

STATUTORY INSTRUMENT NO..... OF 2020

**THE SECURITIES ACT
(ACT No. 41 of 2016)**

The Securities (Collective Investment Schemes) Rules, 2020

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IN EXERCISE of the powers contained in sections 128 and 220 of the Securities Act 2016, the following Rules are hereby made:

PART I
PRELIMINARY PROVISIONS

Title 1. These Rules may be cited as the Securities (Collective Investment Scheme) Rules, 2020.

Interpretation 2. (1) In these Rules, unless the context otherwise requires –

“advertisement” means every form of advertising, whether in a publication, brochure, handout, or letter-head, or by the display of notices, or by means of circulars or other documents, or by an exhibition of photographs or cinematograph films or videos, or by way of sound broadcasting or television, or by the distribution of recordings or in any other manner but shall not include dealers’ circulars to customers, nor any communications between licensees or between licensees and issuers of securities;

“affiliate” means a person who is related to another person by shareholding or other means of control;

“client” means a person who has entered into an agreement with a custodian or a trustee for custodial or trusteeship services;

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

“custody” means the safekeeping and administration of securities and other financial instruments and the provision of any other service incidental thereto on behalf of a collective investment scheme and “custodial services” shall be construed accordingly;

“custody account” means an account of a collective investment scheme maintained by a custodian;

“custody risk” means the risk of loss in the process of rendering custodial services;

“delivery” means providing a document or other item relating to a collective investment scheme at the office of the Commission or to the schemes’ manager, by postal mail, electronic mail, facsimile transmission or such other mode of delivery as the Commission may, from time to time, prescribe;

“durable medium” means any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored;

“failed transaction” means a securities transaction that is not settled on the contractual settlement date;

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

“investment supervisory service” means the giving of continuous advice as to the investment of funds on the basis of the individual needs of a client;

“investor” means a person to whom shares, units or other securities representing an interest in a collective investment scheme are offered or the holder of such securities;

“Key Facts Statement” means a document which is a summary of the information relating to a collective investment scheme, contained in its offering document and other constitutive documents;

“manager” has the same meaning assigned to it in the Act;

“material change” has the same meaning assigned to it in the Act;

“material fact” has the same meaning assigned to it in the Act;

“net asset value” means the value of a share, unit or security after the total expenses and costs of the

collective investment scheme are subtracted from its total asset value divided by the number of shares, units or securities outstanding;

“offering document” means a document, or documents issued together, containing information on a scheme, calculated to invite offers by the public to subscribe for or purchase units, shares or other participatory interests in the scheme;

"real estate scheme" means a collective investment scheme that invests more than 25% of its net assets in any type of real estate, or interest in real estate, including options or rights, but excludes shares in real estate companies;

“redemption” means the direct purchase by a collective investment scheme of a share, unit or other security representing an interest in the scheme, from a holder of such a security, on demand by the holder;

“settlement” means the completion of a securities transaction, in accordance with the Act, through the final transfer of securities and monies between the buyer and seller; and

“trustee” has the meaning assigned to it in the Act.

(2) A word or term used, but not defined in these Rules, shall have the same meaning assigned to it in the Act.

Application

3. These Rules shall apply to all collective investment schemes authorised by the Commission.

PART II

MANAGERS, INVESTMENT ADVISORS AND EMPLOYEES

Qualifications of directors of manager

4. The directors of a manager of a collective investment scheme shall be of good repute and in the opinion of the Commission, shall possess the necessary experience for the performance of their duties.

Functions of manager

5. The functions of a manager of a collective investment scheme shall be to –

- (a) avoid conflict between the interests of the manager and the interests of an investor;
- (b) disclose the interests of its directors and management to investors;
- (c) maintain adequate financial resources to meet its commitments and to manage the risks to which its collective investment scheme is exposed;
- (d) organise and control the collective investment scheme in a responsible manner;
- (e) keep proper records;
- (f) employ adequately trained staff and ensure that they are properly supervised;
- (g) have well-defined compliance procedures;
- (h) maintain an open and cooperative relationship with the Commission and promptly inform the Commission about anything that might reasonably be expected to be disclosed to it;
- (i) promote investor education, either directly or through initiatives undertaken by an association;
- (j) manage the collective investment 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;
- (k) maintain or cause to be maintained the books and records of the collective investment 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 within four months of the scheme's financial year; and
- (l) publish and distribute interim reports to holders within 2 months of the period they cover;
- (m) 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 local

representative and make copies of such documents available upon the payment of a reasonable fee.

Records to be maintained by manager

6. (1) A manager shall accurately keep and maintain the following:

- (a) a register of holders;
- (b) journals, including cash receipts and disbursement records and any other records of original entry forming the basis of entries in any ledger;
- (c) auxiliary ledgers reflecting assets, liabilities, reserves, capital, income and expenditure accounts;
- (d) all cheque books, including counterfoils of used cheques, bank statements, cancelled cheques and bank or cash reconciliation statements;
- (e) all trial balances, financial statements, and internal audit working papers relating to the business of the manager;
- (f) a list or other record of all accounts in which the manager is vested with any discretionary power with respect to the funds, securities or transactions of any client;
- (g) all powers of attorney and any other evidence of the granting of any discretionary authority by any client or otherwise relating to the business of the manager;
- (h) all written agreements or copies of such agreements entered into by the manager with any client or otherwise, relating to the business of the manager;
- (i) a copy of every notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommending the purchase or sale of a specific security which the manager may circulate or distribute directly or indirectly to persons, other than clients seeking investment or persons connected with the manager, and if such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication does not state the reasons for such

recommendation, a memorandum indicating the reasons thereof;

- (j) a record of every transaction in a security in which the manager or any advisory representative of the manager has, or by reason of such transaction, acquired any direct or indirect beneficial ownership; and
- (k) register of holders.

