

**TRINIDAD AND TOBAGO SECURITIES AND  
EXCHANGE COMMISSION**



**Guidelines for Collective Investment Schemes**

*Issued in accordance with Section 6(b)  
of the Securities Industry Act 1995*

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## **PART 1 - PURPOSE AND BACKGROUND**

### **Background**

In 2005, the Trinidad and Tobago Securities and Exchange Commission (“the TTSEC”) and the Central Bank of Trinidad and Tobago (“the CBTT”) sponsored a survey and analysis of the mutual funds industry (“the study”). The study was designed to assess and evaluate the structure and functioning of the industry with a view to providing a background for its proper regulation. The study addressed not only those products that are generally called mutual funds, but also a number of other Collective Investment Scheme products whereby an individual investor contributes payments towards a pool of investments that is managed by a professional investment manager on behalf of the whole group. The individual investor has no say in the investment decisions being made but will receive a proportionate share of the profits, income or property under the group scheme. Defined in this manner, Collective Investment Schemes include closed and open-ended mutual funds and certain kinds of annuity schemes.

### **Industry Growth in Funds under Management**

The Collective Investment Scheme industry has grown at a phenomenal rate over the period 2000 - 2004 years, during which time it grew faster than bank deposits. The results of the survey conducted as part of the study show that:

1. Assets under management (Funds under management) in domestic mutual funds grew by approximately 500% between 2000 and 2004, increasing from TTD \$5 Billion in December 2000 to TTD \$27 Billion by the end December 31, 2004. By comparison the worldwide industry growth rate was 35% over the same period; and
2. Since 1997, most of the activity in the capital market has been in debt securities rather than equity securities, despite record levels of trading and values in the stock market especially in 2003 and 2004, and this has been reflected in the investment portfolios of CISs.

Within recent time (2005-2007), there has been a slowing down in the CIS sector growth rate as the local CIS market shows signs of entering a maturity stage. Over this period, the CIS sector grown by a mere 6% with a decline in assets under management for the year ended 2007 of 1%.

For the Period ending December	Assets Under Management for the Local T&T CIS Industry (\$Billion)	Bank Deposits Within the Local T&T Industry (\$Billions)	New equities Issued \$M	Debt and Debt Derivatives \$M
2000	6.405	18.52	210	3,907
2001	9.39	21.43	313	10,958
2002	15.42	22.50	564	11,247
2003	21.44	23.82	102	10,903
2004	27.09	27.65	2,198	7,962
2005	31.62	34.31	837	11,302
2006	32.42	42.28	589	3,021
2007	32.08 <sup>1</sup>	N/A	1,041	2,834

In the domestic market, there are substantial collective investments on behalf of thousands of investors, both directly as unit/shareholders, and more indirectly as pension fund contributions, that are being funnelled into a relatively *few highly inter-related hands* and in relatively few types of investments, primarily debt instruments.

The growth and growing importance of the mutual funds sector indicate a broadening of the participation of investors in the capital market. The combination of the broader capture of investors and some of the developing characteristics of the industry structure bring into sharper focus the need to provide a comprehensive regulatory framework for the industry.

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<sup>1</sup> Based on the submission of monthly volume reports.

## **Issues in the Structure of the Industry**

The industry has developed a significant degree of concentration in that four mutual fund management groups are reported to manage some 97% of the assets under management in domestic CISs. When taken with the fact that institutional investors probably account for 70% of all CIS investments a picture of significant concentration begins to emerge.

This concentration in the industry has developed under a regime in which supervision and regulation are weak and fractured. In this environment, the standards and practices observed by individual mutual fund providers and managers vary quite significantly leading to potential concerns at an industry level about fund governance, risk management, marketing and promotional practices and surveillance and reporting.

These Guidelines seek to address these issues.

## **Overview of the Approach to the Collective Investment Scheme Guidelines**

Although the Securities Industry Act 1995 ("the SIA") provides for the registration of units of a Collective Investment Scheme as securities, it does not adequately provide for the additional levels of surveillance that are required of other capital market participants and products.

Collective Investment Scheme By-Laws were drafted as part of the review and revision of the SIA and associated legislation by the Canadian law firm of Stikeman Elliott, with the last draft as contained in the Final Report having been received in December 2004 and subsequently circulated to industry participants in December 2004 for public comment.

In light of the phenomenal growth of the sector, and the evidence that has been emerging from our survey of the market, it is clear that guidance is needed regarding issues of fund governance, risk management practices, marketing and promotional practices, and reporting by fund managers and trustees.

As the legislative process for the introduction of the new Securities Act and related By-laws is a protracted process, the Commission, in order to fulfil its broad mandate to protect investors, ensure fairness and efficiency in the market and to minimize the potential risks to the system, has decided, in the interim, to issue these Guidelines under section 6(b) of the SIA in respect of Collective Investment Schemes. The Guidelines are based essentially on the recommendations contained in Stikeman Elliot's draft Collective Investment Scheme By-Laws within the Final Report, along with those additional issues that have emerged in our recent survey of current practices.

The areas addressed in the Collective Investment Scheme Guidelines include, inter alia:

1. Continuous Reporting with a view to bringing *all* mutual fund managers and trustees under similar continuous reporting requirements that are already observed by other issuers of securities in this market, and providing for special reporting requirements, such as a portfolio/ asset allocation schedule;

2. Nomenclature rules with a view to ensuring that mutual fund names do not mislead as regards their investment strategies;
3. Prospectus disclosure with a view to ensuring that adequate disclosure of both general risks and those associated with a mutual fund's specific investment objectives /strategies are communicated to existing and potential investors and that such investors have adequate and ready access to Fund Prospectuses on the internet, at branches of mutual fund managers' offices and other easily accessible public places.
4. Performance measurement and advertising, and comparisons of mutual fund performance with a view to ensuring that misleading performance claims are not being communicated to existing and potential investors;
5. Fund governance with a view to ensuring adequate separation of functions that are designed for the protection of the interests of investors.

A necessary adjunct to these Guidelines will be forthcoming Guidelines on corporate governance for all issuers of securities, including fund managers, with a view to ensuring that adequate levels of independent oversight are exercised over the management, custody, audit and reporting of funds with particular attention to the interrelated structures of fund management as well as corporate groups.

### **The CIS Guidelines and the Issues addressed therein**

The proposed CIS Guidelines set out the requirements that apply to a CIS in addition to any other requirements imposed by the SIA or other guidelines.

#### *Collective Investment Scheme Guidelines Reflect a Mixed Approach*

The proposed CIS Guidelines contain a number of requirements that are designed to bring the regulation of CISs in Trinidad and Tobago to the level of international best practice. The Guidelines have adopted a mixed "disclosure and substantive regulation approach" which is consistent with practice in Canada and the United States.

#### *Definition of a CIS*

In addition to the feature of redemptions "*on demand, or within a specified period after demand*", a Collective Investment Scheme is defined to include any scheme or fund that the Commission may deem to be a collective investment scheme for the purpose of the Guidelines, including, but not limited to, a closed-end fund.

#### *Disclosure Approach*

The Guidelines do not regulate the legal form of a CIS nor prescribe the specific powers of the manager, custodian or other service provider of a CIS (other than providing that the manager and custodian must adhere to a standard of care). Instead, as indicated earlier, a regime for disclosure coupled with substantive regulation in certain areas provides the marketplace with flexibility while ensuring that the appropriate standards are established for CISs. While the Guidelines do not restrict the legal form of a CIS, restrictions that are contained in the Companies Act serve as a restriction on certain forms of corporate CISs.

