

SECURITIES (COLLECTIVE INVESTMENT SCHEME) BY-LAWS, 2007

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Form No. 1 – Prospectus disclosure requirements for
Collective Investment Schemes

SECURITIES (COLLECTIVE INVESTMENT SCHEME) BY-LAWS, 2007

PART I PRELIMINARY

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|------------------------------|----|---|
| Citation | 1. | These By-Laws may be cited as the Collective Investment Scheme By-Laws. |
| Interpretation | 2. | <p>In these By-Laws -</p> <p>“Act” means the Securities Act, 2007, as amended from time to time;</p> <p>“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;</p> <p>“fundamental investment objectives” means the fundamental characteristics of a collective investment scheme that distinguish it from other collective investment schemes;</p> <p>“management expense ratio” means the ratio, expressed as a percentage, of the expenses of a collective investment scheme to its average net asset value;</p> <p>“manager” means a person that is responsible for the business, operations and affairs of a collective investment scheme;</p> <p>“portfolio asset” means an asset of a collective investment scheme; and</p> <p>“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.</p> |
| Application | 3. | <p>These By-Laws apply to all collective investment schemes that are reporting issuers other than collective investment schemes that are -</p> <p>(a) pure contracts of insurance;</p> <p>(b) pension schemes;</p> <p>(c) commodity pools; or</p> <p>(d) approved foreign issuers.</p> |
| Relationship to Act; by-laws | 4. | <p>(1) The requirements set out in these By-Laws apply in addition to any other requirements contained in the Act or any other by-law, including, without limitation, the Prospectus By-Laws.</p> |
| Forms | | <p>(2) The forms herein referred to are those contained in Schedule 1 of these By-Laws, and such forms shall be used in all cases to which they are applicable, and may be modified as directed by the Commission to meet other cases.</p> |

**PART II
DISTRIBUTION OF SECURITIES**

Disclosure documents

5. (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 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) in the case of a collective investment scheme that is a reporting issuer-
 - (i) a copy of the latest audited annual comparative financial statements of the collective investment scheme filed with the Commission; and
 - (ii) a copy of the latest quarterly financial statements of the collective investment scheme filed with the Commission, if any; and
 - (c) in the case of a collective investment scheme that is not a reporting issuer, an audited statement of net assets of the collective investment scheme as at the date of formation of the collective investment scheme.

**PART III
NEW COLLECTIVE INVESTMENT SCHEME**

Initial investment

6. A new collective investment scheme that is not a reporting issuer 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:
- (a) the promoter or manager of, or investment adviser to, the collective investment scheme;
 - (b) the partners, directors, officers or holders of securities of the promoter or manager of, or investment adviser to, the collective investment scheme; or
 - (c) a combination of the persons referred to in paragraphs (a) and (b).

**PART IV
NAME**

Name

7. (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; and
- (b) evidences of indebtedness 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 a government entity (other than a foreign government or any political division thereof that issues bonds, debentures, or other evidences of indebtedness).

“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) cash; and
- (b) bonds, debentures, notes or similar instruments representing indebtedness, that have a remaining term to maturity of more than one year and that are issued, secured or unsecured, by a financial institution or a government entity (other than a foreign government or any political division thereof that issues bonds, debentures, or other evidences of indebtedness).

(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 sponsor or investment 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.

PART V MANAGER

Qualification

8. (1) The manager of a collective investment scheme shall not act as a trustee or as a custodian of the collective investment scheme.
- (2) Nothing contained in this Part prohibits an affiliate of the manager from acting as a trustee or as a custodian of the collective investment scheme.

Approval of manager

9. (1) Subject to paragraph (2), no person shall act as a manager of a collective investment scheme unless such person is approved by the Commission provided that the Commission may, in granting its approval to a manager of the collective investment scheme, impose such terms and conditions as it considers appropriate.
- (2) The approval requirement in paragraph (1) does not apply to a financial institution or a market actor registered under the Act.

