MFSA MALTA FINANCIAL SERVICES AUTHORITY

INVESTMENT SERVICES RULES FOR RETAIL COLLECTIVE INVESTMENT SCHEMES

PART B - STANDARD LICENCE CONDITIONS

PART BII: MALTA BASED UCITS COLLECTIVE INVESTMENT SCHEMES

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REVISIONS LOG

VERSION	DATE ISSUED	DETAILS
1.00	1 November 2007	Applicable until 5 May 2019
2.00	6 May 2019	See: Circular dated 6 May 2019 on Revisions to CIS Rulebooks
3.00	4 May 2020	See: Circular dated 4 May 2020 on the MMF Guidelines
4.00	3 July 2020	See: Circular dated 3 July 2020 on the updates made to the ISP and CIS Rulebooks
5.00	12 October 2020	See: Circular dated 12 October 2020 on the Update to Investment Services Rulebooks
6.00	04 January 2021	See: Circular dated 04 January 2021 on the Update to Investment Services Rulebooks
7.00	12 April 2021	See: Circular dated 12 April 2021 on the Annual Fund Return
8.00	13 August 2021	See: Circular dated 23 August 2021 on the Update to the Investment Services Rulebooks
9.00	21 December 2021	See: Circular dated 21 December 2021 on the Annual Fund Return
10.00	29 March 2022	See: Circular dated 29 March 2022 on Amendments to the Investment Services Rulebooks
11.00	23 May 2022	See: Circular dated 23 May 2022 on Amendments to the Investment Services Rulebooks to transpose and implement EU Directives, Regulations and EBA Guidelines
12.00	4 October 2022	See: Circular dated 4 October 2022 on Amendments to the Investment Services Rulebooks to implement the revised ESMA Guidelines on stress test scenarios under the MMF Regulation
13.00	12 April 2023	See: Circular dated 12 April 2023 on Amendments to the Investment Services Rulebooks to implement the revised ESMA Guidelines on stress test scenarios under the MMF Regulation

14.00	4 September 2023	See: Circular dated 4 September 2023 on Various Amendments to the Investment Services Rulebooks
15.00	28 March 2024	See: Circular dated 28 March 2024 on Amendments to the Investment Services Rulebooks in relation to the Money Market Funds Regulation
16.00	20 November 2024	See: Implementation of Various EBA & ESMA Guidelines
17.00	4 December 2024	See: Transposition of Directive (EU) 2022/2556 on Digital Operational Resilience for the Financial Sector – Amendments to the Authority's Rules
18.00	7 August 2025	See: Amendments to the Investment Services Rulebooks in relation to the Money Market Funds Regulations
19.00	2 February 2026	See: Amendments to the Annual Fund Return
20.00	30 April 2026	See: Various Amendments to the Investment Services Rulebooks for the Purposes of Directive 2024/927(EU)
21.00	5 October 2026	See: Various Amendments to the Investment Services Rulebooks
22.00	14 October 2026	See: Amendments to Sectoral Legislation and Rulebooks to Implement the European Single Access Point (ESAP) Framework

INTRODUCTION

1.1. In addition to the requirements included in this Part, the Scheme shall comply with the provisions of the relevant Regulations issued under the Investment Services Act, 1994, as may be amended or supplemented at any time.

1.1A The relevant requirements of SLC 16.13, 16.18A, 16.18B, 16.18C, 16.18D, 16.18E, and 16.18F, transposing Commission Delegated Directive (EU) 2021/1270 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for UCITS, shall apply from 1 August 2022.

1.2. Where the Scheme is:

i. in the form of a limited partnership whose capital is divided into shares, it shall also be subject to the *"Supplementary Conditions for Schemes established as Limited Partnerships"* set out in Section 14 of this Part.

ii. in the form of an investment company it shall also be subject to the *"Supplementary Conditions for Schemes established as Investment Companies"* set out in Section 15 of this Part.

iii. set up as a Self-Managed Scheme and has accordingly not appointed a Maltese or European Management Company as its designated investment manager, the Scheme shall also be subject to the *"Supplementary Conditions for Self-Managed Schemes"* set out in Section 16 of this Part *in lieu* of SLCs 2.2, 2.3, 2.4 and 2.5 as well as to the *"Supplementary Licence Conditions applicable to Self-Managed Schemes"* prescribed in Appendix VIII to these Rules.

iv. set up as an Umbrella Fund, reference to "the Scheme" throughout this Part shall be construed, where applicable, as reference to the Sub-Funds of the Scheme. Moreover, the Scheme shall also be subject to the *"Supplementary Conditions for Schemes established as Umbrella Funds"* set out in Section 17 of this Part.

v. set up as an Incorporated Cell Company with Incorporated Cells, the Scheme shall also be subject to the *"Supplementary Conditions for Schemes established as Umbrella Funds and set up as Incorporated Cell Companies with Incorporated Cells"* set out in Section 18 of this Part.

vi. set up as a Fund of Funds, it shall also be subject to the *"Supplementary Conditions for Schemes established as Fund of Funds"* set out in Section 19 of this Part.

vii. set up as feeder UCITS or master UCITS, it shall also be subject to the *"Supplementary Conditions for Schemes which qualify as feeder UCITS or master UCITS"* set out in Section 20 of this Part.

viii. set up as a Money Market Fund, it shall be subject to the provisions of this Part insofar as such provisions have not been superseded by the provisions of the Investment Services Act (Money Market Funds) Regulations, 2019 implementing Regulation (EU) 2017/1131 ("MMF Regulation") in its entirety. Furthermore, it shall be subject to the "*Supplementary Licence Conditions applicable to Schemes set up as Money Market Funds*" prescribed in Section 25 of this Part.

1.3. The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness of any party appointed by the Scheme.

1.4. The Scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls to ensure compliance with all regulatory requirements.

1.5. The MFSA has the right, from time to time, and following advance notification to the Scheme, to vary or revoke any Licence Condition or to impose any new conditions.

2. SERVICE PROVIDERS

Manager

2.1. The Scheme may appoint a Maltese or European Management Company with responsibility for the discretionary investment management of the assets of the Scheme.

2.2. A Maltese Management Company shall have an established place of business in Malta and shall qualify as such pursuant to the provisions of the Act and the Investment Services Act (UCITS Management Company Passport) Regulations, 2011. It shall have sufficient financial resources and liquidity at its disposal to enable it to conduct its business effectively and to meet its liabilities. The Manager shall also have the business organisation, systems, experience and expertise deemed necessary by the MFSA for it to act as Manager. The Scheme shall be required to satisfy the MFSA that the proposed Manager meets the above requirements.

2.2A The Scheme may appoint a European Management Company in accordance with the Investment Services Act (UCITS Management Company Passport) Regulations, 2011. A European Management Company may seek to establish a branch in Malta or provide services in Malta in terms of Regulations 9 and 10 respectively of the said Regulations.

2.3 The MFSA shall be entitled to be satisfied, on a continuing basis that the Manager of the Scheme has the appropriate expertise and experience to carry out its functions.

2.4. The appointment and/or the replacement of any party who is to be the Manager of the Scheme, the terms of that appointment, and the contents of the agreement to which the appointment is subject, shall be agreed in advance with the MFSA. The MFSA shall have the right to require the replacement of the Manager of the Scheme.

2.5. The Scheme shall ensure that where the Manager wishes to delegate to third parties, for the purpose of a more efficient conduct of its business, the carrying out on its behalf of one or more of its own functions, the relevant provisions of Part B II of the Investment Services Rules for Investment Services Providers, dealing with outsourcing, shall apply, subject to the following additional requirements:

i. the Manager is to obtain the MFSA's prior consent to the outsourcing or delegation of any of its functions following submission of appropriate details as may be required by the MFSA;

ii. the mandate shall not prevent the effectiveness of supervision over the Manager, and in particular it shall not prevent the Manager from acting, or the UCITS from being managed, in the best interests of investors;

iii. when the delegation concerns the investment management, the mandate shall only be given to undertakings which are authorised or licensed for the purpose of asset management and subject to prudential supervision, and such delegation shall be in accordance with investment-allocation criteria periodically laid down by the Manager;

iv. where the delegation concerns investment management and is given to a third country undertaking, co-operation between the MFSA and the supervisory authority in that third country shall be ensured

v. a mandate with regard to the core function of investment management shall not be given to the Depositary or to any undertaking whose interests may conflict with those of the Manager or the unit-holders;

vi. measures shall exist which enable the persons who conduct the business of the Manager to monitor effectively at any time the activity of the undertaking to which the mandate is given;

vii. the mandate shall not prevent the persons who conduct the business of the Manager from giving further instructions to the undertaking to which functions are delegated and from withdrawing the mandate with immediate effect when this is in the interest of investors;

viii. having regard to the nature of the functions to be delegated, the undertaking to which functions will be delegated shall be qualified and capable of performing the functions in question; and

ix. the Scheme's Prospectus shall list the functions which the Manager has been permitted to delegate as provided hereunder in the Investment Services Rules.

In no case shall the Manager delegate any functions to third parties to the extent that it becomes a "letter box/ brass plate" entity.

Administrator

2.6. The Scheme in the case of a self-managed Maltese UCITS or the Manager may appoint an Administrator. Where an Administrator is not appointed, the Manager shall be responsible for the Administration function.

2.7. Where an administrator is appointed, the Scheme or the Manager shall submit to the MFSA the details thereof in an appropriate manner. Furthermore, the mandate shall not prevent the effectiveness of supervision over the manager or the scheme in the case of a self-managed Maltese UCITS.

2.8. The Administrator shall have the business organisation, systems, experience and expertise deemed necessary by the MFSA for it to act as Administrator of the

Scheme. The Scheme or the Manager shall satisfy the MFSA that the proposed Administrator meets the above requirements.

2.9. The MFSA shall be entitled to be satisfied, on a continuing basis that the Administrator of the Scheme has the appropriate expertise and experience to carry out its functions.

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Investment Adviser

2.11. The Scheme or the Manager may appoint an Investment Adviser.

2.12. Where the Scheme or Manager appoints an Investment Adviser, the Investment Adviser shall have sufficient financial resources and liquidity at its disposal to enable it to conduct its business effectively and to meet its liabilities. The Investment Adviser shall also have the business organisation, systems, experience and expertise deemed necessary by the MFSA for it to act as Investment Adviser. The Scheme shall be required to satisfy the MFSA that the proposed Investment adviser meets the above requirements.

2.13. The MFSA shall be entitled to be satisfied, on a continuing basis that the Investment Adviser has the appropriate expertise and experience to carry out its functions.

2.14. The appointment and/or the replacement of any party who is to be the Investment Adviser of the Scheme, the terms of that appointment, and the contents of the agreement to which the appointment is subject, shall be agreed in advance with the MFSA. The MFSA shall have the right to require the replacement of the Investment Adviser of the Scheme.

Depositary

2.15. The Depositary shall ensure compliance with the provisions of the Investment Services Act (Depositaries of Collective Investment Schemes) Regulations, applicable to depositaries of UCITS.

2.16. The Depositary shall have sufficient financial resources and liquidity at its disposal to enable it to conduct its business effectively and to meet its liabilities. The Depositary shall also have the business organisation, systems, experience and expertise deemed necessary by the MFSA for it to act as Depositary. The Scheme shall be required to satisfy the MFSA that the proposed Depositary meets the above requirements.

2.17. The MFSA shall be entitled to be satisfied, on a continuing basis that the Depositary has the appropriate expertise and experience to carry out its functions.

2.18. The Depositary shall be separate and independent from the Manager and shall act independently and solely in the interests of the unit-holders. Any facts, relationships, arrangements, or circumstances which may at any stage bring that independence into question shall be declared to the MFSA as soon as the Scheme becomes aware of any such matter.

Auditor

2.19. The Scheme shall appoint an auditor approved by the MFSA. The Scheme shall replace its auditor if requested to do so by the MFSA. The MFSA's consent shall be sought prior to the appointment or replacement of an auditor.

2.20. The MFSA shall be entitled to be satisfied, on a continuing basis that the auditor of the Scheme has the appropriate expertise and experience to carry out its functions.

2.21. The Scheme shall make available to its auditor, the information and explanations he/ she needs to discharge his/ her responsibilities as an auditor, and in order to meet the MFSA's requirements.

2.22. The Scheme shall not appoint an individual as an auditor, nor appoint an audit firm where the individual is directly responsible for the audit, or his/ her firm is:

i. a director, partner, qualifying shareholder, officer, representative or employee of the Scheme;

ii. a partner of, or in the employment of, any person in (i) above;

iii. a spouse, parent, step-parent, child, step-child or other close relative of any person in (i) above;

iv. a person who is not otherwise independent of the Scheme; or

v. a person disqualified by the MFSA from acting as an auditor of a Scheme.

For this purpose an auditor shall not be regarded as an officer or an employee of the Scheme solely by reason of being the auditor of that Scheme.

2.23. The Scheme shall obtain from its auditor a signed letter of engagement defining clearly the extent of the auditor's responsibilities and the terms of his/ her appointment. The Scheme shall confirm in writing to its auditor its agreement to the terms in the letter of engagement.

2.24. The letter of engagement shall include terms requiring the auditor:

i. to provide such information or verification to the MFSA as the MFSA may request;

ii. to afford another auditor all assistance as he/ she may require;

iii. to vacate his/ her office if he/ she becomes disqualified to act as auditor for any reason;

iv. to advise the MFSA of the fact and of the reasons for his/ her ceasing to hold office, if he/ she resigns, or is removed or not reappointed. The auditor shall also be required to advise the MFSA if there are matters he/ she considers should be brought to the attention of the MFSA;

v. in accordance with Article 18 of the Act, to report immediately to the MFSA any fact or decision of which he/ she becomes aware in his/ her capacity as auditor of the Scheme which:

a. is likely to lead to a serious qualification or refusal of his audit report on the accounts of the Scheme; or

b. constitutes or is likely to constitute a material breach of the legal and regulatory requirements applicable to the Scheme in or under the Act; or

c. gravely impairs the Scheme's ability to continue as a going concern; or

d. relates to any other matter which has been prescribed.

2.25. If at any time the Scheme fails to have an auditor in office for a period exceeding four weeks the MFSA shall be entitled to appoint a person to fill the vacancy; the fees and charges so incurred being payable by the Scheme.

2.26. In respect of each annual accounting period, the Scheme shall require its auditor to include in the annual report of the Scheme an audit report. The Scheme shall notify the MFSA immediately if it is informed that its auditor intends to qualify the audit report.

3. COMPLIANCE OFFICER / MONEY LAUNDERING REPORTING OFFICER ("MLRO")

Compliance Officer

3.1. Responsibility for the Scheme's compliance with its licence conditions rests with the Board of Directors in the case of a Scheme set up as an investment company; with the General Partner(s) in the case of a Scheme set up as a limited partnership; or with the Manager in the case of a Scheme set up as a unit trust or common contractual fund.

3.2. The Scheme shall at all times have a Compliance Officer.

3.3. The Scheme shall obtain the written consent of the MFSA before the appointment or replacement of a Compliance Officer. The request for consent of the appointment or replacement of a Compliance Officer shall reach the MFSA prior to the proposed date of appointment and shall be accompanied by a Personal Questionnaire, in the form set out in Schedule E to Part A of these Rules duly completed by the person proposed. The MFSA reserves the right to object to the proposed appointment or replacement and to require such additional information it considers appropriate.

3.4. The Scheme shall notify the MFSA of the resignation or removal of its Compliance Officer upon becoming aware of the proposed resignation or removal. The Scheme shall also request the Compliance Officer to confirm to the MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA together with the Scheme's notification of departure.

3.5. The Scheme shall request its Compliance Officer to prepare a "Compliance Report" at least on a six monthly basis, which in the case of a Scheme taking the form of:

i. an investment company, should be presented to the Board of Directors; or

ii. a limited partnership, should be presented to the General Partner; or

iii. a unit trust or common contractual fund, should be presented to the Manager and the Trustee.

The "Compliance Report" should indicate any:

i. breaches to the Investment and Borrowing Restrictions;

ii. complaints from unit-holders in the Scheme and the manner in which these have been handled in accordance with Appendix X;

iii. material valuation errors (higher than 0.5 per cent of NAV) and the manner in which these have been handled; and

iv. material compliance issues during the period covered by the Compliance Report.

The "Compliance Report" shall also include a confirmation that all the local Prevention of Money Laundering requirements have been satisfied. This confirmation should be obtained from the Scheme's Money Laundering Reporting Officer.

3.6. A copy of the "Compliance Report" should be held in Malta at the registered office of the Scheme and made available to the MFSA during Compliance Visits.

Money Laundering Reporting Officer ("MLRO")

3.7. Responsibility for the Scheme's compliance with its Prevention of Money Laundering obligations rests with the Board of Directors in the case of a Scheme set up as an investment company; with the General Partner(s) in the case of a Scheme set up as a limited partnership; or with the Manager in the case of a Scheme set up as a unit trust or common contractual fund.

3.8. The Scheme shall at all times have an MLRO.

3.9. The Scheme shall obtain the written consent of the MFSA before the appointment or replacement of an MLRO. The request for consent of the appointment or replacement of an MLRO shall reach the MFSA prior to the proposed date of appointment and shall be accompanied by a Personal Questionnaire, in the form set out in Schedule E to Part A of these Rules duly completed by the person proposed. The MFSA reserves the right to object to the proposed appointment or replacement and to require such additional information it considers appropriate.

3.10. The Scheme shall notify the MFSA of the resignation or removal of its MLRO upon becoming aware of the proposed resignation or removal. The Scheme shall also request the MLRO to confirm to MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA together with the Scheme's notification of departure.

3A. VALUATION OF ASSETS / ISSUE OF UNITS

3.1A The method of valuation of the assets of the Maltese Scheme as well as the method for calculating the sale or issue price and the repurchase and redemption price of the units of a Maltese Scheme shall be approved by the MFSA and shall be laid down in the instruments of incorporation and the Prospectus of the Scheme.

3.2A A Maltese Scheme shall not issue a unit unless the equivalent net issue price is paid into the assets of the Maltese Scheme within the usual time limits.

Provided that this shall not preclude the distribution of bonus units.

3.3A If the stock exchange value of the units or shares of a Maltese Scheme set up as an ETF significantly varies from its net asset value, investors who have acquired their units or shares (or, where applicable, any right to acquire a unit or share that was granted by way of distributing a respective unit or share) on the secondary market shall be allowed to sell them directly back to the ETF. For example, this may apply in cases of market disruption such as the absence of a market maker. In such situations, information shall be communicated to the regulated market indicating that the ETF is open for direct redemptions at the level of the ETF.

4. PERMISSIBLE INVESTMENT INSTRUMENTS

With prejudice to the provisions of this Section, where a Maltese UCITS is authorised as Money Market Fund, it is subject to the provisions of the Regulation (EU) 2017/1131 in its entirety, as transpose by LN. 25 of 2019 in Investment Services Act (Money Market Funds) Regulations, 2019. In the case of conflict of provisions, the MMF Regulation shall prevail.

4.1. The investments of the Scheme shall consist solely of any or all of the following:

i. Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market within the meaning of Article 4(1) of the Markets in Financial Instruments Directive (Directive 2004/39/EC); and/or

ii. Transferable Securities and Money Market Instruments dealt in on another regulated market in a Member State which operates regularly and is recognized and open to the public; and/or

iii. Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in a non-Member State or dealt in on another regulated market in a non-Member State which operates regularly and is recognized and open to the public provided that the choice of stock exchange or market has been approved by the MFSA or is provided for in the Scheme's Prospectus or the Scheme's Constitutional Documents; and/or

iv. recently issued Transferable Securities provided that:

a. the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or to another regulated market which operates regularly and is recognized and open to the public, provided that the choice of stock exchange or market has been approved by the MFSA or is provided for in the Scheme's Prospectus or the Scheme's instruments of incorporation;

b. such admission is secured within a year of issue; and/or

v. units of other UCITS Schemes authorised in terms of the UCITS Directive or other collective investment schemes falling within the definition of a UCITS Scheme, should they be situated in a Member State or not provided that:

a. such other collective investment schemes are authorised under laws which provide that they are subject to supervision considered by MFSA to be equivalent to that laid down in Community law, and that co-operation between authorities is sufficiently ensured;

b. the level of protection for unit-holders in such other collective investment schemes is equivalent to that provided for unit-holders in a UCITS Scheme, and in particular that the rules on assets segregation, borrowing, lending and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of the UCITS Directive;

c. the business of the other collective investment schemes is reported in half-yearly and annual reports to enable investors to assess the assets and liabilities, income and operations over the reporting period;

d. no more than 10 per cent of the assets of the UCITS Schemes or of the other collective investment schemes whose acquisition is contemplated, can, according to their Prospectus or instruments of incorporation, be invested in aggregate in units of other UCITS Schemes or other collective investment schemes; and/or

vi. deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by MFSA as equivalent to those laid down in Community Law; and/or

vii. Financial Derivative Instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in paragraphs (i), (ii) and (iii) above; and/or Financial Derivative Instruments dealt in over-the-counter ("OTC-derivatives) provided that:

a. the underlying consists of instruments covered by this SLC, financial indices, interest rates, foreign exchange rates or currencies, in which the Scheme may invest according to its investment objectives as stated in its Prospectus or instruments of incorporation;

b. the counterparties to OTC-derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the MFSA according to the criteria set out in SLC 5.23; and

c. the OTC-derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Scheme's initiative; and/or

viii. Money Market Instruments, other than those dealt in on a regulated market, if the issue or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:

a. issued or guaranteed by a central, regional or local authority or central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or

b. issued by an undertaking any securities of which are dealt on regulated markets referred to in paragraphs (i), (ii) or (iii) above; or

c. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the MFSA to be at least as stringent as those laid down by Community law; or

d. issued by other bodies falling within the categories which the MFSA may from time to time prescribe, provided that investments in such instruments are subject to investor protection equivalent to that laid down in (a), (b) or (c) above and provided that the issuer:

   i. is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC;

   ii. is an entity, within a group of companies, which includes one or several listed companies, is dedicated to the financing of the group; or

   iii. is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

4.2. Where the Scheme is set up as an investment company or a limited partnership, it may acquire movable or immovable property which is essential for the direct pursuit of its business.

