

SECTION 23-THE SECURITIES (COLLECTIVE INVESTMENT SCHEMES)

Statutory Instrument

161 of 1993

1. These Rules may be cited as the Securities (Collective Investment Schemes) Rules. Title

2. In these Rules, unless the context otherwise requires- Interpretation

"bond scheme" means a scheme, the primary objective of which is to invest in debt securities which have a remaining term to maturity of one year or more;

"collective investment scheme" or "scheme" means a collective investment scheme as defined in section seventy-two of the Act;

"connected person", in relation to a company, means-

(a) any person or company beneficially owning, directly or indirectly, twenty per cent or more of the ordinary share capital of that company or able to exercise, directly or indirectly, twenty per cent or more of the total votes in that company;

(b) any person or company controlled by a person who meets one or both of the descriptions given in paragraph (a);

(c) any member of the group of which that company forms part;

(d) any director or officer of that company or of any of its connected persons as defined in paragraph (a), (b) or (c);

"constitutive documents" means the principal documents governing the formation of the scheme, and includes the trust deed in the case of a unit trust and the articles of association of an investment company and all material agreements;

"distribution function" refers generally to those functions described in clause eighty-three (a)-(d) of the Schedule;

"eligible nominee" means a person approved by the Commission to act as a nominee;

"holder", in relation to a unit or share in a scheme, means the person who is entered in the register as the holder of that unit or share or the bearer of a bearer certificate representing that unit or share;

"investment company" has the same meaning as in section seventy-two of the Act;

"investment plan" means an arrangement under which an investor undertakes to make a series of contributions to a scheme of a specified minimum value over a period of time;

"offering document" means that document, or documents issued together, containing information on a scheme calculated to invite offers by the public to subscribe for or purchase units or shares in the scheme;

"open-ended investment company" has the same meaning as in section seventy-two of the Act;

"real estate scheme" means a collective investment scheme which invests more than twenty-five per cent of its net assets in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares in real estate companies);

"recognised market" means any stock exchange, over-the-counter market or other organised securities market that operates regularly, is open to the international public, and is recognised by the Commission;

"Schedule" includes the Appendices to the Schedule;

"these Rules" includes the Schedule to these Rules;

"trustee/custodian", "trustee" or "custodian" means the entity appointed pursuant to Part I of the Schedule.

3. These Rules apply to all collective investment schemes owned by, or managed by or on behalf of, open-ended investment companies.

Application of Rules

4. (1) Collective investment schemes established or to be established in Zambia or elsewhere shall comply with the provisions of the Schedule to these Rules in order to be authorised in Zambia.

Schemes established in Zambia or elsewhere

(2) Collective investment schemes established or to be established outside Zambia which are to be promoted in Zambia shall in addition appoint a Zambian representative and also conform with part III of the Schedule to these Rules.

(3) An application for authorisation which seeks a waiver of any of the provisions of these Rules shall give detailed reasons as to why a waiver is sought.

5. (1) An application to the Commission for the authorisation of a collective investment scheme shall be made by a dealer or investment adviser licensed under Part IV of the Act who shall submit a written application containing the information specified in Appendix I to the Schedule to these Rules.

Application to Commission for authorisation

(2) The application shall be accompanied by the following:

- (a) the scheme's offering and constitutive documents;
- (b) the scheme's latest audited report (if any) and if more recent, the latest unaudited report;
- (c) the management company's latest audited report and resumes of its directors (if required by Appendix I);
- (d) the trustee/custodian's latest audited report (if required by Appendix I);
- (e) a letter of consent to the appointment from the trustee/custodian; and
- (f) the prescribed application fee.

(3) In addition to the documents specified in subrules (1) and (2), an application for the authorisation of a non-Zambian based scheme shall include the following:

- (a) a Zambian representative agreement; and
- (b) a Zambian covering Document,

in accordance with Part III of the Schedule to these Rules.

6. The Commission may authorise collective investment schemes which comply with the requirements specified in the Schedule to these Rules. Authorisation of schemes

7. (1) In so far as the Schedule to these Rules imposes continuing obligations with regard to an authorised scheme, in the event of a failure to comply with any such obligation the Commission may-

Withdrawal of authorisation

- (a) suspend its authorisation of the scheme for such time, or until the happening of such event, as it may determine; or
- (b) withdraw its authorisation of the scheme.

(2) Where the Commission suspends or withdraws its authorisation under subrule (2), the scheme shall be taken for the purposes of the Act not be authorised.

SCHEDULE

(Rules 4-7)

PART I

STRUCTURE AND OPERATION OF A COLLECTIVE INVESTMENT SCHEME

SECTION A-ROLE OF THE TRUSTEE/CUSTODIAN

1. Every collective investment scheme for which authorisation is requested shall appoint a trustee/custodian acceptable to the Commission.

(NOTE: Scheme established under trust must have a trustee, and all other collective investment schemes must have a custodian. This Part of the Schedule lists the general obligations of the trustee/custodian, whichever is appointed. Trustees are expected to fulfil the duties imposed on them by the general law of trusts. The responsibilities of a custodian, which are the same as those of a trustee, should be reflected in a constitutive document such as a Custodian Agreement (see Appendix III) Appointment of trustee/custodian

2. A trustee/custodian shall be-

Qualifications for appointment

- (a) a bank registered under the Banking Act, or licensed or registered under any Act amending or replacing that Act; or
- (b) a trust company which is a subsidiary of such a bank; or
- (c) a trust company registered under the Companies Act; or
- (d) a banking institution or trust company incorporated outside Zambia, which has a subsidiary incorporated in Zambia, and which is acceptable to the Commission.

3. A trustee/custodian shall be independently audited and have minimum issued and paid-up capital and non-distributable capital reserves of fifty million kwacha or its equivalent in foreign currency.

