

- (6) The following are not collective investment schemes:
- a) an arrangement operated by a person other than by way of business;
 - b) an arrangement where each of the participants carries on a business other than a business concerned with dealing in, arranging deals, managing or advising on securities or similar financial investments and enters into the arrangement for commercial purposes related to that business;
 - c) an arrangement where each of the participant is a company in the same group as the manager of the scheme;
 - d) an arrangement where:
 - i. each of the participant is a bona fide employee or former employee, or the wife, husband or child under the age of 18 years of such an employee or former employee, of a company in the same group as the manager; and
 - ii. the property to which the arrangement relates consists of shares or stock, debentures, loan stock or any other instrument creating or acknowledging indebtedness or warrants or certificates conferring rights in relation to any such investment, in each case being an investment in or in a member of that group;
 - e) a franchise arrangement, that is to say, an arrangement under which a person earns profits or income by exploiting a right conferred by the arrangements to use a trade name or design or other intellectual property or the goodwill attached to it;
 - f) an arrangement the predominant purpose of which is to enable persons participating in it to share in the use or enjoyment of a particular property or to make its use or enjoyment available gratuitously to other persons;
 - g) an arrangement under which the rights or interests of the participants consist of the benefit of certificates or other instruments conferring rights in relation to securities other than shares in an investment management company;
 - h) a contract of insurance;
 - i) any other arrangement as may be specified by the CMDA in any CIS regulation.

SECTION 4 : Restrictions on Unlicensed Persons

- (1) No person shall:
- a) establish or operate a CIS in the Maldives, or purport to establish or operate such a scheme, or act or purport to act as a Custodian or manager of a CIS in the Maldives unless that person is a CIS licensed person and the scheme is a licensed scheme;
 - b) issue or cause to be issued in the Maldives a scheme advertisement, unless the scheme is a licensed scheme, and that person is a CIS licensed person or the contents of the scheme advertisement have been approved by CMDA; or

- c) advise or procure any person in the Maldives to become a participant in a CIS unless that person is a CIS licensed person or an investment adviser licensed under the Securities Act and the scheme is a licensed scheme
- (2) In addition to the activities for which a licence is required pursuant to subsection (4) (1), in accordance with Regulations, licences may also be required for persons to provide other services related to CIS in the Maldives (the "prescribed services"), and in such case, the prescribed services shall only be provided by holders of appropriate licences issued by the CMDA.

SECTION 5 : Injunctions and Restrictions Orders

- (1) The Court may, on the application of the CMDA, grant an injunction where it is satisfied that:
- a) there is a reasonable likelihood that a person may contravene section 4; or
 - b) any person has contravened section 4 and that there is a reasonable prospect that the contravention will continue or be repeated.
- (2) If, on the application of the CMDA, the Court is satisfied that a person has entered into any transaction in contravention of section (4), the Court may order that person and any other person who appears to the Court to have been knowingly concerned in the contravention, to take such steps as the Court may direct for restoring the parties to the position in which they were before the transaction was entered into.
- (3) The Court may, on the application of the CMDA, make an order under section (5) (4) if satisfied that a person has been carrying on business in contravention of section (4) and:
- a) that profits have accrued to that person as a result of carrying on that business; or
 - b) that one or more investors have suffered loss or been otherwise adversely affected in consequence, requiring that person to pay such sum as appears to the Court to be just, to such persons as the Court may direct, being a person or persons appearing to the Court to have entered into transactions with that person as a result of which the profits mentioned in subsection (3)(a) have accrued to him, or the loss or other adverse effect mentioned in subsection (3)(b) has been suffered.
- (4) The Court may order the person concerned to pay into Court, or appoint a receiver to recover from him, such sum as appears to the Court to be just having regard:
- a) in a case within subsection (3)(a), to the profits appearing to the Court to have accrued;
 - b) in a case within subsection (3)(b), to the extent of the loss or other adverse effect; or
 - c) in a case within both subsection (3)(a) and (3)(b), to the profits and to the extent of the loss or other adverse effect.

- (5) Nothing in section (5) affects the right of any person, other than the CMDA, to bring proceedings in respect of any of the matters to which section (5) applies.

SECTION 6 : Application for a Licence

- (1) An application for a licence to become a CIS licensed person under this regulation shall be made in such manner as the CMDA may direct and be accompanied by the payment of such fee as the CMDA may from time to time prescribe pursuant to section (16) hereof.

In order to become a CIS licensed person under this regulation, an applicant must satisfy any application requirements prescribed in Schedule 1.

SECTION 7 : Grant and Refusal of Licence

- (1) The CMDA may, on an application duly made in accordance with section (6), grant or refuse the application in accordance with such procedures as it may prescribe in Regulations.
- (2) The CMDA shall grant the application if it appears to it from the information furnished by the applicant, and having regard to any other information in its possession, that the applicant and its directors, controllers and any other principals are fit and proper persons to carry on the activities described in the application. The CMDA may specify in Regulations, certain conditions which must be satisfied for a person to be a fit and proper person for these purposes in Schedule II.
- (3) The CMDA may attach such conditions to the grant of a licence as the CMDA may determine is reasonably necessary and may, on the application of the relevant CIS licensed person, vary such conditions from time to time.
- (4) The CMDA may, on the application of any CIS licensed person, direct that all or any of the requirements set out in the CIS regulations are not to be applied to him in respect of a particular licensed scheme or are to apply to him in respect of that scheme with such modifications as may be specified by it.
- (5) Where the CMDA refuses to grant a licence, the provisions of section (20) shall apply.

SECTION 8 : Application for Scheme licence

- (1) An application for a licence in respect of a CIS shall be made in such manner as the CMDA may direct and be accompanied by the payment of such fee as the CMDA may from time to time prescribe pursuant to section (16) hereof.
- (2) In order to become a licensed scheme an applicant must satisfy any application requirements prescribed by the CMDA in Regulations

SECTION 9 : Licenses

- (1) The CMDA may, on an application made in accordance with section(8) and after being furnished with all information it may require under that section, grant a licence in respect of an investment management company if it appears to the CMDA that the criteria set out in any of Regulations passed by it are satisfied in relation to the scheme.
- (2) The CMDA may, on the application of any scheme applying for a licence under section (8)or any licensed scheme, direct that all or any of the requirements set out in Regulations are not to apply to that scheme or are to apply with such modifications as may be specified by it.

