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

Directive DI78-2012-19

Of the Cyprus Securities and Exchange Commission as regards the regulation of any specific issue relating to the constitution, functioning and dissolution of a UCITS operating with multiple compartments

The Cyprus Securities and Exchange Commission in the exercise of the powers vested therein under Section 7(8) of the Open-Ended Undertakings for Collective Investment (UCI) Law of 2012 issues the following Directive:

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Short Title
1. The present Directive shall be cited as «the Directive on the constitution, functioning and dissolution of a UCITS operating with multiple compartments and on other related matters».

Interpretation
2. Terms used herein and not being interpreted differently have the meaning ascribed to them in the Law. For the application of the present Directive following definitions shall apply:

«Law»: means the Open-Ended Undertakings for Collective Investment (UCI) Law of 2012.

«UCITS reference currency» means the currency:

(i) on the grounds of which the Net Asset Value of the UCITS is calculated

(ii) in which the unitary financial statements, for the aggregate of the UCITS' compartments, are drawn

(iii) in which the share capital of a UCITS operating under the legal

form of a Variable Capital Investment Company or the whole of the net assets of a UCITS operating under the legal form of a Common Fund is expressed

«UCITS compartment reference currency» means the currency:

(i) on the grounds of which the Net Asset Value of the UCITS compartment is calculated

(ii) on the grounds of which the issue and redemption/repurchase price of the units/shares of the compartment or of a class of shares of a compartment are calculated

(iii) in which the financial statements of the UCITS compartment are drawn.

«Class of units/shares reference currency» means the currency on the grounds of which the issue and redemption/repurchase price of a class of units/shares is calculated.

«Directive» means the present Directive.

Terms used herein and not being interpreted differently have the meaning ascribed to them in the Law

Scope of application
3.

The present Directive applies to UCITS operating with multiple compartments.

Rules derived from the recognition of a UCITS operating with multiple compartments as a single entity 4.

(1) A UCITS operating with multiple compartments, bears a unitary generic name, which is accompanied, for each investment compartment, by an element which specifies each compartment, in accordance with the investment policy of this compartment, and by the reference currency of this investment compartment.

(2) A UCITS operating with multiple compartments has a unitary Regulation or unitary constitutional documents as well as a unitary prospectus, for the aggregate of its investment compartments. The UCITS prospectus shall describe clearly the investment policy of each investment compartment. The creation of a new investment compartment requires a respective change in the Prospectus of the UCITS.

(3) A UCITS reference currency has to be laid down, in which all accounts of the investment compartments expressed in another currency have to be converted and in which the share capital of a UCITS operating under the form of a Variable Capital Investment Company or the whole of the net assets of a UCITS operating under the form of a Common Fund is expressed.

(4) the Board of Directors of a Variable Capital Investment Company operating with multiple compartments, exercises its powers for the whole of the investment compartments of the Company.

(5) When a meeting of unit-holders is convened, unit-holders from all UCITS investment compartments are allowed to participate, unless it concerns an issue relating exclusively to a particular investment compartment; in such a case the meeting of unit-holders takes place with the participation of the unit-holders of this particular investment compartment only. The unitary annual financial accounts of the Variable Capital Investment Company operating with multiple compartments are approved by a meeting of shareholders from all

investment compartments.

(6) For all investment compartments of the same UCITS, the same Management Company and the same Depository have to be appointed. If the UCITS operates under the legal form of a Variable Capital Investment Company and makes use of the possibilities provided by Sections 34 and 35 of the Law, the choice applies to the whole of its investment compartments.

(7) The accounting control of the investment compartments of the UCITS is exercised by the same auditor.

(8) The valuation rules applicable to the assets of the UCITS, which fall under the same asset category, are common to all investment compartments.

(9) Without prejudice to any exceptions, for which a license will be granted by the Commission following a respective request by the Management Company accompanied by sufficient justification of the requested exemption, the same redemption and redemption suspension conditions apply to all investment compartments and to all classes of units/shares of each investment compartment.

Independence of
each UCITS
investment
compartment
5.

(1) The operation license of each investment compartment presupposes that the conditions laid down by the Law regarding the constitution and functioning of a UCITS of the specific legal form are fulfilled.

