

**CAPITAL MARKETS AUTHORITY OF LEBANON  
IMPLEMENTING REGULATIONS**

**Series 8000**

**COLLECTIVE INVESTMENT SCHEMES**

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**COLLECTIVE INVESTMENT SCHEME REGULATIONS**

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## **Part A – Introduction**

### **8101. Purpose**

- (1) The purpose of this Regulation is to regulate the establishment, approval, offering and management of collective investment schemes and associated activities in Lebanon and to establish requirements governing CIS managers, CIS custodians and approved institutions.

### **8102. Principles**

- (1) Any person who offers or holds themselves out as offering units in a collective investment scheme in Lebanon and any person who establishes a collective investment scheme in Lebanon must comply with this Regulation.
- (2) Any person who establishes, offers and manages a collective investment scheme in Lebanon must be an approved institution to undertake that activity under the Licensing and Registrations Regulation and this Regulation (CIS manager).
- (3) Any person who offers or holds themselves out as offering to give advice on investing in a collective investment scheme in Lebanon or offers or holds themselves out as offering to deal in units of a collective investment scheme in Lebanon must be an approved institution to undertake that activity under the Licensing and Registration Regulation.
- (4) Only a collective investment scheme that is an approved scheme or a foreign approved scheme is permitted to be publicly offered in Lebanon.
- (5) Any person who offers or holds themselves out as offering to provide custodial services to a collective investment scheme established in Lebanon must be an approved institution to undertake that activity under the Licensing and Registration Regulation and this Regulation or a specialized department of Midclear (CIS custodian).

## **Part B – General requirements**

### **8201. Compliance with the Regulation**

- (1) A collective investment scheme must only be established, offered and operated in Lebanon in accordance with Law 706, Law 161 and this Regulation.
- (2) A foreign collective investment scheme must only be offered in Lebanon in accordance with Law 706, Law 161 and this Regulation.

### **8202. Fees**

- (1) The application and notification fees and annual fees payable to the Authority by collective investment schemes offered in Lebanon shall be prescribed by the Authority.

**8203. Duty to provide information**

- (1) The CIS manager and CIS custodian of a collective investment scheme established in Lebanon must deal with the Authority in relation to the scheme in an open and cooperative way and disclose to the Authority any information relating to a scheme that the Authority needs to know in order to carry out its responsibilities in a timely, accurate and complete manner.
- (2) The CIS manager and CIS custodian of a collective investment scheme established in Lebanon, and any entity to which they have delegated activities, must promptly and accurately disclose to each other the information necessary to ensure that obligations to unitholders in a scheme under Law 706, this Regulation and the CIS statute and CIS prospectus of the scheme are properly fulfilled.

**8204. Register of collective investment schemes**

- (1) The Authority shall maintain a register of all collective investment schemes and sub-funds offered in Lebanon. The register shall include the name of each scheme and sub-fund and such information as the Authority decides to include from time to time.
- (2) The Authority shall publish a list of names of approved schemes and sub-funds and approved foreign schemes and sub-funds on its website.

**Part C – Management of approved and exempt offer schemes****8301. Scope and application of this Part**

- (1) This Part applies to approved schemes and exempt offer schemes created under Lebanese law.

**8302. Eligibility requirement**

- (1) Only an approved institution licensed by the Authority to carry out the activity of managing collective investment schemes (CIS manager) is permitted to establish and manage a collective investment scheme in Lebanon.

**8303. Duties of the CIS Manager**

- (1) The CIS manager must at all times act for the benefit of unitholders and the collective investment scheme as a whole in accordance with Law 706, this Regulation and the constituting document and offering document of the scheme.
- (2) The CIS manager must act honestly, fairly, professionally and independently.
- (3) The CIS manager is responsible for the offering, management and operation of the collective investment scheme.
- (4) The CIS manager is responsible for the preparation and content of a scheme's constituting document and offering document.

- (5) The CIS manager is responsible for the compliance of the collective investment scheme with Law 706, Law 161, this Regulation, the constituting document and the offering document of the scheme and any other applicable Regulation or requirement of the Authority and Lebanese law. The delegation of any activity by the CIS manager to another entity must not in any way limit or change the CIS manager's responsibilities under this Regulation.
- (6) Any provision in a constituting document or offering document that seeks to limit, reduce or change any responsibility of the CIS manager under this Regulation is null and void.
- (7) The CIS manager is financially responsible to unitholders for losses in a scheme or sub-fund resulting from errors or omissions of the CIS manager or any entity it has delegated an activity to.
- (8) The CIS manager must instruct the CIS custodian in writing on the exercise of rights attaching to scheme property.
- (9) The CIS manager must ensure that calculation of the net asset value per unit of a scheme or sub-fund is undertaken on a consistent basis and that on each day incoming, ongoing and outgoing unitholders of open ended schemes or sub-funds and interval schemes or sub-funds are treated equally.

#### **8304. Maintenance of books and records**

- (1) The CIS manager must maintain records of all units created and cancelled for each scheme and sub-fund and must maintain a complete, accurate and up to date record of all outstanding units.
- (2) The CIS manager must create and maintain accurate and up to date records for each collective investment scheme and sub-fund as are necessary to enable the CIS manager to comply with Law 706, Law 161 and this Regulation and the constituting document and offering document of the scheme and sub-fund and any other applicable Lebanese law or regulation and to demonstrate that it and the scheme that it acts for are in compliance (CIS records).
- (3) The records required to be kept by the CIS manager must be retrievable and accessible to the Authority for the purposes of this Regulation. It must be possible to easily identify any corrections or other amendments to the records, and their contents prior to such corrections or amendments, and it must not be possible for the records to be otherwise manipulated or altered. Such records must be kept for a minimum of ten years.

#### **8305. CIS audited report and accounts**

- (1) The CIS manager must prepare annual financial statements for a scheme and for a sub-fund and ensure the statements are audited by a member of the Association of Certified Public Accountants in Lebanon that is acceptable to the Authority to audit approved institutions and the financial statements must be prepared in accordance with applicable standards.



- (2) The audited CIS annual report and accounts must be approved by the CIS manager and signed by two directors of the CIS manager.
- (3) The financial statement must cover the calendar year to 31 December and a copy of the financial statement and CIS annual report and accounts must be filed with the Authority by 31 March of the next year and sent to all unitholders in the scheme as at 31 December of the reporting year.
- (4) The audited CIS annual report and accounts must give a true and fair view of the financial position of a collective investment scheme and where relevant each sub-fund for each annual accounting period and must contain:
  - i) Reports from the CIS manager and CIS custodian and auditor summarizing their duties and reporting on their fulfilment of these; and
  - ii) A balance sheet or statement of assets and liabilities and any off balance sheet commitments of the scheme; and
  - iii) A statement of total return including a detailed profit and loss account of the scheme for the period; and
  - iv) A report on the activities in the period; and
  - v) For an open ended scheme or interval scheme, a statement of movement of holders' assets; and
  - vi) Any other information that may be prescribed by this Regulation; and
  - vii) Any significant information that enables unitholders to make an informed judgement on the activities and investments and performance of the collective investment scheme or sub-fund.

#### **8306. Register of unitholders**

- (1) The CIS manager must establish a register of unitholders (the CIS register) of the scheme or sub-fund and maintain it in Lebanon and ensure it is accurate and up to date.
- (2) The CIS register of a closed ended scheme must be held by Midclear if the scheme is listed on a securities exchange and is subject to the requirements of Midclear and the Listing Regulation. Sub-articles (5) and (6) do not apply to the CIS register of a scheme that is listed whose register is held at Midclear.
- (3) The CIS register is the conclusive evidence as to the persons entitled to units entered on the register.
- (4) The CIS manager must ensure that the following information is recorded in the CIS register:
  - i) The name and address of each unitholder; and

- ii) The national identification number or passport number or company registration number of the unitholder where applicable; and
  - iii) The nationality of the unitholder; and
  - iv) The number of units of each unit class including fractional units held by each unitholder; and
  - v) The date on which the unitholder was registered for the units standing to their name; and
  - vi) The number of units of each unit class in issue.
- (5) A unitholder is entitled to transfer units held on the CIS register by an instrument of transfer in such form as the CIS manager requires but such transfer is not valid unless it complies with the requirements of the CIS manager.
- (6) An extract from the CIS register must be supplied by the CIS manager to any unitholder upon request, showing only information for that unitholder.
- (7) The CIS register must be made available for inspection by the Authority on request.

### **8307. Conflicts of interest**

- (1) A CIS manager and any entity that it delegates any activity to must not engage in any action that involves a material conflict of interest between that CIS manager and that entity and the interests of any collective investment scheme it manages or for which it acts, subject to (3).
- (2) A CIS manager and any entity that it delegates any activity to must not engage in any action that involves a material conflict of interest between one collective investment scheme or sub-fund that it manages or acts for and another collective investment scheme or sub-fund that it manages or acts for, subject to (3).
- (3) A CIS manager and any entity to which it delegates an activity must not profit by its office except through the payment of remuneration permitted under this Regulation and disclosed in the offering document.
- (4) An associate of a CIS manager must not derive any benefit from the offering, operation or management of a collective investment scheme operated by that CIS manager other than any fee or charge due that is disclosed in the offering document or any profit made on investment in units.

### **8308. Investment policies and practices**

- (1) The investment decisions of the CIS manager of a scheme or sub-fund must at all times other than during any initial offer period provide a prudent spread of risk and must conform to the stated investment objective and the investment policy set out in the constituting document and offering document of the scheme or sub-fund.

- (2) In the case of an open ended scheme or an interval scheme, the investments of the scheme must be sufficiently liquid to meet anticipated redemption requests.

### **8309. Investment in a CIS by the CIS manager**

- (1) A CIS manager of a scheme must not invest in units of a scheme under its management unless the following conditions are met:
- i) This intention is fully and prominently disclosed in the CIS prospectus; and
  - ii) The terms of the investment and the rights attaching to the units acquired must be no more favorable than those of other unitholders; and
  - iii) The CIS manager must not be entitled to vote the units that they hold; and
  - iv) The CIS manager of an approved scheme must only subscribe for units in money and any units purchased must be fully paid up.

### **8310. Delegation by the CIS manager**

- (1) A CIS manager may delegate an activity for which it is responsible to a third party. The remuneration of that party must be paid out of the remuneration received by the CIS manager.
- (2) Any delegation must be detailed in a written contract between the parties that clearly states the remuneration payable and the terms of the contract.
- (3) If delegation is of a regulated activity under Law 706, Law 161 or this Regulation the activity may only be delegated to an approved institution or to an entity holding an equivalent foreign approval under an equivalent foreign law and the Authority shall have discretion to assess such equivalence.

### **8311. Fees and charges**

- (1) A fee or charge or any other payment whether in money or otherwise must only be made to the CIS manager or its associates from a scheme or sub-fund if:
- i) The nature, amount and method of application of that fee, charge or payment and how it is levied is clearly disclosed in the scheme or sub-fund's offering document; and
  - ii) The fee, charge or payment is made in accordance with the offering document and within the limits stated.

### **8312. Power of the Authority to remove and replace the CIS manager**

- (1) The Authority shall have the power to remove a CIS manager of a scheme and to appoint a replacement CIS manager for that scheme or to take any other steps necessary when the CIS manager ceases to meet the requirements of Law 706 Article 16 sub-article d including in the event of:

- i) The CIS manager ceasing to carry on securities business without notification to the Authority;
  - ii) The CIS manager entering bankruptcy or liquidation procedures;
  - iii) The suspension or cancellation by the Authority of the license of the CIS manager;
  - iv) A request by the CIS manager to cancel its license;
  - v) The CIS manager failing to fulfil its obligations in compliance with this Regulation in a material way;
  - vi) A special resolution to remove the CIS manager being passed by the unitholders of the scheme.
- (2) In the case that the Authority exercises its powers under (1), the CIS manager being replaced must facilitate a smooth transfer of responsibilities to the replacement CIS manager within sixty days and must novate all contracts to the replacement CIS manager.
- (3) If a CIS manager is removed pursuant to (1), it must cease to make investment decisions for the scheme as soon as the replacement CIS manager is appointed or at any earlier time required by the Authority.

### **8313. Scheme offering document**

- (1) The offering document of a scheme must:
- i) Be fair, clear and not misleading;
  - ii) Clearly state the investment objective and investment policy of the scheme and the investment and borrowing and leverage limits of the scheme;
  - iii) Clearly state the legal structure of the scheme and the rights of holders of units in the scheme;
  - iv) Clearly state the valuation policy, pricing policy and dealing policy of the scheme.

## **Part D – Custody of approved and exempt offer schemes**

### **8401. Scope and application**

- (1) This Part applies to approved schemes and exempt offer schemes created under Lebanese law.

**8402. Appointment of CIS Custodian**

- (1) The CIS manager must appoint a CIS custodian to take into custody all securities and title to real estate held by a scheme and exercise control over cash held by the scheme and all payments made by or to the scheme.
- (2) The CIS manager must appoint the CIS custodian by a written contract.
- (3) The CIS custodian must be an approved institution approved by the Authority to undertake this activity or a specialized department of Midclear.
- (4) The CIS custodian must be functionally independent of the CIS manager of the scheme.
- (5) The entity that is the CIS custodian to a scheme must not be the same legal entity as the CIS manager of the scheme.

**8403. Duties of the CIS Custodian**

- (1) The CIS custodian must act honestly, fairly, professionally and independently and in the best interests of unitholders in the scheme.
- (2) The CIS custodian holds all securities of a scheme and title to real estate beneficially for its unitholders and either beneficially holds or exercises control over the cash and deposits held by a scheme.
- (3) The assets of a scheme (or sub-fund) must be segregated from those of the CIS manager, the CIS custodian and the CIS custodian's other clients, and held in the name of the scheme (or sub-fund).
- (4) The CIS custodian is responsible for taking all actions necessary to safeguard and administer all the assets of the scheme (or sub-fund) in the interests of its unitholders.
- (5) The CIS custodian must monitor that the scheme (or sub-fund)'s investments and borrowing and leverage comply with Law 706 and this Regulation.
- (6) The CIS custodian must monitor that the subscription and the redemption of units in the scheme (or sub-fund) are in accordance with this Regulation and the constituting document and offering document of the scheme (or sub-fund).
- (7) The CIS custodian must ensure that the net asset value per unit is calculated in accordance with this Regulation and the constituting document and offering document of the scheme (or sub-fund).
- (8) The CIS custodian must ensure that income due to the scheme (or sub-fund) is received by the scheme (or sub-fund) and is used according to the constituting document and offering document of the scheme (or sub-fund).
- (9) The CIS custodian must on the written instruction of the CIS manager specifying the number and value of units to be created or cancelled create and cancel those units.

The CIS custodian must refuse to create or cancel units if it is of the opinion that such an action is not in the interests of unitholders in that scheme (or sub-fund).

