

The Undertakings for Collective Investments Law of 2012

Directive DI78-2012-08

of the Cyprus Securities and Exchange Commission regarding the specification of the subjects that constitute the content of the rules of the Mutual Fund and of the instruments of incorporation of a Variable Capital Investment Company.

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The Securities and Exchange Commission, exercising the powers vested in subsection (5) of section 26 and subsection (6) of section 33 of the Undertakings on Collective Investments Law of 2012 issues the following Directive:

Short title 1. This Directive shall be cited as the Directive regarding the specification of the subjects that constitute the content of the rules of the Mutual Fund and of the instruments of incorporation of the Variable Capital Investment Company of 2012.

Interpretation 2. Within the context of the Present Directive the following definitions shall apply:

‘Currency of reference of the UCITS’ means the currency:

- (i) which is used to calculate the net asset value of the UCITS;
- (ii) in which the consolidated financial statements of the UCITS, for all its investment compartments are prepared; and
- (iii) in which the share capital of the UCITS is stated, in case it operates in the form of a Variable Capital Investment Company or the total value of assets, in case of a Common Fund.

‘Currency of reference of the investment compartment’ means the currency:

- (i) which is used to calculate the net asset value of the investment compartment;
- (ii) which is used to calculate the issue, redemption or repurchase price of the units of the compartment or of classes of units of the compartment; and
- (iii) in which the financial statements of the compartment are prepared.

‘Currency of reference of a class of units’ means the currency in which the issue, redemption or repurchase price of the units of the specific class.

78(I) of 2012 ‘Law’ means the Undertakings on Collective Investments Law of 2012.

‘Directive’ means this Directive.

Terms used in this Directive and are not interpreted differently have the meaning attributed to them in the Law.

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| Scope of application | 3. This Directive applies to the content of the Mutual Fund rules and of the instruments of incorporation of the Variable Capital Investment Company. |
| Form of the rules or instruments of incorporation of the UCITS | 4. (1) The fund rules or instruments of incorporation of a Variable Capital Investment Company shall be provided in printed form. The fund rules or the instruments of incorporation of a Variable Capital Investment Company may be provided to unit holders in a durable medium other than a paper copy provided that the provisions of paragraph 7 of the Directive DI78-2012-25 of the Commission regarding the mergers of UCITS apply.

(2) The fund rules or instruments of incorporation of a Variable Capital Investment Company shall comprise separate legal documents from the prospectus. However, they can be annexed to the prospectus, provided that they may be separated by it. |
| Presentation of information included in the fund rules or instruments of incorporation of a Variable Capital Investment Company | 5. (1) The fund rules or instruments of incorporation of a Variable Capital Investment Company must contain the rules in such a way so that the unit holder will be able to understand:

(a) the specific characteristics of the UCITS as such and

(b) the legal commitments derived by its function to him.

(2) The fund rules or instruments of incorporation of a Variable Capital Investment Company must contain The information contained in the fund rules or instruments of incorporation of the Variable Capital Investment Company must be clear and presented in a transparent way to be understood by the proposed investors.

(3) The fund rules or instruments of incorporation of a Variable Capital Investment Company may contain references to the Law or Directives of the Commission or to other regulatory acts, in cases |

where the Law does not impose the reference of the relevant rules in the mandatory content of the rules or instruments of incorporation.

(4) The content of the provisions of the fund rules or instruments of incorporation of the Variable Capital Investment Company is specified further in the prospectus.

Reference to allowable derogations from the Law or the Directives of the Commission.

6. (1) The fund rules or instruments of incorporation of the Variable Capital Investment Company shall contain the regulations which the Management Company and the Depositary will apply and which are:
- (a) either stricter than the legal requirements;
 - (b) or provided for as possible, under the condition that there will be specific reference in the fund rules or instruments of incorporation of the Variable Capital Investment Company.

(2) Where it is allowed by the Law, the fund rules or instruments of incorporation of the Variable Capital Investment Company, shall contain any favorable derogations from the Law, which the Management Company or the Depositary commit to apply.

Specialisation of the name of the UCITS

7. The name of the UCITS shall reflect the orientation of its investment policy.

Specialisation of the objectives and the investment policy of the UCITS

8. (1) The objective of the UCITS, which is expressed by the positions in transferable securities and in the other financial assets and instruments under collective management, referred to in section 40 of the Law, demonstrates the aim of the existence of the undertaking which is the achievement of satisfactory return through the collective management of its assets.