4.3. The Scheme may not acquire precious metals or certificates representing them.

Transferable Securities

4.4. The Scheme or its Manager on its behalf shall ensure that the Transferable Securities referred to in SLC 4.1(i) to (iv) and SLC 5.5 satisfy the following criteria:

i. the potential loss which the Scheme may incur with respect to holding these instruments is limited to the amount paid for them;

ii. their liquidity does not compromise the ability of the Scheme to comply with SLC 12.6;

iii. reliable valuation is available for them as follows:

a. in the case of securities admitted to or dealt in on a regulated market as referred to in SLC 4.1 (i) to (iv), in the form of accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

b. in the case of other securities as referred to in SLC 5.5, in the form of a valuation on a periodic basis which is derived from information from the issuer of the security or from competent investment research;

iv. appropriate information is available for them as follows:

a. in the case of securities admitted to or dealt in on a regulated market as referred to in SLC 4.1(i) to (iv), in the form of regular, accurate and comprehensive information to the market on the security or, where relevant, on the portfolio of the security;

b. in the case of other securities as referred to in SLC 5.5, in the form of regular and accurate information to the Scheme or its Manager on the security or, where relevant, on the portfolio of the security;

v. they are negotiable;

vi. their acquisition is consistent with the investment objectives or the investment policies, or both, of the Scheme pursuant to the UCITS Directive;

vii. their risks are adequately captured by the risk management process of the Scheme or its Manager.

For the purposes of (ii) and (v) above, and unless there is information available to the Scheme or its Manager that would lead to a different determination, financial instruments which are admitted or dealt in on a Regulated Market in accordance with SLC 4.1 (i) to (iii) shall be presumed not to compromise the ability of the Scheme or its Manager to comply with SLC 12.6 and shall also be presumed to be negotiable.

When a Transferable Security covered by point (iii) in the definition of this term in the Glossary to these Rules, contains an embedded derivative component as referred to in SLC 5.22, the requirements of SLCs 5.18, 5.19, 5.22 and 5.26 to 5.33 shall apply to that component.

Money Market Instruments

4.5. The Scheme or its Manager on its behalf shall ensure that the Money Market Instruments referred to in SLC 4.1(viii) satisfy the following criteria:

i. they fulfil one of the following criteria:

a. they have a maturity at issuance of up to and including 397 days; or

b. they have a residual maturity of up to and including 397 days; or

c. they undergo regular yield adjustments in line with money market conditions at least every 397 days; or

d. their risk profile, including credit and interest rate risks, corresponds to that of financial instruments which have a maturity as referred to in (a) or (b), or are subject to a yield adjustment as referred to in point (c).

ii. they fulfil the following criteria:

a. they can be sold at limited cost in an adequately short time frame, taking into account the obligation of the Scheme to repurchase or redeem its units at the request of any unit-holder; and

b. they qualify as financial instruments for which accurate and reliable valuations systems, which fulfil the following criteria, are available:

- they enable the Scheme or its Manager or Administrator on its behalf to calculate a net asset value in accordance with the value at which the financial instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and

- they are based either on market data or on valuation models including systems based on amortised costs.

iii. appropriate information is available for them, including information which allows an appropriate assessment of the credit risks related to the investment in such instruments; and

iv. they are freely transferable.

4.6. For Money Market Instruments referred to in SLC 4.1(viii)(b) and (d) and Money Market Instruments issued by a local or regional authority of a Member State or by a public international body but that are not guaranteed by a Member State or, in the case of a federal State which is a Member State, by one of the members making up the federation, "appropriate information" as referred to in SLC 4.5(iii) shall consist in the following:

i. information on both the issue or the issuance programme and the legal and financial situation of the issuer prior to the issue of the Money Market Instrument;

ii. updates of the information referred to in (i) above on a regular basis and whenever a significant event occurs;

iii. the information referred to in (i) above, verified by appropriately qualified third parties not subject to instructions from the issuer; and

iv. available and reliable statistics on the issue or the issuance programme.

4.7. For Money Market Instruments covered by SLC 4.1(viii)(c), "appropriate information" as referred to in SLC 4.5(iii) shall consist in the following:

i. information on the issue or issuance programme or on the legal and financial situation of the issuer prior to the issue of the Money Market Instrument;

ii. updates of the information referred to in (i) above on a regular basis and whenever a significant event occurs; and

iii. available and reliable statistics on the issue or issuance programme or other data enabling an appropriate assessment of the credit risks related to the investment in such instruments.

4.8. For all Money Market Instruments covered by SLC 4.1(viii)(a) except those referred to in SLC 4.6, and those issued by the European Central Bank or by a central bank from a Member State, *"appropriate information"* as referred to in SLC 4.5(iii) shall consist in information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the Money Market Instrument.

4.9. The reference in SLC 4.1(viii)(c) to "an establishment which is subject to and complies with prudential rules considered by the MFSA to be at least as stringent as those laid down by Community law" shall be understood as a reference to an issuer which is subject to and complies with prudential rules and fulfils one of the following criteria:

i. it is located in the European Economic Area;

ii. it is located in the OECD countries belonging to the Group of Ten;

iii. it has at least investment grade rating; and

iv. it can be demonstrated on the basis of an in-depth analysis of the issuer that the prudential rules applicable to that issuer are at least as stringent as those laid down by Community law.

4.10. The reference in SLC 4.1(viii)(d) to:

i. *"securitisation vehicles"* shall be understood as a reference to structures, whether in the corporate, trust or contractual form, set up for the purpose of securitisation operations; and

ii. *"banking liquidity lines"* shall be understood as a reference to banking facilities secured by a financial institution which itself complies with SLC 4.1(viii)(c).

Financial Derivative Instruments

4.11. The reference to "liquid financial assets" in Regulation 3(2)(a) of the Investment Services Act (Marketing of UCITS) Regulations, 2011, shall be understood, with respect to Financial Derivative Instruments, as a reference to Financial Derivative Instruments which fulfil the following criteria:

i. their underlyings consist of one or more of the following:

a. assets listed in SLC 4.1 including financial instruments having one or several characteristics of those assets;

b. interest rates;

c. foreign exchange rates or currencies;

d. financial indices.

ii. in the case of OTC-derivatives, they comply with the conditions set out in SLC 4.1(vii)(b) and (c).

The reference to *"liquid financial assets"* in this Regulation, shall however exclude derivatives on commodities.

4.12. Financial Derivative Instruments as referred to in SLC 4.1(vii) shall be taken to include instruments which fulfil the following criteria:

i. they allow the transfer of credit risk of an asset referred to in SLC 4.11(i) independently from the other risks associated with that asset;

ii. they do not result in the delivery or in the transfer, including in the form of cash, of assets other than those referred to in SLC 4.1 and 5.5;

iii. they comply with the criteria for OTC-derivatives laid down in SLC 4.1(vii)(b) and (c) and in SLC 4.13; and

iv. their risks are adequately captured by the risk management process of the Scheme or its Manager, and by its internal control mechanisms in the case of risks of asymmetry of information between the Scheme or its Manager and the counterparty to the credit derivative resulting from potential access of the counterparty to non-public information on firms the assets of which are used as underlying by credit derivatives.

4.13. For the purposes of the SLC 4.1(vii)(c), the reference to:

i. *"fair value"* shall be understood as a reference to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

ii. *"reliable and verifiable valuation"* shall be understood as a reference to a valuation, by the Scheme or its Manager, corresponding to the fair value as referred to in (i) above which does not only rely on market quotations by the counterparty and which fulfils the following criteria:

a. the basis for the valuation is either a reliable up-to-date market value of the instrument, or, if such a value is not available, a pricing model using an adequate recognised methodology;

b. verification of the valuation is carried out by one of the following:

i. an appropriate third party which is independent from the counterparty of the OTC-derivative, at an adequate frequency and in such a way that the Scheme or its Manager is able to check it;

ii. a unit within the Scheme or its Manager which is independent from the department in charge of managing the assets and which is adequately equipped for such purpose.

4.14. The reference in SLC 4.1(vii) to "financial indices" shall be understood as a reference to indices which fulfil the following criteria:

i. they are sufficiently diversified, in that the following criteria are fulfilled:

a. the index is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

b. where the index is composed of assets referred to in SLC 4.1, its composition is at least diversified in accordance with SLC 5.37;

c. where the index is composed of assets other than those referred to in SLC
4.1, it is diversified in a way which is equivalent to that provided for in SLC 5.37;

ii. they represent an adequate benchmark for the market to which they refer, in that the following criteria are fulfilled:

a. the index measures the performance of a representative group of underlyings in a relevant and appropriate way;

b. the index is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers following criteria which are publicly available;

c. the underlyings are sufficiently liquid which allows users to replicate the index, if necessary;

iii. they are published in an appropriate manner, in that the following criteria are fulfilled:

a. their publication process relies on sound procedures to collect prices and to calculate and to subsequently publish the index value, including pricing procedures for components where a market price is not available;

b. material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

4.15. Where the composition of assets which are used as underlyings by Financial Derivative Instruments in accordance with SLC 4.1 does not fulfil the criteria set out in SLC 4.14, those Financial Derivative Instruments shall, where they comply with the criteria set out in SLC 4.11, be regarded as Financial Derivative Instruments on a combination of the assets referred to in SLC 4.11(i)(a), (b) and (c).

4.16. A Hedge Fund Index qualifies as a financial index in terms of SLC 4.1(vii)(a) if it complies with the conditions laid down in SLC 4.14 and if the methodology of the index provides for the selection and the re-balancing of components on the basis of pre-determined rules and objective criteria.

4.17. Notwithstanding anything contained in SLC 4.16 a Hedge Fund Index does not qualify as a financial index in terms of SLC 4.1(vii)(a) if:

i. the index provider accepts payments from potential index components for the purpose of being included in the index; or

ii. the methodology of the index allows retrospective changes to previously published index values ("backfilling").

4.18. When gaining exposure to a Hedge Fund Index by means of an OTC derivative, the Scheme shall carry out appropriate due diligence in order to assess the "quality" of the index. In assessing the quality of the index, the Scheme shall take into account at least the following factors. The Scheme must keep a record of its assessment including:

i. the comprehensiveness of the index methodology, including:

a. whether the methodology contains an adequate explanation of subjects such as the weighting and classification of components (e.g. on the basis of the investment strategy of the selected hedge funds), and the treatment of defunct components; and

b. whether the index represents an adequate benchmark for the kind of hedge funds to which it refers;

ii. the availability of information about the index, including:

a. whether there is a clear narrative description of what the index is trying to represent;

b. whether the index is subject to an independent audit and the scope of the audit (e.g. that the index methodology has been followed, that the index has been calculated correctly); and

c. how frequently the index is published and whether this will affect the ability of the Scheme to accurately calculate its Net Asset Value;

iii. matters relating to the treatment of index components, including:

a. the procedures by which the index provider carries out any due diligence on the NAV calculation procedures of index components;

b. what level of detail about the index components and their NAVs are made available (including whether they are investable or non-investable); and

c. whether the number of components in the index achieves sufficient diversification.

Records evidencing compliance with this requirement shall be held at the registered office of the Scheme and should be made available to the MFSA during compliance visits.

5. INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS

With prejudice to the provisions of this Section, where a Maltese UCITS is authorised as Money Market Fund, it is subject to the provisions of the Regulation (EU) 2017/1131 in its entirety, as transposed by LN. 25 of 2019 in Investment Services Act (Money Market Funds) Regulations, 2019. In the case of conflict of provisions, the MMF Regulation shall prevail.

5.1. For the purposes of this Section, where the Scheme comprises more than one Sub-Fund, each Sub-Fund shall be regarded as a separate Scheme.

The Scheme shall observe its Investment Objectives, Policies and Restrictions.

Breaches of Investment Restrictions

5.2. The following shall be the rules applicable in the event of inadvertent breach of the Scheme's investment restrictions:

i. If one or more of the Scheme's investment restrictions are at any time contravened for reasons beyond the control of the Manager or the Scheme or as a result of subscription rights, the Manager or the Scheme shall take such steps as are necessary to ensure a restoration of compliance with such restriction(s) as soon as is reasonably practicable having regard to the interests of the unitholders and, in any event, within the period of six months beginning on the date of discovery of the contravention of such restriction(s).

The above is aimed at addressing circumstances which may arise following acquisition of the Scheme's assets and include market price movements of the Scheme's underlying assets or market illiquidity. The above is without prejudice to the duty of the Scheme to comply with its investment restrictions and to ensure that such restrictions are not contravened as a direct result of any acquisition of its underlying assets.

ii. Forthwith upon the Depositary becoming aware that circumstances of a kind described above have arisen, the Depositary shall take such steps as are necessary to ensure that the Scheme or Manager comply with the requirement imposed by (i) above.

iii. A contravention of an investment restriction which may arise due to the circumstances outlined in (i) above shall not be considered as a breach of a licence condition and will therefore not be subject to the MFSA's notification requirements. However, where the contravention is not remedied by the Manager or Scheme within the maximum six-month period stipulated in (i) above, a breach of this Licence Condition is deemed to arise and the relevant notification requirements will apply.

5.2A Without prejudice to SLC 5.2, in case of an advertent breach, the Scheme shall be subject to provision of SLC 12.21 of this Part of the Rules.

Disclosure in Prospectus

5.3. The Scheme's investment policies shall be clearly defined in the Scheme's Prospectus, and sufficient information shall be given to ensure that holders of Units are fully aware of the risks to which they will be exposed.

Ancillary Liquid Cash

5.4. The Scheme may hold ancillary liquid assets irrespective of its investment objective and policy.

Investments in Transferable Securities and Money Market Instruments

5.5. The Scheme may not invest more than 10 per cent of its assets in Transferable Securities and Money Market Instruments other than those referred to in SLC 4.1 above.

5.6. The Scheme shall not invest more than 5 per cent of its assets in Transferable Securities or Money Market Instruments issued by the same body.

5.7. The limit of 5 per cent in SLC 5.6 may be raised to a maximum of 10 per cent of the Scheme's assets. Provided that the total value of securities held in bodies in which it invests more than 5 per cent, is less than 40 per cent. This limitation does not apply to deposits and OTC-derivative transactions made with financial institutions subject to prudential supervision.

5.8. For the purposes of determining the 40 per cent limit indicated in SLC 5.7, the Transferable Securities and Money Market Instruments referred to in SLC 5.9 and SLC 5.10 below shall not be taken into account.

5.9. The limit of 5 per cent in SLC 5.6 may be raised to a maximum of 35 per cent if the Transferable Securities or Money Market Instruments are issued or guaranteed by a Member State, or by its local authorities, by a non-Member State or by public international bodies to which one or more Member States belong. Provided that this limit may be waived in accordance with SLC 5.11.

5.10. The limit of 5 per cent in SLC 5.6 may be raised to a maximum of 25 per cent in the case of:

i. bonds issued by a credit institution falling under the definition of a covered bond in the Glossary to these Rules; and

ii. certain bonds issued prior to 8 July 2022 and which met the following requirements on the date of their issue:

- issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders.

- sums deriving from the issue of these bonds shall be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

5.11. By way of derogation from SLC 5.6 to 5.10, 5.35 and 5.36, the MFSA may authorize the Scheme to invest in accordance with the principle of risk-spreading up to 100 per cent of its assets in different Transferable Securities or Money Market Instruments issued or guaranteed by any Member State, its local authorities, a non-Member State or public international bodies of which one or more Member States are members, provided it is satisfied that unit-holders in the Scheme have protection equivalent to that of unit-holders in a Scheme complying with the limits laid down in SLC 5.6 to 5.10, 5.35 and 5.36. The following conditions shall apply:

i. the Scheme shall hold securities from at least six different issues, but securities from any one issue may not account for more than 30 per cent of its total assets;

ii. the Scheme shall disclose in its Prospectus the names of the States, local authorities or public international bodies issuing or guaranteeing securities in which they intend to invest more than 35 per cent of their assets; and

iii. the Scheme's Prospectus and any promotional material shall include a prominent statement drawing attention to such authorization and indicating the States, local authorities and/ or public international bodies in the securities of which it intends to invest or has invested more than 35 per cent of its assets.

Deposits with Credit Institutions

5.12. Not more than 20 per cent of the assets of the Scheme shall be kept on deposit with any one body.

Transactions in Financial Derivative Instruments – for investment and/or efficient portfolio management purposes

5.13. The Scheme may transact in Financial Derivative Instruments as long as:

i. the transaction involves Financial Derivative Instruments of the kind specified in SLC 4.1(vii);

ii. the transaction in the Financial Derivative Instrument does not cause the Scheme to diverge from its investment objectives as laid down in the Scheme's constitutional documents and/or Prospectus.

5.14. The Scheme's maximum exposure to one counterparty in an OTC-derivative transaction shall not be more than 5 per cent of the value of the assets of the Scheme. This limit may be increased to 10 per cent in respect of OTC-derivative transactions made with a counterparty which is a credit institution as described in SLC 4.1(vi).The exposure per counterparty of an OTC-derivative should not be measured on the basis of the notional value of the OTC-derivative, but on the maximum potential loss incurred by the Scheme if the counterparty defaults.

5.15. The exposure to one counterparty in an OTC-derivative transaction may be reduced where the counterparty provides the Scheme with collateral which satisfies the criteria listed in Section 9 of Appendix VI to these Rules.

5.16. The Scheme may net the mark-to-market value of its OTC-derivative positions with the same counterparty, thus reducing the Scheme's exposure to its counterparty, provided that the Scheme has a contractual netting agreement with its counterparty which creates a single legal obligation such that, in the event of the counterparty's failure to perform owing to default, bankruptcy, liquidation or any other similar circumstance, the Scheme would have a claim to receive or an obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions.

5.17. Derivative transactions which are performed on an exchange where the clearinghouse meets the following conditions shall be deemed to be free of counterparty risk:

i. is backed by an appropriate performance guarantee;

ii. is characterised by a daily mark-to-market valuation of the derivative positions; and

iii. is subject to at least daily margining.

5.18. The Scheme may employ techniques and instruments for the purpose of efficient portfolio management which include the use of Transferable Securities and Money Market Instruments. These operations may concern the use of Financial Derivative Instruments.

The reference in this SLC to techniques and instruments which relate to Transferable Securities and which are used for the purpose of efficient portfolio management shall

be understood as a reference to techniques and instruments which fulfil the following criteria:

i. they are economically appropriate in that they are realised in a cost-effective way;

ii. they are entered into for one or more of the following specific aims:

a. reduction of risk; or

b. reduction of cost; or

c. generation of additional capital or income for the Scheme with a level of risk which is consistent with the risk profile of the Scheme and the risk diversification rules laid down in SLC 5.6 to 5.10, 5.12, 5.14, 5.35 and 5.36; and

iii. their risks are adequately captured by the risk management process of the Scheme or its Manager.

Techniques and instruments which comply with the criteria set out in the second paragraph of this SLC and which relate to Money Market Instruments shall be regarded as techniques and instruments relating to Money Market Instruments for the purpose of efficient portfolio management.

5.19. The Scheme shall ensure that its global exposure relating to Financial Derivative Instruments does not exceed the total net value of its portfolio. The exposure is calculated taking into account:

i. the current value of the underlying asset;

ii. the counterparty risk;

iii. future market movements; and

iv. the time available to liquidate positions.

The Scheme's overall risk exposure may not exceed 200 per cent of its NAV on a permanent basis.

The Scheme's total/ global exposure relating to Financial Derivative Instruments should be assessed in line with the requirements included in Section 13 of this Part.

5.20. Where the Scheme invests in Financial Derivative Instruments as part of its investment policies and within the limits established by SLC 5.36, the exposure to the

underlying assets shall not exceed in aggregate the limits in SLC 5.6 to 5.10, 5.12, 5.14, 5.35 and 5.36. The exposure to the underlying assets should be calculated using the Commitment Approach as indicated in Section 13 of this Part.

5.21. Subject to MFSA approval, where the Scheme invests in an index based Financial Derivative Instrument, provided the relevant index meets the criteria in SLC 4.14 and 5.37 for approval of indices by the MFSA, these investments do not have to be combined to the limits laid down in SLC 5.6 to 5.10, 5.12, 5.14, 5.35 and 5.36.

5.22. Where a Transferable Security or Money Market Instrument embeds a Financial Derivative Instrument, this derivative transaction shall be taken into account for the purposes of complying with the limits in SLC 5.13 and 5.18 to 5.21. The exposure to the underlying assets should be calculated using the Commitment Approach as indicated in Section 13 of this Part. In cases where this approach is not relevant or technically impossible, due to the complexity of the concerned Financial Derivative Instrument, the Scheme may use an approach based on the maximum potential loss linked to that Financial Derivative Instrument.

The reference in this paragraph to Transferable Securities embedding a Financial Derivative Instrument shall be understood as a reference to financial instruments which fulfil the criteria set out in SLC 4.4 and which contain a component which fulfils the following criteria:

i. by virtue of that component some or all of the cash flows that otherwise would be required by the Transferable Security which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, and therefore vary in a way similar to a stand-alone Financial Derivative Instrument;

ii. its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

iii. it has a significant impact on the risk profile and pricing of the Transferable Security.

