No. 4456, 25.07.2014 131(I)/2014

# THE ALTERNATIVE INVESTMENT FUNDS LAW OF 2014

## CLASSIFICATION OF SECTIONS

## Chapter 5 : AIF DEPOSITARY



## CHAPTER 6: SUBSCRIPTIONS AND REDEMPTIONS OF UNITS



## CHAPTER 7: SPECIAL PROVISIONS

### PART 1: COMMON FUND



### PART 2: FIXED OR VARIABLE CAPITAL INVESTMENT COMPANIES



### PART 3: LIMITED LIABILITY PARTNERSHIPS

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**PART III : MARKETING OF UNITS OF AIFS OF ANOTHER MEMBER STATE OR THIRD COUNTRY IN THE REPUBLIC**



**PART IV : SUPERVISION AND SANCTIONS**

**CHAPTER 1: SUPERVISION OF AIFs**

The Parliament votes the following:

## PART I: INTRODUCTORY PROVISIONS

Short title.

1. This Law shall be cited as the Alternative Investment Funds Law of 2014.

Interpretations.

2. (1) For the purposes of this Law, except it follows otherwise from the context, the following definitions shall apply:

«mutual fund» means a group of assets authorised as a mutual fund in accordance with chapter 2 of Part II;

«initial capital» means the minimum assets or minimum capital necessary to authorise an AIF;

«self-managed AIF», in case it refers to an AIF of Part II of the Law, it means the AIF of section 6(2)(a);

«general partner», in case it refers to an AIF of Part II of the Law, it has the meaning attributed to it in section 64;

«marketing» means the direct or indirect offering or placement of units of an AIF to investors, which domicile, in case of natural persons, or are established, in case of legal persons in EU or in a Third Country;

«distribution» means the payments of an AIF to its unit-holders, other than the payments which relate to the redemption or repurchase of units;

«director» means a person that effectively directs the activities of the AIF or represents the AIF and, in the case of a limited liability partnership, it includes, the directors of the general partner;

56(I) of 2013

«AIFM» means the alternative investment funds manager which falls within the scope of the Alternative Investment Fund Managers Law;

Chapter 113.
9 of 1968
76 of 1977
17 of 1979
105 of 1985
198 of 1986
19 of 1990
41(1) of 1994
15(I) of 1995
21(I) of 1997
82(I) of 1999
149(I) of 1999
2(I) of 2000
135(I) of 2000
151(I) of 2000
76(I) of 2001
70(I) of 2003
167(I) of 2003
92(I) of 2004
24(I) of 2005
129(I) of 2005
130(I) of 2005
98(I) of 2006
124(I) of 2006
70(I) of 2007
71(I) of 2007
131(I) of 2007
186(I) of 2007
87(I) of 2008
49(I) of 2009
99(I) of 2009

«registered office» in case of –

(a) a company, means the registered office provided for in section 102 of the Companies Law,

42(I) of 2010
60(I) of 2010
88(I) of 2010
53(I) of 2011
117(I) of 2011
145(I) of 2011
157(I) of 2011
198(I) of 2011
64(I) of 2012
98(I) of 2012.
190(I) of 2012
203(I) of 2012
6(I) of 2013
90(I) of 2013.

(b) a foreign company, it means the address provided for in section 347(1)(d) of the Companies Law,

Chapter 116.
77 of 1977
54(I) of 2011
146(I) of 2011.

(c) a partnership, it means the place where the operations of the partnership are carried out, as stated in its written statement, in accordance with the General and Limited Partnerships and Trade Names Law;

«qualifying holding» means the direct or indirect holding in a company, which –

190(I) of 2007
72(I) of 2009
143(I) of 2012
60(I) of 2013.

(a) represents at least 10% of the capital or of the voting rights, in accordance with sections 28, 29 and 30 of the Laws Providing for Transparency Requirements in relation to information about issuers whose securities are Admitted to Trading on a Regulated Market, taking into account the conditions regarding aggregation of the holding laid down in sections 34 and 35 of the same Laws; or

(b) which makes it possible to exercise a significant influence over the management of the company in which that holding subsists;

«auditor» means a person qualified under the Companies Law to be appointed as an auditor of a company;

«prospectus» means the document which contains information regarding the AIF in accordance with section 77 of this Law and which is not governed by the provisions of the Public Offer and Prospectus Laws;

114(I) of 2005
144(I) of 2012
63(I) of 2013.

«externally managed AIF» means an AIF referred to in section 6(2)(b) of this Law;

«external manager» means any of the following persons which manages an AIF in accordance with the provisions of this Law:

(a) an AIFM;

(b) a UCITS management company;

(c) a CIF;

«AIF external manager» means the AIF, where it is self-managed;

«professional investor» means an investor which is considered to be a professional client or may, on request, be treated as a professional client within the meaning of Annex II of the Investment Services and Activities and Regulated Markets Law as amended;

144(I) of 2007
106(I) of 2009
141(I) of 2012
154(I) of 2010
Official Gazette,
Annex One (I):
16.11.2012
30.11.2012

«well informed investor» means every investor which is not a professional investor and fulfils the following conditions:

(a) the investor confirms in writing that he is a well-informed investor and that he is aware of the risks related with the proposed investment; and

(b) either his investment in the AIF amounts, at least, to €125 000, or he is assessed as a well-informed investor, either by a credit institution that falls within the scope of the Banking Laws as amended, or by an Investment Firm, or by a UCITS management company and the above mentioned assessment shows that he has the necessary experience and knowledge to be able to evaluate the appropriateness of the investment in the AIF;

66(I) of 1997
74(I) of 1999
94(I) of 2000
119(I) of 2003
4(I) of 2004
151(I) of 2004
231(I) of 2004
235(I) of 2004
20(I) of 2005
80(I) of 2005
100(I) of 2009
123(I) of 2009
27(I) of 2011
104(I) of 2011
107(I) of 2012
14(I) of 2013
87(I) of 2013
102(I) of 2013
141(I) of 2013.
Official Gazette,
Annex One (I):
19.9.2003

the term «investment service» has the meaning attributed to it in section 2 of the Investment Services and Activities and Regulated Markets Law, as amended;

«Securities and Exchange Commission» means the legal entity of public law which is established and which operates in pursuance of the Cyprus Securities and Exchange Commission Law, as amended;

73(I) of 2009
5(I) of 2012
65(I) of 2014.
Official Gazette,
Annex One (I):
31.07.2009.

«investment firm» or «IF», has the meaning attributed to this term in section 2(1) of the Investment Services and Activities and Regulated Markets Law, as amended;

«company» means a company established in accordance with the Companies Law or in accordance with any other relevant law of another country;

«investment company» means a variable capital investment company or/and a fixed capital investment company;

«fixed capital investment company» means a company established in accordance with the Companies Law, and operates as a fixed capital investment company in accordance with Chapter 2 of Part II of this Law;

«variable capital investment company» means a company established in accordance with the Companies Law and operates as a variable capital investment company in accordance with Chapter 2 of Part II of this Law;

Part II, Chapter 2.

«holding company» means a company with shareholdings in one or more other companies:

(a) the commercial purpose of which is to carry out a business strategy or strategies through, either its subsidiaries or associated companies, or participations in order to contribute to their long-term value; and

(b) which is either a company:
(i) operating on its own account and whose shares are admitted to trading on a regulated market in the Union; or
(ii) whose main purpose is not generating returns for its investors by means of divestment of its subsidiaries or associated companies, as evidenced in its annual report or other official documents;

«registrar» means, in case of companies, the Registrar of Companies and Official Receiver, as this is defined in the Companies Law and, in case of partnerships the Registrar of Partnerships as this is defined in the General and Limited Partnerships and Trade Names Laws;

«depositary» means the legal entity, as this is defined, accordingly, in section 23(1) or (3) or (5) or in section 116(4) in case of an alternative investment fund with limited number of persons, to which the assets of the AIF are entrusted for safe-keeping;

the term «subsidiary company» has the meaning attributed to this term in section 148 of the Companies Law, or a corresponding law of another country as applicable;

«Retail investor» means an investor who does not meet the conditions required to be included in the professional investors' or the well informed investors' category;

«rules» in relation to a common fund, means the common fund rules as defined in Section 48;

«Regulation (EU) No. 231/2013» means the act of the European Union titled 'Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision', as amended;

OJ of EU: L 083, 22.3.2013, p. 1; L 167, 19.6.2013, p. 60.

«Regulation (EU) No. 345/2013» means the act of the European Union titled 'Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds';

OJ of EU: L 115, 25.4.2013, p. 1.

«Regulation (EU) No. 583/2010» means the act of the European Union titled 'Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and the conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or

OJ of EU: L 176, 10.7.2010, p. 1; L 284,

17.10.2012, p. 16.

by means of a website', as amended;

«instruments of incorporation» means, in the case of an investment company, the memorandum and articles of association as defined in the Companies Law and in the case of a partnership, the partnership agreement;

the term «applicable law» has the meaning attributed to it in section 2 of the Securities and Exchange Commission Law, as amended;

«member state» means any Member State of the European Union, or another State that is a contracting party to the Agreement on the European Economic Area signed at Oporto on the 2nd of May 1992 and adjusted by the Protocol signed at Brussels on the 17th of May 1993, as this Agreement is subsequently amended;

«unit» means the units of a common fund or the shares of a fixed or variable capital investment company or the interests of a limited liability partnership;

«unit-holder» in relation to an AIF, means the holder of a unit or a fraction of a unit;

«shareholder» means the holder of shares of an investment company;

the term «parent company» has the meaning attributed to it in Section 148 of the Companies Law or a corresponding law of another country;

«directive» means a regulatory directive of the Securities and Exchange Commission which is published in the Official Gazette of the Republic;

OJ of EU: L 193, 18.7.1983, p. 1; L 158, 10.6.2013, p. 365.

«Directive 83/349/EEC» means the act of the European Union titled 'Seventh Council Directive 83/349/EEC based on article 54(3)(g) of the Treaty on consolidated accounts', as amended by directive 2013/24/EU of the Council of the 13th May 2013;

OJ of EU: L 145, 30.04.2004, p. 1; L 331, 15.12.2010, p. 120.

«Directive 2004/39/EC» means the act of the European Community titled 'Directive 2004/39/EC of the European Parliament and of the Council of the 21st April 2004 on markets in financial instruments, amending Council Directives 85/611/EEC and 93/8/EEC of the Council and of Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC' as it was recently amended by the Directive 2010/78/EU of the European Parliament and of the Council of the 24th November 2010;

OJ of EU: L 302, 17.11.2009, p.32; L 145, 31.05.2013, p. 1.

«Directive 2009/65/EC» means the act of the European Community titled 'Directive 2009/65/EC of the European Parliament and of the Council of the 13th July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings of collective investments in transferable securities (UCITS)',as amended by the Directive 2013/14/EU of the European Parliament and of the Council of 21st May 2013;

OJ of EU: L 174, 1.7.2011, p. 1; L 145,

«Directive 2011/61/EU» means the act of the European Community titled 'Directive 2011/61/EU of the European Parliament and of the Council of the 8th June 2011 on the alternative investment fund managers and amending of Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No. 1060/2009

31.5.2013, p. 1.

and (EU) No. 1095/2010', as amended by the Directive 2013/14/EU of the European Parliament and of the Council of 21st May 2013;

'AIF' or 'Alternative Investment Fund' means any collective investment undertaking, including investment compartments thereof, which, collectively:

(a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and

78(I) of 2013

(b) does not require authorisation pursuant to section 9 of the Open-ended Undertakings for Collective Investments Law of 2012 or pursuant to the legislation of another Member State which harmonises the article 5 of the Directive 2009/65/EC;

'AIF of the Republic' or 'alternative investment fund of the Republic' means –

(a) an AIF established in the form of a common fund and is authorised in accordance with Chapter 2 of Part II by the Securities and Exchange Commission; or

(b) an AIF established in the form of an investment company, is authorised by the Securities and Exchange Commission in accordance with Chapter 2 of Part II or in accordance with section 115 and the addresses of its registered office and of its central offices are located in the Republic; or

(c) an AIF established in the form of partnership, is authorised by the Securities and Exchange Commission in accordance with Chapter 2 of Part II or in accordance with section 115 and the address of the main place of conduct of its activities is located in the Republic;

'Alternative Investment Fund with limited number of persons' means the AIF authorised by the Commission in accordance with section 115(2) of the Law;

'UCITS' means an undertaking for collective investments in transferable securities, which falls within the scope of application and the provisions of the Open-Ended Undertakings for Collective Investments Law;

'credit institution' means a bank or a cooperative society;

'persons engaged in the activity of an AIF' means the external manager of the AIF, its depositary and the persons that market the AIF's shares;

'durable medium' means a letter or text, transferred through fax or an electronic message or any other way of recording and distributing information;

'close links' between two or more persons means a situation in which these persons:

(a) are linked by participation, namely ownership, directly or by way of control of at least 20% of the voting rights or capital of an undertaking; or

(b) are linked by control, namely by the relationship between a parent undertaking and a subsidiary in accordance with article 1 of the Directive 83/349/EEC on consolidated accounts, or similar relationship between a natural or legal person and an undertaking. For the purposes of this point, a subsidiary undertaking of a subsidiary undertaking shall also be

considered to be a subsidiary of the parent undertaking of those subsidiaries; or

(c) are permanently linked with that person with a control relationship;

'partnership agreement' means a written agreement drawn up as initial text by the general partner, is approved by the Commission and relates to the handling of cases and the conduct of operations of the limited liability partnership, as applicable, after any amendments, additions or revisions;

'related person' means, respectively:

(a) parent or subsidiary company of the AIF or its managers,

(b) the subsidiary company of a company of which the AIF or one of its managers are also a subsidiary company;

(c) any other company which is not subsidiary of the AIF or of anyone of its managers, but in which the AIF or any of its managers hold, for their own benefit, at least 20% of its issued capital or its shares with voting rights;

(d) a partnership or a trust which holds an interest of 20% in the AIF or in any of its managers;

'limited liability partnership' or 'partnership' means a partnership registered in accordance with the General and Limited Partnerships and Trade Names Law, which is recognised to operate as a limited liability partnership in accordance with Chapter 2 of Part II of the Law or Part VI of the Law in the case of an Alternative Investment Fund with limited number of persons;

'limited liability partner' means a person accepted in a limited liability partnership as a limited liability partner in accordance with the partnership agreement who, at the time of accession in this partnership, contributes or is committed to contribute a defined amount in the capital of the partnership and, without prejudice of the cases provided for by the Law, is not liable for the debts or the obligations of the limited liability partnership beyond the amount contributed or committed to contribute;

'third country' means a country that is not a member state.

(2) In this Law and in the regulatory or individual administrative acts issued pursuant to it, any reference to a legislative act of the European Union, like Directive, Regulation or Decision, shall mean the relevant act as corrected, amended or replaced, except it follows otherwise from the context.

Scope of application

3. (1) Without prejudice to the application of Part III regarding AIFs of a state other than the Republic, of Part IV and of sections 20, 106 and 112 and 113 regarding AIFs of the Republic and AIFs of a member state other than the Republic and in accordance with the provisions of section 114(3) regarding the alternative investment funds with limited number of persons, this Law shall apply to the AIFs of the Republic and to the persons engaged in the activity of the AIFs.

(2) The Law shall not apply to the following entities:

(a) to the entities that fall within the scope of the Open-ended Undertakings of Collective Investments Law; and

(b) holding companies; and

52(I) to 2010
114(I)of 2010
126(I) of 2010
2(I) of 2012
37(I) of 2012
170(I) of 2012
193(I) of 2012

(c) to the social security scheme that falls within the scope of the Social Insurance Law; and

35(I)/2002
141(I)/2003
165(I)/2003
69(I)/2004
70(I)/2004
136(I)/2004
152(I)/2004
153(I)/2004
240(I)/2004
17(I)/2005
26(I)/2008
105(I)/2009
50(I)/2011

(d) to the entities that fall within the scope of the Insurance Services and Other Related Issues Law; and

208(I)/2012

(e) to the entities that fall within the scope of the Establishment, Activities and Supervision of Institutions for Occupational Retirement Provision Law; and

(f) to the employee participation schemes or employee saving schemes; and

(g) to the securitisation special purpose entities; and

(h) to the approved investment companies that fall within the scope of the Securities and Cyprus Stock Exchange Law.

14(I) of 1993
32(I) of 1993
91(I) of 1994
45(I) of 1995
74(I) of 1995
50(I) of 1996
16(I) of 1997
62(I) of 1997
71(I) of 1997
83(I) of 1997
29(I) of 1998
137(I) of 1999
19(I) of 2000
20(I) of 2000
39(I) of 2000
42(I) of 2000
49(I) of 2000
50(I) of 2000
136(I) of 2000
137(I) of 2000

141(I) of 2000
142(I) of 2000
175(I) of 2000
9(I) of 2001
37(I) of 2001
43(I) of 2001
66(I) of 2001
79(I) of 2001
80(I) of 2001
81(I) of 2001
82(I) of 2001
105(I) of 2001
119(I) of 2001
120(I) of 2001
1(I) of 2002
87(I) of 2002
147(I) of 2002
162(I) of 2002
184(I) of 2003
164(I) of 2004
205(I) of 2004
43(I) of 2005
99(I) of 2005
115(I) of 2005
93(I) of 2006
28(I) of 2007
56(I) of 2009
90(I) of 2009
171(I) of 2012.

## PART II: PROVISIONS REGARDING THE ALTERNATIVE INVESTMENT FUNDS

### Chapter 1: GENERAL CHARACTERISTICS AND DISCRIMINATIONS OF AIFS

AIF Legal Form and use of designation 'AIF'

4. (1) An AIF may be set up in one of the following legal forms:

(a) as a mutual fund;

(b) as an investment company in the legal form of a limited liability company with shares;

(c) as a limited liability partnership.

(2) Where the AIF is established –

(a) in the legal for of a common fund, its name will include the term 'common fund';

(b) in the legal form of an investment company, its name shall include the term 'fixed capital investment company' or 'variable capital investment company', as appropriate; and

(c) in the legal form of a limited liability partnership, its name shall include the term 'limited liability partnership'.

Prohibition of conversion of an AIF to an entity which is not an AIF

5. It is prohibited to an AIF that falls within the scope of the Law to convert, in any way, to an entity that does not fall within the scope of the Law.

AIF management

6. (1) Without prejudice to the application of section 6(5) of the Alternative Investment Fund Managers Law of 2013 to the AIFMs of this Law, the AIF management means the activity that includes, at least, the service of the portfolio management of the AIF and specifically:

(a) the management of the investments of the AIF and the management of the risks associated with the operations of the AIF;

(b) the administration of the AIF, which includes the following services:

(i) legal and accounting AIF management services;
(ii) disclosure of information services and services to the unit-holders of an AIF;
(iii) valuation and pricing, including tax returns;
(iv) regulatory compliance monitoring;
(v) maintenance of unit/shareholder register;
(vi) distribution of profits of the AIF;
(vii) unit/shares issues and redemptions;
(viii) contract settlements, including certificate dispatch;
(ix) record keeping;

(c) marketing.

(2) The AIF may be:

(a) either self-managed, where it does not appoint an external manager, if it is established as an investment company and one of the following applies:

(i) the assets of the portfolio of the AIF, including any assets acquired through use of leverage, in total do not exceed a threshold of EUR 100.000.000;

(ii) the assets of the portfolio of the AIF, where the AIF does not employ leverage and its unit-holders have no redemption rights exercisable during a period of 5 years following the date of initial investment in each AIF, do not exceed a threshold of EUR 500.000.000;

(iii) the persons that sign the instruments of incorporation of the investment company under incorporation or the members of the board of directors, in case of an incorporated company, decide not to appoint an external manager, but to exercise internal management in accordance with the provisions of the Alternative Investment Fund Managers Law of 2013, either obligatory in case the assets of the portfolio of the investment company exceed the thresholds of subparagraphs (i) or (ii), accordingly, or by choice, because they choose to opt in the Alternative Investment Fund Managers Law of 2013, then the investment company is considered as an AIFM and falls within the scope of the Alternative Investment Fund Managers Law of 2013;

(b) or externally managed, where it appoints an external portfolio manager, who;

(i) is an AIFM authorised in accordance with the Alternative Investment Fund Managers Law of 2013; or

(ii) where subparagraph (i) does not apply, may operate as, either, an AIFM authorised in accordance with the Alternative Investment Fund Managers Law, or as a management company authorised in accordance with the Open-ended Undertakings for Collective Investments Law, or as an IF authorised in accordance with the Investment Services and Activities and Regulated Markets Law, as amended.

(3) Each self-managed AIF and each external manager of an AIF, where they are not authorised AIFMs, are subject to registration in accordance with the provisions of section 4(3) of the Alternative Investment Fund Managers Law, in the Special Register of sub-threshold AIFMs of the relevant Law maintained by the Securities and Exchange Commission.

It is provided that the Securities and Exchange Commission shall regulate with a directive every technical matter or detail regarding the application of this sub-section.