(2) The records and books referred to in sub-rule (1) shall state the title and amount of the security involved, the date and nature of the transaction, the price at which it was effected and the name of the broker, dealer or bank with, or through whom the transaction was effected.

(3) A manager shall not be deemed to be in violation of any of the provisions of these Rules by reason only of the manager's failure to record transactions in securities of any advisory representative, if it is established that the manager instituted adequate procedures and used reasonable diligence to promptly obtain reports of the transactions required to be recorded.

Code of conduct
for manager

7. A manager shall –

- (a) exhibit diligence, thoroughness and competence in its investment advice to investors or holders and in managing investors and holder's funds where it also acts as a portfolio manager and investors or holders' best interest must influence its investment decision at all times;
- (b) maintain proper records of all investment decisions made on behalf of investors and holders;
- (c) send, at the end of every quarter, statements to investors or holders showing their investment positions during the period;
- (d) disclose to investors or holders when giving investment advice whether the advice is based on facts or opinion;
- (e) at all times bear in mind that investment is a risk;
- (f) not, in advising an investor or holder, give any guarantee as to the future performance of the investment;

- (g) take adequate care and display integrity in the management of investors' funds;
- (h) not mismatch term commitments;
- (i) not deposit investors' funds in its personal account or the accounts of other persons;
- (j) not employ investors' funds to acquire assets for itself, its companies or others or otherwise employ the funds in violation of its mandate;
- (k) display impartiality and objectivity in its relationship with investors or holders; and
- (l) not invest investors or holder's funds in its business or businesses it controls or those controlled by its associates, relations and subsidiaries of those companies without a prior disclosure of its relationship with the companies to the investors or holders.

Manager not to be in possession of scheme's assets

8. (1) A manager shall not, in the course of managing a business collective investment scheme, have custody or possession of any assets of a collective investment scheme and shall not take any action directly or indirectly with respect to any assets of the scheme.

(2) All the property of a collective investment scheme shall be held by a custodian or trustee on behalf of investors.

(3) A certificate of the auditor stating that the auditor has made an examination of the funds and securities, and describing the nature and extent of the examination, shall be filed with the Commission by the manager not later than three months after the end of the scheme's financial year.

Retirement of manager

9. (1) A manager of a collective investment scheme shall be subject to removal by notice in writing from the trustee or custodian in any of the following events where

–

- (a) the manager goes into liquidation, becomes bankrupt or has a receiver appointed over its assets as the case may be;
- (b) for good and sufficient reason, the trustee or custodian is of the opinion and so states in writing that a change in the manager of the scheme is

desirable in the interest of the investors or holders;
or

- (c) in the case of a unit trust, holders representing at least 50% in value of its units outstanding, excluding those held or deemed to be held by the manager, deliver to the trustee, a written request to dismiss the manager.

(2) In addition to the reasons for retirement of a manager as stated in sub-rule (1), a manager shall retire –

- (a) in all other cases stated in the constitutive documents; or
- (b) when the Commission revokes its authorisation of the manager.

Commission to be notified of retirement of manager

10. A trustee or the custodian of a collective investment scheme shall notify the Commission of any decision to retire a manager of a collective investment scheme.

Appointment of new manager

11. A trustee or custodian shall, upon the retirement or dismissal of a manager, appoint a new manager as soon as is reasonably possible, subject to the approval of the Commission.

Investment adviser

12. Where a manager appoints an investment adviser for a scheme, the Commission may require evidence that the person so appointed is appropriately qualified to perform the functions of the role of investment adviser.

Functions of investment adviser

13. An investment adviser shall-

- (a) educate its clients on various ways to accomplish their financial goals including giving overviews of different investment types and explaining how each can benefit, or hinder, the client's objectives;
- (b) combine analytical ability, comprehensive fiscal knowledge and customer service skills to help its clients define and reach their financial goals;
- (c) determine risk tolerance by assisting its clients to assess how aggressive they can be with their

- investments and the amount of risk they can bear considering the client's long- and short-term goals, family status, age, employment and expenses so as to give the most accurate advice;
- (d) analyze investment options on behalf of its clients by researching and analyzing investments, strategies and market conditions to determine which option is most appropriate;
 - (e) keep up with market trends and financial news to ensure their guidance is accurate and relevant;
 - (f) provide investment recommendations by putting forward investment strategies that can best help its clients meet their goals;
 - (g) help diversify client's portfolios, mitigate risk and reassess the investment approach and recommend changes where necessary;
 - (h) keep detailed records and clear documentation of sensitive financial information such as signed contracts for services provided, disclosure statements, advisory reports, invoices and other client documents relating to, payments received and the exact services rendered;
 - (i) have the requisite regulatory and legal knowledge of the different laws and regulations regarding investments, financial advice and fees for financial services;
 - (j) be familiar with, and adhere to the regulations and requirements of the Commission, the financial industry and related regulatory authorities;
 - (k) abide by stringent ethics rules to ensure impartial, good advice given in good faith;
 - (l) place the financial well-being of clients above self by disclosing all relevant information about an investment; and
 - (m) avoid conflicts of interest and acknowledge any payment or other compensation the investment adviser receives for recommending certain products or investments.

14. A manager shall, upon the retirement or dismissal of an investment adviser, appoint a new investment adviser within 14 days, subject to the approval of the Commission.

Qualifications of director

15. (1) Directors of a manager shall be of good repute and shall, in the opinion of the Commission, possess the necessary experience for the performance of their duties.

(2) A manager shall ensure that biographical details and an account of the professional qualifications and experience of a director and those of every person succeeding the director in office shall be supplied to the Commission.

(3) A manager of a collective investment scheme shall not appoint a director or senior management of the manager unless the Commission has approved the appointment of the director or senior manager.