Money Market Instruments which fulfil one of the criteria set out in SLC 4.5(i) and all the criteria set out in SLC 4.5(ii) and which contain a component which fulfils the criteria set out in the second paragraph of this SLC shall be regarded as Money Market Instruments embedding a Financial Derivative Instrument.

A Transferable Security or a Money Market Instrument shall not be regarded as embedding a Financial Derivative Instrument where it contains a component which is contractually transferable independently of the Transferable Security or the Money Market Instrument. Such a component shall be deemed to be a separate financial instrument.

5.23. The Scheme shall only enter into transactions for direct investment in Financial Derivative Instruments or for efficient portfolio management/ hedging by means of Financial Derivative Instruments with counterparties who:

i. are not the Manager or Depositary of the Scheme; and

ii. form part of a group whose head office or parent company is licensed, registered or based in Malta, any member of the OECD, the EU or the EEA and is subject to prudential supervision in accordance with provisions equivalent to Directive 93/6/EEC or Directives 73/239/EEC and 79/267/EEC as amended; and

iii. have a credit rating of at least A (Standards & Poor's) or A2 (Moody's) or such other rating acceptable to MFSA. The Scheme and/or the Manager shall not rely solely or mechanistically on credit rating.

Provided that where a counterparty is unrated, the Scheme and/or the Investment Manager shall submit a request to the MFSA to consider a derogation from SLC 5.23 (iii). In this case, the Scheme and/or the Investment Manager shall demonstrate that the counterparty satisfies the following conditions, on an ongoing basis:

a. has sound financial standing;
b. is located in a reputable jurisdiction;

c. the exposure is capped at an appropriate aggregate limit; and

d. procedures are in place so that such a limit/relationship is reviewed at periodic intervals (at least on an annual basis) and this review is documented with such document being retained within Scheme records.

In the case of OTC transactions, the Scheme and/or the Investment Manager shall be satisfied that the counterparty has:

- agreed to value the transaction at least on a weekly basis; and

- will close out the transaction at the request of the Manager or the Scheme at fair value.

5.24. When the Scheme holds a Financial Derivative Instrument which automatically or at the Scheme's discretion, requires cash settlement on maturity or exercise, the Scheme does not necessarily have to hold the underlying instrument as cover. In such case, the following categories may be acceptable as cover:

i. cash;

ii. liquid debt instruments (e.g. government bonds of first credit rating) prudently adjusted by appropriate haircuts (minimum of 5 per cent); and

iii. other highly liquid assets which are correlated with the underlying of the Financial Derivative Instruments, prudently adjusted by appropriate haircuts (minimum 5 per cent).

The level of cover should be calculated using the Commitment Approach as indicated in Section 13 of this Part. The assets held for cover should consist solely of instruments listed in SLC 4.1 and should be compliant with the investment policies of the Scheme.

For the purposes of the above, the instruments held as cover should be considered as 'liquid' when they can be converted into cash at no more than 7 business days at a price closely corresponding to the current valuation of the financial instrument. It has to be ensured that the respective cash amount is at the Scheme's disposal at the maturity / expiry or exercise date of the Financial Derivative Instrument.

5.25. When the Scheme holds a Financial Derivative Instrument which automatically or at the counterparty's discretion, requires the physical delivery of the underlying financial instrument, on maturity or exercise, the Scheme has to hold the underlying instrument as cover at all times. However, the Scheme may alternatively cover the exposure with sufficient liquid assets provided that the following requirements are satisfied:

i. the risks of the underlying can be appropriately represented by another financial instrument; and/ or

ii. the underlying financial instrument is highly liquid; and/or

iii. the liquid assets held as cover can be used at any time to purchase the underlying financial instrument to be delivered; and/ or

iv. the additional risks associated with the transaction referred to in paragraph (iii) above are adequately covered by the Risk Management Process of the Scheme or its Manager.

The level of cover should be calculated using the Commitment Approach as indicated in Section 13 of this Part. The assets held for cover should consist solely of instruments listed in SLC 4.1 and should be compliant with the investment policies of the Scheme.

For the purposes of the above, the instruments held as cover should be considered as 'liquid' when they can be converted into cash at no more than 7 business days at a price closely corresponding to the current valuation of the financial instrument. It has to be ensured that the respective cash about is at the Scheme's disposal at the maturity/expiry or exercise date of the Financial Derivative Instrument.

Risk Management Process

5.26. The Scheme or its Manager shall use a risk management process, which is adapted to the relevant risk-profile of the Scheme, enabling it to monitor, and measure and manage at any time as frequently as appropriate, all material risks relating to the Scheme's positions and their contribution to the overall risk profile of the Scheme. In particular, the Scheme or its Manager shall not solely or mechanistically rely on credit ratings issued by credit rating agencies as defined in Article 3(1) (b) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, for assessing the creditworthiness of the UCITS' assets. Upon request of an investor, the Scheme or its Manager on its behalf shall provide supplementary information relating to the quantitative limits that apply in the risk management of the Scheme, the methods chosen to this end and to the recent evolution of the main instrument categories' risks and yields.

5.27. The following details of the risk management process shall be notified by the Scheme or its Manager to the MFSA in advance, along with any material alteration:

i. the methods for estimating risks in derivative transactions; and

ii. the types of Financial Derivative Instruments to be used within the Scheme together with their underlying risks and any relevant quantitative limits.

5.28. The risk management process should take account of the investment objectives and policies of the Scheme as stated in the most recent Prospectus.

5.29. The risk management process and any material alteration should be agreed in advance with the Depositary and the MFSA.

5.30. The Scheme or its Manager is expected to demonstrate more sophistication in its risk management process for a Scheme with a complex risk profile than for one with a simple risk profile. In particular, the risk management process should take account of any characteristic of non-linear dependence in the value of a position to its underlying.

5.31. The Scheme should take reasonable care to establish and maintain such systems and controls as are appropriate to its business.

5.32. The risk management process should enable the analysis required by SLC 5.26 to be undertaken at least daily or at each valuation point whichever is the more frequent

5.33. The Scheme or its Manager shall employ a process for accurate and independent assessment of the value of any OTC-derivative instruments which are made use of.

Uncovered Sales

5.34. The Scheme may not carry out uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments referred to in SLC 4.1(v), (vii) and (viii). Uncovered sales are all transactions in which the Scheme is exposed to the risk of having to buy securities at a higher price than the price at which the securities are delivered, thus making a loss, and the risk of not being able to deliver the underlying for settlement at the time of the maturity of the transaction.

General Restrictions – Single Issuer Exposures

5.35. Notwithstanding the individual limits laid down in SLC 5.6, 5.12, and 5.14, the Scheme may not combine:

i. investments in Transferable Securities or Money Market Instruments issued by; and

ii. deposits made with; and

iii. counterparty exposures arising from OTC-derivative transactions undertaken with; and

iv. other exposures arising from OTC-derivative transactions relating to;

a single body in excess of 20 per cent of its assets.

5.36. The limits provided for in SLC 5.6, 5.7, 5.9, 5.10, 5.12, 5.14 and 5.35 may not be combined, and thus investments in Transferable Securities or Money Market Instruments issued by the same body or in deposits or Financial Derivative Instruments made with this body carried out in accordance with the above-mentioned SLC shall under no circumstances exceed in total 35 per cent of the assets of the Scheme.

Companies which are included in the same group for the purposes of consolidated accounts as defined in Directive 83/349/EEC in accordance with recognized international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in SLC 5.6 to 5.10, 5.12, 5.14, 5.35 and 5.36.

Subject to approval by MFSA, the Scheme may effect a cumulative investment in Transferable Securities and Money Market Instruments within the same group up to a limit of 20 per cent.

Investments in Shares and Bonds for Tracking an Index

5.37. Without prejudice to the limits laid down in SLC 5.44 to 5.46, the limits laid down in SLC 5.6 and 5.7 may be raised to a maximum of 20 per cent for investment in shares and/or debt securities issued by the same body, where the investment policy of the Scheme as stated in the most recently published Prospectus, is to replicate the composition of a certain stock or debt securities index which is recognised by the MFSA, on the following basis:

i. its composition is sufficiently diversified in that it complies with the risk diversification rules in this SLC;

ii. the index represents an adequate benchmark for the market to which it refers, in that the index provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers; and

iii. it is published in an appropriate manner, in that the index fulfils the following criteria:

a. it is accessible to the public; and

b. the index provider is independent from the Scheme.

Point (b) shall not preclude index providers and the Scheme forming part of the same economic group, provided that effective arrangements for the management of conflicts of interest are in place.

The above 20 per cent limit may, subject to MFSA approval, be raised to a maximum of 35 per cent, where it proves to be justified by exceptional market conditions, in particular in regulated markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

The reference in this SLC to *"replicate the composition of a certain stock or debt securities index"* shall be understood as a reference to the replication of the composition of the underlying assets of an index, including the use of Financial Derivative Instruments or other techniques and instruments as referred to in SLC 5.18. instruments.

Investments in Other UCITS and / or Other Collective Investment Schemes

5.38. The Scheme may acquire the units of a UCITS and/or other collective investment schemes referred to in SLC 4.1(v), provided that no more than 20 per cent of its assets are invested in units of a single UCITS or other collective investment scheme.

5.39. Investments made in units of collective investment schemes other than UCITS, may not exceed, in aggregate, 30 per cent of the assets of the Scheme.

5.40. Subject to MFSA approval, when the Scheme has acquired units of UCITS and/or other collective investment schemes, the assets of the respective UCITS or other collective investment schemes do not have to be combined for the purposes of the limits laid down in SLC 5.6 to 5.10, 5.12, 5.14, 5.35 and 5.36.

5.41. When the Scheme invests in the Units of another UCITS and/or other collective investment schemes that are managed, directly or by delegation, by the Manager or by any other company with which the Manager is linked by common management or control, or by a substantial direct or indirect holding, the Manager or other company may not charge subscription or redemption fees on account of the Scheme's investment in the units of such other UCITS and/or collective investment schemes.

5.42. Where a commission is received by the Manager by virtue of an investment in the Units of another Scheme, that commission shall be paid into the property of the Scheme.

5.43. Where the Scheme invests a substantial proportion of its assets in other UCITS Schemes and/or collective investment schemes it shall disclose in its Prospectus, the maximum level of the management fees that may be charged both to the Scheme itself and to the other UCITS Schemes and/or collective investment schemes in which it intends to invest. In its annual report, it shall indicate the maximum proportion of management fees charged both to the Scheme itself and to the UCITS and/or other collective investment scheme in which it invests.

5.44. The Scheme or its Manager, taking into account all of the schemes which the latter manages, shall not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of the issuer.

5.45. The Scheme may acquire no more than:

i. 10 per cent of the non-voting shares of any single issuing body;

ii. 10 per cent of the debt securities of any single issuing body;

iii. 25 per cent of the units of any single UCITS and/or other collective investment schemes within the meaning of Article 1(2)(a) and (b) of Directive 2009/65/EC and

iv. 10 per cent of the Money Market Instruments of any single issuing body.

The limits laid out in (ii), (iii) and (iv) above, may be disregarded at the time of acquisition if at that time, the gross amount of the debt securities or of the Money Market Instruments, or the net amount of the securities in issue, cannot be calculated.

5.46 Subject to MFSA approval, SLC 5.44 and 5.45 may be waived as regards:

i. Transferable Securities and Money Market Instruments issued or guaranteed by a Member State or its local authorities;

ii. Transferable Securities and Money Market Instruments guaranteed by non-Member States;

iii. Transferable Securities and Money Market Instruments issued by public international bodies of which one or more Member States are members;

iv. shares held by the Scheme in the capital of a company incorporated in a non-Member State investing its assets mainly in securities of issuing bodies having their registered offices in that State, where, under the legislation of that State, such a holding represents the only way in which the Scheme can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policies, the company from the non-Member State complies with the limits laid down in SLC 5.6 to 5.10, 5.12, 5.14, 5.35, 5.36, 5.38 to 5.41 and 5.43 to 5.45. Where the limits set in SLC 5.6 to 5.10, 5.12, 5.14, 5.35, 5.36, 5.38 to 5.41 and 5.43 are exceeded, SLC 5.2, 5.49 and 5.50 shall apply mutatis mutandis; and

v. shares held by the Scheme in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holder's request exclusively on its or their behalf.

Borrowing Limits

5.47 Where the Scheme is set up as an investment company it shall not borrow. Where the Scheme is set up as a common fund, its Fund Manager or its Depositary shall not borrow on its behalf. A Scheme, may however acquire foreign currency by means of a "back-to-back" loan.

By way of derogation from the above paragraph, a Scheme may borrow provided that such borrowing is:

i. on a temporary basis and represents:
   - in the case of an investment company no more than 10% of its assets, or
   - in the case of a common fund, no more than 10% of the value of the fund; or

ii. to enable the acquisition of immoveable property essential for the direct pursuit of its business and represents, in the case of an investment company, no more than 10% of its assets.

Where a Scheme is authorised to borrow under sub paragraphs (a) and (b) above, such borrowing shall not exceed 15% of its assets in total.

Foreign Currency Lending

5.48 The Scheme shall, in as far as these may be applicable to any foreign currency lending which it may carry out, abide by the high level principles on foreign currency lending as outlined in MFSA Rule 1 of 2012 on foreign currency lending which is modelled on the Recommendation of the European Systemic Risk Board on lending in foreign currencies (ESRB/2011/1).

Foreign currency lending means lending in any currency other than the legal tender of the country in which the borrower is domiciled. This includes situations where the Euro is the foreign currency due to the borrower's domicile being outside the euro zone.

When the Scheme has engaged in any form of foreign currency lending during the period under review, it shall submit a confirmation to this effect together with its annual report. Any foreign currency lending activity shall be indicated as a percentage of the scheme's total NAV. A Scheme which has not carried out any foreign currency lending during the period under review is not required to submit a 'nil' return.

Miscellaneous

5.49 Provided the principle of risk-spreading is observed, the Scheme shall not be required to comply with the investment restrictions in SLCs 5.6 to 5.12, 5.14, 5.35 to 5.41 and 5.43, during the first six months from its launch.

5.50 The Scheme is not required to comply with the investment limits laid down in this Section 5 when exercising subscription rights attaching to Transferable Securities or Money Market Instruments, which form part of their assets.

5.51 Where a Scheme activates side pockets as referred to in SLC 12.6(i) by means of asset segregation, the segregated assets may be excluded from the calculation of limits laid down in Section 5

5.52 Without prejudice to SLCs 4.1, 4.2, 4.3, 5.4, 5.5, 5.13 and 5.18 to 5.22, the Scheme shall not grant loans or act as guarantor on behalf of third parties.

The above shall not prevent such undertakings from acquiring Transferable Securities, Money Market Instruments or other financial instrument referred to in SLC 4.1(v), (vii) and (viii) which are not fully paid.

5.53 Material changes to the Investment Policies and Restrictions of the Scheme shall be notified to investors in advance of the change.

5.54 Changes to the Investment Objectives of the Scheme shall be subject to the prior approval of the Unitholders of the Scheme. The change in the investment objectives should only become effective after all pending redemptions linked to the change in the investment objectives have been satisfied. Any applicable redemption fees would also need to be waived accordingly.

6. PROSPECTUS AND KEY INVESTOR INFORMATION DOCUMENT

With prejudice to the provisions of this Section, where a Maltese UCITS is authorised as Money Market Fund, it is subject to the provisions of the Regulation (EU) 2017/1131 in its entirety, as transpose by LN. 25 of 2019 in Investment Services Act (Money Market Funds) Regulations, 2019. In the case of conflict of provisions, the MMF Regulation shall prevail.

6.1 The Prospectus

6.1.1 The Scheme and/ or its Manager shall publish a Prospectus which shall be dated and the essential elements of which shall be kept up to date. The Prospectus shall be offered to the investor free of charge on request.

This shall be submitted to the MFSA, for the purposes of the ESAP Directive, in accordance with Article 35(1) of the Investment Services Act.

6.1.2 The Scheme's Prospectus shall include the information necessary for investors to be able to make an informed judgement of the investment proposed thereto, and in particular of the risks attached thereto, including a clear and easily understandable explanation of the Scheme's risk profile. The text and the format of the Prospectus, published or made available to the public, shall at all times be identical to the latest version approved by the MFSA. The Manager and Depositary of the Scheme shall at all times comply with the conditions prescribed in the Prospectus.

The Prospectus shall include either:

i. the details of the up-to-date remuneration policy including, but not limited to, a description of how remuneration and benefits are calculated, the identities of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists; or

ii. a summary of the remuneration policy and a statement to the effect that the details of the up-to-date remuneration policy, including but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits, including the composition of the remuneration committee, where such a committee exists, are available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

6.1.3 The Prospectus shall be offered to the investors free of charge and on request. In addition:

i. where the Scheme is in the form of an investment company or a limited partnership registered in Malta, it shall lodge a signed copy of the Prospectus

with the Registrar of Companies and the Prospectus shall be made available for inspection by the public;

ii. where (i) above is not applicable, a Scheme whose structure is other than in a corporate form shall lodge a copy of the Prospectus, authenticated by an authorised person on behalf of the Scheme, with the MFSA and the Registrar of Companies who will make the necessary arrangements to retain the documentation in an appropriate file for public access.

6.1.4 The Prospectus may be provided to the investor in a durable medium or in electronic form. A paper copy shall nevertheless be delivered to the investor upon his request and free of charge, by the Scheme or the financial intermediaries placing or selling the Scheme's units.

6.1.5 The Prospectus of the Scheme shall be made available in a printed form at the registered office of the Scheme or at its Manager or other financial intermediaries placing or selling the units in the Scheme.

6.1.6 The Prospectus shall contain at least the information listed in Annex II of Appendix I, in so far as that information does not already appear in the instruments of incorporation of the Scheme annexed to the prospectus. The Prospectus shall also contain any other disclosure as may be required by the MFSA in terms of the Act, these Rules or in terms of the Scheme's licence conditions.

6.1.7 The Prospectus shall indicate in which categories of assets a Scheme is authorised to invest. Where the Scheme may invest in financial derivative instruments, the prospectus shall include a prominent statement indicating whether investments in such derivative financial instruments may be carried out for the purpose of hedging or otherwise with the aim of meeting investment goals. The Prospectus shall also include a prominent statement indicating the potential impact of the use of financial derivative instruments on the scheme's risk profile.

6.1.8 Where a Scheme invests principally in a category of assets as defined in SLCs 4.1 to 4.3 and 5.5, or where a scheme replicates a stock or debt securities index, its prospectus and marketing communication shall include a prominent statement drawing attention to the scheme's investment policy.

6.1.9 Where a Scheme invests a substantial proportion of its assets in other collective investment schemes, the Prospectus shall disclose the maximum level of management fees that may be charged both to the Scheme itself and to other collective investment schemes in which it intends to invest. The Scheme shall also indicate in its annual report the maximum proportion of management fees charged to the Scheme itself and to the other collective investment schemes in which it invests.

6.1.10 Where the Scheme is authorised to invest up to 100% of its assets in different transferable securities and money market instruments issued or guaranteed by a

Member State, one or more of its local authorities, a third country, or a public international body to which one or more Member States belong, the Prospectus and marketing communications shall contain a prominent statement drawing attention to such authorisation and indicating the Member State or EEA State, the local authority or public international bodies in the securities of which it intends to invest or has invested more than 35% of its assets.

6.1.11 Where the net asset value of a Scheme is likely to have a high volatility due to its portfolio composition or the portfolio management techniques that may be used, its Prospectus and marketing communications shall include a prominent statement drawing attention to that characteristic.

6.1.12 Where the Scheme's management company has outsourced part of its functions, the Prospectus shall indicate the functions which have been outsourced.

6.1.13 Where a Scheme is a feeder fund, its Prospectus shall, contain the following additional information other than the information provided for in Annex II of Appendix I:

i. a declaration that the Scheme is a feeder fund of a particular master fund and as such permanently invests 85 % or more of its assets in units of that master fund;

ii. the investment objective and policy, including the risk profile and whether the performance of the Scheme and the master fund are identical, or to what extent and for which reasons they differ, including a description of the type of investment made;

iii. a brief description of the master fund, its organisation, and its investment objective and policy, including the risk profile and an indication of how the prospectus of the master fund may be obtained;

iv. a summary of the agreement entered into between the Scheme and the master fund or of the internal conduct of business rules issued in accordance with Section 20 of these Rules;

v. how the unit-holders may obtain further information on the master fund and the agreement entered into between the Scheme and the master fund in accordance with Section 20 of these Rules;

vi. a description of all remuneration or reimbursement of costs payable by the Scheme by virtue of its investment in units of the master fund, as well as of the aggregate charges of the Scheme and the master fund; and

vii. a description of the tax implications for the Scheme resulting from its investment in the master fund.

6.1.14 The Scheme's rules or instruments of incorporation shall form an integral part of the Prospectus and shall be annexed thereto:
Provided that such documents need not be annexed to the Prospectus where investors are informed that they may be supplied with such documents upon request or otherwise informed of the place where such documents may be accessed.

6.1.15 The Scheme shall send a paper copy of its Prospectus and any amendments thereto to the MFSA. Where the Scheme is a feeder fund it shall also provide the MFSA with a paper copy of the Prospectus of the master fund.

6.1.16 Where the management company of the Scheme is established in another Member State or EEA State, the Scheme shall provide the Prospectus and any amendments thereto to the European regulatory authority of that Member State on request.

6.1.17 Where the Scheme is a feeder fund, it shall also provide investors with a paper copy of the Prospectus of the master fund free of charge and upon request.