Redemption or repurchase rights

7. (1) An AIF is established:

(a) either as an alternative investment fund of the open-ended type, where its unit-holders have the right to redeem or repurchase their units upon request,

(i) at any time, or

(ii) at regular intervals which do not exceed one year and are defined in the fund rules or the instruments of incorporation of the AIF;

(b) or as alternative investment fund of the closed-end type, where its unit-holders have the right to redeem or repurchase their units upon request,

(i) at regular intervals that exceed one year, but shall not extend for more than five years and are defined in the rules or instruments of incorporation of the AIF; or

(ii) at a specific time that is defined in the fund rules or the instruments of incorporation of the AIF.

By way of exemption to subparagraph (i) of paragraph (b) of this section, in case an AIF is constituted as a venture capital fund in accordance with the Regulation (EU) No. 345/2013, the initial period of redemptions may extend up to ten years from the date of its incorporation.

(2) In case of redemption or repurchase of units, the actions of the AIF or its external manager that aim to prevent the significant deviation of the quoted price of the units of the AIF from its net asset value are assimilated. This price shall not deviate significantly, when the deviation shall not exceed the 5% of the net asset value of the units of the AIF.

Listing of units of AIFs in a stock market, a regulated market or multilateral trading facility.

8. (1)(a) The units of an AIF may be admitted for listing in a stock market that operates:

(i) in the Republic or in another member state; or

(ii) in a third country, provided that the Securities and Exchange Commission has signed with the competent authorities of the third country a Memorandum of Understanding and Exchange of Information, in accordance with the relevant provisions of the specific market.

(b) The shares of a retail investor AIF established in the form of an investment company may be admitted to trading in a stock market that operates:

(i) in the Republic or in another member state; or

(ii) in third country, provided that the Securities and Exchange Commission has signed with the competent authorities of the third country a Memorandum of Understanding and Exchange of Information, in accordance with the relevant provisions of the specific market.

(2) Notwithstanding the application of sub-section (1), the admission to trading of units or classes of units of an AIF in a regulated market of tradable AIFs or on a multilateral trading facility of tradable AIFs that operates in the Republic or in another member state, or in a third country where the Securities and Exchange Commission has signed with its competent authorities a Memorandum of Understanding and Exchange of Information in accordance with the provisions of the specific market, is allowed, provided that the following conditions are satisfied collectively:

(a) the units will be traded on a such market or trading facility throughout the day;

(b) the AIF has been authorised in accordance with section 12;

(c) where the AIF is marketed to professional and/or well informed investors, the compliance with the provisions of sections 36 and 37 is ensured throughout the whole period of admission of the units of the AIF;

(d) at least one market maker is appointed, who takes all measures to ensure that the market value of the shares of the AIF does not vary significantly from its net asset value and, if applicable, its indicative net asset value; and

(e) where a depositary is appointed, the AIF's assets have been deposited with the depositary, before the commencement of trading.

(3) The Securities and Exchange Commission may define in directives:

(a) the special obligations of the AIFs of sub-sections (1) and (2) that arise from the admission to listing and admission to trading, accordingly, of their units in a stock market, which shall include, as to the application of sub-section (2), the appointment of a market maker and the terms of the agreement between the market maker and the AIF; and

(b) the additional information to be included in the fund rules or the instruments of incorporation of the AIFs of sub-sections (1) and (2), their

prospectus, their reports and their statements; and

(c) the information to be submitted in case of authorisation of an AIF of sub-section (2), in addition to the information required in section 12; and

(d) any other relevant matter or necessary detail regarding the operation of the AIFs of sub-sections (1) and (2).

AIFs with more investment compartments

9. (1) An AIF may consist of more than one investment compartments, each of which is subject to the provisions of the Law as a separate AIF. An AIF that consists of more than one investment compartments constitutes a single legal entity.

(2) Each investment compartment of the AIF may issue units which correspond to the assets of the specific compartment. The value of the units may vary by investment compartment.

(3) The unit holders' rights derive from the assets of the relevant compartment they have invested in; each investment compartment is liable for the obligations created from its establishment and operations or its dissolution. The rules or the instruments of incorporation of the AIF may define derogations from this paragraph.

(4) The rules or instruments of incorporation of the AIF shall refer to the fact that it operates with multiple investment compartments.

(5) An investment compartment of an AIF may invest in another investment compartment of the same AIF (target compartment), where that option is provided in the rules or the instruments of incorporation of the AIF and as long as the following conditions collectively apply:

(a) it invests in total, up to 35% of its assets in another investment compartment or other investment compartments of the same AIF;

(b) the target compartment shall not invest in units of the compartment of the AIF that invested in it;

(c) the voting rights that may result from the units which correspond to the participation of an AIF's compartment in another compartment of the same AIF, shall be suspended during the period of the mutual participation;

(d) the value of the units that correspond to the investments of paragraph (a), is not included twice in the calculation of the net asset value of the AIF which operates in the form of a common fund, or of the capital of the AIF which operates in the form of an investment company or limited liability partnership;

(e) any remuneration or management fees, subscription, redemption or repurchase fees, any marketing expenses or expenses regarding the redemption or repurchase of units related to the investment of an AIF's compartment in another compartment of the same AIF shall not be charged.

(6) The Securities and Exchange Commission may revoke the authorisation of one or more investment compartments of the same AIF in accordance with the relevant provisions of the Law, without revoking the authorisation of the rest of its compartments.

(7) Each investment compartment of the same AIF is being dissolved and liquidated separately, without its dissolution and liquidation entail the dissolution and liquidation of other compartments of the AIF.

(8) The Securities and Exchange Commission may issue directives to define any additional information to be included in the rules or the instruments of incorporation of the AIF and any other matter related to the establishment, operation and the dissolution of an AIF with multiple investment compartments.

Conversion of AIFs and companies as to the number of their investment compartments.

10. (1) An AIF which operates as a single scheme, may convert to an AIF with multiple investment compartments, after a relevant amendment of its rules or instruments of incorporation, the establishment of additional compartments and the compliance with the relevant sections of this Law and where the AIF is an investment company or partnership the compliance with the provisions of the Company Law and the General and Limited Partnerships and Trade Names Law, respectively. In this case, the obligations of the AIF incurred until the establishment of new compartments, shall remain in the existing, until then, single compartment and any lawsuits and other legal proceedings exercised for or against the AIF shall continue on behalf of the existing single investment compartment.

(2) An AIF which operates as an umbrella scheme, may convert to a single scheme, after a relevant amendment of its rules or instruments of incorporation, dissolution of its investment compartments except one and compliance with the relevant sections of this Law and where the AIF is an investment company or partnership the compliance with the provisions of the Company Law and the General and Limited Partnerships and Trade Names Law, respectively. In this case, in the context of the liquidation of the investment compartments dissolved, the liabilities of those compartments are paid and any claims are transferred to the single investment compartment maintained by the AIF.

(3) A company with a registered office in the Republic, may be converted into an investment company with multiple investment compartments, by creating such compartments in accordance with the provisions of this Law and of the Company Law, as long as all the liabilities of the company are settled by the date of the conversion. Any claims of the company, by the conversion date, shall be distributed between the investment compartments established, in proportion to the total assets of all the compartments.

(4) For the actions referred to in sub-sections (1) to (3), authorisation is required by the Securities and Exchange Commission.

(5) The Securities and Exchange Commission may issue a directive to regulate any technical matters and details regarding the application of this section.

Possibility of conversion of legal form

11. (1) An AIF established in the form of an investment company and is authorised in accordance with section 13, may convert either into a common fund or into a limited liability partnership which falls under the scope of this Law, if this is decided by the general meeting of its shareholders with the majority of the two thirds of the votes of the shareholders present or represented at the meeting and with the condition that its instruments of incorporation will be amended so as to comply with the provisions of sections 48 and 66 respectively. Especially, in the case of conversion of an investment company into a partnership, in addition to the above, the consent of the person that will undertake the duties of the general

partner to undertake the task is required.

(2) An AIF established as a common fund and is authorised in accordance with section 13, may convert either into an investment company or into a limited liability partnership which falls under the scope of this Law, if this is decided by the general meeting of its unit-holders with the majority of the two thirds of the votes of the unit-holders present or represented at the meeting and with the condition that its rules will be amended so as to comply with the provisions of sections 56 and 66, respectively. Especially, in the case of conversion of an investment company into a partnership, in addition to the above, the consent of the person that will undertake the duties of the general partner to undertake the task is required.

(3) The conversion decision is communicated to the unit-holders no later than five working days from the day that it was taken and at least thirty days before the conversion takes place. The communication of the previous sentence is made in the manner specified in the rules or instruments of incorporation of the AIF.

(4) The shareholders that disagree with the decision of the conversion of the AIF in accordance with sub-sections (1) or (2) have the right to ask the redemption or repurchase of their units, without any additional charges, within fifteen days from the date the decision regarding the conversion was communicated to them.

(5) The Securities and Exchange Commission may issue a directive to define the specific conditions regarding the process of conversion of the legal form of an AIF in accordance with sub-sections (1) or (2) and every relevant matter or necessary detail regarding the conversion, especially matters regarding the redemption rights of the existing shareholders.

## Chapter 2: AUTHORISATION OF AN AIF

Submission of application for authorisation of an AIF

12. (1) The commencement of operations of an AIF requires the prior authorisation and communication of the authorisation by the Securities and Exchange Commission in accordance with the provisions this Chapter.

(2) By derogation of sub-section (1), the commencement of operations of a self-managed investment company in accordance with section 6(2)(a)(iii) of this Law, requires the prior authorisation and communication of the authorisation by the Securities and Exchange Commission, in accordance with sections 7 and 8 of the Alternative Investment Fund Managers Law.

(3) Where the AIF shall take the legal form of a common fund, its external manager, in addition to the application for authorisation, shall submit to the Securities and Exchange Commission the following:

(a) a statement regarding the commitment to deposit the initial assets of the common fund;

(b) the name and any other information that identify and certify the appropriateness of the external manager of the common fund and the identity of the person or the persons employed in the external manager which shall be responsible for the management of the common fund;

(c) a statement by the external manager confirming that it agrees to exercise the management of the common fund;

(d) a statement by the depositary confirming that it agrees to exercise the depositary duties for the common fund, in accordance with this Law, subject to the case where a depositary shall not be appointed in accordance with section 23(4);

(f) the identity of the person or persons appointed by the depositary as responsible for monitoring the activity of the common fund;

(g) the common fund's draft rules signed by its external manager;

(h) the common fund's draft prospectus;

(i) the common fund's draft key information document.

(4) Where the AIF shall take the legal form of a self-managed investment company, in accordance with section 6(2)(a)(i) or (ii) or externally managed in accordance with section 6(2)(b), the applicant may be, in the case of an investment company, the persons that will sign the instruments of incorporation of a company under incorporation, in the case of an existing company, the members of its board of directors and in the case of an investment company that appoints an external manager, its external manager; the relevant applicant, in addition to the application for authorisation, shall submit to the Securities and Exchange Commission the following:

(a) the name and the address of the registered office and of the central headquarters of the investment company;

(b) sufficient information, including a curriculum vitae, for the members of the board of directors of the company and the persons managing its operations, so as the Commission will be in a position to evaluate their appropriateness and experience for the specific position;

(c) in case an external manager is appointed, its name and any other information that identify and certify its appropriateness, and information about the person or persons of the external manager, that will be responsible for the management of the portfolio of the company;

(d) in case an external manager is appointed, a statement confirming that it agrees to exercise the portfolio management of the company;

(e) a statement from the depositary confirming that it agrees to exercise the depositary duties for the portfolio of the company, in accordance with provisions of this Law, without prejudice to the case where a depositary shall not be appointed in accordance with of section 23(2);

(f) the identity of the person or persons appointed by the depositary as responsible for monitoring the activity of the company;

(g) the company's draft instruments of incorporation;

(h) the company's draft prospectus;

(i) the company's draft key investor information document.

(5) Where the AIF shall take the legal form of a limited liability partnership, the external manager which shall exercise the duties of the general partner, in addition to the application for authorisation shall submit to the Securities and

Exchange Commission the following:

(a) the name and address of the registered office and the place of the basic activity of the partnership;

(b) the name and any other information that identifies and certifies the appropriateness of the general partner to act as the external manager and information about the person or persons of the general partner, which will be responsible for the management of the portfolio of the partnership;

(c) a statement by the general partner confirming that it accepts to exercise the duties of the external manager of the partnership, which was authorised as AIF and that it shall undertake its portfolio management;

(d) a statement by the depositary confirming that it agrees to exercise the depositary duties for the portfolio of the partnership, in accordance with this Law, subject to the case where a depositary shall not be appointed in accordance with section 23(2);

(e) the identity of the person or persons appointed by the depositary as responsible for monitoring the activity of the partnership;

(f) the draft partnership agreement;

(g) the draft partnership prospectus;
(h) the draft partnership key investor information document.

(6) For the purposes of sub-sections (3) to (5), the Securities and Exchange Commission, in addition to the information referred to in the previous sub-sections, may request the submission of any additional or clarifying information, if it considers this necessary in order to decide about the granting or not authorisation to the AIF.

(7) The information referred in sub-sections (3) to (6) shall be submitted either in an official language of the Republic or in an official language of the Republic and in the English Language or only in English so long as the Securities and Exchange Commission consents to this.

(8) The external manager of an AIF or an AIF itself, in case of self-managed investment company, shall communicate to the Securities and Exchange Commission every change in the information according to which the authorisation of sub-section (1) was granted.

(9) The Securities and Exchange Commission may specify by directive the information submitted in accordance with sub-sections (3) to (5) and determine standard forms, templates and procedures for the provision of such information.

Granting of authorisation

13. (1) Without prejudice to the provisions of section 12(2), the Securities and Exchange Commission shall grant authorisation to the AIF only if it approves the relevant application and its rules or instruments of incorporation and its choice of depositary, where one is appointed in the application.

(2) The Securities and Exchange Commission shall neither require the external manager of the AIF to be established in the Republic as a condition for authorisation nor the delegation of the portfolio management of the AIF to an

external manager established in the Republic.

(3) The Securities and Exchange Commission shall not grant authorisation to an AIF if:

(a) It considers that its external manager, which is established in the Republic, does not satisfy the conditions of:

(i) the Alternative Investment Funds Managers Law, where the external manager is an AIFM;

(ii) the Open Ended Undertakings for Collective Investments Law, where the external manager is a management company of undertakings for collective investments in transferrable securities; and

(iii) section 20(2) and (3), where the external manager is an IF.

(b) The external manager of the AIF, established in another Member State of the EU, has not been authorised by the competent authorities of its home Member State in accordance with the Directive 2011/61/EU, or the Directive 2009/65/EC, or in accordance with section 20 of the Law, as applicable.

(c) The external manager of the AIF of section 6(2)(b) of the Law, where is an AIFM established in a Third Country, does not comply with the provisions of section 49 of the Alternative Investment Funds Managers Law of 2013.

(d) The appointed depositary does not fulfil the conditions of the Law or of the Alternative Investment Fund Managers Law of 2013, as applicable, or the responsible person or persons appointed by the depositary to monitor the operations of the AIF is not fit and proper or does not have sufficient experience, including relevant experience as to the kind of AIF subject to authorisation.

(e) The AIF is established as an investment company and the difficulties involved in the enforcement of the legislation of a third country related to one or more natural or legal persons with which the AIF has close links, or the difficulties related to the application of this legislation prevent the effective exercise of the supervisory functions of the Securities and Exchange Commission.

(4) The Securities and Exchange Commission shall inform the external manager of the AIF or the AIF itself, in case of a self-managed investment company under incorporation, within three months of the submission of a complete application file in accordance with section 12(3), (4), (5) and (6), whether or not authorisation has been granted:

It is provided that in case the Securities and Exchange Commission refuses to grant authorisation, the reasons for such a decision shall be duly justified. Where the AIF is established in the form of an investment company or limited liability partnership, the decision of the Securities and Exchange Commission regarding the granting of authorisation shall also be communicated to the Registrar.

(5) The external manager of the common fund shall submit to the Securities and Exchange Commission the certification regarding the deposit of the assets of the AIF within three months from the date the authorisation was granted otherwise the Securities and Exchange Commission shall revoke the authorisation. The

certification shall be submitted by the depositary of the AIF, if one is appointed, or by its external manager in all other cases.

(6) Without prejudice to the provisions of section 8(7) of the Alternative Investment Funds Managers Law, which apply in the case of a self-managed AIF of section 6(2)(a)(iii) of the Law, it is not allowed to market, advertise and manage the units of the AIF before the communication of the authorisation of the AIF in accordance with sub-section (1) of this section. Furthermore, where the AIF has taken the form of a common fund, before the submission of the certification of sub-section (5) of this section to the Securities and Exchange Commission.

## Chapter 3: COMMON PROVISIONS REGARDING THE ORGANISATION AND OPERATION OF AIFs

Initial capital of an AIF.

14. (1) Without prejudice to the provisions of the Companies Law and of the General and Limited Partnerships and Trade Names Law, the initial capital of the AIF shall be determined by the AIF itself or by its external manager in accordance with section 48(3)(e), section 55(2) and section 66(1)(e) respectively, and shall be included in the rules or instruments of incorporation of the AIF.

(2) The initial capital of the AIF, as appropriate, shall be consisted of cash or assets that relate with the investment policy of the AIF and are free from any kind of charge.

(3) The non-cash contributions to an AIF shall be valued by an independent valuer at the time of the contribution as specified in section 47B of the Companies Law.

Investment policy of the AIF

15. (1) The Securities and Exchange Commission may specify by directive any investment restrictions regarding the AIFs according to the nature of the assets in which they invest and the investors to which are addressed.

(2) The Securities and Exchange Commission may determine by directive specific categories of AIFs according to their investment strategy and the structure of their investments.

(3) Where the AIF invests in other collective investment schemes of any kind, including AIFs which are under the management of the same external manager or such other external manager which is connected with the external manager that manages the first AIF, the latter external manager shall not receive any remuneration or redemption fees which would otherwise receive.

Risk management

16. (1) Without prejudice to the provisions of section 16 of the Alternative Investment Fund Managers Law, this section shall apply to the external manager of the AIF and to the self-managed investment company.

(2) The external manager of the AIF or the self-managed AIF itself, shall maintain and apply appropriate risk management systems, in order to identify, measure, manage and duly monitor the risks related to the positions that it undertakes and the contribution of these positions to the overall risk profile of the portfolio of the AIF.

(3) The external manager of the AIF shall maintain such organisational structure with a view to minimize the risk to create conflict of interest situations between the AIF and any person engaged in its activity or is directly or indirectly

connected with the AIF, which could adversely affect the interests of its unit-holders. Where situations of conflicts of interests are created, the external manger of the AIF or the self-managed AIF itself, shall ensure that these are monitored in such a way that the interests of the unit-holders of the AIF are secured.

(4) The Securities and Exchange Commission may specify by directive, the practical and technical issues regarding the application of sections (1) and (2) and provide that for specific categories of AIFs, the compliance with sections (2) and (3) of this section shall not apply depending on their investment policy.

Valuation

17. (1) The assets of the AIF shall be valued at fair price in accordance with what is specified in the rules or instruments of incorporation of the AIF, as appropriate.

(2) The AIF shall value its assets at least:

(a) on the dates at which distribution and redemption or repurchase of its units takes place; and

(b) on the dates mentioned in the annual and half-yearly report of the AIF, respectively, as the reference dates for the illustrative data.

(3) The Securities and Exchange Commission may specify, by directive, the rules and the valuation methods of the assets of the AIF and define the details and the technical matters regarding the application of this section.

Management and administration.

18. (1) The management of the operations of the AIF shall be conducted by at least two natural persons, with sufficient experience and specialisation.

(2) The members of the governing body of the AIF, the persons who effectively conduct the business of the AIF and the members of the governing body and the persons who effectively conduct the business of the external manager of the AIF shall not participate in the governing body or senior management of the depositary.

(3) The members of the governing body and the persons who effectively conduct the business of the AIF shall disclose to the governing body of the external manager of the AIF any of their capacity that may cause a conflict of interest situation during the exercise of their duties as such, especially their capacity as members of the governing body or persons that effectively conduct the business of another AIF or collective investment scheme, or of another manager than the one managing the specific AIF.

Transactions.

19. (1) Without prejudice to section 15 of the Alternative Investment Fund Managers Law, this section shall apply to the external manager of the AIF and to the self-managed investment company.

(2) The external manager of the AIF or a company of the group it belongs to and the persons that conduct the management of the above, shall enter into transactions with the AIF or benefit from transactions in the assets of the AIF, only where this is in accordance with the AIF rules or its instruments of incorporation and complying with any conditions and procedures included therein.

(3) Any transaction between the AIF and either its external manager, its depositary, its investment advisor, partner or a person related with the above, shall take place in accordance with the procedure of sub-section (4), unless the

provisions of sub-section (5) apply as follows:

(a) in terms that shall be usual for the specific transaction; and

(b) in the best interests of the unit holders of the AIF.

(4) The conduct of the transaction of sub-section (3), subject to the provisions of sub-section (5), requires the previous valuation of the subject of the transaction from an independent expert, who shall be nominated by the depositary or by the external manager of the AIF, where the transaction is conducted with the depositary or where a depositary is not appointed.