It should be noted that the manager, or such other person authorized by the constating documents of the CIS, shall be responsible for the filing of the required documents listed in the Guidelines.

In order to ensure that the holders of securities of a CIS and prospective investors therein are fully informed and that full public disclosure occurs, CISs will be required to file and publish their annual comparative and quarterly interim financial statements.

### ***Prospectus Disclosure for Collective Investment Schemes***

CISs which intend to distribute securities in Trinidad and Tobago must file a prospectus that is prepared in accordance with the prospectus disclosure requirements set forth in Schedule 1, Form No 1, to the CIS Guidelines which is a stand-alone prospectus form for a CIS. Form No. 1 requires the disclosure of a number of matters that are considered to be important to a prospective investor in making an investment decision. These matters include disclosure of:

- the investment objectives and investment strategies of the CIS;
- a statement on the suitability of the investment for certain types of investors;
- a description of the risk factors specific to an investment in the CIS;
- disclosure of the fees and expenses payable by the CIS and by holders of securities in the CIS;
- disclosure of relationships that the CIS or its manager has with any person that may give rise to a potential conflict of interest;
- disclosure of how net asset value is calculated and the frequency of valuation;
- disclosure of the ten largest holdings of the CIS; and
- the inclusion of specific warning language where performance data is included.

### ***Regulation of Trustees***

The trustee of a CIS is held responsible for the supervision of the activities of all the parties involved in the management and administration of the CIS. The specific duties, responsibilities or requirements of trustees of CISs are more appropriately regulated by trust law generally, and the agreement or declaration of trust establishing the CIS. It has been expressly stated in the Guidelines however that the Trustee is under a fiduciary duty to the holders of securities of the collective investment scheme to effectively manage the trust and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances (Guideline 9).

### *Regulation of Managers and Custodians*

Guidelines 12 and 16 require that the manager and the custodian of a CIS adhere to a standard of care and be liable for losses arising out of its failure to meet such standard. In addition, consistent with the recommendation made by the Technical Committee appointed by the Minister of Finance in its report on the formation of mutual fund legislation dated March 16, 2001, Guideline 15 requires that a custodian must be a company that is licensed under the *Financial Institutions Act, 1993*, or a person that is regulated as a banking institution or trust company under the laws of a foreign jurisdiction.

### *Approval of the Manager*

The manager of a CIS, other than a financial institution or a registered market actor, must obtain the approval of the TTSEC before acting as the manager of the CIS (Guideline 11).

### *Names for Collective Investment Schemes*

The CIS must adopt a name which best characterizes the CIS and is prohibited from adopting a name that is misleading (Guideline 8). In addition, a CIS must meet certain requirements in order to be referred to as a “bond fund” or “money market fund”.

### *Names for a CIS not a Market Intrusion*

The requirements for naming a “money market” fund and “bond fund” are not intended to restrict companies from establishing funds beyond the parameters, but are intended to provide consistency for consumers of CIS products, and are justified on this basis of investor protection. The purpose is not to limit the types of funds that can be established. Rather, the rule is proposed so that a consumer that is choosing among “money market” funds offered by several companies can have a measure of assurance that the goals, objectives and holdings of such funds are substantially the same. To the extent that balanced, or global bond, or sector specific funds are demanded in the marketplace, such funds are not prohibited but they are unable to carry the name “money market” or “bond” unless the objectives and holdings fit within the prescribed categories.

### *Calculation of Net Asset Value*

The CIS Guidelines do not prescribe any method for calculating net asset value (“NAV”) of the CIS (Guideline 22). However, NAV must be calculated each business day by the CIS in accordance with the methodology set forth in its prospectus. The fact that the NAV of a fund is not expected to change is not sufficient enough to justify calculating NAV on a less frequent basis. This would also apply to funds with a real estate holding as well. Rather, calculations of NAV each business day are consistent with international best practice and provide a current calculation to support redemptions.

### ***Calculation of Performance Data***

Performance data, on the other hand, is required under the CIS Guidelines to be calculated in accordance with the promotion presentation standards to be published from time to time by the Commission as well as the CFA Institute (“CFAI”), the successor to the Association for Investment Management and Research or AIMR [Guideline 44(4)]. (CFA Institute is an international, nonprofit organization of investment practitioners and educators in over 100 countries whose mission is to serve its members and investors as a global leader in educating and examining investment managers and analysts and sustaining high standards of professional conduct. Several commentators have supported the use of the CFAI standard).

### ***Maintenance of Security holder Records***

A CIS is required to maintain certain records of holders of its securities and a record of distribution and redemption activities (Guideline 40).

### ***No Misleading Sales Communications***

Any sales communication to a prospective investor or holders of securities of a CIS must not contain a misrepresentation, and where the sales communication is provided in written form, it must include certain warning language [Guideline 44(2)]. (What constitutes a “misrepresentation” is defined in section 3 of the SIA as “(a) an untrue statement of a material fact; or (b) an omission to state a material fact that is required to be stated or is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it is made;”

### ***Delivery and Content of Financial Statements of a Collective Investment Scheme***

A CIS is required to prepare, file and publish financial statements comprising interim and annual financial statements as set out in Part XVI of the Guidelines, which are designed to keep the marketplace informed of the performance of the CIS. The financial statements of a CIS must include an income statement, balance sheet, statement of investment portfolio, statement of portfolio transactions, statement of changes in net assets and a volume report. A CIS will also need a specific MD&A to accompany the financial statements of a CIS.

### ***Investment Restrictions***

In respect of appropriate investment and borrowing restrictions, included in the Guidelines are provisions on concentration restrictions (Guideline 19, control restrictions relating to the investment activities of a CIS (Guideline 20 and liquidity restrictions relating to purchasing equity securities that cannot be readily disposed of in the market (Guideline 21, as well as a provision limiting a CIS’ ability to borrow money (Guidelines 22. The concentration restriction prohibits a CIS from investing more than ten (10) percent of its net assets in any one issuer but excludes certain types of indebtedness such that money market and bond funds could acquire indebtedness of a domestic issuer above the ten per cent limit. The control restriction limits a CIS to holding ten percent or less of the outstanding securities of

an issuer. As well, the restriction on the purchase of illiquid securities only applies to equity securities, and again bond and money market funds should be largely unaffected by these provisions.

### ***New Collective Investment Schemes***

Before a prospectus for a new CIS is filed, at least five million dollars (initial capital) in securities of such CIS must be beneficially owned by the sponsor or manager of, or investment adviser to the CIS and/or any of their respective partners, directors, officers or security holders (Guideline 6). The sponsor or manager of, or investment adviser must set aside a minimum two million dollars from which fees and expenses referred to Guideline 25 shall be deducted.

### ***Foreign Collective Investment Schemes***

Foreign collective investment schemes, i.e. collective investment schemes that are not organized or incorporated under the laws of Trinidad and Tobago but are engaged in issuing securities in Trinidad and Tobago, shall be guided by existing "*Policy Guideline 11.1 Mutual Funds - Distribution of Securities of Foreign Mutual Funds in Trinidad and Tobago.*" These guidelines are due to be revised in the near future. In the interim, in addition to Policy Guideline 11.1, it should be noted that there are two provisions in Part XIX of the Collective Investment Scheme Guidelines that are relevant to foreign collective investment schemes. These are in respect of the commingling of funds by a local agent and a requirement for the filing of a volume report.