6.1.18 Where the Scheme is an ETF Scheme, its prospectus shall include the identifier 'UCITS ETF' in its name in order to provide investors with an indication that it is an exchange traded fund. The identifier remains the same in all languages. A Scheme which is not an ETF Scheme should not use the 'UCITS ETF' identifier, or 'ETF' or 'exchange-traded fund'.

6.1.19 The Scheme shall also comply with the conditions prescribed in Commission Regulation No. 583/2010.

6.2 Key Investor Information Document

6.2.1 The Scheme or the Manager shall draw up a short document on each scheme containing key information for investors. This document shall be referred to as the Key Investor Information Document ('KII'). The words 'Key Investor Information' shall be clearly stated in the document. Where the Scheme is marketed outside Malta further to the notification procedures set out in the Investment Services Act (Marketing of UCITS) Regulations, 2011, the words 'Key Investor Information' shall be stated in one of the official languages of the Host State where the Scheme is marketed or into a language approved by the European regulatory authorities of that Member State or EEA State.

This shall be submitted to the MFSA, for the purposes of the ESAP Directive, in accordance with Article 35(1) of the Investment Services Act.

6.2.2 The KII shall include appropriate information about the essential characteristics of the Scheme concerned, which should be provided to investors so that they are reasonably able to understand the nature and the risks of the investment product that is being offered to them and, consequently, to take investment decisions on an informed basis.

6.2.3 The KII shall provide information on the following essential elements in respect of the Scheme concerned:

i. identification of the Scheme and of the competent authority of the Scheme;
ii. a short description of its investment objectives and investment policy;

iii. past performance presentation or, where relevant, performance scenarios;

iv. costs and associated charges; and

v. risk/reward profile of the investment, including appropriate guidance on and warnings of the risks associated with investments in the relevant Scheme.

These essential elements shall be comprehensible to the investor without any reference to other documents.

6.2.4 The KII of a Scheme which is an index-tracking Scheme, shall include in summary form information on how the index will be tracked (for example whether it will follow a full or sample based physical replication model or a synthetic replication), and the implications of the chosen method for investors in terms of their exposure to the underlying index and counterparty risk.

6.2.5 The KII of a Scheme which is an index-tracking leveraged Scheme shall include in summary form the following information:

i. ..... a description of the leverage policy, how this is achieved, (that is whether the leverage is at the level of the index or arises from the way in which the Scheme obtains exposure to the index), the cost of the leverage, (where relevant) and the risks associated with this policy;

ii. ..... a description of the impact of any reverse leverage (i.e. short exposure);

iii. ..... a description of how the performance of the Scheme may differ significantly from the multiple of the index performance over the medium to long term.

6.2.6 The KII of a Scheme which is an ETF shall:

i. include the identifier 'UCITS ETF' which identifies the Scheme as an exchange-traded fund. The identifier remains the same in all languages.
ii. disclose clearly in its KII the policy regarding portfolio transparency and where information on the portfolio may be obtained, including where the indicative net asset value, if applicable, is published.

6.2.7 An actively-managed ETF shall disclose clearly in its KII the following information namely:

i. That it is an actively-managed ETF; and

ii. The manner in which it intends to meet the stated investment policy including, where applicable, its intention to outperform an index.

6.2.8 The KII shall clearly specify where and how to obtain additional information on the proposed investment, including but not limited to where and how the Prospectus and the Annual and Half-Yearly Reports can be obtained free of charge at any time, and the language in which such information is available to investors.

Key investor information shall also include a statement to the effect that the details of the up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are calculated, the identify of persons responsible for awarding the remuneration and benefits including the composition of the remuneration committee, where such a committee exists, are available by means of a website – including a reference to that website – and that a paper copy will be made available free of charge upon request.

6.2.9 The KII shall be written in a concise manner and in non-technical language. It shall be drawn up in a common format, allowing for comparison, and shall be presented in a way that is likely to be understood by retail investors.

6.2.10 Where the Scheme is passporting outside Malta, the KII shall be used without the need of alterations or supplements, except translation, in all Member States or EEA States where the Scheme is notified to market its units in accordance with the Investment Services Act (Marketing of UCITS) Regulations.

6.2.11 In complying with the above SLCs of this section of Part BII of the Investment Services Rules for Retail Collective Investment Schemes, the Scheme or the Manager shall also refer and comply with the applicable provisions of Chapters I to IV of Commission Regulation No 583/2010.

6.2.12 The KII shall constitute pre-contractual information, including the name of the Scheme. It shall be fair, clear and not misleading. It shall be consistent with the relevant parts of the prospectus.

6.2.13 The KII shall contain a warning to the effect that the Scheme and the Manager shall not be liable to civil action on the basis of the information contained in the KII, unless this information is misleading, inaccurate or inconsistent with the relevant parts of the prospectus.

6.2.14 The Scheme or the Manager, which sell units in the Scheme directly or through another natural or legal person who acts on its behalf and under its full and

unconditional responsibility, shall provide investors with the KII on such Schemes in good time before their proposed subscription of units in such Schemes. The KII shall be provided to investors free of charge.

6.2.15 The Scheme or the Manager, which does not sell units in the Scheme directly or through another natural or legal person who acts on its behalf and under its full and unconditional responsibility to investors, shall provide the KII to product promoters and intermediaries selling or advising investors on potential investments in such Scheme or in products offering exposure to such Scheme upon their request.

6.2.16 The KII may be provided to investors in a durable medium or by means of a website. A paper copy shall be delivered free of charge to the investor, upon request.

6.2.17 The Scheme or the Manager shall ensure that an up-to-date version of the KII is made available on their website.

6.2.18 In complying with SLCs 6.2.16 and 6.2.17, the Scheme or the Manager shall also refer and comply with the applicable provisions of Chapter V of Commission Regulation No 583/2010.

6.2.19 The Scheme shall submit its KII and any amendments thereto, to the MFSA for notification purposes.

6.2.20 The essential elements of the KII shall be kept up to date.

6.2.21 Maltese schemes licenced prior to 1 July 2011 shall replace their simplified prospectus with KII drawn up in accordance with SLCs 6.2.1 to 6.2.22 within the least time possible and in any event no later than 1st July 2012.

6.2.22 In complying with the above SLCs, the Scheme or the Manager shall also refer to the Guidelines issued by ESMA on the KII which are hereby being included. The Maltese Scheme is obliged to comply with the following list of Guidelines set by ESMA:

i. Template for Key Investor Information Document [CESR/10-1321];

ii. Guide to clear language and layout for the Key Investor Information Document [CESR/10-1320];

iii. Transition from the Simplified Prospectus to the Key Investor Information Document [CESR/10-1319];

iv. Selection and presentation of performance scenarios in the Key Investor Information Document for structured UCITS [CESR/10-1318];

v. Guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document [CESR/10-674];

vi. Guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document [CESR/10-673]; and

vii. Guidelines on ETFs and other UCITS issues [ESMA/2012/832].

6.2.23 The Manager shall draw up, provide, revise and translate a KII which complies with the requirements for KIIs laid down in Regulation (EU) No 1286/2014 of the European Parliament and of the Council. In so doing, the KII is considered to satisfy the requirements applicable to KII as set out in Articles 78 to 82 and Article 94 of Directive 2009/65/EC of the European Parliament and of the Council as transposed in Maltese Law.

6.2.24 The Manager does not need to draw up a KII in accordance with Articles 78 to 82 and Article 94 of Directive 2009/65/EC of the European Parliament and of the Council, as transposed in Maltese Law, where it draws up, provides, revises and translates a KII which complies with the requirements of KIIs as set out in Regulation (EU) No 1286/2014 of the European Parliament and of the Council.

6.2.25 The previous two SLCs shall apply from 1 January 2023.

6.2.26 This section does not apply to Licence Holders that do make their units available to retail investors or potential retail investors resident in the EEA.

6.3 Disclosures to Investors relating to performance fees model adopted by the Manager

These disclosure requirements apply without prejudice and in addition to the provisions of Appendix I - Contents of the Prospectus to Part B of these Rules.

6.3.1. The scheme should adequately inform its investors about the existence of performance fees and about their potential impact on the investment return. The main elements of the performance fee calculation method should be disclosed as per SLCs 27.3 to 27.8 of these Rules.

6.3.2. In case a performance fee is charged also in times of negative performance, a prominent warning to investors shall be included in the KII.

6.3.3. In case the Scheme is managed against a benchmark, performance fees shall be computed against a benchmark model based on a different but consistent benchmark. The Manager of the Scheme shall explain the choice of the benchmark in the Offering Documentation.

6.3.4. The Offering Documentation and, if relevant, any ex-ante information documents as well as marketing material, should clearly set out all information necessary to enable investors to understand properly the performance fee model and the applicable computation methodology. Such documents shall, as a minimum, include a description of the performance fee calculation method, with specific reference to parameters and the date when the performance fee is paid. The Offering Document shall include concrete examples of how the performance fee will be calculated to provide investors with a better understanding of the performance fee model especially in the case of performance fees charged against negative performances. The main elements of the performance fee calculation method shall also be indicated.

6.3.5. The KII shall clearly set out all information necessary to explain the existence of the performance fee, the basis on which the fee is charged and when the fee applies, consistently with Article 10(2)(c) of the Commission Regulation (EU) No 583/2010 of 1 July 2010. Where performance fees are calculated based on performance against a reference benchmark index, the KII and the Offering Document shall display the name of the benchmark and show past performance against it.

6.3.6. The annual report and half-yearly reports and any other ex-post information shall indicate, for each relevant share class, the impact of the performance fees by clearly displaying: (i) the actual amount of performance fees charged and (ii) the percentage of the fees based on the NAV of the share class.

7. CONSTITUTIONAL DOCUMENT

7.1. The Constitutional Document of the Scheme shall contain at least the information listed in Appendix III.

7.2. Any changes to the Constitutional Document of the Scheme shall be approved by the MFSA in advance of implementation.

8. OTHER PUBLISHED INFORMATION INCLUDING PROMOTIONAL MATERIAL

With prejudice to the provisions of this Section, where a Maltese UCITS is authorised as Money Market Fund, it is subject to the provisions of the Regulation (EU) 2017/1131 in its entirety, as transpose by LN. 25 of 2019 in Investment Services Act (Money Market Funds) Regulations, 2019. In the case of conflict of provisions, the MMF Regulation shall prevail.

8.1. A Scheme shall make public in an appropriate manner the issue, sale, repurchase or redemption price of its units each time it issues, sells, repurchases or redeems such units, and in any event, it shall make such information public at least twice a month.

8.2. Notwithstanding the requirement prescribed in SLC 8.1, the MFSA may, however permit a Scheme to reduce the frequency to once a month on condition that such derogation does not prejudice the interests of the unit-holders.

8.3. Upon request from an investor, the Scheme shall also provide supplementary information relating to the quantitative limits that apply in the risk management of the scheme, to the methods chosen to this end and to the recent development with respect to the main risks and yields of the instrument categories.

8.4. The promotion of the Scheme is subject to Article 11 of the Act and to the requirements of Section 3 of Part B of the Investment Services Rules for Investment Services Providers as more fully explained in the relevant Guidance Notes issued by the MFSA.

8.5. The Scheme may only be promoted in jurisdictions outside Malta if it satisfies the relevant rules of such jurisdictions.

8.6. Marketing communications shall be clearly identifiable as such. They shall be fair, clear and not misleading. In particular, any marketing communication comprising an invitation to purchase units of a Scheme that contains specific information about a Scheme shall not make statements that contradict or diminish the signification of the information contained in the Prospectus and, where applicable, the Key Investor Information Document.

8.7. All marketing communications and investment advertisements issued directly by the Scheme shall indicate that a Prospectus exists and whether the Key Investor Information Document is available. It shall specify where and in which language such information or documents as well as any updating documents may be obtained by investors or potential investors or how they may obtain access to them.

8.8. Where the Scheme is a feeder fund, it shall disclose in any relevant marketing communications that it permanently invests 85% or more of its assets in units of the master fund.

8.9. All investment advertisements issued directly by the Scheme shall be approved by the Compliance Officer.

8.10. A Scheme which is an ETF shall use the identifier 'UCITS ETF' in all its marketing communications and promotional material. The identifier shall remain the same in all languages. A Scheme which is not an ETF Scheme shall not use the 'UCITS ETF' identifier or 'ETF' or 'exchange-traded fund'.

8.11. An ETF shall disclose clearly in all its marketing communications its policy regarding portfolio transparency and where information on the portfolio may be obtained, including where the indicative net asset value, if applicable, is published.

8.12. An actively-managed ETF shall disclose clearly in all its marketing communications the following information:

i. That it is an actively-managed ETF; and

ii. The manner in which it intends to meet the stated investment policy including, where applicable, its intention to outperform an index.

8.13. Where units of an ETF purchased on a secondary market are generally not redeemable from the Scheme, its marketing and promotional material shall include the following warning:

'UCITS ETF's units / shares purchased on the secondary market cannot usually be sold directly back to UCITS ETF. Investors must buy and sell units / shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units / shares and may receive less than the current net asset value when selling them.'

9. SIDE LETTERS

9.1. The Scheme shall not enter into Side letters.

10. DISTRIBUTIONS OF INCOME

10.1. The Scheme shall allocate and distribute its income in accordance with Appendix IV.

11. EXERCISE OF PASSPORT RIGHTS BY THE SCHEME

11.1. The Scheme shall inform the MFSA of its intention to market its units in another Member State and shall follow the procedure outlined in Regulation 4 of the Investment Services Act (Marketing of UCITS) Regulations, 2011. Once the MFSA has transmitted all the documents and information provided by the Scheme in the notification letter, it shall notify the Scheme thereof and the latter may commence marketing its units in the Member State or EEA State from the date of such notification.

11.2. The Scheme shall provide a Notification Letter as outlined in Schedule C to Part A of these Rules and it shall include the following information:

i. Information on the arrangements made for marketing the units of the Maltese Scheme in the Member State or EEA State, including where relevant in respect of share classes; and

ii. An indication that the units of the Maltese Scheme will be marketed by the management company that manages the Scheme.

The Scheme shall also enclose the following documentation:

i. The latest version of its constitutional documents and its Prospectus;

ii. Where appropriate, its latest annual report and any subsequent Half-Yearly Report; and

iii. The Key Investor Information Document as provided for in Section 6.2 of these Rules.

Provided that the documents specified in paragraphs (ii) and (iii) above shall be translated in the official language, or one of the official languages of the Member State or EEA State in which the Maltese Scheme is marketing its units or into a language approved by the European regulatory authority of such Member State or EEA State.

12. GENERAL

12.1. The Scheme's head office and registered office shall both be situated in Malta.

12.2. The Scheme shall obtain the approval of the MFSA before any of the following documents are amended:

i. Constitutional Documents;

ii. Scheme rules (if not contained in (i));

iii. any other document affecting the rights of participants in the Scheme;

iv. the latest annual report and any subsequent interim report for the Scheme;

v. the Prospectus or similar document giving details of the Scheme;

vi. DELETED;

vii. a business plan submitted to the MFSA;

viii. a marketing plan submitted to the MFSA;

ix. the Management agreement and any other documents detailing the relationship between the Scheme and the persons responsible for managing the Scheme;

x. the agreement between the Scheme or the Manager and the Administrator;

xi. the agreement between the Scheme or the Manager and the Registrar;

xii. the agreement between the Scheme or the Manager and the Depositary; and

xiii. the agreement between the Scheme or the Manager and the Investment Adviser.

The Constitutional Documents shall establish the procedures for amending these documents.

12.3. The Scheme and/ or the Manager on its behalf shall comply with any applicable requirements of the External Transactions Act, 1972.

12.4. The Scheme shall be liable to the holders of Units for any loss or prejudice suffered by them resulting from its fraud, wilful default or negligence, including the unjustifiable failure to perform in whole or in part its obligations.

12.5. The Scheme or its Manager shall comply with directions given by the Depositary, being directions designed to ensure that the Scheme is properly managed and administered in accordance with the Constitutional Documents, the Licence Conditions and the most recently published Prospectus.

12.6. The Scheme shall re-purchase or redeem its units at the request of the unit-holder.

Notwithstanding the above, the Scheme may, in the interest of its unitholders:

a. temporarily suspend the subscription, repurchase and redemption of its units as referred to in SLC 12.26(i);

b. activate or deactivate other liquidity management tools selected from SLC 12.26 (ii) to (viii) of these Rules;

c. activate side pockets as referred to in SLC 12.26(ix);

Provided that such Scheme shall only use a suspension of subscriptions, repurchases and redemptions or side pockets as referred to in this SLC in exceptional cases where circumstances so require and where justified having regard to the interests of its unitholders.

12.6A The Scheme shall, without delay, notify the MFSA of the following:

a. where the Scheme activates or deactivates the liquidity management tool referred to in SLC 12.26(i);

b. where the Scheme activates or deactivates any of the liquidity management tools referred to in SLC 12.26 (ii) to (viii), in a manner that is not in the ordinary course of business as envisaged in the fund rules or the instruments of incorporation of the Scheme.

12.6B A Scheme shall, within a reasonable timeframe before it activates or deactivates the liquidity management tool referred to in SLC 12.26(ix), notify the MFSA of such activation or deactivation.

12.6C For the purposes of SLCs 12.6A and 12.6B, a Scheme shall notify the MFSA of the activation or deactivation of the liquidity management tools referred to in those SLCs by submitting the reporting template set out in Appendix XII of these Rules.

12.7. Any variation of the duties or charges by which the issue or sale price of Units is increased or by which the redemption or repurchase price of Units is decreased shall be notified to the MFSA and the Depositary. Such variation shall be published in revised Prospectus at least 90 days before becoming effective. An increase in the duties or charges applied to the redemption or repurchase price shall be applied only to Units issued or sold after the date on which the increase takes effect.

12.8. The Scheme shall submit half-yearly and annual reports to the MFSA and such other information, returns and reports as the MFSA may from time to time request. The accounting information provided in the annual report shall be audited by a qualified auditor approved by the MFSA. The auditor's report, including any qualifications thereto shall be reproduced in full in the annual report. The contents of the half-yearly and annual reports are set out in Appendix II. The half-yearly and annual reports shall be published and submitted to the MFSA within two and four months respectively of the end of the period concerned.

This shall be submitted to the MFSA, for the purposes of the ESAP Directive, in accordance with Article 35(1) of the Investment Services Act.

Five months following the end of period concerned, through the LH Portal submission platform, the Licence Holder shall prepare and submit:

i. the Annual Fund Return in the form set out in Appendix XI to these rules.

ii. the Representation Sheet as found in the Annual Fund Return template, signed by at least two directors.

The Representation is to be submitted in original to the MFSA.

The Scheme shall also submit to the MFSA, on the following email address: fundreporting@mfsa.mt, any statistical returns which may be required by the Central Bank of Malta to fulfil European and other relevant reporting obligations.

When requested to do so by the MFSA, a Scheme shall also submit, on the following email address: statistics@mfsa.mt, any statistical returns which may be required under MFSA Rule 1 of 2012 on foreign currency lending.

The Scheme shall also submit, together with its annual report, a report on its derivatives positions. The report shall include the following information – as at the year end of the Scheme – for every derivatives position of the Scheme:

i. details of the underlying risks;

ii. relevant quantitative limits and how these are monitored and enforced; *and*

iii. methods for estimating risks.

The MFSA may request the submission of any additional information, returns and reports for statistical purposes and the Scheme shall be bound to provide such additional information, returns and reports on the request of MFSA.

12.9. The Scheme, its Manger or Administrator on its behalf shall keep such accounting and other records as are necessary to enable it to comply with these conditions and

to demonstrate that compliance has been achieved. Accounting records shall be retained for a minimum period of ten years. During the first two years they shall be kept in a place from which they can be produced within two working days of their being requested. After the first two years they shall be kept in a place from which they can be produced within five working days of their being requested.

12.10. The Scheme shall comply with all Maltese and overseas regulations to which it is subject and shall disclose the identity of the regulated entity and its regulator or regulators in all correspondence, advertisements and other documents. Wording similar to the following shall be used: "Licensed as a Collective Investment Scheme, qualifying as a Maltese UCITS, by the Malta Financial Services Authority".

12.11. The Scheme shall comply with the Prevention of Money Laundering Act, 1994 and the Regulations issued thereunder.

12.12. The Scheme shall co-operate fully with any inspection or other enquiry carried out by, or on behalf of, the MFSA and inform it promptly of any relevant information. The Scheme shall supply the MFSA with such information as the MFSA may require.

12.13. When requested to do so by the MFSA, a Scheme shall submit to arbitration in respect of any dispute between itself and a holder of Units. Under such circumstances the MFSA shall be entitled to appoint an Arbitrator.

12.14. The MFSA will not be liable in damages for anything done or omitted to be done unless the act or omission is shown to have been done or omitted to be done in bad faith.

12.15. The MFSA shall be informed of any material information concerning the Scheme, its management or its operation, as soon as the Scheme becomes aware of that information. This shall include notifying the MFSA in writing of:

i. Any evidence of fraud or dishonesty by an official of the Scheme immediately upon becoming aware of the matter;

ii. Any actual or intended legal proceedings of a material nature by or against the Scheme; and

iii. Any other material information concerning the Scheme, its business or its official in Malta or abroad;

immediately upon becoming aware of the matter.

12.16. The financial year end of the Scheme shall be agreed with the MFSA.

12.17. The MFSA shall be advised if the value of the Scheme falls below EUR 2,500,000.

12.18. A request for a variation of a Licence shall be submitted to the MFSA in writing, giving details of the variation requested and the reasons for such request.