(5) Where the valuation of sub-section (4) is not practically possible to be conducted, the depositary or the external manager of the AIF, in case the transaction is conducted with the depositary or with a person related with it or where a depositary is not appointed, shall certify the compliance with the terms of paragraphs (a) and (b) of sub-section (3).

(6) Where a transaction of sub-section (3) is possible, the prospectus of the AIF shall include a relevant reference; the annual and half-yearly reports of the AIF shall include all necessary information regarding the transactions that will be conducted in the reference period, sorting them by category and by counterparty of the AIF and disclosing any remunerations or commissions paid to every counterparty of the AIF for each transaction separately.

## Chapter 4 : EXTERNAL MANAGER OF AN AIF

Organisation and operations of the external manager

20. (1) The entity that will undertake the duties of the external manager of an AIF of section 6(2)(b), as far as its organisational requirements, its way of operation and, especially, the amount of capital, the own funds, the granting of authorisation and the revocation of the authorisation, its obligations regarding the submission of information to the Securities and Exchange Commission, its assigned responsibilities in the course of exercise of its activities and the delegation to a third person, shall, accordingly, fall within the scope:

(a) of the Alternative Investment Fund Managers Law, where it is established as an AIFM; and

(b) of the Open Ended Undertakings in Collective Investments Law, where it is established as a management company of collective investment schemes.

(2) Where the external manager of the AIF is an IF regulated by the Investment Services and Activities and Regulated Markets Law:

(a) the own funds of the external manager shall be adjusted in accordance with the value of the portfolio of the AIFs under management;

(b) any delegation to a third party of functions to be carried out on behalf of the external manager shall be performed in accordance with sections 20 to 22 of the Alternative Investment Fund Managers Law, which apply *mutatis mutandis*;

(c) the external manager shall always act in the best interests of the AIFs it manages and their unit-holders and, taking into consideration the aim to ensure the proper functioning and integrity of the market, shall be liable to the unit-holders of the AIFs where negligence regarding the

management of the AIFs is proven. The AIFM shall not contractually discharge the liability mentioned above, any possible condition in the rules or instruments of incorporation of the AIFs it manages that limits the AIFM's liability shall be void;

(d) the external manager, taking into consideration the nature of the AIFs it manages, shall employ:

(i) proper administrative and accounting procedures, control and security arrangements regarding the electronic data processing and suitable internal control mechanisms that, especially include, rules regarding the personal transactions of its employees or the possession or management of investments in financial instruments for the purpose of conducting investments in own account and that ensure, at least, that for every transaction relating to the AIF it is possible to determine its origin, the parties to the transaction, its character and the place and time conducted, and that the assets of the AIF managed by the external manager are invested in accordance with this Law; and

(ii) an organisational structure and organisation that reduce the risk of damage to the interests of the AIF or/and the clients of the external manager caused by conflicts of interests between –

A. the AIF or/and the relevant clients and the external manager; or

B. different clients of the external manager; or

C. a client of the external manager and an AIF; or

D. between the AIFs themselves; and

(iii) appropriate procedures to ensure the proper handling of complaints of the investors in units of an AIF; and

(iv) risk management systems in accordance with section 16; and

where appropriate and proportionate in view of the scale, nature and complexity of its business, the external manager shall establish and maintain internal audit and compliance functions which shall be independent from the other functions and activities of the external manager that do not relate with the internal audit and compliance functions.

(3) The Securities and Exchange Commission may specify, by directive any detail or technical issue regarding the application of sub-section (2) of this section.

Resignation of the external manager

21. The external manager may resign from the management of the AIF only where a substitute has been appointed in accordance with the provisions of section 22 of this Law, unless the AIF after the resignation of its external management becomes a self-managed AIF.

Replacement of the external manager

22. (1) The replacement of the external manger of the AIF, for any reason, is subject to the Securities and Exchange Commission's approval. The Commission shall also approve the new external manager, after taking into consideration the unit-holders' interests.

(2) The Securities and Exchange Commission, with its decision to replace the external manager, may impose any measure or condition in order to secure the unit-holders' and the investors' interests, in general.

(3) The new external manager substitutes the previous one in respect of its rights and obligations. The previous external manager shall remain totally liable with the new one for all its actions and omissions until the transfer of its duties to the new external manager.

(4) The replacement of the external manager of the AIF shall produce a relevant amendment to the rules or the instruments of incorporation of the AIF, which shall be communicated to its unit-holders in accordance with the provisions of the rules or the instruments of incorporation accordingly.

## Chapter 5 : AIF DEPOSITARY

Appointment of AIF Depositary

23. (1) Over the AIF depositary, where the AIF is self-managed in accordance with section 6(2)(a)(iii) of this Law or externally managed by an AIFM, the provisions of Part 4 of Chapter III of the Alternative Investment Fund Managers Law and the sections 25(3), 27(2) and 29 to 31 of this Law shall apply.

(2) Over the AIF depositary, in cases other than those referred to in sub-section (1) the provisions of this Chapter shall apply.

(3) Subject to the provisions of sub-section (4), the assets of the AIF shall be entrusted for safe-keeping to a depositary, which:

(a) has its registered office in the Republic or in another member state of the EU or in a third country, provided that the Securities and Exchange Commission has signed with the competent authorities of the third country a Memorandum of Understanding and Exchange of Information; and

(b) is either a credit institution or investment firm or another category of institution which is subject to prudential regulation and ongoing supervision and which falls within the categories of institution which have been defined by their home state as eligible to be a depositary.

(4) By derogation of the provisions of sub-section (3), an AIF may not appoint a depositary or may appoint as depositary one of the institutions referred to in sub-section (5) in case its total assets are not eligible for custody.

(5) For the safekeeping of the AIF's assets, which are not financial instruments within the meaning of the Investment Services and Activities and Regulated Markets Law, as depositary, in accordance with sub-section (4), an entity which performs depositary functions within the context of its professional or business activities, for the performance of which is subject to professional registration recognised by legal, regulatory or administrative provisions or by rules of professional conduct and can provide sufficient financial and professional guarantees that it will perform sufficiently its depositary duties and meet the commitments associated with these duties, may be appointed.

Depositary duties

24. The depositary duties are those defined in section 24 of the Alternative Investment Fund Managers Law.

Delegation of Depositary duties

25. (1) The AIF Depositary may delegate the safekeeping of the total or part of an AIF's assets to a third party, eligible to be a depositary in accordance with the legislation of its home country, where a relevant provision is included in the rules or the instruments of incorporation of the AIF that allows it.

(2) The delegation of the depositary duties in accordance with sub-section (1) shall be communicated to the external manager of the AIF or to the AIF itself where this is self-managed.

(3) The depositary may revoke the delegation of duties in accordance with sub-section (1), at any time. The delegation shall cease to apply where the duties of the depositary are terminated for any reason.

(4) The depositary shall not delegate to third parties its duties regarding the monitoring of the activity of the external manager of the AIF or of the operation of the AIF.

(5) The third party where the custody functions are delegated in accordance with sub-section (1), may delegate those functions further partly or in total, to another party, provided that the sub-delegation shall comply with the terms of the initial delegation. In the case of the above mentioned sub-delegation, section 27(3) shall apply *mutatis mutandis*.

(6) The Securities and Exchange Commission may specify, by directive,

(a) the organisational requirements with which the depositary defined in sub-section (1) shall comply to be able to provide its services as such; and

(b) the terms and conditions regarding the delegation of depositary duties.

Specific duties of the depositary

26. (1) The depositary shall ensure that the external manager of the AIF or the AIF itself, in case it is self-managed shall provide it with any information necessary to be able to exercise its duties and obligations in accordance with the provisions of this Law, or where the external manager is an AIFM, with provisions of the Alternative Investment Fund Managers Law:

It is provided that, the external manager of the AIF or the AIF itself, in case it is self-managed shall grant the depositary unlimited access to the documents and information concerning the AIF.

(2) The depositary shall provide to the Securities and Exchange Commission the ability to receive, upon request, all the information obtained by the depositary during the exercise of its duties, which are necessary or useful for the purposes of supervision of the AIF.

(3) The appointment of a depositary shall be evidenced by a written contract between the depositary and the external manager of the AIF, or the AIF itself, in case it is self-managed, which shall regulate the flow of information deemed necessary to allow the depositary to perform the depositary functions as set out:

(a) in the Alternative Investment Fund Managers Law, where the external manager is an AIFM; or

(b) in this Law, in all other cases.

(4) The Securities and Exchange Commission may issue directives regarding the technical issues or the details governing the deposit of the assets of the AIF for safekeeping to a depositary, or for the measures taken by the depositary to

fulfil its duties in relation to the AIF, including the particulars that need to be included in the written contract between the depositary and the external manager referred to in sub-section (3).

Depositary liability

27. (1) The Depositary of the AIF shall be liable, in accordance with the laws of the Republic, to the AIF, to the investors of the AIF or its external manager for any loss suffered by any breach of its obligations.

(2) The unit-holders of an AIF shall have the right to initiate legal action against the depositary for any loss suffered by them as a result of the depositary's negligent failure to properly fulfil its obligations. The unit-holders of a common fund shall have the right to claim any damages against the depositary, only indirectly, through its external manager, while in case the external manager of the AIF fails to initiate any claims against the depositary within three months from the submission of a written demand by a unit-holder to it, the latter may initiate a claim against the depositary himself.

(3) The depositary's liability shall not be affected by any delegation of custody of the whole or part of the assets of the AIF under its custody to a third party. The Depositary shall be jointly liable with the third party for any loss caused by the third party to the persons referred to in sub-section (1).

(4) The depositary may be discharged from its liability in accordance with the second sentence of sub-section (4) and sub-section (5) of section 27 of the Alternative Investment Fund Managers Law, which apply *mutatis mutandis*.

Independence between the Depositary and the external manger of the AIF

28. (1) The same person shall not exercise both the duties of the external manager and the depositary of an AIF.

(2) In the context of their respective roles, the depositary and the external manager of the AIF shall perform their duties independently and exclusively in the interest of the investors of the AIF as a whole, regardless of whether they belong to the same group.

Resignation of the Depositary

29. (1) Where the depositary intends to resign from its duties, it shall notify its intention, in writing, to the external manager of the AIF, or to the AIF itself, where it is self-managed, at least three months before its resignation.

(2) The external manager of the AIF, or the AIF itself, where it is self-managed, shall communicate the fact to the Securities and Exchange Commission immediately, and shall, either, propose a new depositary in accordance with the provisions of section 23(3) to replace the one resigned, or propose the operation of the AIF without a depositary, as long as the AIF satisfies the criteria of section 23(4).

(3) Where the external manager of the AIF, or the AIF itself, in case it is self-manage, unjustifiably delay to propose a new depositary, the depositary under resignation shall make the proposal in accordance with the provisions of section 23(3).

(4) The Securities and Exchange Commission shall approve the choice of depositary or the operation of the AIF without a depositary where the provisions of section 23(4) apply, or otherwise shall demand the external manager of the AIF or from the AIF itself, where it is self-managed, or the depositary under resignation, to propose a new depositary.

(5) Where a new depositary is appointed, the depositary that resigned shall transfer the assets of the AIF under custody to the new depositary and all necessary documents for the exercise of the new depositary's functions.

(6) The depositary that submitted its resignation shall continue to exercise its duties until the complete taking over of duties of the new depositary.

(7) The resignation and replacement of the depositary raises the obligation of the amendment of the rules or instruments of incorporation of the AIF.

Replacement of the Depositary of the AIF

30. (1) The replacement of the depositary of the AIF shall take place in accordance with the terms included in the contract between the depositary and the external manager of the AIF and after the approval of the choice of the new depositary by the Securities and Exchange Commission or the operation of the AIF without a depositary in accordance with section 23(4).

(2) In case of a serious breach of the depositary's obligations, or in order to protect the interests of the unit-holders of the AIF where the depositary does not exercise its duties in the interests of the unit-holders of the AIF as a whole, the Securities and Exchange Commission may demand, in accordance with section 23(3) the replacement of the Depositary of the AIF by a new depositary which shall be subject to its approval.

(3) Without prejudice to the provisions of section 23(3), an application for the replacement of the depositary may also be filed by its external manager, as representative of its unit-holders, or by the AIF itself in case it is self-managed.

(4) Where the external manager of the AIF, or the AIF itself, in case it is self-managed, requires the replacement of the depositary, shall propose a new depositary which complies with the provisions of section 23(3), in replacement of the previous one and shall inform the depositary under replacement relatively.

(5) In the case of replacement of the depositary, the provisions of sub-sections (4) to (7) of section 29 shall apply *mutatis mutandis.*

Cessation of Depositary duties

31. The depositary duties shall cease:

(a) in the case of resignation or replacement of the depositary, on the condition of the undertaking of its duties by a new depositary (where necessary), while until the undertaking of the depositary duties by the new depositary, the former depositary shall still act as such, baring all the depositary liabilities these are provided –

(i) in the Alternative Investment Fund Managers Law, where the external manager is an AIFM; or

(ii) in this Law in all other cases;

(b) in the case of dissolution of the depositary, or its declaration in a state of special liquidation or administration or another relative procedure;

(c) in the case where the Securities and Exchange Commission revokes the authorisation of the AIF or demands the replacement of the depositary in accordance with section 30(2);

(d) in the cases referred to in the rules or instruments of incorporation of the AIF.

## CHAPTER 6: SUBSCRIPTIONS AND REDEMPTIONS OF UNITS

Units of an AIF

32. (1) The rights derived by the units, are exercised in accordance with the percentage of total assets they represent, except of the voting rights, which are exercised in accordance with all of its units.

(2) The units of the AIF shall be issued on the name of the unit-holder and shall not have a nominal value.

(3) The subscriptions and redemptions of units shall take place in accordance with the conditions included in the rules or the instruments of incorporation of the AIF and which may be specified in its prospectus.

(4) The AIF may issue units of different classes, which are defined in its rules or instruments of incorporation.

Marketing rules

33. (1) For the marketing of units of AIFs and the subscription by the unit holder, the following is necessary:

(a) an application for subscription in units submitted to the external manager of the AIF or to the AIF itself, in case it is self-managed, in writing or electronic form;

(b) acceptance of the rules or instruments of incorporation of the AIF;

(c) full payment of the amount due for the acquisition of the units, as this is determined on the basis of the issue price of the units in cash, or, where this is acceptable by the external manager or the self-managed AIF, in the form of assets in which the AIF is allowed to invest in accordance with its investment policy, which are valued in accordance with the provisions specified in the fund rules or instruments of incorporation.

(2) Where a depositary is appointed and the amount due for the purchase of units has not been deposited to it, the relevant amount shall be deposited to the depositary by the end of the next day, the latest. In any case, the payment in the form of assets other than cash, in accordance with the case of paragraph (c) of sub-section (1), shall be deposited to the depositary where one is appointed.

(3) The subscription price of the units shall be calculated in accordance with the specific provisions included in the rules or instruments of incorporation of the AIF, in accordance with the provisions of this Law. The rules or the instruments of incorporation of the AIF shall determine the final date at which the applications for subscriptions in units of the AIF shall be submitted, so that the units be valued at the subscription price related to the application submitted until the relevant date.

(4) The external manager of the AIF, or the self-managed AIF itself shall give to the applicant, free of charge, the prospectus of the AIF, its rules or instruments of incorporation and its latest annual and half-yearly reports and shall disclose to the applicant the latest net asset value of the AIF or the latest market price of its units, in accordance with section 17, before signing the application for subscription. Where the AIF is managed by an AIFM or it is a self-managed investment company of section 6(2) (a) (iii), the investor shall receive the

information referred to in section 30(1) and (2) of the Alternative Investment Fund Managers Law, before signing the application for subscription in the AIF. An open ended AIF marketed to retail investors shall issue a key investors' information document, the content of which shall be in accordance with the Regulation No. 583/2010, which shall be given to the applicant by the external manager of the AIF, or the self-managed AIF itself, in addition to the above mentioned documents, free of charge before signing the application for subscription in units of the AIF.

(5) The external manager of the AIF, or the self-managed AIF itself, may also market its units through credit institutions, investment firms, UCITS management companies which fall under the scope of the Open Ended Undertakings in Collective Investments Law and AIFMs.

(6) The marketing of units of AIFs by the persons of sub-section (5) or by other persons that act as their representatives, shall take place in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law, as amended, which regulate the investment service of reception and transmission of orders, without prejudice to any specific provision of this Law.

(7) The Securities and Exchange Commission, may issue a directive to regulate:

(a) any technical matters or details related to the application of sub-sections (1) to (5), the qualifications and the procedure for the certification of the persons that participate in the marketing network of units of AIFs, including the qualifications and obligations of those persons;

(b) the conditions under which the electronic submission of the application for subscription in units shall be possible, specifying the security measures which the external manager of the AIF itself, in case it is self-managed, shall establish to ensure the investors' protection.

Issue of units without any charge

34. The issue of units without any charge of an AIF is allowed, as long as this is provided in the rules or instruments of incorporation of the AIF.

Disclosures to investors regarding the net asset value, the subscription and redemption price of the units of an AIF

35. The rules or instruments of incorporation of the AIF shall specify the way of disclosure to investors of the net asset value, the subscription and redemption price of the units of the AIF.

Marketing to professional investors in the Republic

36. The Securities and Exchange Commission may specify by directive, the specific rules that AIFs should follow during the marketing of their units to professional investors in the Republic.

Marketing to retail and well informed investors in the Republic

37. (1) An AIF, which is either self-managed in accordance with section 6(2)(a)(iii) of the Law or externally managed by an AIFM, may market its units to retail investors in the Republic in accordance with section 67 of the Alternative Investment Fund Managers Law of 2013.

(2) The marketing of units of an AIF which does not fall within the scope of sub-section (1) to retail and well informed investors in the Republic, shall take place after authorisation by the Securities and Exchange Commission. Such authorisation is the authorisation granted to the AIF in accordance with section 13 of the Law.

It is provided that the Securities and Exchange Commission shall specify by directive the marketing process of the units such AIF in the Republic.

Marketing of units of AIFs to another member state or third country

38. (1) The external manager of an AIF, or a self-managed AIF itself, may market in another member state or third country, the units of the AIF to professional and/or well informed investors, only if this is allowed by the legislation of that member state or third country, respectively, or to retail investors, as the case is, under the following conditions:

(a) in the case of marketing to another member state of units of an AIF which is managed by an AIFM or units of a self-managed AIF of section 6(2)(a)(iii), the notification procedure of section 39 applies;

(b) in the case of marketing of units of an AIF that does not fall within the scope of paragraph (a) in another member state or third country, a notification shall be submitted to the Securities and Exchange Commission accompanied by the following documents and information:

(i) the member state or third country where the AIF intends to market its units; and
(ii) regarding the arrangements related to the marketing of the units of the AIF in the other country.

Before the marketing of the units of the AIF in the other member state or third country, in accordance with paragraph (b) begins, the external manager of the AIF or the self-managed AIF, shall submit to the Securities and Exchange Commission, a confirmation by the competent authorities of the member state or the third country, which confirms that the appropriate marketing procedures regarding the marketing of units of the AIF in its jurisdiction, provided by the legislation of the host state have been followed.

(2) The Securities and Exchange Commission may, by directive, regulate any technical issue or detail regarding the application of paragraph (b) of sub-section (1) of this section.

Redemption or repurchase of units of an AIF

39. (1) The redemption or repurchase of units of an AIF shall take place in accordance with the conditions stated in the rules or the instruments of incorporation of the AIF, as these may be further specified in its prospectus. The units are redeemed at the redemption price of the next scheduled redemption date after the submission of the redemption application, as this price is specifically determined in the rules or instruments of incorporation of the AIF. The rules or instruments of incorporation of the AIF shall set the final date for the submission of redemptions' applications so that the redeemed units get the redemption price of the next scheduled redemption date, after the submission of the application.

(2) For the redemption of units of the AIF, the unit holder shall submit a written

or electronic application to the external manager of the AIF or to the self-managed AIF.

It is provided that the submission of an application for redemption of units under conditions is not allowed.

(3) The value of the redeemed units of an AIF shall be paid in cash, or in case of a tradable AIF, in securities related with the composition of the index replicated in the AIF's portfolio. The relevant payment shall take place within the period provided in the rules or the instruments of incorporation of the AIF.

(4) An application to shift from one investment compartment of the AIF to another investment compartment of the same AIF or from one AIF to another, is equivalent with an application for redemption of units of the original AIF, or its investment compartment and with the subscription of units in the new AIF or the new investment compartment of the same AIF.