Independent audit and liquidity

4. The trustee/custodian shall-

General obligations of trustee/custodian

- (a) take into his custody or under his control all the property of the scheme and hold it in trust for the holders (in the case of a unit trust) or the scheme (in the case of any other type of collective investment scheme) in accordance with the provisions of the constitutive documents; cash and registrable assets shall be registered in the name of or the order of the trustee/custodian;
- (b) be liable for any act or omission of any agent with whom any investments in bearer form are deposited as if they were the act or omission of any nominee in relation to any investment forming part of the property of the scheme;
- (c) take reasonable care to ensure that the sale, issue, repurchase, redemption and cancellation of units/shares effected by a collective investments scheme are carried out in accordance with the provisions of the constitutive documents;
- (d) take reasonable care to ensure that the methods adopted by the management company in calculating the value of units or shares are adequate to ensure that the sale, issue, repurchase, redemption and cancellation prices are calculated in accordance with the provisions of the constitutive documents;
- (e) carry out the instructions of the management company in respect of investments unless they are in conflict with the provisions of the offering or constitutive documents;
- (f) take reasonable care to ensure that the investment and borrowing limitations set out in the constitutive documents, and the conditions under which the scheme was authorised, are complied with;
- (g) issue a report to the holders to be included in the annual report on whether in the trustee/custodian's opinion, the management company has in all material respects managed the scheme in accordance with the provisions of the constitutive documents; if the management company has not done so, the respect in which it has not done so and the steps which the trustee/custodian has taken in respect thereof;

(h) take reasonable care to ensure that unit or share certificates are not issued until subscription moneys have been paid;

(i) ensure that any registrable investments which are held for shareholders or unit holders in the scheme are properly registered in the names of the shareholders or unit holders or, with the consent of the shareholder or unit holder, in the name of an eligible nominee; and

(j) where title to investments is recorded electronically, to ensure that entitlements are separately identified from those of the manager of the scheme in the records of the person maintaining records of entitlement.

5. (1) The trustee/custodian shall not be entitled to retire except upon the appointment of a new trustee/custodian and subject to the prior approval of the Commission.

(2) The retirement of the trustee/custodian shall take effect at the same time as the new trustee/custodian takes up office. Retirement of trustee/custodian

6. The trustee/custodian and the management company shall not be connected persons and shall be persons who are independent of each other.

Independence of trustee/custodian and the management company

SECTION B-ROLE OF THE MANAGEMENT COMPANY AND AUDITOR

7. Every collective investment scheme for which authorisation is requested shall appoint a management company acceptable to the Commission, except as provided for self-managed schemes below.

Appointment of the management company

8. A management company shall-

Requirements for management company

(a) be engaged primarily in the business of fund management;

(b) have sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities; in particular, it shall have a minimum issued and paid-up capital and capital reserves of ten million kwacha or its equivalent in foreign currency;

(c) not lend to a material extent; and

(d) maintain at all times a positive net asset position.

9. The directors of the management company shall be of good repute and in the opinion of the Commission possess the necessary experience for the performance of their duties.

Qualifications of directors

10. (1) In determining the acceptability of the management company, the Commission may also consider the qualifications and experience of persons employed by the management company.

(2) Biographical details and an account of the professional qualifications and experience of the directors and of every person succeeding them in office shall be supplied to the Commission.

Management company employees

11. If the management company appoints an investment adviser, the Commission may require evidence that the investment adviser is appropriately qualified for the performance of his functions. Investment adviser

12. (1) The type of licence required depends on the functions performed by the management company in Zambia. Licence requirement

(2) Except as provided by subclause (3), a management company that is incorporated in Zambia shall be licensed as an investment adviser under the Act.

(3) However, should it undertake the distribution function in Zambia or otherwise deal in securities, it shall be licensed as a dealer.

13. (1) Notwithstanding clause seven, a scheme could be managed by its own board of directors who are to perform the functions of a management company. Self-managed schemes

(2) In this case, references in this Schedule to the directors of a management company shall be deemed to be references to the directors of a self-managed scheme.

14. The directors of a self-managed scheme are prohibited from dealing with the scheme as principals. Directors of self-managed scheme not to deal as principal

15. In addition to compliance with clause forty-seven, a self-managed scheme shall contain the following provisions- General obligations of a management company

(a) that holders may convene a meeting and, by way of an ordinary resolution, remove any of the directors considered no longer fit and proper to manage the scheme's assets; and

(b) that the directors' fees and remuneration shall be fixed by the holders at a general meeting. Requirements for self-managed schemes

16. A management company shall-

(a) manage the scheme in accordance with the scheme's constitutive documents in the exclusive interest of the holders and fulfil the duties imposed on it by the general law;

(b) maintain or cause to be maintained the books and records of the scheme and prepare the scheme's accounts and reports, including at least two reports to be published in respect of each financial year and sent to all registered holders in accordance with clause forty-nine; and

(c) ensure that the constitutive documents are made available for inspection by the public in Zambia, free of charge at all times during normal office hours at its place of business or that of its Zambia representative and make copies of such documents available upon the payment of a reasonable fee.

17. The management company shall be subject to removal by notice in writing from the trustee or custodian in any of the following events- Retirement of a management company

- (a) the management company goes into liquidation, becomes bankrupt or has a receiver appointed over its assets;
- (b) for good and sufficient reason, the trustee or custodian is of the opinion and so states in writing that a change in management company is desirable in the interest of the holders; or
- (c) in the case of a unit trust, holders representing at least fifty per cent in value of its units outstanding (excluding those held or deemed to be held by the management company), deliver to the trustee a written request to dismiss the management company.

18. In addition, the management company shall retire- Other causes of retirement

- (a) in all other cases provided for in the constitutive documents; or
- (b) when the Commission withdraws its approval of the management company.

19. The Commission shall be informed by the trustee or the custodian of any decision to remove the management company. Commission to be informed of retirements

20. Upon the retirement or dismissal of the management company, the trustee or the custodian shall appoint a new management company as soon as possible, subject to the approval of the Commission.

Appointment of new management company

21. The management company shall, at the outset and upon any vacancy, appoint an auditor for the scheme. Appointment of Auditor

22. (1) A person shall not be qualified for appointment as auditor unless he is a member of the Zambia Institute of Certified Accountants and holds a valid practising certificate under the Accountants Act.

Qualifications of auditor

(2) The auditor shall be independent of the management company and of the trustee/custodian.

23. The management company shall cause the scheme's annual report to be audited by the auditor, and such report shall contain the information provided for in Appendix IV. Audit of annual report

SECTION C-OPERATIONAL REQUIREMENTS

(1) SCHEME DOCUMENTATION

24. Schemes shall issue an up-to-date offering document, which shall be equivalent so far as is applicable to a prospectus issued under the Securities (Registration) Rules, 1993, and shall contain all the information

necessary for investors to be able to make an informed judgement of the investment proposed to them, and in particular shall contain the information listed in Appendix II.

Matters to be disclosed in offering document

25. The offering document shall be accompanied by the scheme's most recent audited annual report and accounts, together with its semi-annual report if published after the annual report.

Accompaniment to offering document

26. No application form may be supplied to any person not a holder unless accompanied by the offering document, except that an advertisement or report containing all the requirements of Appendix II may be allowed to incorporate an application form.