- Standard of care
10. (1) An agreement or declaration of trust by which a person acts as a manager of a collective investment scheme shall provide that the manager is responsible for losses arising out of the failure of the manager, or of any person retained by the manager, to discharge any of the manager's responsibilities to the collective investment scheme and shall provide that such person -
- (a) exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the collective investment scheme; and
 - (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.
- (2) A collective investment scheme shall not relieve a manager from liability for losses arising out of the failure of the manager, or of any 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
11. 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 VI CUSTODIAN

- Assets to be held by custodian
12. 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
13. 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 designated foreign jurisdiction.
- Standard of care
14. (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

15. (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 VII INVESTMENTS

Concentration restriction

16. (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 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 a government entity (other than a foreign government or any political division thereof that issues bonds, debentures or other evidences of indebtedness); or
 - (b) bonds, debentures, notes or similar instruments representing indebtedness, that have a remaining term to maturity of more than one year that are issued, secured or unsecured, by a financial institution or a government entity (other than a foreign government or any political division thereof that issues bonds, debentures or other evidences of indebtedness).

Control restriction

17. 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

18. 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 time of the purchase, would be invested in such equity securities.

PART VIII BORROWING POWERS

Limitations

19. (1) A collective investment scheme shall not borrow cash or provide a security interest over any of its portfolio assets unless the transaction is temporary and is for the purpose of accommodating requests for the redemption of securities of the collective investment scheme while the collective investment scheme effects an orderly liquidation of portfolio assets, or to permit the collective investment scheme to settle portfolio transactions and, after giving effect to all transactions undertaken under this Part, the outstanding amount of all borrowings of the collective investment scheme does not exceed five percent of the portfolio assets of the collective investment scheme taken at market value at the time of the borrowing.
- (2) For purposes of this Part, a transaction shall be deemed to be temporary if the borrowing is repaid within six months from the date of borrowing.

PART IX CALCULATION OF NET ASSET VALUE PER SECURITY

Frequency and methodology

20. The net asset value per security of a collective investment scheme shall be calculated every business day and must be calculated in accordance with the methodology set forth in the most recently filed prospectus, including any amended prospectus, of the collective investment scheme for which a receipt has been issued by the Commission.

PART X CALCULATION OF MANAGEMENT EXPENSE RATIO

Methodology

21. The management expense ratio of a collective investment scheme shall be calculated in accordance with the methodology set forth in the most recently filed prospectus, including any amended prospectus, of the collective investment scheme for which a receipt has been issued by the Commission.

PART XI FEES AND EXPENSES

Limitations

22. (1) Subject to paragraph (2), fees and expenses charged directly or indirectly to a collective investment scheme must be for amounts reasonably incurred in connection with the administration and management of the collective investment scheme.
- (2) None of the fees and expenses of the formation or initial organization of a collective investment scheme, or of the preparation and filing of 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 XII FUNDAMENTAL CHANGES

Matters requiring prior approval of holders of securities

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

PART XIII COMMINGLING OF CASH

Principal distributors

- 24.** (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 XIV
FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION OF PERFORMANCE OF
COLLECTIVE INVESTMENT SCHEMES**

Quarterly comparative financial statements

- 25.** A collective investment scheme shall file quarterly, within sixty days of the end of each quarter of its financial year, 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;
 - (c) a statement of investment portfolio prepared in accordance with these By-Laws;
 - (d) a statement of portfolio transactions prepared in accordance with these By-Laws;
 - (e) a statement of changes in net assets prepared in accordance with these By-Laws;
 - (f) a statement of operations prepared in accordance with these By-Laws; and
 - g) a volume report prepared in accordance with these By-Laws.
- each prepared for or as at the end of the period as applicable.

Interim financial statements

- 26.** The interim financial statements of the collective investment scheme filed in accordance with section 70(1) of the Act and by-law 62 of the General By-Laws shall include -
- (a) an income statement prepared in accordance with Part V of the Act and any by-law;
 - (b) a statement of investment portfolio prepared in accordance with these By-Laws;
 - (c) a statement of portfolio transactions prepared in accordance with these By-Laws;
 - (d) a statement of changes in net assets prepared in accordance with these By-Laws; and
 - (e) a statement of operations prepared in accordance with these By-Laws.

each prepared for or as at the end of the period as applicable.