Suspension of redemption or repurchase of units

40. (1) The suspension of redemption or repurchase of units of an AIF is only allowed in exceptional cases where this is demanded by the circumstances or in cases provided in the rules or instruments of incorporation of the AIF and in any case, if this is justified by the interest of the unit-holders. The relevant suspension of redemption or repurchase requires the previous decision of the external manager of the AIF of the self-managed AIF and the relevant authorisation of the Securities and Exchange Commission and it is notified to the competent authorities of the other countries where the units of the AIF are marketed. The above mentioned decision shall define the time frame of the suspension of the redemption or repurchase and any extension of this time frame is only permitted in compliance with the procedure provided in the second sentence of this sub-section, while without prejudice to the third sentence of this sub-section, the Securities and Exchange Commission may decide the extension of the suspension period, where this is justified by the interest of the unit-holders of the AIF and the necessity to ensure the proper function of the market.

(2) Where the circumstances under which the suspension of redemption or repurchase of the units of the AIF has been decided cease to exist before the end of the suspension period, the external manager of the AIF or the self-managed AIF itself, shall revoke the suspension and notify the Securities and Exchange Commission and the competent authorities of the other countries where its units are marketed.

(3) Notwithstanding the provisions of sub-section (1), the Securities and Exchange Commission may:

i. decide, as long as it considers that it is to the investors' interest or the safeguarding of the proper function of the market, the suspension of the redemption or repurchase of the units of the AIF, when the provisions of the applicable legislation or of the fund rules or of the instruments of incorporation of the AIF are not complied with or any other agreements that govern its function;

ii. extend the suspension period of the previous sentence for as long as it considers this necessary for the investors' interest or it is required by the necessity to ensure the proper function of the market;

iii. revoke the suspension of the redemption or repurchase if it determines

that before the end of the suspension period, or its extension, the reasons on which the suspension had been decided, cease to exist.

It is provided that every decision of the Securities and Exchange Commission in accordance with this sub-section is immediately notified to the external manager of the AIF or to the self-managed AIF.

(4) During the suspension period, neither the submission of an application for redemption or repurchase of units is allowed, nor the redemption or repurchase of units by the unit-holders. However, any applications submitted before the suspension was decided by the external manager or the self-managed AIF, or by the Securities and Exchange Commission in accordance with sub-section (3) and are pending are met.

Prohibition of subscription or redemption and repurchase of units

41. (1) The issue or redemption or repurchase of units is not allowed:

(a) for as long as the AIF which is not self-managed, has not an appointed external manager;

(b) for as long as the AIF has not appointed a depositary although it is obliged to do so in accordance with:

i. the Alternative Investment Fund Managers Law, where the external manager is an AIFM; or

ii. the provisions of this Law in all other cases;

(c) where the external manager of the AIF, which is not self-managed or the depositary of the AIF is dissolved or put into liquidation, or administration or similar procedure and a replacement has not been appointed.

## CHAPTER 7: SPECIAL PROVISIONS

### PART 1: COMMON FUND

General provisions regarding the common fund

42. (1) The Common Fund is a pool of assets which shall fulfil the following conditions:

(a) It is the subject of collective management to the benefit of its unit-holders, which are co-owners of each of the assets that comprise its portfolio and are liable only up to the amount of their contribution, which is expressed in units of the common fund;

(b) it is separated from the entity that manages it and is not liable for the obligations of this entity or its unit-holders, but is only subject to the obligations and the expenses provided for in the Law or are specifically stated in its regulation; and

(c) it is authorised to operate as a common fund in accordance with chapter 2 of Part II.

(2) The portfolio management of the common fund shall be exercised by an external manager in accordance with section 6(2) (b).

(3) The common fund has no legal personality, while its unit-holders shall be legally represented by its external manager with regard to the legal relationships arising from the management of the common fund and to their rights regarding its assets:

It is provided that where the external manager represents the unit-holders of the common fund, it shall act on its own name, underlying however, that it acts on behalf of the common fund.

It is also provided that the external manager shall manage the common fund, exclusively in the interest of its unit-holders and shall exercise all the rights that derive from the assets of the common fund.

(4) The unit-holders of the common fund shall not be liable for any actions or omissions of the external manager or the depositary, in the exercise of their duties. The common fund shall not be liable for the obligations of its external manager and the depositary.

(5) The property of the common fund shall be divided in units or fractions of units on the name of the unit-holder, each of which shall represent the same percentage on its total assets. The rights derived from the units shall be exercised in relation with the percentage of total assets that they represent, with the exemption of the voting rights, which shall be exercised in accordance with the whole unit.

Common Fund unit holders' register

43. (1) The units of the common fund shall be recorded in the Unit-Holders' Register, maintained by its external manager and monitored with recordings in it; these recordings shall prove the contribution in the common fund. The Register of the previous sentence can also be kept in the form of an electronic registry.

(2) In the Unit-Holders' Register each participation of unit-holders and co-unit-holders shall be recorded.

(3) The Unit-Holders' Register shall contain:

(a) the name and last name of the unit-holder, or the name, in case of a legal persons;

(b) the address of the unit-holder, or the address of the registered office in case of legal persons, or, in case of foreign legal persons, the registered seat, the address and the registration number, the address and the corporate number, if applicable;

(c) the identity or passport number of the unit-holder;

(d) the number of units; and

(e) every information which is the minimum content for the personalisation of the unit-holder and its units.

It is provided that, in case of joint holdings, the above information shall be recorded for all joint-holders in the Unit Holders' register.

(4) The external manager of the common fund shall ensure that the depositary has a comprehensive and continuous access in the Unit-Holders' Register.

Joint holders of the units of the common fund

44. (1) Where the holders of the units of the common fund are more than one natural persons, each of them, as joint-holder, may use the units of the common share partially or in total, without the collaboration of the others, as it is specified when opening the joint-holders' account, from all the joint-holders or from the joint-holder which submitted the subscription application in the common fund and paid the consideration for the acquired units. In the case of redemption of units after the unit-holder's request, which may use the units without the collaboration of the other unit-holders, the external manager of the common fund and the depositary shall not be liable to pay any amount to the other joint-holders related to the value of the redeemed units.

(2) At the opening of the common account of the joint-holders in accordance with sub-section (1), may be defined that in case of death of any of the unit-holders, its units shall be automatically transferred to the rest of the joint-holders of the account, to the last of them. No inheritance tax or any other charges are due from the transfer of the units to the rest of the living joint-holders.

(3) To add a new unit-holder, the written consent of the external manager of the common fund and of all the joint-holders of the account is required. The removal of an existing joint-holder requires its express written consent. The information regarding the new unit-holder shall be included in the Unit-Holders' Register and the information regarding the unit-holder which ceased to be a joined-holder shall be deleted.

(4) In the case of application of sub-section (1), a confirmation of participation by account is issued regarding the joint holders' shares in accordance with the provisions of section 45, which shall include the names of all joint-holders.

Confirmation of participation to a common fund

45. (1) The external manager of the common fund shall issue, upon request by a unit-holder or joint-holder of units, a confirmation of participation to the common fund. The unit-holder may request a relevant confirmation regarding the repurchase or the registration pledging of units in the Unit-Holders' Register. The lender may also request the issue of the confirmation regarding the pledging of units.

(2) The confirmation of sub-section (1), the content of which is determined by the external manager of the common fund according to the purpose which it serves, it only proves the contribution to the common fund or the registration of pledging of units of the common fund in the Unit-Holders' Register. Where the content of the confirmation varies in relation to the registration in the Unit-Holders' Register, then the registration in the Unit-Holders' Register prevails.

(3) The confirmation of sub-section (1) may also illustrate all contributions in one or more common funds managed by the same external manager.

Transfer of units of a common fund

46. (1) The units of the common fund shall be freely transferable, without prejudice to the fund rules which may specify any restrictions in the transfer of units.

(2) The transfer of units of a common fund shall be disclosed to its external manager and shall apply to the manager from the date of the above mentioned disclosure, unless the transfer is conducted through the stock market, in case of units that have been admitted to trading, where the transfer is subject to the respective general and specific provisions regarding the relevant transaction.

(3) The external manager of the common fund shall update the Unit-Holders' Register about the transfer by removing the transferred units from the transferee account and recording them in the acquirer's account.

(4) The external manager of the common fund shall issue, at the acquirer's request, a confirmation of the contribution on its name, in accordance with section 45.

Pledged units of the common fund

47. (1) The units of the common fund may be used as collateral to secure a claim.

(2) The collateral shall be valid and shall take effect against the external manager of the common fund, from the date it is disclosed to the external manager in writing and, in case the units are admitted to trading in a stock market, on the condition that the necessary procedures regarding the registration of the collateral in the records kept in the context of the operation of the relevant market have been made. The external manager of the common fund shall record the collateral in the Unit-Holders' Register.

(3) The satisfaction of the lender is effected by the redemption of the pledged units and the payment of the redemption proceeds to the lender, until the redemption of all the pledged units.

(4) Where the pledged units of the common fund, are not redeemed in total, the lender shall maintain its right on the collateral as to the remaining pledged units, without having to conclude and disclose a new collateral agreement.

(5) The external manager of the fund shall record in the Unit-Holders' Register the elimination of the pledged units.

Common fund rules

48. (1) The common fund rules shall be a single document even in case the common fund is established with multiple investment compartments. It is prepared by its external manager and approved by the Securities and Exchange Commission.

(2) With its subscription in units of the common fund, the unit-holder is presumed to have accepted the common fund rules.

(3) The common fund rules, which are also signed by the depositary, where one is appointed, shall contain at least:

(a) the name of the common fund, its external manager and the name of its depositary;

(b) the investment objective of the common fund, from which the investment goals and its investment policy are determined;

(c) the category of investors to which it addresses;

(d) the duration of the common fund or the reference that its duration is indefinite;

(e) the initial assets of the common fund, which is, at least one hundred and twenty five thousand (125.000) euro, the valuation principles and valuation policies of its assets, the rules for the calculation of its net asset value, of the issue and redemption or repurchase price and the way of disclosing these prices to the investors; where the common fund is managed by an AIFM, the additional information referred to in sub-sections (1) and (2) of section 19 of the Alternative Investment Fund Managers Law;

(f) the conditions of the issue, marketing, cancellation and redemption or repurchase of units and the conditions under which the redemption or repurchase of the units may be suspended and reference to the fact that the suspension, redemption or repurchase may be decided by the Securities and Exchange Commission at its own initiative;

(g) the duration of the financial year and its closing date;

(h) the remuneration and commissions of the external manager of the common fund and its depositary as well as the method of calculation of the above remuneration and commissions;

(i) the expenses charged on the common fund;

(j) the rules of the distribution of the common fund's proceeds and profits to the unit-holders and in particular the time and procedure of the distribution;

(k) the procedure of the amendment of the common fund rules;

(l) the reasons for the dissolution of the common fund.

(4) The common fund rules are amended by its external manager and the amendment shall also be signed by the depositary and approved by the Securities and Exchange Commission.

It is provided that the approved amendments of the rules are immediately communicated to the unit-holders, on whom they are binding.

(5) In case the common fund is of the open-ended type, the unit-holders have the right to request the redemption or repurchase of their units in accordance with the provisions of the rules prior to their amendment -

(a) within ten calendar days from the notification of the amendment to them, where the redemption or repurchase of units takes place on a daily basis;

(b) within one month from the notification of the amendment to them, where the redemption or repurchase of units takes place, at least, weekly;

(c) by the date at which the one after the next scheduled date of redemption or repurchase of units shall take place, where the redemption or repurchase takes place on a monthly basis; and

(d) by the next scheduled redemption or repurchase date, in every other case, on the condition that between the notification of the amendment to the unit-holders and the expiry of the right of redemption or repurchase of their units according to the provisions of the rules prior the amendment, there is a time period of, at least, thirty days.

(6) In case the common fund is of the closed-ended type, the unit-holders have the right to request the redemption or repurchase of their units in accordance with the provisions of the rules prior to their amendment, within three months from the date of the notification of the amendment to them.

(7) The common fund rules shall be drawn up in an official language of the Republic or in an official language of the Republic and in English or only in English, if the information of section 12 regarding the authorisation of the common fund has been submitted to the Securities and Exchange Commission

only in English in accordance with section 12(7).

Dissolution and liquidation of the common fund

49. (1) The dissolution of the common fund shall take place only for one of the following reasons:

(a) in case the Securities and Exchange Commission revokes its authorisation in accordance with section 50;

(b) after a relevant decision of its external manager, if he considers that the continuation of the operation of the common fund is not in the interests of its unit-holders;

(c) when the period of its operation provided in its rules, lapses, unless the rules are amended before the end of the period of operation of the common fund, so that the period of its operation is extended or becomes indefinite;

(d) with the occurrence of an event, that according to the rules of the common fund constitutes a reason for its dissolution;

(e) in the case of dissolution, resignation, liquidation or revocation of authorisation of the external manager or the depositary and a replacement is not appointed;

(f) in case of redemption of the total of its units;

(g) upon decision of its external manager, in case the assets of the common fund are reduced to the one fourth of the minimum that is provided for in its rules and this reduction lasts for more than six months;

(h) upon decision of the external manager, which may he receive in case the common fund assets are reduced so that they become less than the two thirds of the limit of the minimum assets, as this is defined in the fund rules. In every case, the external manager shall disclose the reduction of the assets of the common fund to the Securities and Exchange Commission without undue delay, which may demand the dissolution of the common fund.

(2) The unit-holders of the common fund and their lenders may not ask the dissolution of the common fund and the distribution of its assets.

(3) Without prejudice to paragraph (f) of sub-section (1), the dissolution of the common fund is followed by its liquidation, which ends up to the distribution of its assets, under the responsibility of its liquidator. The external manager of the common fund is appointed as liquidator, unless the dissolution is due to a fact provided in paragraph (e) of sub-section (1) and is related to the external manager, in this case the liquidator of the common fund is appointed by the depositary. Where the fact provided in paragraph (e) of sub-section (1) is related to the depositary and, in case the common fund has not appointed a depositary, the liquidator is appointed by the Securities and Exchange Commission by its decision. In this case, section 22 shall apply *mutatis mutandis*. In case the liquidator does not exercise its duties diligently, the Securities and Exchange commission may appoint a replacement of the liquidator upon request of any person that has a legitimate interest therein.

It is provided that the liquidator shall not delegate its duties regarding liquidation

to a third party.

(4) Where the common fund is under liquidation, the issue of new units is not possible, unless it serves the purpose of liquidation. The redemption of units is still possible provided that the equal treatment of the unit-holders is ensured. The depositary of the common fund shall exercise its duties until the process of distribution of its assets finishes. The unit-holders shall be satisfied from the liquidation proceeds when any kind of claim against the common fund is settled.

(5) The outcome of the distribution of the common fund's assets shall be illustrated in a special report of an independent auditor, which is communicated to the Securities and Exchange Commission and to the competent authorities of the countries where the units of the common fund are distributed, while the relevant report shall be at the disposal of its unit-holders at the points of distribution of its units.

It is provided that the auditor of the common fund shall be considered independent for the purpose of application of this section.

(6) The dissolution of the common fund and the reasons for its dissolution are communicated, immediately, by the external manager to the depositary of the common fund, its unit-holders and the Securities and Exchange Commission:

It is provided that the external manager shall submit to the Securities and Exchange Commission, without undue delay, a copy of the above mentioned communication to the unit-holders and the depositary of the common fund.

(7) In case the common fund is constituted with more than one investment compartments, its dissolution takes place when its last remaining investment compartment is dissolved.

Revocation of authorisation of the common fund

50. (1) The Securities and Exchange Commission shall revoke the authorisation of the common fund:

(a) in case its external manager does not submit the certification regarding the deposit of the initial assets of the common fund in accordance with section 13(5) on time;

(b) in case the authorisation to the common fund was granted on the basis of false or misleading information, or with any other irregular means.

(2) The Securities and Exchange Commission may revoke the authorisation of a common fund:

(a) if its external manager does not comply with the terms of authorisation of the common fund or with its obligations as these are derived from –

(i) the Alternative Investment Fund Managers Law, if the external manager is an AIFM; or
(ii) the Open-Ended Undertakings on Collective Investments Law; or
(iii) this Law in all other cases;

(b) if any of the authorisation conditions taken into account by the Securities and Exchange Commission for the authorisation of the common fund is no longer satisfied.

(3) In the cases of sub-section (2), the Securities and Exchange Commission may set a deadline to the external manager of the common fund to comply. Where the external manager fails to comply within the set deadline, the authorisation of the common fund shall be revoked.

(4) The Securities and Exchange Commission, in the cases of sub-sections (1) to (3), shall notify its decision regarding the withdrawal of the authorisation to the external manager of the fund and to the competent authorities where the units of the common fund are marketed:

It is provided that upon the notification of the Securities and Exchange Commission regarding the revocation of the authorisation to its external manager, the common fund is put into liquidation in accordance with section 29 of the Law.

## PART 2: FIXED OR VARIABLE CAPITAL INVESTMENT COMPANIES

General provisions regarding an investment company

51. (1) The investment company shall operate as a fixed or variable capital investment company, while it shall either be self-managed or appoint an external manager to manage its portfolio in accordance with section 6(2).

(2) The investment company has the legal form of a limited liability company with shares, whose sole purpose is the collective management of its portfolio, carrying out the relevant transactions to the benefit of its shareholders, either by itself where it shall be self-managed, or through the appointment of an external manager.

(3) Without prejudice to the provisions of the Companies Law, in case of a variable capital investment company, the procedure of increase and reduction of its capital shall be determined in its instruments of incorporation.

(4) An existing company, which at the date of application of this Law is registered in accordance with the Companies Law as an approved investment company or investment company and whose shares are listed in a regulated or non-regulated market in the Republic, may convert in a variable capital investment company and operate as an AIF, upon submission of a relevant application and authorisation by the Securities and Exchange Commission, provided that it fulfils the conditions of Part II, which in such a case applies as if the relevant company was an AIF.

Application of the Company Law – Special Company Law arrangements

52. (1) The fixed or variable capital investment companies, are governed by the provisions of this Law and, additionally, by the provisions of the Company Law. Sections 32 and 78 of the Company Law, and its provisions regarding the division of companies shall not apply to investment companies. Additionally, Sections 3(1), 4A, 5, 7(2) to (7), 31, 31A, 38 and 39, 41 to 47A, 47C to 51, 55 to 57, 57A to 57F, 60 to 69, 84, 108, 158 to 169, section 169C and sections 355 to 361 of the Company Law, shall not apply to variable capital investment companies. Furthermore, sections 4A, 31, 31A, 38 and 39, 41 to 51, 55 to 57, 57A to 57F, 84, 105 to 117, 158 to 169, section 169C and sections 355 to 361 of the Companies Law shall not apply to fixed capital investment companies.

(2) Notwithstanding any other provision of the Company Law, the investment companies are not required to make available to their shareholders the full set of financial statements, which include the relevant auditors' and directors' reports. However, where a shareholder requests to receive the above mentioned statements, including the auditors' and directors' reports, the investment

company shall satisfy that request, providing the requested documents in either electronic or printed form, at its discretion, unless the shareholder requests to receive the documents in printed form where the investment company shall provide them to him in that form.

(3) The provisions of the Company Law regarding the convocation and conduct of general meetings of listed companies on a regulated market shall apply to investment companies *mutatis mutandis*, irrespective of whether they are listed on a regulated market or not.

(4) The investment companies are not required to create reserves.

Self-managed investment company

53. (1) An investment company may not appoint an external manager in the cases provided in section 6(2) (a) of the Law. Without prejudice to the application of section 20, where the investment company has not appointed an external manager, any references in the Law to the external manager shall deem as references to the investment company.

(2) Where the investment company has not appointed an external manager in accordance with section 6(2)(a)(i) and (ii) of the Law:

(a) The Securities and Exchange Commission shall grant authorisation to it, only if it satisfies the following conditions:

(i) the application for authorisation is accompanied by the operations manual, which includes, at least, the organisational structure of the investment company;

(ii) the persons who effectively direct the business of the investment company are of sufficiently good repute and experienced, also in relation to the kind of the activity it exercises. For this purpose, the names of the persons who effectively conduct the business of the investment company and of every person succeeding them in office are immediately communicated to the Securities and Exchange Commission. The operations of the investment company are conducted by, at least, two persons who meet the above mentioned conditions;

(iii) where close links exist between the investment company and other natural and legal persons, the Securities and Exchange Commission grants authorisation only if those close links shall not prevent the effective exercise of its supervisory duties;

(iv) the investment company has the appropriate shareholding structure, the required organisational structure and staff and the appropriate economic and technical resources in order to be in the position to provide its services in accordance with the provisions of the Law; for this purpose, the name or names of the persons that have qualifying holdings in the investment company, the amount of their holdings and any information that allows to the Securities and Exchange Commission to assess their suitability;

(b) subject to the conditions of paragraph (a), the provisions of sections

12 and 13 shall apply regarding the granting of authorisation;

(c) the board of directors shall undertake the duties and responsibilities of the external manager, which shall appoint, at least, a person responsible for the portfolio management who meets the following conditions:

(i) it is certified to provide the investment service of portfolio management in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law, as amended; and

(ii) it is registered in the Public Register in accordance with the specific provisions of section 53 of the Investment Services and Activities and Regulated Markets Law, as amended;

(d) the company, where this is justified by the range, the nature, scale and complexity of its activities or where it addresses retail investors, shall establish and maintain internal control and regulatory compliance functions which are independent from its other functions and activities;

(e) it is subject to the provisions of sections 20 to 22 of the Alternative Investment Fund Managers Law and to sections 75 to 82 of the Regulation (EU) No. 231/2013, respectively.