Offering document accompaniment application form

27. (1) If performance data or estimated yield is quoted in an offering document, advertisement or any other invitation to the public to invest, the Commission may require justification of the calculation.

Inclusion performance data

(2) No forecast of the scheme's performance may be made.

(3) The publication of a prospective yield does not constitute a forecast of performance.

28. (1) The constitutive documents of a scheme shall contain the information listed in Appendix III.

(2) Nothing in the constitutive documents may provide that the trustee/custodian, management company or directors of the scheme be exempted from any liability to holders, imposed under the law of Zambia or the law of the scheme's place of domicile, or breaches of trust through fraud or negligence, nor may they be indemnified against such liability by holders or at holders' expense.

Constitutive documents

29. (1) The constitutive documents may be altered by the management company and trustee/custodian without consulting holders, provided that the trustee/custodian certifies in writing that in its opinion the proposed alteration-

Constitutive documents may be altered by company

(a) is necessary to enable compliance with fiscal or other statutory or official requirements; or

(b) does not materially prejudice holders' interests, does not to any material extent release the trustee/custodian, management company or any other person from any liability to holders and does not increase the costs and charges payable from the scheme property; or

(c) is necessary to correct a manifest error.

(2) In all other cases no alteration may be made except by a special or extraordinary resolution of holders.

30. (1) All proposed alterations or additions to the offering constitutive documents shall be submitted to the Commission for prior approval.

Alterations to Constitutive documents to be approved by Commission

(2) The Commission shall determine whether holders should be notified and the period of notice (if any) that should be applied before the changes are to take effect.

(3) Such notice period shall not exceed three months unless the Commission, having regard to the merits of the case, otherwise determines.

(2) INVESTMENT PLANS

31. If investment plans are offered-

Requirements for investment plan

- (a) before contracting for a plan, a prospective plan holder shall be given full details in writing of his rights and obligations, of all costs and charges levied on planholders and of the consequences of terminating his plan;
- (b) unless he has requested to the contrary, each planholder shall be advised at least once a year of the opening balance of units, latest transaction details and closing balance of units;
- (c) the plan shall include a direction to potential investors that they should refer to the offering document of the scheme to which they are considering linking their plan;
- (d) an investment plan leaflet to be distributed in Zambia shall not solicit investment in schemes which have not been authorised by the Commission; and
- (e) in respect of any increase of initial fee of investment plans up to the maximum permitted level, at least three months prior notice shall be given to holders concerned.

(3) PRICING, ISSUE AND REDEMPTION OF UNITS/SHARES

32. If an initial offer is made, no investment of subscription money can be made until the conclusion of the first issue of units or shares at the initial price.

Initial offers

33. (1) Offer and redemption prices shall be calculated on the basis of the scheme's net assets value divided by the number of units or shares outstanding.

Valuation and pricing

(2) Such prices may be adjusted by fees and charges for management of the scheme, which shall first be charged against investment income, next against dealing profits from the issue and redemption of units or shares in the scheme, and lastly against the capital value of the investments of the fund.

(3) The amount or method of calculating such fees and charges shall be clearly disclosed in the offering document.

34. The value of investments not listed or quoted on a recognised market shall be determined on a regular basis by a professional person approved by the trustee/custodian as qualified to value such investments.

Valuation of unquoted securities

35. (1) There shall be at least one regular dealing day per month.

(2) Any price offer which the management company or the distribution company quotes or publishes shall be the maximum price payable on purchase and any redemption price shall be the net price receivable on redemption.

Dealing

36. The maximum interval between the receipt of a properly documented request for redemption of units or shares and the payment of the redemption money to the holder may not exceed one calendar month.

Redemptions to be prompt

37. Where a scheme deals at a known price and where, based on information available, the price exceeds or falls short of the current value of the underlying assets by more than two per cent, the management company shall defer dealing and calculate a new price as soon as possible.

Changes to dealing

38. A permanent change in the method of dealing may only be made after one month's notice to holders.

Notice of change in method of dealing

39. A temporary change may only be made-

Temporary changes

- (a) in exceptional circumstances, having regard to the interests of holders;
- (b) if the possibility of a change and the circumstances in which it can be made have been fully disclosed in the offering document; and
- (c) with the approval of the trustee/custodian.

40. Suspension of dealings may be provided for only in exceptional circumstances, having regard to the interests of holders.

Suspension and deferral of dealings

41. (1) The management company or the Zambia representative shall immediately notify the Commission if dealing in units or share ceases or is suspended.

Commission to be notified of cessation or suspension

(2) The fact that dealing is suspended shall be published immediately following such decision and at least once a month during the period of suspension, in the newspaper in which the scheme's prices are normally published.

42. Where redemption requests on any one dealing day exceed ten per cent of the total number of units or shares in issue, redemption requests in excess of ten per cent may be deferred to the next dealing day.

Deferral of redemptions

(4) TRANSACTIONS WITH CONNECTED PERSONS

43. No person shall be allowed to enter on behalf of the scheme into underwriting or sub-underwriting contracts without the prior consent of the trustee/custodian and unless the scheme or the management company provides in writing that all commissions and fees payable to the management company under such contracts and all investments acquired pursuant to such contracts shall form part of the scheme's assets.

Underwriting contracts

44. If cash forming part of the scheme's assets is deposited with the trustee/custodian, the management company, the investment adviser or with any connected person of these companies (being an institution authorised to accept deposits), interest shall be received on the deposit at a rate not lower than the prevailing commercial rate for a deposit of that size and term.

Interest on deposits

45. (1) All transactions carried out by or on behalf of the scheme shall be at arm's length.

Transaction to be at arm's length

(2) In particular, any transactions between the scheme and the management company, investment adviser, the directors of the scheme or any of their connected persons as principal may only be made with the prior consent of the trustee/custodian.

(3) All such transactions shall be disclosed in the scheme's annual report.

46. (1) No single connected dealer shall account for fifty per cent or more of the scheme's transactions in value in any one financial year of the scheme. Diversity of dealers

(2) The Commission may consider each case on its merits and may permit the fifty per cent to be exceeded if the connected dealer offers advantages to the scheme not available elsewhere.

(3) The annual report shall disclose that one dealer accounted for fifty per cent or more of the scheme's transactions in value in any one financial year.

(5) MEETINGS

47. A scheme shall arrange to conduct general meetings of holders as follows- Requirements for meetings

(a) holders shall be able to appoint proxies;

(b) votes shall be proportionate to the number of units or shares held, or to the value of units or shares held where there are accumulation units or shares.