SECTION 10 : Names

- (1) No scheme shall be permitted which has a name which is the same as any other name appearing in the Registrar's index of company names or the CMDA's CIS register maintained in accordance with section (33)(disregarding the words "the", "company", "investment management company", "open-ended", "close-ended" or abbreviations thereof) or which is undesirable or misleading.

SECTION 11 : Avoidance of Exclusion Clauses

- (1) Any provision of the constitutive document of a scheme shall be void in so far as it would have the effect of exempting the manager or the Custodian from liability for any failure to exercise due care and diligence in the discharge of their functions in respect of the scheme.

SECTION 12 : Establishment of Investment Management Company and Collective Investment Schemes

- (1) An investment management company is a legal entity registered under the Companies Act or Foreign Investment Act, to setup and operate CIS in the Maldives.
- (2) A CIS shall be established by a CIS licensed person pursuant to the provisions of section (9), and subject to any additional requirements of Regulations.
- (3) Where the CMDA grants a licence in respect of a CIS, the CIS is deemed to have been formed, which shall be distinct from its unit holders, capable of exercising all the powers and functions specified in this Regulation and its constitutive document.
- (4) Once a licence has been granted in respect of a CIS, no amendments may be made to any statements contained in the CIS constitutive document, other than in compliance with any part of Regulations governing amendments to a scheme.
- (5) The provisions of a CIS constitutive document shall be binding on the officers of the investment management company and Custodian of the registered CIS of the

investment management company and on each of its shareholders; and those persons shall be taken to have notice of the provisions of the constitutive document.

- (6) A contract may be made by an investment management company by an authorized person on behalf of the CIS and these shall be informed to CMDA.

SECTION 13 : Safekeeping of Property of CIS by Custodian

- (1) Subject to subsection (3), any property of a CIS shall be entrusted for safekeeping to a Custodian
- (2) On the granting of a licence pursuant to section (9), the person named in the application as the Custodian of the CIS is deemed to be appointed as the first Custodian of the CIS. Any subsequent appointment of a Custodian must be made by the investment management company on behalf of the CIS.
- (3) The CMDA may make a provision in relation to the safekeeping of any property of CIS by the Custodian.
- (4) The agreement between the custodian and the investment management company shall be submitted together with the constitutive document.

SECTION 14 : Auditors

Each CIS shall be required to appoint an auditor, which may not be an officer or employee of the investment management company or manager or custodian of the CIS. The CMDA may specify requirements for auditors and their appointment, rights and remuneration.

SECTION 15 : Register of Units

Each CIS must keep a register of persons who hold units in that scheme. This register is prima facie evidence of any matters which are by Regulations directed or authorized to be contained in it.

SECTION 16 : Application Fees

- (1) Every application made under section (6) and (8) shall be accompanied by such fee as prescribed by the CMDA
- (2) An application referred to in subsection (1) shall not be regarded as duly made or given unless this section is complied with.

SECTION 17 : Annual Fees

- (1) The investment management company shall pay on behalf of each licensed CIS such annual fee as prescribed by the CMDA.
- (2) Each CIS licensed person shall pay such annual fees as may be prescribed by the CMDA.

SECTION 18 : Statements of Principle and Codes of Practice

- (1) These Regulations, sets out statements of principle and codes of practice with respect to the conduct and financial standing expected of CIS licensed persons.
- (2) Failure to comply with a statement of principle or code of practice under this section 18 is a ground for the taking of disciplinary action or the exercise of powers of intervention, but it does not of itself give rise to any right of action by investors or other persons affected or affect the validity of any transaction.
- (3) The disciplinary action which may be taken under subsection (2) is:
 - a) withdrawal or suspension of a licence under section (19);
 - b) giving of a direction under section (26) or (27);
 - c) making of a public statement under section (22); or
 - d) application by the CMDA for an injunction or other order under section (5) and (23),and the reference in subsection (4) to powers of intervention is a reference to the powers conferred in this regulation.
- (4) The CMDA shall exercise its powers in such manner as appears to it appropriate to secure compliance with statements of principle under this section.
- (5) The CMDA may on the application of any person:
 - a) modify a statement of principle issued under subsection (1) or code of practice issued under subsection (2) so as to adapt it to the applicant's circumstances or to any particular kind of business carried on by him; or
 - b) exempt the applicant from compliance with any such statement of principle or code of practice, generally or in relation to any particular kind of business carried on by him.
- (6) The powers conferred by subsection (7) shall not be exercised unless it appears to the CMDA:
 - a) that compliance with the statement of principle or code of practice in question would be unduly burdensome for the applicant, having regard to the benefit which compliance would confer on unitholders; and
 - b) that the exercise of those powers will not result in any undue risk to unitholders.
- (7) The powers conferred may be exercised unconditionally or subject to conditions; and subsection(4) applies in the case of failure to comply with a condition as in the case of failure to comply with a statement of principle or code of practice.
- (8) The CMDA shall publish in a bulletin or circular to market participants particulars of any modification or exemption from compliance issued under this regulation.

SECTION 19 : Withdrawal or Suspension of Licence

- (1) The CMDA may at any time withdraw or suspend any licence granted by it under Regulations if it appears to it:
 - a) that the holder of the licence is not a fit and proper person to carry on any activity in relation to a scheme which he is carrying on or proposes to carry on; or
 - b) without prejudice to subsection (1) (a), that:
 - i. the holder of the licence has contravened any provision of Regulations;
 - ii. in purported compliance with Regulations, the holder of the licence has furnished the CMDA with false, inaccurate or misleading information; or
 - iii. the holder of the licence has contravened any prohibition or requirement imposed under Regulations or any conditions attached to the licence.

- (2) For the purposes of subsection (1)(a), the CMDA may take into account the fitness and propriety of any director, controller or other principal of the CIS licensed person in question.

- (3) The CMDA may at any time withdraw or suspend any licence granted by it under Regulations if it appears to it:
 - a) that any requirement for the granting of the licence is no longer satisfied;
 - b) that the scheme or its manager or Custodian has contravened any provision of Regulations or has, in purported compliance with any such regulation, knowingly or recklessly given the CMDA information which is false, inaccurate or misleading in a material particular; or
 - c) it is desirable to revoke the licence in order to protect the interests of unit holders or potential unit holders in the scheme.