### ***The Trinidad and Tobago Unit Trust Corporation***

It should be noted that although there is an absence of an explicit reference to the Trinidad and Tobago Unit Trust Corporation ("UTC") in the CIS Guidelines, it should be noted that they are meant to be of general application and apply to any organization that establishes a CIS. The UTC would be such an organization. Accordingly, the CIS Guidelines apply equally to the UTC.

### **Applicable material**

In addition to the CIS Guidelines and the attached schedule in respect of prospectus requirements, the following documents are applicable to CISs and to be read in conjunction with the Guidelines:

1. Proposed Checklist for prospectuses of Collective Investment Schemes;
2. Promotion Presentation Standards for Collective Investment Schemes.

## PART II - PRELIMINARY

Citation                    1.    These Guidelines may be cited as the Collective Investment Scheme Guidelines.

Definitions                2.    (1) In these Guidelines -

“Act” means the *Securities Industry Act, 1995*, as amended from time to time;

“Affiliate” means an affiliated body corporate or affiliated person as described below:

For the purposes of these Guidelines -

(a)

(i) one body corporate is affiliated with another body corporate if one of them is the subsidiary of the other, or both are subsidiaries of the same body corporate, or each of them is controlled by the same person, and

(ii) if two bodies corporate are affiliated with the same body corporate at the same time, they are affiliated with each other;

(b) a body corporate is the holding body corporate of another if that other body corporate is its subsidiary; and

(c) a person that is not a body corporate or an individual is considered to be an affiliated person of another person, including a body corporate, if it is controlled by that other, provided that a person is controlled by another person if,

(i) in the case of a partnership, the second-mentioned person owns or holds more than fifty percent of the interest in the partnership; and

(ii) in the case of the first-mentioned person other than a body corporate, an individual, or a partnership, securities of the first-mentioned person carrying more than fifty percent of the interests in such person, are held or owned, by or for the benefit of the second-mentioned person.

“collective investment scheme” means

(a) an issuer

(i) that was established for the principal purpose of investing property of any description, including money, provided by its

security holders; and

(ii) the securities of which entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets of the issuer;

“custodian” means a person appointed by, or on behalf of, a collective investment scheme to keep safe the portfolio assets of the collective investment scheme;

“fundamental investment objectives” means the fundamental characteristics of a collective investment scheme that distinguish it from other collective investment schemes;

“management expense ratio” means the ratio, expressed as a percentage, of the expenses of a collective investment scheme to its average net asset value;

“manager” means a person that is responsible for the business, operations and affairs of a collective investment scheme;

“portfolio asset” means an asset of a collective investment scheme;

“related party” where used to indicate a relationship with a collective investment scheme or the manager, adviser, sponsor or trustee of a collective investment scheme, means any person who beneficially owns or controls directly or indirectly, voting securities entitling him to more than ten per cent of the voting rights attached to outstanding securities of the collective investment scheme or the manager, adviser, sponsor or trustee thereof, or who is an affiliate of the collective investment scheme or the manager, sponsor or trustee thereof;

“sales communication” means any oral or written communication, relating to a collective investment scheme that is made by the manager, investment adviser or any other person providing services to the collective investment scheme, to a holder of securities of the collective investment scheme, or to a prospective purchaser of securities of the collective investment scheme, with the intent of inducing such holder or purchaser to purchase securities of the collective investment scheme; and

“sponsor” means any person who, acting alone or in conjunction with one or more other persons, directly or indirectly takes initiative in founding and organizing the business or enterprise of a collective investment scheme, including by way of contributing the initial capital or investment to the collective investment scheme;

(2) For the purposes of these Guidelines, a collective investment scheme organised as a trust is deemed to be a person.

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|--|--|
| Application                            | <p>3. These Guidelines apply to all collective investment schemes other than collective investment schemes that are -</p> <ul style="list-style-type: none"> <li>(a) pure contracts of insurance;</li> <li>(b) pension schemes;</li> <li>(c) commodity pools;</li> </ul> |
| Foreign collective investment schemes, | <p>4. For the purposes of foreign collective investment schemes, Policy Guideline 11.1 <i>"Mutual Funds – Distribution of Securities of Foreign Mutual Funds in Trinidad and Tobago"</i> shall be applicable in addition to Part XIX herein.</p>                         |
| Relationship to Act; Guidelines        | <p>5. (1) The requirements set out in these Guidelines apply in addition to any other requirements contained in the Act, By-Laws or any other Guidelines.</p>  |
| Forms                                  | <p>(2) The form herein referred is contained in Schedule 1 of these Guidelines, and such form shall be used in all cases to which it is applicable, and may be modified as directed by the Commission to meet other cases.</p>   |

### PART III - NEW COLLECTIVE INVESTMENT SCHEME

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|--------------------|--|
| Initial investment | <p>6. (1) A new collective investment scheme shall file a prospectus for distribution together with documentary evidence demonstrating that an investment of at least five million dollars in the securities of the collective investment scheme has been made and that those securities are beneficially owned before the time of filing by:</p> <ul style="list-style-type: none"> <li>(a) the sponsor or manager of the collective investment scheme;</li> <li>(b) the partners, directors, officers or holders of securities of the sponsor or manager of the collective investment scheme; or</li> <li>(c) a combination of the persons referred to in paragraphs (a) and (b).</li> </ul> |
| Initial capital    | <p>(2) The sponsor or manager of a collective investment scheme shall set aside a minimum initial capital of two million dollars from which the fees and expenses referred to in Guideline 25 shall be deducted.</p>   |

#### PART IV - DISTRIBUTION OF SECURITIES

- Disclosure documents
7. (1) A prospectus filed for a distribution of securities of a collective investment scheme shall be prepared in accordance with Form No. 1 of Schedule 1.
- (2) A new collective investment scheme shall file the following documents with the Commission concurrently with the filing of a prospectus -
- (a) a copy of all the organizational or constating documents of the collective investment scheme as more particularly described in Form No. 1;
  - (b) a copy of the latest audited annual comparative financial statements of the sponsor of the collective investment scheme filed with the Commission; and
  - (c) a copy of the latest quarterly financial statements of the sponsor of the collective investment scheme.

#### PART V - NAME

- Name
8. (1) No collective investment scheme shall have a name that is misleading or conflicts with the type of collective investment scheme by which it is best characterized.
- “Money Market”
- (2) A collective investment scheme shall not include as part of its name the words “money market” or be otherwise referred to as a “money market fund” unless the collective investment scheme has at the date of inception, and intends to continue to have at all subsequent times, not less than ninety percent of its portfolio assets invested in any or all of the following -
- (a) cash;
  - (b) cash equivalents; and
  - (c) evidences of indebtedness, other than cash equivalents that have a remaining term to maturity of not more than one year.
- “Bond”
- (3) A collective investment scheme shall not include as part of its name the word “bond” or be otherwise referred to as a “bond fund” unless the collective investment scheme has at the date of inception, and intends to continue to have at all subsequent times, not less than seventy percent of its portfolio assets invested in -
- (a) bonds, debentures, note or similar instruments representing indebtedness, whether secured or unsecured, that have an original tenor of more than one year.