Qualifications of employees of collective investment scheme

16. (1) In determining the acceptability of a manager, the Commission may consider the qualifications and experience of persons employed by the manager.

(2) Where, in determining the acceptability of the manager the Commission considers the qualification and experience of an employee of the manager, the biographical details and account of the professional qualifications and experience of every person succeeding such employee in office shall be supplied to the Commission.

Code of conduct for manager's employees

17. A person employed by a manager of a collective investment scheme shall –

- (a) at all times be a person exhibiting integrity and display high levels of professionalism expected of the securities industry;
- (b) not engage in any act which would adversely affect the general investing public's image of, and confidence in, the capital markets;
- (c) not discriminate or give preferential treatment to any client, in the conduct of the employee's professional business; and

- (d) comply with all existing laws, rules and regulations relating to the securities industry.

Employee to disclose transaction in securities

18. To prevent possible conflict of interest, insider dealings and impropriety, an employee of a manager of a collective investment scheme shall disclose any transaction in securities by the employee, employee's spouse, dependant, child or near relative to the manager.

Employee to submit statement on personal securities

19. An employee of a manager of a collective investment scheme shall submit to the manager, periodically, as may be determined by the manager, a statement of the employee's personal securities investment portfolio in the capital markets.

Employee to submit details of securities in government and public companies

20. Every new employee of a manager of a collective investment scheme shall, at the time of assumption of duty, submit details of the employee's holdings in securities held in government and public companies to the manager.

Employee to disclose investment in securities of private company

21. An employee of a manager of a collective investment scheme shall, within 90 days after a private company in which the employee holds investment is listed on a securities exchange, disclose the employee's investment in the securities of such company to the manager.

Employee to avoid conflict of interest

22. An employee of a manager of a collective investment scheme shall –

- (a) ensure that the employee's personal interest does not, at any time, conflict with the employee's duty to the clients of the collective investment scheme and the employee shall disclose all personal interests, beneficial or not, in any other company or client that may be assigned to the employee;
- (b) ensure that the employee's advice to the clients or the manager of the collective investment scheme, on an investment decision in the scheme, is not shrouded in any conflict of interest;

- (c) act in the best interest of the manager and investors in the performance of the employee's duties;
- (d) give priority to the manager's interests over the employee's personal interest; and
- (e) not engage in any activity which might directly or indirectly influence the employee's judgment prior to, or during a business transaction.

Trading with insider information

23. An employee of a manager of a collective investment scheme shall not trade in securities either for oneself or on behalf of another person based on non-public price-sensitive information.

Non-disclosure of non-public price sensitive information

24. An employee of a manager of a collective investment scheme shall, in no circumstances, disclose any non-public price-sensitive information to a third party for the purpose of trading.

Manager to be informed of insider dealings

25. All suspected cases of insider dealings, including those involving employees shall be promptly brought to the notice of the manager who shall, in turn, file a formal report with the Commission for necessary action.

Prohibition of market manipulation

26. An employee of a manager of a collective investment scheme shall not, on their own, or in connivance with others, engage in any activity which is aimed at manipulating the capital markets.

Prohibition of circulation of unverified information

27. An employee of a manager of a collective investment scheme shall not, on the basis of advising a person who wishes to participate in the scheme, circulate any unverified information which may negatively impact the capital markets.

Employee not to be involved in staff employment

28. An employee of a manager of a collective investment scheme shall not recommend the employment of, or connive in the employment of a person who –

- a) was previously employed by another capital markets operator but had their employment terminated;
- b) was dismissed for reasons involving fraud, dishonesty or any dishonourable conduct; or
- c) has previously been convicted of an offence involving fraud, dishonesty or any dishonourable conduct.

Clients'
account

29. (1) An employee of a manager of a collective investment scheme shall uphold the confidentiality of the accounts of the collective investment scheme.

(2) An employee of a manager of a collective investment scheme shall not disclose any information relating to a participant of a collective investment scheme to other another employee of the collective investment scheme who has no cause to be in receipt of such information.

Deposits,
credit
arrangements
and gifts

30. An employee of a manager of a collective investment scheme shall not-

- (a) deposit a holder or investor's funds in the employee's personal account or an account belonging to another person;
- (b) deposit the employee's funds in the account of a manager, holder or investor;
- (c) act as trustee or executor for the manager's clients;
- (d) enter into direct or indirect undisclosed arrangements, before or subsequent to transactions, to share in profits or losses; and
- (e) enter into a credit arrangement on behalf of a holder or investor in the collective investment scheme unless through the scheme.

Duty to
employer

31. An employee of a manager of a collective investment scheme shall not, except with the approval of the manager, engage in any activity whether or not for compensation, which is in direct competition with the manager.

Functions of
custodian

32. (1) A custodian shall –
- (a) provide custodial services to the assets of the collective investment scheme and deal with such assets strictly in accordance with directives given by a manager or directors of an investment company in conformity with the schemes trust deed, Articles of Association of the investment company, the constitutive documents of the scheme, the Act and rules and regulations made in accordance therewith;
 - (b) have its assets separate and distinct from the collective investment scheme's assets and any other assets under its custody;
 - (c) provide services which shall include custody, transaction processing, settlement, periodic reporting of status of the collective investment scheme's asset to the manager, trustee and the Commission;
 - (d) make appropriate arrangements for the protection of assets held under its custody and ensure that such assets are placed under adequate systems to safeguard such assets from damage, misappropriation or other loss; and
 - (e) carry out monitoring, oversight, administrative and other functions required in accordance with the terms and conditions of the custodial agreement, the Trust Deed or other instrument establishing or regulating the collective investment scheme, the conditions of its registration and such other requirements as may be laid down by the Commission;
 - (f) be liable for any loss or prejudice suffered by the manager, the collective investment scheme or investors in the collective investment scheme due to fraud by the custodian, wilful default or negligence including –
 - (i) the unjustifiable failure to perform in whole or in part the custodian's obligation arising under regulations and these Rules the terms