- (4) The CMDA may from time to time attach conditions to any licence granted by it under Regulations if it determines it reasonably necessary to do so.

- (5) The suspension of a licence under section (19) shall be for a specified period, or until the occurrence of a specified event, or until specified conditions are complied with; and, for the avoidance of doubt, while a licence is suspended the holder is not a CIS licensed person or a licensed scheme as applicable. The CMDA shall be entitled to take such action as it considers appropriate to ensure that the unit holders of a licensed scheme are not unfairly prejudiced by the suspension of the licence of any CIS licensed person.

- (6) The CMDA may, on the application of a licence holder, vary any period, event or condition of a licence specified under subsection(4) or (5).

SECTION 20 : Notice and Appeals

- (1) Where the CMDA proposes:

- a) to withdraw or suspend or attach a condition to a licence under this regulation;
 - b) to refuse an application under section (6) or (8); or
 - c) to make a direction under section (26) or (27), it shall give the applicant, the CIS licensed person or the person in respect of whom it proposes to make a direction written notice of its intention to do so, stating the reasons for which it proposes to act.
- (2) A notice under section(20) shall give particulars of the right conferred by subsection(1).
- (3) A person on whom a notice is served under subsection (1) may, within 21 days after the service, make written representations to the CMDA and, if desired, verbal representations to a person appointed by the CMDA for that purpose.
- (4) The CMDA shall have regard to any representations made in accordance with subsection (3) in determining whether to withdraw, suspend or attach conditions to the licence or to refuse the application or make a direction and shall give written notice of its determination.

SECTION 21 : Employment of Prohibited Persons

- (1) Where it appears to the CMDA that an individual is not a fit and proper person to be employed in connection with a licensed scheme it may direct that such person shall not, without the written consent of the CMDA, be employed in connection with a licensed scheme:
- a) by CIS licensed persons; or
 - b) by any specified person or persons.
- (2) A direction under subsection(1), in this section referred to as a "disqualification direction", shall be given in accordance with any requirements set out by the CMDA in Regulations. A disqualification direction specify the date on which it is to take effect and a copy of it shall be served on the person to whom it relates.
- (3) No person shall accept or continue in any employment in contravention of a disqualification direction.
- (4) It is the duty of a licensed person to take reasonable care not to employ or continue to employ a person in contravention of a disqualification direction.
- (5) In section (21), references to employment include references to employment otherwise than under a contract of service.

SECTION 22 : Public Statement

If the CMDA considers that a CIS licensed person has contravened a prohibition or requirement imposed by Regulations or by the CMDA acting in accordance with its

powers under Regulations or any CIS regulations, the CMDA may publish a statement to that effect.

SECTION 23 : Restrictions on Business

- (1) The CMDA may prohibit a CIS licensed person from:
 - a) entering into transactions of any specified kind, or entering into those transactions except in specified circumstances or to a specified extent;
 - b) soliciting business from persons of a specified kind or otherwise than from such persons or in a specified country or territory outside the Maldives; or
 - c) carrying on business in a specified manner or otherwise than in a specified manner.

- (2) A prohibition under section (23) may relate to transactions entered into in connection with, or for the purposes of a licensed scheme, or to other business carried on in connection with or for the purposes of such a scheme.

SECTION 24 : Restrictions on Dealing with Assets

- (1) The CMDA may prohibit a CIS licensed person from disposing of or otherwise dealing with any assets, or any specified assets of that licensed person or any licensed scheme in any specified manner or otherwise than in a specified manner.

- (2) A prohibition under section (24) may relate to assets outside the Maldives.

SECTION 25 : Rescission and Variation

The CMDA may, either of its own motion or on the application of a person on whom a prohibition or requirement has been imposed under this regulation, rescind or vary the prohibition or requirement if it appears to the CMDA that it is no longer necessary for the prohibition or requirement to take effect or continue in force or, as the case may be, that it should take effect or continue in force in a different form.

SECTION 26 : Directions

- (1) The CMDA may give a direction under subsection (2) if it appears to it:
 - a) that any of the requirements for the granting of a licence are no longer satisfied;
 - b) that the exercise of the power conferred by this subsection is desirable in the interests of unit holders or potential unit holders in the scheme; or
 - c) without prejudice to subsection (1) (b) that the manager or Custodian of such a scheme has:
 - i. contravened any provision of this regulation or

- ii. in purported compliance with any such provision, furnished to the CMDA with false, inaccurate or misleading information; or
- iii. contravened any prohibition or requirement imposed under Regulations.

- (2) A direction under this subsection may:
- a) require that the scheme cease the issue and/or redemption of units on a date specified in the direction until such further date as is specified in that or another direction;
 - b) require that transfers of units cease on a date specified in the direction until such further date as is specified in that or another direction;
 - c) require, by such date as is specified in the direction or if no date is specified, as soon as is practicable, the scheme is wound up.
- (3) Subject to subsection (4), the withdrawal or suspension of a licence under section (19) shall not affect the operation of any direction under subsection (2) which is then in force; and a direction may be given under subsection (2) in relation to a scheme in the case of which the licence has been revoked if a direction under that subsection was already in force at the time of revocation.
- (4) Where a winding up order has been made by the Court, no direction under section(26) shall have effect in relation to the scheme concerned.
- (5) The CMDA may, either of its own motion or on the application of the Custodian or manager of the scheme concerned, withdraw or vary a direction given under section(26), if it appears to the CMDA that it is no longer necessary for the direction to take effect or continue in force or, as the case may be, that it should take effect or continue in force in a different form.

SECTION 27 : Notice of Directions

The power to give a direction under section(26) in relation to a scheme shall be exercised by written notice served by the CMDA on the manager and Custodian and the notice shall take effect on a date to be specified in it.

SECTION 28 : Actions for Damages

Without prejudice to section (40) a contravention of Regulations in respect of a collective investment scheme shall be actionable at the suit of a person who suffers loss as a result of the contravention.

SECTION 29 : Duty to Assist Foreign Regulators

The CMDA shall be entitled to assist any foreign regulatory authority in the proper and reasonable performance of its duties, and to exercise any of its powers under this regulation for such purpose or for any purposes stated in the Securities (General) Regulations.