(4) Apart from “Money Market” and “Bond” Funds, where a collective investment scheme includes as part of its name, words that suggest the pursuit of a particular investment strategy, not less than eighty percent of the scheme’s assets shall be invested in pursuit of that strategy.

(5) Where a collective investment scheme selects as part of its name the words “guaranteed” or “secured” or words of similar meaning, the manager of the scheme shall provide evidence to the satisfaction of the Commission that sufficient assets have been set aside to give effect to the guarantee or to secure the investor’s assets.

(6) Within 30 days of the end of the each six month period of its operation, the manager shall confirm in writing to the Commission the amount of the assets set aside to give effect to the guarantee or to secure the investor’s assets.

## **PART VI - TRUSTEE**

- Standard of care      9.      (1) If a collective investment scheme is organized as a trust, the trustee is under a fiduciary duty to a holder of securities of the collective investment scheme to effectively manage the trust, and shall exercise:
- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; and
  - (b) at least the same degree of care as it exercises with respect to its own property of a similar kind, if this is a higher degree of care than the degree of care referred to in paragraph (a);
- (2) The duties, responsibilities and requirements of the trustee are regulated by relevant statute, the general law of trusts and the terms of the agreement or declaration of trust by which a person acts as a Trustee of a collective investment scheme;
- (3) The trustee of a Collective Investment Scheme is responsible for the supervision of the activities of all the parties involved in the management and administration of the scheme. An agreement or declaration of trust by which a person acts as trustee shall not relieve the trustee from liability to the collective investment scheme, or to a holder of securities of the collective investment scheme, for losses arising out of the failure of the manager, custodian or other service provider to the Collective Investment Scheme to exercise the standard of care or discharge the duties imposed within these Guidelines.



person retained by the manager, to discharge any of the responsibilities of the manager to the collective investment scheme set out in this Part.

- Supervision      13.    The activities of a manager of a collective investment scheme shall be subject to the supervision of the following persons -
- (a) in the case of a collective investment scheme that is organized as a trust, the trustee of the collective investment scheme;
  - (b) in the case of a collective investment scheme that is organized as a corporation, the directors of the collective investment scheme; and
  - (c) in the case of a collective investment scheme that is organized other than as a trust or a corporation, the responsible person or entity pursuant to the constating or organizational documents of the collective investment scheme.

#### PART VIII- CUSTODIAN

- Assets to be held by custodian      14.    The portfolio assets of a collective investment scheme shall be held under the custodianship of a custodian that satisfies the requirements of this Part.
- Qualification      15.    A custodian of the portfolio assets of a collective investment scheme shall be -
- (a) a company that is licensed under the *Financial Institutions Act*, as amended from time to time; or
  - (b) a person that is regulated as a banking institution or trust company under the laws of a foreign jurisdiction.
- Standard of care      16.    (1) All agreements with a custodian for a collective investment scheme shall provide for the standard of care and responsibility for loss as set out in this Part, and shall require the custodian to exercise the powers and duties of the office of custodian, honestly, in good faith and in the best interests of the collective investment scheme.
- (2) The custodian, in carrying out its duties concerning the safekeeping of, and dealing with, the assets of the collective investment scheme, shall exercise -
- (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; and
  - (b) at least the same degree of care as it exercises with respect to its own property of a similar kind, if this is a higher degree of care than the degree of care referred to in paragraph (a).
- (3) A collective investment scheme shall not relieve the custodian from liability to the collective investment scheme, or to a holder of securities of

the collective investment scheme, for losses arising out of the failure of the custodian to exercise the standard of care or discharge the duties imposed by this Part.

- Segregation of Assets 17. (1) The assets of a collective investment scheme not registered in the name of the collective investment scheme shall be registered in the name of a custodian of the portfolio assets of the collective investment scheme with designation in the records of the custodian sufficient to show that the beneficial ownership of the portfolio assets is vested in the collective investment scheme.
- (2) A custodian of a collective investment scheme may deposit portfolio assets of the collective investment scheme with a clearing agency, provided that the records of the clearing agency, or any participant, contain a designation sufficient to show that the beneficial ownership of the assets is vested in the collective investment scheme.

#### PART IX - INVESTMENTS

- Concentration restriction 18. (1) A collective investment scheme shall not purchase a security of an issuer if, immediately after the purchase, more than ten percent of the net assets of the collective investment scheme, taken at market value at the time of the purchase, would be invested in securities of the issuer.
- (2) Paragraph (1) does not apply to a purchase of -
- (a) evidences of indebtedness, other than cash equivalents that have a remaining term to maturity of not more than one year that are issued, or fully and unconditionally guaranteed as to principal and interest by a financial institution or government entity (other than a foreign government or any political division thereof that issues bonds, debentures or other evidences of indebtedness); or
- Control restriction 19. A collective investment scheme shall not -
- (a) purchase a security of an issuer if, immediately after the purchase, the collective investment scheme would hold securities representing more than ten percent of the votes attaching to the outstanding voting securities of that issuer, or the outstanding equity securities of that issuer; or
  - (b) purchase a security for the purpose of exercising control or direction over, or control or direction over the management of, the issuer of the security.
- Restriction concerning illiquid securities 20. A collective investment scheme shall not purchase equity securities that cannot be readily disposed of through a securities exchange, if immediately after the purchase, more than ten percent of the portfolio assets of the collective investment scheme, taken at market value at the



initial prospectus of the collective investment scheme, shall be charged directly or indirectly to that collective investment scheme or holders of securities in that collective investment scheme.

#### PART XIV - FUNDAMENTAL CHANGES

Matters requiring prior approval of holders of securities 25. (1) The prior approval of the registered holders of securities of the collective investment scheme, given as provided in paragraph (2), is required before any of the following changes take effect:

(a) a change to the fundamental investment objectives of the collective investment scheme;

(b) a change to the auditor of the collective investment scheme;

(c) a change to the manager, unless the successor manager is an affiliate of the existing manager;

(d) a change to the methodology used to calculate the net asset value per security of the collective investment scheme;

(e) an increase in fees or expenses charged to the collective investment scheme including, but not limited to, an increase in management fees; and

(f) the suspension and/or termination of the collective investment scheme.

(2) Unless a greater majority is required by the organizational or constating documents of the collective investment scheme, the laws applicable to the collective investment scheme or any applicable agreement, the approval of the registered holders of the securities of the collective investment scheme to a matter referred to in paragraph (1) shall be given by a resolution passed by at least a majority of the votes cast, in person or by proxy, at a meeting of the registered holders of the securities of the collective investment scheme duly called and held to consider the resolution.

(4) Where any of the changes listed in paragraph (1) are made to a collective investment scheme, a supplementary prospectus must be filed with the Commission in accordance with section 73 of the Act, and a press release disclosing the material change must be filed with the Commission and published in accordance with section 66(3) of the Act.

#### PART XV - COMMINGLING OF CASH

Principal distributors 26. (1) Cash received by a principal distributor of securities of a collective investment scheme, or by a person providing services to the collective investment scheme or the principal distributor, for investment in, or on

the redemption of, securities of the collective investment scheme, or on the distribution of the portfolio assets of the collective investment scheme

-

(a) shall be accounted for separately and be deposited in a trust account or trust accounts established and maintained in accordance with the requirements of this Part; and

(b) may be commingled only with cash received by the principal distributor or service provider for the sale, or on the redemption of, securities of such collective investment scheme.