Statement of investment portfolio

27. (1) A statement of investment portfolio of a collective investment scheme shall present fairly the following information as at the date to which it is made up -
- (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.
- (2) A statement of investment portfolio of a collective investment scheme for the first and second quarters of the financial year of the collective investment scheme shall be filed within sixty days of the end of the second quarter of its financial year, and a statement of investment portfolio of a collective investment scheme for the financial year of the collective investment scheme shall be included in its annual report.

Statement of portfolio transactions

28. (1) A statement of portfolio transactions of a collective investment scheme shall present fairly the following information -
- (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.
- (2) A statement of portfolio transactions of a collective investment scheme for the first and second quarters of the financial year of the collective investment scheme shall be filed within sixty days of the end of the second quarter of its financial year, and a statement of portfolio transactions of a collective investment scheme for the financial year of the collective investment scheme shall be included in its annual report.

Statement of changes in net assets

29. A statement of changes in net assets of a collective investment scheme shall present fairly the information shown therein for the period covered by the statement and show separately at least -
- (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 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 security at the end of the period and at the end of each of the four immediately preceding periods;
- (o) distribution per security of net investment income; and
- (p) distribution per security out of realized profits on portfolio securities sold.

Volume report

30. (1) The volume report of a collective investment scheme shall present fairly the information shown therein for the period covered by the statement and show separately at least:
- (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.
- (2) A volume report of a collective investment scheme for the first and second quarters of the financial year of the collective investment scheme shall be filed within sixty days of the end of the second quarter of its financial year, and a volume report of a collective investment scheme for the financial year of the collective investment scheme shall be included in its annual report.

Additional financial disclosure

31. (1) A collective investment scheme shall file, within 120 days of its financial year end, audited annual comparative financial statements which 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 quarterly 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

32. (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 constating 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.

PART XV RECORDS

Maintenance of records

33. 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 records

34. A collective investment scheme shall-

(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 XVI COMMUNICATION

Delivery of offering materials

35. The manager shall provide each prospective purchaser of securities of a 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) in the case of a collective investment scheme that is a reporting issuer -

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

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

Inspection

36. 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

37. (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 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; or

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

**SCHEDULE 1
TO THE COLLECTIVE INVESTMENT SCHEME BY-LAW**

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 under the Act to provide full, true and plain disclosure of all material facts relating to the collective investment scheme and the securities to be distributed.*
2. *The disclosure requirements in this Form 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.*
3. *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.*
4. *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.*
5. *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";

(f) the statements required by by-law 7 of the Prospectus By-Laws, if applicable; and

(g) a statement to the effect that no securities of the collective investment scheme will be distributed under the prospectus later than 1 year and 20 days after the date of issue of the receipt for the prospectus.

(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.

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	<p>(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.</p> <p>(2) Disclose the date on which the collective investment scheme was organized or constituted.</p>
Principal persons	<p>(3) In a tabular format, include the information set out in paragraph (4) below for each of the -</p> <ul style="list-style-type: none">(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. <p>(4) For each person identified in (3) above disclose -</p> <ul style="list-style-type: none">(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	<p>(5) Disclose details of any relationships or associations the collective investment scheme or any person listed in paragraph (3) above has with any person that may give rise to a potential conflict of interest.</p> <p>(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.</p>

CHAPTER 5

INVESTMENT OBJECTIVES, STRATEGIES AND SUITABILITY

Investment Objectives	<p>(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.</p> <p>(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.</p>
Investment Strategies	<p>(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,</p>

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 By-Laws.
- (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 by-law.

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 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 by-law 8 of the Prospectus By-Laws.

**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 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

Include the certificates required under by-law 9, and as applicable, by-law 10, of the Prospectus By-Laws.

CHAPTER 13 SUBSCRIPTION INFORMATION

Application for Securities

(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.