- and conditions of the agreement appointing the custodian;
- (ii) the instrument establishing or regulating the scheme;
 - (iii) conditions for the authorization and registration of the collective investment scheme; or
 - (iv) such other requirements as may be laid down by the commission;
- (g) open and operate separate custody accounts in the joint name of the trustee and the collective investment scheme;
 - (h) not create a charge on the assets of a collective investment scheme or loan out the assets of a scheme;
 - (i) be accountable to the collective investment scheme's manager, trustee and the Commission;
 - (j) maintain adequate and proper books of accounts and records that include –
 - (i) a collective investment scheme's assets register in the name of each scheme or fund to which it acts as custodian;
 - (ii) an investment register in which shall be recorded all investments effected and settled on behalf of the scheme; and
 - (iii) an income collection register in which shall be recorded the collective investment scheme or fund's investment, which shall be categorized under income types such as dividends or interest;
 - (l) render monthly and quarterly returns or reports on the account of a collective investment scheme to trustee, and file quarterly returns on their activities in the prescribed format to the Commission;
 - (m) avail the manager of all relevant records of the collective investment scheme's affairs annually, to facilitate the annual auditing of the scheme;
 - (n) avail a collective investment scheme's trustee with all or any information required from time to time;

- (o) charge an annual fee to be negotiated with the collective investment scheme's manager provided that such fee shall not exceed 0.25% of the value of the asset under custody; and
- (p) within five (5) working days of becoming insolvent, file a report to the Commission, the collective investment scheme's manager and the trustees of any other collective investment schemes under its administration.

Duties of
custodian

33. The duties of a custodian of a collective investment scheme shall be to –

- (a) maintain accounts of securities of a client;
- (b) collect the benefits, entitlement or rights accruing to the client in respect of securities;
- (c) keep clients informed of the actions taken or to be taken by the issuer of securities, which may have a bearing on the benefits or rights accruing to the client;
- (d) maintain and reconcile records of the services referred to in sub-rules (a) to (c);
- (e) ensure the settlement of investment obligations; and
- (f) ensure compliance with collective investment scheme specific and other contractual obligations with clients.

Qualifications of
custodian

Act No. 7 of
2017

Cap. 186

34. A custodian shall be –

- (a) a bank registered under the Banking and Financial Services Act or licensed or registered under any Act amending or replacing that Act;
- (b) a trust company which is a subsidiary of a bank registered in accordance with paragraph (a);
- (c) a trust company registered under the Lands (Perpetual Succession) Act; or
- (d) a banking institution or trust company incorporated outside Zambia, which has a subsidiary incorporated in Zambia, and is acceptable to the Commission.

Prohibition of assignment of custodians functions

35. A custodian shall not assign or delegate its functions as custodian to any other person, unless such person is a registered custodian or depository of securities, who shall be registered by the Commission and has the written consent of the client to do so.

Custodians not to carry on any other business

36. (1) Apart from providing custodial services, a custodian shall, not carry on any other activity apart from activities relating to rendering financial services.

(2) Where a custodian carries on other business besides those related to rendering custodial services and transactions incidental thereto –

- (a) all activities relating to its business as custodian of securities shall be separate and segregated from all its other activities; and
- (b) its officers and employees engaged in providing custodial services shall not be engaged in any other activity carried on by the custodian.

Custodial agreement with clients

37. A custodian shall enter into a written agreement with each client on whose behalf it is acting and every such agreement shall provide –

- (a) title;
- (b) acceptance or release of securities from the custody account;
- (c) acceptance or release of monies from the custody account;
- (d) receipt of rights or entitlements relating to securities of the client;
- (e) the manner of registration of securities in respect of each client;
- (f) details of the insurance, if any, to be provided by the custodian;
- (g) arbitration clause;
- (h) fees;
- (i) reporting obligations of the custodian;
- (j) manner in which securities under custody can be used as collateral;
- (k) treatment of non-market related losses in relation to custody assets;

- (l) a statement that the terms and conditions of the custodial agreement are in conformity with the provisions of the Act, regulations and the Commission's rules; and
- (m) other matters relevant or material to the custodial agreement.

Independence of custodian

38. (1) In the exercise of its functions, duties and responsibilities, a custodian shall –

- (a) act independently of the manager and not be affiliated to the manager of the collective investment scheme;
- (b) not be involved in the management of the scheme; and
- (c) act solely in the interest of the investors of the scheme and of the scheme itself.

(2) A custodian, manager or trustee of a collective investment scheme shall not be connected persons and shall act independently of each other:

Provided that a custodian shall act upon the instructions of a manager and the manager shall act upon the instructions of the custodian, to the extent required by the provisions of the agreement between the manager and custodian, the instrument establishing the scheme or as may be required by the Commission.

Conflict of interest between custodian and manager's board member

39. Except as may be authorized by the Commission, a person shall not be a member of the board of directors, similar body or as an officer responsible for the administration or management of a manager of a collective investment scheme and at the same time hold a similar position with the custodian entrusted with the custody of the assets of the collective investment scheme managed by the manager.

Custodian not to be liable for manager's acts or omissions

40. A custodian shall not be liable for any loss or prejudice suffered by a collective investment scheme or its investors or holders as a result of the acts or omissions of a manager except where, and to the extent that, the custodian has failed to perform its functions and duties as provided

under the Act, regulations these Rules or custodial agreement.