12.19. The Scheme shall pay promptly all amounts due to the MFSA. In particular, the Supervisory Fee shall be payable by the Scheme on the day the Licence is first issued, and thereafter annually within one week from the anniversary of that date.

12.20. The MFSA shall be notified of any breach of the Licence Conditions or of any of the provisions of the Constitutional Documents as soon as the Scheme or its Manager or Administrator becomes aware of the breach.

12.21. The Scheme is required to include a statement in the Directors' Report and/or in any prominent section of the annual report and audited financial statements regarding breaches of SLCs and/or other regulatory/statutory requirements which occurred during the reporting period covered. The statement should include:

i. a brief explanation of the nature of each breach;

ii. whether the breach was rectified both during the period and after; and

iii. any regulatory action that may have been taken by the Authority as a result of the breach.

If no such breaches occurred during the reporting period, this should be reported accordingly.

12.22. In the event of a winding-up of a Scheme, the prior approval of the MFSA shall be obtained for the approach to be adopted. If requested to do so by the MFSA, the Scheme and its Manager shall do all in their power to delay the winding-up of the Scheme or to proceed with the winding-up in accordance with conditions imposed by the MFSA.

12.23. The issue of bearer Units, and the terms of that issue, shall be agreed in advance with the MFSA.

12.24. Where a Scheme is not listed, the Scheme shall obtain the advance permission of the MFSA before taking any preparatory steps to seeking a listing.

12.25. The MFSA shall prohibit a Scheme subject to this Part from transforming itself into a collective investment scheme which is not so subject.

Liquidity Management Tools

12.26. The Scheme or its Manager shall include in the Scheme rules or instruments of incorporation, at least two liquidity management tools from the harmonised list set out in 12.26(i) to 12.26(ix).

I. Suspension of subscriptions repurchases and redemptions: suspension of subscriptions, repurchases and redemptions means temporarily disallowing the subscription, repurchase and redemption of the fund's units or shares.

II. Redemption gate: a redemption gate means a temporary and partial restriction of the right of unit-holders or shareholders to redeem their units or shares, so that investors can only redeem a certain portion of their units or shares.

III. Extension of notice periods: the extension of notice periods means extending the period of notice that unit-holders or shareholders must give to fund managers, beyond a minimum period which is appropriate to the fund, when redeeming their units or shares.

IV. Redemption fee: redemption fee means a fee, within a predetermined range that takes account of the cost of liquidity, that is paid to the fund by unit-holders or shareholders when redeeming units or shares, and that ensures that unit-holders or shareholders who remain in the fund are not unfairly disadvantaged.

V. Swing pricing: swing pricing means a pre-determined mechanism by which the net asset value of the units or shares of an investment fund is adjusted by the application of a factor ("swing factor") that reflects the cost of liquidity.

VI. Dual pricing: dual pricing means a pre-determined mechanism by which the subscription, repurchase and redemption prices of the units or shares of an investment fund are set by adjusting the net asset value per unit or share by a factor that reflects the cost of liquidity.

VII. Anti-dilution levy: anti-dilution levy means a fee that is paid to the fund by a unit-holder or shareholder at the time of a subscription, repurchase or redemption of units or shares, that compensates the fund for the cost of liquidity incurred because of the size of that transaction, and that ensures that other unit-holders or shareholders are not unfairly disadvantaged.

VIII. Redemption in kind: redemption in kind means transferring assets held by the fund, instead of cash, to meet redemption requests of unit-holders or shareholders.

IX. Side pockets: side pockets means separating certain assets, whose economic or legal features have changed significantly or become uncertain due to exceptional circumstances, from the other assets of the fund.

12.27. When selecting the liquidity management tools, the Scheme shall refer to SLC 12.26.

12.28. A Scheme shall select at least two appropriate liquidity management tools from those referred to in SLC 12.26, (ii) to (viii), after assessing the suitability of those tools in relation to its pursued investment strategy, its liquidity profile and its redemption policy. The Scheme shall include those tools in its fund rules or the instruments of incorporation for possible use in the interest of the UCITS' investors. It shall not be possible for that selection to include only the tools referred to in SLC 12.26, points (v) and (vi).

By way of derogation from the first subparagraph, a Scheme may decide to select only one liquidity management tool from those referred to in SLC 12.26, points (ii) to (viii), if that UCITS is authorised as a money market fund in accordance with Regulation (EU) 2017/1131 of the European Parliament and of the Council.

The Scheme shall implement detailed policies and procedures for the activation and deactivation of any selected liquidity management tool and the operational and administrative arrangements for the use of such tool. The selection referred to in the first and second subparagraphs and the detailed policies and procedures for the activation and deactivation shall be communicated to the competent authorities of the UCITS home Member State.

Redemption in kind as referred to in SLC 12.26 (viii), shall only be activated to meet redemptions requested by professional investors and if the redemption in kind corresponds to a pro rata share of the assets held by the Scheme.

12.29. Schemes existing prior to 16 April 2026 and already applying liquidity management tools shall have until 16 April 2027 to comply with Commission Delegated Regulation (EU) 2026/466 supplementing UCITSD specifying the characteristics of liquidity management tools and the ESMA Guidelines on LMTs of UCITS and open-ended AIFs.

13. ASSESSMENT OF THE GLOBAL/ TOTAL EXPOSURE RELATING TO FINANCIAL DERIVATIVE INSTRUMENTS.

13.1. The Rules on Risk Management, Counterparty Risk Exposure and Issuer Concentration applicable to Maltese Retail Collective Investment Schemes set up as Maltese UCITS as prescribed in Appendix VI of these Rules shall be complied with by the Scheme or the Manager on behalf of the Scheme.

14. SUPPLEMENTARY CONDITIONS FOR SCHEMES ESTABLISHED AS LIMITED PARTNERSHIPS

14.1. The Scheme shall obtain the written consent of the MFSA before admitting a General Partner. The request for consent shall reach the MFSA prior to the proposed date of admittance and shall be accompanied by a Personal Questionnaire in the form set out in Schedule E to Part A of these Rules duly completed by the person proposed (in the case of an individual) or by the Directors and Qualifying Shareholders of the proposed Corporate General Partner. The MFSA reserves the right to object to the proposed General Partner and to require such additional information it considers appropriate.

Provided that where the proposed corporate General Partner is regulated in a Recognized Jurisdiction, the request for consent need not be accompanied by the Personal Questionnaire of the Directors and Qualifying Shareholders of the proposed corporate General Partner, but shall include details of the regulatory status of the General Partner. Nevertheless, the MFSA reserves the right to require submission of the Personal Questionnaires of the Directors and Qualifying Shareholders of the proposed corporate General Partner where considered appropriate.

14.2. General Partners shall be persons falling within any one of the following categories:

i. a company licensed under the Investment Services Act, 1994, for the provision of fund management services; or

ii. a company falling within the exemptions applicable to overseas fund managers; or

iii. any other entity of sufficient standing and repute as approved by the MFSA; or

iv. any other person who satisfies the fit and proper test.

Where the General Partner falls under (iii) and (iv) above, and in the absence of a Manager (as per (i) or (ii)) acting as an additional General Partner, the Scheme shall appoint a Manager acceptable to the MFSA.

14.3. The Scheme shall notify the MFSA in writing of the departure of a General Partner within 14 days of the departure. The Scheme shall also request the General Partner to confirm to MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA together with the Scheme's notification of departure.

14.4. The Scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls to ensure compliance with all regulatory requirements.

14.5. The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness of the General Partner(s) and of any party appointed by the Scheme.

14.6. Where applicable, the Scheme, or the Manager or Administrator on behalf of the Scheme, is required to disclose to potential investors, the identity of the beneficial owners of the General Partner(s) upon request.

15. SUPPLEMENTARY CONDITIONS FOR SCHEMES ESTABLISHED AS INVESTMENT COMPANIES

15.1. The MFSA shall be entitled to be satisfied, on a continuing basis, of the fitness and properness of the Directors of the Scheme.

15.2. The Scheme shall at all times have one or more Directors independent from the Manager and the Depositary.

15.3. The Scheme shall obtain the written consent of the MFSA before the appointment of a Director. The request for consent of the appointment or replacement of a Director shall reach the MFSA prior to the proposed date of appointment. The Scheme shall not appoint a Corporate Director unless such Corporate Director is regulated in a recognized jurisdiction.

15.4. The request for consent of the appointment or replacement of an individual as Director shall be accompanied by a Personal Questionnaire in the form set out in Schedule E to Part A of these Rules duly completed by the person proposed. In the case of a Corporate Director, the request for consent shall include details of its regulatory status. The MFSA reserves the right to object to the proposed appointment or replacement and to require such additional information it considers appropriate.

15.5. The Scheme shall notify the MFSA in writing of the departure of a Director within 14 days of the departure. The Scheme shall also request the Director to confirm to MFSA that his departure had no regulatory implications or to provide relevant details, as appropriate. A copy of such request shall be provided to MFSA together with the Scheme's notification of departure.

15.6. Minutes of the meetings of the Board of Directors shall be held in Malta at the registered office of the Scheme or at any other place as may be agreed with the MFSA.

15.7. The Scheme shall act honestly, fairly and with integrity – in the best interests of its investors/shareholders and of the market. Such action shall include:

i. avoiding conflicts of interest where this is possible and, where it is not, ensuring – by way of disclosure, internal procedures or otherwise – that investors are treated fairly. The following procedures should be followed during Board Meetings, where a member considers that he/ she has or may have a conflict of interest:

a. that person should declare that interest to the other members either at the Meeting at which the issue in relation to which he/ she has an interest first arises, or if the member was not at the date of the

Meeting interested in the issue, at the next Meeting held after he/ she became so interested;

b. unless otherwise agreed to by the other members, a member shall avoid entering into discussions in respect of any contract or arrangement in which he/ she is interested and should withdraw from the meeting while the matter in which he/ she has an interest is being discussed;

c. the interested member should not vote at a Meeting in respect of any contract or arrangement in which he/ she is interested, and if he/ she shall do so, his/her vote shall not be counted in the quorum present at the Meeting; and

d. the minutes of the meeting should accurately record the sequence of such events;

ii. abiding by all relevant laws and regulations, including in respect of Prevention of Money Laundering;

iii. avoiding any claim of independence or impartiality which is untrue or misleading; and

iv. avoiding making misleading or deceptive representations to investors.

16. SUPPLEMENTARY CONDITIONS FOR SELF-MANAGED SCHEMES

For the purposes of this section the use of the terms "The Scheme" shall be understood as referring to a "Self-Managed Scheme"

16.1. The Scheme and the Depositary shall be separate persons independent of each other. They shall act independently and solely in the interests of the Unit-holders. A majority of the directors of the Scheme shall be independent of the Depositary. Since independence may be compromised in a variety of ways, any facts, relationships, arrangements, or circumstances which may at any stage bring that independence into question shall be declared to the MFSA as soon as the Scheme becomes aware of any such matter.

16.1A The Scheme shall apply the Guidelines on funds' names using ESG or sustainability-related terms, where applicable.

Licencing Requirements

16.2. Without prejudice to the generality of the provisions of the Act, the MFSA will only grant a licence to provide the services of a self-managed Scheme if it satisfies the conditions prescribed hereunder, which conditions shall apply on an ongoing basis:

i. The Scheme shall be operated in or from Malta, as agreed with the MFSA.

ii. The Scheme shall have an initial capital which is equivalent to EUR 300,000;

iii. The application for authorisation shall be accompanied by a programme of operations setting out at least the organisational structure of the Scheme, and specifying the human and technical resources that will be used to conduct the business of the management company and information about the persons effectively conducting the business of that management company, including;

(a) a description of the role, title and level of seniority of those persons;

(b) a description of the reporting lines and responsibilities of those persons within and outside the Scheme;

(c) an overview of the amount of time that each of those persons allocates to each responsibility;

(d) information on how the scheme intends to comply with its obligations under Directive 2009/65/EU, and with its obligations under Article 3(1), Article 6(1), point (a), and Article 13(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, and a

detailed description of the appropriate human and technical resources to be used by the management company to that effect;

iv. The directors of the Scheme must be fit and proper to perform their functions, be of sufficiently good repute and be sufficiently experienced also in relation to the type of business pursued by the Scheme, and, the names of the directors and of every person succeeding them in office must be communicated forthwith to the competent authorities;

v. The conduct of the business of the Scheme must be decided by at least two natural persons persons meeting the conditions stipulated in paragraph (iv) above, who either are employed full-time by that investment company or are executive members or members of the management body of the investment company committed full-time to conducting the business of that investment company, and who are domiciled in the Union; and "directors" shall mean those persons who, under the law or the instruments of incorporation, represent the investment company, or who effectively determine the policy of the company. Furthermore the MFSA will be notified of the names of the directors and of every person succeeding them in office.

16.2B Information shall be provided by the self-managed Scheme on arrangements made for the delegation and sub-delegation to third parties of functions in accordance with SLCs 4.01 to 4.05 of Part BII of ISP Rules for ManCos, compromising at least the following –

(a) the legal name and relevant identifier of the self-managed Scheme;

(b) for each delegate:
- its legal name and relevant identifier,
- its jurisdiction of establishment, and
- where relevant, its supervisory authority;

(c) a detailed description of the human and technical resources employed by the Scheme for:
- performing day-to-day portfolio management or risk management tasks within the management company, and
- monitoring the delegated activity;

(d) in respect of each Scheme it operates:
- a brief description of the delegated portfolio management function, including whether such delegation amounts to a partial or full delegation, and
- a brief description of the delegated risk management function, including whether such delegation amounts to a partial or full delegation;

(e) a description of the periodic due diligence measures to be carried out by the management company to monitor the delegated activity.

16.2C Self-managed Schemes, before implementation, shall notify MFSA where it is the home supervisor, of any material changes to the conditions for initial authorisation, in particular material changes to the information provided in accordance with Article 7 of the UCITS Directive.

16.3. Where close links exist between the Scheme and other natural or legal persons, the MFSA shall only grant a licence to the applicant if those close links do not prevent the effective exercise of its supervisory function as stipulated in Article 6(8) of the Act.

16.4. In the case of an application for a licence as a self-managed Scheme, the MFSA shall inform the applicant within six months of the submission of a complete application, whether or not the licence has been granted. The MFSA shall provide reasons where a licence is refused.

16.5. The Scheme shall commence its business as soon as the licence has been granted.

Operational Arrangements

16.6. The Scheme shall have sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing, including with regard to network and information systems that are set up and managed in accordance with the DORA Regulation, and adequate internal control mechanisms. These shall include, in particular, rules for personal transactions by its employees or for the holding or management of investments in financial instruments in order to invest on its own account and ensuring, at least, that each transaction involving the Scheme may be reconstructed according to its origin, the parties to it, its nature, and the time and place at which it was effected and that the assets of the Scheme are invested according to the instruments of incorporation, prospectus and legal provisions in force.

16.7. The Scheme shall organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls to ensure compliance with all regulatory requirements and shall provide the MFSA with all the information it may require from time to time. The Scheme shall be required to observe the relevant requirements prescribed hereunder:

i. acts honestly and fairly in conducting its business activities in the best interests of unit-holders and the integrity of the market;

ii. acts with due skill, care and diligence, in the best interests of unit-holders and the integrity of the market;

iii. has and employs effectively the resources and procedures that are necessary for the proper performance of its activities;

iv. tries to avoid conflicts of interests and, when they cannot be avoided, ensures that unit-holders are fairly treated, and

v. complies with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of its unit-holders and the integrity of the market.

16.8. For the proper implementation of the requirements prescribed in SLCs 16.6 and 16.7, the Scheme shall comply with the requirements on conflicts of interest, on the operational arrangements and on the remuneration policies and practices prescribed in Appendix VIII of these Rules.

16.9. A Scheme shall at all times have financial resources required for the proper performance of its functions. Furthermore, the net asset value of the Scheme shall be expected to exceed EUR 300,000 on an ongoing basis.

Provided that the Scheme shall notify the MFSA as soon as its net asset value falls below the level prescribed in this SLC.

16.10. Where a Scheme delegates to third parties, for the purpose of a more efficient conduct of its business, the carrying out on its behalf of one or more of its functions, the Scheme shall comply with the following requirements:

i. the Scheme shall submit to the MFSA the details of such delegation in an appropriate manner;

ii.

iii. such delegation shall not prevent the effectiveness of supervision over the Scheme and in particular shall not prevent the Scheme from acting, or the

iv. Scheme from being managed in the best interests of the investors;

v.

vi. the Scheme shall have measures in place that enable the persons who conduct its business to monitor effectively, at any time, the activities of the undertaking to which functions are delegated;

vii.

viii. such delegation shall not prevent the persons who conduct the business of the Scheme from giving further instructions to the undertaking to which functions or provision of services are delegated at any time or from withdrawing such delegation with immediate effect when this is in the interest of investors and clients;

ix.

x. the undertaking to which functions or provision of services are delegated shall be qualified and capable of undertaking the functions being delegated;

xi.

xii. the Prospectus of the Scheme shall list the services and functions being delegated in the form and manner specified in these Rules;

xiii. the Scheme must be able to justify its entire delegation structure on objective reasons.

Where a delegation in accordance with this SLC is made in respect of the function of investment management, such delegation shall only be given to undertakings authorised or licensed to provide asset management services and subject to prudential supervision. Such delegation shall be in accordance with investment-allocation criteria periodically laid down by the Scheme.

A delegation of the core function of investment management shall not be made to the depositary or to any other undertaking whose interests may conflict with those of the Scheme or of the unit-holders.

Where a delegation in accordance with this SLC is made in respect of the function of investment management to an undertaking licensed in a third country, co-operation between the MFSA and the supervisory authority of such third country shall be ensured.

A Scheme shall not delegate its function to the extent that in essence, it can no longer be considered to be a self-managed Scheme or the provider of the services referred to in SLC 1.02 of Part BII for UCITS ManCos and to the extent that it becomes a letterbox/brass-plate entity.

By way of derogation from SLC 16.10 of these Rules, where the marketing function referred to in Schedule A Investment Services Rules for Investment Services Providers, third indent, is performed by one or several distributors which are acting on their own behalf and which market the UCITS under Directive 2014/65/EU or through insurance-based investment products in accordance with Directive (EU) 2016/97 of the European Parliament and of the Council, such function shall not be considered to be a delegation subject to the requirements of SLC 16.10 of these Rules irrespective of any distribution agreement between the Licence Holder and the distributor.

The Scheme shall ensure that the performance of the functions referred to in SLC 1.01 of Part BII for UCITS ManCos and the provision of the services referred to in SLC 1.02 of Part BII for UCITS ManCos comply with the Directive 2009/65/EU. That obligation shall apply irrespective of the regulatory status or location of any delegate or sub-delegate.

16.10A Where a self-managed Scheme operated or intends to operate at the initiative of a third party, including cases where that UCITS uses the name of a third-party initiator or where a Licence Holder appoints a third-party initiator as a delegate pursuant to SLC 16.10 of these Rules, the Licence Holder shall, taking account of any conflicts of interest, submit detailed explanations and evidence of its compliance with SLC 3.01, point (d), of Part BII for UCITS ManCos, to the MFSA where it is the home supervisor. In particular, the self-managed Scheme shall specify the reasonable steps it has taken to prevent conflicts of interest arising from the relationship with the third party

or, where those conflicts of interest cannot be prevented, how it identifies, manages, monitors and, where applicable, discloses, those conflicts of interest in order to prevent them from adversely affecting the interests of the UCITS and its investors.

16.11. The management of the assets of the Scheme is to be the responsibility of the Board of Directors, at least one of whom shall be resident in Malta. Unless otherwise agreed with the MFSA, the Board of Directors of the Scheme shall establish an in-house Investment Committee which shall be composed of at least three members and whose composition may include Board members of the Scheme.

A Scheme shall comply with the requirements prescribed in Appendix VIII of these Rules on the establishment and the role of the Investment Committee.

16.12. A Scheme shall establish and maintain a permanent risk management function which shall be hierarchically and functionally independent from the operating units. It shall comply with the requirements prescribed in Appendix VIII of these Rules on the requirements of risk management.

16.13. The Scheme shall on a continuing basis ensure that it has sufficient management resources and expertise to effectively conduct its business including the effective integration of sustainability risks in the management of the Scheme, taking into account the nature, scale and complexity of the Scheme's business.

16.14. The Scheme shall, taking into account the size, nature, scale and complexity of the said undertaking and on a best effort basis, refer to the DORA Regulation.

16.15. When entering into any and all outsourcing arrangements, the UCITS shall make reference to the DORA Regulation.

16.15A Where the Scheme offers or makes its units available to retail investors or potential retail investors resident in the EEA, it shall follow the requirements laid down by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), as amended from time to time.

Documents and Records

16.16. The Scheme shall keep such accounting and other records, in particular regarding the whole process of the investment management function and its monitoring thereof, as are necessary to enable it to comply with the Licence Conditions and to demonstrate that compliance has been achieved. Records are to be retained in Malta and made available to MFSA's review as the need arises. Records shall be retained for a minimum period of ten years. During the first two years they shall be kept in a place from which they can be produced within two working days of their being requested. After the first two years they shall be kept in a place from which they can be produced within five working days of their being requested.

Auditor

16.17. In respect of each annual accounting period, the Scheme shall require its auditor to prepare a management letter in accordance with International Standards on Auditing.

Control by Senior Management and Supervisory Function

16.18A When allocating functions internally the Scheme shall ensure that senior management and the supervisory function, where appropriate, are responsible for the Scheme's compliance with its obligations under the Act, any applicable regulations issued thereunder and these Rules.