- (10) The CIS custodian must perform a reconciliation of its records of scheme property (or sub-fund property) and units in issue in the scheme (or sub-fund) with the CIS manager's records at least monthly for each scheme (or sub-fund). Any discrepancies in such reconciliation must be reported immediately to the Authority by the CIS custodian.
- (11) The CIS custodian must execute the CIS manager's instructions in relation to scheme property (or sub-fund property) if they are consistent with this Regulation and the constituting document and offering document of the scheme (or sub-fund). If the CIS custodian is unable for technical reasons to prevent execution of instructions that are inconsistent with this Regulation or the constituting document or offering document of the scheme (or sub-fund) the CIS custodian must require the CIS manager to reverse the transaction at the cost of the CIS manager. If the CIS manager fails to reverse the transaction as requested within the deadline set, the CIS custodian must give written notification of this to the Authority immediately.
- (12) The CIS custodian must maintain accurate and up to date records for each scheme (and sub-fund) as necessary to enable the CIS custodian to comply with Law 706, Law 161 and this Regulation and the constituting document and offering document of the scheme (and sub-fund) and to demonstrate that it and the scheme (and sub-fund) that it acts for are in compliance.
- (13) The records required to be kept by the CIS custodian must be retrievable and accessible to the Authority for the purposes of this Regulation. It must be possible to easily identify any corrections or other amendments to the records, and their contents prior to such corrections or amendments, and it must not be possible for the records to be otherwise manipulated or altered. Such records must be kept for a minimum of ten years.

#### **8404. Delegation of custody**

- (1) The CIS custodian may delegate the holding of assets of the scheme (or sub-fund) outside Lebanon to one or more sub-custodians who must be judged by the CIS custodian to be competent and to have the capacity to undertake that role.
- (2) The remuneration of any sub-custodian must be paid from the remuneration received by the CIS custodian.
- (3) Any delegation must be detailed in a written contract between the parties that clearly states the remuneration payable and the terms of the contract.
- (4) Sub-custody may only be delegated to an entity that is approved and supervised by a regulator equivalent to the Authority to undertake that activity in the country or territory covered by the contract.
- (5) Delegation of custody to a sub-custodian must ensure that the beneficial ownership of the assets of the scheme (or sub-fund) by the unitholders is clearly established and the

CIS custodian is able to properly fulfil its duties in relation to safekeeping of the assets of the scheme (or sub-fund).

#### **8405. Responsibility for scheme property**

- (1) The CIS custodian is financially responsible to unitholders for losses in a scheme (or sub-fund) resulting from errors or omissions of the CIS custodian or of any entity to which it has delegated any activity for which it is responsible.

#### **8406. Property in an insolvency**

- (1) The property of a collective investment scheme must not, for the purposes of insolvency, be treated as property of the CIS custodian or any of its associates.
- (2) No creditor of the CIS custodian of a collective investment scheme other than a unitholder in that scheme shall have any claim against the scheme's property.

#### **8407. Fees and charges**

- (1) A fee or charge or any other payment whether in money or otherwise must only be made to the CIS custodian from a scheme (or sub-fund) if:
  - i) The nature, amount and method of application of that fee, charge or payment and how it is levied is clearly disclosed in the offering document of the scheme (or sub-fund); and
  - ii) The fee, charge or payment is made in accordance with the offering document and is within the limits stated.

#### **8408. Power of the Authority to remove and replace CIS Custodian**

- (1) The Authority shall have the power to remove a CIS custodian of a scheme and to appoint a replacement CIS custodian for that scheme or to take any other steps necessary when the CIS custodian ceases to meet the requirements of Law 706 Article 16 sub-article d including in the event of:
  - i) The CIS custodian ceasing to carry on securities business without notification to the Authority;
  - ii) The CIS custodian entering bankruptcy or liquidation procedures;
  - iii) The suspension or termination of the license to undertake securities business by the Authority;
  - iv) A request by the CIS custodian to cancel its license to undertake securities business;
  - v) The CIS custodian failing to fulfil its obligations in compliance with this Regulation in a material way.

- (2) Subject to (1), a CIS custodian must not cease provision of CIS custodian services to a scheme unless the CIS manager has appointed a replacement CIS custodian.
- (3) Where the Authority exercises any powers under sub-article (1), or the CIS manager appoints a replacement CIS custodian under sub-article (2), the CIS custodian being replaced must facilitate a smooth transfer of responsibilities to the replacement CIS custodian within sixty days.
- (4) If a replacement CIS custodian cannot be found, the scheme must be wound up.

#### **8409. Removal of CIS custodian**

- (1) The CIS manager of a scheme may remove the CIS custodian by giving at least sixty days' notice in writing to the CIS custodian.
- (2) The Authority must approve the appointment of a replacement CIS custodian by the CIS manager.

### **Part E – Requirements for approved schemes for public offer in Lebanon**

#### **8501. Application of Part**

- (1) This Part applies to all collective investment schemes for public offer established in Lebanon.

#### **8502. Application to the Authority**

- (1) Any person seeking to establish a collective investment scheme in Lebanon for public offer must submit an application to the Authority for approval for that scheme.
- (2) The applicant must be an approved institution approved by the Authority to manage collective investment schemes in Lebanon.
- (3) The application must contain the information required in Annex 1.
- (4) The application must state whether the collective investment scheme is to be offered only in Lebanon or also in other countries or territories outside Lebanon and in the latter case must name those countries or territories.
- (5) The application fee prescribed by the Authority must be paid.

#### **8503. Process and powers of the Authority**

- (1) The Authority will consider the application within forty days of receipt of all the information required in accordance with this Regulation.
- (2) In assessing an application for an approval the Authority may:
  - i) Carry out any review, enquiry or investigation that it considers appropriate.
  - ii) Inspect any office or premises of the applicant.



- iii) Require the applicant, or any representative of the applicant, to explain any matter the Authority considers relevant to the application.
  - iv) Require the applicant to provide any additional information or documents that the Authority considers relevant.
  - v) Require the applicant to verify, certify or substantiate any information provided to the Authority.
- (3) The Authority may refuse to consider an application if:
- i) It is incomplete.
  - ii) It does not meet the requirements prescribed by the Authority.
  - iii) The applicant has failed to provide information requested by the Authority, or has failed to provide information within a specified time.
  - iv) The required fee has not been paid.
- (4) After completing its consideration of an application, the Authority will make one of the following decisions:
- i) Approve the application in whole or in part.
  - ii) Approve the application subject to any conditions and limitations that the Authority considers appropriate.
  - iii) Refuse the application.
- (5) If the Authority decides to approve an application it must give written notification to the applicant, including any conditions and limitations on the approval set by the Authority.
- (6) If the Authority decides to refuse an application, it must give written notification to the applicant.

#### **8504. Notification of addition of a sub-fund of an approved umbrella scheme**

- (1) Units in a sub-fund of an umbrella scheme approved by the Authority are not permitted to be publicly offered in Lebanon unless:
- i) The CIS manager has given 30 days' advance notice of the addition of the sub-fund to the Authority; and
  - ii) The applicant has paid the fee prescribed by the Authority; and
  - iii) The Authority has not given the applicant written notification of any objection to such sub-fund within 30 days of receipt of the applicant's notice.

#### **8505. Approval by the Authority**

- (1) The Authority may approve a scheme only if the following requirements are met:
- i) The scheme is a mutual fund formed under Lebanese law.

- ii) The applicant and the CIS custodian of the scheme are not subject to disciplinary, legal, other investigations or proceedings of a nature that would cast doubt on their integrity.
- iii) The applicant and the CIS custodian of the scheme are not currently subject to any insolvency or liquidation proceedings, making any arrangement with creditors or the subject of a compulsory winding up.
- iv) There are no other factors that might cast doubt on the integrity, financial standing or professional qualifications of the applicant or CIS custodian or their key persons; the integrity or financial standing of the applicant's or CIS custodian's controllers or shareholders; or the capacity of the applicant or CIS custodian to meet the requirements of this Regulation.
- v) The name of the scheme is not undesirable and is not misleading.
- vi) If the terms 'guaranteed' or 'protected' or words with a similar meaning are used in the name of the scheme, the guarantee or protection is provided by a third party that is legally independent of the CIS manager and the CIS custodian and that has the authority and resources to honor that guarantee at any time.
- vii) In the case of an open ended or interval scheme, the unitholders are entitled to have units redeemed at a price based on the net asset value of those units to which a subscription charge may be added or from which a redemption charge may be deducted. For the purposes of this sub-article, the scheme complies with this requirement if its CIS statute requires the CIS manager to ensure that a unitholder is able to sell his units on a securities exchange at a price that is within one per cent of the current net asset value per unit.
- viii) In the case of a closed ended scheme, its CIS statute contains:
  - a) A commitment to become listed on a securities exchange in Lebanon approved by the Authority within six months of the closing of its initial public offering; or
  - b) A provision stating that the scheme is established for a limited period of time of not more than 5 years after which the scheme will be wound up and the proceeds distributed to unitholders;
  - c) If the scheme invests in real estate, a provision stating that where the scheme invests in real estate outside Lebanon it will invest only in countries whose sovereign foreign bonds are rated not lower than investment grade.
- ix) The CIS statute, CIS prospectus and any key information document comply with this Regulation and Annex 1.
- x) In the case of an umbrella scheme, that at least one sub-fund is established.
- xi) In the case of an Islamic scheme:
  - a) The CIS manager and CIS custodian are Shari'a compliant; and

- b) The investment policy and investment objectives of the scheme have been certified as Shari'a compliant by an appropriate Lebanese authority and will be monitored as required by that authority as specified in the CIS statute of the scheme.
- xii) A member of the Association of Certified Public Accountants in Lebanon that is acceptable to the Authority to audit approved institutions has provided its written consent to act as auditor to the scheme.
- xiii) In the case of a closed ended scheme investing in real estate, the professional qualification and independence of the appointed independent real estate expert is acceptable to the Authority.

#### **8506. Power of the Authority to change approved status**

- (1) The Authority may vary, suspend or cancel the approval of a collective investment scheme or employ any of the other powers available to it under Law 706 or Law 161 as is necessary for the protection of investors or upon the request of the CIS manager.

#### **8507. Cancellation of approval**

- (1) The Authority may cancel the approval of a CIS manager for persistent failure of one or more schemes under its management to comply with this Regulation.
- (2) A CIS manager may request the Authority to cancel the approval of a collective investment scheme by filing a written request to the Authority at least ninety days in advance of the proposed date of the cancellation.
- (3) A request to cancel an approval must state the reasons for the cancellation. It must also specify arrangements to protect the interests of the unitholders in the scheme concerned except where a scheme is being wound up upon the expiry of a fixed life as set out in the scheme's CIS prospectus.
- (4) The Authority may require the CIS manager making a request to cancel an approval to:
  - i) Provide any additional information or documents that the Authority considers necessary, or
  - ii) Verify, certify or substantiate any information provided to the Authority.
- (5) After considering the request, the Authority may decide to:
  - i) Cancel the approval, or
  - ii) Delay or postpone the date of the cancellation pending further action.
- (6) In making a decision under sub article (5), the Authority may direct a CIS manager to take any action or measures that the Authority considers necessary for the protection of unitholders in the approved scheme.

**8508. Participation in an approved scheme**

- (1) The terms and conditions of an approved scheme are established by the CIS statute of the scheme.
- (2) The CIS manager is responsible for preparation of and content of the CIS statute.
- (3) The CIS statute must, at a minimum, include the information required in Annex 1.
- (4) A subscriber to a mutual fund signifies their acceptance of the terms of the CIS statute by the purchase of units in a scheme.
- (5) A subscriber becomes the owner of units in the scheme when the scheme account has received payment for the units from that subscriber.
- (6) A unitholder is entitled to exercise all rights in his units including, but not limited to, the right to vote at extraordinary general meetings.
- (7) The CIS statute must state that liability of a unitholder is at all times limited to the amount of the net asset value per unit.
- (8) The CIS statute must state if the scheme has a finite or infinite life and, if finite, the duration.
- (9) The CIS statute must state if the scheme is an Islamic scheme, an open ended scheme, an interval scheme or a closed ended scheme.
- (10) If the scheme is an Islamic scheme, the CIS statute must state the Islamic authority to the scheme and the procedures to be followed if a profit does not comply with the Islamic Law.
- (11) The CIS statute of an open ended scheme or interval scheme must specify if fractions of units in that scheme are issued and if income units and/or accumulation units are issued.
- (12) The CIS statute must specify if different classes of units are issued in an open ended scheme or interval scheme or in a sub-fund of an open ended umbrella scheme or interval umbrella scheme. The CIS statute must not specify a unit class if that class:
  - i) Would result in that unit class disadvantaging holders of other unit classes in the same sub-fund or scheme, or
  - ii) Has a structure or effect that cannot be clearly explained to a member of the public, or
  - iii) Is contrary to the purpose of any of Parts A, B, C, D and E of this Regulation.
- (13) The CIS statute must specify if unit classes of an open ended scheme or interval scheme or sub-fund include classes with:

- i) Different subscription charges, annual management charges or redemption charges, stating these differences.
  - ii) Different currency classes whereby the unit price is expressed as the foreign currency equivalent of the price of the unit in the base currency of the scheme and where purchase and sale of units and payment of investment returns is made in the same foreign currency.
- (14) The CIS statute must state that:
- i) The unitholders may request the convening of an extraordinary general meeting by filing with the CIS manager a document signed by unitholders who, at that date, are registered as the unitholders of units representing at least 10% (or a lower proportion if so stated in the CIS statute) of the value of all the issued units of the scheme or sub-fund. The document must be dated and state the objects of the meeting.
  - ii) On receipt of such a request, the CIS manager must issue notification of an extraordinary general meeting of the scheme or sub-fund within 10 days of receipt of the request.

#### **8509. Permitted fees and expenses**

- (1) Only the CIS manager of a scheme may impose a subscription charge on subscription for units or a redemption charge on redemption of units. The charge may be a stated amount or a percentage of net asset value per unit. A subscription charge and a redemption charge must not be levied on any one unit or unit class.
- (2) The only payments that are permitted to be made from scheme property (or sub-fund property) are those for:
  - i) The cost of dealing in scheme property (or sub-fund property) including brokerage commissions and any directly associated legal costs;
  - ii) The cost of borrowing by the scheme (or sub-fund);
  - iii) The annual management charge payable to the CIS manager for management of the scheme (or sub-fund);
  - iv) The fees and expenses levied by the CIS custodian to the scheme (or sub-fund);
  - v) The fees and expenses of the auditor to the scheme (or sub-fund);
  - vi) The fees and expenses of the appointed independent real estate expert, if any;
  - vii) The cost of maintaining the CIS register, of payment of investment returns to unitholders, of publication of the CIS annual report and accounts; and of calling and conducting unitholder meetings for the scheme (or sub-fund);

- viii) The fees payable to the Authority for the approval and ongoing supervision of the scheme (or sub-fund);
  - ix) In the case of an Islamic scheme (or sub-fund), any zakat payable as stated in the CIS statute and CIS prospectus;
  - x) Any taxation properly payable by the scheme (or sub-fund).
- (3) The annual operational expense ratio of a scheme (or sub-fund) must be calculated as set out in Annex 2 and disclosed in the CIS annual report and accounts and the key information document and CIS prospectus of the scheme (or sub-fund). If a scheme (or sub-fund) is new and does not as yet have a CIS annual report and accounts, an estimated annual operational expense ratio shall be given in the same documents with a note that this is an estimate.
  - (4) The CIS manager of a scheme (or sub-fund) must not levy any charge on a subscriber or a unitholder when they subscribe for, hold or redeem units in a scheme (or sub-fund) unless that charge is clearly and prominently disclosed in the CIS prospectus of the scheme (or sub-fund).
  - (5) The CIS manager must pay all the costs of establishment and offering a scheme (or sub-fund) from its own resources that must include the cost of preparation of the CIS statute and CIS prospectus and other materials required by the Authority for an application for approval for a scheme (or sub-fund).
  - (6) A performance fee that is additional to the annual management charge may only be charged to a scheme (or sub-fund) where that scheme's performance exceeds a stated benchmark by a stated percentage if there is a corresponding reduction in the annual management charge if the performance of the scheme is lower than the stated benchmark.
  - (7) No payment may be made out of scheme (or sub-fund) property in relation to the cost of distribution or offering of units in a scheme (or sub-fund).
  - (8) A CIS manager and a CIS custodian are not liable to account to unitholders in any scheme for any profits or benefits that are made or derived from or in connection with supply of services to the scheme.
  - (9) The Authority has the right to establish limits on the types and levels of charges that may be applied to schemes.