(3) Where the investment company is a self-managed investment company of section 6(2)(a)(iii), the same company is considered as an AIFM and is subject to the provisions of the Alternative Investment Fund Managers Law and of this Law to the extent that the latter shall not conflict with the respective provisions of the Alternative Investment Fund Managers Law.

Operating conditions

54. (1) An investment company may start its operations only if it has been authorised by the Securities and Exchange Commission in accordance with:

(a) sections 12(4) and 53(2), where it is a self-managed investment company of section 6(2)(a)(i) and (ii) of this Law;

(b) sections 7 and 8 of the Alternative Investment Fund Managers Law, where it is a self-managed investment company of section 6(2)(a)(iii) of this Law;

(c) sections 12 and 13 of the Law in every other case.

(2) The self-managed investment companies of section 6(2)(a)(i) and (ii) of this Law shall not engage in activities other than those referred to in section 6(1) of this Law, while the self-managed investment companies of section 6(2)(a)(iii) of this Law shall not engage in activities other than those referred to in section 6(4) and (5) of the Alternative Investment Fund Managers Law.

(3) The registered office of the investment company is located in the Republic.

(4) Subject to the provisions of section 53, the portfolio management function of the investment company shall be delegated to an external manager.

(5) Subject to the provisions of section 23(4), the custody of the assets of the investment company shall be entrusted to a depositary in accordance with the provisions of Chapter 5 of Part II.

Name, designation, capital and shares.

55. (1) The name and designation of an investment company shall be formed in accordance with the provisions of section 4(2)(b).

(2) A self-managed investment company of section 6(2)(a)(iii) of this Law, shall have minimum initial capital of, at least, three hundred thousand (300.000) euro; while in all other cases, the initial capital of an investment company shall be one hundred and twenty five thousand (125.000) euro:

It is provided that where the investment company is constituted with multiple investment compartments; the amount of minimum initial capital shall apply for each of those investment compartments.

(3) The initial capital of an investment company shall be divided in shares with no nominal value, which are nominal and fully paid. Fractions of shares shall not be recognised.

(4) The shares of an investment company shall be registered in a shares' register, to which section 43 applies accordingly. The investment company shall issue, upon shareholder's request, a certificate of its holding in accordance with section 45. The price of issue, redemption or repurchase of the shares of the investment company is the result of the net asset value divided by the number of the issued shares, increased by the commissions of the issue or reduced by the commissions of redemption or repurchase of shares, accordingly.

(5) The provisions of sections 44, 46 and 47 shall apply to the shares of the investment company *mutatis mutandis*.

Content of instruments of incorporation and memorandum of association of an investment company.

56. (1) The instruments of incorporation of an investment company, which are uniform, even in the case it is constituted with multiple investment compartments are prepared:

(a) by the investment company, in case it is self-managed; or

(b) by its external manager, in case an external manager is appointed.

(2) By acquiring shares of an investment company, it is presumed that the shareholder has accepted its instruments of incorporation.

(3) The instruments of incorporation of an investment company, in addition to the information required by the Company Law, shall contain, at least, the following:

(a) the status of the company as a variable or fixed capital investment company, the name of its external manager and of the depositary, where these are appointed;

(b) the purpose of the investment company, from which its investment objectives and policy result;

(c) the category of the investors to which the investment company addresses;

(d) the duration of the company or reference that its duration is unlimited;

(e) the amount of the initial capital of the investment company, the principles and the valuation method of its assets, the rules for the calculation of the net asset value, the issue and redemption or repurchase price of its shares and the method used to communicate those prices to the investors; in the case of a self-managed investment company of section 6(2)(a)(iii) of this Law, or an investment company which is managed by an AIFM, the information provided in section 19(1) and (2) of the Alternative Investment Fund Managers Law shall also be included;

(f) the conditions for the issue, distribution, cancellation and redemption or repurchase of shares and the conditions for the suspension of the redemption or repurchase of the shares and reference to the fact that the suspension of the redemption or the repurchase of shares may be decided by the Securities and Exchange Commission at its own initiative;

(g) the duration of the financial year and its closing date;

(h) the fees and commissions of the external manager and the depositary, in case these are appointed, and the method of their calculation;

(i) the relationship between the investment company, its external manager and its depositary, especially, if they belong to the same group of companies and in relation to the criteria and conditions specified in section 28;

(j) the expenses bared by the investment company;

(k) the rules regarding the distribution of profits to the shareholders of the company, especially the time and distribution procedure;

(l) the procedure regarding the amendment of the instruments of incorporation of the investment company;

(m) the reasons for the dissolution of the investment company.

(4) Notwithstanding the provisions of sub-section (1) of this section and without prejudice to the provisions of section 4(4)(a) of the Companies Law, the memorandum of association of the investment company which shall operate as a variable capital investment company, shall, also, include the following:

(a) that the issued capital of the company is variable and equals to its respective net asset value;

(b) that the respective capital of the company is divided to number of shares without nominal value;

(c) that the shares of the company shall be redeemed upon its shareholders' request, directly or indirectly by its assets.

(5) The instruments of incorporation of an investment company shall be drawn, either in an official language of the Republic, or in an official language of the Republic and in English, or only in English, if the information of section 12 and, if applicable of section 53, regarding the authorisation of the investment company, have been submitted in the Securities and Exchange Commission only in English.

Amendments to the instruments of incorporation of an investment company

57. (1) In the case of an investment company of section 6(2)(a)(i) and (ii) or of section 6(2)(b):

(a) any amendment to the instruments of incorporation of the investment company is valid only if it is approved by the Securities and Exchange Commission; the approval is granted after ensuring the legality of the amendment and whether sufficient consideration has been made to protect the company's shareholders;

(b) the valid amendments of the instruments of incorporation shall be communicated immediately to the shareholders of the investment company for whom are binding.

(2) Where the investment company is of the open-ended type, its shareholders have the right to ask for the redemption or repurchase of their shares according to the provisions of those documents as these applied prior to their amendment,

(a) within ten calendar days from the notification of the amendment to them, if the redemption or repurchase of the shares is carried out on a daily basis;

(b) within one month from the notification of the amendment to them, if the redemption or repurchase of the shares is carried out on a weekly basis;

(c) until the date at which the one after the next scheduled redemption or repurchase of shares shall take place, if the redemption or repurchase of the shares is carried out on a monthly basis;

(d) until the next scheduled redemption or repurchase date, in every other case, on the condition that between the notification of the amendment to the shareholders and the expiry of the redemption or repurchase right according to the provisions of the instruments of incorporation, as these applied prior to their amendment, there is a period of, at least thirty days.

(3) In case the investment company is of the closed ended type, the shareholders have the right to ask for the redemption or repurchase of their shares in accordance with the provisions of the instruments of incorporation, as these applied prior to their amendment, within three months from the notification of the amendment to them.

(4) In the case of an investment company of section 6(2)(a)(iii) of this Law, the amendment of its instruments of incorporation is done in accordance with section 10 of the Alternative Investment Fund Managers Law. However, regarding the disclosures to the investors of the company of section 6(2)(a)(iii) of this Law, paragraph (b) of sub-section (1) of this section of the Law shall apply.

Changes in the persons that direct the operations of an investment company

58. (1) In the case of an investment company of section 6(2)(a)(i) or (ii) or (b):

(a) every change in the composition of the persons that direct the operations of an investment company, shall be communicated to the Securities and Exchange Commission, without undue delay and, in any case, within five working days from the change;

(b) in case the Securities and Exchange Commission judges that the persons that direct the business of the investment company lack the necessary reliability and professional experience, shall ask from the investment company to replace them immediately, while the investment company

shall comply with the instructions of the Securities and Exchange Commission immediately.

(2) In the case of an investment company of section 6(2)(a)(iii) of this Law, every change in the persons that manage its operations is subject to the provisions of sections 8(2)(c) and 10 of the Alternative Investment Fund Managers Law.

Reduction of capital of an investment company

59. (1) Where the capital of an investment company is reduced below the two thirds of the minimum capital, as this is defined in its instruments of incorporation, the board of directors of the company shall call for a general meeting of the shareholders to decide on the dissolution of the company. The decision of the general meeting is taken without the need to form a quorum, but only with the simple majority of the present or represented shareholders.

(2) Where the capital of an investment company is reduced below the one fourth of the minimum capital, as this is defined in its instruments of incorporation, the board of directors shall call for a general meeting of the shareholders, to decide on the dissolution of the company. The decision of the general meeting is taken without the need to form a quorum, but only with the simple majority of the present or represented shareholders.

(3) In the cases of sub-sections (1) and (2), the general meeting shall be called so that it will convene within forty days from the reduction of the capital by two thirds, or one fourth, as applicable.

(4) Where the instruments of incorporation of the investment company do not provide for a general meeting of its shareholders, the board of directors of the company shall communicate the reduction in its capital by two thirds or a one quarter to the Securities and Exchange Commission, which may demand the dissolution of the investment company and its liquidation.

Dissolution of an investment company

60. (1) The investment company is dissolved:

(a) in case its authorisation is revoked by the Securities and Exchange Commission; or

(b) after the end of its duration, where its instruments of incorporation provide for a definite period, unless these are amended to prolong the duration of the investment company or to become of indefinite period; or

(c) in case specific circumstances defined in its instruments of incorporation occur which lead to its liquidation; or

(d) in case its total shares are redeemed; or

(e) after a decision of the general meeting of its shareholders; or

(f) where its external manager or depositary is dissolved, resigned, put into liquidation or its authorisation has been revoked and has not been replaced, subject to the case of a self-managed investment company or an investment company that has not appointed a depositary.

(2) Where the authorisation of an investment company is revoked, the Securities and Exchange Commission may submit to the Court an application for its liquidation and the appointment of a liquidator or a temporary liquidator in accordance with the provisions of the Companies Law.

(3) Where an investment company is under liquidation, in addition to the provisions of this Law, the liquidation provisions of Part V of the Company Law shall also apply to the extent that they do not conflict with the provisions of this Law.

(4) Where the investment company consists of multiple investment compartments, its dissolution occurs with the dissolution of its last remaining investment compartment.

Revocation of authorisation of an investment company.

61. (1) The Securities and Exchange Commission shall revoke the authorisation of an investment company of section 6(2)(a)(i) or (ii) or (b) in the following cases:

(a) if the company does not make use of its authorisation within twelve months from the date of the communication of the authorisation to it, or it expressly renounces its authorisation or, if it ceases to exercise the activities covered by its authorisation for a time period longer than six months;

(b) if the authorisation granted was based on false statements or on other irregular means;

(c) if the investment company no longer fulfils the conditions of its authorisation;

(d) if the investment company declares in writing to the Securities and Exchange Commission that it wishes to revoke its authorisation.

(2) In addition to the cases of sub-section (1), the Securities and Exchange Commission may revoke the authorisation of an investment company of section 6(2)(a)(i) or (ii) or (b) of this Law, in case, either the investment company, or its external manager have committed serious and/or repeated violations of their obligations derived from this Law, the Alternative Investment Fund Managers Law and the Open Ended Undertakings in Collective Investments Law, accordingly.

(3) The revocation of the authorisation of an investment company of section 6(2)(a)(iii) of the Law is done in accordance with the provisions of section 12 of the Alternative Investment Fund Managers Law.

(4) In the cases of sub-sections (1) to (3), the Securities and Exchange Commission shall communicate its decision regarding the revocation of the authorisation of the investment company, to the Registrar of Companies and to the competent authorities of the states where the shares of the investment company are marketed. When the decision regarding the revocation of the authorisation is communicated to the investment company, it shall then be put into liquidation in accordance with the provisions of section 60 of this Law.

## PART 3: LIMITED LIABILITY PARTNERSIPS

General provisions regarding the partnership

62. Where an AIF operates in the form of a limited liability partnership, it shall be registered in accordance with the provisions of the General and Limited Partnerships and Trade Names Law and its exclusive purpose shall be the collective management of its own portfolio through its general partner, acting to the benefit of its partners. The duties and obligations of the external manager are undertaken by the general partner.

For the purposes of this Law, where the AIF is established in the form of partnership, any references to the external manager shall be deemed as reference to the general partner.

Application of the provisions of the General and Limited Partnerships and Trade Names Law

63. (1) An AIF that it is established in the form of a limited liability partnership and operates as such, is subject to the provisions of this Law, and to the provisions of the General and Limited Partnerships and Trade Names Law regarding the matters not provided in this Law, to the extent that they do not contradict the provisions of this Law.

(2) Without prejudice to the application of sub-section (1), the provisions of sections 3(2), 51 to 53, 54(1) and 60 of the General and Limited Partnerships and Trade Names Law shall not apply to the AIFs that are established and operate in the form of the limited liability partnership.

General partner of an AIF.

64. Where an AIF takes the form of a limited liability partnership, shall only have one general partner who shall:

(a) exercise the management of the partnership and represent the partnership against third parties; and

(b) be responsible for all the debts and liabilities of the partnership; and

(c) exercise the duties and undertake all responsibilities of the external manager of the partnership; the general partner is appointed in accordance with section 6(2)(b).

Limited liability partners

65. The limited liability partners:

(a) shall not be responsible for the debts or the liabilities of the partnership, beyond the amount of their contribution in accordance with section 33 and beyond the value of the units acquired in accordance with section 34; and

(b) do not interfere in the management of the partnership; and

(c) do not represent the partnership against third parties.

Partnership agreement

66. (1) The partnership agreement of the limited liability partnership, which is uniform even in case the partnership is established with more investment compartments, is drawn up as initial document by the general partner, is approved by the Securities and Exchange Commission and is binding to the rest of the partners with the acquisition of holding in the partnership. The partnership agreement shall include, at least, the following:

(a) the status of the partnership as limited liability partnership, the identity of the general partner and the depositary;

(b) the purpose of the partnership, from which its investment objectives and investment policy result;

(c) the category of investors to whom the partnership is addressed;

(d) the duration of the partnership or reference that its duration is unlimited;

(e) the minimum initial capital of the partnership, which shall be one hundred and twenty-five thousand euro during its operation, the valuation principles and the way the assets comprising the capital of the partnership are valued, the rules for the calculation of the net asset value, the price of issue or redemption of its units and the means of communication of these prices to the limited liability partners; where the partnership is under the management of an AIFM, in addition to the above, the information referred to in sub-sections (1) and (2) of section 19 of the Alternative Investment Fund Managers Law shall also be disclosed;

(f) the terms of issue, marketing, cancellation and redemption or repurchase of units and the terms under which the redemption or repurchase may be suspended and reference to the fact that the suspension of redemption or repurchase may be decided by the Securities and Exchange Commission at its own initiative;

(g) the duration of the financial year and the date it closes;

(h) the fees and commissions of the external manager and the depositary where one is appointed, and the method of their calculation;

(i) the relationship between the partnership, its external manager and its depositary, especially, whether they belong to the same group of companies and in relation to the criteria and conditions provided in section 28 of the Law;

(j) the expenses of the partnership;

(k) the rules regarding the distribution of the profits of the partnership to the limited liability partners, especially the time and distribution procedure;

(l) the procedure for the amendment of the partnership agreement;

(m) the reasons for the dissolution of the partnership.

(2) With the acquisition of units in the partnership, the limited liability partner is presumed to have accepted the partnership agreement.

(3) The partnership agreement shall be drawn up either in an official language of the Republic or in an official language of the Republic and in English or only in English where the information of section 12, regarding the authorisation of the limited liability partnership, have been submitted to the Securities and Exchange Commission only in English.

Amendment of the partnership agreement

67. (1) The partnership agreement shall be amended by the general partner, its amendment shall be signed by the depositary and approved by the Securities and Exchange Commission. The valid amendments of the partnership agreement shall be notified to the limited liability partners immediately and are binding to them.

(2) The limited liability partners, where the partnership is of the open-ended type, have the right to redeem or repurchase their units in accordance with the provisions of the partnership agreement as it applied before its valid amendment,

(a) within ten calendar days, if the redemption or repurchase of the units is

carried out, at least, on a daily basis;

(b) within one month, if the redemption or repurchase of the shares is carried out, at least, on a weekly basis;

(c) until the date at which the one after the next scheduled redemption or repurchase of units shall take place, if the redemption or repurchase of the units is carried out on a monthly basis;

(d) until the next scheduled redemption or repurchase date, in every other case, on the condition that between the notification of the amendment to the limited liability partners and the expiry of the redemption or repurchase right in accordance with the provisions of the partnership agreement as it applied before its amendment, there is a period of at least thirty days.

(3) The limited liability partners, where the partnership is of the closed-ended type, have the right to ask the redemption or repurchase of their units in accordance with the provisions of the partnership agreement as it applied before its amendment, within three months from the date of the notification of its amendment to them.

Unit holders' register, joint holders of units, certification of participation.

68. Sections 43 to 45 shall apply to an AIF that operates in the form of limited liability partnership regarding the keeping of unit holders' register, the existence of joint holders of units and the issue of certification of participation in a limited liability partnership.

Transfer of units of a limited liability partnership

69. (1) The units of a limited liability partnership are freely transferable subject to the partnership agreement, which may provide for restrictions in the transfer of units.

(2) The transfer of units of the limited liability partnership is communicated to the general partner and shall be valid as of the date of the above-mentioned communication.

(3) The general partner shall update the Unit-holders' Register with the transfer by deleting the units transferred from the account of the transferor and registering them in the account of the acquirer.

Pledged units of a limited liability partnership.

70. (1) The units of the limited liability partnership may be used as collateral.

(2) The collateral shall be valid and shall take effect against the general partner, from the date it is disclosed in writing to him. The general partner shall record the collateral in the unit-holders' Register.

(3) The satisfaction of the lender is effected with the redemption of the pledged units and the payment of their value to him, up to the redemption of all the pledged units.

(4) In case the units are not redeemed in total, the lender shall maintain its rights on the collateral as to the remaining pledged units, without having to conclude and disclose a new collateral agreement.

(5) Sub-section (2) also applies in the case of elimination of the collateral on circulating limited partnership units.

Legal procedures.

71. (1) Notwithstanding the provisions of sub-section (2), any legal proceedings in relation to any liability of a limited liability partnership, including the proceedings regarding the execution of a foreign judicial decision against or in favour of a limited liability partnership may arise from or against the general partner:

It is provided that no limited liability partner shall form part or identified in these procedures.

(2) A limited liability partner may, with a permission granted by the District Court of the district of the partnership's registered office, raise legal proceedings on behalf of the partnership, if the general partner authorised to raise such proceedings refuses to act in such a way and the Court decides that its denial is not justifiable or it is against the unit-holders of the limited liability partnership.

Dissolution and liquidation of a limited liability partnership.

72. (1) The limited liability partnership shall be dissolved for one of the following reasons:

(a) if its authorisation is revoked in accordance with section 73;

(b) if the duration period of the partnership lapses, where the partnership agreement provides a definite period, unless it is amended, before the lapse of the duration period so that this duration is extended or the partnership becomes of unlimited duration;

(c) in the occurrence of an event which, in accordance with the partnership agreement, shall entail its dissolution;

(d) in the case of dissolution, resignation, put into liquidation or revocation of authorisation of the general partner or the depositary and no replacement has been appointed;

(e) after a decision made by the partners, which shall be taken with a majority vote of the 2/3 of the outstanding units of the partnership and under the condition that the general partner has voted for this decision;

(f) after a decision of the general partner, if the assets of the partnership have been reduced to the one fourth of the minimum provided for in the partnership agreement for a period longer than six months;

(g) after a relevant decision taken by the general partner, which may be taken in case the assets of the partnership have been reduced to an amount less than the two thirds of the minimum assets' limit specified in the partnership agreement. In any case, the general partner shall communicate the fact of the reduction of the partnership's assets to the Securities and Exchange Commission, without undue delay, which may demand the dissolution of the partnership.

(2) Where a limited liability partnership is dissolved in accordance with paragraph (b) of sub-section (1), the general partner shall ensure that a relevant notification is published in the Official Gazette of the Republic.

(3) The dissolution of the limited liability partnership shall be followed by its liquidation, which is performed in accordance with the provisions of the partnership agreement and of the General and Limited Partnerships and Trade Names Law. The dissolution shall lead to the distribution of the partnership's assets under the responsibility of its liquidator. The general partner is appointed as liquidator, by law, unless the dissolution of the partnership is due to a fact

referred to in paragraph (d) of sub-section (1) and relates to the general partner, in this case the liquidator of the partnership is appointed by the depositary. In case the fact referred to in paragraph (d) of sub-section (1), relates to the depositary, or where the partnership has not appointed a depositary, the liquidator is appointed by the Securities and Exchange Commission with a relevant decision, where section 22 of the Law applies accordingly. If the liquidator does not exercise its duties diligently, the Securities and Exchange Commission, after an application of any person that has legal interest on the matter, shall appoint a replacement:

It is provided that the liquidator shall not delegate its liquidation duties to any third party.