(c) The quorum for meetings at which a special or extraordinary resolution is to be considered shall be the holders of twenty-five per cent of the units or shares in issue, and ten per cent if only an ordinary resolution is to be considered;

(d) if within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned for not less than fifteen days. The quorum at an adjourned meeting shall be those persons present in person or by proxy;

(e) if the possibility exists of a conflict of interests between different classes of holder there shall be provisions for class meetings;

(f) an Extraordinary General Meeting shall be called for the following purposes-

(i) to modify, alter or add to the constitutive documents, except as provided in clause twenty-nine;

(ii) to terminate the scheme (unless the means of termination of the scheme are stipulated in the constitutive documents, in which case termination shall be effected in accordance with the provisions of the constitutive documents);

(iii) to increase the maximum fees paid to the management company, trustee/custodian or directors of the scheme; or

(iv) to impose other types of fee.

(g) where bearer units are in issue, proper provision shall be made for notification to bearer holders in Zambia of the timing and agenda of forthcoming meetings and voting arrangements;

(h) the directors of the scheme, the trustee/custodian, the management company, investment adviser and their connected persons are prohibited from voting their beneficially owned shares at, or counted in the quorum for, a meeting at which they have a material interest in the business to be conducted;

(i) an ordinary resolution may be passed by a simple majority of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting; and

(j) a special or extraordinary resolution may only be passed by seventy-five per cent or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting.

(6) MEMBERS REGISTER

48. (1) A scheme shall maintain a register of holders.

Maintenance of register

(2) The Commission shall be advised on request of the address where the register is kept.

(3) The register may be formed, in whole or in part, of records maintained by a securities depository approved by the Commission.

(7) REPORTING REQUIREMENTS

49. (1) At least two reports shall be published in respect of each financial year.

Report to holders

(2) Annual reports shall be published and distributed to holders within four months of the end of the the scheme's financial year and interim reports shall be published and distributed to holders within two months of the end of the period they cover.

50. Notification to holders shall be made in respect of any changes to the offering or constitutive documents as determined by the Commission pursuant to clause thirty.

Notice of changes to documents

51. (1) The scheme's latest available offer and redemption prices or net asset value shall be published at least once a month in at least one leading Zambia daily newspaper.

Reports on prices and asset values

(2) If dealing is suspended, notice of this fact shall be published in accordance with clause forty-one.

52. Subsequent to the authorisation of the scheme, all financial reports produced by or for the scheme, its management company and trustee/custodian shall be filed with the Commission.

Reporting to Commission

53. The management company shall supply to the Commission, upon request, all information relevant to the scheme's financial reports and accounts.

Commission may require further information

54. The management company shall notify the Commission as soon as possible of any change to the data in the application form.

Changes to data in application form

(8) FEES

55. The level/basis of calculation of all costs and charges payable from the scheme's property shall be clearly stated, with percentages expressed on a per annum basis (see Appendix II).

Statement as to costs and charges

56. Commission to sales agents in respect of dealing in units or shares of the scheme shall not be payable from the scheme's property.

Sales agents commission

57. In respect of any increase of the management fee up to the maximum level permitted under the scheme, at least three months prior notice shall be given to all holders.

Notice of increase of management fee

(9) ADVERTISING AND PUBLIC ANNOUNCEMENTS

58. (1) Advertisements and other invitations to the public in Zambia to invest in a scheme, including public announcements, shall be submitted to the Commission for approval prior to their issue or publication in Zambia.

Commission to approve advertisements

(2) Any publication submitted for approval which concerns the trustee shall be accompanied by its written consent.

(3) The approval so granted may be varied or withdrawn by the Commission as it deems fit.

(4) Once authorised, the advertisement may be used for a maximum period of six months, provided there are no material changes in that period to the scheme or to the advertisement itself.

(5) Unless the Commission disapproves submitted material within fourteen calendar days of its submission, the Commission shall be deemed to have approved it.

59. (1) If a scheme is described as having been authorised by the Commission it shall be stated that, in giving this authorisation, the Commission does not take responsibility for the financial soundness of the scheme or for the correctness of any statements made or opinions expressed in this regard.

(2) Such a statement shall comply with the requirements of clause sixty-two.

Statements as to authorisation of scheme

60. Advertisements and other invitations to the public in Zambia shall not refer to any scheme which has not obtained authorisation from the Commission.

Mention of unauthorised schemes

61. Advertisements shall include a warning statement that-

Warning statements

(a) the price of units or shares, and the income from them (if the scheme pays a dividend), may go down as well as up; and

(b) Investors are reminded that in certain circumstances their right to redeem their units or shares may be suspended.

62. (1) Warning statements shall be printed in type of the same size as the rest of the text in the advertisement.

Format of warning statements

(2) Notwithstanding subclause (1), they may be in smaller text if printed in bold type or prominently outlined.

(3) In all cases the warning shall be capable of being read with reasonable ease by anyone scanning the advertisement.

PART II

INVESTMENT OF A COLLECTIVE INVESTMENT SCHEME

(NOTE: this Part sets out the core requirements of the investment limitations and prohibitions of a collective investment scheme.)

63. The value of a scheme's holding of securities issued by any single issuer may not exceed twenty per cent at book value nor twenty-five per cent at market value. Spread of investments

64. A scheme may not hold more than ten per cent of any class of security issued by any single issuer. Class of securities

65. The value of a scheme's holding of securities not listed or quoted on a recognised market may not exceed fifteen per cent of its total net asset value. Unlisted securities

66. (1) Clauses sixty-three and sixty-four shall not apply to Government securities.

(2) Up to thirty per cent of a scheme's total net asset value may be invested in Government Securities of the same issue. Government securities

67. A scheme may not enter into any financial futures contracts save in respect of currencies for hedging purposes. Futures and commodities

68. The only physical commodities that may be held by a Scheme are gold, silver, platinum and copper which may not exceed in aggregate twenty per cent of its total net asset value. Commodities

69. (1) The value of a scheme's holding of units or shares in other collective investment schemes may not in aggregate exceed ten per cent of its total net value.

(2) In addition, such scheme's objective may not be to invest primarily in any investment prohibited by this Chapter and where such scheme's objective is to invest primarily in investments restricted by this Chapter, such holdings may not be in contravention of the relevant limitation. Investment in other schemes

70. (1) Notwithstanding clause sixty-nine, a scheme may invest all of its assets in a single collective investment scheme and be authorised as a feeder fund. Feeder funds

(2) In such a case-

(a) the underlying scheme shall be authorised by the Commission;

(b) the offering document shall state that the scheme is a feeder fund into the underlying scheme; and

(c) the borrowing of the feeder fund may not exceed ten per cent of its total net asset value and shall be restricted to facilitating redemptions or defraying operating expenses.