#### **8510. Payment of income and gains**

- (1) The CIS manager is not obliged to pay investment returns (income or realized capital gains) to unitholders unless this obligation is stated in the CIS prospectus on an issue of income units.
- (2) Payments of investment returns to unitholders must only be made from income received by a scheme (or sub-fund) from dividends, interest or real estate rental and must not be made from either realized or unrealized capital gains.

**8511. Investment powers**

- (1) Scheme property must only be invested in accordance with this Regulation, the CIS statute and CIS prospectus and applicable laws. The Authority may take the decision when deemed necessary to temporarily or permanently dis-apply or vary the percentages stated in 8512, 8513 and 8514.
- (2) The CIS manager of a scheme must only invest in:
  - i) Securities or their equivalents under foreign law;
  - ii) Units in a collective investment scheme whose investments comply with articles 8511 to 8518 of this Regulation;
  - iii) Money market instruments, bank deposits and cash;
  - iv) Real estate if the scheme is a closed ended scheme;and such investments must only be made in accordance with this Regulation.
- (3) The CIS manager of a feeder scheme (or feeder sub-fund) shall invest up to 100% of the net asset value of the scheme or sub-fund into a designated master scheme (or sub-fund) which holds a diversified portfolio of investments that meets the requirements of this Regulation. A feeder scheme (or sub-fund) investing in a master scheme (or sub-fund) is exempt from the 15% limit on investment in a single issuer stated in Article 31 of Law 706.
- (4) The CIS manager of a scheme must not place scheme property on deposit with an associate unless such deposit is made upon terms and conditions equivalent to standard business terms between two un-related parties.
- (5) The CIS manager of a scheme must not invest scheme property in securities issued by the CIS manager or its associates unless this is specifically permitted by the CIS statute and CIS prospectus.
- (6) Personnel of a CIS manager must not simultaneously serve as directors or take up any other office in any other company the securities of which are held by any approved scheme under its management with the exception that they may serve as directors of the approved institution of which they are staff members.
- (7) The CIS manager must not lend scheme property to any person.
- (8) The CIS manager must not invest scheme property in any asset that would result in in the scheme assuming, guaranteeing, endorsing, or otherwise becoming directly or contingently liable for any obligation or any indebtedness of any person.
- (9) The CIS manager must not acquire for a scheme any asset that involves the assumption of any liability that is unlimited.

- (10) The CIS manager must not acquire for a scheme units in another collective investment scheme unless that scheme is an approved scheme or a publicly-offered scheme that is subject to similar regulation and oversight in a jurisdiction judged by the Authority to provide equivalent investor protection to Law 706 and this Regulation.
- (11) The CIS manager must not invest in units of other collective investment schemes operated by the same CIS manager or its associates unless this intention is prominently stated in its CIS prospectus.
- (12) The CIS manager must only place scheme property on deposit with a commercial bank licensed by the Bank of Lebanon or a foreign bank with equivalent regulatory status whose issuance is investment grade.
- (13) The CIS manager of a scheme must not make loans from the scheme other than by purchase of debt securities or by placing money in a current or deposit or term account.
- (14) The CIS manager of a scheme is only permitted to invest in a security where the potential loss that the scheme may incur in holding the security is limited to the amount paid for it.
- (15) The CIS manager of a scheme must not sell a security that the scheme does not own.
- (16) The CIS manager of a scheme must only enter into a transaction in derivatives or forward contracts on behalf of that scheme for the purposes of hedging currency risk. Each position must be covered either by money or by securities held by the scheme. An element of cover must not be used more than once. Not more than 100% of the net asset value of the scheme must be hedged.
- (17) The CIS manager of a scheme and its associates and any entity to which it delegates any activities and its associates must not act as principal for their own account or accounts when dealing on behalf of approved schemes under their management. This requirement does not apply to a money market scheme (or sub-fund) that invests a maximum of 15% of its net asset value in deposits or money market instruments of the approved institution that is the CIS manager of that scheme or sub-fund and its associates.
- (18) A CIS manager must not permit an approved scheme (or sub-fund) to deal as a principal with any other scheme (or sub-fund) managed by the same CIS manager or with any unitholder holding more than 5% of a scheme's net asset value with the exception that a money market scheme (or sub-fund) may place deposits with the approved institution subject to sub-article (17) above and article 8513.
- (19) A CIS manager must ensure to the best of its ability that title to real estate acquired by an approved scheme is sustainable in law and saleable and that the interest in such real estate is leasehold or freehold.



- (20) A CIS manager must not permit any real estate owned by an approved scheme to be leased to or rented by or used for any purpose by the CIS manager and or its associates or the CIS custodian and its associates.
- (21) A CIS manager shall ensure before any real estate is purchased for an approved scheme that the appointed independent real estate expert has valued that real estate. The CIS manager must ensure that the purchase of real estate is made by way of enforceable contract within six months of the date of valuation of the real estate by the appointed independent real estate expert and that price paid for that real estate is not more than 105% of the valuation by the appointed independent real estate expert.
- (22) A CIS manager must ensure that at least 50% of the real estate constituting scheme property is occupied and income-producing.
- (23) A CIS manager shall ensure that a scheme (or sub-fund) only invests in assets in countries identified in the CIS prospectus of the scheme (or sub-fund).

### **8512. Permitted borrowing**

- (1) The CIS manager must not borrow on behalf of an open ended scheme (or sub-fund) or interval scheme (or sub-fund) by any method (including issue of debentures) with the exception of borrowing of a maximum of 10% of the net asset value of the scheme (or sub-fund) for a maximum of eighty days by way of overdraft. Such borrowing must not be rolled-over, must only be used to meet redemptions and must not be used for investment or to finance payment of investment returns to unitholders.
- (2) The CIS manager must not borrow on behalf of a closed ended scheme (or sub-fund) more than a 20% of the net asset value of the scheme (or sub-fund). The nature and duration of such borrowing must be clearly stated in the CIS prospectus of the scheme (or sub-fund).
- (3) In the case of a closed ended scheme investing in real estate the CIS manager must ensure that not more than 60% of the value of any one piece of real estate is secured by mortgage.

### **8513. Limits on investment exposures**

- (1) The provisions of this article apply to all schemes and to each sub-fund of a scheme as if it were a scheme except they do not apply:
- i) during the initial fixed price offer period of a scheme when all capital contributed and any interest earned must be held in a single bank account controlled by the CIS custodian;
  - ii) until the expiry of one year after the date of approval of the scheme or one year after the date of the initial offer commenced, if later.
- (2) At any time, not more than 15% of the net asset value of a scheme is permitted to be invested in a specific class of securities of any one issuer or to be deposited with any one bank except that:

- i) Up to 35% of its net asset value may be invested in any one issue of Lebanese government securities or government securities issued by G-10 countries but only if this ability is prominently disclosed in the CIS prospectus.
  - ii) A scheme may only invest up to 15% of its net asset value in any one other scheme provided that that scheme is not a sub-fund within the same umbrella scheme as the investing scheme.
  - iii) A scheme is permitted to have an aggregate exposure of not more than 20% of its net asset value to the securities issued by any one issuer and its associates and deposits of that same body corporate and its associates.
  - iv) A scheme is permitted to invest up to 100% of its net asset value in Lebanese government securities, subject to the following requirements:
    - a) This intention is clearly disclosed in its CIS prospectus; and
    - b) At no time must such a scheme invest more than 35% of its net asset value in any one issue of such securities.
- (3) A scheme is permitted to invest up to 100% of its net asset value in foreign government securities, subject to the following requirements:
- i) The sovereign foreign government securities are rated investment grade; and
  - ii) This intention is clearly disclosed in its CIS prospectus; and
  - iii) At no time must such a scheme invest more than 35% of its net asset value in any one issue of such securities.
- (4) Not more than 15% of the net asset value of a scheme (or sub-fund) must be invested in any one real estate investment.

#### **8514. Concentration of ownership in an issuer's securities**

- (1) A CIS manager of a scheme must not acquire securities carrying a right to vote on any matter at a general meeting of that issuer that represent more than 15% of its voting securities.
- (2) (1) Applies to an umbrella scheme at the level of the umbrella scheme.
- (3) A scheme need not comply with the limit in (1) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

#### **8515. Open ended and interval approved schemes**

- (1) The CIS manager of an open ended scheme and an interval scheme must not invest on behalf of that scheme in:

- i) Securities that are not transferable.
  - ii) Securities that cannot be sold for cash sufficiently quickly without a price discount that will compromise the ability of the scheme to meet its obligation to redeem units.
  - iii) Securities that cannot be reliably valued by reference to market prices made available by valuation systems independent of issuers or by reference to periodic valuations derived from information from the issuer or from competent investment research.
  - iv) Securities for which there is no regular, accurate or comprehensive information available to the market about those instruments or where there is no regular, accurate or comprehensive information available to the CIS manager on those instruments.
  - v) Securities that are not negotiable.
  - vi) Money market instruments that are not capable of being sold at a limited cost and at a price very closely related to their nominal value within 5 days.
  - vii) Foreign corporate and government bonds that are rated lower than investment grade that are issued in countries whose sovereign foreign bonds are rated lower than investment grade.
- (2) The CIS manager of an open ended scheme or interval scheme must only invest on behalf of that scheme in shares that are listed or traded on a securities exchange regulated by the Authority or on a securities exchange that is approved as a securities exchange by the regulatory authority of the country or territory concerned and is acceptable to the Authority. The only exception is that, subject to the requirements of (1) and a clear statement of such a policy in the CIS prospectus, the CIS manager of an open ended scheme or an interval scheme may invest not more than 10% of the net asset value of that scheme in shares that are not listed or traded on a securities exchange.
- (3) An open ended scheme or interval scheme may only invest in a money market instrument that is freely transferable and the issuer of the instrument is:
- i) Regulated as a bank by the Bank of Lebanon and is an alpha bank; or
  - ii) Regulated as a bank in another country whose banking regulation offers equivalent investor protection to that offered by bank regulation in Lebanon and the issuance is investment grade; or
  - iii) The government of Lebanon; or
  - iv) A foreign national or regional or municipal government and the issuance is investment grade; or

- v) A multilateral organization of which Lebanon is a member and the issuance is investment grade.

#### **8516. Indexed scheme (or sub-fund)**

- (1) A CIS manager of an indexed scheme (or sub-fund) must invest a substantial proportion of its assets in a representative sampling of securities constituting a specified index or must replicate a specified index. A specified index for the purposes of this article must be an index that:
  - i) Is disclosed to and accessible by the public on a continuous basis; and
  - ii) Represents an adequate and appropriate benchmark for the securities market to which it refers, is clearly defined, and has a sufficiently diversified composition.

#### **8517. Money market scheme (or sub-fund)**

- (1) A CIS manager of a money market scheme (or sub-fund) must invest only in cash, debt securities and Mudaraba transactions and deposits which are eligible for investment under Article 8515 (3). Any counterparty to the transaction must only be an approved institution or the Lebanese government or a foreign government or corporate whose bonds are rated investment grade.
- (2) A CIS manager of a money market scheme (or sub-fund) must not invest its capital in any instrument with a maturity or remaining maturity at acquisition of more than one year and not less than 50% of the value of the scheme must be invested in instruments with a maturity or remaining maturity at acquisition of ninety days or less.
- (3) A scheme (or sub-fund) that does not comply with (1) and (2) must not be named or described as a money market scheme or sub-fund or close equivalent.

#### **8518. Fund of funds (or sub-fund of funds)**

- (1) A CIS manager of a fund of funds (or sub-fund of funds) must invest at least 90% of the net asset value of that scheme (or sub-fund) in other collective investment schemes that are eligible for investment under articles 8511 – 8517 and up to 10% of the value of the scheme in cash, deposits and money market instruments.
- (2) A fund of funds (or sub-fund of funds) must not invest in another fund of funds (or sub-fund of funds).
- (3) A sub-fund of funds must not invest in other sub-funds of the same umbrella scheme.

#### **8519. Breach of investment restrictions**

- (1) If the provisions of articles 8511 – 8518, the CIS statute or the CIS prospectus of a scheme (or sub-fund) are breached due to an act of the CIS manager or any entity that it delegated portfolio management functions to, the CIS manager must immediately notify the Authority in writing setting out the steps to be taken to address the breach and the deadlines for completing such steps, and copy the notice to the CIS custodian.

- (2) If the provisions of Articles 8511 – 8518, the CIS statute or CIS prospectus of a scheme (or sub-fund) are breached due to circumstances outside the control of the CIS manager and the breach has not been rectified within five days, the CIS manager must immediately notify the Authority in writing, setting out the steps to be taken to address the breach and the deadline for rectification of the breach and copying this notification to the CIS custodian.
- (3) The CIS custodian must keep a record of all breaches under (1) and (2) and must document the action taken and the timing of action taken to rectify the breach and must make this record available to the Authority upon request. The CIS custodian must immediately notify the Authority if a breach under (1) or (2) has not been corrected within the stated deadline.

#### **8520. Exercise of rights**

- (1) The CIS custodian of a scheme (or sub-fund) must immediately notify the CIS manager of any corporate actions arising in relation to any security held by the scheme (or sub-fund) in a timely, accurate and complete manner.
- (2) The CIS manager of a scheme must exercise any rights associated with any assets of the scheme (or sub-fund) or instruct the CIS custodian to this effect in the best interests of unitholders in that scheme or (sub-fund).

#### **8521. Requirements for the CIS Prospectus**

- (1) The CIS manager of an approved scheme is responsible for the preparation and content of the CIS prospectus of the scheme.
- (2) A CIS prospectus must be prepared for each scheme and in the case of an umbrella scheme, must cover each of the sub-funds of that scheme.
- (3) The CIS prospectus must be clear, concise and understandable and must be in Arabic or English.
- (4) The CIS prospectus must contain the information necessary for potential unitholders to make an informed judgement regarding the scheme (or sub-fund) being offered to them, including the information required in Annex 1.
- (5) A CIS prospectus must be complete and accurate and up to date and in the case of an open ended scheme or an interval scheme must be updated annually in a timely manner with information on the operational expense ratio and performance from the previous audited year and for any other material change.
- (6) The CIS prospectus must contain a prominent statement of the scheme's approved status and the regulatory regime applying to the scheme and its CIS prospectus, and the date of the issue of the CIS prospectus.
- (7) The CIS prospectus must state that

“The Capital Market Authority does not accept any responsibility for the content of the information included in the offering documents including the accuracy or completeness of such information. The liability for the content of this prospectus lies with the CIS manager of the scheme. The Capital Markets Authority has also not assessed the suitability of the securities covered by the offering documents for any particular investor or type of investor.”