(4) From the dissolution of a limited liability partnership -

(a) it is not possible to issue new units, unless the relevant issue serves the purpose of the dissolution; and

(b) the redemption of units shall still be possible, as long as the equal treatment of the unit holders is respected.

The depositary of the limited liability partnership shall exercise its duties until the procedure of the distribution of its assets is concluded:

It is provided that the unit holders shall be satisfied from the distribution proceeds, after the settlement of any existing demands against the limited liability partnership.

(5) The result of the distribution of the assets of the limited liability partnership is illustrated in a special report of an independent auditor, which is notified to the Securities and Exchange Commission and to the competent authorities of the member states where the units of the partnership are marketed. The relevant report is made available to its unit-holders at the marketing points of its units:

It is provided that the auditor of the limited liability partnership is deemed to maintain its independence during the exercise of its duties for the purposes of this sub-section.

(6) The general partner shall notify immediately the depositary of the limited liability partnership, its unit-holders, the Registrar and the Securities and Exchange Commission about the dissolution of the limited liability partnership and its reasons. The Securities and Exchange Commission shall receive from the general partner, without undue delay, a copy of the above mentioned notification communicated to the unit-holders and the depositary.

(7) If the limited liability partnership consists of multiple investment compartments, its dissolution occurs with the dissolution of its last compartment.

Revocation of authorisation of the limited liability partnership.

73. (1) The Securities and Exchange Commission, shall revoke the authorisation of a limited liability partnership:

(a) if the partnership does not make use of the authorisation, within twelve months from the date of the communication of the authorisation to it, if it expressly renounces its authorisation or if it ceases to exercise an activity covered by its authorisation for a time period longer than six months;

(b) if the authorisation granted was based on false or misleading statements

or by any other irregular means;

(c) if the partnership no longer fulfils the conditions of its authorisation;

(d) if the general partner declares in writing to the Securities and Exchange Commission that it wishes to revoke its authorisation.

(2) The Securities and Exchange Commission may revoke the authorisation of the limited liability partnership:

(a) if the general partner no longer complies with any conditions of the authorisation of the limited liability partnership or with the obligations of the general partner, as these derive from this Law, the Alternative Investment Fund Managers Law and the Open Ended Undertakings for Collective Investments Law accordingly; or

(b) if any of the conditions required or taken into consideration by the Securities and Exchange Commission for the granting of authorisation is no longer fulfilled.

(3) In the cases of sub-section (2), the Securities and Exchange Commission may set a deadline to the general partner to comply. In case the general partner is not fully complied within the set deadline, the authorisation of the partnership shall be revoked.

(4) In the cases of sub-sections (1) to (3), the Securities and Exchange Commission shall communicate its decision regarding the revocation to the general partner, the Registrar and to the competent authorities of the states where the units of the partnership are marketed. When the decision regarding the revocation of the authorisation is communicated to the general partner, the partnership is put into liquidation in accordance with section 72.

## CHAPTER 8: OBLIGATIONS REGARDING DISCLOSURES TO INVESTORS

Prospectus, half-yearly report, annual report and annual financial statements of an AIF

74. (1) The external manager of the AIF or the self-managed investment company of section 6(2)(a), shall prepare and submit, without undue delay, to the Securities and Exchange Commission:

(a) the prospectus of the AIF and any amendments thereon; and

(b) the annual report of the AIF for each fiscal year; and

(c) the half-yearly report of the AIF for the first six months of the fiscal year.

(2) The annual and half-yearly report of the AIF shall be communicated to the Securities and Exchange Commission and made available to the investors at the points of distribution of its units within the following deadlines:

(a) six months from the end of the fiscal year, in the case of the annual report; and

(b) two months from the end of the six month period, in the case of the half-yearly report.

(3) The prospectus of the AIF, its last annual and half-yearly report and its rules or its instruments of incorporation shall be given to investors, free of charge, before their investment in the AIF.

(4) The AIF shall communicate to investors, free of charge the annual accounts and its annual report, upon their request.

(5) In the case a prospectus in accordance with Part II of the Public Offer and Prospectus Law of 2005 is prepared, only the additional information required by section 77 of the Law and is not included in the prospectus shall be published, either separately or as additional information in the prospectus.

(6) Where an AIF is constituted with multiple investment compartments, the prospectus and annual and half-yearly reports shall be prepared as one single document, for all the investment compartments of the AIF.

(7) The fiscal year of an AIF is one calendar year, with the exemption of the first fiscal year of an AIF which ends on the thirty first day of December of the year at which its operations began.

Half-yearly report of an AIF

75. (1) The half-yearly report of an AIF shall be prepared as at the end of the first six months of every calendar year in accordance with the International Financial Reporting Standard No. 34 and shall include the interim non-audited financial statements.

(2) The Securities and Exchange Commission may specify, by directive the minimum content of the half-yearly report of an AIF.

Annual report of an AIF

76. (1) The annual report of an AIF shall be prepared, audited, submitted to the Securities and Exchange Commission and published in accordance with section 29 of the Alternative Investment Fund Managers Law.

(2) The AIFs and their subsidiary entities shall not be subject to the provisions of the Company Law regarding the preparation of consolidated financial statements in case their holdings in these entities are for investment purposes.

Prospectus of an AIF

77. (1) The prospectus of an AIF shall include, at least, the information referred to in section 30(1) of the Alternative Investment Fund Managers Law. The prospectus shall also include a reference in a distinguished section on its first page, that the AIF is addressed to professional or/and well informed investors or retail investors, accordingly.

(2) Where an AIF is addressed to retail investors and, in accordance with the AIF's investment policy, further to the information provided in sub-section (1) the prospectus shall:

(a) determine the categories of assets in which the AIF is allowed to invest and shall include detailed and specific reference to the risk profile of each category and the possible outcome of the specific investment policy;

(b) include a specific reference to the possible fluctuation of the prices and to the possibility of not achieving a positive performance and a specific urge to the investors to seek expert advice from their financial advisor before investing in the AIF;

(c) where the AIF replicates the composition of a certain stock or debt securities index, include a prominent statement, drawing the attention of

investors to the investment policy of the AIF. In such cases, a relevant statement should also be included in a prominent section of every marketing communication of the AIF;

(d) where the net asset value of the AIF is likely to have a high volatility due to its portfolio composition or the portfolio management techniques that may be used, include a prominent statement drawing the attention of investors to such characteristic. In such cases, a relevant statement should also be included in a prominent section of every marketing communication of the AIF;

(e) specifically state in a prominent way that it is available to investors in all marketing points of its units and on the website of its external manager or of the self-managed investment company of section 6(2)(a).

(3) In case the AIF is addressed to professional investors or/and well informed investors, further to the information provided for in sub-section (1), the prospectus shall include a reference that the protection measures for retail investors provided in the relevant legislation, do not apply regarding the AIF.

(4) The prospectus of the AIF shall be drawn up in a language of the Republic or in the English language as long as the rules or the instruments of incorporation of the AIF have also been drawn up in English and shall include the necessary information so that the investors will be able to make an informed judgement of the investment in the specific AIF, and, in particular, of the risks attached thereto.

(5) The essential elements of the prospectus shall be kept up to date.

(6) The prospectus of the AIF and the updates thereon shall be communicated to the Securities and Exchange Commission before their circulation.

Annual Financial Statements of an AIF.

78. By derogation from section 152 of the Companies Law, an AIF that operates in the form of investment company, is not obliged attach its annual financial statements and the management report to its shareholders, to the invitation of the annual general meeting. The invitation shall include a specific statement that the shareholders may request a copy of these reports and shall include information from where these statements can be obtained.

Audit of the annual financial statements and of the annual report of an AIF

79. (1) The auditor, who prepares the audit report regarding the accounting information included in the annual report, shall, immediately, bring to the attention of the Securities and Exchange Commission the following information:

(a) every event or decision that came to its attention during the exercise of its duties and relates to the AIF, where this event or decision may:

(i) result in a substantial violation of a provision of this Law or the Alternative Investment Fund Managers Law; or

(ii) affect the ongoing operation of the AIF; or

(iii) substantially affect the ability of the AIF to fulfil its obligations to its unit- holders or comply with any obligation that stems from this Law or the rules or instruments of incorporation or the partnership agreement; or

(iv) result in a refusal to certify the annual financial statements of the AIF or to the expression of an adverse audit opinion.

(b) every event or decision related to the AIF and is referred in paragraph (a) which came to its attention, during the exercise of its audit duties in another company which has close links with the AIF resulting from a control relationship of the AIF and the company, or during the exercise of another duty related to that company.

(2) Where the auditor judges that the information included in the annual financial statements or the annual report of the AIF does not correspond to the real condition or assets and liabilities of the AIF, shall inform the Securities and Exchange Commission immediately.

(3) The auditor shall give to the Securities and Exchange Commission any information requested, in relation to any matter which relates to information the auditor is in position to know or should have known because of the exercise of its duties in the specific AIF.

(4) The auditor shall inform the Securities and Exchange Commission that the investments of the AIF have been made in violation of the relevant legislation or of the AIF rules or instruments of incorporation or its prospectus.

(5) The disclosure of information to the Securities and Exchange Commission in accordance with the provisions of sub-sections (1) to (4), shall not constitute a violation of the auditor's obligation for secrecy which relates to the exercise of its duties or of every other limitation or prohibition regarding the disclosure of the information which is imposed by contract or another agreement and the auditor shall not be held liable because of the above disclosure.

(6) The Securities and Exchange Commission may request the auditor to conduct an audit in relation to one or more matters related to the operations and transactions of an AIF, at the latter's expense.

Advertising costs of an AIF

80. With the exemption of the costs of the mandatory publications provided by this Law, the costs of the publications of the AIF shall be bared by its external manager.

Marketing communications of an AIF

81. (1) All announcements of an AIF to the investors shall be precise, clear and not misleading. In particular, any marketing communication shall be clearly identifiable as such.

(2) The information or statements included in the marketing communications which comprise an invitation to purchase units of an AIF shall not contradict or downgrade the significance of the information contained in the prospectus drawn up in accordance with section 77.

(3) Where the AIF is addressed to retail investors, further to the requirements of sub-sections (1) and (2):

(a) all marketing communications, further to the information referred to in sub-section 77(2)(c) and (d), shall specify where and in which language the prospectus may be obtained by the investors and the authorisation number of the AIF;

(b) all marketing communications and every document or message which contains directly or indirectly an invitation to purchase units of an AIF, including those posted on the internet, shall include in a prominent section that the performance of the investment in units of the AIF is not

guaranteed and the previous returns do not ensure the future ones. In case of an AIF with guaranteed performance, the above reference shall be limited to the fact that the past performance does not guarantee the future;

(c) in case an AIF replicates a stock exchange index, all marketing communications shall include a specific statement in a prominent section on the attention the investors need to show to the investment policy of the AIF;

(d) in case the net asset value of an AIF may have high volatility because of the composition of its portfolio or the management techniques used, all marketing communications shall include a specific statement in a prominent section drawing the attention of the investors to this effect.

(4) The Securities and Exchange Commission may, by directive, determine specific rules regarding the publication of marketing announcements, which shall be followed by the AIF; and specify every specific matter concerning the application of sub-section (3) regarding AIFs which address to retail investors.

## CHAPTER 9: MERGERS

Possibility of mergers of AIFs

82. (1) Merger is allowed in one of the forms referred in section 83, of an AIF with one or more such AIFs, as long as these operate in the legal form of a common fund or an investment company, on the condition that all participants in the merger shall address the same categories of investors, either professional, or well informed or retail, in accordance with the provisions of this Chapter.

(2) The provisions of sections 201A to 201ΚΔ of the Companies Law regarding mergers shall not apply to the merger of the investment companies that participate in the merger.

Merger forms

83. For the purposes of this Chapter:

'merger' means any one of the following acts:

(a) an act by which one or more AIFs or investment compartments thereof, (the 'merging' AIFs) are being dissolved without going into liquidation and transfer all of their assets and liabilities to another existing AIF or an investment compartment thereof, (the 'receiving' AIF), in exchange for the issue to their unit-holders of units of the receiving AIF, and, if applicable, a cash payment not exceeding 10% of the net asset value of the units of each of the merging AIFs;

(b) an act by which two or more AIFs or investment compartments thereof, (the 'merging' AIFs) are being dissolved without going into liquidation, transfer all of their assets and liabilities to a new established AIF or an investment compartment thereof, (the 'receiving' AIF), in exchange for the issue to their unit-holders of units of the receiving AIF and, if applicable, a cash payment not exceeding 10% of the net asset value of the units of each of the merging AIFs;

(c) an act by which one or more AIFs or investment compartments thereof, (the 'merging' AIFs), which continue to exist by the time their liabilities have been discharged, transfer their net assets to another investment

compartment of the same AIF, or to another existing AIF or to a new established AIF or a new established investment compartment thereof, (the 'receiving' AIF);

'receiving AIF' means an existing AIF or its investment compartment which absorbs another AIF; or a new established AIF or its investment compartment, created by the merger of two or more AIFs; and

'merging AIF' means an existing AIF or its investment compartment which is absorbed by another existing AIF or by a new AIF, or its investment compartment, which is established as a result of the merger.

Authorisation of the merger

84. (1) Mergers of AIFs shall be subject to prior authorisation by the Securities and Exchange Commission.

(2) Under the supervision of one of the AIFs that participate in the merger, or its external manager, in case one is appointed, the following information shall be submitted to the Securities and Exchange Commission, either in an official language of the Republic, or in English in case the documents required by the Law for granting authorisation to all AIFs that participate in the merger, have been submitted to the Securities and Exchange Commission only in English:

(a) the common plan of the merger, approved by the participating AIFs or by their managers, in case ones are appointed;

(b) the written consent by each of the depositaries of the receiving and merging AIFs, where ones are appointed, regarding the realisation of the merger;

(c) the information on the impending merger that the receiving and merging AIF will provide to their unit-holders.

(3) In case the Securities and Exchange Commission considers that the information submitted in accordance with sub-section (2) is not complete, shall request additional information within ten working days, the latest, from the date of the submission of that information.

(4) The Securities and Exchange Commission shall examine the possible consequences of the impeding merger to the unit-holders of the merging and the receiving AIFs, in order to assess whether sufficient information is provided to the unit-holders. In case the Securities and Exchange Commission considers it is necessary or prudent, it may request:

(a) clarifications regarding the information addressed to the unit-holders of the receiving and merging AIF, and

(b) within fifteen working days, the latest, from the submission of the information of sub-section (2) from the receiving or merging AIF, to amend or complete the information to be communicated to its unit-holders.

(5) The Securities and Exchange Commission shall inform the participants in the merger within twenty days from the submission of the complete information of sub-section (2), whether it will grant or not authorisation for the merger.

The decision regarding the merger

85. (1) Where an AIF operates in the form of a common fund, the decision regarding its merger with another AIF shall be taken by its manager. Where an AIF operates in the form of an investment company, the decision regarding its merger with another AIF shall be taken by a special resolution of its shareholders' general meeting, unless its instruments of incorporation provide that the relevant decision is taken by its board of directors stating also the necessary quorum or/and majority for the aforementioned decision. The decision of the shareholders' general meeting shall be taken by the majority of the votes represented in the meeting. The instruments of incorporation of the investment company shall not require a majority percentage higher than 75% of the votes represented in the meeting.

(2) Regarding the application of sub-section (1), where an AIF comprises more than one investment compartments, as unit-holders are considered those of the compartment that takes part in the merger, unless it is otherwise provided for in the rules or the instruments of incorporation of the AIF.

(3) Regarding the merger of an AIF that operates in the form of an investment company, an official copy of the merger decision shall be submitted to the Registrar of Companies for registration and publication, in accordance with section 365A of the Companies Law and a copy of the aforementioned decision shall be attached in every copy of the memorandum of association of the receiving investment company.

The merger plan

86. (1) The merging and receiving AIFs shall draw up a common merger plan, which shall include the following information:

(a) an identification of the type of merger and the particulars of the AIFs involved;

(b) the framework and the rational of the impeding merger;

(c) the expected impact of the impeding merger to the unit-holders of the merging and the receiving AIFs;

(d) the criterial for the valuation of the assets and where applicable, of the liabilities as at the date of the calculation of the exchange ratio;

(e) the method of calculation of the exchange ratio;

(f) the applicable rules regarding the transfer of assets and the exchange of units; and

(h) the effective date of the merger.

(2) The Securities and Exchange Commission may require the inclusion of additional information in the merger plan, further to the information provided for in sub-section (1).

(3) The Securities and Exchange Commission may, by directive, regulate technical issues or specify the details regarding the application of this section.

Control of the merger by the depositary

87. The depositaries of the merging and receiving AIFs, if ones are appointed, shall verify the compliance of the information provided for in section 86(1)(a), (f) and

(g), with the requirements of this Law and with the rules or instruments of incorporation of the respective AIF under their responsibility. Where a depositary is not appointed for any of the participating AIFs, the verification of the previous section shall be conducted on its behalf, by the auditor of section 88.

Auditors

88. (1) The merging and receiving AIFs shall assign an independent auditor to validate the following:

(a) the criteria adopted for the valuation of the assets and where applicable, the liabilities as at the date of the calculation of the exchange ratio;

(b) the cash payment per unit, where applicable; and

(c) the method of calculation of the exchange ratio, as well as the calculation of the exchange ratio.

(2) The auditor of the merging AIF, as well as the auditor of the receiving AIF shall be considered independent auditors, for the purposes of sub-section (1).

(3) A copy of the independent auditor's report shall be communicated on request and free of charge, to the unit-holders of both the merging and the receiving AIFs and to the Securities and Exchange Commission.

Disclosures to unit-holders and unit-holders' rights.

89. (1) The merging and/or the receiving AIF shall provide appropriate and accurate information to their respective unit-holders regarding the impeding merger, so as to enable them to:

(a) have a view and make an informed decision, having a complete knowledge on the impact of the proposal on their investment; and

(b) exercise their rights in accordance with sections 85 and 90.

(2) The information of sub-section (1) shall include the following:

(a) the background and the rationale for the impeding merger;

(b) the possible impact of the impending merger on unit-holders, including, but not limited to, any material differences in respect of the investment policy and strategy, costs, expected outcome, periodic reporting, possible dilution in performance per unit, and where relevant, a prominent warning to investors that their tax treatment may change after the merger;

(c) any specific rights of the unit-holders in relation to the impending merger, including, but not limited to, the right to obtain a copy of the independent auditor's report on request, and the right to request the redemption or repurchase of their units or, if applicable the last date for the exercise of this right;

(d) the important procedural aspects and the scheduled effective date of the merger; and

(e) a copy of the prospectus of the receiving AIF.

(3) The information of sub-sections (1) and (2) shall be included on the website

of the external manager of the receiving and merging AIFs or of the AIF itself in case of a self-managed investment company of section 6(2)(a) and shall be provided to the unit-holders of the merging and receiving AIFs by the means set out in a directive issued by the Securities and Exchange Commission, only where the Securities and Exchange Commission has approved the merger in accordance with section 84. The above mentioned information shall be communicated, at least, thirty (30) days before the last date for the submission of an application for redemption or repurchase, or, where applicable, conversion, without any additional charge in accordance with section 90(1).

(4) The Securities and Exchange Commission, by directive, shall specify in detail the content and the format of the information referred to in sub-sections (1) to (3).

Redemption or repurchase right.

90. (1) The unit-holders of the merging and the receiving AIFs have the right to request, without any additional charges than those retained by the AIF to meet the cost of divestment, the redemption or repurchase of their units or, where this is possible, their conversion in units of another AIF with similar investment policy, which is managed by the same external manager or another company with which the external manager is connected with common management or control or qualifying holding. The above right shall become effective from the moment that the unit-holders of the merging and the receiving AIFs are informed about the proposed merger and shall cease to exist five working days before the date of the calculation of the exchange ratio.

(2) (a) Subject to the provisions of sub-section (1) and by derogation of section 7(1), the AIFs that participate in the merger may decide to temporary suspend the subscription, redemption or repurchase of their units, after the relevant approval of the Securities and Exchange Commission, provided that such suspension is required for the protection of the unit-holders.

(b) Subject to paragraph (a), the Securities and Exchange Commission may decide to temporary suspend the subscription, redemption or repurchase of the units of the AIF that participates in the merger, where it judges that the suspension is required for the protection of the unit-holders.

Costs

91. Subject to the case of a self-managed AIF in accordance with section 6(2)(a), all costs associated with the preparation and the completion of the merger, especially the legal, advisory or administrative costs, shall not be bared by the merging or the receiving AIF or their unit-holders.

Effective date of the merger

92. (1) The effective date of the merger and the date of the calculation of the exchange ratio of the units of the merging AIF with units of the receiving AIF, and, where applicable, the date of the determination of the net asset value for cash payments shall be defined in the plan of the merger. These dates shall be after the approval of the merger by the unit-holders of the merging and the receiving AIFs, if such approval is requested.

(2) The effective date of the merger shall be communicated by the receiving AIF to the Securities and Exchange Commission and to the unit-holders through a durable medium.