71. No increase in the overall total of initial charges, management company's annual fee or any other costs and charges borne by the holders or by the scheme shall result, if the schemes in which a scheme invests are managed by the same management company or by a connected person of that company.

Limitation on overall costs and charges

72. (1) A real estate scheme shall not, at any time after the commencement of these Rules, be operated as an open-ended scheme, except as provided by clause (2).

Restriction on real estate investments

(2) A real estate scheme that was operated, immediately before the commencement of these Rules, as an open-ended scheme may continue to be so operated for a period of six months after the commencement of these rules.

(3) A real estate scheme shall comply with the following additional requirements:

(a) the provisions of Part IV; and

(b) the provisions of Appendix V.

73. A scheme may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person without the prior written consent of the trustee/custodian. Limitations on making loans

74. A scheme may not acquire any asset which involves the assumption of any liability which is unlimited.

Unlimited liability

75. A scheme may not invest in any security of any class in any company or body if any director or officer of the management company owns more than one-half of one percent of the total nominal amount of all issued securities of that class, or, collectively the directors and officers of the management company own more than five per cent of those securities.

Limitations on securities in which directors/officers have interests

76. The portfolio of a scheme may not include any security where a call is to be made for any sum unpaid on that security unless that call could be met in full out of cash or near cash by the scheme's portfolio.

Limitations on nil-paid/partly paid securities

77. A scheme may not borrow.

Borrowing prohibition

78. (1) The provisions of this Part shall not, unless the contrary is provided, apply to an umbrella fund as if it were a single scheme, but shall apply to each subfund of the umbrella fund as if each such separate part were a single scheme.

Applicability of restrictions to umbrella funds

(2) Notwithstanding subclause (1), clause sixty-four shall apply so that the total collective investment by the sub-funds in any class of security issued by any one issuer shall not exceed ten per cent of that class.

79. If the investment limits in this Part are breached, the management company shall take as a priority objective all such steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the holders.

Breach of investment limits

80. If the name of the scheme indicates a particular objective, geographic region or market, the scheme shall invest at least seventy per cent of its non-cash assets in securities and other investments to reflect the particular objective or geographic region or market the scheme represents.

Name of scheme

PART III

ADDITIONAL REQUIREMENTS FOR NON-ZAMBIA BASED SCHEMES

SECTION A-APPOINTMENT OF A ZAMBIA REPRESENTATIVE

81. A scheme shall be required to appoint a representative in Zambia if its management company is not incorporated and does not have a place of business in Zambia.

When representative to be appointed

82. If a representative is appointed, the scheme has to maintain the representative throughout the period it is authorised in Zambia.

Maintenance of representative

83. (1) The representative is not required to take responsibility for the acts and omissions of the management company or in the case of the scheme being a company, the directors of the scheme.

Functions of a representative

(2) It shall however, be authorised on behalf of the scheme and the management company to-

- (a) receive applications and money for units or shares from persons in Zambia;
- (b) issue receipts in respect of the application moneys received in accordance with paragraph (a);
- (c) issue contract notes to the applicants in accordance with the terms of the scheme;
- (d) receive redemption notices, transfer instructions and conversion notices from holders for immediate transmission to the management company or the scheme;
- (e) accept any notices or correspondence, including service of process, which holders may wish to serve on the scheme, trustee/custodian or the management company;
- (f) notify the Commission immediately if redemption of units or shares ceases, or is suspended;
- (g) make available for public inspection in Zambia, free of charge, and offer for sale at a reasonable price to holders, all constitutive documents of the scheme;
- (h) provide holders with information on the scheme including the scheme's financial reports and sales literature;
- (i) deliver to the Commission, if it so requests, all accounts and records relating to the sale and redemption of units or shares of the scheme in Zambia; and

(j) represent the scheme and the management company in relation to all matters in which any holder normally resident in Zambia has a pecuniary interest or which relates to units or shares sold in Zambia.

84. The distribution function of the representative amounts to dealing in securities, and therefore the representative shall be licensed as a dealer under the Act. Criteria for appointment

85. The representative shall be properly appointed to represent the scheme and the management company. Representative to be duly authorised

86. The representative shall provide the Commission with a written undertaking that it will perform the duties required of a representative under this Schedule. Written undertaking

87. Should the representative retire or be dismissed, it shall be replaced as soon as possible, by another representative whose appointment is subject to the approval of the Commission. Retirement and replacement of the representative

88. (1) Details of all contracts between the representative, the scheme and or the management company shall be supplied to the Commission. Zambia representative agreement

(2) Any subsequent amendments of these contracts shall be notified to the Commission.

SECTION B-ADMINISTRATIVE REQUIREMENTS

89. (1) The zambia covering document of a scheme shall contain the information required in Appendix II. Zambia covering document

(2) A scheme that is not based in Zambia may supplement the information contained in the overseas offering document with a Zambia covering document supplied with the overseas offering document.

90. Where investment plans are offered, the provisions of clause thirty-one shall be complied with. Investment plans

SECTION C-REPORTING, FEES AND ADVERTISING

91. A scheme shall in all cases comply with the requirements of clauses forty-nine to sixty-two, which provide for the continuing obligations of all schemes with respect to reporting, fees, advertising and public announcements in Zambia. Continuing obligations

SECTION D-JURISDICTION

92. Nothing in the constitutive documents may exclude the jurisdiction of the courts of Zambia to entertain an action concerning the scheme. Jurisdiction not capable of exclusion

PART IV

ADDITIONAL REQUIREMENTS FOR REAL ESTATE COLLECTIVE INVESTMENT SCHEMES

93. In addition to the documents specified in rule five, an application for authorisation of a real estate scheme shall be accompanied by a property valuation report. Application to Commission for authorisation

94. In addition to the requirements of clause twenty-four, the offering documents for a real estate scheme shall include a property valuation report which shall contain the information listed in Appendix V. Offering document

95. The valuation of real estate assets shall be determined quarterly by an independent professional person approved by the trustee/custodian as qualified to value real estate. Valuation of real estate agents

96. The maximum interval between the receipt of a properly documented request for redemption of units or shares in a real estate scheme shall not exceed twelve calendar months. Redemption

97. Deferment of payment beyond one calendar month shall be subject to the approval of the Commission which shall only be given if the scheme's cash resources cannot be maintained at an adequate level by orderly disposal of real estate assets. Deferment of redemptions

98. If payment is deferred and the properties being sold realise less than the price upon which the redemption request was based, the redemption payment shall be scaled down proportionately so that there is equitable treatment of the continuing holders of the shares or units and those who have sold. Apportionment of losses

99. Advertisements shall include a warning statement that- Warning statements

- (a) the price of units or shares, and the income from them (if the scheme pays a dividend), may go down as well as up;
- (b) investors are reminded that in certain circumstances their right to their units or shares may be suspended; and
- (c) money for redemption of units or shares may not be paid for twelve months and may not be paid in full.