16.18B The Scheme shall ensure that its senior management:

a. is responsible for the implementation of the general investment policy of the Scheme as defined, where relevant, in the prospectus, the memorandum and articles of association or the instruments of incorporation of the investment company;

b. oversees the approval of investment strategies;

c. is responsible for ensuring that the Scheme has a permanent and effective compliance function as referred to in SLCs 3.01 to 3.06 of these Rules even where such function is performed by a third party;

d. ensures and verifies on a periodic basis that the general investment policy, the investment strategies and the risk limits of the Scheme are properly and effectively implemented and complied with, even if the risk management function is performed by third parties;

e. approves and reviews on a periodic basis the adequacy of the internal procedures for undertaking investment decisions, so as to ensure that such decisions are consistent with the approved investment strategies;

f. approves and reviews on a periodic basis the risk management policy and arrangements, processes and techniques for implementing that policy, as referred to in SLCs 3.01 to 4.03 of Section IV Risk Management Function of Appendix VIII to these Rules.

g. is responsible for the integration of sustainability risks in the activities referred to in points (a) to (f).

16.18C In addition to the requirements prescribed in SLC 16.18B, the Scheme shall also ensure that its senior management and, where appropriate, its supervisory function shall:

a. assess and periodically review the effectiveness of the policies, arrangements and procedures implemented to comply with the provisions of the Act and any applicable regulations and Investment Services Rules issued thereunder;

b. take appropriate measures to address any deficiencies.

16.18D The Scheme shall ensure that the senior management and, where applicable, the supervisory function, receive on a frequent basis, and at least annually, written reports on matters of compliance, internal audit and risk management indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies.

16.18E The Scheme shall ensure that the senior management receives regular reports on the implementation of investment strategies and of the internal procedures for taking investment decisions referred to in SLC 16.17B (b) to (e).

16.18F The Scheme shall ensure that the supervisory function, if any, receives on a regular basis written reports on the matters referred to in SLC 16.17D.

Supplementary Conditions for Self-Managed Schemes Investing in Shares Traded on a Regulated Market

16.19 Terms and notions referred to in this Section are defined in the Glossary to the Investment Services Rules for Investment Services Providers.

16.20 Provisions of this Section shall not apply in the case of the use of resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU of the European Parliament and of the Council.

Conflict of Interest

16.21 The Scheme shall develop adequate and effective strategies for determining when and how voting rights attached to instruments held in the managed portfolios are to be exercised, to the exclusive benefit of the UCITS concerned. A summary description of such strategies shall be made available to investors.

16.22 The strategy referred to in SLC 16.20 shall determine measures and procedures for:

a. monitoring relevant corporate events;

b. ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant UCITS;

c. preventing or managing any conflicts of interest arising from the exercise of voting rights.

16.23 Details of the actions taken on the basis of the strategies referred to in SLCs 16.20 and 16.21 shall be made available to unit-holders free of charge upon request.

Engagement policy

16.24 The Scheme shall develop and publicly disclose an engagement policy that describes how it integrates shareholder engagement in its investment strategy.

Such engagement policy stipulated how the Scheme:

a. monitors the investee companies on relevant matters, including:

i. strategy;

ii. financial and non-financial performance and risk;

iii. capital structure; and

iv. social and environmental impact and corporate governance;

b. conducts dialogues with investee companies;

c. exercises voting rights and other rights attached to shares;

d. cooperates with other shareholders;

e. communicates with relevant stakeholders of the investee companies; and

f. manages actual and potential conflicts of interests in relation to the engagement in line with SLCs 16.18 to 16.20.

16.25 Further to the SLC 16.23, the Scheme shall publicly disclose, on an annual basis, how such engagement policy has been implemented, including:

a. a general description of voting behaviour;

b. an explanation of the most significant votes; and

c. the use of the services of proxy advisors.

The Scheme shall publicly disclose how it has cast votes in the general meetings of listed companies in which it holds shares, provided that such disclosure may exclude

votes that are insignificant due to the subject matter of the vote or the size of the holding in the listed company.

This information shall be submitted to the MFSA, for the purposes of the ESAP Directive, in accordance with Article 35(9) of the Investment Services Act.

16.26 Any information referred to in SLCs 16.23 and 16.24 shall be available free of charge on the Scheme's website. In addition, such information can be made available free of charge by other means that are easily accessible.

16.27 Where the Scheme decides not to comply with SLCs 16.23 to 16.25 it shall publicly disclose a clear and reasoned explanation as to why it has chosen not to comply with one or more of those requirements.

The information referred to in SLCs 16.24, 16.25 and 16.27 shall be submitted to the MFSA, for the purposes of the ESAP Directive, in accordance with Article 35(9) of the Investment Services Act.

Transparency provisions

16.28 Where the Scheme has entered into the arrangements, as referred to in Article 3h of the Directive 2007/36/EC[1], with institutional investors, as defined in the Glossary to the Investment Services Rules for Investment Services Providers, it shall disclose to such institutional investors, how the investment strategy and implementation thereof, as referred to in SLCs 16.23 and 16.24, contributes to the medium to long-term performance of the assets of the UCITS.

Such disclosure shall be made together with the annual report of the UCITS for the financial year and shall include reporting on:

a. the key material medium to long-term risks associated with the investments;

b. portfolio composition;

c. turn-over and turn-over costs;

d. the use of any proxy advisors for the purpose of engagement activities; and

e. policy on securities lending and how it is applied to fulfil the engagement activities, if applicable, particularly at the time of the general meeting of the listed companies.

[1] Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies as amended by Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 and Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017

Such disclosure shall also include information on whether and, if so, how, the Scheme makes investment decisions based on evaluation of medium to long-term performance of the listed company, including non-financial performance, and on whether and, if so, which conflicts of interests have arisen in connection with engagements activities and how the Scheme has dealt with such conflicts of interest in line with SLCs 16.20 to 16.22.

16.29 Where the information disclosed pursuant to SLC 16.27 is already publicly available, the Scheme is not required to provide the information to the institutional investor directly.

16.30 The Scheme shall disclose the information pursuant to SLC 16.27 to other investors of the same UCITS at least upon request.

16.31 If applicable, when the Scheme is engaged in shareholder identification and/or is involved in the transmission of information, including the transmission of information along the chain of intermediaries and/or facilitate the exercise of shareholders rights, the Scheme shall comply with the provisions of the Commission Implementing Regulation (EU) 2018/1212 in its entirety.

Information Disclosure Requirements

16.32 A self-managed Scheme shall regularly report to the competent authorities of the UCITS home Member State on the markets and instruments in which it trades on behalf of UCITS it manages.

The self-managed Scheme shall provide information on the instruments in which it is trading, on markets of which it is a member or where it actively trades, and on the exposures and assets of the Scheme. That information shall include the identifiers that are necessary to connect the data provided on assets, UCITS and managers to other supervisory or publicly available data sources.

16.33 A self-managed Scheme shall provide the following to the MFSA where it is the home supervisor:

(a) the arrangements for managing the liquidity of the Scheme, including the current selection of liquidity management tools, and any activation or deactivation thereof;

(b) the current risk profile of the Scheme, including the market risk, liquidity risk, counterparty risk, other risks including operational risk, and the total amount of leverage employed by the Scheme;

(c) the results of the stress tests performed in accordance with SLC 16.32;

(d) information regarding delegation arrangements concerning portfolio management or risk management functions as follows:

(i) information on the delegates, specifying their name and domicile or registered office or branch, whether they have any close links with the management company, whether they are authorised or regulated entities for the purposes of asset management, their supervisory authority, where relevant, and including the identifiers of the delegates that are necessary to connect the information provided to other supervisory or publicly available data sources;

(ii) the number of full-time equivalent human resources employed by the management company for performing day-to-day portfolio management or risk management tasks within that management company;

(iii) a list and description of the activities concerning portfolio management and risk management functions which are delegated;

(iv) where the portfolio management function is delegated, the amount and percentage of the UCITS' assets which are subject to delegation arrangements concerning the portfolio management function;

(v) the number of full-time equivalent human resources employed by the management company to monitor the delegation arrangements;

(vi) the number and dates of the periodic due diligence reviews carried out by the management company to monitor the delegated activity, a list of issues identified and, where relevant, of the measures adopted to address those issues and the date by which those measures are to be implemented;

(vii) where sub-delegation arrangements are in place, the information required under points (i), (iii) and (iv) in respect of the sub-delegates and the activities related to the portfolio management and risk management functions that are sub-delegated;

(viii) the commencement and expiry dates of the delegation and sub-delegation arrangements;

(e) the list of Member States in which the units of the Scheme are actually marketed by its management company or by a distributor which is acting on behalf of that management company.

16.34 Information gathered under SLCs 16.32-16.35 in respect of all supervised Schemes, and the information gathered under Article 7 of the UCITS Directive shall be made available to the relevant competent authorities, ESMA, EBA, the European Supervisory Authority (European Insurance and Occupational Pensions Authority) established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council (known collectively as the 'European Supervisory Authorities' or 'ESAs') and

the European Systemic Risk Board, whenever necessary for carrying out their duties, through the procedures set out in Articles 17 and 17A of the Investment Services Act.

All of the information gathered under SLCs 16.32-16.35 in respect of all supervised UCITS shall be made available, for statistical purposes only, to the ESCB, by means of the procedures set out in Articles 17 and 17A of the Investment Services Act.

If a self-managed Scheme could potentially constitute an important source of counterparty risk to a credit institution or other systematically relevant institutions in other Member States, or to the stability of the financial system of another Member State, the relevant information shall be provided by means of the procedures set out in Articles 17 and 17A of the Investment Services Act, and bilaterally to the competent authorities of other Member States directly concerned.

16.35 Where necessary for the effective monitoring of systemic risk, additional information beyond that described in SLC 16.33 may be required on a periodic or ad hoc basis. ESMA shall be informed of any such additional reporting requirements.

In exceptional circumstances and where required in order to ensure the stability and integrity of the financial system or to promote long-term sustainable growth, additional reporting requirements may be imposed following a specific request by ESMA, provided that ESMA has first consulted the ESRB.

17. SUPPLEMENTARY CONDITIONS FOR SCHEMES ESTABLISHED AS UMBRELLA FUNDS

17.1. Where the Scheme is set up as an Umbrella Fund, in addition to the approval being obtained for the Scheme, each Sub-Fund shall be approved by the MFSA, following the submission of an application form and supporting documentation.

17.2. Each Sub-Fund shall comply with the laws and regulations governing UCITS Schemes.

17.3. A Sub-Fund shall not invest in another Sub-Fund of that same scheme.

17.4. A meeting of the holders of Units in any one Sub-Fund may approve a modification of the constitutional documents or any policy statement only if the provisions to be modified relate only to that Sub-Fund.

18. SUPPLEMENTARY CONDITIONS FOR SCHEMES SET UP AS INCORPORATED CELL COMPANIES WITH INCORPORATED CELLS

18.1. Both the Incorporated Cell Company and the individual Incorporated Cells shall be licensed by the MFSA.

18.2. The Incorporated Cell Company and the individual Incorporated Cells shall have at least one common director between them.

18.3. The Incorporated Cell Company and the individual Incorporated Cells shall have a common registered office.

19. SUPPLEMENTARY CONDITIONS FOR SCHEMES ESTABLISHED AS FUND OF FUNDS

19.1. The underlying schemes shall meet the criteria specified in SLC 4.1(v).

19.2. The underlying schemes shall fall within the objectives and investment policy as set out in the Prospectus.

19.3. Price quotation and sale and repurchase arrangements for Units in the Scheme shall ensure that:

i. a purchaser is able to purchase Units at a price based on the most recent underlying scheme price or prices;

ii. the issuing of the Units and the remitting of the purchase proceeds to the underlying scheme or schemes is achieved as soon as is practicable;

iii. a seller is able to sell Units at a price based on the most recent underlying scheme price or prices;

iv. the cancellation (if appropriate) of the Units and the remitting of the proceeds to the seller are achieved as soon as is practicable.

19.4. The Scheme shall, as far as practicable, be valued with the same frequency as the underlying schemes.

19.5. The Scheme shall not invest in a Feeder Fund or in a Fund of Funds.

19.6. Such information as is required by the MFSA concerning each underlying scheme shall be made available to the MFSA on request.

20. SUPPLEMENTARY CONDITIONS FOR SCHEMES WHICH QUALIFY AS FEEDER UCITS OR MASTER UCITS

For the purposes of this Section, a Scheme established in Malta shall be referred to as a Maltese UCITS.

20.1. In order to qualify as a feeder UCITS, or a sub-fund thereof, the Scheme's investment objective as approved by the MFSA, must be to invest at least 85 % of its assets in units of another UCITS (the master UCITS).

20.2. A feeder UCITS may hold up to 15% of its assets in one or more of the following:

i. Ancillary liquid assets in accordance with SLC 5.4;

ii. Financial derivative instruments, which may only be used for hedging purposes subject to compliance with SLCs 4.1(vii), 5.13, 5.18 and 5.19;

iii. Movable and immovable property which is essential for the direct pursuit of the business, if the feeder UCITS is an investment company.

20.3. For the purposes of ensuring compliance with SLCs 5.19 to 5.22, the feeder UCITS shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under SLC 20.2(b) with either:

i. The master UCITS' actual exposure to financial derivative instruments in proportion to the feeder UCITS' investment into the master UCITS; or

ii. The master UCITS' potential maximum global exposure to financial derivative instruments provided for in the master UCITS' fund rules or instruments of incorporation in proportion to the feeder UCITS investment into the master UCITS.

20.4. A master UCITS is a Scheme or a sub-fund thereof, which:

i. must have, among its unit-holders, at least one feeder UCITS;

ii. must not itself be a feeder UCITS; and

iii. must not hold units of a feeder UCITS.

20.5. For the purposes of regulations 3(2) and 3(4) of the Investment Services Act (Marketing of UCITS) Regulations, 2011, the following derogations for a master UCITS shall apply:

i. if a master UCITS has at least two feeder UCITS as unit-holders, regulation 3(2)(a) and regulation 3(4)(c) of the Investment Services Act (Marketing of UCITS) Regulations, shall not apply, giving the master UCITS the choice whether or not to raise capital from other investors;

ii. if a master UCITS does not raise capital from the public in a Member State or EEA State other than Malta, but only has one or more feeder UCITS in such Member State or EEA State, the provisions of the Investment Services Act (Marketing of UCITS) Regulations shall not apply.

20.6. A Scheme which is a feeder UCITS shall obtain the MFSA's approval before investing into a given master UCITS, in an amount which exceeds the limit applicable under SLC 5.38 for investments into other UCITS.

20.7. The MFSA shall inform the Scheme which is a feeder UCITS within 15 working days following the submission of all required documents required in terms of SLC 20.8, whether or not the feeder UCITS may invest in the master UCITS.

20.8. Prior to issuing an approval in terms of SLCs 20.6, the MFSA shall verify whether the feeder UCITS, its depositary and its auditor, as well as the master UCITS, comply with all the requirements prescribed in this Section. For such purposes, the Scheme which is a feeder UCITS shall provide the MFSA with the following documents:

i. the fund rules or instruments of incorporation of the Scheme which is a feeder UCITS and those of the master UCITS;

ii. the Prospectus and the Key Investor Information Document of the Scheme which is a feeder UCITS and those of the master UCITS as prescribed in SLC 6.1 and 6.2 respectively

iii. the agreement between the Scheme which is a feeder and the master UCITS or the internal conduct of business rules referred to in SLCs 20.10 and 20.11;

iv. where applicable, the information to be provided to unit-holders in terms of SLC 20.54;

v. if the master UCITS and the Scheme which is a feeder UCITS have different depositaries, the information-sharing agreement between their respective depositaries; and

vi. where the Scheme which is a feeder UCITS and the master UCITS have different auditors, the information-sharing agreement between their respective auditors.

20.9. Where the master UCITS is established outside Malta, the Scheme which is a feeder UCITS shall also provide the MFSA with an attestation by the European regulatory

authorities of the master UCITS home Member State or EEA State, that the master UCITS is a UCITS, or a sub-fund thereof, which is not itself a feeder UCITS and does not hold units of a feeder UCITS. The documents shall be provided to the MFSA by the feeder UCITS in English or any other language approved by the MFSA.

20.10. The master UCITS shall provide the Scheme which is a feeder UCITS with all documents and information necessary for the latter to meet the requirements laid down in these Rules and Directive 2009/65/EC. For this purpose, the feeder UCITS shall enter into an agreement with the master UCITS.

20.11. The feeder UCITS shall not invest in excess of the limit applicable under SLC 5.38 in units of that master UCITS until the agreement referred to in SLC 20.10 has become effective. That agreement shall be made available, on request and free of charge, to all unit-holders.

20.12. For the purposes of verifying compliance with SLCs 20.10 to 20.11, the agreement referred to above shall include the following:

i. the timing and the manner in which the master UCITS shall provide the Scheme which is a Feeder UCITS with a copy of its fund rules and instruments of incorporation, prospectus and key investor information and any amendments thereof;

ii. the timing and the manner in which the master UCITS shall inform the Scheme which is a feeder UCITS of a delegation of investment management and risk management functions to third parties;

iii. where applicable, the timing and the manner in which the master UCITS shall provide the Scheme which is a feeder UCITS with internal operational documents, such as its risk management process and its compliance reports;

iv. the timing and manner in which the master UCITS shall provide the Scheme which is a feeder UCITS with information of any breaches by the master UCITS of legislation to which it is subject, the fund rules or instruments of incorporation and the aforementioned agreement;

v. where the Scheme which is a feeder UCITS uses financial derivative instruments for hedging purposes, the timing and the manner in which the master UCITS shall provide the Scheme with information about its actual exposure to financial derivative instruments to enable the Scheme to calculate its own global exposure as required in terms of SLC 20.3.

vi. a statement that the master UCITS shall inform the Scheme which is a feeder UCITS of any other information-sharing arrangements entered into with third

parties and where applicable, how and when the master UCITS shall make those other information-sharing arrangements available to the Scheme.

20.13. The agreement referred to in SLC 20.12 shall also include the following with regards to the basis for investment and divestment:

i. a statement of which share classes of the master UCITS are available for investment by the Scheme which is a feeder UCITS;

ii. the charges and expenses to be borne by the Scheme which is a feeder UCITS and details of any rebate or retrocession of charges or expenses by the master UCITS;

iii. if applicable, terms of any initial or subsequent transfer of assets in kind which may be made from the Scheme which is a feeder UCITS to the master UCITS.

20.14. The agreement referred to in SLC 20.12 shall include the following information with regards to standard dealing arrangements:

i. coordination of the frequency and timing of the net asset value calculation process and the publication of prices of units;

ii. coordination of transmission of dealing orders by the Scheme which is a feeder UCITS, including where applicable the role of transfer agents or any other third party;

iii. where applicable, any arrangements necessary to take account of the fact that either or both UCITS are listed or traded on a secondary market;

iv. where necessary other appropriate measures to ensure compliance with SLC 20.24;

v. where the units of the Scheme which is a feeder UCITS and the master UCITS are denominated in different currencies, the basis for conversion of dealing orders;

vi. settlement cycles and payment details for purchases or subscriptions and repurchases or redemptions of units of the master UCITS including, where agreed between the parties, the terms on which the master UCITS may settle redemption requests by a transfer of assets in kind to the Scheme which is a feeder UCITS notably in the cases referred to in SLC 20.26 and 20.34;

vii. procedures to ensure enquires and complaints from unit-holders are handled appropriately;

viii. where the fund rules or instruments of incorporation and prospectus of the master UCITS give it certain rights or powers in relation to unit-holders, and the master UCITS chooses to limit or forgo the exercise of all or any such rights and powers in relation to the Scheme which is a feeder UCITS, a statement of the terms on which it does so.

20.15. The agreement referred to in SLC 20.12 shall include the following with regards to events affecting dealing arrangements:

i. the manner and timing of a notification by either UCITS of the temporary suspension and the resumption of the repurchase, redemption, purchase or subscription of units of that UCITS;

ii. arrangements for notifying and resolving pricing errors in the master UCITS.

20.16. The agreement referred to in SLC 20.12 shall include the following with regards to standard arrangements for the audit report:

i. where the Scheme which is a feeder UCITS and the master UCITS have the same accounting years, the coordination of the production of their periodic reports;

ii. where the Scheme which is a feeder UCITS and the master UCITS have different accounting years, arrangements for the Scheme which is a feeder UCITS to obtain any necessary information from the master UCITS to enable it to produce its periodic reports on time and which ensure that the auditor of the master UCITS is in a position to produce an ad hoc report on the closing date of the Scheme which is a feeder UCITS in accordance with SLCs 20.47 and 20.48.

20.17. The agreement referred to in SLC 20.12 shall include the following with regards to changes to standing arrangements:

i. the manner and timing of a notice to be given by the master UCITS of proposed and effective amendments to its fund rules or instruments of incorporation, Prospectus and Key Investor Information Document, if these details differ from the standard arrangements for notification of unit-holders laid down in the master UCITS fund rules, instruments of incorporation or Prospectus;

ii. the manner and timing of notice by the master UCITS of a planned or proposed liquidation, merger or division;

iii. the manner and timing of notice by either UCITS that it has ceased or will cease to meet the qualifying conditions to be a feeder UCITS or a master UCITS respectively;

iv. the manner and timing of notice by either UCITS that it intends to replace its management company, its depositary, its auditor or any third party which is mandated to carry out investment management or risk management functions;

v. the manner and timing of notice of other changes to standing arrangements that the master UCITS undertakes to provide.

20.18. Where both the feeder UCITS and the master UCITS are Maltese Schemes, the agreement between the master UCITS and the feeder UCITS shall provide that Maltese Law shall apply to the written agreement and that both parties agree to the exclusive jurisdiction of the Courts of Malta.