- (8) The CIS prospectus for a new scheme must contain details of any initial offer period during which units may only be offered at the initial price. The duration of any fixed offer period must not exceed twenty days. The CIS prospectus must state that during that period subscription monies will not be invested but will be held on deposit until the end of the fixed offer period.
- (9) The CIS prospectus for a new scheme must state the minimum subscription amount that must be raised from subscriptions to the scheme during any initial offer period which must not be less than \$US 10 million (or the current equivalent in another currency) and that no investment of subscription monies must take place until the completion of that initial offer period.
- (10) The CIS prospectus for a new scheme must state that if the minimum amount is not raised in the initial offer period, subscription monies must be returned to subscribers, plus any interest due, within five days from the last day of the initial offer period.
- (11) The CIS manager must file a CIS prospectus that has been amended with the Authority within ten days of the changes being made to the CIS prospectus.

#### **8522. Approval of material changes**

- (1) A CIS manager must notify the Authority of any proposed material change to an approved scheme (or sub-fund) and must only propose such a change to unitholders if the Authority has not objected to the proposed change within 15 days of receipt of written notification of the proposed change.
- (2) A CIS manager must seek the approval of unitholders in the scheme or sub-fund or unit class to a material change to a scheme or sub-fund or unit class in an extraordinary general meeting of unitholders of that scheme or sub-fund or unit class.
- (3) For the purposes of this Regulation, a material change to a collective investment scheme (or sub-fund) or unit class means:
  - i) A change to the purposes or nature of the scheme (or sub-fund); or
  - ii) A change that is likely to have a measurable adverse effect on unitholders or a class of unitholders and their rights; or
  - iii) A change that alters the risk profile of the scheme (or sub-fund); or
  - iv) The introduction of any new type of payment out of scheme property other than taxation; or

- v) In the case of a closed ended scheme with a fixed life, extension of that life; or
  - vi) An increase in the annual management charge above the limit disclosed in the CIS prospectus; or
  - vii) A change that affects unitholders' ability to exercise their rights in relation to their investment; or
  - viii) A change that would reasonably be expected to cause a unitholder to reconsider their investment in the scheme (or sub-fund) or unit class; or
  - ix) A change that results in any increased payments out of the scheme (or sub-fund) or unit class property to the CIS manager or an associate; or
  - x) A change that increases any other type of annual fee payable by scheme (or sub-fund) or unit class property in any one year by more than 5% above those stated in the CIS prospectus.
- (4) During the period between advising unitholders of the proposed change and approval or refusal of the change, an addendum must be added to the CIS prospectus describing the proposed change and identifying when the vote will take place.
- (5) Following approval of the change which is subject to Article 8533, the CIS prospectus must be updated and the next CIS annual report and accounts for the scheme (or sub-fund) must include information on the change and written notification of the change made and copies of these documents must be provided to the Authority.

#### **8523. Notification to the Authority and unitholders of other changes**

- (1) The CIS manager of a scheme must give written notification to the Authority of any notifiable change to an approved scheme or sub-fund within ten days of the change taking effect.
- (2) For the purposes of this Regulation a notifiable change is any change that is not a material change.
- (3) The CIS prospectus must be updated for any notifiable change at the next annual review and the next CIS annual report and accounts must contain information on the notifiable change.

#### **8524. Notification of initial offer period outcome to the Authority**

- (1) The CIS manager of a scheme (or sub-fund) that has completed its initial offer period must give written notification to the Authority of the outcome of that subscription the next day following the last day of the initial offer period.

#### **8525. Subscription to and redemption from approved schemes**

- (1) Subscription for a unit in an approved scheme must be in money and be fully paid up.

- (2) Following the end of the initial offer period, units in an open ended scheme or interval scheme may be purchased on any dealing day.
- (3) Dealing must only take place in units of an open ended scheme or interval scheme if a net asset value per unit calculation has been undertaken at the valuation point required in Article 8530.
- (4) Dealing in units of open ended schemes or sub-funds or unit classes or interval schemes or sub-funds or unit classes must be at the unit price calculated at the valuation point following receipt of a valid order.
- (5) Submission of requests for subscription and for redemption for an open ended scheme or an interval scheme must not be fulfilled unless they are received not less than two hours before the next valuation point; any orders received after that time must be fulfilled at the next following valuation point.
- (6) The CIS manager must meet subscription or redemption requests subject to any provisions of the CIS prospectus and Articles 8526 and 8527.
- (7) The CIS manager must pay redemption proceeds to the redeeming unitholder not later than the close of business on the fifth day following the valuation point at which the unit was redeemed.

#### **8526. Limiting or deferring redemption of open ended and interval schemes**

- (1) A CIS manager may defer fulfilling a request for redemption until the next dealing day if the total of all unitholders' redemption requests to be fulfilled on any one dealing day is 10% or more of the net asset value of the scheme or sub-fund subject to this ability being disclosed in the CIS prospectus with terms that ensure fair and equitable treatment of all redemption requests and procedures for deferral of requests.
- (2) A procedure for deferral of requests is deemed to be fair and equitable if it is pro rata to the proportion of the total redemption value requested.

#### **8527. Suspension of subscription and redemption of units in open ended and interval schemes**

- (1) The CIS manager of a scheme or sub-fund must suspend subscription and redemption of units if the Authority orders such suspension either for a definite or an indefinite period.
- (2) The CIS manager of a scheme or sub-fund may suspend redemption of units in a scheme or sub-fund only in the following circumstances:
  - i) If the subscription of units is also suspended; and
  - ii) If the CIS manager and the CIS custodian agree that such suspension is in the best interests of unitholders in that scheme or sub-fund; or



- iii) Due to reasons beyond its control the CIS manager is unable to accurately value the assets of the scheme or sub-fund for the purposes of subscription and redemption.
- (3) In the case of any suspension under (2) the CIS manager must ensure that any suspension continues only for as long as it is necessary to protect the interests of unitholders, in agreement with the CIS custodian.
- (4) The CIS manager must inform the Authority and unitholders of any suspension of subscription and redemption of units immediately after its commencement and inform the Authority and unitholders of any resumption within one day after it takes place.
- (5) The Authority has the power to require ending of such suspension if the Authority believes that to do so is in the best interests of unitholders.

#### **8528. Securities advertisements and promotional materials**

- (1) A securities advertisement that is communicated to unitholders or potential unitholders in relation to an approved scheme or sub-fund must satisfy the requirements of this Article and the applicable provisions of the Licensing and Registration Regulation.
- (2) Any securities advertisement for a scheme or sub-fund must be consistent with the CIS prospectus for the scheme or sub-fund and must include information on:
  - i) How to obtain a copy of the scheme or sub-fund's CIS prospectus and key information document if available and most recent CIS annual report and accounts; and
  - ii) A statement that the value of units and the income from them can fall as well as rise and that investors may not get back the money they invested.
- (3) A securities advertisement for a scheme or sub-fund must not include:
  - i) A projection or prediction of total return or investment performance of the scheme or sub-fund or of a unit in the scheme or sub-fund.
  - ii) Any form of testimonial or endorsement by any party.
- (4) A CIS manager must maintain records of all securities advertisements it places in any media together with the dates of placement and the medium concerned and must provide a copy of any such advertisement to the Authority promptly upon its request.

#### **8529. Performance of an approved scheme or sub-fund**

- (1) No reference to the performance of the value of a scheme or sub-fund or a unit in a scheme or sub-fund may be made in any media by a CIS manager unless it complies with the requirements of this Article.

- (2) Any reference to the growth in net asset value per unit of a scheme or a sub-fund (or schemes or sub-funds) or to the income produced by a unit in a scheme or sub-fund (or schemes or sub-funds) must comply with the following requirements:
- i) Total return must be stated net of any subscription charge and of any redemption charge and of annual expenses paid out of the scheme or sub-fund with the exception of taxation paid by the scheme.
  - ii) The subscription charge, the operational expense ratio and any redemption charge of the scheme (or sub-fund) must be stated prominently as a percentage of the net asset value of the unit.
  - iii) Total return must be presented in comparison with the benchmark or index disclosed in the CIS prospectus of the scheme or sub-fund concerned and must state whether costs are or are not included in that benchmark or index. If the index or benchmark does not include all elements of total return, the advertisement must disclose what elements of return are not included in the benchmark or index and how that omission affects the comparison of the scheme's total return with the benchmark or index.
  - iv) Total return for a scheme (or sub-fund) must be shown separately for one, three, five and ten years but no returns may be shown for a period of less than one year.
  - v) Total return for a scheme (or sub-fund) must be current to the end of the most recent quarter of the calendar year or more recent.
  - vi) The source of total return data must be clearly stated. If the source is not an information provider that is independent of the CIS manager then a statement to this effect should be prominent.
  - vii) If the performance information shown may be misleading to potential unitholders in any way, an explanation of the information must be included.

### **8530. Valuation and pricing of approved scheme and sub-fund units**

- (1) The CIS manager is responsible for valuation of a scheme and a sub-fund and the calculation of the net asset value of units in a scheme and a sub-fund.
- (2) The CIS manager of a closed ended scheme must calculate the net asset value per unit at the frequency stated in the CIS prospectus which shall be at least twice a year at regular intervals. The net asset value per unit shall be published immediately following its calculation on the website of the CIS manager. The valuation of real estate held by a closed ended scheme shall be undertaken by the appointed independent real estate expert to the scheme.
- (3) Calculation of the net asset value of a unit and the price of a unit must take place:
  - i) For an open ended scheme, at the valuation point and at the frequency stated in the CIS prospectus which must be at least once every two weeks at regular intervals.

- ii) For an interval scheme, at the valuation point and at the frequency stated in the CIS prospectus which must be not less than four times per year at regular intervals.
- (4) The CIS prospectus of the scheme or sub-fund must state the method and basis for the calculation of the net asset value per unit that must be agreed with the CIS custodian. This basis must comply with the requirements of Annex 1.
- (5) The CIS manager of an open ended scheme (or sub-fund) or an interval scheme (or sub-fund) is responsible for calculating the price at which units may be subscribed or redeemed. The price of units on any dealing day must be net asset value per unit based on the mid-price valuation plus dealing costs of the assets of the scheme, plus a charge for subscription or less a charge for redemption. The unit price is permitted to swing up to the market offer price valuation basis when the scheme or sub-fund is selling more units than it is redeeming and to swing down to the market bid price valuation basis when the scheme or sub-fund is redeeming more units than it is selling.
- (6) Unit prices must be expressed to four decimal places.
- (7) The CIS manager and the CIS custodian must record each instance where an asset or a liability of a scheme or sub-fund is valued incorrectly or the price per unit is incorrect. This record must be made available to the Authority upon request.
- (8) If the unit price is incorrect by more than 1%, the CIS manager must notify the Authority and the CIS custodian immediately to this effect and the CIS manager must reimburse any incoming or outgoing unitholder who has suffered damage as a consequence and must reimburse the scheme or sub-fund for any damage suffered as a consequence within 30 days. The CIS custodian must give written notification to the Authority if the CIS manager fails to make reimbursement within the established deadline.
- (9) If the net asset value per unit falls more than 25% from the net asset value per unit on 31 December of the previous year, the CIS manager must notify the Authority immediately.
- (10) The auditor of a scheme or a sub-fund shall undertake a random spot check on the calculation of the net asset value per unit of a scheme (or sub-fund), the calculation of the price of a unit of an open ended scheme or interval scheme (or sub-fund) and compliance with the scheme (or sub-fund) investment limits not less than once per annum for each stand-alone scheme and sub-fund that is audited.

### 8531. Audit requirements

- (1) The auditor of an approved scheme must be independent of the CIS manager and the CIS custodian.
- (2) The auditor of an approved scheme may also audit the CIS manager of that scheme.

- (3) The Authority may require the CIS manager to replace the auditor of a scheme if:
  - i) There are allegations of professional misconduct against that auditor;
  - ii) If the auditor ceases to be independent;
  - iii) It determines that the auditor does not have sufficient expertise or capacity to satisfactorily perform its audit functions.
- (4) The audit fee payable to the auditor must be agreed by the CIS manager and disclosed in the CIS annual report and accounts.

### **8532. Meetings of unitholders**

- (1) The CIS manager of an approved scheme or sub-fund may call an extraordinary general meeting of unitholders at its own initiative.
- (2) The CIS manager must call an extraordinary general meeting of unitholders within 10 days of receiving a written request signed by unitholders holding not less than 10% of the value of units in issue in the scheme or sub-fund.
- (3) The CIS manager must give written notification of the meeting to all unitholders of the scheme or sub-fund on the register on the date of the decision to call the meeting, and the CIS custodian and the Authority. The written notification must give at least 15 days' and not more than 25 days' notice of the meeting and must state the agenda, the venue and the time and date of the meeting.
- (4) The minimum quorum required for conduct of a meeting of unitholders is two unitholders present in person or by proxy excluding the CIS manager and its associates.
- (5) If after a reasonable time the required minimum quorum is not present, the CIS manager must call a second meeting and must send written notification to unitholders, the Authority and the CIS custodian, giving not less than ten and not more than twenty days' notice of the reconvened meeting. At the second meeting, any number of unitholders holding any number of units present in person or by proxy is a quorum, excluding the CIS manager and its associates.
- (6) Every unitholder is entitled to appoint another unitholder in the scheme or sub-fund a proxy to represent them at a unitholder meeting.
- (7) The unitholder meeting must be chaired by the CIS custodian.
- (8) Minutes of the meeting must be taken by the CIS manager and agreed as an accurate record with the CIS custodian and must form part of the CIS records.
- (9) Every unitholder is entitled to exercise one vote at the meeting of unitholders for each unit that the unitholder holds at the time of the meeting.

- (10) A proposed material change to a scheme or sub-fund must be adopted only if holders of not less than 75% of units in issue vote in favor of that change.

### **8533. Disclosure to unitholders and investors**

- (1) The CIS manager must provide the key information document for the scheme or sub-fund or unit class to every investor before they invest and if a sale of units is made through a third party must provide that key information document to that third party to be provided to the investor before they invest.
- (2) The current key investor information document, current CIS prospectus and most recent CIS short form annual report and most recent CIS annual report and accounts of the scheme or sub-fund must be promptly provided to potential investors free of charge at their request.
- (3) The CIS manager of a scheme or sub-fund must immediately publish the net asset value per unit of a scheme or sub-fund as often as it is calculated on the website of the CIS manager and must state where this is published in the CIS prospectus and key information document.
- (4) The current key information document and most recent CIS short form annual report (or CIS annual report and accounts if a CIS short form annual report is not published for each scheme and sub-fund under the management of a CIS manager) must be made prominently and permanently available on the website of the CIS manager.
- (5) The most recent CIS annual report and accounts of the scheme or sub-fund must be provided to a potential investor upon request unless a CIS short form annual report is provided instead.
- (6) The CIS manager must provide each unitholder in the scheme or sub-fund on the last day of the financial year with an annual statement of units owned and the net asset value per unit of units owned on the first and last days of the period, and transactions in units and investment returns paid to income units in the period within twenty days of the end of the financial year.
- (7) The CIS manager of a scheme or sub-fund must send each subscriber or redeemer of units a statement of the number and value of units bought or sold within 5 days of the transaction.