Effects of the merger

93. (1) A merger effected in accordance section 83(a) has the following consequences:

(a) all the assets of the merging AIF are transferred to the receiving AIF; and

(b) the unit-holders of the merging AIF become unit-holders of the receiving AIF and where applicable, they are entitled to a cash payment not exceeding 10% of the net asset value of the units they had in the merging AIF; and

(c) the merging AIF shall cease to exist when the merger is effected.

(2) A merger effected in accordance with section 83(b), has the following consequences:

(a) all the assets and liabilities of the merging AIFs shall be transferred to the newly established receiving AIF; and

(b) the unit-holders of the merging AIFs shall become unit-holders of the newly established receiving AIF and where applicable, they are entitled to a cash payment not exceeding 10% of the net asset value of the units they had in the merging AIFs; and

(c) the merging AIFs shall cease to exist when the merger is effected.

(3) A merger effected in accordance with section 83(c) of the Law has, the following consequences:

(a) all the assets of the merging AIF shall be transferred to the receiving AIF;

(b) the unit-holders of the merging AIF shall become unit-holders of the receiving AIF; and

(c) the receiving AIF shall continue to exist until all its liabilities have been settled.

(4) The external manager of the receiving AIF, if one is appointed, shall confirm to the depositary of the receiving AIF, that the transfer of all assets and, where applicable, of all liabilities, has been completed. Where the receiving AIF operates in the form of an investment company and has not appointed an external manager, the AIF shall give the aforementioned confirmation to the depositary of the receiving AIF, where applicable.

Tax provisions regarding the AIF mergers

94. (1) The transfer of the assets and liabilities of an AIF, because of the merger shall be exempted from any tax, duty or charge.

118(I) of 2002

230(I) of 2002

162(I) of 2003

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

195(I) of 2004
92(I) of 2005
113(I) of 2006
80(I) of 2007
138(I) of 2007
32(I) of 2009
45(I) of 2009
74(I) of 2009
110(I) of 2009
41(I) of 2010
133(I) of 2010
116(I) of 2011
197(I) of 2011
102(I) of 2012
188(I) of 2012
19(I) of 2013
26(I) of 2013
27(I) of 2013.

117(I) of 2002
223(I) of 2002
188(I) of 2003
178(I) of 2007
23(I) of 2009
44(I) of 2009
75(I) of 2009
111(I) of 2009
40(I) of 2010
132(I) of 2010
114(I) of 2011
190(I) of 2011
72(I) of 2013
29(I) of 2013.

Enabling

95. Notwithstanding the legal powers granted to the Securities and Exchange Commission by this Chapter, the Securities and Exchange Commission may, by directives, regulate any technical issues and details necessary for the application of the rest of the provisions of this Chapter.

## PART III: MARKETING OF UNITS OF AIFs OF ANOTHER MEMBER STATE OR THIRD COUNTRY IN THE REPUBLIC

Marketing of units of AIFs established in another state and fall within the scope of the Alternative Investment Fund Managers Law of 2013 in the

96. (1) An AIF established in another member state or third country and falls within the scope of the Alternative Investment Fund Managers Law may market their units in the Republic in accordance with the provision of the above mentioned Law.

(2) The Securities and Exchange Commission has the exclusive authority to

Republic.

take measures against the persons that participate in the marketing network of the units of the AIFs of sub-section (1) in the Republic, in the case of violation of the legal framework of the Republic that relates to them.

Marketing in the Republic, of units of AIFs established in another state and are not within the scope of the Alternative Investment Fund Managers Law of 2013

97. (1) AIFs established in another member state or third country and are not within the scope of the Alternative Investment Fund Managers Law, may market their units in the Republic, only where they are subject to effective supervision in their home member state, in accordance with the applicable legislation, in order to ensure the protection of investors and on the condition that they have been authorised by the Securities and Exchange Commission for the marketing of their units in the Republic.

(2) The marketing of the units of the AIFs may begin from the date of the communication of the relevant authorisation to the external manager of the AIF or to the self-managed AIF, accordingly.

(3) The external manager of the AIF or the self-managed AIF itself, accordingly, shall communicate to the Securities and Exchange Commission any change in the information in accordance to which the authorisation of sub-section (1) was granted.

(4) The Securities and Exchange Commission, shall revoke the authorisation granted to the AIF where:

(a) it is established that the authorisation was granted on the basis of false or misleading information, or other irregular means;

(b) either the AIF, or its external manager do not comply with the authorisation conditions provided in sub-section (1);

(c) it no longer complies with the necessary conditions or with the conditions taken into consideration for its authorisation in accordance with sub-section (1).

In the cases of paragraphs (b) and (c), the Securities and Exchange Commission may set a deadline to the AIF or its external manager to comply. In the case of non-compliance within the above mentioned deadline, the authorisation of sub-section (1) shall be revoked.

(5) The Securities and Exchange Commission has the exclusive authority to take measures against the AIFs of sub-section (1), and against the persons that participate in the marketing network in the Republic, in the case of violation of the legal framework of the Republic that relates to them.

(6) The Securities and Exchange Commission, by Directive, shall determine the terms, the procedure and the criteria for granting the authorisation of sub-section (1), especially the information to be submitted by the AIF and the marketing procedure and in general, the marketing of its units in the Republic.

Common provisions regarding the AIFs of sections 96 and 97.

98. (1) An AIF, when promoting, advertising and marketing its units and regarding its announcements to investors is subject to the provisions of the legislation of the Republic. Section 33 shall also apply to the AIF *mutatis mutandis*.

(2) An AIF shall take the necessary measures regarding the disclosure of the

information provided to the investors in accordance with the legislation of its home member state, to the investors in the Republic. The information disclosed to the investors in the Republic shall be translated in an official language of the Republic or in the English language. The AIF shall be responsible for the translation of that information, while the translation shall accurately reflect the content of the information in the original document.

(3) The frequency of the publication of the issue and redemption or repurchase price of the units of the AIF in the Republic shall be determined in accordance with the legal framework of its home state.

(4) All marketing communications of an AIF in the Republic shall be in accordance with the provisions of section 81(1), (2) and (3) and with the obligations specified in the directives of the Securities and Exchange Commission issued in accordance with section 81(4). All marketing communications of an AIF shall also include information as to where and in which language the prospectus is available to investors.

(5) An AIF shall designate a credit institution, in order to ensure to unit-holders in the Republic, the conduct of payments, the redemption or repurchase of units and take all necessary measures to ensure that the obligations of the AIF regarding the publication of information in the Republic are met.

(6) An AIF that markets its units in the Republic may include on its name a reference to its legal form, such as 'investment company' or 'common fund' in the same way it uses it in its home member state.

(7) The Securities and Exchange Commission shall maintain on its website, in an official language of the Republic and in English, the applicable legal and regulatory provisions specifically related to the marketing and the redemption or repurchase of units of an AIF established in another member state or third country in the Republic. The Securities and Exchange Commission shall specify, by directive, the extent of the information disclosed on its website.

(8) The Securities and Exchange Commission shall specify, by directive, the following:

(a) the procedure regarding the marketing of units, especially, the way of the submission of the application to subscribe in an AIF and the information disclosed to investors with the submission of the application;

(b) the obligations regarding the continuous and ad hoc disclosure of information to investors in the Republic and how this information will be disclosed;

(c) the qualifications and the certification procedure of the persons participating in the marketing network of the units of a collective investment scheme and in general, the qualifications and the obligations of these persons;

(d) the obligations in the case of cessation of the marketing of units in the Republic.

(9) This section shall also apply on AIFs referred to in sections 96 or 97.

## PART IV : SUPERVISION AND SANCTIONS

### CHAPTER 1: SUPERVISION OF AIFs

Scope of application

99. The provisions of this Chapter shall also apply to the self-managed investment companies of section 6(2)(a)(iii) of this Law to the extent they do not contravene the provisions of sections 69 to 76 of the Alternative Investment Fund Managers Law.

Supervisory authority of the Securities and Exchange Commission

100. (1) The Securities and Exchange Commission shall be designated as the competent authority to exercise the supervisory responsibilities provided for in this Law.

(2) The Securities and Exchange Commission shall be the competent authority for the supervision of the AIFs established in the Republic and fall within the scope of application of this Law or of the Alternative Investment Fund Managers Law, as well as of the persons involved in the activity of the above mentioned AIFs.

(3) The Securities and Exchange Commission shall co-operate with other competent regulatory or supervisory authorities of the Republic or of other countries, during the examination of an application to grant authorisation to an AIF and, whenever it considers it necessary in order to determine the appropriateness of an AIF, its director or of any related parties with the above, of the marketing promoters of the units of an AIF or of their investment or the AIF's external manager or of its depositary.

(4) The Securities and Exchange Commission shall exercise the supervision of an AIF in relation to the marketing of its units in the Republic and in relation to its compliance with its obligations which result from Part III and the Directives of the Securities and Exchange Commission issued in accordance with section 97(6) and 98(8) and, in general, its compliance with the provisions of the applicable legislation of the Republic.

Powers of the Securities and Exchange Commission

101. (1) The Securities and Exchange Commission shall exercise its powers:

(a) directly; or/and

(b) in collaboration with other competent authorities or persons; or/and

(c) under its responsibility, in case of delegation of powers to other authorities or persons; or/and

(d) by application to the competent judicial authorities.

(2) The powers of the Securities and Exchange Commission, in accordance with sub-section (1), shall include, among others, the following actions:

(a) demand the cessation of any action or to abstain from any act or practise that is contrary to the provisions of this Law or of any provisions of the relevant legislation;

(b) impose a temporary prohibition to the exercise any professional activity

in accordance with the following procedure:

(i) where the Securities and Exchange Commission determines that a person violates the provisions of this Law or Regulation issued pursuant to this Law, may impose to this person a temporary prohibition to exercise a professional activity for a period that does not exceed five days, with the possibility of extension for one or more times for a period of less than five days for termination of the violation,

(ii) during the prohibition period the person subject to the prohibition shall make all reasonable actions to revoke the reasons for which the prohibition of professional activity has been imposed,

(iii) If the Securities and Exchange Commission is satisfied that the reasons for which the prohibition has been imposed, are revoked before the end of the first or any five day period, may allow the exercise of professional activity before the expiry of the prohibition period;

(d) adopt any type of measure to ensure that the investment companies and the partnerships, as well as the persons involved in the activity of the AIFs, continue to comply with the requirements of this Law and with the provisions of the applicable legislation of the capital market;

(e) demand to suspend the marketing, redemption or repurchase of units of an AIF, where this is to the interests of the investors of the AIF or of the investors in general.

(3) The Securities and Exchange Commission has the power to delegate to one or more auditors or experts the conduct of a general or special, regular or ad hoc audit of an investment company or partnership as well as of any person involved in the activity of an AIF, on every matter related to the implementation of this Law or any other provision of the applicable legislation. The provisions of sections 50 and 51 of the Securities and Exchange Commission (Establishment and Responsibilities) Law, as amended, shall apply *mutatis mutandis*.

(4) The Securities and Exchange Commission shall ensure that complete, accurate and updated information on this Law, the directives of the Securities and Exchange Commission issued pursuant to it and on other regulatory provisions related to the establishment and operation of the AIFs is easily accessible at a distance or through electronic means, both in an official language of the Republic and in English language.

Supplementary provisions

102. (1) The provisions of the Securities and Exchange Commission Laws, as subsequently amended, regarding the supervisory authority of the Securities and Exchange Commission, its power to collect information, to carry out investigations and inspections, to impose sanctions, to cooperate with other competent authorities and bodies of other states and, in general, all its powers, responsibilities and duties pursuant to the said Laws, shall apply supplementary to the supervision exercised by the Securities and Exchange Commission in accordance with the provisions of this Law.

Power to issue

103. (1) Without prejudice to the other provisions of this Law regarding the issue of a directive, the Securities and Exchange Commission may issue a directive for

directives

any matter regulated by this Law, where according to its judgement; it requires further regulation or specification.

(2) The compliance with the directives issued by virtue of this Law shall be obligatory for the persons to whom they address.

Professional secrecy and cooperation with the competent authorities abroad.

104. (1) The provisions of the Securities and Exchange Commission Laws, as amended, regarding:

(a) the confidentiality duty and maintaining the professional secrecy by the Securities and Exchange Commission, as well as, the suspension of professional secrecy in respect of the Securities and Exchange Commission by persons supervised and monitored by the latter and the sanctions in case of violation of the professional secrecy; and

(b) the cooperation of the Securities and Exchange Commission with the competent authorities and other bodies of other states;

shall apply *mutatis mutandis* in the exercise, by the Securities and Exchange Commission of its authorities and powers in accordance with this Law.

Obligation to submit publications and information regarding the AIF

105. (1) Without prejudice to the provisions that set specific deadlines regarding the submission of information, documents and reports to the Securities and Exchange Commission, all publications, submissions and any notifications done by the AIF or its external manager, mandatory or voluntary, including any marketing communications, shall be submitted to the Securities and Exchange Commission, within two working days from their publication.

(2) The external manager of the AIF, or the self-managed investment company, accordingly, shall issue, at their own expense, clarifying or amended publications in case this is required by the Securities and Exchange Commission. The Securities and Exchange Commission may require the immediate interruption or withdrawal of a publication or announcement until the external manager, or the self-managed investment company issues a clarifying or amended publication, as mentioned above.

(3) The Securities and Exchange Commission may require the self-managed investment company and every person involved in the activity of the AIF, to disclose any data or information that considers necessary or useful for the conduct of an audit.

(4) Without prejudice to a specific provision of this Law, any change to the information submitted to the Securities and Exchange Commission with the application to grant authorisation to the AIF, as this is amended during the operation of the AIF, shall be duly disclosed to the Securities and Exchange Commission. The Securities and Exchange Commission, in the exercise of its supervisory duties as provided for in this Law and with the purpose of the protection of the interests of investors and the proper function and integrity of the market, may forbid or depend the amendment on specific conditions, or even impose the suspension of the amendment.

Submission of information regarding the AIF

106. The external manager of the AIF shall submit to the Securities and Exchange Commission, the information, specified in a directive issued by the Securities and Exchange Commission, regarding the AIFs of the Republic or of another

member state or third country that it manages, for statistical purposes.

AIFs registry.

107. (1) The Securities and Exchange Commission shall maintain a registry of all AIFs which it has authorised. The above mentioned Registry shall include at least:

(a) the name of the AIF and its legal form;

(b) the authorisation number and the date the authorisation was granted;

(c) the external manager, if one is appointed;

(d) the depositary, if one is appointed;

(e) where the AIF is an investment company, its registered office, where it is a common fund, the registered office of its external manager, if it has the form of a partnership, the address of the place of conducting its activities.

(2) The recording of the information provided for in sub-section (1) shall be done within three working days from the date of the authorisation of the AIF by the Securities and Exchange Commission.

(3) The Securities and Exchange Commission, shall ensure that the investors and every other interested party have access, without any charge, to the Registry provided for in sub-section (1), during, at least the working hours. The investors may ask from the Securities and Exchange Commission a copy of the registration or registrations in the Registry and pay the relevant administrative cost specified in a directive of the Securities and Exchange Commission.

Fees and annual contributions

108. (1) The Securities and Exchange Commission shall specify, by directive, the cases where the AIFs authorised in accordance with this Law or their external manager shall submit:

(a) the fees to the Securities and Exchange Commission, in the context of the application of this Law, as well as the amount of those fees; and

(b) the annual contributions, at the end of each calendar year, in the context of the application of this Law as well as the amount of those contributions.

Paragraphs (a) and (b) shall not apply to the self-managed investment companies of section 6(2)(a)(iii) of this Law, to which section 73 of the Alternative Investment Fund Managers Law applies.

(2) The fees and contributions paid in accordance with this section shall be calculated as revenue of the Commission, and in case of non-payment, further to the measures taken in accordance with the provisions of this Law, additional measures shall be taken for their receipt in accordance with the provisions of the Cyprus and Exchange Commission Law, as amended.

Justification of the decisions

109. (1) The Securities and Exchange Commission shall justify, in writing, its decision of rejection of an application for authorisation provided for in this Law, or decision of revocation of the authorisation and every negative decision taken pursuant to this Law or its directives whereas, any such decision shall be communicated to the applicant or to the interested AIF.

## CHAPTER 2: CRIMINAL PROVISIONS AND ADMINISTRATIVE PENALTIES

Administrative penalties.

110. (1) In the case of infringement of this Law or directive the following shall apply:

(a) the Securities and Exchange Commission may impose to the person responsible for the infringement an administrative fine up to three hundred and fifty thousand euro, and in case of repetition of the infringement, an administrative fine up to seven hundred thousand euro according to the gravity of the infringement;

(b) where it is established that the person responsible for the infringement has obtained a gain as a result of the infringement, or has allowed another person to obtain a gain as a result of the infringement, the Securities and Exchange Commission may impose an administrative fine of up to double the amount the said person gained by the infringement;

(c) the Securities and Exchange Commission, at its discretion and in any way as it considers, according to the case, suitable, shall disclose to the public any measure or penalty it imposes in accordance with this Law, to an AIF that markets its units in the Republic and to every person involved in the activity of the AIF in the Republic. The disclosure of the measure or penalty is omitted, in case such disclosure would seriously jeopardise the financial markets, be detrimental to the interests of investors, or cause disproportionate damage to the parties involved.

(d) In the event of an omission to pay the administrative fine, measures shall be taken for its collection in accordance to the Cyprus Securities and Exchange Commission Laws, as amended;

(e) where the Securities and Exchange Commission imposes an administrative fine, it may impose an administrative fine in accordance with paragraph (a), also to:

(i) a legal person;

(ii) a member of the board of directors, an executive or official or any other person in case that it is established that the infringement is due to its own fault, wilful omission or negligence.

Criminal offences

111. (1) A person who, in the course of providing information for any of the purposes of this Law –

(a) makes a statement or submits information or announcement which is false, misleading or deceitful as to any fact thereof; or

(b) withholds information or omits the submission of information or in any way impedes the immediate collection of information or the immediate conduct of inspection or entry or investigation of the Securities and Exchange Commission;

shall commit a criminal offence and shall be subject to a penalty of imprisonment not exceeding five years or to a fine up to three hundred and fifty thousand euro (€350.000) or to both penalties.

(2) A person that uses a designation or name or description that creates the impression that it is an AIF of this Law, without being authorised as an AIF by the Securities and Exchange Commission in accordance with this Law, shall commit a criminal offence and shall be subject to imprisonment not exceeding five years or to a fine up to three hundred and fifty thousand euro (€350.000) or to both penalties.

(3) A person, which knowingly publishes, makes available or distributes advertising material or application documents or statements for participation to an AIF, in case the Law does not allow the distribution of its units in the Republic, shall commit a criminal offence and shall be subject to imprisonment not exceeding three years or to a fine up to two hundred thousand euro (€200.000) or to both penalties.

(4) Where a criminal offence in accordance with this Law, is committed by a legal person or by a person acting on behalf of the legal person and it is established that it is either committed with its consent or cooperation or approval or that it has been facilitated by the proven negligence of the natural person who, at the time of the commitment of the criminal offence, held a position as a member of the management, or as an officer, director, general manager, manager, secretary, associate or any other similar position in the legal person, or appears to act in such a capacity, the relevant natural person shall also be guilty for the same criminal offence and shall be subject to the penalties provided for this offence.

(5) A person, who, in accordance with the provisions of sub-section (4), is criminally liable for the offences committed by the legal person, shall be jointly and wholly liable with the legal person for every damage caused to a third party as a result of the act or the omission lying behind the offence.

## PART V: TRANSFER OF AN AIF FROM AND TO THE REPUBLIC

Transfer of an AIFof corporate form to and from the Republic

112. (1) The provisions of sections 354A to 354ΙΔ of Part VIII of the Companies Law regarding the transfer of the registered office of a company established in another state in the Republic through the continuance of the operations of the company as a legal entity under the framework or the jurisdiction of the state where the registered office is transferred, shall apply to the AIF with a registered office in another Member State or third country *mutatis mutandis*.

(2) The provisions of sections 354A to 354ΙΔ of Part VIII of the Companies Law regarding the transfer of the registered office of a company to another state through the continuance of the operations of the company as a legal entity under the framework or the jurisdiction of the state where the registered office is transferred, shall apply to the investment companies of section 6(2)(a)(i) or (ii) or (2)(b) of this Law, *mutatis mutandis*.

(3) The Securities and Exchange Commission may, by directive, define the conditions for authorisation for the transfer of registered office from and to the Republic in accordance with sub-sections (1) and (2) and specify the procedure to be followed in each case.

Transfer of an AIF of contractual form

113. (1) A Common fund established and that operates in accordance with the provisions of this Law, may continue its operation in another Member State as alternative investment fund of a contractual form under legal framework of that Member State.

(2) An AIF of contractual form that operates in another Member State, may continue its operation in the Republic as an AIF under the provisions of this Law, with the prior authorisation of the Securities and Exchange Commission.

(3) The Securities and Exchange Commission may, by directive, define the conditions for authorisation and specify the procedure to be followed regarding the continuity of the operations of an AIF in accordance with sub-sections (1) and (2).