(2) The UCITS investment policy shall express the rules and criteria according to which the investment techniques are chosen for the achievement of its objectives. The UCITS investment policy shall demonstrate the kind of its investments, specialising the individual assets that may be included in its collectively managed portfolio for the achievement of its objectives and always in accordance with the investment strategy defined by its manager.

(3) The possible specialisation of the UCITS in specific geographical or financial sector shall be reflected in its name and referred in the fund rules or instruments of incorporation of the Variable Capital Investment Company.

(4) In case the UCITS estimates its return according to a reference index, this is included in its prospectus and may be referred in the fund rules or instruments of incorporation of the Variable Capital Investment Company.

Reference
currency of the
UCITS

9. (1) The fund rules or instruments of incorporation of a Variable Capital Investment Company shall contain information on the reference currency of the UCITS and, if different, the reference currency of the other classes of units.

(2) The fund rules or instruments of incorporation of the Variable Capital Investment Company shall contain the rules and the procedure followed for the conversion of the assets of the UCITS denominated in other currencies to the reference currency.

(3) The reference currency of the UCITS, if other than Euro, is stated in its name. If the UCITS has multiple investment compartments, the rule referred to in the previous sentence, shall apply for every investment compartment, whose reference currency is other than Euro.

Specialisation of
the rules for the
valuation of the
assets of the
UCITS

10. The fund rules and instruments of incorporation of the Variable Capital Investment Company shall contain a comprehensive description of the principles and the way of the valuation of assets, and not just a simple reference to the Law or to the Directives of the Commission, so that the unit holders have a clear picture of their content without having to refer to the Law or Directives.

Specialisation of
the rules
regarding the
issue, marketing
and suspension
of redemptions of
units of UCITS

11. (1) The fund rules or instruments of incorporation of Variable Capital Investment Company shall contain any time restrictions for the submission of applications for subscription and for the issuing of its units.

(2) The fund rules or instruments of incorporation of a Variable Capital Investment Company may contain the circumstances during

which it is possible to suspend redemption or repurchase of the units of the UCITS.

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| Specialisation of the remuneration rules or the commissions charged by the Management Company and the Depositary | 12. (1) The fund rules or instruments of incorporation of the Variable Capital Investment Company shall contain the maximum remuneration and/or commission fees charged by the Management Company and the Depositary.

(2) Any outperformance fee shall be contained in the fund rules or instruments of incorporation of the Variable Capital Investment Company. The fund rules shall also contain the reference index or any other criteria based on which the outperformance fee shall be calculated. |
| Specialisation of the rules regarding the rules on UCITS expenditure | 13. The Management Company shall not charge any expenditure on the UCITS unless those are contained in the fund rules or instruments of incorporation of the Variable Capital Investment Company. |
| Specialisation of the rules regarding the distribution of profits and other income of the UCITS | 14. The fund rules and instruments of incorporation of the Variable Capital Investment Company shall state whether the income and the earnings resulting from the management of its portfolio are mandatory distributed to its unit holders and, whether the distribution is the norm or is decided by derogation. |
| Specialisation of the rules regarding the reasons of dissolution of the UCITS | 15. (1) The fund rules or instruments of incorporation of the Variable Capital Investment Company shall explain comprehensively whether the dissolution of the UCITS is decided by the Management Company at its discretion or is a result of specific and clearly stated conditions or whether is automatic as a result of the occurrence of a specific reason of dissolution which has been provided for.

(2) Where the reason for the dissolution of the UCITS is provided for by the Law, a simple reference to the specific provision of the Law in the fund rules or instruments of incorporation of the Variable Capital Investment Company is enough. |

- Specialisation of rules regarding the instruments of incorporation of the Variable Capital Investment Company
16. (1) Without prejudice to section 33(2) of the Law, the instruments of incorporation of the Variable Capital Investment Company shall refer that:
- (a) the amount of its issued capital always equals its net asset value;
 - (b) the fluctuations in its issued capital, which are equivalent with the fluctuations in its net asset value, do not follow the procedure of increase or reduction of capital in accordance with the Company Law;
 - (c) the shares of the Variable Capital Investment Company are issued, redeemed or repurchased at a price determined in accordance with its net asset value and
 - (d) Irrespective of the provisions of the Company Law, the shareholders of the Variable Capital Investment Company do not have a preferential right on the new shares issued.
- Entry into force
17. This Directive enters into force from the date of its publication in the Official Gazette of the Republic.