Code of
conduct for
custodians

41. (1) A custodian shall –
- (a) maintain the highest standard of integrity, fairness and professionalism in the discharge of its duties;
 - (b) be prompt in distributing dividends, interest, or any income received or collected by it on behalf of its clients on the securities held in its custody;
 - (c) be continuously accountable for the movement of securities in and out of the custody account;
 - (d) deposit and withdraw cash from the client's account;
 - (e) provide a complete audit trail of a client's account whenever requested to do so by the client or the Commission;
 - (f) establish and maintain adequate infrastructural facilities for the proper discharge of custodial services to the satisfaction of clients;
 - (g) ensure that operating procedures and systems are well documented and backed by operation manuals;
 - (h) maintain client confidentiality in respect of the client's affairs;
 - (i) create and maintain the records of securities held in custody in such manner that the tracing of securities or obtaining duplicate title documents is facilitated, in the event of loss of the originals;
 - (j) extend to other custodial entities, depositories and clearing organizations, all such cooperation that is necessary for the conduct of business in the areas of inter-custodial settlements, transfer of securities and transfer of funds;
 - (k) ensure that an arm's length relationship is maintained, both in terms of staff and systems from its other businesses; and
 - (l) exercise due care and diligence in safekeeping and administration of the property of the scheme in its custody for which it is acting as custodian.

(2) A custodian shall not render, directly or indirectly, any investment advice about any security in the publicly accessible media, whether real-time or non-real-time.

(3)

Custodian to have internal control measures

42. (1) A custodian shall have internal control measures to prevent any manipulation of records and documents, including audits of the property of a scheme in its custody and the rights or entitlements arising from such properties.

(2) A custodian shall have safekeeping measures to ensure that its client's securities are protected from theft and other hazards.

Monitoring, review, evaluation and inspection of systems and controls

43. (1) A custodian shall have mechanisms for the purposes of reviewing, monitoring and evaluating its controls.

(2) A custodian shall, 3 months before the end of the scheme's financial year, cause an expert to inspect the mechanism referred to in sub-rule (1), and shall thereafter, forward the experts inspection report to the Commission within 3 months after the date of the inspection.

(3) For the purpose of this rule, an expert shall be an independent person with requisite skills and knowledge recognized by the Commission.

Separate custody accounts for clients

44. A custodian shall –

- (a) open a separate custody account in its record for each client, in the name of the client whose securities are in its custody and the assets of one client shall not be mixed with those of another client or with the proprietary assets of the custodian;
- (b) separately identify in its records, investments held as collateral from the assets of the custodian and from other investments held in its custody; and
- (c) provide its clients at agreed intervals, with a record of their individual entitlements to investments and separately identify any investments which have

been lent or which are held as collateral and are not available to be delivered.

Commission's
Power of
intervention

45. (1) The Commission may examine the activities of a custodian at such intervals as the Commission considers appropriate or necessary in the circumstances.

(2) The Commission may, by order in writing, prohibit a custodian from providing custodial services for a period as the Commission may specify in the order, and make such exceptions, impose such conditions in relation to the exceptions as may be set out in the order, and from time to time, by further order extend the period of prohibition where, after an examination of a custodians activities the—

- (a) Commission is satisfied that a custodian is in a grave situation regarding its activities as custodians;
- (b) custodian informs the Commission that it is likely to become unable to meet its obligations under the Act, regulations and these rules;
- (c) custodian is about to suspend its obligations to any extent; or
- (d) the custodian is insolvent.

(3) The Commission may order a custodian to take any steps or any action or to refrain from doing any act or thing whatsoever, in relation to its business, its directors or officers, which the Commission may consider necessary and which is set out in the order, within such times as may be stipulated therein.

(4) The Commission may order a custodian to remove, for reasons to be recorded in writing, with effect from such date as may be set out in the order, any manager or officer of the custodian.

(5) Without prejudice to the provisions of any written law or any limitations contained in the Articles of Association of the custodian, and notwithstanding any limitation therein as to the minimum or maximum number of directors, and for reasons to be recorded in writing, the Commission may order the custodian to –

- (a) remove from office, with effect from such date as may be set out in the order, any director of the custodian;
- (b) appoint any person or persons to manage the affairs of the custodian in the interim, and provide in the order for the person or persons so appointed to be paid by the custodian such remuneration as may be set out in the order; or
- (c) appoint any person to advise the custodian in relation to the proper conduct of its business and provide, in the order, for the person so appointed to be paid by the custodian such remuneration as may be set out in the order.

Clients may appoint custodian to perform other services

46. (1) A client may appoint a custodian to perform, any or all of the following services for and on their clients behalf:

- (a) confirming transactions in securities;
- (b) settling purchases and sale;
- (c) information reporting; or
- (d) any other services agreed with the custodian.

(2) A copy of a letter of appointment of the custodian should be filed with the Commission by the appointee within 10 working days of such appointment.

(3) A custodian shall keep separate accounts detailing the capital utilisation of any account resulting from such appointment on a daily basis.

(4) A custodian shall make returns regarding its activities under an appointment made in accordance with this rule on a quarterly basis in the form prescribed by the Commission.

Maintenance of records and documents

47. (1) A custodian shall maintain detailed records of the following:

- (a) securities received and released on behalf of each client;
- (b) monies received and released on behalf of each client;
- (c) rights or entitlements of each client arising from the securities held on behalf of the client;

- (d) register of securities in respect of each client;
- (e) ledger for each client;
- (f) instructions received from clients and communication with clients;
- (g) reports submitted to the Commission;
- (h) securities used as collateral; and
- (i) such other documents or reports on the Commission may from time to time prescribe.

(2) A custodian shall notify the Commission of the physical address where the assets and records and documents referred to in sub-rule (1) are maintained.

Preservation of records

48. Without prejudice to the provisions of any law, regulations or these Rules, a custodian shall preserve the records and documents maintained by it for a minimum period of 10 years from the date of the last entry.