SECTION 30 : Winding up Orders

- (1) The CMDA, the custodian or manager of a scheme, or a creditor of a licensed scheme may present a petition to the Court to wind up that scheme.
- (2) The Court may, on receipt of a petition under subsection (1), wind up a licensed scheme if:
 - a) the scheme is unable to pay its debts; or
 - b) the Court is of the opinion that it is just and equitable that it should be wound up.
- (3) Where a petition for the winding up of a licensed scheme is presented by a person other than the CMDA:
 - a) that person shall serve a copy of the petition on the CMDA; andthe CMDA is entitled to be heard on the petition.

SECTION 31 : Dissolution in other Circumstances

Where the affairs of a licensed scheme are proposed to be wound up otherwise than by the Court, the manager of the licensed scheme shall give notice to the CMDA in accordance with Regulations.

SECTION 32 : Investigations

- (1) The CMDA may, if it appears to it that it is in the interests of the unit holders to do so, or that the matter is of public concern, or if requested by any foreign regulatory authority, appoint one or more competent inspectors to investigate and report on:
 - a) the affairs of the manager or Custodian of any licensed scheme; or
 - b) the affairs of any licensed scheme or the manager or Custodian of any CIS scheme in relation to activities carried on in the Maldives.

SECTION 33 : CIS Register

- (1) The CMDA shall keep a register containing an entry in respect of:
 - (a) each CIS licensed person;
 - (b) each licensed scheme;
 - (c) each person in respect of whom a direction under subsection (26) or (27) is in force.
- (2) The entry in respect of each CIS licensed person shall consist of:
 - (a) the name and address of that person;
 - (b) the activities covered by the licence; and
 - (c) such other information as the CMDA may determine.
- (3) The entry in respect of each such scheme shall consist of:
 - (a) its name;
 - (b) the name and address of the manager and Custodian;

SECTION 34 : Inspection of Register

- (1) The information contained in the entries included in the register shall be open to inspection; and the CMDA may publish the information contained in those entries in any form it thinks appropriate and may offer copies of any such information on payment of a prescribed fee.
- (2) Information which by virtue of section (34) shall be open to inspection free of charge but only at such times and places as the CMDA may appoint. A person entitled to inspect any information may obtain a certified copy of it from the CMDA on payment of a prescribed fee.
- (3) The CMDA shall keep a register in such form as it thinks appropriate with a view to facilitating inspection of the information which it contains.

SECTION 35 : Records to be Kept

- (1) Every CIS licensed person shall keep, in the Maldives, adequate and orderly records of their business affairs, their financial position, their internal organisation, their compliance with statutory and regulatory requirements and of their risk management systems, and orderly records of the business transactions undertaken with or on behalf of any licensed scheme or any other person, and the business affairs of such other persons (where relevant to the business undertaken by the CIS licensed person) and their relationship with such other persons.
- (2) The records should be arranged, filed, indexed and cross referenced so as to permit prompt access to any particular record.
- (3) Records shall be kept for a period of at least six years. In the case of records relating to another person, the records shall be kept for a period of five years from the time when the business relationship with that person ceased.
- (4) The nature of the records to be kept may be prescribed by the CMDA

SECTION 36 : Power to Call for Information

- (1) The CMDA may, by notice in writing, require a manager or Custodian of a licensed scheme to furnish it with such information as it may reasonably require for the exercise of its functions under Regulations.
- (2) The CMDA may require any information which it requires under this section to be furnished within such reasonable time and verified in such manner as it may specify.

SECTION 37 : Restrictions on Disclosure of Information

- (1) Subject to regulation 38, restricted information which relates to the business or other affairs of any person shall not be disclosed by:
 - (a) a person mentioned in subsection (3) (“the primary recipient”); or

- (b) any person obtaining the information directly or indirectly from him, without the consent of the person from whom the primary recipient obtained the information and, if different, the person to whom it relates.
- (2) Subject to subsection (4), restricted information for the purposes of this section is information obtained by the primary recipient for the purposes of, or in the discharge of his functions under Regulations, whether or not by virtue of any requirement to supply it made under those provisions.
- (3) The persons mentioned in subsection (1) are:
 - (a) the CMDA;
 - (b) a person appointed or authorised to exercise powers under section (32);
 - (c) an officer of a person mentioned in subsection (3) (a) or (b).
- (4) Information shall not be treated as restricted information for the purposes of this section if it has been made available to the public by virtue of being disclosed in any circumstances in which or for any purpose for which disclosure is not precluded by this section.

SECTION 38 : Exemptions from Restriction on Disclosure

- (1) Section (37) shall not preclude the disclosure of information:
 - (a) with a view to the institution of, or otherwise, for the purposes of criminal proceedings;
 - (b) with a view to the institution of, or otherwise, for the purposes of any civil proceedings arising under or by virtue of Regulations; or
 - (c) to the CMDA if the disclosure is made in the interests of investors or in the public interest.
- (2) Section (37) shall not preclude the disclosure of information for the purpose of enabling or assisting any public or other authority for the time being designated for the purposes of this subsection by the Minister by statutory instrument, to discharge any functions specified in that order.
- (3) Section (37) shall not preclude the disclosure of information for the purpose of enabling or assisting any foreign regulatory authority to perform its duties.
- (4) An order under subsection (2) designating an authority for the purposes of that subsection may:
 - (a) impose conditions subject to which the disclosure of information is permitted; and
 - (b) otherwise restrict the circumstances in which that disclosure is permitted.
- (5) Section (37) shall not preclude the disclosure of any information contained in any notice or copy of a notice served under Regulations, the contents of which have not

been given to the public, by the person on whom it was served or any person obtaining the information directly or indirectly from him.

SECTION 39 : False or Misleading Statements

- (1) A person commits an offence if:
 - (a) for the purposes of or in connection with any application under these Regulations;
or
 - (b) in purported compliance with any requirement imposed on him by or under Regulations.

he furnishes information which he knows to be false or misleading in a material particular, or recklessly furnishes information which is false or misleading in a material particular.

(2)Section (39) has effect in relation to any notice, direction or other document required or authorised by or under Regulations to be given to, or served on, any person other than the CMDA.