### **8534. Key information document**

- (1) A key information document must be prepared for each scheme which is not an umbrella scheme and each sub-fund of an umbrella scheme.
- (2) The CIS manager is responsible for the preparation and content of the key information document that must be consistent with the CIS statute and the CIS prospectus and must be updated when the CIS prospectus is updated.
- (3) A key information document for a scheme or sub-fund must meet the requirements of Annex 1 and must contain information on how to obtain the CIS prospectus.

**8535. CIS annual report and accounts**

- (1) A CIS Manager may prepare a CIS short form annual report for a scheme or sub-fund. The content of the CIS short form annual report must be consistent with the CIS annual report and accounts and must state how to obtain the CIS annual report and accounts.
- (2) The CIS manager is responsible for the preparation and content of the CIS annual report and accounts and the CIS short form annual report for a scheme or sub-fund that must meet the requirements of this Regulation and Annex 2.
- (3) The audited CIS annual report and accounts must be approved by the CIS manager and signed by two directors of the CIS manager.
- (4) The audited CIS annual report and accounts for the calendar year must be sent to all unitholders in the scheme or sub-fund on the last day of the financial year by 31 March of the next year unless a CIS short form annual report is sent to all unitholders in the scheme or sub-fund by the same deadline.

**8536. Termination**

- (1) A CIS manager must seek the consent of unitholders of a scheme or sub-fund at an extraordinary general meeting to terminate an approved scheme or sub-fund under Article 8522 applying to a material change to the scheme or sub-fund.
- (2) The consent of unitholders to termination of a scheme or sub-fund is not required in the case of an approved scheme or sub-fund of an approved scheme with a fixed life specified in the CIS statute and CIS prospectus when that fixed life expires. The CIS manager must give the unitholders and the Authority at least thirty days' notice of such termination.
- (3) The consent of unitholders to termination of a scheme or sub-fund is not required in the case of an approved scheme or sub-fund of an approved scheme whose CIS statute and CIS prospectus clearly state that it will be terminated upon the occurrence of specified events, provided that one of those events has occurred. The CIS manager will notify the Authority and unitholders in writing immediately after the occurrence of the specified event triggering the termination of the scheme.
- (4) The consent of unitholders to termination of a scheme or sub-fund is not required in the case of an approved scheme or sub-fund that is required to be terminated under Article 18 of Law 706.
- (5) Termination of an approved scheme must be published in the Lebanese Gazette.

**8537. Reporting to the Authority**

- (1) A CIS manager must submit a monthly/<sup>1</sup> report to the Authority on all the schemes and sub-funds under its management within **[ten]** days of the last day of the month.

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<sup>1</sup> It is understood that the CMA's present system is set to deal with monthly reports and that this would be difficult and potentially costly to change in the short term; so this Regulation envisages monthly reports but

The report must meet the requirements of Annex 3. The Authority may vary this requirement to require quarterly reporting.

## **Part F: Exempt offer schemes established in Lebanon**

### **8601. Application of this Part**

- (1) This Part applies to exempt offer schemes established in Lebanon.

### **8602. Notification to the Authority**

- (1) Any person seeking to establish an exempt offer scheme in Lebanon must submit written notification to the Authority of this intention.
- (2) The applicant must be an approved institution approved by the Authority to manage collective investment schemes in Lebanon.
- (3) A notification must meet the requirements of Annex 1.
- (4) Units in an exempt offer scheme may only be offered in Lebanon through an exempt CIS offer made in accordance with Article 8603 and the Offers of Securities Regulation.

### **8603. Exempt offer schemes and eligibility of investors**

- (1) An offer of units in an exempt offer scheme or sub-fund is an exempt CIS offer for the purposes of this Regulation where:
  - i) The offerees are all professional clients; and
  - ii) The minimum amount payable in subscription per offeree is \$US 50,000 or the equivalent in another currency.
- (2) A scheme or sub-fund offered other than in compliance with (1) must meet the requirements for approved schemes and sub-funds.
- (3) The Authority may, in circumstances other than (1) and upon application of a CIS manager seeking to make an offer of units in an exempt offer scheme, determine that such an offer must be treated as an exempt offer scheme subject to compliance with such limitations as the Authority may impose.

### **8604. Exempt offer scheme requirements**

- (1) A CIS manager that proposes to offer units in a exempt offer scheme must:
  - i) Submit to the Authority the constituting document and offering document for the scheme that must include the disclaimer required in (5) and state that the

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gives the power to move to quarterly reports (the CIS Supervisory Manual will also be adjusted to monthly reporting for now)

- minimum subscription to the scheme must not be less than \$US 10 million (or the current equivalent in another currency);
- ii) Pay the fee prescribed by the Authority;
  - iii) Provide any other information that is reasonably required by the Authority.
- (2) If after receiving a notice under Article 8602 the Authority considers that the proposed offer of units may not be in the interests of investors in Lebanon or may result in a breach of Law 706, Law 161 or the Regulations under Law 161 then it may take the following actions:
- i) Carry out any enquiries that it considers relevant to the proposed offer; or
  - ii) Require the CIS manager to provide further information or to verify, certify or substantiate any information provided to the Authority.
- (3) If the Authority determines that the proposed offer is not in the interests of investors in Lebanon or may result in a breach of Law 706, Law 161 or the Regulations the Authority may publish a notice prohibiting that offer and issue a notice to the CIS Manager directing it not to make that offer.
- (4) If the Authority does not object to the proposed offer within fifteen days of receipt of the notice under (1) the CIS manager may proceed to create the scheme. The Authority shall, if the CIS manager requests this, issue a certificate of registration to the CIS manager, stating that it has no objection to the establishment of the exempt offer scheme and the offering of its units and enter the name of the scheme on the Register of schemes.
- (5) The offering document of the exempt offer scheme must contain a prominent statement that:
- “This scheme is not subject to the requirements for schemes that are offered to the public in Lebanon under Law 706 and the Collective Investment Scheme Regulation issued by the Authority or to supervision by the Authority. The Authority does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers to the scheme should conduct their own due diligence on the accuracy of the information relation to the scheme.”
- (6) The CIS manager must file the results of the offer with the Authority within five days of the end of the initial offer period in the form prescribed by the Authority.

### **8605. Participation**

- (1) An exempt offer scheme must be established under the constituting document and the offering document of the scheme.



- (2) A subscriber to the scheme signifies their acceptance of the constituting document and the offering document of the scheme by the purchase of units in the scheme.
- (3) A unitholder is entitled to exercise all rights in relation to units upon payment for those units.
- (4) The rights of the holder of a unit to redeem (if any) must be stated in the constituting document and offering document of the scheme including how this can be exercised.
- (5) The rights of the holder of a unit to consent to proposed changes to the constituting document and offering document of a scheme must be stated in the constituting document and offering document of the scheme including how such rights can be exercised.
- (6) The rights of the holder of a unit to receive the CIS annual report and accounts must be stated in the offering document.

#### **8606. Restrictions on secondary market activity**

- (1) An exempt offer scheme must not be listed or traded on any securities exchange or other publicly accessible transaction platform.
- (2) Transfers of units in an exempt offer scheme if permitted by the constituting document must only be made:
  - i) To existing unitholders in the scheme; or
  - ii) To another professional client and the minimum amount payable for such units is not less than \$US 50,000 or the equivalent amount in another currency.

#### **8607. Termination of scheme**

- (1) The provisions for termination of an exempt offer scheme must be stated in the constituting document and offering document of the scheme.

#### **8608. Investment objectives and policy**

- (1) The investments of an exempt offer scheme may consist of assets of any type or description but the CIS manager must clearly state the investment objective and investment policy of the scheme and the permitted investments of the scheme together with any investment restrictions or limitations in the scheme's constituting document and offering document.
- (2) The CIS manager must have a duty under the constituting document of the scheme to comply at all times with the scheme's investment objective, investment policy, permitted investments, restrictions and limitations as established in the scheme's constituting document and offering document.
- (3) The ability of an exempt offer scheme to borrow or leverage is unlimited but the maximum amount and duration and type of such borrowing and the means of

achieving leverage that may be used and their implications must be stated in the scheme's constituting document and offering document.

#### **8609. Valuation, pricing and dealing in units**

- (1) The constituting document and offering document of the scheme must clearly establish:
  - i) The basis and methodology for the valuation of scheme property;
  - ii) The calculation of net asset value per unit of the scheme and the frequency and timing of that calculation;
  - iii) The policy on pricing of units for open ended schemes and interval schemes;
  - iv) Requirements for dealing in and transfer of units of the scheme for open ended schemes and interval schemes.
- (2) The CIS manager must notify unitholders of any change under (1) and the procedure for such notification must be set out in the offering document.

#### **8610. Securities advertisements and promotional materials**

- (1) A CIS manager must not advertise or communicate securities advertisements and promotional materials relating to an exempt offer scheme unless the following conditions are complied with:
  - i) The securities advertisement or promotional materials are directed at and available solely to identified professional clients; and
  - ii) The securities advertisement complies with the requirements of the Licensing and Registration Regulation; and
  - iii) Written notification has been made under Article 8601 sub-article (1) and the prescribed 15 day period following notification under Article 8604 sub-article (4) has passed and no objection has been received from the Authority.

### **Part G: Offer of units in a foreign scheme (or sub-fund)**

#### **8701. Application of this Part**

- (1) This Part applies to the offer of foreign schemes (or sub-funds) in Lebanon.

#### **8702. General requirements for offer**

- (1) Public offer of units in a foreign scheme (or sub-fund) in Lebanon is not permitted unless that scheme (or sub-fund) is a collective investment scheme (or sub-fund) created in a foreign jurisdiction that is approved by the regulator in that jurisdiction for public offer and the scheme (or sub-fund) is approved by the Authority as offering equivalent protection to Lebanese investors as Law 706 and this Regulation.

- (2) An offer of units in a foreign scheme (or sub-fund) in Lebanon that is not a foreign approved scheme (or sub-fund) is only permitted if the offer complies with the exempt CIS offer requirements of this Part and the Offers of Securities Regulation. An offer of a foreign scheme (or sub-fund) is an exempt CIS offer for the purposes of this Regulation where:
- i) The offerees are all professional clients; and
  - ii) The minimum amount subscribed by each offeree is \$US 50,000 or the equivalent in another currency.
- (3) A foreign scheme (or sub-fund) offer that does not comply with (2) must meet the requirements for a public offer of foreign approved schemes and sub-funds in this Part.
- (4) Offering of foreign schemes (or sub-funds) in Lebanon must be undertaken by an approved institution eligible to undertake that activity.

### **8703. Requirements for approval and public offer**

- (1) Notification of a foreign scheme (or sub-fund) for public offer in Lebanon must be made by an approved institution to the Authority.
- (2) The application must contain the information required in Annex 1 and must include a copy of the current offering document for the scheme (or sub-fund) and its constituting document in Arabic or English. The offering document must include an addendum containing the disclaimer required in Article 8706 sub-article (1).
- (3) The applicant must provide evidence acceptable to the Authority that the scheme (or sub-fund) for which application is made has been approved for public offer by a regulatory authority in a jurisdiction judged by the Authority to provide at least equivalent investor protection to Law 706 and this Regulation.
- (4) The application fee prescribed by the Authority must be paid.

### **8704. Process and powers of the Authority**

- (1) The Authority shall consider the application within 30 days of receipt of all the information required by this Regulation.
- (2) In assessing an application for approval of a foreign scheme (or foreign sub-fund) the Authority may:
  - i) Carry out any review, enquiry or investigation that it considers appropriate.
  - ii) Inspect any office or premises of the applicant.
  - iii) Require the applicant to explain any matter the Authority considers relevant to the application.
  - iv) Require the applicant to provide any additional information or documents that the Authority considers relevant.

- v) Require the applicant to verify, certify or substantiate any information provided to the Authority.
- (3) The Authority may refuse to consider an application if:
- i) It is incomplete.
  - ii) It does not meet the requirements prescribed by the Authority.
  - iii) The applicant has failed to provide information requested by the Authority, or has failed to provide information within a specified time.
  - iv) The fee prescribed by the Authority has not been paid.
- (4) After completing its assessment of an application, the Authority will make one of the following decisions:
- i) Approve the application in whole or in part.
  - ii) Approve the application subject to any conditions and limitations that the Authority considers appropriate.
  - iii) Refuse the application.
- (5) If the Authority decides to approve an application it must give written notification to the applicant, including any conditions and limitations on the approval set by the Authority and enter the name of the foreign scheme (or foreign sub-fund) in the Register of schemes.
- (6) If the Authority decides to refuse an application, it must give written notification to the applicant.

#### **8705. Notification of public offer of an additional sub-fund**

- (1) Public offer of units in a new sub-fund of a foreign approved umbrella scheme is not permitted unless:
- i) The Authority has received 30 days' prior notice of the addition of the sub-fund from the approved institution; and
  - ii) The Authority has not notified the applicant of any objection to the sub-fund within 30 days of receipt of the notice of the proposed addition of the sub-fund.

#### **8706. Offering document requirements**

- (1) The offering document for the foreign approved scheme (or foreign sub-fund) must include a prominent addendum stating:
- i) “This collective investment scheme (or sub-fund) has been approved by the Capital Market Authority of Lebanon for public offer in Lebanon. However, this scheme is not regulated or supervised by the Capital Markets Authority of Lebanon.”

**8707. Changes to foreign approved scheme status**

- (1) The Authority may vary, suspend or cancel the approval of a foreign scheme (or foreign sub-fund) or employ any of the other powers available to it under Law 706 or Law 161 in the public interest.

**8708. Cancellation of foreign approved scheme status**

- (1) The Authority may cancel the approval of a foreign scheme (or foreign sub-fund) for failure to pay any fee prescribed by the Authority by the due date.
- (2) An approved institution may request the Authority to cancel the approval of a foreign scheme (or foreign sub-fund) by filing a written request to the Authority at least sixty days in advance of the proposed date of the cancellation.
- (3) A request to cancel an approval must state the reasons for the cancellation.
- (4) The Authority may require the approved institution making a request to cancel an approval to:
  - i) Provide any additional information or documents that the Authority considers necessary, or
  - ii) Verify, certify or substantiate any information provided to the Authority.
- (5) After considering the request, the Authority may decide to:
  - i) Cancel the approval.
  - ii) Delay or postpone the date of the cancellation pending further action.
- (6) In making a decision under sub article (5), the Authority may direct an approved institution to take any action or measures that the Authority considers necessary for the protection of Lebanese unitholders in the foreign scheme (or foreign sub-fund).

**8709. Power of Authority to suspend distribution of foreign approved schemes**

The Authority may direct an approved institution to suspend or to cease distribution of a foreign approved scheme (or foreign sub-fund) if it considers that is necessary in the public interest.

**8710. Foreign exempt schemes and eligibility of investors**

- (1) An offer of units in a foreign scheme (or sub-fund) is an exempt CIS offer for the purposes of this Regulation where it meets the requirements of Article 8702 sub-article (2).