Disclaimer of liability

49. A custodian shall not disclaim responsibility for losses of investments due to fraud, wilful default or negligence arising from its acts or omissions or those acts or omissions of its agents, directors or employees appointed by it in the course of the performing its custodial services.

Regulation of nominee account

50. A custodian shall apply for approval to register its client's securities in a nominee account to the Commission, and shall accept payment on behalf of its clients from individual issuers of securities.

Client to consent appointment of nominee

51. A custodian shall not register its client's securities in a nominee account without the client's consent and the custodian shall inform the client of the legal effects of registering the client's securities in the nominee account.

Records of clients requesting for appointment of nominee

52. (1) A collective investment scheme may request a custodian to appoint a nominee for its securities held by the custodian.

(2) A custodian shall keep records of clients requesting registration of nominee of securities and the

custodian shall inform the client of the custodian's obligation to provide such information to the Commission.

(3) A custodian shall preserve the records relating to nominee accounts, for at least ten years after the termination of the registration of the nominee account.

Custodian to maintain record of each individual client

53. (1) A custodian holding securities in a nominee account shall maintain a record of the units for each individual client, which shall include the names and numbers of clients associated with the securities registered in the nominee account, as well as the number of securities covered by each nominee registration agreement.

(2) A record of shares of each client shall be prepared in such a way that there shall be no doubt regarding the ownership of financial instruments.

Record of clients and financial instruments in nominee account

54. (1) A custodian holding securities for clients in a nominee account shall maintain a record of the shares of each individual client which shall include the names and numbers of clients associated with the securities registered in the nominee account, as well as the number of securities covered by each nominee registration agreement.

(2) A record of the shares of each individual client shall be prepared in such a way that there is no doubt regarding the ownership of financial instruments.

Identification of financial instruments registered in nominee accounts

55. A custodian shall identify securities registered in nominee account separately in its register, so that there is no doubt as to which securities are held in a nominee account.

Safe keeping of documents

56. A custodian or a person who is appointed to provide custodial services by the custodian shall ensure that

- (a) documents of, or documents evidencing title are kept, or arrangements are made for them to be kept safe, until dispatched either to the client or in accordance with the clients' instructions;
- (b) it, or a person appointed to provide custodial services on its behalf, acts only on instructions given in accordance with agreed procedures; and

- (c) where custodial records are kept electronically, the custodian or a person appointed to provide custodial services on its behalf, takes necessary precautions to ensure that continuity in record keeping is not lost or destroyed and that sufficient backup system for records is available outside the principal place of business of the custodian.

Clients to withdraw securities where bankruptcy proceedings are commenced against custodian

57. A client may, on the basis of the record provided, withdraw its securities from a nominee account, provided that the ownership of the securities is not disputed where –
- (a) bankruptcy proceedings have been commenced against a custodian;
 - (b) a moratorium has been granted on a custodian debts; or
 - (c) the custodian is wound up or comparable measures are taken against the custodian.

Rights conferred by securities in nominee account

58. (1) No rights besides the rights provided in an instrument creating the securities, may be attached to a nominee account.
- (2) Voting rights at meetings of on investors or holders shall not be attached to a nominee account except where it is expressly required to do so in writing.

Permission to accept payments, etc

59. A custodian may accept payments on behalf of a collective investment scheme from individual issuers of securities, including rights to dividends or other payment and rights to new shares, in the event of an increase in share capital which the custodian shall separate from its other assets.

Disclosure of identity of owner of securities held in nominee account

60. (1) The Commission may, at any time, demand, from a custodian, the disclosure of the identity of any client registered as an owner of securities held in a nominee account.
- (2) A custodian shall provide the Commission with the information required under sub-rule (1) in the form and within the time specified by the Commission.
- (3)

Cancellation of registration of nominee account

61. (1) The Commission may cancel the registration of a custodian's nominee account where the custodian –

- (a) violates a provision of any written law or rules of the Commission regarding the provision of information to the Commission on nominee accounts; or
- (b) in other respects, commits serious or repeated violations of the legal provisions to which its activities are subject.

(2) The Commission shall, before it cancels a registration of a custodian's nominee account pursuant to sub-rule (1), notify the custodian's board of directors, in writing, of its intention to cancel the registration and shall give the custodian an opportunity to be heard within 30 days of the Commission having notice of the violation.

(3) Where a registration of a custodian's nominee accounts is cancelled by the Commission, the nominee accounts held by the custodian shall be transferred to another custodian, and the client shall enter into a new custody agreement with the custodian to whom the nominee accounts have been transferred.

Termination of custody agreement

62. (1) Notwithstanding the provisions of the Act and regulations, an agreement for the custody of securities may be terminated by a custodian or directors of a manager the manager to, or by order of the Commission.

(2) Upon the termination of a custody agreement, the custodian shall convey, for no consideration, the securities held for the collective investment scheme, as instructed by a manager or the Commission without prejudice to the custodian's right to payment of any fees or expenses lawfully due in terms of the custodial agreement entered into with the manager and to any obligations arising in favour of the manager thereafter.

(3) A termination of a custody agreement shall not come into effect before the appointment of another custodian and before the conveyance of the securities held in custody to the new custodian by the outgoing custodian.

Retirement of
custodian

63. (1) A custodian shall not be entitled to retire except where a new custodian has been appointed and the retirement has been approved by the Commission.

(2) The retirement of a custodian shall only take effect when a new custodian assumes the office of custodian of the collective investment scheme.