SECTION 40 : Offences Committed Under Regulations

- (1) Any person who contravenes sections 4, 21, 37 or 39 of these CIS regulations commits an offence and is liable on conviction to punishment under the Maldives Securities Act
- (2) Where a company is guilty of an offence under Regulations, any director, executive officer, secretary or employee of the company who was in any way, by act or omission, directly or indirectly knowingly concerned in or a party to the commission of the offence shall also be guilty of that offence.
- (3) In proceedings brought against any person for an offence under section 4(1)(a), it shall be a defence for that person to prove that he took all reasonable precautions and exercised all due diligence to avoid the commission of the offence.
- (4) In proceedings brought against any person for an offence under section 4(1)(b), it shall be a defence for that person to prove that he acted on the order of another person and that he believed, on reasonable grounds, that:
 - (a) the person to whose order the advertisement was issued was a CIS licensed person;
 - (b) the contents of the advertisement were approved by a CIS licensed person; or
 - (c) the advertisement was permitted by virtue of CIS regulations published under section (4) (2).
- (5) In proceedings brought against any person for an offence under section (4)(1)(c), it shall be a defence for that person to prove that he acted to the order of another person, and that he believed, on reasonable grounds, that the scheme was a licensed scheme.

(6) The CMDA may, without instituting proceedings against any person for an offence punishable by a fine under Regulations, demand the amount of the fine or such reduced amount as it thinks fit from the person liable and:

(a) where the person pays the amount to the CMDA within 14 days of the demand, no proceedings shall be taken against him in relation to the offence;

(b) where the person does not pay the amount to the CMDA may commence proceedings in relation to the offence.

(7) The powers conferred on the CMDA under subsection (6) shall only be exercised where a person admits the offence and agrees in writing to the offence being dealt with under that subsection.

SECTION 41 : Application

(1) Subject to section 42, CMDA may issue additional guidelines which will apply to all licensed schemes.

SECTION 42 : Dis-application in Respect of Certain Schemes

The CMDA may determine, in respect of any particular scheme or category of scheme, by reference to the number of potential investors or the nature of those investors, that any of the provisions in Regulations do not apply to that scheme or category of scheme.

SECTION 43 : In Regulations, Unless the Context Otherwise Requires:

"custodian" means a person licenced by the CMDA under the Regulations On Institutions Providing Custodial Services;

"CIS licensed person" means an Investment Management Company licenced to establish and operate CIS

"CMDA" means the Capital Market Development Authority established by the Maldives Securities Act (02/2006);

"collective investment scheme" or "CIS" has the meaning given in regulation 3;

"Companies Act" means The Companies Act No. 10/96;

"company" means a company incorporated or registered under the Companies Act or any company formed and registered under any other law in the Maldives

"constitutive document" means a document establishing a CIS

"controller" means, in respect of any company:

- (a) any person holding or interested in, directly or indirectly, 50% of the share capital of such company;
- (b) any person entitled to exercise or direct the exercise of more than 50% of the votes at any meeting of shareholders of the company;
- (c) any person entitled directly or indirectly to receive 50% of any income distributions of the company;
- (d) any person entitled to appoint or remove a majority of the directors of that company; and
- (e) any person who is a controller of any other company which is a controller of the first mentioned company.

“Court” means the relevant court of the Maldives, unless otherwise prescribed in the CIS regulation;

“director” means a person occupying the position of a director of the company concerned by whatever name called;

Foreign Investment Act means The Law on Foreign Investment in the Republic of Maldives (25/79)

“investment adviser” has the same meaning as in the Maldives Securities Act 2/2006

“licensed scheme” means a collective investment scheme licensed by the CMDA pursuant to these regulations;

“manager” means, an Asset Manager licensed by the CMDA

“Minister” means the Minister of Finance and Treasury or where the President transfers the responsibility for finance and treasury to another person, that person;

“participants” has the meaning given in section 3(1);

“principal” means any person who is likely to have significant influence over a CIS licensed person or its business activities;

“Property” means property of any description, including money

"redemption" means the purchase of units in a scheme from their holder by the scheme

“Registrar” means the authority to which the functions of the Registrar have been assigned by the President, pursuant to the Companies Act 10/96;

“scheme” means a collective investment scheme;

“scheme advertisement” means an invitation or inducement to any person or persons to participate in a collective investment scheme;

“Securities Act” means Maldives Securities Act No. 02/06;

“unit” means, in respect of a licensed CIS, a unit representing the rights or interests of the participants in that scheme.

“unit holder” means a holder of units;

Schedule I

Applications and Licences of CIS

Application Requirements

1. An application for a licence under Regulations may be made:
 - (a) in the case of an application to be licensed as an Investment Management Company, by a company registered/incorporated in the Maldives; and
2. An application for a licence must:
 - (b) contain or be accompanied by:
 - (i) information relating to the scheme or schemes with which the applicant proposes to be involved; and
 - (ii) such other information as the CMDA may reasonably require for the purpose of determining the application; and
 - (c) contain the address of a place in the Maldives for the service on the applicant of any notice or other document required or authorised to be served on him.
3. An application for a licence must:
 - (a) be accompanied by the scheme's constitutive documents;
 - (b) state the corporate name and registered or principal office of the Asset Manager and of the Custodian of that scheme; and
 - (c) specify any activities other than in relation to the scheme in which the Investment Management Company or Asset Manager or Custodian are proposed to be engaged.
4. The following criteria must be satisfied in respect of each scheme to be granted a licence under Regulations:
 - (a) the scheme has a Asset Manager and a Custodian who are independent of each other;
 - (b) the Asset manager is:
 - (i) a company incorporated in the Maldives; and
 - (ii) a licensed Asset Manager by the CMDA;
 - (c) the Custodian is:
 - (i) a licensed Custodian by the CMDA
 - (d) the scheme complies with Regulations in so far as they are applicable to it;
 - (e) the aims of the scheme are reasonably capable of being achieved;
 - (f) in the case of a CIS the details of the arrangement for unit holders to redeem or repurchase in accordance with the constitutive document
5. At any time before determining an application, the CMDA may require the applicant to furnish such additional information as the CMDA may reasonably require for the purpose of determining the application (which may differ as between different applications).

Schedule II

Fit and Proper Persons

1. General qualities

In order to determine, for the purposes of the Regulation, whether a person applying to become a CIS licensed person (Investment Management Company) and each of its directors, controllers or other principals (the "relevant persons") are fit and proper, the CMDA shall have regard to the financial and other resources of the applicant, and the experience and expertise of the applicant and the relevant persons, and the following qualities, in so far as they are reasonably determinable, of each of the relevant persons:

- (a) his general probity;
- (b) his competence and soundness of judgment for the fulfilment of the responsibilities of the office in question; and
- (c) the diligence with which he is likely to fulfil those responsibilities.