## PART VI: ALTERNATIVE INVESTMENT FUNDS WITH LIMITED NUMBER OF PERSONS

Characteristics of an Alternative Investment Fund with Limited Number of Persons

114. (1) The establishment of an alternative investment fund with limited number of persons is allowed, provided that it shall not fall within the scope of the Alternative Investment Fund Managers Law nor shall be managed by an AIFM and, additionally, its incorporation documents or partnership agreement –

(a) define specifically that the relevant fund is only addressed to professional or/and well informed investors; and

(b) limit the number of its unit holders, including the co-holders, to the maximum limit of 75 persons; and

(c) do not allow the issue of bearer shares.

(2) The transfer of the units of an alternative investment fund with limited number of persons shall be void in case it violates the limitation of sub-section (1) regarding limit of the maximum number of persons that participate in it.

(3) This Law shall not apply to the alternative investment funds with limited number of persons:

It is provided that the above mentioned funds -

(a) are subject to the provisions of this Part and Parts VII and VIII; and

(b) sections 43, **51(3), 52(1), 63,** 101 to 104 and 107 to 109 shall apply *mutatis mutandis*.

(4) The incorporation documents of the alternative investment funds with limited number of persons shall define the measures and the procedures to ensure that the limitation provided for in sub-section (1) regarding the limit of the maximum number of persons that participate in it is kept.

(5) The establishment of an alternative investment fund with limited number of persons with more than one investment compartments is allowed, each of which is subject to the provisions of this Part as a standalone alternative investment fund with limited number of persons. An alternative investment fund with limited number of persons with more than one investment compartments shall constitute a single legal entity. The alternative investment funds with limited

number of persons with more than one investment compartments are subject to the following rules:

(a) for the calculation of the maximum limit of number of unit-holders in accordance with sub-section (1), the total number of unit-holders of all the investment compartments of the alternative investment fund is taken into consideration;

(b) each investment compartment of the alternative investment fund with limited number of persons shall issue units which correspond to the assets of the particular compartment, whereas the value of the units may be different for each investment compartment;

(c) the unit-holders have rights derived from the assets of the investment compartment that correspond to the units they have acquired, whereas every investment compartment shall be liable for the obligations created by its establishment, operation or its dissolution;

It is provided that the instruments of incorporation of an alternative investment fund with limited number of persons may define any derogation from this paragraph;

(d) the instruments of incorporation of an alternative investment fund with limited number of persons shall include a reference to the fact that it operates with more than one investment compartments;

(e) a compartment (the 'investor-compartment') of an alternative investment fund with limited number of persons may invest in another compartment of the same fund (the 'target-compartment') in case this possibility is provided for in its instruments of incorporation and under the following conditions:

(i) the investor-compartment shall totally invest up to 35% of its assets in the target-compartment;

(ii) the target-compartment shall not acquire units of the investor-compartment;

(iii) the voting rights of the units which correspond to the participation of the investor-compartment in the target-compartment shall be suspended for as long as the mutual participation exists;

(iv) the value of the units that correspond to the investments in accordance with sub-paragraph (i) shall not be calculated twice in the calculation of the net asset value of the alternative investment fund with limited number of persons;

(v) any fees or management, marketing and redemption or repurchase commissions or any expenses regarding the marketing and the redemption or repurchase regarding the investments of the investor-compartment into a target-compartment shall not be accounted;

(f) the Securities and Exchange Commission may revoke the authorisation of one or more investment compartments of the same alternative investment fund with limited number of persons in accordance with the relevant provisions of this Law for each case, without revoking the authorisation of the rest of its compartments;

(g) each investment compartment of the same alternative investment fund with limited number of persons may be dissolved and liquidated, without its dissolution and liquidation entail the dissolution and liquidation of other investment compartments of the fund;

(h) the Securities and Exchange Commission may regulate, by directives any additional information to be included in the instruments of incorporation of an alternative investment fund with limited number of persons with more than one investment compartments and every other matter regarding the establishment, operation, dissolution and liquidation of such fund.

(6) An alternative investment fund with limited number of persons may define itself by using one of the following terms:

(a) 'alternative investment fund with limited number of persons';
(b) 'AIF with limited number of persons'.

Establishment of an alternative investment fund with limited number of persons

115. (1) An alternative investment fund with limited number of persons may be established:

(a) as a company, with the legal form of a limited liability company with shares which is recognised to operate as an investment company of fixed or variable capital;

(b) as a limited liability partnership.

(2) The operation of an alternative investment fund with limited number of persons is subject to the prior authorisation and notification of the authorisation by the Securities and Exchange Commission.

(3) An alternative investment fund with limited number of persons shall communicate to the Securities and Exchange Commission, without any delay, any change in the information on the basis of which its authorisation in accordance with sub-section (2) was granted.

(4) The acquisition of units of an alternative investment fund with limited number of persons shall not take place before the notification of its authorisation in accordance with sub-section (2) by the Securities and Exchange Commission.

(5) The Securities and Exchange Commission may, by directive, specify the information, data and documentation submitted to the Securities and Exchange Commission for the granting of authorisation in accordance with sub-section (2) and set the forms, templates and procedures regarding the submission of that information, data and documents.

Operation and organisation of an alternative investment fund with limited number of persons

116. (1) The operation and organisation of an alternative investment fund with limited number of person is subject to the provisions of the Companies Law where it has taken the form of a company or of the General and Limited Partnerships and Trade Names Law where it has taken the form of a limited partnership.

(2) An alternative investment fund with limited number of persons shall prepare an annual report, which is audited by an independent auditor and which ensures

that during the period covered by the report, this organisation fulfilled the conditions of section 114, whereas it shall submit that report to the Securities and Exchange Commission within one month from the end of the period it refers to.

(3) An alternative investment fund with limited number of persons which has taken the form of a company may either be self-managed in accordance with paragraph (a), or appoint an external manager in accordance with paragraph (b) below, whereas the alternative investment fund with limited number of persons which has taken the form of partnership shall always appoint a manager in accordance with paragraph (b), which shall undertake the duties of the general partner:

(a) in the case of a self-managed alternative investment fund with limited number of persons:

(i) the portfolio management function shall be exercised by its board of directors and it stems out from its instruments of incorporation that its exclusive purpose is the management of its portfolio; and

(ii) where it is justified by the scope, the nature, the scale and the complexity of its activities, it shall establish and maintain the internal audit, regulatory compliance and risk management functions, which may be exercised by the same person;

(b) in the case an external manager is appointed, the duties of the external manager shall be exercised by –

(i) a management company authorised in accordance with the Open-Ended Undertakings for Collective Investments Law, a CIF or/and a company established in a third country as long as it is authorised to provide the portfolio management service and is subject to prudential regulation regarding the provision of that service, where the portfolio of an alternative investment fund with limited number of persons includes one or more financial instruments; or

(ii) any company which, in accordance with its instruments of incorporation, has the sole purpose the provision of the portfolio management service to the specific alternative investment fund with limited number of persons, where the portfolio of the alternative investment fund with limited number of persons does not include any financial instruments. In this case, the appropriateness of the manager of the alternative investment fund with limited number of persons is assessed by the Securities and Exchange Commission, on the basis of the information submitted in the file of the application to grant authorisation to this fund, whereas any change in the information regarding the person to whom the portfolio management will be delegated shall be communicated immediately to the Securities and Exchange Commission.

(4) Without prejudice to the provisions of sub-section (5), the assets of an alternative investment fund manager with limited number of persons shall be entrusted to a depositary, with a registered office in the Republic or in another Member State or third country under the condition that the Securities and Exchange Commission has signed with the competent authorities of the third country a Memorandum of Understanding and Exchange of Information and which is either a credit institution or an investment firm or another entity which is subject to prudential regulation and ongoing supervision and falls within the

categories of institutions which are defined by the home state eligible to act as depositaries. The above mentioned depositary shall not use the assets of the alternative investment fund manager with limited number of persons, which are under its custody, including the cash. Any change in the information regarding the above mentioned depositary, shall be notified to the Securities and Exchange Commission without delay.

(5) Irrespective of the provisions of sub-section (4), an alternative investment fund with limited number of persons may not appoint a depositary –

(a) where its total assets shall not exceed to amount of five million euro, or its equivalent in another currency; or

(b) where the instruments of incorporation or the partnership agreement of the alternative investment fund with limited number of persons shall limit the number of its unit holders during the duration of the fund, to up to five persons; in case the alternative investment fund with limited number of persons has more than one investment compartments, the unit-holders of all its investment compartments are accounted in the calculation of the number of unit-holders of the alternative investment fund manager with limited number of persons; or

(c) where the assets of the alternative investment fund with limited number of persons are not subject to custody.

(6) The marketing of the units of an alternative investment fund with limited number of persons by its manager or by the same self-managed alternative investment fund with limited number of persons as well as by other persons acting as their representatives, shall be performed in accordance with the provisions of the Investment Services and Activities and Regulated Markets Laws, as amended, which regulate the investment service of reception and transmission of orders, without prejudice to a specific provision of this Law. For the marketing of the units of an alternative investment fund with limited number of persons and their acquisition by the unit holders the following are required:

(a) an application for the subscription of units, which shall be submitted either in writing or electronically;

(b) acceptance of the instruments of incorporation of the alternative investment fund with limited number of persons;

(c) full payment of the amount due for the acquisition of units, as determined on the basis of their subscription price, in cash, or, where this is acceptable by the manager or by the self-managed alternative investment fund with limited number of persons, in other securities provided that these have been previously valued by an independent auditor.

(7) Before the submission of the application for subscription in units of an alternative investment fund with limited number of persons from the prospective investor, the prospectus shall be provided to the latter through a durable medium. The minimum content of the prospectus and any other details and technical matters regarding the application of this Law shall be specified in a directive issued by the Securities and Exchange Commission.

(8) The redemption or repurchase of units of an alternative investment fund with limited number of persons shall be performed in accordance with the terms of its instruments of incorporation, as these may be further specified in its

prospectus.

(9) The manager of the alternative investment fund with limited number of persons or the same self-managed alternative investment fund may market, subject to the provisions of section 114(1) regarding the maximum number of persons that may participate in this alternative investment fund, to another member state or third country, the units of the alternative investment fund to professional or/and well informed investors, after submitting a notification of its intention to the Securities and Exchange Commission accompanied by the following documents and information:

(a) regarding the member state or the third country where the alternative investment fund with limited number of persons intends to market its units;

(b) regarding the arrangements for the marketing of the units of the alternative investment fund with limited number of persons in the other state, especially regarding the means with which its compliance with section 114(1) shall be ensured regarding the maximum number of persons that may participate in this organisation.

(10) Where an alternative investment fund with limited number of persons is put under the management of an AIFM, or where a self-managed alternative investment fund with limited number of persons, during its operation, falls within the scope of the Alternative Investment Fund Managers Law, it shall comply with the provisions of this Law that apply to AIFs which address professional or/and well informed investors of Part II of this Law, and with the provisions of the Alternative Investment Fund Managers Law.

(11) A self-managed alternative investment fund with limited number of persons and the external manager of an alternative investment fund with limited number of persons are subject to registration in accordance with section 4(3) of the Alternative Investment Fund Managers Law. The Securities and Exchange Commission shall regulate by directive any technical issue or detail regarding the application of this Law.

(12) The manager of an alternative investment fund with limited number of persons or the same, the self-managed alternative investment fund with limited number of persons accordingly, may delegate the management of its investments to a third party, so long as that third party has been authorised to provide the portfolio management service and is subject to ongoing prudential supervision regarding the exercise of that activity in its home state in accordance with the legal framework of that state.

(13) The Securities and Exchange Commission may specify, by directive, every specific matter regarding the operation of the alternative investment funds with limited number of persons in the Republic, the appointment of the depositary and the manager for the safekeeping and management of the assets of their portfolio, respectively, and the marketing of the units of these alternative investment funds to professional or/and well informed investors.

Supervision of alternative

117. (1) The Securities and Exchange Commission is the competent authority for the supervision of the alternative investment funds with limited number of persons,

investment funds with limited number of persons.

of their marketing network, their depositary, and of the person appointed as manager for the management of the assets of their portfolio, where applicable.

(2) The supervision of the alternative investment funds with limited number of persons shall be conducted in accordance with the provisions of sections 101 to 104, 107 and 109 which shall apply *mutatis mutandis*.

(3) The Securities and Exchange Commission shall specify, by directive the cases where the alternative investment funds with limited number of persons or their manager shall pay –

(a) fees to the Securities and Exchange Commission, within the context of application of this Law as well as the amount of those fees; and

(b) annual contributions at the end of each calendar year, within the context of application of this Law, as well as the amount of those contributions.

The above mentioned fees and contributions shall be accounted as income of the Securities and Exchange Commission, and in case of omission of their payment, in addition to any other measures provided for in this Law, additional measures shall be taken for their receipt in accordance with the Securities and Exchange Commission Laws, as amended.

Administrative penalties and criminal offences

118. (1) In case of infringement of a provision of this Law regarding the alternative investment funds with limited number of persons, the Securities and Exchange Commission may impose to the person responsible for the infringement an administrative fine, up to three hundred and fifty thousand euro and in case of repetition of the infringement, an administrative fine up to seven hundred thousand euro, according to the gravity of the infringement.

(2) Where it is established that the person responsible for the infringement has obtained a gain as a result of the infringement, or has allowed another person to obtain a gain as a result of the infringement, the Securities and Exchange Commission may impose an administrative fine of up to double the amount the said person has caused by the infringement.

(3) In the event of an omission of payment of an administrative fine, measures shall be taken for its collection in accordance with the Securities and Exchange Commission Laws, as amended.

(4) In the case of enforcement of an administrative fine, the Securities and Exchange Commission may also impose an administrative fine to –

(a) a legal person;
(b) a member of the board of directors, a manager or official or any other person, in case it is established that the infringement was due to its own fault, wilful omission or negligence.

(5) A person, who in the course of providing information for any of the purposes of this Law –

(a) makes a statement or submits documents or makes a publication, which is false, misleading or deceitful as to any fact thereof; or
(b) withholds information or omits the submission of information or in any way impedes the immediate collection of information or the direct conduct of an inspection or entry or investigation of the Securities and Exchange Commission,

shall commit a criminal offence and shall be subject to a penalty of imprisonment not exceeding five years or to a fine up to seven hundred thousand euro or to both penalties.

(6) A person that uses a designation or name or description which gives rise to the impression that it refers to an alternative investment fund of a limited number of persons of this Law, without being authorised as such in accordance with the provisions of this Law, shall commit a criminal offence and shall be subject to imprisonment not exceeding five years or to a fine up to three hundred and fifty thousand euro or to both penalties.

(7) Where a criminal offence is committed in accordance with this Law, by a legal person or by a person acting on behalf of a legal person and it is established that it has either been committed with the consent or collusion or approval or it has been facilitated by the proven negligence of a natural person, which at the time of the commitment of the offence, held the position of a member of the management body, or of an official, or member of the board of directors, general manager, manager, secretary, associate or another similar position in the legal person or appears to act in such capacity, the relevant natural person is guilty for the same criminal offence and is subject to the penalties provided for that offence.

(8) A person, which in accordance with the provisions of sub-section (7), is criminally liable for the offences committed by the legal person, shall be jointly and wholly liable with the legal person for every damage caused to a third party as a result of the act or the omission that constitutes the offence.

## PART VII: TAX PROVISIONS

Tax provisions

119. (1) An AIF that falls within the scope of this Law, including the alternative investment funds with limited number of persons established and operating in accordance with this Law and the persons that acquire units of the above mentioned AIF are subject to the provisions of the Income Tax and the Special Contribution for the Defence of the Republic Laws.

(2) The establishment of an AIF referred to in sub-section (1), the subscription, redemption or repurchase or the transfer of its units are exempted from the stamp duty provided for in the Stamp Duty Law.

19 of 1963
21 of 1967
36 of 1968
17 of 1969
26 of 1971
38 of 1972
79 of 1977
29 of 1980
8 of 1984
160 of 1991
60(I) of 1992
68(I) of 1994
1(I) of 1995
9(I) of 1998
121(I) of 2002
222(I) of 2002
179(I) of 2004
209(I) of 2004
130(I) of 2007
152(I) of 2007
173(I) of 2012.

## PART VIII: FINAL AND TRANSITIONAL PROVISIONS

Compliance of international collective investment schemes with this Law

120. (1) An international collective investment scheme authorised in accordance with the International Collective Investment Schemes Laws may continue its operations, either as alternative investment fund with limited number of persons, or as AIF of Part II of this Law, or as AIFM, under the following conditions, as appropriate:

47(I) of 1999

63(I) of 2000

(a) as alternative investment funds with limited number of persons, where, within four months from the date of application of this Law, comply with sections 114 to 118 and submit to the Securities and Exchange Commission all the information, data and documents provided for regarding the submission of an application for authorisation to an alternative investment fund with limited number of persons, where they operate on the basis of the authorisation granted, without requiring new authorisation by the Securities and Exchange Commission;

(b) as an AIF of Part II of this Law or an AIFM in accordance with the Alternative Investment Fund Managers Law, as appropriate, where the required authorisation is granted by the Securities and Exchange Commission in accordance with the respective provisions; in such case, an international collective investment scheme shall comply with this Law or with the Alternative Investment Fund Managers Law, as appropriate and shall submit an application to the Securities and Exchange Commission for the granting of the respective authorisation, within four months from the dated of application of this Law. An international collective investment scheme that submits an application in accordance with this paragraph shall operate lawfully, from the date of the application of this Law, until they receive the decision of the Securities and Exchange Commission regarding their application.

(2) In case an international collective investment scheme, does not follow the procedure referred to in sub-section (1) within four months from the date of the application of this Law, or if it follows the above mentioned procedure, but it does not fulfil the conditions of this Law regarding its operation as alternative investment fund with limited number of persons or is not authorised as an AIF of Part II of this Law, or an AIFM in accordance with the Alternative Investment Fund Managers Law, shall be dissolved in accordance with the International Collective Investment Schemes Laws, without prejudice to the provisions of section 122 of this Law regarding their repeal. In the case of the above mentioned dissolution of an international collective investment scheme, the liquidation procedure shall be concluded within six months from the end of the above mentioned four months' deadline. Without prejudice to the provisions of section 122 of this Law regarding the repeal of the International Collective Investment Schemes Laws, the international collective investment schemes shall be subject to the provisions of the International Collective Investment Schemes Laws, until their dissolution or their operation as alternative investment funds with limited number of persons, or as AIFs of Part II of this Law or as AIFMs.

(3) The marketing of units of an international collective investment scheme authorised in accordance with the International Collective Investment Schemes Laws and which chooses to convert into an AIF of Part II of this Law, or to an AIFM in accordance with the Alternative Investment Fund Managers Law respectively, is only permitted with the fulfilment of the conditions of section 13(6) of this Law or of section 8(7) of the Alternative Investment Fund Managers Law, accordingly.

(4) The marketing of units of an international collective investment scheme authorised in accordance with the International Collective Investment Schemes Laws and which operates as alternative investment fund with limited number of persons, is only permitted after a written notification by the Securities and Exchange Commission that it satisfies the conditions regarding its operation as an alternative investment fund with limited number of persons.

(5) Without prejudice to the provisions of section 122 of this Law regarding the repeal of the International Collective Investment Schemes Laws, any measures and sanctions imposed to an international collective investment scheme in accordance with the provisions of the International Collective Investment Schemes Laws, shall still apply.

(6) The Central Bank of Cyprus shall deliver, immediately, to the Securities and Exchange Commission, the Register of the International Collective Investment Schemes which was established and maintained by it in accordance with International Collective Investment Schemes Laws.

(7) The international collective investment schemes, which have submitted an application for authorisation in accordance with the International Collective Investment Schemes Laws, but have not been authorised until the date of the application of this Law, as long as they satisfy the characteristics provided for in section 114(1) of this Law, shall not submit a new application for authorisation in accordance with this Law, but the application submitted to the Central Bank of Cyprus with all the relevant documents or other information shall be transferred by the Central Bank of Cyprus to the Securities and Exchange Commission and shall be examined by the latter in accordance with this Law.

Compliance of foreign collective investment schemes with this Law

121. (1) A collective investment scheme authorised to market its units in the Republic in accordance with the Open Ended Undertakings of Collective Investments Law, may continue to market its units in the Republic, provided that it has complied with this Law, by submitting to the Securities and Exchange Commission every relevant information which certifies its compliance within two months from the date of application of this Law. The Securities and Exchange Commission may require the above-mentioned collective investment scheme, every additional information which shall certify its compliance with this Law.

(2) Notwithstanding the obligation to comply with this Law in accordance to sub-section (1), any application submitted to the Securities and Exchange Commission in accordance with section 105 of the Open Ended Undertakings of Collective Investments Law, at least, within one month before the date of the application of this Law and for which a decision by the Securities and Exchange Commission has not been issued, are examined in accordance with the applicable provisions at the time of the application.

Repeal of Laws

122. Subject to the provisions of section 120 of this Law, the International Collective Investment Schemes Laws of 1999 and 2000 shall be repealed.