100. A real estate scheme may invest up to a maximum of eighty per cent of its net asset value in any type of real estate provided that at all times a minimum of twenty per cent of its net asset value shall be invested in cash or government treasury bills. Restriction on investments

APPENDIX I

INFORMATION TO BE CONTAINED IN THE APPLICATION FOR AUTHORISATION

General details of the scheme

1. Name of the scheme.

2. Names of the sub-funds (if any).
3. Structure of the scheme.
4. Applicable law and the date and country of incorporation.
5. Quotation on any securities exchange and authorisation granted by other regulatory bodies.
6. Undertakings given to other regulatory bodies.
7. Launch: date and place.
8. Dealing: daily/weekly/other.
9. Valuation of assets: daily/weekly/other.
10. Pricing: forward/historic/other.
11. Investment plans to be offered in Zambia.

For each scheme or sub-fund

12. (a) Fee structure-
 - (i) level of all charges payable by investor; and
 - (ii) level/basis of calculation of all charges payable by the scheme.
- (b) For equity/bond funds-
 - (i) investment objective and borrowing powers; and
 - (ii) Currency of denomination.
- (c) Minimum initial subscription and the minimum subsequent holding.

Details of the parties to the scheme

13. The management company (Section B of Part 1 of the Schedule)-
 - (a) Name.
 - (b) Registered/business address.
 - (c) Name of the ultimate holding company.
 - (d) Previously approved by the Commission to manage authorised schemes? If no, the resumes of the directors and most recent audited financial report.

(e) Person(s) for contact with the Commission.

14. In the case of a self-managed scheme, the resumes of the directors of the scheme and person(s) for contact.

15. The trustee/custodian (Section A of Part 1 of the Schedule)-

(a) Name.

(b) Registered/business address.

(c) Name of the ultimate holding company.

(d) Previously approved by the Commission as trustee/custodian of authorised schemes? If no, names of the directors and most recent audited financial report.

(e) Person(s) for contact with the Commission.

16. The investment adviser (if any)-

(a) Name.

(b) Registered/business address.

(c) Name of the ultimate holding company.

17. For the trustee/custodian, management company and investment adviser-

(a) which, if any, of these companies are connected persons.

(b) name anyone who holds appointments, as director or officer, with more than one of these companies.

18. The Zambia representative/distribution company (Part III of the Schedule)-

(a) Name.

(b) Registered/business address.

(c) Name of the ultimate company.

(d) Person(s) for contacts with the Commission.

(e) If a separate distribution company is appointed in Zambia-

(i) name; and

(ii) registered/business address.

19. The auditor-

- (a) Name.
- (b) Registered/business address.

20. The principal dealer (if any)-

- (a) Name.
- (b) Registered/business address.
- (c) The approximate percentage of the scheme's transactions in value of securities carried out by the principal broker within the latest financial year of the scheme.
- (d) Whether the trustee/custodian, the directors of the scheme, the management company or the investment adviser is a connected person of the principal broker.

21. Legal representatives in Zambia (if any)-

- (a) Name.
- (b) Person(s) for contacts with the Commission.

APPENDIX II

INFORMATION TO BE DISCLOSED IN THE OFFERING DOCUMENT

(Note: This list is not intended to be exhaustive. The directors of the scheme or the management company are obliged to disclose any information which may be necessary for investors to make an informed judgement.)

Constitution of the scheme

- 1. Name, registered address and place and date of creation of the scheme, with an indication of its duration if limited.

Investment objectives and restrictions

- 2. Details of investment objectives and policy, including summary of the investment and borrowing restrictions.

If the nature of the investment policy so dictates, a warning that investment in the scheme is subject to abnormal risks, and a description of the risks involved.

Operators and principals

- 3. The names and registered addresses of the following parties (where applicable)-

- (a) the directors of the scheme/management company and its board of directors;
- (b) the trustee/custodian;
- (c) the investment adviser;
- (d) the Zambia representative;
- (e) the Zambia distribution company, if different from (d) above;
- (f) the auditors;
- (g) the registrar; and
- (h) the lawyers to the scheme.

Characteristics of units or shares

- 4. Minimum investment (if any).
- 5. A description of the different types of units or shares, including their currency of denomination.
- 6. Form of certification.
- 7. Frequency of valuation and dealing, including dealing days.

Application and redemption procedures

- 8. The name(s) of the Zambia daily newspaper(s) in which prices will be published.
- 9. Procedure for subscribing/redeeming units or shares, and in the case of umbrella funds, conversion of units or shares.
- 10. The maximum interval between the request for redemption and the despatch of the redemption proceeds.
- 11. A summary of the circumstances in which dealing in units or shares may be deferred or suspended.
- 12. It shall be stated that no money should be paid to any intermediary in Zambia who is not a licensed dealer or investment adviser.

Distribution policy

- 13. The distribution policy and the approximate dates on which dividends (if any) will be paid (if applicable).

Fees and charges

- 14. (a) The level of all fees and charges payable by an investor, including all charges levied on subscription and redemption, and conversion (in the case of umbrella funds); and

(b) The level of all fees and charges payable by the scheme, including management fees, custodian fees and start-up expenses.

15. Disclosure of entitlement to brokerage or other transactions benefits of any connected persons to the scheme.

Taxation

16. Details of Zambian and principal taxes levied on the scheme's income and capital, including tax, if any, deducted on distribution to holders.

Reports and accounts

17. The date of the scheme's financial year.

18. Particulars of what reports will be sent to registered holders and when. If there are bearer units in issue, information shall be given on where in Zambia reports can be obtained.

Warnings

19. The following statements/warnings shall be prominently displayed in the offering document-

(a) "Important-if you are in any doubt about the contents of this offering document, you should consult your stockbroker, bank manager, lawyer, accountant or other financial adviser";

(b) a warning that the price of units or shares and the income from them (where income is distributed) may go down as well as up.

General information

20. A list of constitutive documents and an address in Zambia where they can be inspected free of charge or purchased.

21. The date of publication of the offering document.

22. A statement that the directors of the scheme or the management company accept responsibility for the information contained in the offering document as being accurate as at the date of publication.