2. Previous conduct

For the purposes of, and without prejudice to the generality of section 1 of this Schedule, the CMDA may have regard to the previous conduct and activities of the relevant persons in business or financial matters, and in particular to any evidence that any relevant person:

- (a) has been convicted of the offence of fraud or any other offence of which dishonesty is an element;
- (b) has contravened the provisions of any legislation designed for the protection of members of the public against financial loss due to dishonesty, incompetence or malpractice by persons engaged in the provision of banking, insurance, investment or other financial services; or
- (c) has wilfully defaulted on a loan of an institution of which he is a director; or has been convicted by a court.

3. Evidence

The CMDA may request a relevant person to furnish evidence of any professional qualifications that such person may hold, any approvals from foreign regulatory authorities and such other evidence, references and additional information as the CMDA may deem necessary for determining the professional suitability of a relevant person.

4. Associated Persons

The CMDA may take into account any matter relating to any person who is or will be employed by or associated with the relevant person, for the purposes of the proposed activities.

Schedule III

Capital Requirements

1. Paid up capital and net capital

- (a) An investment management company must have a paid up capital of not less than [MRF3,000,000 (Three Million Rufiyaa)]. An investment management company shall have and at all times provide and maintain in its business, a net capital of not less than [MRF 1,000,000 (One Million Rufiyaa)].
- (b) For the purposes of section (1) (a) of this Schedule, the expression "net capital" means the sum total of approved assets less approved liabilities of an investment management company, "approved assets" means assets approved by the CMDA and "approved liabilities" means liabilities approved by the CMDA.

2. Notification

If the investment management company becomes aware of its inability to comply with the minimum net capital, it shall forthwith notify the CMDA.

Schedule IV

Constitutive Document

1. Relationship between the constitutive document, and Regulations

The constitutive document of a scheme must not contain any provision that:

- (a) conflicts with any rule in Regulations
- (b) is unfairly prejudicial to the interests of unit holders generally, or to the unit holders of any class of units.

2. Nature of constitutive document

A scheme must be constituted by:

- (a) in the case of a scheme, a trust deed made on behalf of the CIS and the Investment Management Company and the unit holders

3. Amendments to the constitutive document

A scheme may amend any provision which is contained in its constitutive document with the approval of CMDA

4. Binding effect

4.1 The provisions of a scheme's constitutive document are binding on the Investment Management Company, Asset Manager and Custodian of the scheme and on each of its unit holders; and all such persons (but no others) are to be taken to have notice of the provisions of the constitutive document.

4.2 Any power conferred by Regulations on a scheme is subject to any restriction in a scheme's constitutive document.

5. Required contents

The constitutive document of a scheme must include the following information

5.1 Name of the scheme (A statement of the name of the scheme.)

5.2 Nature of the scheme

5.3 Unit holder's liability to pay

A statement that a unit holder is not liable to make any further payment after he has paid the price of his units and that no further liability can be imposed on him in respect of the units which he holds.

5.4 Custodian

A statement that the scheme property is entrusted to a custodian for safekeeping and, in the case of a CIS, that the scheme property is held by the Investment Management Company for the unit holders according to the number of units held by each unit holder.

5.5 Valuation and pricing

A statement setting out the basis for the valuation and pricing of the scheme.

5.6 Duration of the scheme

If the scheme is to be wound up after a particular period expires, a statement to that effect.

5.7 Object of the CIS

A statement:

- (a) as to the object of the CIS, in particular the types of investments and assets in which it may invest; and
- (b) that the object of the CIS is to invest in assets of that kind with the aim of spreading investment risk and giving unit holders the benefits of the results of the management of those assets.

5.8 Classes of unit

A statement:

- (a) specifying the classes of unit that may be issued, the classes that may be issued in respect of CIS
- (b) if the rights of any class of unit differ, a statement describing those differences in relation to the differing classes; and
- (c) if any class of units in a scheme has different rights from another class of units in that scheme, how the proportion of the value of the property and the proportion of income available for allocation attributable to each such class must be calculated.

5.9 Restrictions on sale and redemption

Where relevant, the restrictions which will apply in relation to the sale and redemption of units.

5.10 Meetings

Details of the procedures for the convening of meetings and the manner in which votes may be given at a meeting of unit holders.

5.11 Evidence of ownership

That the scheme will issue evidence stating the ownership of units, or the details of any procedures for evidencing title to the scheme's units.

5.12 Income

A statement setting out the basis for the distribution or re-investment of income and where relevant, a provision for income equalisation.

5.13 Redemption or cancellation of units on breach of law or rules

A statement that where any holding of units by a unit holder is (or is reasonably considered by the investment management company to be) an infringement of any laws and regulations, those units must be redeemed or cancelled.

5.14 Charges and expenses

A statement of the charges and expenses of the scheme that may be taken out of the scheme property.

5.15 Declaration

A declaration that, subject to the provisions of the trust deed and Regulations the scheme property is held by the investment management company on trust for the unit holders according to the number of units held by them.

Schedule V

Prospectus Requirements and other Promotional Documents

1. Requirement for prospectus

- 1.1 Each CIS must publish a prospectus containing information about the scheme and complying with the requirements set out in this Schedule.
- 1.2 The prospectus must be drawn up in English and Dhivehi where necessary.
- 1.3 The investment management company must ensure that the prospectus:
 - (a) contains the information required in this schedule, clause 3
 - (b) does not contain any provision which is unfairly prejudicial to the interests of unit holders generally or to the unit holders of any class of units;
 - (c) does not contain any provision that conflicts with any rule in Regulations;
 - (d) is fair, clear and not misleading; and
 - (e) is kept up-to-date and that revisions are made to it, whenever appropriate.
- 1.4 The investment management company must file a copy of the scheme's original prospectus, together with all revisions thereto, with the CMDA. The investment management company must supply a copy of the scheme's most recent prospectus free of charge to any person on request.

