

**Investment Restrictions**

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A Retirement Fund shall (unless agreed otherwise with the MFSA) comply with the prudential investment restrictions outlined below:

- a) The Fund shall be predominantly invested in regulated markets.
- b) The Fund shall not invest more than 10 per cent of its assets in securities which are not traded in or dealt on a market which:
  - i. is regulated, operates regularly, is recognised and is open to the public;
  - ii. has adequate liquidity and adequate arrangements in respect of the transmission of income and capital.
- c) The Fund shall be properly diversified in such a way as to avoid excessive exposure to any particular asset, issuer or group of undertakings.
- d) The Fund shall not invest more than 10 per cent of its assets in securities issued by the same body. Provided that this restriction shall not apply in the case of any transferable securities issued/ guaranteed by the government of Malta or of any other EU/ EEA Member State.
- e) No more than 10 per cent of the assets of the Fund shall be kept on deposit with any one body. This limit may be increased to 30 per cent in respect of money deposited with a bank licensed under the Banking Act of Malta, 1994, or with a bank outside Malta where this is established and regulated in EU/ EEA member states.
- f) The Fund shall not hold more than 10 per cent of any class of security issued by any single issuer.
- g) The Fund may invest in the Units of collective investment schemes subject to the following:
  - i. Where a commission is received by the Asset Manager or Administrator of the Fund by virtue of an investment in the Units of a collective investment scheme, that commission shall be paid into the property of the Fund.
  - ii. Where the Fund invests in the Units of a collective investment scheme which is administered/ managed by the same Fund Administrator/ Asset Manager or administered/ managed by an associate of the Fund Administrator/ Asset Manager, arrangements shall be made to eliminate more than one set of administration/ management charges and charges which the Administrator/ Asset Manager or associate of

the Fund Administrator/ Asset Manager may be entitled to charge in relation to the acquisition/ disposal of units in the underlying collective investment schemes.

- h) The Fund may employ techniques and instruments relating to transferable securities for the purposes of efficient portfolio management. The Fund may employ techniques and instruments intended to provide protection against exchange rate and other risks in the context of the management of its assets and liabilities.
- i) The Fund may invest in derivatives as long as these are used as a means of reducing risk or facilitating efficient portfolio management. Such investments must be valued on a prudent basis, taking into account the underlying asset, and must be included in the valuation of the Fund's assets. The Fund shall also avoid excessive risk exposure to a single counterparty and to other derivative operations. The Fund shall not be leveraged or geared in any way through the use of futures, options or other derivatives.
- j) Subject to the provisions of the Fund's Constitutional Documents, the Fund may borrow as long as the borrowings do not exceed 10 per cent of the value of the Fund and provided such borrowing is temporary and for liquidity purposes.
- k) A Fund shall not grant loans or act as guarantor on behalf of a third party. This is without prejudice to the right of the Fund to acquire debt securities.
- l) The Fund shall not invest in a feeder collective investment scheme.
- m) A Fund shall be precluded from investing in another Fund.

The MFSA may be flexible in the application of certain of the above restrictions as considered appropriate in the circumstances, taking into account the nature of the Fund and the reasons justifying any requested derogation(s).