23. Details of schemes not authorised shall not be shown in the offering document. Where names of such schemes are mentioned, these shall be clearly marked as unauthorised and not available to Zambian residents.

Termination of scheme

24. A summary of the circumstances in which the scheme can be terminated.

APPENDIX III

REQUIRED CONTENTS OF THE CONSTITUTIVE DOCUMENTS

1. Name of scheme

2. Participating parties-

A statement to specify the participating parties including the management company, trustee/custodian, and investment adviser (if appointed).

3. For unit trusts only-

(a) A statement that the deed is binding on each holder as if he had been a party to it and so to be bound by its provisions and authorises and requires the trustee and the management company to do as required of them by the terms of the deed.

(b) A provision that a holder is not liable to make any further payment after he has paid the purchase price of his units and that no further liability can be imposed on him in respect of the units which he holds.

(c) A declaration that the property of the scheme is held by the trustee on trust for the holders of the units *pari passu* according to the number of units held by each holder. (This may be modified as appropriate for schemes offering income and accumulation units).

(d) A statement that the trustee will report to holders in accordance with paragraph (f) of clause four of the Schedule.

(e) A statement that the trustee should retire in the manner as stipulated in clause five of the Schedule.

4. For all other collective investment schemes-

(a) A declaration that the property of the scheme is held by the custodian on trust for the scheme.

(b) A statement to list the obligations of the custodian as set out in clause four of the Schedule.

(c) A statement that the custodian should retire in the manner as stipulated in clause five of the Schedule.

5. Role of management company-

(a) a statement to list the obligations of the management company as set out in clause sixteen of the Schedule.

(b) a statement that the management company should retire in the manner as stipulated in clause seventeen of the Schedule.

6. Investment and borrowing restrictions-

A statement to list the restrictions on the investment of the deposited property and the maximum borrowing limit of the scheme.

7. Valuation of property and pricing-The following requirements on valuation of property and pricing shall be stipulated-

- (a) the method of determining the value of the assets and liabilities of the property of the scheme and the net asset value accordingly;
- (b) the relationship between the prices at which the management company bids or offers units or shares and the most recent net asset value per unit or share;
- (c) the permitted spread between bid and offer prices;
- (d) the circumstances under which the relationship to asset value or the spread may change; and
- (e) the front-end load management charge to purchase units or shares and, if different, the charge to investors to re-invest the proceeds of realising a holding in the scheme.

8. Dealing, suspension and deferral of dealing-The following shall be stated-

- (a) the circumstances under which the dealing of units or shares can be deferred or suspended; and
- (b) the maximum interval between the receipt of a properly documented request for redemption of units or shares and the payment of the redemption money to the holder should not exceed one calendar month.

9. Fees and charges-The following shall be stated-

- (a) the maximum percentage of the initial charge payable to the management company out of the issue price of a unit or share;
- (b) the maximum fee payable to the management company out of the property of the scheme, expressed as an annual percentage;
- (c) fee payable to trustee/custodian;
- (d) preliminary expenses to be amortized against the property of the scheme; and
- (e) all other material fees and charges payable out of the property of the scheme.

10. Meeting-Provision shall be made as to the manner in which holders' meetings are to be conducted in accordance with clause forty-seven of the Schedule.

11. Transactions with connected persons-The following shall be stated-

- (a) cash forming part of the property of the scheme may be placed as deposits with the trustee/custodian, management company, the investment adviser or with any connected persons of these companies (being an institution authorised to accept deposits) so long as that institution pays interest thereon at no lower rate than is, in accordance with normal banking practice, the commercial rate for deposits of the size of the deposit in question negotiated at arm's length.
- (b) money can be borrowed from the trustee/custodian, management company, the investment adviser or any of their connected persons (being a bank) so long as that bank charges interest at no higher rate, and any fee for arranging or terminating the loan is of no greater amount than is in accordance with normal

banking practice, the commercial rate for a loan of the size and nature of the loan in question negotiated at arm's length.

(c) any transactions between the scheme and the management company, the investment adviser, directors of the scheme or any of their connected persons as principal may only be made with the prior written consent of the trustee/custodian.

12. Distribution policy and date-The approximate date(s) in the calendar year on which annual income, if any, will be distributed.

13. Annual accounting period-The date in the calendar year on which the annual accounting period ends. In the case of an umbrella fund, the accounting period shall be the same for all constituent funds.

14. Base currency-A statement of the base currency of the scheme.

15. Modification of the constitutive documents-A statement of the means by which modification to the constitutive documents can be effected.

16. Termination of scheme-A statement of the circumstances in which the scheme can be terminated.

APPENDIX IV

(Schedule, Clause 23)

CONTENTS OF FINANCIAL REPORTS

General

1. Annual reports shall contain all the information required in this Appendix. Interim reports shall at least contain the Statement of Assets and Liabilities and the Investment Portfolio. Where the scheme has paid or proposes to pay an interim dividend, the amount of dividend shall be disclosed.

2. All reports shall contain comparative figures for the previous period except for the investment *Portfolio*.

3. The mention of any unauthorised schemes in the reports shall be indicated as "Not authorised in Zambia and not available to Zambian Residents".

4. The items listed under the Statement of Assets and Liabilities, Revenue Statement, Distribution Statement, Statement of Movements in Capital Account and the Notes to the Accounts, where applicable, shall be disclosed. It is however, not mandatory to adopt the format as shown or to disclose the items in the same order.

Statement of Assets and Liabilities

5. The following shall be separately disclosed-

(1) total value of investments

(2) bank balances

- (3) formation costs
- (4) dividends and other receivables
- (5) amounts receivable on subscription
- (6) bank loans and overdrafts or other forms of borrowing
- (7) amounts payable on redemption
- (8) distributions payable
- (9) total value of all assets
- (10) total value of all liabilities
- (11) net asset value
- (12) number of units or shares in issue
- (13) net asset value per unit or share

Revenue Statement

6. The following shall be separately disclosed-

- (1) total investment income net of withholding tax, broken down by category
- (2) total other income, broken down by category
- (3) equalisation on issue and cancellation of units or shares
- (4) an itemised list of various costs which have been debited to the scheme including-
 - * fees paid to the management company
 - * remuneration of the trustee/custodian
 - * amortization of formation costs
 - * directors' fee and remuneration
 - * safe custody and bank charges
 - * auditors' remuneration
 - * interest on borrowings
 - * fees paid to investment adviser, if any
 - * other amounts paid to any connected persons of the scheme