2. False or misleading prospectus

- 2.1 The investment management company:
 - (a) must ensure that the prospectus of the scheme is clear, fair and not misleading, and does not omit any matter required by this Schedule to be included in it; and
 - (b) is liable to pay compensation to any person who has acquired any units in the scheme and suffered loss in respect of them as a result of any statement which is not clear or fair, or is misleading, or any omission.
- 2.2 The investment management company is not in breach of subsection 2.1(a) of this Schedule, and is not liable to pay compensation under subsection 2.1(b) of this Schedule if, at the time when the prospectus was published, it had taken reasonable care to determine that it was clear, fair and not misleading, or that the omission was appropriate, and that:
 - (a) it continued to take such reasonable care until the time of the relevant acquisition of units in the scheme; or
 - (b) the acquisition took place before it was reasonably practicable to bring a correction to the attention of potential purchasers; or
 - (c) it had already taken all reasonable steps to ensure that a correction was brought to the attention of potential purchasers; or
 - (d) the person who acquired the units was not materially influenced or affected by that statement or omission in making the decision to invest.

2.3 Any investment management company which provides false statements or market information to unit holders will be made liable under Maldives Securities Act (02/2006).

3. **Required contents**

The prospectus of a CIS should contain the following information

3.1 Document status

A statement that the document is the prospectus of the scheme valid as at a particular date.

3.2 CIS

A description of the scheme including:

- (a) its name;
- (b) whether the unit holders of the CIS are held liable for the debts of the scheme;
- (c) for an investment company, the address of its head office and the address of the place in the Maldives for service on the investment management company of notices or other documents required or authorised to be served on it.
- (d) the effective date of the authorisation order made by the CMDA and relevant details of termination, if the duration of the scheme is limited;
- (e) its base currency;
- (f) the circumstances in which it may be wound up and a summary of the procedure for, and the rights of unit holders under, such a winding up; and
- (g) in respect of an investment management company, the fact that an application has been made to admit its shares to trading on the stock exchange.

3.3 Investment objectives and policy

The following particulars of the investment objectives and policy of the scheme:

- (a) its investment objectives;
- (b) its investment policy for achieving those investment objectives;
- (c) an indication of any limitations on that investment policy;
- (d) the proportion of the scheme which may consist of an asset of any description;
- (e) the policy in relation to the exercise of borrowing powers by the investment management company;
- (f) information concerning the profile of the typical investor for whom the scheme is designed;
- (g) information concerning the historical performance of the scheme (if any)

3.4 Reporting, distributions and accounting dates

Relevant details of the reporting, accounting and distribution information which includes:

- (a) the accounting and distribution dates of the scheme and when reports will be sent to unitholders;
- (b) procedures for:
 - (i) determining and applying income (including how any distributable income is paid);
 - (ii) unclaimed distributions; and
 - (iii) if relevant, calculating, paying and accounting for income equalisation.

3.5 Characteristics of the units

Information as to:

- (a) where there is more than one class of unit in issue or available for issue, the name of each class and the rights attached to each class in so far as they vary from the rights attached to other classes;
- (b) how unitholders may exercise their voting rights and what these amount to;
- (c) where a mandatory redemption, cancellation or conversion of units from one class to another may be required, in what circumstances it may be required; and
- (d) for a scheme, the fact that the nature of the right represented by units is that of a beneficial interest under a trust deed.

3.6 Licensed Asset Manager and Custodian

The following particulars of the Asset Manager and Custodian:

- (a) its name;
- (b) the nature of its corporate form;
- (c) the date of its incorporation/registration in the Maldives;
- (d) the address of its registered office
- (e) the address of its head office, if that is different from the address of its registered office (provided that its head office and registered office, or, in the case of a Custodian, its registered branch office, must be in the Maldives);
- (f) if the duration of its licence status is limited, when that status will or may cease; and
- (g) the amount of its issued share capital and how much of it is paid up.

3.7 Investment adviser

If an investment adviser is retained in connection with the business of a scheme in accordance with schedule

- (a) its name; and

- (b) where it carries on a significant activity other than providing services to the scheme as an investment adviser, what that significant activity is.

3.8 Auditor

The name and particulars of the Auditor (if any)

3.9 Contracts and other relationships with parties

The following particulars:

- (a) a summary of the material provisions of the contract between the investment management company and the authorised person, the material provisions of the trust deed relating to the appointment of the Asset manager, which may be relevant to unit holders including provisions (if any) relating to remuneration, termination, compensation on termination and indemnity; and, in respect of an investment management company a statement that copies of this contract will be provided to a unit holder on request or available at the investment management company's annual general meeting;
- (b) the names of the directors of the Asset manager or investment management company and the main business activities of each of the directors (other than those connected with the business of the scheme) where these are of significance to the scheme's business;
- (c) a summary of the material provisions of the contract between the investment management company or the Asset manager and the Custodian which may be relevant to unit holders, including provisions relating to the remuneration of the Custodian;
- (d) if an investment adviser retained in connection with the business of the scheme is a company in a group of which the Asset Manager is a member, that fact;
- (e) a summary of the material provisions of any contract between the Asset Manager or the investment management company and any investment adviser which may be relevant to unit holders;
- (f) if an investment adviser retained in connection with the business of the scheme has the authority of the Asset manager or the investment management company to make decisions that fact and a description of the matters in relation to which it has that authority; and
- (g) in what capacity (if any), the Asset Manager acts in relation to any other schemes and the name of such schemes.

3.10 Register of unit holders

Details of the address, where the register of unit holders is kept and can be inspected by unit holders, and the registrar's name and address.

3.11 Payments out of scheme property

In relation to each type of payment from the scheme property, details of:

- (a) who the payment is made to;
- (b) what the payment is for;

- (c) the rate or amount where available;
- (d) how it will be calculated and accrued;
- (e) when it will be paid; and
- (f) where a performance fee is taken, examples of its operation in plain language and the maximum it can amount to.

3.12 Valuation and pricing of scheme property

- (a) In relation to the valuation of scheme property and pricing of units:
 - (i) a provision that there must be only a single price for any unit as determined from time to time by reference to a particular valuation point;
 - (ii) details regarding how the value of the scheme property is to be determined;
 - (iii) details regarding how frequently and at what time or times of the day the scheme property will be regularly valued for dealing purposes and a description of any circumstance in which the scheme property may be specially valued;
 - (iv) where relevant, details regarding how the price of units of each class will be determined for dealing purposes; and
 - (v) details regarding where and at what frequency the most recent prices will be published;
- (b) In relation to CIS, details regarding:
 - (i) how the value of the scheme property is to be determined and how frequently the scheme property will be valued; and
 - (ii) how the price at which any unit holders admitted after the initial offer period are admitted will be determined.