20.19. Where either the feeder UCITS or the master UCITS is a Maltese Scheme, the written agreement shall provide that the applicable law shall be either Maltese law or the law of the Member State or EEA State where the other UCITS is established, and that both parties agree to the exclusive jurisdiction of the courts of the Member State or EEA State whose law they have stipulated to be applicable to the agreement.

20.20. In the event that both master and feeder UCITS are managed by the same management company, the agreement may be replaced by internal conduct of business rules ensuring compliance with the requirements set out in SLCs 20.10 to 20.19. The management company's internal conduct of business rules shall include appropriate measures to mitigate conflicts of interest that may arise between the feeder UCITS and the master UCITS, or between the feeder UCITS and other unitholders of the master UCITS.

20.21. The internal conduct of business rules referred to in SLC 20.20 shall include the following with regards to the basis for investment and divestment:

i. a statement indicating the share classes of the master UCITS which are available for investment by the Scheme which is a feeder UCITS;

ii. the charges and expenses to be borne by the Scheme which is a feeder UCITS and details of any rebate or retrocession of charges or expenses by the master UCITS;

iii. if applicable, terms of any initial or subsequent transfer of assets in kind which may be made from the Scheme which is a feeder UCITS to the master UCITS.

20.22. The internal conduct of business rules referred to in SLC 20.20 shall include the following with regards to standard dealing arrangements:

i. coordination of the frequency and timing of the net asset value calculation process and the publication of prices of units;

ii. coordination of transmission of dealing orders by the Scheme which is a feeder UCITS, including where applicable the role of transfer agents or any other third party;

iii. where applicable, any arrangements necessary to take account of the fact that either or both UCITS are listed or traded on a secondary market;

iv. where necessary other appropriate measures to ensure compliance with SLC 20.24;

v. where the units of the Scheme which is a feeder UCITS and the master UCITS are denominated in different currencies the basis for conversion of dealing orders;

vi. settlement cycles and payment details for purchases or subscriptions and repurchases or redemptions of units of the master UCITS including, where agreed between the parties, the terms on which the master UCITS may settle redemption requests by a transfer of assets in kind to the Maltese UCITS which is a feeder UCITS, notably in the cases referred to in SLCs 20.26 and 20.34;

vii. procedures to ensure enquires and complaints from unit-holders are handled appropriately;

viii. where the fund rules or instruments of incorporation and prospectus of the master UCITS give it certain rights or powers in relation to unit-holders, and the master UCITS chooses to limit or forego the exercise of all or any such rights and powers in relation to the Scheme which is a feeder UCITS, a statement of the terms on which it does so.

20.23. The internal conduct of business rules referred to in SLC 20.20 shall include the following with regards to events affecting dealing arrangements:

i. the manner and timing of a notification by either UCITS of the temporary suspension and the resumption of the repurchase, redemption, or subscription of units of that UCITS;

ii. arrangements for notifying and resolving pricing errors in the master UCITS.

20.24. The internal conduct of business rules referred to in SLC 20.20 shall include the following with regards to standard arrangements for the audit report:

i. Where the feeder UCITS and the master UCITS have the same accounting

years, the coordination of the production of their periodic reports;

ii. Where the feeder UCITS and the master UCITS have different accounting years, arrangements for the feeder UCITS to obtain any necessary information from the master UCITS to enable it to produce periodic reports on time and which ensure that the auditor of the master UCITS is in a position to make an ad hoc report on the closing date of the feeder UCITS in accordance with SLC 20.48.

20.25. The master and the feeder UCITS shall take appropriate measures to coordinate the timing of their net asset value calculation and publication in order to avoid market timing in their units, preventing arbitrage opportunities.

Market timing is the strategy of attempting to predict the future price movements and thus the direction of the market, typically through the use of various fundamental and technical indicators or economic data. Thus market timing is the practice of switching among fund asset classes in an attempt to profit from the changes in their market outlook.

20.26. Without prejudice to SLC 12.6, if a master UCITS temporarily suspends the repurchase, redemption or subscription of its units, whether at its own initiative or at the request of its competent authorities, each of its feeder UCITS is entitled to suspend the repurchase, redemption or subscription of its units notwithstanding the conditions laid down in SLC 12.6 within the same period of time as the master UCITS.

20.27. If a master UCITS is liquidated, the Scheme which is a feeder UCITS shall also be liquidated, unless the MFSA approves:

i. the investment of at least 85 % of the assets of the Scheme in units of another master UCITS; or

ii. the amendment of its fund rules or instruments of incorporation in order to enable the Scheme to convert into a UCITS which is not a feeder UCITS.

The liquidation of a master UCITS shall not take place before three months after the master UCITS has informed all of its unit-holders and the MFSA of the binding decision to liquidate.

20.28. Where the Scheme is a feeder UCITS which has investments in a master UCITS which is to be liquidated, the Scheme shall submit the following information to the MFSA no later than two months after the date on which the master UCITS informed the Scheme of the binding decision to liquidate:

i. where the Scheme intends to invest at least 85% of its assets in units of another master UCITS in accordance with SLC 20.27(i):

a. its application for approval for that investment;

b. the application for approval of the proposed amendments to its fund rules or instrument of incorporation;

c. the amendments to its Prospectus and its Key Investor Information;

d. the other documents required pursuant to SLCs 20.8 and 20.9;

ii. where the Scheme intends to convert into a UCITS that is not a feeder UCITS in accordance with SLC 20.27(ii):

a. the application for approval of the proposed amendments to its fund rules or instrument of incorporation;

b. the amendments to its Prospectus and its Key Investor Information Document;

iii. where the feeder UCITS intends to be liquidated, a notification of that intention.

20.29. By way of derogation from SLC 20.28, where the master UCITS informed the Scheme which is a feeder UCITS of its binding decision to liquidate more than five months prior to the date at which the liquidation will commence, the Scheme shall submit to the MFSA its application or notification in accordance with SLC 20.28 within three months prior to the date set for the liquidation of the Scheme.

20.30. Where the Scheme which is a feeder UCITS has made a decision to wind up its operation and be liquidated, it shall inform its unit-holders of its decision without undue delay.

20.31. The Scheme which is a feeder UCITS shall be informed within 15 working days following the submission of the complete and accurate documents referred to in SLC 20.28 (i) or (ii) respectively, whether the MFSA has granted the required approval.

20.32. On receiving the MFSA's approval pursuant to SLC 20.31, the Scheme which is a feeder UCITS shall inform the master UCITS about the approval, without undue delay.

20.33. Where the approval is issued pursuant to SLC 20.28(i), the Scheme which is a feeder UCITS shall take all the necessary measures to comply with the requirements prescribed in SLCs 20.56 to 20.58 as soon as possible and without undue delay.

20.34. Where the payment of liquidation proceeds of the master UCITS is to be executed prior to the date on which the Scheme which is a feeder UCITS is to start to invest in either a different master UCITS pursuant to SLC 20.28(i) or in accordance with new

investment objectives and policy pursuant to SLC 20.28(ii), the MFSA shall grant approval subject to the following conditions:

i. the Scheme shall receive the proceeds of the liquidation:

   a. in cash; or

   b. some or all of the proceeds as a transfer of assets in kind where the Scheme so wishes and where the agreement between the Scheme and master UCITS or the internal conduct of business rules and the binding decision to liquidate provide for the proceeds to be transferred in this manner;

ii. any cash held or received in accordance with this SLC may be re-invested only for the purpose of efficient cash management before the date on which the Scheme is to start to invest either in a different master UCITS or in accordance with its new investment objectives and policy.

Where paragraph (i)(b) above applies, the Scheme may realise any part of the assets transferred in kind for cash at any time.

20.35. If a master UCITS merges with another UCITS or is divided into two or more UCITS, the feeder UCITS shall be liquidated, unless the MFSA grants approval to the feeder UCITS to:

i. continue to be a feeder UCITS of the master UCITS or another UCITS resulting from the merger or division of the master UCITS;

ii. invest at least 85 % of its assets in units of another master UCITS not resulting from the merger or the division; or

iii. amend its fund rules or its instruments of incorporation in order to convert into a UCITS which is not a feeder UCITS.

Depositaries

20.36. If the master and the feeder UCITS have different depositaries, such schemes shall require their depositaries to enter into an information-sharing agreement in order to ensure the fulfilment of the duties of both depositaries. The feeder UCITS shall not invest in units of the master UCITS until such agreement has become effective.

20.37. The information-sharing agreement between the depositary of the master UCITS and the depositary of a feeder UCITS shall include the following:

i. the identification of the documents and categories of information which are to be routinely shared between both depositaries, and whether such information or documents are provided by one depositary to the other or made available upon request;

ii. the manner and timing, including any applicable deadlines of the transmission of information by the depositary of the master UCITS to the depositary of the feeder UCITS;

iii. the coordination of the involvement of both depositaries, to the extent appropriate in view of their respective duties under national law, in relation to operational matters, including:

a. the procedure for calculating the net asset value of each UCITS including any measures appropriate to protect against the activities of market timing in accordance with SLC 20.25;

b. the processing of instructions by the Scheme which is a feeder UCITS to purchase, subscribe or request the repurchase or redemption of units in the master UCITS, and the settlement of such transactions, including any arrangement to transfer assets in kind;

iv. the coordination of accounting year-end procedures;

v. the details of breaches by the master UCITS of the law and the fund rules or instruments of incorporation which shall be provided by the depositary of the master UCITS to the depositary of the feeder UCITS and the manner and timing of this exchange of information;

vi. the procedure for handling ad hoc requests for assistance from one depositary to the other;

vii. identification of a particular contingent event which ought to be notified by one depositary to the other on an ad hoc basis, and the manner and timing in which this will be done.

20.38. Where the feeder UCITS and the master UCITS have concluded a written agreement pursuant to SLCs 20.10 to 20.20, the agreement between the respective depositaries shall provide that the law of the Member State or EEA State applying to that agreement shall also apply to the information-sharing agreement between both depositaries and that both depositaries agree to the exclusive jurisdiction of that particular Member State or EEA State.

20.39. Where the agreement between the feeder UCITS and the master UCITS has been replaced by internal conduct of business rules in accordance with SLC 20.20, the agreement between the depositaries of the master UCITS and the feeder UCITS shall

provide that the law applying to the information-sharing agreement between both depositaries shall be either that of the Member State or EEA State in which the feeder UCITS is established, or, where different, that of the Member State or EEA State in which the master UCITS is established and that both depositaries agree to the exclusive jurisdiction of the courts of the Member State or EEA State whose law is applicable to the information-sharing agreement.

20.40. Where the depositaries comply with the requirements prescribed with these SLCs, neither the depositary of the master UCITS nor that of the feeder UCITS shall be found to be in breach of any rules that restrict the disclosure of information or relate to data protection where such rules are provided for in a contract or in a law, regulation or administrative provisions. Such compliance shall not give rise to any liability on the part of such depositary or any person acting on its behalf.

20.41. The Scheme which is a feeder UCITS or, when applicable, the management company, shall be in charge of communicating to its depositary any information about the master UCITS which is required for the completion of the duties of the depositary of the feeder UCITS.

Auditors

20.42. If the master and feeder UCITS have different auditors, they shall require those auditors to enter into an exchange of information agreement in order to ensure the fulfilment of the duties of both auditors, including the arrangements taken to comply with the requirement of SLCs 20.48 and 20.49. The Scheme which is a feeder UCITS shall not invest in units of the master UCITS until the exchange of information agreement has become effective.

20.43. The information-sharing agreement between the auditor of the master UCITS and the auditor of the feeder UCITS shall include the following:

i. the identification of the documents and categories of information which are to be routinely shared between both auditors;

ii. whether the information or documents referred to in paragraph (a) are to be provided by one auditor to the other or made available upon request;

iii. the manner and timing, including any applicable deadlines, of the transmission of information by the auditor of the master UCITS to the auditor of the Scheme which is a feeder UCITS;

iv. the coordination of the involvement of each auditor in the accounting year-end procedures for the respective UCITS;

v. identification of matters that shall be treated as irregularities disclosed in the audit report of the auditor of the master UCITS for the purposes of SLC 20.49;

vi. the manner and timing for handling ad hoc requests for assistance from one auditor to the other, including a request for further information on irregularities disclosed in the audit report of the auditor of the master UCITS.

20.44. The agreement referred to in SLC 20.43 shall also include provisions on the preparation of the audit reports and the manner and timing for the provision of the audit report for the master UCITS and drafts of it to the auditor of the feeder UCITS.

20.45. Where the feeder UCITS and the master UCITS have different accounting year-end dates, the exchange of information agreement shall include the manner and timing by which the auditor of the master UCITS is to make the ad hoc report required in terms of SLC 20.48 and to provide it and drafts thereof to the auditor of the feeder UCITS.

20.46. Where the feeder UCITS and the master UCITS have concluded a written agreement pursuant to SLCs 20.10 to 20.20, the agreement between the respective auditors shall provide that the law of the Member State or EEA State applying to that agreement shall also apply to the information sharing agreement between both auditors and that both auditors agree to the exclusive jurisdiction of that particular Member State or EEA State.

20.47. Where the agreement between the feeder UCITS and the master UCITS has been replaced by internal conduct of business rules in accordance with SLC 20.20, the agreement between the auditors of the master UCITS and the feeder UCITS shall provide that the law applying to the agreement between both auditors shall be either that of the Member State or EEA State in which the feeder UCITS is established, or, where different, that of the Member State or EEA State in which the master UCITS is established and that both auditors agree to the exclusive jurisdiction of the courts of the Member State or EEA State whose law is applicable to the agreement.

20.48. In its audit report, the auditor of the Scheme which is a feeder UCITS shall take into account the audit report of the master UCITS. If the feeder and the master UCITS have different accounting years, the auditor of the Master UCITS shall make an ad hoc report on the closing date of the feeder UCITS.

20.49. The auditor of the Scheme which is a feeder UCITS shall, in particular, report on any irregularities revealed in the audit report of the master UCITS and on their impact on the Scheme.

20.50. Where the auditors comply with the requirements prescribed with these SLCs, neither the auditor of the master UCITS nor that of the feeder UCITS shall be found to be in breach of any rules that restrict the disclosure of information or relate to data protection where such rules are provided for in a contract or in a law, regulation or

administrative provisions. Such compliance shall not give rise to any liability on the part of such auditor or any person acting on its behalf.

Compulsory Information and Marketing Communications by the Feeder UCITS

20.51. The feeder UCITS shall ensure that, in addition to the information required in Annex II of Appendix I of these Rules, its Prospectus also contains the following information:

i. a declaration that the feeder UCITS is a feeder of a particular master UCITS and as such permanently invests 85 % or more of its assets in units of that master UCITS;

ii. the investment objective and policy, including the risk profile and whether the performance of the feeder and the master UCITS are identical, or to what extent and for which reasons they differ, including a description of investment made in accordance with SLCs 20.2. and 20.3;

iii. a brief description of the master UCITS, its organisation, its investment objective and policy, including the risk profile, and an indication of how the prospectus of the master UCITS may be obtained;

iv. a summary of the agreement entered into between the feeder UCITS and the master UCITS or of the internal conduct of business rules pursuant to SLCs 20.10 to 20.20;

v. how the unit-holders may obtain further information on the master UCITS and the agreement entered into between the feeder UCITS and the master UCITS pursuant to SLCs 20.10 to 20.20;

vi. a description of all remuneration or reimbursement of costs payable by the feeder UCITS by virtue of its investment in units of the master UCITS, as well as of the aggregate charges of the feeder UCITS and the master UCITS; and

vii. a description of the tax implications of the investment into the master UCITS for the feeder UCITS.

20.52. The feeder UCITS shall ensure that, in addition to the information provided in Appendix II of these Rules, the annual report of the feeder UCITS also contains:

i. a statement on the aggregate charges of the feeder UCITS and the master UCITS; and

ii. details of how the annual and the half-yearly reports of the master UCITS can be obtained.

20.53. In addition to the requirements prescribed in SLCs 6.1.15 to 6.1.16 and 6.2.21 to 6.2.22, the feeder UCITS shall send the Prospectus, the Key Investor Information Document and any amendment thereto, as well as the Annual and Half-Yearly Reports of the master UCITS, to MFSA.

20.54. A feeder UCITS shall disclose in any relevant marketing communications that it permanently invests 85 % or more of its assets in units of such master UCITS.

20.55. A paper copy of the prospectus, and the annual and half-yearly reports of the master UCITS shall be delivered by the feeder UCITS to investors on request and free of charge.

Conversion of Existing UCITS into Feeder UCITS and Change of Master UCITS

20.56. A feeder UCITS which already pursues activities as a UCITS, including those of a feeder UCITS of a different master UCITS, shall provide the following information to its unit-holders:

i. a statement that the MFSA has approved the investment of the feeder UCITS in units of such master UCITS;

ii. the Key Investor Information Document concerning the feeder and the master UCITS;

iii. the date when the feeder UCITS is to start to invest in the master UCITS or, if it has already invested therein, the date when its investment will exceed the limit applicable under SLC 5.38; and

iv. a statement that the unit-holders have the right to request within 30 days the repurchase or redemption of their units without any charges other than those retained by the UCITS to cover disinvestment costs; that right shall become effective from the moment the feeder UCITS has provided the information referred to in this paragraph.

The above information shall be provided at least 30 days before the date referred to in paragraph (iii) of this SLC.

The feeder UCITS shall provide the information to unit-holders pursuant to this SLC in the same manner as prescribed in SLCs 20.59 to 20.61 hereunder.

20.57. In the event that the feeder UCITS has passported into another Member State in terms of Investment Services Act (Marketing of UCITS) Regulations, 2011 the information referred to in SLC 20.56 shall be provided in the official language, or one of the official languages, of the feeder UCITS host Member State or in a language approved by its competent authorities. The feeder UCITS shall be responsible for producing the translation. That translation shall faithfully reflect the content of the original.

20.58. The feeder UCITS shall not invest into the units of the given master UCITS in excess of the limit applicable under SLC 5.38 before the period of 30 days referred to in SLC 20.56 has elapsed.

20.59. A feeder UCITS which is a Scheme shall provide the information to unit-holders on paper or in another durable medium.

20.60. Where the information is to be provided to all or certain unit-holders using a durable medium other than paper, the following conditions shall be fulfilled:

i. the provision of the information is appropriate to the context in which the business between the unit-holder and the merging and the receiving UCITS or, where relevant, the respective management company is, or is to be, carried on;

ii. the unit-holder to whom the information is to be provided when offered the choice between the information on paper on in another durable medium, specifically chooses the durable medium other than paper.

20.61. For the purposes of SLC 20.59 and 20.60, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the merging and receiving UCITS or their respective management companies and the unit-holder is, or is to be, carried on if there is evident that the unit-holder has regular access to the internet. The provision by the unit-holder of an e-mail address for the purposes of the carrying on of that business shall be treated as such evidence.

Obligations and Competent Authorities

20.62. The Scheme which is a feeder UCITS shall monitor effectively the activity of the master UCITS. In performing that obligation, the feeder UCITS may rely on information and documents received from the master UCITS or, where applicable, its management company, depositary and auditor, unless there is reason to doubt their accuracy.

20.63. Where, in connection with an investment in the units of the master UCITS, a distribution fee, commission or other monetary benefit is received by the feeder UCITS which is a Scheme, its management company, or any person acting on behalf of either the feeder UCITS or the management company of the feeder UCITS or any person acting on their behalf, the fee, commission or other monetary benefit shall be paid into the assets of the feeder UCITS.

20.64. The master UCITS shall immediately inform the MFSA of the identity of each feeder UCITS which invests in its units. Where the feeder UCITS is established outside Malta, the MFSA shall immediately inform the European regulatory authority of the feeder UCITS home Member State of such investment.

20.65. The master UCITS shall not charge subscription or redemption fees for the investment of the feeder UCITS into its units or the redemption thereof.

20.66. The master UCITS shall ensure the timely availability of all information that is required in accordance with these Rules, the Maltese law, the fund rules or the instruments of incorporation to the feeder UCITS which is a Scheme or, where applicable, its management company, and to the MFSA, the depositary and the auditor of the feeder UCITS.

20.67. Where the master UCITS and the feeder UCITS are established in Malta, the MFSA shall immediately inform the feeder UCITS of any decision, measure, observation of non-compliance with the conditions of this Section of these Rules or of any information listed hereunder with regard to the master UCITS or, where applicable, its management company, depositary or auditor:

i. A material breach of the laws, regulations or administrative provisions which prescribed the conditions regulating authorisation or which specifically regulate the pursuit of the activities of the Scheme or undertakings contributing towards their business activity;

ii. The impairment of the continuous functioning of the Scheme or an undertaking contributing towards its business activity;

iii. A refusal to certify the accounts or the expression of reservations.

20.68. Where the master UCITS is established in Malta and the feeder UCITS is established in another Member State or EEA State, the MFSA shall immediately communicate any decision, measure, observation of non-compliance with the conditions of this Section of these Rules or information listed hereunder with regard to the master UCITS or, where applicable, its management company, depositary or auditor, to the European regulatory authorities of the feeder UCITS home Member State.

i. A material breach of the laws, regulations or administrative provisions which prescribed the conditions regulating authorisation or which specifically regulate the pursuit of the activities of the Scheme or undertakings contributing towards their business activity;

ii. The impairment of the continuous functioning of the Scheme or an undertaking contributing towards its business activity;

iii. A refusal to certify the accounts or the expression of reservations.