(2) The principal distributor of securities of a collective investment scheme or a person providing services to a collective investment scheme, including a manager, may only withdraw cash from a trust account referred to in this Part for the purpose of -

(a) remitting to the collective investment scheme the net amount to be invested in securities of the collective investment scheme;

(b) remitting to the relevant person redemption or distribution proceeds being paid on behalf of the collective investment scheme; or

(c) paying fees and expenses that are payable by a holder of securities of a collective investment scheme in connection with the purchase, conversion, holding, transfer or redemption of securities of the collective investment scheme.

## **PART XVI - FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION OF PERFORMANCE OF COLLECTIVE INVESTMENT SCHEMES**

Filing documents of 27. The following persons shall be responsible for the filing of the documents listed in this Part in a manner prescribed by the Commission (i.e. paper and electronic, or any other form):

(a) if a collective investment scheme is organized as a corporation, the directors of the collective investment scheme

(b) if a collective investment scheme is organized as a trust, the trustee of the collective investment scheme, or the manager if so authorized by the constating documents of the collective investment scheme;

(c) if a collective investment scheme is organized other than as a corporation or a trust, the person so authorized by the constating documents of the collective investment scheme.

Annual  
Comparative  
Financial  
Statements

**28.** A Collective Investment Scheme shall file with the Commission and publish, within 120 days of its financial year end, audited annual comparative financial statements which shall include -

- (a) an income statement prepared in accordance with International Financial Reporting Standards;
- (b) a balance sheet prepared in accordance with International Financial Reporting Standards;
- (d) a statement of investment portfolio prepared in accordance with these Guidelines;
- (e) a statement of portfolio transactions prepared in accordance with these Guidelines;
- (e) a statement of cash flows prepared in accordance with these Guidelines; and
- (f) a statement of changes in net assets prepared in accordance with these Guidelines.

Semi-Annual  
Reporting

**29.** A Collective Investment Scheme shall file (paper and electronic) with the Commission and publish, within 60 days of the end of each six month period of its operation, reports in a form prescribed by the Commission which shall include, *inter alia* -

- (a) an income statement prepared in accordance with International Financial Reporting Standards;
- (b) a balance sheet prepared in accordance with International Financial Reporting Standards;
- (c) a statement of investment portfolio prepared in accordance with these Guidelines;
- (d) a statement of portfolio transactions prepared in accordance with these Guidelines; and
- (e) a statement of changes in net assets prepared in accordance with these Guidelines;
- (f) a volume report prepared in accordance with these Guidelines; and
- (g) any other report prescribed by the Commission.

Monthly  
Reporting

**30.** A Collective Investment Scheme shall electronically file with the Commission, within 15 days of the end of each month of its operation, a Volume Report in the prescribed form by the Commission.

Statement of investment portfolio of 31. A statement of investment portfolio of a collective investment scheme shall present fairly the following information (but not limited to) as at the date to which it is made up, in the prescribed form by the Commission -

- (a) the name of each issuer of securities held;
- (b) the class or designation of each security held;
- (c) the number or aggregate face value of each class or designation of securities held;
- (d) the coupon or yield of each security held;
- (e) the market value of each class or designation of securities held; and
- (f) the cost of each class or designation of securities held and, where the basis of computing cost is other than average cost, a statement of the basis of computing the cost.

Statement of portfolio transactions of 32. A statement of portfolio transactions of a collective investment scheme showing the ten most actively traded securities shall present fairly the following information (but not limited to) in the prescribed form by the Commission -

- (a) the name of each issuer of every security purchased or sold during the period reported upon;
- (b) the class or designation of every security purchased or sold during the period reported upon;
- (c) the number or aggregate face value, by issuer, of securities of each class or designation purchased during the period reported upon and the total cost of purchasing securities of each such class or designation; and
- (d) the number or aggregate face value, by issuer, of securities of each class or designation sold during the period reported upon and the consideration for selling securities of each such class or designation.

Statement of changes in net assets of 33. A statement of changes in net assets of a collective investment scheme shall present fairly the following information (but not limited to) shown therein for the period covered by the statement and show separately at least, in the prescribed form by the Commission -

- (a) net assets at the beginning of the period;
- (b) net investment income or loss;
- (c) aggregate proceeds on sale of portfolio securities;
- (d) aggregate cost of portfolio securities owned at the beginning

- of the period;
- (e) aggregate cost of purchase of portfolio securities;
- (f) aggregate cost of portfolio securities owned at the end of the period;
- (g) aggregate cost of portfolio securities sold;
- (h) realized profit or loss on portfolio securities sold;
- (i) distributions, showing separately the amount out of net investment income and out of realized profits on portfolio securities sold;
- (j) proceeds from securities issued;
- (k) the redemption price of securities redeemed;
- (l) net increase or decrease in unrealized appreciation or depreciation of portfolio securities;
- (m) net assets at the end of the period;
- (n) net asset value per unit at the end of the period and at the end of each of the four immediately preceding periods;
- (o) distribution per unit of net investment income; and
- (p) distribution per unit out of realized profits on portfolio securities sold.

Income Statement (Statement of Operations) **34.** An Income Statement of a collective investment scheme shall present fairly the following information (but not limited to), in the prescribed form by the Commission –

- (a) dividend revenue;
- (b) interest revenue;
- (c) income from derivatives;
- (d) management fees, excluding incentive or performance fees;
- (e) incentive or performance fees;
- (f) audit fees;
- (g) directors' or trustee's fees;
- (h) custodial fees;
- (i) legal fees;
- (j) costs for reporting to holders of securities of the collective

investment scheme;

(k) capital tax;

(l) amounts that would otherwise have been payable by the collective investment scheme that were waived or paid by the manager or an investment adviser of the collective investment scheme;

(m) provision for income tax;

(n) net investment income or loss for the period;

(o) realized gains or losses;

(p) unrealized gains or losses;

(q) increase or decrease in net assets from operations; and

(r) increase or decrease in net assets from operations per security of the collective investment scheme.

Volume Report

**35.** The Volume Report of a collective investment scheme shall present fairly the following information (but not limited to) shown therein for the period covered by the statement, in a manner prescribed by the Commission:

(a) Subscriptions of Units; (Number and Value)

(b) redemptions of Units; (Number and Value)

(c) Number of Units in Issue and Outstanding;

(d) Number of Unitholders;

(e) Net Asset Value per Unit as at the end of the period;

(f) The Total Assets Under Management as at the end of the period.

Additional financial disclosure

**36.** (1) The annual comparative financial statements of a collective investment scheme shall set out -

(a) details of the amounts of all fees and expenses, if any, that have been charged to the collective investment scheme during each financial year reported upon in the financial statements; and

(b) the net asset value per security of the collective investment scheme as at the end of the last completed financial year and as at the end of each of the four preceding completed financial years, or each completed financial year if the collective investment scheme has been in existence for less than five years.