Functions
of trustees

64. (1) The functions of a trustee of a collective investment scheme shall be to –

- (a) monitor the activities of the manager and custodian on behalf of, and in the interest of holders or investors in the collective investment scheme;
- (b) ensure that a custodian takes into custody all of the schemes assets and holds them in trust for beneficiaries in accordance with the trust deed and custodial agreement;
- (c) monitor the register of holders or investors in the scheme;
- (d) ascertain the manager's compliance with the provisions of the Lands (Perpetual Succession) Act, the Act and the Trust Deed;
- (e) ascertain that monthly and other periodic returns or reports relating to the collective investment scheme are sent to the Commission by the manager;
- (f) ensure that all steps are taken to execute all documents which are necessary to secure acquisitions or disposals properly made by the manager in accordance with the trust deed and custodial agreement;
- (g) exercise any right of voting conferred on the trustee as the registered holder of any investment and to forward to the manager within a reasonable time, all notices of meetings, reports, circulars, proxy solicitations and any other document of a like nature for necessary action;
- (h) ensure that the collective investment scheme is managed in accordance with the Act, regulations,

Cap. 186

Act No. 41
of 2016

General obligations of trustee

- these Rules, the collective investment schemes' trust deed and the custodial agreement;
- (i) ensure that the fees and expenses of the collective investment scheme are within the prescribed limits; and
 - (j) act at all times in the interest of, and for the benefit of holders and investor in the scheme.
- (2) In respect of debt instruments, a trustee shall –
- (a) protect the interest of lenders and clients in such instruments;
 - (b) hold and enforce, where necessary, such securities on behalf of clients;
 - (c) hold and administer sinking funds where applicable;
 - (d) monitor the register of bonds or holders; and
 - (e) perform all other functions stipulated in the trust deed.
65. A trustee shall-
- (a) take all the property of the collective investment scheme into its custody or under its control 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;
 - (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 or 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 manager 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 holders and investors, to be included in the annual report, on whether in the trustee's opinion, the manager has in all material respects managed the collective investment scheme in accordance with the provisions of the constitutive documents and if the manager has not done so, the respect in which it has not done so and the steps which the trustee 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 registerable investments which are held for holders or investors in the collective investment scheme are properly registered in the names of the shareholders or holders or, with the consent of the shareholder or 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 collective investment scheme in the records of the person maintaining records of entitlement.

Qualifications
of trustee

66. A trustee shall be a –

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2017

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

Act No. 10
of 2017

Trustee to
file
executed
trust deed

67. (1) A trustee shall, deliver a duly executed and stamped copy of the collective investment scheme's trust deed to the Commission, before commencing operations or the business of the collective investment scheme specified in the trust deed.

(2) A trust deed shall be executed by the manager and trustee of the collective investment scheme and stamped at the stamp duty's office of the Zambia Revenue Authority.

(3) A trust deed may be signed by a director and secretary or two directors on behalf of the manager or trustee.

(4) The names of a director and secretary signing on behalf of the manager or trustee shall be clearly indicated in the execution clause of the trust deed.

Requirements
as to form,
number, etc,
of trust deed

68. (1) Every trust deed shall be printed and properly bound.

(2) Two copies of a trust deed shall be filed with the Commission together with a completed application for authorization of the collective investment scheme.

(3) A trust deed shall state, on the outside front cover in bold face capital letters, the following information:

- (a) the date of the trust deed;
- (b) the name of the manager;
- (c) the name of the trustee;
- (d) the name of the collective investment scheme constituted by the trust deed;

- (e) an undertaking that the trustee will be liable for breach of its duties where it fails to carry out its duties and responsibilities under the trust deed; and
- (f) an undertaking to report any breach of the terms of the trust deed to the Commission.

Contents of
trust deed

69. Every trust deed shall contain definitions of terms used in the deed and a clause disclosing –

- (a) the constitution of the trust;
- (b) the issue or sale of units;
- (c) the redemption of units by the manager at prices calculated in a manner acceptable to the Commission, which shall be settled not later than 5 working days following the transaction;
- (d) the investment policy of the scheme, including investment outlets;
- (e) the registration of holders or investors;
- (f) the mode of execution and issuance of unit certificates;
- (g) that the underlying assets of the collective investment scheme shall vest in the trustee or, subject to any prescribed conditions, in a nominee approved by the Commission;
- (h) the prohibition or restriction of the issue by and on behalf of the manager, of any advertisements, circular or any statement with respect to the sale price of units, the payments of other benefits received or likely to be received by holders, or invitation to buy units without disclosing also the yield from the units unless such circulars, advertisements, are cleared by the trustee and approved by the Commission;
- (i) the annual management fee to be charged, which shall be a percentage of the net asset value which may be accruable daily and payable monthly, quarterly or annually;
- (j) that the manager of the collective investment scheme shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of

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of 2017

- the collective investment scheme's net asset value per annum;
- (k) that the annual management fee and other expenses shall not exceed 5% of the net asset value of the scheme;
 - (l) the appointment of an auditor and the annual auditing of the accounts of the collective investment scheme;
 - (m) the duties and responsibilities of the managers and trustees;
 - (n) the remunerations of trustees;
 - (o) the removal and retirement of managers and trustees;
 - (p) the duration and termination of the trust;
 - (q) notices and meetings of holders or investors;
 - (r) the affirmation of the separate incorporation of the trustees and the manager in accordance with the Companies Act;
 - (s) that effective control over the affairs of the collective investment scheme is vested in, and shall be exercised independently by the trustee of the collective investment scheme on behalf of holders or investors;
 - (t) an undertaking by the trustee to notify the Commission about any proposed change in management of the fund during the currency of the collective investment scheme;
 - (u) a provision restricting the manager's absolute powers to invest the collective investment scheme by requiring trustee's consent before investments are finalized;
 - (v) the prohibition of the manager from investing in its in-house, trustee's, custodian's or their associates' instruments;
 - (w) that promoters of collective investment schemes shall subscribe to a minimum of 5% of the registered units of the collective investment scheme at inception, and such units shall be held throughout the life of the collective investment scheme;

- (x) that the collective investment scheme shall have an investment committee comprising of not less than three persons who are knowledgeable in investment and financial matters, one of whom shall be independent; and
- (y) the collective investment scheme's risk management processes.