(2) For each UCITS investment compartment, units/shares of at least one class are issued, whereas the value of the units/shares of each compartment may differ from the value of the units/shares of other compartments.

(3) The accounting entries relating to the assets of each investment compartment, are conducted separately from the other compartments of the same UCITS in the reference currency of that compartment.

(4) The Net Asset Value of each investment compartment is calculated in the reference currency of that compartment. The issue and redemption/repurchase price of the units/shares of each investment compartment is the result of the division of the amount corresponding to the Net Asset Value of the compartment by the number of the circulating units/shares of this compartment and is calculated in the reference currency of the investment compartment or in the reference currency of the class of units/shares at issue.

(5) Placement and borrowing restrictions provided under the Law must be observed by each investment compartment separately, apart from those restrictions relating to securities issued by the same issuer, which also apply to the investment compartments as a whole.

(6) Admission to a regulated market is conducted for each compartment of a Variable Capital Investment Company or Exchange Traded UCITS separately.

(7) For each UCITS investment compartment, a Key Investor Information Document and separate financial statements in the reference currency of the compartment, have to be produced.

(8) Delegation of functions or tasks by the UCITS Management Company can take place for each investment compartment separately.

(9) The Depositary of a UCITS operating with multiple investment compartments may delegate the safe-keeping of the assets of the various investment compartments to different entities, depending on the geographical allocation of these assets.

(10) The dissolution of an investment compartment as well as the withdrawal of the operation license of an investment compartment is without prejudice to the remaining investment compartments of a UCITS.

Right of transfer from one investment compartment to another investment compartment of the same UCITS6.

A UCITS operating with multiple compartments shall have at least two compartments, for which there shall be no time restriction as to the issue of units/shares, so that there is no prejudice to the unit-holders' right to transfer their investment from one compartment to another compartment of the same UCITS.

Additional content of the Regulation or the constitutional documents of a UCITS operating with multiple compartments
7.

(1) The Regulation or the constitutional documents of a UCITS operating with multiple compartments shall state as a minimum content:

(a) The content of Section 2,3 and 4 of Section 7 of the Law, as well as the eventual use of the possibility provided under Section 5 of the said Section.

(b) That the units/shares offer one voting right at the unit-holders' meetings, independently of their value, which may differ from investment compartment to investment compartment.

(c) The reference currency of the UCITS

(d) The issues relating to the unit-holders of all investment compartments and to be discussed at the level of a General Meeting of all UCITS unit-holders, independently of the particular investment compartment or compartments in which these unit-holders participate, as well as the issues relating exclusively to the unit-holders of a specific investment compartment or compartments respectively and are to be discussed at the level of a General Meeting of unit-holders of this specific investment compartment or these specific investment compartments respectively.

(e) The way and the terms of asset allocation, in case of dissolution of the UCITS compartments.

(f) Any other detail that will make obvious to investors the way of functioning of the UCITS operating with multiple compartments.

(2) Apart from the mandatory content according to the previous subparagraph, the Regulation or the constitutional documents of the UCITS operating with multiple investment compartments may also state:

(a) Any special rules applying to one or more investment compartments.

(b) Cases, where the redemption/repurchase suspension of units/shares of the UCITS regarding one or more or all investment compartments may be decided.

Cross-investment by investment compartments of the same UCITS

8.

(1) The investment restrictions imposed by the Law, also apply to the cross-investment of a UCITS investment compartment in another investment compartment of the same UCITS. Thus:

(a) An investment compartment is not allowed to invest more than 20% of its assets in another compartment of the same UCITS.

(b) An investment compartment may acquire the whole of the units/shares of the other investment compartments of the same UCITS, provided that these units/shares do not correspond to more than 25% of the aggregate amount of the units/shares issued by the UCITS as a whole (for the aggregate of its investment compartments)

(c) Without prejudice to the percentages described under (a) and (b) above, an investment compartment may invest up to 100% of its assets in other investment compartments of the same UCITS, at least five.

(d) An investment compartment is not allowed to invest in another investment compartment of the same UCITS, if the latter has invested more than 10% of its assets in a UCITS or other permissible Undertakings for Collective Investment.

(2) An investment compartment is not allowed to invest in another compartment of the same UCITS, if the latter has invested in the former.

Entry into force

9.

The Present Directive shall enter into force following its publication in the Official Gazette of the Republic.