**8711. Foreign exempt scheme requirements**

- (1) An approved institution must not offer a foreign exempt scheme (or foreign sub-fund) unless it has:

- i) Notified the Authority of its intention to make the offer in the form set out in Annex 1 at least 15 days prior to making the offer;
  - ii) Submitted to the Authority the information required in Annex 1;
  - iii) Submitted to the Authority the constituting document and offering document for the foreign scheme (or foreign sub-fund) that must include an addendum containing the disclaimer required in article 8712;
  - iv) Paid the fee prescribed by the Authority;
  - v) Provided any other information that is reasonably required by the Authority.
- (2) If the Authority receives notice of a proposed offer of a foreign scheme (or foreign sub-fund) that it considers is not in the public interest or may result in a breach of Law 706, Law 161 or this Regulation, it may take the following actions:
- i) Carry out any enquiries that it considers appropriate, including requiring the approved institution to explain any matters that the Authority considers relevant to the proposed exempt CIS offer; or
  - ii) Require the approved institution to provide further information or to confirm in such manner as the Authority may specify, that the information provided is accurate.
- (3) If the Authority determines that the proposed exempt CIS offer is not in public interest or may result in a breach of Law 706, Law 161 or this Regulation the Authority may notify the approved institution that the offer is prohibited, and take any action it considers necessary to enforce its decision.
- (4) If the Authority does not object to the proposed exempt CIS offer within 15 days of receipt of a notice under (1) the approved institution may make the proposed offer. The Authority shall, at the request of the applicant, issue a certificate to the applicant stating it has no objection to the exempt CIS offer of the foreign scheme (or foreign sub-fund).
- (5) If the Authority does not object to the proposed exempt CIS offer within 15 days of receipt of a notice under (1) the Authority shall enter the name of the foreign scheme (or foreign sub-fund) on the Register of schemes.

#### **8712. Required addendum to prospectus or offering document**

- (1) The offering document for the foreign exempt scheme (or foreign sub-fund) must include a prominent addendum stating:
  - i) “This scheme (or sub-fund) is not subject to the requirements for schemes that are offered to the public in Lebanon under Law 706 or to supervision by the Capital Markets Authority. The Authority does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability

whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers to the scheme should conduct their own due diligence on the accuracy of the information relation to the scheme.”

### **8713. Cancellation of consent by the Authority**

- (1) The Authority may cancel its consent to exempt CIS offer of a foreign exempt scheme (or foreign sub-fund) for:
  - i) Failure to pay any fee prescribed by the Authority by the due date; or
  - ii) For persistent failure of the approved institution to comply with this Part; or
  - iii) For failure to comply with exempt offer requirements.

### **8714. Restriction on secondary market activity**

- (1) A foreign exempt scheme (or foreign sub-fund) must not be listed or traded on any securities exchange or publicly accessible trading platform in Lebanon.
- (2) Transfers of units in foreign exempt schemes (or foreign sub-funds) (if permitted by the constituting document) must only be made within Lebanon:
  - i) To existing unitholders in the scheme (or sub-fund); or
  - ii) To another professional client where the minimum amount payable for such units is not less than \$US 50,000 or the equivalent amount in another currency.

### **8715. Securities advertisements and promotional materials**

- (1) An approved institution must not advertise or communicate securities advertisements and promotional materials relating to a foreign exempt scheme (or foreign sub-fund) unless the following conditions are complied with:
  - i) The securities advertisement or promotional materials are directed solely at and are accessible solely to identified professional clients; and
  - ii) The securities advertisement complies with the applicable provisions of the Licensing and Registration Regulation; and
  - iii) Fifteen days have elapsed following the written notification to the Authority of the offer of the scheme to the Authority required in Article 8711 sub-article (1) (i) and no objection to the offer of the foreign scheme (or foreign sub-fund) has been received from the Authority.

### **8716. Reporting to the Authority**

- (1) An approved institution must submit a monthly report to the Authority on subscriptions and redemptions to each of the foreign schemes and foreign sub-funds sold by that institution within [ten] days of the last day of the month. The report

must meet the requirements of Annex 4. The Authority may vary this requirement to require quarterly reporting.

## **Part H – General Powers of the Authority**

### **8801. Enforcement by the Authority**

- (1) The Authority may direct a CIS manager or CIS custodian of a scheme (or sub-fund) to take any action or measures that the Authority considers necessary to correct a breach of this Regulation or for the protection of unitholders in a scheme (or sub-fund) or in the public interest.
- (2) The Authority may impose administrative sanctions on any person who violates the provisions of this Regulation, in accordance with the sanctions that may be imposed under Law 706 of 09/12/2005 and Law 161 of 17/8/2011.

## **Part I – Transitional provisions**

### **8901. Date of application of the Regulation**

- (1) The operation of all domestic collective investment schemes offered in Lebanon prior to the date of this Regulation coming into force must comply with this Regulation within two years from the date of this Regulation entering into force.
- (2) The offering of all domestic collective investment schemes in Lebanon must comply with this Regulation from six months of the date of this Regulation entering into force.
- (3) The exempt offering of all foreign collective investment schemes (or sub-fund) offered in Lebanon prior to the date of this Regulation coming into force must comply with Part G of this Regulation from six months of the date that this Regulation comes into force.
- (4) The public offering of any foreign collective investment scheme (or sub-fund) offered in Lebanon prior to the date of this Regulation is not permitted from the date that this Regulation comes into force unless the Authority has confirmed in writing that it is satisfied that that scheme (or sub-fund) meets the requirements of article 8702.
- (5) This Regulation applies to the establishment or offering of any collective investment scheme (or sub-fund) in Lebanon for which an application is made for establishment or offering of that scheme (whether for approval or registration for establishing or offering of such schemes in Lebanon) from the date of this Regulation entering into force.



## ANNEX 1

### APPLICATION FORM FOR A COLLECTIVE INVESTMENT SCHEME APPROVAL OR REGISTRATION OF EXEMPTION

#### Instructions

1. An applicant for approval or registration of exemption of a collective investment scheme (or sub-fund) must file this completed form and all supporting information and documents with the Authority at:

*[Name and address for filing applications]*

2. An applicant must file all the relevant information and documents listed in the exhibits to this application form as prescribed below.
3. All forms, information and reports that are required to be filed must be submitted in both hard copy and soft copy (or on a CD or by email). Documents that require a signature must be filed in hard copy original form as well as by soft copy.
4. The Authority may require an interview with senior management of the applicant and may require the applicant to file additional information or documents.
5. Incomplete applications will be returned and cannot be processed until completed.
6. An applicant that files misleading information, or that attempts to mislead the Authority by filing incomplete, false or inaccurate information, will be denied approval or registration of exemption.
7. In making application for approval or registration of exemption for a collective investment scheme (or sub-fund) that scheme (or sub-fund) and the CIS manager of that scheme become subject to the Regulation as of the time of application.

**APPLICATION FORM FOR A COLLECTIVE INVESTMENT SCHEME  
APPROVAL OR REGISTRATION OF EXEMPTION**

**1. Name of applicant**

**2. Date**

**APPLICANT'S DECLARATION**

- 1. We apply for [approval] [registration of exemption] for [name of collective investment scheme (or sub-fund)] by the Authority.**
- 2. We have read and understood the Collective Investment Schemes Regulation.**
- 3. We undertake that, if this application is approved, we and our employees and agents will comply with the relevant provisions of the Collective Investment Schemes Regulation and all decisions and directions of the Authority.**
- 4. We hereby confirm that:**
  - i) The information set out and included in this application is complete and accurate, to the best of our knowledge and belief.**
  - ii) The scheme (or sub-fund) meets and is in compliance with all of the requirements for [approval] [registration of exemption] to the best of our knowledge and belief.**
  - iii) There are no additional facts or matters that are material to the Authority's consideration of our application that we have not disclosed to the Authority.**
  - iv) We undertake to advise the Authority of any material or notifiable change that occurs at any time after this form is submitted and until such time as the scheme (or sub-fund) ceases to conduct its activities or to be offered in Lebanon.**
  - v) We authorize the Authority to contact any person named herein to verify the contents of this form. In so doing the Authority may refer to the Application.**

**EXECUTED ON BEHALF OF THE APPLICANT**

Name of applicant

Date

Title of applicant [CEO or equivalent]

Contact information for signatory to this declaration

## APPLICATION FORM

1. Name of applicant
2. Location and address of office of applicant
3. Name, title and contact information for the main contact person(s) for the application
4. Name, address and contact information for legal counsel or other advisers who are advising on this application (if any)
5. Company website of applicant
6. Status of applicant [CIS manager] [approved institution]
7. License number of applicant as [CIS Manager] [approved institution]
8. Legal structure of collective investment scheme: [mutual fund (contractual)] [unit trust] [investment company] [partnership] [other – please state]
9. Operational structure of collective investment scheme: [open ended scheme] [interval scheme] [closed ended scheme]
10. Nature of scheme: [umbrella scheme] [scheme] [sub-fund]
11. Country or territory in which the collective investment scheme (or sub-fund) is legally created: [name of country or territory]
12. Law under which the collective investment scheme (or sub-fund) is created in that country: [name of law]
13. Name of regulator responsible for enforcing that collective investment scheme law: [name of regulator]
14. Status of collective investment scheme in that country: [eligible for public offer] [not eligible for public offer]
15. For a foreign collective investment scheme (or sub-fund):  
License/approval/registration number of collective investment scheme (or sub-fund) in that country: [number]
16. Is the applicant, for any reason, precluded in any way from offering or operating the collective investment scheme (or sub-fund) which the application is made? (If yes, provide details)
17. Has the applicant's registration, licensing or any other form of authorisation by any securities authority or statutory authority ever been suspended or terminated? (If yes, provide details)

18. Is the applicant currently the subject of any investigation, regulatory proceeding or litigation? (If yes, provide details)

## EXHIBIT 1

### INFORMATION TO ACCOMPANY AN APPROVAL OR REGISTRATION OF EXEMPTION APPLICATION

#### General approval and exemption application requirements

1. An application for approval or registration of exemption must file all of the following information and documents with the Authority.

#### A Information to be supplied by applicants for an approval or registration for exemption for a domestic collective investment scheme

- i) the CIS statute of the collective investment scheme which must contain the information required in Exhibit 2 which must be compliant with the relevant regulatory status applied for (approved or exempt) as required under the Regulation
- ii) the CIS prospectus of the collective investment scheme and any sub-funds which must contain the information required in Exhibit 3 which must be compliant with relevant regulatory status applied for (approved or exempt) as required under the Regulation
- iii) for an approved scheme, the key information document for the scheme and any sub-funds in compliance with Exhibit 4
- iv) the name of the proposed independent auditor and a signed letter giving their agreement to act in this capacity
- v) the name of the proposed CIS custodian, the license number if it is an approved institution and a signed letter stating their agreement to act in this capacity
- vi) in the case of a closed ended scheme investing in real estate, the name of the appointed real estate independent expert and a signed letter giving their agreement to act in this capacity

#### B Information to be supplied by applicants for approval or registration of an exemption of a foreign collective investment scheme (or sub-fund)

- i) In the case of an application for approval, evidence of the status of the scheme (or sub-fund) as eligible for public offer under the law/regulation of the country/territory in which the scheme (or sub-fund) was created
- ii) In the case of an application for registration of exemption, evidence of the exempt or approved or registered (or equivalent) status of the collective investment scheme (or sub-fund) under the law/regulation of the country/territory in which the scheme was created
- iii) A copy of the constituting document of the scheme (or sub-fund) [and if translated verification that it is a correct translation]
- iv) A copy of the offering document and any key information document or similar of the scheme (or sub-fund) and, in the case of an umbrella scheme, of all sub-funds in respect of which application is made in English or Arabic [and if translated verification that it is a correct translation]
- v) A copy of the most recent CIS annual report and accounts of the scheme (or sub-fund) and in the case of an umbrella scheme for each sub-fund in respect of which application is made.

**ANNEXE 1A**

**APPLICATION FOR CHANGE TO AN APPROVED SCHEME**

**1. Name of applicant**

**2. Date**

**APPLICANT'S DECLARATION**

**3. We apply for variation in the approval for [name of collective investment scheme (or sub-fund)] by the Authority.**

**4. We have read and understood the Collective Investment Schemes Regulation.**

**5. We undertake that, if this application is approved, we and our employees and agents will comply with the relevant provisions of the Collective Investment Schemes Regulation and all decisions and directions of the Authority.**

**6. We hereby confirm that:**

- i) The information set out and included in this application is complete and accurate, to the best of our knowledge and belief.**
- ii) The scheme (or sub-fund) will continue to meet and is in compliance with all of the requirements for approval to the best of our knowledge and belief.**
- iii) There are no additional facts or matters that are material to the Authority's consideration of our application that we have not disclosed to the Authority.**
- iv) We authorize the Authority to contact any person named herein to verify the contents of this form. In so doing the Authority may refer to the Application.**

**EXECUTED ON BEHALF OF THE APPLICANT**

Name of applicant

Date

Title of applicant [CEO or equivalent]

Contact information for signatory to this declaration:

**1. Nature of amendment of approved scheme (or sub-fund):** (Please indicate which of the following changes described below the applicant wishes to undertake; or add as needed)

In the case of an umbrella scheme, addition of one or more sub-funds

Variation of status

Vary regulatory status from ..... to .....

Vary legal structure from ..... to .....

Vary operational structure from ..... to .....

Alteration which is a fundamental change to an approved scheme (or sub-fund):

Alteration to the constituting documents or CIS prospectus

Change in the CIS manager or CIS custodian

Termination of one or more sub-funds

Termination of the scheme

Other

Alteration which is a significant change to the scheme (or sub-fund) .....[state nature]

Other.....



## EXHIBIT 2

### INFORMATION TO BE CONTAINED IN THE CIS STATUTE FOR AN APPROVED SCHEME

The constituting document of an approved collective investment scheme should include –

- (1) Name of scheme
- (2) Law under which scheme is established
- (3) Legal form of scheme and if stand-alone scheme or umbrella scheme
- (4) Capital structure of scheme
- (5) Scheme investment objective and investment policy
- (6) Participant's liability to pay  
[Provision that a unitholder is only liable to the scheme to the extent of the value of the unit held in that scheme reference article 8508 (7).]
- (7) Fees, charges and other expenses of scheme
- (8) Classes and types of units [including if fractional units are issued]
- (9) No partly paid units  
[A statement that no partly paid units may be issued and no credit shall be granted to unitholders or potential unitholders.]
- (10) Income and capital distribution
- (11) Investment and borrowing restrictions
- (12) Management of borrowing risks
- (13) Valuation and pricing
- (14) Base currency
- (15) Functions and duties of the CIS manager
- (16) Functions and duties of the CIS custodian
- (17) Meetings of unitholders  
[A statement providing details of the following:
  - (a) the procedures for calling meetings of unitholders;
  - (b) resolutions and voting at meetings of unitholders;
  - (c) the voting rights of unitholders;]

- (d) the matters that require the approval of unitholders;
- (e) the matters that require the approval of a special resolution.]
  
- (18) Accounting periods
  
- (19) Duration of scheme
  
- (20) Replacement of parties
  
- (21) Suspension and winding-up  
[A statement providing details of—
  - (a) the grounds on which the CIS manager may initiate a suspension of the scheme; and
  - (b) the circumstances in which the scheme or a sub-fund may be terminated; and
  - (c) the methodology for working out the rights of unitholders to participate in the scheme property on winding-up.]
  
- (22) Amendment of constituting document
  
- (23) Documents evidencing title to units
  
- (24) Any limits on unit subscription and redemption
  
- (25) Conflicts of interests with associates  
[Provisions for managing conflicts of interests (or potential conflicts of interest) in transactions by the CIS manager with associates in relation to the scheme property.]
  
- (26) Material changes  
[Provisions providing for approval by unitholders of material changes in relation to the scheme.]
  