(2) The annual comparative financial statements and semi-annual

financial statements of a collective investment scheme shall set out -

(a) the management expense ratio of each class of securities of the collective investment scheme for each of the last four completed financial years of the collective investment scheme or each completed financial year if the collective investment scheme has been in existence for less than five years. If any period covered is for less than twelve months, the ratio shall be presented on an annualized basis and the fact stated that the ratio shown is annualized; and

(b) a brief description of the method of calculating the management expense ratio.

Approval  
of financial  
statements

of 37. (1) If a collective investment scheme is organized as a corporation, the directors of the collective investment scheme shall -

(a) approve the annual comparative financial statements of the collective investment scheme; and

(b) authorize two directors of the collective investment scheme to sign the annual comparative financial statements to evidence that approval.

(2) If a collective investment scheme is organized as a trust, the trustee of the collective investment scheme, or the manager if so authorized by the constating documents of the collective investment scheme, shall -

(a) approve the annual comparative financial statements of the collective investment scheme; and

(b) authorize two appropriate persons to sign the annual comparative financial statements to evidence that approval.

(3) If a collective investment scheme is organized other than as a corporation or a trust, the annual comparative financial statements of the collective investment scheme shall be -

(a) approved in accordance with the legal constituting documents of the collective investment scheme; and

(b) signed by two persons authorized to sign on behalf of the collective investment scheme to evidence that approval.

Management  
discussion  
of performance  
of the collective  
investment  
scheme

38. (1) The management discussion of the performance of a collective investment scheme shall include a discussion of the following items for the financial year of the collective investment scheme for which the management discussion of performance of the collective investment scheme is being prepared, and a comparative discussion to the financial year immediately preceding such financial year -

(a) brief summary of the fundamental investment objectives and principal investment strategies of the collective investment scheme;

(b) discussion of how changes to the collective investment scheme over the financial year affected the overall level of risk associated with an investment in the collective investment scheme;

(c) summary of the results of operations of the collective investment scheme for the financial year to which the management discussion of performance of the collective investment scheme pertains including, without limitation, a discussion of any material changes in investments in specific portfolio assets and overall asset mix from the previous period, unusual trends in redemptions or sales and the effect of these on the collective investment scheme, significant components and changes to the components of revenue and expenses, risks, events, trends and commitments that had a material effect on past performance, and unusual or infrequent events or transactions, economic changes and market conditions that affected performance;

(d) discussion of developments affecting the collective investment scheme including, without limitation, known changes to the strategic position of the collective investment scheme, known material trends, commitments, events or uncertainties that might reasonably be expected to affect the collective investment scheme, and the effects of any actual or planned reorganizations, mergers or similar transactions;

(e) discussion of any transactions involving related parties to the collective investment scheme;

(f) summary of selected financial highlights for the collective investment scheme; and

(g) discussion of any other material information relating to the collective investment scheme not otherwise required to be disclosed by these Guidelines.

(2) Where a related party to a collective investment scheme makes an investment in that collective investment scheme, the collective investment scheme shall, within seven days of the end of the month in which the investment occurred, report the investment in writing to the Commission.

## **PART XVII - RECORDS**

Maintenance of records 39. A collective investment scheme shall maintain, or cause to be maintained, true, complete and accurate records of -

(a) the names and latest known addresses of each registered holder of securities of the collective investment scheme;

- (b) the number and class of securities held by each registered holder of securities of the collective investment scheme; and
- (c) the date and details of each distribution and redemption of securities of the collective investment scheme.

Availability of 40. A collective investment scheme shall-  
records

(a) make, or cause to be made, available for inspection, free of charge, the records referred to in this Part during normal business hours at its principal or head office, by a registered or beneficial holder of securities of the collective investment scheme; and

(b) upon the written request of a registered or beneficial holder of securities of the collective investment scheme, provide copies of the records referred to in this Part at reasonable costs to such holder;

if such holder has agreed in writing that the information contained in the records will not be used by him for any purpose other than a matter relating to the administration of the collective investment scheme.

#### PART XVIII - COMMUNICATION

Delivery of 41. The manager shall provide each prospective purchaser of securities of a  
offering materials collective investment scheme who expresses an interest in purchasing a security of a collective investment scheme, at no charge, with the following -

(a) a copy of the most recently filed prospectus of the collective investment scheme, including any amended prospectus, for which a receipt has been issued by the Commission; and

(b) a copy of the latest annual comparative financial statements of the collective investment scheme filed with the Commission; and

(c) a copy of the latest interim financial statements of the collective investment scheme filed with the Commission, if any.

Inspection 42. The manager shall make available copies of all organizational or  
constating documents of the collective investment scheme as more particularly described in Form No. 1 of Schedule 1 for inspection, free of charge, during normal business hours at every location where units of the Collective Investment Scheme are sold, by prospective investors or registered or beneficial holders of securities of a collective investment scheme.

Sales  
communication

43. (1) No sales communication shall contain a misrepresentation.
- (2) A written sales communication shall include a statement, printed in type of the same size as the rest of the text in the sales communication, that -
- (a) refers the prospective investor to the most recently filed prospectus of the collective investment scheme, including any amended prospectus, for which a receipt has been issued by the Commission, and recommends that the prospective investor read the prospectus, including any amended prospectus, before making a decision to purchase securities of the collective investment scheme;
  - (b) if investments in securities of the collective investment scheme -
    - (i) are not guaranteed, that the value of the investment changes frequently and past performance may not be repeated; or
    - (ii) are guaranteed, the nature of the guarantee provided, and that the value of the investment changes frequently and past performance may not be repeated; and
  - (c) in certain circumstances the right of a holder of securities in a collective investment scheme to redeem securities held in a collective investment scheme may be suspended.
- (3) A sales communication shall not compare the performance of a collective investment scheme with the performance of a benchmark or another collective investment scheme unless -
- (a) it clearly identifies the periods for which performance data is calculated;
  - (b) in the case of a comparison with another collective investment scheme, the other collective investment scheme being used for comparison has similar fundamental investment objectives with the collective investment scheme to which the sales communication pertains;
  - (c) it includes all facts that, if disclosed, would affect materially the conclusions reasonably drawn or implied by the comparison;
  - (d) the data being compared are for the same period or periods;
  - (e) it explains clearly any factors necessary to make the comparison fair and not misleading; and
  - (f) in the case of a comparison with a benchmark, the

benchmark existed and was widely recognized and available during the comparison period.

(4) The performance data of a collective investment scheme shall be calculated in accordance with standards published from time to time by the Commission or the CFA Institute or any successor organization.

(5) A sales communication that relates to a money market fund may provide standard performance data only if -

(a) the standard performance data has been calculated for the most recent seven day period for which it is practicable to calculate; and

(b) the seven day period does not start more than 45 days before the date of the appearance, use or publication of the sales communication.

(6) A sales communication that relates to a collective investment scheme other than a money market fund may provide performance data only if -

(a) the performance data has been calculated for the five, three and one year periods and the period since the inception of the collective investment scheme if the collective investment scheme has been offering its securities for more than one and less than five years; and

(b) the periods referred to in paragraph (a) end on the last day of the calendar month ending immediately prior to the month in which the sales communication is made or dated.

## PART XIX - FOREIGN COLLECTIVE INVESTMENT SCHEMES

Commingling of cash 44.