3.13 Dealing

- (a) The following particulars in relation to CIS:
 - (i) the procedures, the dealing periods and the circumstances in which the investment management company or Asset Manager will effect the sale and redemption of units and the settlement of transactions (including the minimum number or value of units which one person may hold or which may be subject to any transaction) for each class of unit in the scheme;
 - (ii) the circumstances in which the redemption of units may be suspended; and
 - (iii) the circumstances and procedures for the limitation or deferral of redemptions in accordance with Regulations.
- (b) The following particulars in relation to all schemes:
 - (i) whether certificates or document of evidence will be issued in respect of units;

- (ii) in a prospectus available during the period of any initial offer:
 - (A) the length of the initial offer period;
 - (B) the initial price of a unit
 - (C) the arrangements for issuing units during the initial offer period, including the manager's intentions on investing the subscriptions received during the initial offer;
 - (D) the circumstances when the initial offer will end;
 - (E) any other relevant details of the initial offer.

3.14 Dilution

In respect of a scheme, details of what is meant by dilution including:

- (a) a statement explaining:
 - (i) that it is not possible to predict accurately whether dilution is likely to occur; and
 - (ii) which of the policies the Asset Manager is adopting under these Regulations
- (b) if the manager may require a dilution levy or make a dilution adjustment, a statement of:
 - (i) the manager's policy in deciding when to require a dilution levy, including the manager's policy on large deals, or when to make a dilution adjustment;
 - (ii) the estimated rate or amount of any dilution levy or dilution adjustment based either on historical data or future projections; and
 - (iii) the likelihood that the manager may require a dilution levy or make a dilution adjustment and the basis (historical or projected) on which the statement is made.

3.15 Preliminary charge

Where relevant, a statement authorising the manager to make, upon a sale of units, a charge and specifying the basis for and current amount or rate of that charge.

3.16 Redemption charge

In respect of an investment management company, where relevant, a statement authorising the manager to deduct a redemption charge out of the proceeds of redemption; and if the manager makes a redemption charge:

- (a) the current amount of that charge or, if it is variable, the rate or method of calculating it;
- (b) if the amount, rate or method has been changed, that details of any previous amount, rate or method may be obtained from the manager on request; and
- (c) how the order in which units acquired at different times by a unit holder is to be determined so far as necessary for the purposes of the imposition of the redemption charge.

3.17 General information

Details of:

- (a) the address at which copies of the constitutive document, any amending instrument and the most recent reports may be inspected and from which copies may be obtained;
- (b) the manner in which any notice or document will be served on unit holders;
- (c) the extent to which and the circumstances in which:
 - (i) the scheme is liable to pay or suffer tax on any appreciation in the value of the scheme property or on the income derived from the scheme property; and
 - (ii) deductions by way of withholding tax may be made from distributions of income to unit holders and payments made to unit holders on the redemption of units.

3.18 Additional information

Any other material information which is within the knowledge of the Asset Manager or Investment management company, or which the manager would have obtained by making reasonable enquiries, including but not confined to, the following matters:

- (a) information which investors and their professional advisers would reasonably require, and reasonably expect to find in the prospectus, for the purpose of making an informed judgement about the merits of investing in the scheme and the extent and characteristics of the risks accepted by so investing;
- (b) a clear and easily understandable explanation of any risks which investment in the scheme may reasonably be regarded as presenting for reasonably prudent investors of moderate means;
- (c) if there is any arrangement intended to result in a particular capital or income return from a holding of units in the scheme or any investment objective of giving protection to the capital value of, or income return from, such a holding:
 - (i) details of that arrangement or protection;
 - (ii) for any related guarantee, sufficient details about the guarantor and the guarantee to enable a fair assessment of the value of the guarantee;
 - (iii) a description of the risks that could affect achievement of that return or protection; and
 - (iv) details of the arrangements to notify unit holders of any action required by the unit holders to obtain the benefit of the guarantee; and
- (d) whether any notice has been given to unit holders of the Asset Manager or Investment management company's intention to propose a change to the scheme and if so, its particulars.

4. **Past performance**

The Investment management company must ensure that any information in the prospectus or any other document provided to unitholders or potential unitholders which contains an indication of past performance satisfies the following conditions:

- (a) the indication is not the most prominent feature of the prospectus;
- (b) the information includes appropriate performance information which covers at least the immediately preceding five years, or the whole period for which the investment has been offered/service provided, if shorter;
- (c) the reference point and the source of information are clearly stated;
- (d) the information contains a prominent warning that the figures refer to the past and that past performance is not a reliable indicator of future results;
- (e) if the indication is based on gross performance, the effect of fees, commissions or other charges is disclosed.

5. **Guarantees and capital protection**

If there is any arrangement intended to result in a particular capital or income return from a holding of units in a scheme, or any investment objective of giving protection to the capital value of, or income return from, such a holding:

- (a) that arrangement or protection must not be such as to cause the possibility of a conflict of interest as between:
 - (i) unitholders and the Asset manager or Investment management company or Custodian ; or
 - (ii) unitholders intended and not intended to benefit from the arrangement; and
- (b) where action is required by the unitholders to obtain the benefit of any guarantee, the Asset manager must provide reasonable notice in writing to unitholders before such action is required.

6. **Other communications**

6.1 The Asset Manager or/and Investment management company of a scheme must ensure that any communication made by it to unitholders or potential unitholders of the scheme is fair, clear and not misleading.

6.2 The Custodian of a scheme must ensure that any communication made by it to unitholders or potential unitholders of the scheme is fair, clear and not misleading.

Schedule VI

Fees

1. Application Fee for CIS licensed Person (Investment Management Company)	Mrf. 50,000
2. Application Fee for CIS (the scheme)	Mrf. 75,000
3. Annual Fee for licence CIS	Mrf. 200,000
4. Annual Fee for CIS licensed Person	Mrf. 100,000
5. CIS licensed persons contribution to the Compensation Fund	Mrf. 250,000

Schedule VII

Others

The CMDA may prescribe guidelines on the following:

1. Units
 2. Meetings
 3. Reports and Accounts
 4. Investment and Borrowing Powers
 5. Operating Duties and Responsibilities
 6. Dealing
 7. Valuation and Pricing
 8. Title and Registers
 9. Payments
 10. Income: Allocation and Distribution
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