21. USE OF REPURCHASE/ REVERSE REPURCHASE AND STOCK BORROWING/ STOCK LENDING AGREEMENTS

21.1. A Scheme may only enter into repurchase/ reverse repurchase and stock lending/ stock borrowing agreements:

i. when in the opinion of the Scheme or its Manager, the entering into such agreements by the Scheme is appropriate and in the interest of investors in the Scheme, and entails an acceptable level of risk; and

ii. in accordance with good market practice, which involves the provision of adequate collateral which complies with the requirements prescribed in Appendix VI.

21.2. DELETED

21.3. Invested cash collateral which is held at the credit risk of the Scheme, other than cash collateral invested in government or other public securities or Qualifying Money Market Funds, shall be diversified so that no more than 20 per cent of the collateral is invested in the securities of, or placed on deposit with, one institution. Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity. Moreover, a UCITS must be satisfied, at all times, that any investment of cash collateral will enable it to meet its repayment obligations.

21.4. The Scheme may enter into stock lending/ stock borrowing programmes organized by generally recognized Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

21.5. The counterparty to a repurchase/ reverse repurchase or stock lending/ stock borrowing agreement must have a minimum credit rating of A (Standard & Poor's) or A2 (Moody's) or such other rating, acceptable to MFSA, by another internationally renowned credit rating agency. The Scheme and/or the Manager shall not rely solely or mechanistically on credit rating. Provided that where counterparty is unrated, the Scheme and/or the Investment Manager shall apply to the MFSA for a derogation in line with provisions of SLC 5.23. In the case of such unrated counterparty, the Scheme shall be indemnified against losses suffered as a result of a failure of the counterparty, by an entity which has and maintains a credit rating as provided above.

21.6. The Scheme shall have the right to terminate the stock lending agreement at any time and demand the return of any or all of the securities loaned. The agreement must

provide that, once notice is given, the borrower is obliged to redeliver the securities within 5 business days or other period as normal market practice dictates.

21.7. Repurchase/ reverse repurchase or stock lending/ stock borrowing agreements do not constitute borrowing or lending for the purposes of the Scheme's borrowing or lending restrictions.

21.8. The Scheme shall ensure that it is able at any time to recall any security that has been lent out or terminate any securities lending agreement into which it has entered.

21.9. A Scheme that enters into a reverse repurchase agreement shall ensure that it is able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement shall be used for the calculation of the net asset value of the Scheme.

21.10. A Scheme that enters into a repurchase agreement shall ensure that it is able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered.

21.11. Fixed-term repurchase and reverse repurchase agreements that do not exceed seven days shall be considered as arrangements on terms that allow the assets to be recalled at any time by the Scheme.

22. SUPPLEMENTARY CONDITIONS FOR UCITS SCHEMES ESTABLISHED AS INCORPORATED CELLS ('IC') UNDER A RECOGNISED INCORPORATED CELL COMPANY ('RICC')

22.1. Incorporated Cells ('IC') set up as UCITS Schemes under a Recognised Incorporated Cell Company ('RICC') in terms of the Companies Act (Recognised Incorporated Cell Companies) Regulations, 2012 may be set up as investment companies with variable share capital (SICAV) in terms of the Companies Act (Chapter 386 of the Laws of Malta);

22.2. Each IC can be either third party managed or self-managed. In the case where an IC is third-party managed, it will be required to appoint an investment manager, which should be approved by the RICC.

22.3. An IC which is third-party managed shall appoint its own investment manager which may be the same or different from the investment manager appointed by any other incorporated cells set up under the same RICC. However, in any case, the investment manager appointed has to be approved by both the RICC and the MFSA.

22.4. An IC shall, unless otherwise authorised in writing by the MFSA, appoint the service providers selected for it by its RICC, under the same terms and conditions as shall have been approved by the Authority for this purpose.

22.5. An IC shall have the same registered office as its RICC at all times.

22.6. Each IC is regulated by its own Memorandum and Articles of Association. Each of the constitutional documents or any changes thereto must be endorsed by the RICC. No changes to the constitutional documents of the IC shall be effected except as approved by Resolution of the Board of Directors of the IC and the RICC and in accordance with the Standard Licence Conditions applicable to such schemes.

22.7. Each IC must issue its own offering document which may either be based on the standard form used by incorporated cells that belong to the same RICC or specific to the particular incorporated cell. Provided that no offering document or changes thereto shall be issued by the IC unless it has first been approved by the RICC and the MFSA.

22.8. An IC that has been granted or has applied for a Collective Investment Scheme Licence may apply for admissibility to listing with the Listing Authority (the MFSA is the Listing Authority in terms of the Financial Market Act, 1990).

22.9. The directors of an IC are not required to be the same as those of the RICC. However the RICC and the IC must have at least once common director. The MFSA may require that directors with different competencies sit on the different boards of directors of

the incorporated cells. The common director shall report to the Board of the RICC on a regular basis and must provide the RICC with any information that may be relevant to the fulfilment of the RICC's compliance obligations in relation to its incorporated cells.

22.10. In addition to the obligations arising under the Companies Act, the IC shall notify the RICC and the MFSA within 14 days of a director of the IC being appointed or ceasing to be a director of the cell.

22.11. An IC may create sub-funds. In this regard, an IC is required to comply with Section 17 above.

22.12. Unless expressly prohibited by any rules, laws or regulations or by its articles of association, an IC shall be permitted to own shares in any other IC of its RICC subject to any conditions that may apply in terms of its licence.

22.13. In addition to the requirements of article 6 of the Companies Act, an IC of an RICC shall also indicate in a suitable manner in all of its business letters and forms that it is an IC of a RICC and the name of the RICC.

22.14. No IC of a RICC shall transfer, relocate or convert itself in any other manner except as authorised by the competent authority and subject to any conditions which the latter deems fit to impose.

22.15. An IC shall apply for a collective investment scheme licence as if it were an independent scheme, provided that it shall also be required to provide the relevant endorsements, resolutions and other approvals from its RICC as required by the applicable Rules and Regulations and will be required to comply with the applicable Investment Services Rules for Retail Collective Investment Schemes.

22.16. On application, the IC must provide information on any departure from the standard model agreements endorsed by the RICC.

22.17. An IC must provide a draft copy of its agreement with the RICC referred to in section 3 of Part BIII of the Investment Services Rules for Recognised Persons.

22.18. The IC must inform its RICC of any departure from any standard model agreement and must submit the relevant changes to the Competent Authority for approval.

22.19. The MFSA may only grant a Collective Investment Scheme licence to an IC if it is satisfied that the Scheme will comply in all respects with the provisions of the Investment Services Act, the relevant Regulations and MFSA Rules and Standard Conditions.

22.20. An IC of a RICC shall pay the licencing and supervision fees applicable to a Collective Investment Scheme as stipulated in paragraph (b) of the Schedule to the Investment Services Act (Fees) Regulations (SL. 370.52). Sub-funds of the IC shall pay the

licensing and supervision fees applicable to sub-funds of a Collective Investment Scheme in terms of the same paragraph.

23. SUPPLEMENTARY CONDITIONS APPLICABLE TO SCHEMES SET UP AS ETF SCHEMES

23.1. The Constitutional Document of a Scheme set up as an ETF Scheme shall contain the identifier 'UCITS ETF' which identifies it as an exchange-traded fund.

24. SUPPLEMENTARY LICENCE CONDITIONS APPLICABLE TO CROSS-SELLING PRACTICES

24.1. This Section shall apply to the Schemes which distribute a Tied or a Bundled Package, as defined in the Glossary to the Investment Services Rules for Alternative Investment Funds.

Furthermore, provisions of this Section shall apply to cross-selling practices whether undertaken directly by the staff of the Scheme or through other distribution channels.

Full disclosure of price and cost information

24.2. The Scheme shall ensure that its investors are provided with information on the price of both the package and of each of its component products.

24.3. The Scheme shall also ensure that its investors are provided with a clear breakdown and aggregation of all relevant known costs associated with the purchase of the package and its component products, including inter alia, administration fees, transaction costs, and exit or prepayment penalty charges. Where costs cannot be calculated with precision on an ex-ante basis but nevertheless will be incurred by investors after the purchase of the package, the Scheme shall provide its investors with an estimate of these costs based on reasonable assumptions.

Prominent display and timely communication of price and cost information

24.4. The Scheme shall ensure that information on price and all relevant costs of the package and on each of its component products, is made available to its investors in a timely manner before the investors enter into an agreement, allowing the investors to make an informed decision.

24.5. The Scheme shall also ensure that price and cost information of the package and its component products is communicated to investors in a prominent, accurate manner and in simple language, with any technical terminology clearly explained.

24.6. The Scheme shall ensure that when promoting any of the component products that will form a Bundled or Tied Package, it assigns equal prominence to the price and cost information of these component products so that its investors can properly and quickly discern the cost impact upon them as a result of purchasing both products as a package.

24.7. The Scheme shall ensure that the price and cost information is presented to its investors in a way that is not misleading or which distorts or obscures the real cost to the investors or prevents the investors to conduct a meaningful comparison with alternative products.

Full disclosure of key information on non-price features and risks, where relevant

24.8. The Scheme shall ensure that its investors are provided with key information relating to the non-price features and risks, where applicable, of each of the component products and the package, including, in particular but not exclusively, the information on how the risks are modified as a result of purchasing the bundled package rather than each of the components separately.

Prominent display and timely communication of key information on non-price features and potential risks

24.9. Key non-price factors and the relevant risks shall be disclosed to investors with the same prominence and weight as information on price and cost of the component products or Bundled or Tied package.

Such information should be made clear to its investors in simple language, with any technical terminology clearly explained, in good time before the investors are bound to the agreement.

24.10. The Scheme shall also ensure that information on the non-price features and risks of the package is presented to its investors in a way which is not misleading or which distorts the impact of these factors.

Prominent display and communication of 'optionality of purchase'

24.11. The Scheme shall ensure that its investors are properly informed whether it is possible to purchase the component products separately, i.e. whether its investors have a choice as to which of the products they buy or, to the extent that this is permitted under sectorial legislation, whether one of the component products has to be purchased in order for investors to be eligible to buy one of the other products from the Scheme.

24.12. The Scheme shall ensure that it designs its purchase options in a way which enables its investors to actively select a purchase and therefore to make a conscious decision to buy the component product or the bundled package.

Pre-ticked boxes (on-line or in any other sales document) shall not be used when the Scheme cross-sells one product or service with another.

24.13. The Scheme shall ensure that it presents to its investors any purchase options in a way which avoids giving a false perception that the purchase of the bundled package is compulsory when in actual fact it is an optional purchase.

Adequate training for relevant staff

24.14. Adequate training, including cross-sectorial training, when relevant, shall be provided to its staff in charge of distributing each of the products sold as part of a package. Staff training should ensure that staff are familiar with the risks, where relevant, of the component products and the Bundled or Tied Package and be able to communicate these to its investors in plain, non-technical language.

Conflicts of interest in the remuneration structures of sales staff

24.15. Suitable remuneration models and sales incentives encouraging responsible business conduct, fair treatment of investors and avoidance of conflicts of interest for its staff selling the Tied or Bundled Package shall be in place and shall be monitored by the Scheme's senior management.

Post-sale cancellation rights

24.16. Where 'cooling-off periods'[2] or post-sale cancellation rights apply to one or more components of a package (if the components were sold on a standalone basis), these rights should continue to apply to those components within the package.

24.17. Products grouped in a cross-selling offer may be split without disproportionate penalties – unless there are justified reasons why this is not possible.

[2] "Cooling-off period" is a period after a sale during which the buyer can cancel the contract without incurring a penalty

25. SUPPLEMENTARY LICENCE CONDITIONS APPLICABLE TO SCHEMES SET UP AS MONEY MARKET FUNDS

25.1. In addition to applicable provisions of this Part referring, where a Scheme is authorised as an MMF:

(i) its marketing and promotional material shall include reference to the 'Money Market Fund' or 'MMF' in its name in order to provide investors with an indication such specific character of the Scheme. A Scheme which is not authorised as a Money Market Fund should not use the references applicable to MMFs;

(ii) its Prospectus shall include the reference to the 'Money Market Fund' or 'MMF' in its name in order to provide Investors with an indication of the specific character of the Scheme. A Scheme which is not authorised as a Money Market Fund should not use the references applicable to MMFs.

25.2. The Scheme shall regularly provide the MFSA with information on Money Market Funds ("MMFs") under management as stipulated in Article 37 of the MMF Regulation (EU) 2017/1131. The Scheme shall also comply with the ESMA Guidelines on reporting to competent authorities under article 37 of the MMF Regulation [ESMA34-49-168].

25.3. The Scheme shall measure the impact of common reference stress test scenarios on all MMFs under management as stipulated in Article 28 of the MMF Regulation [ESMA50-43599798-12301].

The Scheme shall submit to the MFSA the results of stress tests and, where applicable, the proposed action plan and shall further comply with the ESMA Guidelines on stress test scenarios under the MMF Regulation [ESMA50-481369926-30848].

25.4 The Scheme shall make reference to Commission Implementing Regulation 2018/708 with regard to the template to be used by managers of money market funds when reporting to competent authorities as stipulated by Article 37.

26. SCHEMES WITH CROSS SUB-FUND INVESTMENTS

26.1. A Sub-Fund of a Scheme may invest in units of one (1) or more sub-funds within the same Scheme provided that:

i. adequate disclosure of the intentions of the Sub-Fund to invest in other Sub-Fund of the Scheme is made in the Constitutional Documents and/or the Offering Documentation;

ii. the Scheme must have stipulated, in its Constitutional Documentation, that the assets and liabilities of each Sub-Fund are treated as a patrimony separate from the assets and liabilities of any other Sub-Fund of same Scheme in terms of regulation 9 of the Companies Act (Investment Companies with Variable Share Capital) Regulations;

iii. the Sub-Fund is allowed to invest up to 10% of its assets into any Sub-Fund within the same Scheme;

iv. the target Sub-Fund(s) may not themselves invest in the Sub-Fund which has invested in the target Sub-Fund(s);

v. in order to avoid duplication of fees, where the Manager of the Sub-Fund and the Manager of the target Sub-Fund is the same or, in the case of different Managers, where one Manager is an affiliate of the other, only one set of management, subscription and/or redemption fees shall apply between the Sub-Fund and the target Sub-Fund;

Provided that the restriction in point (v) shall apply only in respect of and to the extent (up to the portion) of the investment of the Sub-Fund in the target Sub-Fund;

vi. for the purposes of ensuring compliance with any applicable capital requirements and for the purpose of calculating the net asset value of each Sub-Fund, cross sub-fund investments will be counted once;

vii. any voting rights acquired by the Sub-Fund from the acquisition of the units in the target Sub-Fund shall be disapplied;

viii. clear disclosure of cross sub-fund investments shall be made in the Scheme's half-yearly and annual reports as referred to in SLC 12.8;

For the purpose of point (viii) the Administrator of the target Sub-Fund shall have adequate system capability to comply with these disclosure requirements as well as other reporting requirements in accordance with industry standards; and

ix. a Conflict of Interest Policy shall be in place and accordingly conflicts of interest that arise are duly recorded, mitigated and disclosed as necessary.

27. RULES RELATED TO PERFORMANCE FEES

Performance fee calculation method

27.1 The performance fee calculation shall be verifiable and shall not allow any possibility of manipulation.

27.2 As a minimum, the performance fee calculation method should include, at least, the following elements:

i the reference indicator to measure the relative performance of the fund. This reference indicator can be an index, a high water-mark (HWM), a hurdle rate or a combination;

ii the crystallisation frequency at which the accrued performance fee, if any, becomes payable to the Investment Manager and a crystallisation date at which the performance fee is credited to the Investment Manager;

iii the performance reference period;

iv the rate of performance fee which may be applied across all models or the flat rate;

v the performance fee methodology defining the method for the calculation of the performance fees based on the abovementioned inputs and any other relevant inputs; and

vi the computation frequency of the performance fee. The computation shall be in line with the calculation frequency of the NAV.

27.3 The performance fee calculation method shall be designed to ensure that performance fees are always proportionate to the actual investment performance of the fund. Artificial increases resulting from new subscriptions shall not be taken into account when calculating fund performance.

27.4 The Investment Manager shall ensure that the performance fee model of a fund it manages provides a reasonable incentive and is aligned with investors' interests.

27.5 The performance fee provisions and their final payments shall be allocated and reversed in a symmetrical way. For example, it shall not be possible to apply simultaneously an allocation rate and a different reversal rate.

27.6 Performance fees may be calculated on a single investor basis.

Consistency between the performance fee model and the fund's investment objectives, strategy and policy

27.7 The Investment Manager shall implement and maintain a process in order to demonstrate and periodically review that the performance fee model is consistent with the fund's investment objectives, strategy and policy.

27.8 When assessing the consistency between the performance fee model and the fund's investment objectives, strategy and policy, the Investment Manager shall assess:

a. whether the chosen performance fee model is suitable for the fund and is in line with its investment policy, strategy and objective of the fund;

b. whether, for funds that calculate the performance fee with reference to a benchmark, the benchmark is appropriate in the context of the fund's investment policy and strategy and adequately represents the fund's risk-reward profile. This assessment should also take into account any material difference of risk (e.g. volatility) between the fund's investment objective and the chosen benchmark, as well as the consistency indicators included below under SLC 27.10.

27.9 If a fund is managed in reference to a benchmark index and it employs a performance fee model based on a benchmark index, the two benchmarks shall be the same. This includes, inter alia, the case of:

a. performance measures: the fund has a performance objective linked to the performance of a benchmark;

b. portfolio composition: the fund portfolio holdings are based upon the holdings of the benchmark index.

27.10 In case the fund is managed in reference to a benchmark but the fund's portfolio holdings are not based upon the holdings of the benchmark index, the benchmark used for the portfolio composition shall be consistent with the benchmark used for the calculation of the performance fee. Consistency should be primarily assessed against the similar risk-return profile of different benchmarks (e.g.: they fall into the same category in terms of Synthetic Risk Reward Indicator and/or volatility and expected return). The following is a non-exhaustive cumulative list of "consistency indicators" which should be taken into account by the manager, based on the type of investment of the fund (:

a. expected return;

b. investment universe;
c. beta exposure to an underlying asset class;
d. geographical exposure;
e. sector exposure;
f. income distribution of the fund;
g. liquidity measures (e.g.: daily trading volumes, bid-ask spreads etc);
h. duration;
i. credit rating category;
j. volatility and/or historical volatility.

27.11 Where performance fees are payable on the basis of out-performance of a benchmark, it is not appropriate to take a reference indicator that would set a systematically lower threshold for fee calculation than the actual benchmark.

27.12 Where the calculation of the performance fee is based on a fulcrum fee model, the performance fee shall be based on the same benchmark used to determine excess performance.

27.13 The excess performance shall be calculated net of all costs, including management fees and administrative fees but can be calculated without deducting the performance fee itself as long as this would be in the investor's best interest i.e. the investor will be paying lower fees.

27.14 If the reference indicator changes during the reference period, the performance of the reference indicator for this period shall be calculated by linking the benchmark index that was previously in force until the date of the change and the new reference indicator used afterwards.

Frequency for the crystallisation of the performance fee

27.15 The frequency for the crystallisation and the subsequent payment of the performance fee to the manager shall align the interests between the portfolio manager and investors.

27.16 The crystallisation frequency shall not be more than once a year. Funds adopting a fulcrum fee based model and other models with a symmetrical fee structure, whereby performance fees would decrease or increase based on the performance of the fund.

27.17 SLC 27.16 shall not be applied where the fund employs a HWM model or a high-on-high model where the performance reference period is equal to the whole life of the fund and it cannot be reset, as in this model performance fees cannot be accrued or paid more than once for the same level of performance over the whole life of the fund.

27.18 The crystallisation date shall apply consistently for all share classes of a fund that levies a performance fee.

27.19 In case of closure/merger of funds and/or upon investors' redemptions, performance fees, if any, shall crystallise in due proportions on the date of the closure/merger and/or investors' redemption. In case of merger of funds, the crystallisation of the performance fees of the merging fund shall be authorised subject to the best interest of investors of both the merging and the receiving fund. In case where all involved funds are managed by the same manager, crystallization of performance fees is presumed contrary to investors' best interest unless justified otherwise by the Investment Manager. The crystallisation date shall coincide with 31 December or with the end of the financial year of the fund.

Negative performance (loss) recovery

27.20 A performance fee shall only be payable in circumstances where positive performance has been accrued during the performance reference period. Any underperformance or loss previously incurred during the performance reference period shall be recovered before a performance fee becomes payable. A performance fee can also be payable in case the fund has overperformed the reference benchmark but had a negative performance, as long as a prominent warning to the investor is provided.

27.21 The performance fee model shall be designed to ensure that the Investment Manager is not incentivised to take excessive risks and that cumulative gains are duly offset by cumulative losses.

27.22 The performance of the Investment Manager shall be assessed and remunerated on a time horizon that is, as far as possible, consistent with the recommended investors' holding period.

27.23 In case the fund employs a performance fee model based on a benchmark index, the underperformance of the fund compared to the benchmark shall be clawed back before any performance fee becomes payable. If the length of the performance reference period is shorter than the whole life of the fund, the reference period shall be set equal to at least 5 years.

27.24 Where a fund utilises a HWM model, a performance fee shall be payable only where, during the performance reference period, the new HWM exceeds the last HWM. The starting point to be considered in the calculations shall be the initial offering price per share. For the HWM model, in case the performance reference period is shorter than the whole life of the fund, the performance reference period should be set equal to at least five years on a rolling basis. In this case, performance fee may only be claimed if the outperformance exceeds any underperformances during the previous five years and performance fees shall not crystallise more than once a year.

27.25 The performance reference period shall not apply to the fulcrum fee model and other models which provide for a symmetrical fee structure, as in these models the level of the performance fee increases or decreases proportionately with the investment performance of the fund.

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