(1) Cash received by an agent appointed in Trinidad and Tobago by a foreign collective investment scheme, or by a person providing services to the foreign collective investment scheme, for investment in, or on the redemption of, securities of the foreign collective investment scheme, or on the distribution of the portfolio assets of the foreign collective investment scheme -

(a) shall be accounted for separately and be deposited in a trust account or trust accounts established and maintained in accordance with the requirements of this Part; and

(b) may be commingled only with cash received by the agent or service provider for the sale, or on the redemption of, securities of such foreign collective investment scheme.

(2) The agent of a collective investment scheme or a person providing services to a foreign collective investment scheme in Trinidad and Tobago, may only withdraw cash from a trust account referred to in this

Part for the purpose of -

- (a) remitting to the foreign collective investment scheme the net amount to be invested in securities of the foreign collective investment scheme;
- (b) remitting to the relevant person redemption or distribution proceeds being paid on behalf of the foreign collective investment scheme; or
- (c) paying fees and expenses that are payable by a holder of securities of a foreign collective investment scheme in connection with the purchase, conversion, holding, transfer or redemption of securities of the foreign collective investment scheme in Trinidad and Tobago.

Volume Report

45.

(1) A foreign collective investment scheme that distributes securities in Trinidad and Tobago shall file (electronically) with the Commission and publish a Volume Report within 15 days of the end of each month of its financial year.

(2) The Volume Report of a foreign collective investment scheme shall present fairly the following information (but not limited to) in relation to transactions within Trinidad and Tobago:

- (a) purchases of Units;
- (b) redemptions of Units;
- (c) Number of Units in Issue and Outstanding;
- (d) Number of Unitholders;
- (e) Net Asset Value per Unit as at the end of the period;
- (f) The total Net Asset Value of the units in issue and outstanding in the currency of issue, as well as in Trinidad and Tobago dollars.

## SCHEDULE 1 FORM NO. 1

### PROSPECTUS DISCLOSURE REQUIREMENTS FOR COLLECTIVE INVESTMENT SCHEMES

#### INSTRUCTIONS

1. *The objective of a prospectus distributing securities of a collective investment scheme is to provide information concerning the collective investment scheme that an investor needs in order to make an informed investment decision. This Form sets out specific disclosure requirements that are in addition to the general requirement to provide full, true and plain disclosure of all material facts relating to the collective investment scheme and the securities to be distributed.*

*The disclosure requirements in this schedule do not alter the discretionary authority of the Commission, including the authority to request further information or to refuse to issue a receipt for the prospectus submitted for the collective investment scheme. In the case of the requirements for foreign collective investment schemes, please refer to the Commission's Policy Guideline 11.1 bearing the heading "Mutual Funds – Distribution of Securities of Foreign Mutual Funds in Trinidad and Tobago."*

2. *In determining the degree of detail required, a standard of materiality should be applied. Materiality is a matter of judgment in a particular circumstance, and should generally be determined in relation to an item's significance to investors and other users of the information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the securities of the collective investment scheme. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items should be considered individually rather than on a net basis, if the items have an offsetting effect.*

3. *The disclosure must be understandable to readers and presented in an easy to read format. If technical terms are required, clear and concise explanations should be included.*

4. *No reference need be made to inapplicable items and, unless otherwise required in this Form, negative answers to items may be omitted.*

6. *If disclosure is required as of a specific date and there has been a material change or change that is otherwise significant in the required information subsequent to that date, present the information as of the date of the change or a date subsequent to the change instead.*

## CHAPTER 1 COVER PAGE

- Cover Page (1) On the outside cover of the prospectus state the following:
- (a) the name of the collective investment scheme;
  - (b) the jurisdiction of incorporation or organization of the collective investment scheme;
  - (c) the date of the prospectus;
  - (d) the name(s) of the manager(s) of the collective investment scheme;
  - (e) the following statement, to appear in bold:  
***“The Trinidad and Tobago Securities and Exchange Commission has not in any way evaluated the merits of the securities distributed hereunder and any representation to the contrary is an offence”;***
- (2) If the collective investment scheme has more than one class or series of securities, state the name of those classes or series on the cover of the prospectus.

## CHAPTER 2 GENERAL INFORMATION

- Table of Contents (1) Include a table of contents, listing all chapters, sections and subsections of the prospectus.
- Investor Statement (2) Immediately after the table of contents, include the following statement:  
***“This prospectus contains information to help you make an informed investment decision and to help you understand your rights. It contains information about the collective investment scheme, as well as the names of persons responsible for its organization and management. You are encouraged to read this prospectus in its entirety, prior to making any investment decision.”***
- Directory (3) State the following information:
- (a) the address and telephone number of the manager of the collective investment scheme;
  - (b) the names and business addresses of the following parties, as applicable:
    - (i) the individual principally responsible for managing the collective investment scheme;
    - (ii) the investment adviser to the collective investment scheme, if different than (i);
    - (iii) the trustees of the collective investment scheme;

- (iv) the auditor of the collective investment scheme;
- (v) solicitors retained by the collective investment scheme in connection with preparation of the prospectus;
- (vi) the directors of the collective investment scheme; and
- (vii) the custodian of the collective investment scheme.

Maps, graphs, photographs (4) The prospectus may contain the following graphs, photographs or maps -  
photographs

- (a) graphs that are relevant to matters dealt with in the text;
- (b) photographs, if they depict the products or assets of the issuer;
- (c) maps for the purpose of indicating the locations of property or operations present or proposed of the issuer, or
- (d) photographs of the directors, senior officers or employees of the issuer;

except where the inclusion of such graphs, photographs or maps would constitute a misrepresentation or would detract from the readability of the prospectus.

Narrative form, headings (5) The information contained in the prospectus shall -

- (a) be presented in narrative form; and
- (b) be set out under appropriate headings or captions reasonably indicative of the principal subject matter set out under them.

### CHAPTER 3 INVESTMENT RISKS

Risk Factors Include a discussion of the risks and other investment considerations that are specific to an investment in the particular collective investment scheme and which would be considered as material risks by a prospective investor in making an investment decision.

*Examples of the risks that may be disclosed under this chapter include stock market risk, geographic concentration risk, interest rate risk, foreign security risk, foreign currency risk, and specialization risk.*

### CHAPTER 4 ORGANIZATION AND MANAGEMENT OF THE COLLECTIVE INVESTMENT SCHEME

Organization (1) Describe the legal structure of the collective investment scheme, including whether it is organized as a company or corporation, unit trust, or trust, and the principal implications to a holder of securities of the collective investment scheme resulting from such structure.

- (2) Disclose the date on which the collective investment scheme was organized or constituted.
- Principal persons (3) In a tabular format, include the information set out in paragraph (4) below for each of the -
- (a) manager;
  - (b) any investment adviser (if different from the manager);
  - (c) the director(s) or trustee(s);
  - (d) the custodian;
  - (e) the principal distributor of the securities of the collective investment scheme; and
  - (f) the auditor.
- (4) For each person identified in (3) above disclose -
- (a) briefly the services that are provided by such person to the collective investment scheme;
  - (b) the address of such person; and
  - (c) any fees paid to such person in connection with the services it provides.
- Affiliated Entities (5) Disclose details of any relationships or associations the collective investment scheme or any person listed above in paragraph (3) has with any person that may give rise to a potential conflict of interest.
- (6) For purposes of the disclosure required by paragraph (5), a relationship is deemed to be one that has a potential conflict of interest if the person beneficially owns, directly or indirectly, more than ten percent of the portfolio assets of the collective investment scheme, or more than ten percent of the voting securities of the manager of the collective investment scheme.