- * legal and other professional fees
- * any other expenses borne by the scheme

- (5) taxes
- (6) amounts transferred to and from the capital account
- (7) net income to be carried forward for distribution

Distribution Statement

7. The following shall be separately disclosed-

- (1) amount brought forward at the beginning of the period
- (2) net income for the period
- (3) interim distribution per unit or share and date of distribution
- (4) final distribution per unit or share and date of distribution
- (5) undistributed income carried forward

Statement of Movements in Capital Account

8. The following shall be separately disclosed-

- (1) value of the scheme as at the beginning of the period
- (2) number of units or shares issued and the amounts received upon such issuance (after equalization if applicable)
- (3) number of units or shares redeemed and the amount paid on redemption (after equalisation if applicable)
- (4) any items resulting in an increase/decrease in value of the scheme including-
 - surplus/loss on sale of investments
 - exchange gain/loss
 - unrealised appreciation/diminution in value of investments
 - net income for the period less distribution
- (5) amounts transferred to and from the revenue account
- (6) value of the scheme as at the end of the period

Notes to the Accounts

9. The following matters shall be set out in the notes to the accounts-Principal accounting policies, including-

- (a) the basis of valuation of the assets of the scheme including the basis of valuation of unquoted and unlisted securities;
- (b) the revenue recognition policy regarding dividend income and other income;
- (c) foreign currency translation;
- (d) the basis of valuation of forward foreign exchange and futures contracts;
- (e) the basis of amortization of formation costs;
- (f) taxation;
- (g) any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions and in stating the disposition of the scheme.

Any changes to the above accounting policies and their financial effects upon the accounts shall also be disclosed.

Transactions with Connected Persons

10. The following transactions shall be disclosed-

- (a) details of all transactions entered into during the period between the scheme and the management company, investment adviser, the directors of the scheme or any entity in which these parties or their connected persons have a material interest; and
- (b) name of any director of the scheme or any connected person of such a director if any such person becomes entitled to profits from transactions in shares or from management of the scheme and the amount of profits to which such person becomes entitled.

Borrowings

11. It shall be stated whether the borrowings are secured or unsecured and the duration of the borrowings.

Contingent Liabilities and Commitments

12. Details of any contingent liabilities and commitments of the scheme shall be made available.

13. If the free negotiability of any asset is restricted by statutory or contractual requirements, this shall be stated.

Commissions, etc.

14. The total commission paid to dealers in connection with portfolio transactions during the period reported on shall be stated.

15. The total compensation, other than commissions, paid to dealers in connection with portfolio transactions during the period reported on shall be stated and, where the figure provided is an estimate, the basis for calculating the compensation, and where compensation to a dealer for the sale of shares or units in the scheme includes an allocation of the execution of portfolio transactions to that dealer, the compensation so allocated.

Legal Proceedings

16. Any legal proceedings material to the operation of the scheme to which the operator is a party or of which any of the property of the scheme is the subject shall be briefly described. A similar statement shall be made as to any such proceedings known to be contemplated (including the date instituted, the principal parties, the nature of the claim, the amount claimed, whether the proceedings are being contested and the present status of the proceedings).

Contents of Auditors' Reports

17. The report of the Auditor shall state-

- (a) whether in the Auditor's opinion, the accounts prepared for that period have been properly prepared in accordance with the relevant provisions of the trust deed (if a unit trust) and this Schedule;
- (b) whether in the auditor's opinion, all persons involved with the conduct and operation of the scheme have acted properly and in accordance with the requirements of this Schedule;
- (c) without prejudice to the foregoing, whether in the auditor's opinion, a true and fair view is given of the disposition of the scheme at the end of the period then ended, and whether the reports and valuations produced on behalf of the scheme during the year were produced on a basis consistent with the figures at the end of the year and with the provisions of this Schedule;
- (d) if the auditor is of the opinion that proper books and records have not been kept by the scheme, or the accounts prepared are not in agreement with the scheme's books and records, that fact (which shall be reported forthwith by the auditor to the Commission); and
- (e) if the auditor has failed to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of the audit, that fact (which shall be reported forthwith by the auditor to the Commission).

Investment Portfolio

18. The following shall be stated-

- (1) Number of quantity of each holding together with the description and market value. Distinguish between listed and unlisted and categorise by country.
- (2) The total investment stated at cost.
- (3) The value of each holding as a percentage of net asset value.
- (4) Statement of movements in portfolio holdings since the end of the preceding accounting period.

Performance Table

19. The following shall be provided-

(1) A comparative table covering the last three financial years and including, for each financial year, at the end of the financial year-

- (a) the total net asset value;
- (b) the net asset value per unit or share.

(2) A performance record over the last ten financial years or, if the scheme has not been in existence during the whole of that period, over the whole period in which it has been in existence, showing the highest issue price and the lowest redemption price of the units or shares during each of those years.

APPENDIX V

ADDITIONAL INFORMATION TO BE DISCLOSED IN THE OFFERING DOCUMENT FOR A REAL ESTATE SCHEME

1. A description of each property, including-

- (a) an address sufficient to identify the property;
- (b) a brief description (e.g. whether land or building, approximate area etc.);
- (c) existing use (e.g. shops, offices, factories, residential, etc.);
- (d) ground rent;
- (e) summary of terms of headleases, and underleases, (including repairing obligations where material);
- (f) the approximate age of the buildings;
- (g) capital value in existing state;
- (h) current planning or zoning use;
- (i) options or rights of pre-empting concerning the property; and
- (j) other matters which may materially affect the value.

2. Where the property is not in the process of being developed, details of rentals of the property.

3. Where the property is being developed:

- (a) details of development potential;
- (b) material restrictions on development;
- (c) existing stage of development;

- (d) estimated completion date;
- (e) estimated cost of completing the development;
- (f) estimated capital value in existing state;
- (g) estimated capital value after completion;
- (h) material or special conditions affecting the development;
- (i) any conditions imposed as to construction of facilities for public use;
- (j) any sales arrangements or letting arrangements; and
- (k) any construction costs incurred so far.

4. Where the property is held for future development the following details (where available):

- (a) details of development potential;
- (b) material or special conditions affecting development;
- (c) any conditions imposed as to constructing facilities for public use.

5. A classification of the properties according to the purpose for which they are held, as follows:

- (a) for development;
- (b) for investment;
- (c) for owner occupation;
- (d) for sale.

6. Details of any agreement or proposals as to any proposed transaction regarding the property between the management company and any other member of a group to which the management company belongs.

7. The name of the valuer, his address and professional qualifications.

8. The effective date of valuation.