- (27) In the case of an umbrella scheme
  - (a) That the holder is entitled to exchange units in any sub-fund or any other sub-fund but that no unitholder requesting such an exchange may have the right to subsequently withdraw from or cancel that exchange;
  - (b) The policy for allocating between sub-funds the costs or charges or expenses payable out of the umbrella scheme property which are not attributable to any one sub-fund;
  - (c) What charges if any may be made on exchanging units in one sub-fund for units in another sub-fund.
  
- (28) In the case of a closed ended scheme investing in real estate, the appointed real estate independent expert and how said expert may be replaced.

**EXHIBIT 3**

**INFORMATION TO BE CONTAINED IN THE CIS PROSPECTUS FOR AN APPROVED SCHEME**

**IMPORTANT**

Guidance:

The CIS prospectus constitutes the fundamental base of information for the subscribers of units of a collective investment scheme or a sub-fund of a scheme. Whenever the CIS prospectus is amended, a copy of the revised CIS prospectus shall be filed with the Authority.

The information required by this Exhibit constitutes a minimum and other information may be added provided that it is not misleading and is designed to increase the comprehension of the investment being proposed.

The CIS prospectus shall include full disclosure of the information required by the investors to make an informed decision on the investment in the scheme or in the sub-fund of the scheme as the case may be.

Requirement:

In this Exhibit, for a scheme which is an umbrella scheme, information required must be stated –

- (a) in relation to each sub-fund where the information for any sub-fund differs from that of any other; and
- (b) for the umbrella scheme as a whole, but only where the information is relevant to the umbrella scheme as a whole

Also, in the first part, general information may be given to assist the investor in the understanding of collective investment schemes in general and that type of investment and the risks involved.

\*\*\*\*\*

Heading I: Presentation of the collective investment scheme

(1) General information concerning the collective investment scheme, indicating its type and principal sphere of activity from among the following list or another activity defined by the scheme –

- (a) Status

Governing law

Legal structure (mutual fund)

Operational structure:

Open ended scheme, closed ended scheme, interval scheme

Offering status:

Approved scheme (publicly offered)

Scheme or sub-fund/s

Date of the CIS prospectus and contact details for where more information may be obtained.

The minimum and maximum amount of capital to be raised and the period within which it must be raised.

(2) Name and Address of collective investment scheme

State the full name of the collective investment scheme and the address of its head office.

If the name of the scheme was changed during the past twelve months, state its former name.

State the name and address of the CIS manager.

(3) Constitution of the collective investment scheme

State the law under which the scheme was constituted, the manner, the date of formation and any particularities relating to its legal structure.

Give a summary of the particulars of the constituting documents, attach copy to the CIS prospectus or indicate where the investor can obtain a copy free of charge.

(4) Risk warnings

For all approved schemes the following statements must be given prominently:

“The Capital Markets Authority does not accept any responsibility for the content of the information included in the offering documents, including the accuracy or completeness of such information. The liability for the content of the offering documents lies with the CIS manager of the scheme. The CMA has also not assessed the suitability of the securities covered by the offering documents for any particular investor or type of investor.”

“The value of your investment in the [named collective investment scheme] and the income you receive from it, may go down as well as up. You may not receive back the amount that you invested.”

For all schemes where past performance of the scheme is quoted:

“Past performance is not a reliable indicator of future performance.”

For a scheme which is a fund of funds:

“This scheme’s function is to invest in other collective investment schemes. Investing in this scheme therefore exposes the investor to two sets of charges, one at the level of the scheme into which investment is made, and another at the level of the schemes into which investment is made.”

For a scheme which involves a higher than average degree of risk in terms of volatility of the net asset value per unit, a warning that:

“The value of units in this scheme is likely to rise and fall more quickly and more frequently than those of other schemes due to the type of investments it makes. This increases the uncertainty of a particular level of return being achieved over any given period.”

Heading II: Organisation and Management of the scheme

- (1) Give details and principal functions of the
  - (a) CIS manager;
  - (b) CIS custodian;
  - (c) registrar, if applicable;
  - (d) auditor;
  - (e) any entity to which management of all or a part of the investments of the scheme has been or will be delegated, if applicable;
  - (f) appointed independent real estate expert, in the case of closed ended scheme investing in real estate.

### Heading III: CIS manager

Name and address of head office of the CIS manager, date of constitution and law under which constituted.

Name and address of each member of the board of directors of the CIS manager, indicating those that are independent directors. In the case of independent directors, indicate their principal employment.

Name of natural persons acting as portfolio managers, with details of qualifications and any previous experience in the management of portfolios of collective investment schemes.

Description of the senior management of the CIS manager.

Circumstances under which the collective investment scheme management agreement may be terminated.

### Heading IV: Investment Objective and Practices and Financial Characteristics

#### (1) Investment objective and practices

State the fundamental investment objective of the scheme, the types of assets in which the scheme proposes to invest (bonds, shares, money market instruments, real estate, etc.), as well as investment policy and practices of the scheme in pursuing its investment objective. Identify whether the scheme will invest domestically or abroad or both and any variation in exposure that may occur over time. If the scheme will invest abroad, identify in which countries or territories it may invest.

Explain the nature of the risks associated with the scheme's portfolio, including minimum exposure to stock market, sensitivity to rate of interest risk, exposure to currency risk, concentration risk, derivative risk, foreign investment risk, investment in illiquid assets risk, and any other risk associated with the portfolio.

Degree of specialisation (in a geographic region or in a particular class or kind of industry).

Diversification: specific limitations imposed by regulation and by the CIS prospectus, if narrower.

Describe the investment rules to be followed by the scheme and give an explanation as to why these rules may differ from these regulations, if applicable.

Identify the maximum permitted proportion of the scheme property that may consist of an investment of any description.

In the case of a scheme that proposes to acquire securities of other collective investment schemes, describe the measures put in place to resolve the conflicts that may arise, the additional risks, if any, and whether the strategy will have an impact on the costs payable by the scheme or sub-fund and the return on investment.

Borrowing: identify the maximum amount permitted to be borrowed, the means of borrowing and limits on the use of borrowing.

Hedging: identify any use of derivatives to hedge currency risk and its implications.

#### (2) Type of investors

Type of investors for whom units of the collective investment scheme would be suitable. In particular, any period recommended for an investment in the scheme.

(3) Guarantee or protection

Nature of the guarantee or protection, if any, and the institution providing the guarantee, purpose, terms and conditions.

(4) Changes in the net asset value per unit

Where available state the highest and lowest net asset value per unit in each of the last three audited years preceding the date of the prospectus.

(5) Dividends or Distributions

Explain when and how the income and gains of the scheme will be distributed, if applicable. State the amount of dividends or other distributions, if any, paid by the collective investment scheme including income and realized gains distributed by way of dividend reinvestment, during its last three audited financial years preceding the date of the CIS prospectus.

(6) Performance

Except in the case of a first offering, provide information on the performance of the scheme during its last three completed financial years (or since inception if more recent) preceding the date of the CIS prospectus, including net asset value per unit at the beginning of the period, plus results (net income and net capital gain), less distributions of income, net asset value per unit at the end of the period, total return for each completed financial year.

The information on performance must follow the requirements prescribed.

(7) Tax status of scheme and unitholders

Where applicable, state in general terms, if any, the income or other tax consequences to the unitholders of the scheme in Lebanon.

## Heading V: Conditions of Operation

(1) Description of units offered

Describe all significant characteristics of the units offered: accumulation units, income units, unit classes; rights (eg dividend rights, liquidation rights, voting rights, redemption rights etc); how these rights may be exercised and conditions under which these characteristics may be modified.

State that the liability of a unitholder is limited as stated in the Regulation.

Describe the units being offered, including the currency of denomination and the method of indicating the ownership (ie register entry).

State the disclosure that will be made to unitholders and when this will be made (availability of information on prices of units, distribution of CIS annual reports and accounts or CIS short form reports).

State at what dates dividends will be payable where relevant.

(2) Net Asset Value

Describe the method used to calculate the net asset value of the scheme and of a unit, including the frequency of the calculations and any other information in accordance with these regulations as agreed with the CIS custodian.

Describe the method used to calculate the net asset value per unit as defined in the Regulation. Give, if applicable, the net asset value of the scheme at the end of the last three completed financial years preceding the date of the CIS prospectus, unless the information is given in the financial statements.

(3) Price

For an open ended scheme or interval scheme, describe the methodology of calculating the price per unit for the purposes of subscription or redemption of units.

(4) Subscriptions and Redemptions

(A) For all schemes

If applicable, indicate if a minimum subscription is required and the number or value of units required.

Indicate that the subscription price for a unit must be fully paid up before an order to purchase units of the scheme can be fulfilled.

In the case of a new scheme where a minimum value of \$US 10 million of units must be subscribed, describe the terms according to which money subscribed will be kept and returned to subscribers if that minimum is not reached, including the name and address of the bank where the funds will be kept.

In the case of a new scheme, state the maximum period of the initial offer period and the fixed price for that period, stating under what circumstances the fixed price offer period may be terminated.

Provide a summary of fees and charges payable by the scheme as relevant as follows -

Type of charge - description including amount or rate on subscriptions or redemptions

Amounts payable on -

- (a) subscription for units
- (b) exchange/transfer of units to a related scheme ('switch')
- (c) redemption of units

Charges - Services

Amounts payable with respect to fees paid directly to the CIS manager by the unitholder for -

- (a) obtaining certificates
- (b) any charges for regular savings plans into the scheme
- (c) any charges for withdrawal plans from the scheme
- (d) any other (insert descriptions) - eg dividend reinvestment charges, wire order charges

(B) For an open ended scheme or interval scheme

Explain the procedure for subscription and redemption of units of the scheme, including places where subscription and redemption orders are received.

Give the subscription charge/s and redemption charge/s as a percentage of the net asset value per unit. If applicable, rates of charges where they vary depending on the amount of the subscriptions or the redemptions. Where investors have a choice between different types of subscription charges and redemption charges explain each type in detail and indicate the effect on return on investment of the choice made.

State the circumstances in which subscription and redemption may be suspended or resumed and how unitholders will be informed in such an eventuality.

In the case of a scheme that intends to invest in units of another collective investment scheme, give details of the agreement concerning subscription charges and redemption charges and annual management charges. Indicate the additional risks, if any, in that type of scheme. Give comparisons, if appropriate, of the charges.

(5) Annual Management Charges and Other Fees and Charges

State each type of payment that may be made from the scheme property giving details of: who the payment is made to, what the payment is for, the rate or amount where available, how it will be accrued and when it will be paid.

Where a performance fee is taken, examples of its operation, stating clearly how and when lower fees are charged for underperformance of the stated benchmark in addition to how and when additional fees are paid for outperformance of the stated benchmark.

State whether payments are to be made from the income property or from the capital property of the scheme; or if from both, in what proportion or by what type of payment and the effect of these payments on income or on capital as relevant.

Give the method used for calculation of the annual management charge, taking into account the various components and any other information in accordance with the Regulation.

State the permitted maximum annual management charge in the constituting document of the scheme and the present annual management charge and how notice will be given if this will be changed. Except in the case of an initial offer, give the operational expense ratio for each of the last three financial years of the scheme. Where a change to the basis of this calculation is proposed, indicate the effect the proposed change would have had on the ratio during the last financial year. Give a clear explanation as to the operational expense ratio so that investors will understand and explain the effect of the operational expense ratio on the return on investment. In the case of an initial offer, give an estimated operational expense ratio.

#### Heading VI: General

##### (1) Information

Indicate where a subscriber may obtain the constituting document of the scheme, if it is not included in the CIS prospectus.

Indicate where a subscriber may find disclosure of the price per unit of the scheme.

In the case of a closed ended scheme, indicate where the subscriber may find disclosure of the net asset value per unit.

##### (2) Listing

Indicate if the scheme will be listed and, if so, where it will be listed and how the quotations are to be understood by the unitholders.

##### (3) Termination

Indicate in what circumstances and how the scheme or sub-fund may be terminated.

#### Heading VII: Conflicts of interest

Give a description of the potential conflicts of interest which could arise between the CIS manager and its associates, any entity to which management of all or part of the scheme's portfolio is delegated and its associates, the CIS custodian and their associates and the scheme with details, where applicable, of how these are going to be resolved.

Give a description of any advantageous commission arrangements which may be entered into by the CIS manager of a scheme.

Give the name of any third party which has been contracted by the CIS manager to carry out its functions; and give material provisions of the contracts between third parties and the CIS manager, which may be relevant to unitholders, excluding those relating to remuneration.

#### Heading VIII: Signatures

Two appropriately authorized directors or equivalents of the CIS manager of the scheme shall sign the prospectus.

#### Heading IX: Other information

Date of CIS prospectus

Name of the Authority supervising the scheme



## EXHIBIT 4

### INFORMATION TO BE CONTAINED IN THE KEY INFORMATION DOCUMENT FOR AN APPROVED SCHEME

The key information document of a stand-alone approved scheme or sub-fund must contain the following information. The document shall not be longer than two sides of A4 paper and shall be written so that it is understandable by an ordinary member of the public. The information required to be disclosed must be disclosed in the order given.

- (1) Name of scheme and scheme legal structure (sub-fund if this is the case)
- (2) The name and address and website of the CIS manager
- (3) The name of the CIS custodian
- (4) The name of the auditor
- (5) The name of the appointed independent real estate expert, if any
- (6) Definition of the investment objective of the scheme or sub-fund
- (7) The investment policy of the scheme or sub-fund and a brief assessment of its risk profile (relating to categories of asset in which it will invest, diversification, borrowing and use of derivatives to hedge currency risk)
- (8) Historical performance of the scheme or sub-fund for the most recent five accounting years or since launch whichever is shorter and a warning that this is not an indicator of future performance
- (9) A brief profile of the typical investor that the scheme is designed for (*Note: as an example, for an equity growth fund “this fund is suited to an investor seeking capital growth who is prepared to accept risk to their capital and to invest for the medium to long term”*)
- (10) The maximum amount of any subscription charge and any redemption charge on a unit expressed as a percentage
- (11) Amount of the annual management charge as a percentage
- (12) The operational expense ratio for the most recent audited year (or an estimate of the first year’s operational expense ratio for a new scheme or sub-fund, with a note to the effect that this is an estimate)
- (13) A statement that on request the CIS prospectus and CIS annual reports and accounts or CIS short form annual report may be obtained free of charge and where this may be obtained
- (14) The identity of the regulatory authority that has approved the scheme or sub-fund
- (15) The date of publication of the key information document

## EXHIBIT 5

### VALUATION OF AN APPROVED SCHEME

- (1) A money market scheme or sub-fund shall value money market instruments on an amortized cost basis.
- (2) Securities should be valued using the most recently available mid-market price from a reputable source of market prices independent of the CIS manager with the exception of prices of units in open ended schemes and interval schemes.
- (3) Participations (shares or units) in open ended schemes and interval schemes shall be valued at the most recent single price less any redemption charge applicable and for a dual priced scheme, at the most recent bid price of that scheme.
- (4) Participations (shares or units) in closed ended schemes, if these are listed and traded, shall be valued as required by (2).
- (5) Cash and deposits shall be valued at nominal or cash value.
- (6) Money market instruments held by a scheme or sub-fund that is not a money market scheme and which are traded shall be valued at the weighted average price at which that instrument was traded on the most recent day before the valuation is calculated.
- (7) Real estate shall be valued by the appointed independent real estate expert of the scheme.
- (8) Where a market price is not available under (2) or (6) securities and money market instruments shall be valued at the average of three mid-market quotations from sources that are completely independent of the CIS manager. Where such quotations are not available, securities shall be valued at such value as is certified in good faith as the probable realisation value of the investment by a competent professional person appointed by the CIS manager in consultation with the CIS custodian who is completely independent of the CIS manager.