## CHAPTER 5 INVESTMENT OBJECTIVES, STRATEGIES AND SUITABILITY

- Investment Objectives (1) State the fundamental investment objectives of the collective investment scheme, including information that describes the principal features of the collective investment scheme and that distinguishes it from other collective investment schemes.
- (2) If the collective investment scheme primarily invests in, or intends to primarily invest in, a particular geographic location, economic sector, or particular types of issuers, include a statement of that fact immediately following the description of the fundamental investment objectives.
- Investment Strategies (3) State the principal investment strategies that the collective investment scheme intends to use to achieve its fundamental investment objectives. The disclosure shall include, but shall not be limited to, the process such as the

investment approach, philosophy, style or technique by which the investment adviser to the collective investment scheme selects or intends to select securities for the portfolio assets of the collective investment scheme.

Guarantees (4) If the collective investment scheme purports to arrange a guarantee or insurance in order to protect all or some of the principal amount of the investment in, or portfolio assets of, the collective investment scheme, disclose this fact and -

(a) identify the person providing the guarantee or insurance; and

(b) disclose the material terms of the guarantee or insurance.

Suitability (5) Include a brief statement of the suitability of the collective investment scheme for particular investors, describing the characteristics of the investors for whom the collective investment scheme may or may not be an appropriate investment, and include the level of investor risk tolerance that would be appropriate for an investment in the collective investment scheme.

## CHAPTER 6 NET ASSET VALUE, PAST PERFORMANCE AND TOP HOLDINGS

Net Asset Value (1) State -

(a) the methodology used by the manager to calculate the net asset value per security of the collective investment scheme including all the assumptions used;

(b) the frequency of valuation; and

(c) the circumstances, if any, under which there would not be a valuation.

Performance Data (2) Include performance data of the collective investment scheme calculated in accordance with, and for the time periods set out in, these Guidelines.

(3) Immediately following the presentation of the performance data, include the following -

(a) a warning statement that the manner in which the collective investment scheme has performed in the past does not necessarily indicate the manner in which it will perform in the future;

(b) the assumptions used in the calculation of the performance data; and

(c) any other information that, if disclosed, would materially affect the conclusions reasonably drawn or implied by the performance data.

Top Holdings (4) Disclose the ten largest holdings of the collective investment scheme by percentage of portfolio assets of the collective investment scheme, as at a date within thirty days of the date of the prospectus and state the percentage of the net assets of the mutual fund that are invested in each of those holdings.

## CHAPTER 7 INVESTMENT RESTRICTIONS

Investment Restrictions State all investment restrictions that the collective investment scheme has adopted including those beyond any restrictions imposed by the Act or any Guideline.

## CHAPTER 8 FEES AND EXPENSES

Fees and Expenses (1) Include a summary of the fees and expenses payable directly by -  
(a) the collective investment scheme; and  
(b) by the holders of securities in the collective investment scheme.  
(2) State the management expense ratio of the collective investment scheme for each of the last four completed financial years of the collective investment scheme, or if the collective investment scheme has not completed four financial years, for each completed financial year since the organization or constitution of the collective investment scheme.  
(3) State the methodology used by the manager to calculate the management expense ratio including all the assumptions used.

## CHAPTER 9 FINANCIAL STATEMENTS

Financial Statements (1) Include the annual comparative financial statements of the collective investment scheme filed with the Commission for each of the three most recently completed financial years of the collective investment scheme ending more than ninety days prior to the date of the prospectus.

Interim (Semi-annual) Financial Statements (2) Include the interim financial statements of the collective investment scheme filed with the Commission for the most recently completed interim period of the collective investment scheme ending more than sixty days prior to the date of the prospectus.

## CHAPTER 10 PURCHASER'S STATUTORY RIGHTS

Statutory Rights of Withdrawal and Rescission (1) Include the statement of rights given to a purchaser of securities in the form set forth in Guideline 8 of the Prospectus Guideline.

## CHAPTER 11 DOCUMENTS AVAILABLE FOR INSPECTION

- Organizational Documents
- (1) Include a list and key particulars of the material organizational or constating documents of the collective investment scheme.
- (2) A material organizational constating document of a collective investment scheme is a contract or agreement that can reasonably be regarded as material to a prospective investor, and shall include, but shall not be limited to, the following -
- (a) in the case of a collective investment scheme that is organized as a trust, the declaration of trust or trust agreement;
  - (b) in the case of a collective investment scheme that is organized as a corporation, the corporate constating documents;
  - (c) in the case of a collective investment scheme that is organized other than as a trust or a corporation, its constating documents; and
  - (c) any agreement with the manager, investment adviser, custodian or the principal distributor of the collective investment scheme.
- (3) The key particulars of a material organizational document include the following -
- (a) the date of the contract;
  - (b) the parties to the contract;
  - (c) a general description of the nature of the contract; and
  - (d) the termination provisions.
- Documents to be made available for inspection
- (4) State a reasonable time and place in Trinidad and Tobago at which the documents set forth in paragraph (1) may be inspected, without charge, during the period of distribution of the securities under the prospectus.
- Material Contracts
- (5) Identify and give particulars of every material contract, other than contracts entered into in the ordinary course of business that were entered into within the two years immediately preceding the date of the prospectus, by the collective investment scheme, and state a reasonable time and place in Trinidad and Tobago at which the contracts or copies of the contracts may be inspected, without charge, during the period of distribution of the securities under the prospectus.

## CHAPTER 12 CERTIFICATES

- Certificates
- (1) Subject to paragraph (2), the prospectus of a Collective Investment Scheme filed with the Commission shall contain a certificate in the following form:
- “The foregoing constitutes full, true and plain disclosure of all material facts relating to the collective investment scheme distributed by this prospectus”.*
- (2) If a collective investment scheme -

- (a) is organized as a corporation, the certificate required by paragraph (1) in a prospectus filed with the Commission for a distribution of securities of the collective investment scheme shall be signed in accordance with paragraph (1);
- (b) is organized as a trust, the certificate required by paragraph (1) in a prospectus filed with the Commission for a distribution of securities of the collective investment scheme, shall be signed by two trustees of the collective investment scheme on behalf of all of the trustees, or by the manager of the collective investment scheme if so authorized by the constating or organizational documents of the collective investment scheme; or
- (c) is organized otherwise than as a corporation or a trust, the certificate, required by paragraph (1) in a prospectus filed with the Commission for a distribution of securities of the collective investment scheme, shall be signed by any two persons authorized to do so.

Certificate  
underwriter

by

(3) Where there is an underwriter, a prospectus of a collective investment scheme shall contain a certificate in the following form, signed by the underwriter or underwriters who, with respect to the securities offered by the prospectus, are in a contractual relationship with the issuer or security holder whose securities are being distributed by the prospectus -

*“To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the issuer and the securities distributed by this prospectus.”*

### CHAPTER 13 SUBSCRIPTION INFORMATION

Application  
Securities

for

(1) Include instructions describing how to subscribe for, or purchase, the securities of the collective investment scheme being distributed under the prospectus.

(2) State the address(es) where completed subscriptions must be sent, as well as instructions as to whom payment must be made.

*The Trinidad and Tobago Securities and Exchange Commission  
July 2, 2008.*