## ANNEX 2

### REPORTING FOR APPROVED AND EXEMPT SCHEMES

#### ANNEXE 2A

#### REQUIRED CONTENTS OF CIS ANNUAL REPORT AND ACCOUNTS

The CIS annual report and accounts for a stand-alone scheme and for each sub-fund of an umbrella scheme and for an umbrella scheme must include the following information, in the categories and order stated:

- (1) The full accounts for the annual accounting period as required by accepted standards;
- (2) The report of the CIS manager which must include
  - a. The identity and status of the scheme or sub-fund;
  - b. Names and addresses of the CIS manager, the CIS custodian, the registrar if any and the auditor and any investment adviser and any appointed independent real estate expert;
  - c. A statement of the regulatory status of the scheme or sub-fund;
  - d. The investment objective of the scheme or sub-fund;
  - e. The investment policy for achieving that investment objective;
  - f. The duties of the CIS manager in relation to the scheme or sub-fund;
  - g. A review of the investment activities during the period to which the report relates including a statement of changes in the portfolio over the period either of the largest twenty sales and largest twenty purchase transactions or, if greater, all transactions representing over 1% of net asset value of the scheme or sub-fund;
  - h. For approved schemes, the operational expense ratio for each scheme or sub-fund for the reporting period;
- (3) Particulars of any changes to the scheme or sub-fund during the period to which the report relates which have been notified to participants or which are the result of a resolution of a general meeting;
- (4) Any other information which would enable participants to make an informed judgement on the development of the activities of the scheme or sub-fund during the period and results during the period;
- (5) The report of the scheme or sub-fund which shall include the duties of the CIS custodian with regard to the scheme and in respect of safekeeping of assets of the scheme and a statement whether in any material respect the investment powers and restrictions applicable to the scheme or sub-fund have been exceeded and, in relation to an open ended scheme or interval scheme, whether the sale and redemption of units and the calculation of the price of units and the application of the scheme's or sub-fund's income have not been carried out in accordance with these rules; together with a list of breaches of the investment and borrowing limits under the Regulation and the scheme's constituting document and CIS prospectus in the reporting period;

(6) A comparative table giving the highest and lowest net asset value of a unit in the scheme or sub-fund for each of the last five years or for as many of those years as the scheme or sub-fund has been in existence if shorter; the income distributed or allocated for a unit in issue in the scheme or sub-fund during each of those years; the total net asset value of the scheme or sub-fund at the end of each of those years; the number of units and net asset value per unit of each unit class in existence in the scheme or sub-fund at the beginning and end of each of those years and, if the scheme or sub-fund has been the subject of any event which has had a material impact on the size of the scheme (other than subscription and redemption of units for cash), an explanation of this and of any changes made in the investment objectives of the scheme or sub-fund, relating it to the time at which it took place. In addition to this, for a closed ended scheme listed on an exchange, the highest and lowest market price per unit during each of the five years shall also be stated;

(7) For an approved scheme or sub-fund, the operational expense ratio based on the annual audited expenses in the accounting period (see Exhibit 2A);

(8) The report of the auditor which must state whether in the opinion of the auditor:

- a. The accounts have been properly prepared in accordance with accepted standards;
- b. Whether the accounts give a true and fair view of the net income and net gains or losses of the scheme or sub-fund for the annual accounting period in question and the financial position of the scheme or sub-fund at the end of the period;
- c. Whether the auditor is of the opinion that proper accounting records for the scheme or sub-fund have not been kept or whether the accounts are not in agreement with those records;
- d. Whether the auditor has been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit; and
- e. Whether the auditor is of the opinion that the information given in the report of the CIS manager for the period is consistent with the accounts.

(9) The audited:

- a. Balance sheet or asset and liability statement for the last working day of the financial year;
- b. A statement of total return showing income (including income from investments and other income) and expenditure (including management charges, trustee and supervisory custodian charges, other charges and taxes), net income and net gains or losses for the financial year;
- c. For open ended schemes and interval schemes only, a statement of movement of unitholders' assets for the financial year (that is the change arising in the net asset value of the scheme over the year due to subscriptions for units, redemption of units, investment performance in terms of capital gains or losses and retention of any distributions of income and any charges affecting assets and liabilities of the scheme or sub-fund)
- d. With supporting explanatory notes including on appreciation or depreciation of investments.

(10) The CIS annual report and accounts must be approved and signed by two directors of the CIS manager.

(11) Except when a scheme or sub-fund is new, a comparison with the previous year's figures shall always be shown in the statement of total return, statement of movement of unitholders' assets and balance sheet.

EXHIBIT 2A

CALCULATION OF ANNUAL OPERATIONAL EXPENSE RATIO FOR APPROVED SCHEMES

Guidance: the annual operational ratio is the ratio of the total costs of a stand-alone scheme or sub-fund to the average net asset value of the stand-alone scheme or sub-fund in the accounting year over which the ratio is calculated. It shall be calculated once a year based on the most recent annual accounting year. If there has been a subsequent material change (such as an increase in annual management charge) then an estimate shall be used.

The costs to be included in calculation of the ratio are all costs paid by the stand-alone scheme or sub-fund (including any annual management fee and performance fee paid upon any collective investment scheme in which the scheme or sub-fund invests) that are set out in the CIS prospectus of the scheme or sub-fund with the exception only of:

- a) Subscription charges and redemption charges or any commission or charge payable directly by the investor who buys or sells units in the scheme or sub-fund;
- b) Interest on borrowing;
- c) Payments to third parties to meet costs necessarily incurred in the acquisition or disposal of any asset for the scheme's portfolio;
- d) Taxation payable by the scheme.

Typical costs to be covered in this disclosure are: charges paid to the CIS manager and CIS custodian; to any registrar or third party administrator; to the auditor; to the Shari'a Board; to the appointed independent real estate expert; any regulatory fee/license cost; and legal fees payable by the fund.

The total of these costs for the most recent audited year should be divided by the average net asset value of the stand-alone scheme or sub-fund in the same period and multiplied by 100 to give a percentage figure for disclosure in the CIS annual report and accounts.

ANNEXE 2B

CIS SHORT FORM ANNUAL REPORT FOR APPROVED SCHEMES

Guidance: CIS short form annual reports if produced must be published within the same deadline as the CIS annual report and accounts and must contain the following information which shall be consistent with that contained in the CIS annual report and accounts and may be produced for stand-alone schemes and sub-funds.

The information required must be given in the categories and order stated.

1. Key information about the stand-alone scheme or sub-fund, its investment objectives and investment policy including the name and contact details for the CIS manager and CIS custodian.
2. A review of investment activities and performance in the period including:
  - a) a comparative table giving the highest and lowest net asset value per unit in the scheme or sub-fund for each of the last five years or for as many of those years as the scheme has been in existence;
  - b) the income distributed or allocated for a unit in issue in the scheme or sub-fund during each of those years;
  - c) the total net asset value of the scheme or sub-fund at the end of each of those years;
  - d) the number of units of each class in existence in the scheme or sub-fund at the end of each of those years and, if the scheme or sub-fund has been the subject of any event which has had a material impact on the size of the scheme (other than subscription and redemption of units for cash), an explanation of this and of any changes made in the investment objectives of the scheme or sub-fund, relating it to the time at which it took place
  - e) for a closed ended scheme listed on an exchange, the highest and lowest market price per unit during each of the five years shall also be stated.
3. Sufficient information for the unitholder to understand where the scheme or sub-fund is invested at the end of the period and the changes that have been made in the period which affected this.
4. Any other significant information that would be required to enable the unitholder to form an informed judgement on the activities and results of the scheme or sub-fund in the period (including material changes to the CIS prospectus), any qualifications of the report by the auditor, and particulars of any distributions in the period.
5. Details as to how to obtain a copy of the CIS annual report and accounts.

The CIS short form annual report must be a self-standing document and shall not contain any extraneous publicity material with the exception that a report prepared for all sub-funds of an umbrella scheme shall also be considered to constitute a self-standing document.

ANNEX 3

REPORTING TO THE AUTHORITY

FOR APPROVED AND EXEMPT SCHEMES

A CIS manager must submit a monthly report to the Authority on each of the schemes and sub-funds under its management within [ten] days of the last day of the month.

The information required to be contained in the monthly report is set out in this Annex.

ANNEXE 3

REQUIRED CONTENTS OF MONTHLY REPORTS TO THE AUTHORITY

**Annex 3 Monthly report - page 1**

Name of CIS manager:	
Period covered by report:	[first to last working day of calendar month]
Name of individual submitting the report:	
Date of report:	
Names of fund/s reported on:	

<p>I confirm that during the period covered by the report the [insert name of CIS/s] was/were managed in compliance with Law 706 and the Collective Investment Schemes Regulation and that no breaches which should have been reported to the Authority during the period have arisen <b>OR</b> I confirm that during the period covered by the report the [insert name of CIS/s] was/were not managed entirely in compliance with Law 706 and the Collective Investment Schemes Regulation and that the breaches that arose were as follows which have been/have not been reported to the Authority. [insert list of breaches]</p>
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Signature of individual submitting the report:	
Date of signature:	



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**Annex 3 Monthly report - page two**  
**FUND - VALUE IN LBP**

Month reported on:	[first to last working day of calendar month]
Name of fund reported on:	

	<i>Current month</i>	<i>Previous month</i>	<i>Same month previous year</i>
<b><i>Data as at working day of the month</i></b>			
Net asset value of the fund			
Fund unit price (to 4 decimal places)			
<b><i>Data for the month</i></b>			
<b><i>Subscriptions and redemptions</i></b>			
Value of total (gross) subscriptions in period			
Value of total redemptions in period			
<b><i>Fund portfolio</i></b>			
Total value of assets purchased			
Total value of assets sold			
Total portfolio turnover (total value of assets purchased and sold)			

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Annex 3 Monthly report - page three

FUND - INVESTMENT TRANSACTIONS

Month reported on:	[first to last working day of calendar month]
Name of fund reported on:	

**Data for the month**

(Note: could require split between domestic and foreign assets)

<u>Assets purchased</u>					<i>Bonds only</i>	
<i>Name of security/asset</i>	<i>Code of security</i>	<i>Number of securities purchased</i>	<i>Price of securities purchased</i>	<i>Total value of transaction</i>	<i>Maturity</i>	<i>Rating</i>
<b>Itemise each asset purchased during month</b>						
Shares						
Issuer A						
Issuer B						
Bonds						
Issuer A						
Issuer B						
Money market instruments						
Issuer A						
Issuer B						
Deposits made						
Bank A						
Bank B						
Real estate						
Plot A						
Building B						
Total value of assets purchased						
<b>Assets sold</b>						
<i>Name of security/asset</i>	<i>Code of security</i>	<i>Number of securities sold</i>	<i>Price of securities sold</i>	<i>Total value of transaction</i>	<i>Maturity</i>	<i>Rating</i>
<b>Itemise each asset sold in month</b>						
Share A						
Issuer A						
Issuer B						
Bond B						
Issuer A						
Issuer B						
Money market instruments						
Issuer A						
Issuer B						
Deposits						
Bank A						
Bank B						
Real estate						
Plot A						
Building B						
Total value of assets sold						
Total portfolio turnover (total value of all purchases and all sales)						

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Annex 3 Monthly report - page four

FUND - PORTFOLIO

Month reported on:	[first working day to last working day of calendar month]
Name of fund reported on:	

**Assets held by fund as at last date of month**

(Note: could require split between domestic and foreign assets)

<i>Name of asset</i>	<i>Number of securities held</i>	<i>Price of security</i>	<i>Total value of holding</i>	<i>Value of holding as % of NAV of fund</i>	<i>Bonds and money market instruments only</i>	
<i>Shares</i>						
Issuer A						
Issuer B						
<i>Total value of shares</i>						
	<i>Nominal value of securities held</i>	<i>Price of security</i>	<i>Total value of holding</i>	<i>Value of holding as % of NAV of fund</i>	<i>Maturity</i>	<i>Rating</i>
<i>Bonds</i>						
Issuer A						
Issuer B						
<i>Total value of bonds</i>						
	<i>Nominal value of securities held</i>	<i>Price of security</i>	<i>Total value of holding</i>	<i>Value of holding as % of NAV of fund</i>		
<i>Money market instruments</i>						
<i>Total value of money market instruments</i>						
<i>Deposits</i>	<i>Cash value</i>	<i>n/a</i>	<i>Total value of holding</i>	<i>Value of holding as % of NAV of fund</i>		
<i>Total value of deposits</i>						
	<i>Independent valuation</i>	<i>n/a</i>	<i>Total value of holding</i>	<i>Value of holding as % of NAV of fund</i>		
<i>Real estate</i>						
<i>Total value of real estate</i>						
<i>Total value of investments</i>				100%		

Bond fund only - weighted average duration of bond portfolio [years]		
Money market fund only - weighted average duration of money market instrument portfolio [days]		

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Annex 3 Monthly report - page five

**ALL CIS OF CIS MANAGER**

Month reported on:	[first to last working day of calendar month]
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	<i>Net asset value of fund</i>		
	<i>Current month</i>	<i>Previous month</i>	<i>Same month previous year</i>
<b><i>Data as at last working day of the month</i></b>			
<b><i>Approved CIS</i></b>			
Fund A			
Fund B			
Total value of all approved CISs managed			
<b><i>Exempt CIS</i></b>			
Fund C			
Fund D			
Total value of all exempt CISs managed			
Total value of assets under management [value of approved plus exempt CIS managed]			

ANNEX 4

REPORTING TO THE AUTHORITY

APPROVED INSTITUTION FOREIGN SCHEME MONTHLY SUBSCRIPTIONS AND REDEMPTIONS

A CIS manager must submit a monthly report to the Authority on each of the schemes and sub-funds under its management within **[ten]** days of the last day of the quarter.

The information required to be contained in the monthly report is set out in Annex 4.

An approved institution must submit a monthly subscriptions and redemptions report to the Authority listing every stand-alone foreign scheme and foreign sub-fund sold by that institution and the total value of subscriptions and redemptions for each foreign scheme and foreign sub-fund in the reporting period.

**Subscription and redemption statistics are required to be stated for each and every foreign stand-alone scheme or sub-fund unit class able to be sold by the approved institution completing the report whether or not subscriptions or redemptions are made in the month concerned.**

The categorisation of schemes and sub-funds to be used on page two of the report must be **[Morningstar Europe/Asia and South Africa Morningstar Methodology Paper April 2016]**

Note: all figures given in currency should be given in **EUR**.

ANNEXE 4

REQUIRED CONTENTS OF APPROVED INSTITUTION FOREIGN SCHEME  
MONTHLY SUBSCRIPTION AND REDEMPTION REPORTS TO THE AUTHORITY

**Annex 4 Monthly report - page one**

Name of approved institution:	
Period covered by report:	[first to last working day of calendar month]
Date of report:	

Signature of individual submitting the report:	
Date of signature:	