Prohibition of trustee from dealing as principal

70. A trustee or any of its affiliates shall not deal as principal in the sale of underlying assets of a collective investment scheme.

Trustee not to deal or retain securities of investment company

71. A trustee shall not deal in, or retain any underlying securities of any manager, if individual officers of the manager or any of the trustee's affiliates each own more than 1/2 of 1% of the securities of such company and together more than 5% percent of the securities of the manager.

Trustee to inform commission of breach of trust deed

72. Whenever it becomes necessary for a trustee to enforce the terms of a trust deed, the trustee shall inform the Commission of any breach of the terms and conditions of the trust deed which has led to the enforcement of the provisions of the trust deed, not later than 10 working days after notice of the breach.

Removal of trustee

73. (1) A manager shall notify the Commission where a trustee intends to retire, withdraw or where the manager seeks the removal of the trustee giving reasons for the retirement, withdrawal or removal, as the case may be, as well as the suitability of a new trustee to be appointed.

(2) A trustee shall not be entitled to retire except upon the appointment of a new trustee and subject to the prior approval of the Commission.

(3) The removal or retirement of a trustee shall take effect at the same time as the new trustee takes up office.

PART V
NON-ZAMBIAN BASED COLLECTIVE INVESTMENT
SCHEMES

When representative to be appointed

74. 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.

Maintenance of representative

75. If a representative is appointed, the collective investment scheme shall maintain such representative throughout the period that it is authorised in Zambia.

Functions of representative

76. (1) A representative shall not take responsibility for the acts and omissions of the manager or in the case of the collective investment scheme, the directors of the collective investment scheme.

(2) A representative shall be authorised, on behalf of a collective investment scheme and a manager 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 collective investment scheme;
- (d) receive redemption notices, transfer instructions and conversion notices from holders or investors for immediate transmission to the manager or the collective investment scheme;
- (e) accept any notices or correspondence, including service of process, which holders or investors may wish to serve on the collective investment scheme, trustee, custodian or the manager;
- (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 or investors, all constitutive documents of the collective investment scheme;
- (h) provide holders with information on the collective investment 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 collective investment scheme in Zambia; and
- (j) represent the collective investment scheme and the manager 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.

Criteria for appointment

77. (1) A person shall not be appointed as a representative unless the person is licensed as a dealer under the Act.

(2) A representative shall be properly appointed to represent the collective investment scheme and the manager.

Written undertaking

78. A representative shall provide the Commission with a written undertaking that it will perform the duties required of a representative under these Rules.

Replacement of representative

79. Should a representative retire, be removed or be dismissed, the representative shall be replaced within 14 days of such retirement, removal or dismissal as soon as possible, by another representative whose appointment is subject to the approval of the Commission.

Contract to be supplied to Commission

80. (1) Details of all contracts between a Zambia representative agent and the collective investment scheme or the manager shall be supplied to the Commission.

(2) Any amendments of a contract referred to in sub-rule (1) shall be notified to the Commission.

Administrative Requirements

Zambia covering document

81. (1) A Zambia covering document of a scheme shall contain the information specified in **Appendix II**.

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

Requirements
for investment
plans

82. (1) Where investment plans are offered before contracting for a plan, a person wishing to invest in a collective investment scheme shall be given full details in writing of their rights and obligations, of all costs and charges levied on holders or investors and of the consequences of terminating his plan.

(2) Unless a person wishing to invest in a collective investment scheme has requested to the contrary, each holder or investor shall be advised, at least once a year, of the opening balance of units, latest transaction details and closing balance of units.

(3) An investment plan shall include a direction to potential investors that they should refer to the offering document of the collective investment scheme to which they are considering linking their plan.

(4) An investment plan leaflet to be distributed in Zambia shall not solicit investment in schemes which have not been authorised by the Commission; and

(5) At least 3 months prior notice shall be given to concerned holders or investors in respect of any increase of initial fee of investment plans up to the maximum permitted level.

Reporting, Fees and Advertising

Continuing
obligations

83. A collective investment scheme shall, in all cases, comply with the requirements regarding reporting, advertising and public announcements set out in these Rules, which provide for the continuing obligations of all schemes with respect to reporting, fees, advertising and public announcements in Zambia.

Jurisdiction

Jurisdiction
not capable of
exclusion

84. Nothing in the constitutive documents of a collective investment scheme may exclude the jurisdiction of the courts of Zambia to entertain an action concerning a collective investment scheme.

PART VIII
REAL ESTATE SCHEMES

Constitution
of real estate
investment
schemes
investment
scheme
property

85. A real estate scheme may be constituted as a company or trust.

86. (1) A real estate scheme shall wholly acquire and hold legal title to property or choose to hold equitable and beneficial title to such property via a deed of trust or such other structure as may be acceptable to the Commission.

(2) Where a real estate scheme property is held via a deed of trust or such other structure acceptable to the Commission, the scheme shall employ and maintain the following safeguards:

- (a) register a caution indicating the interest of the scheme in the Lands and Deeds Registry;
- (b) affix plaques and other notices on the relevant property indicating the interest of the scheme;
- (c) deposit the original title documents and other relevant pre-signed documents with the scheme's custodian; and
- (d) provide such indemnity to the scheme as may be necessary in the circumstances.

Additional Requirements for Real Estate Schemes

Property
valuation report

87. In addition to any documents required for authorisation specified in the Act, regulations or these Rules, an application for authorisation of a real estate scheme shall be accompanied by a property valuation report.

Offering
document

88. In addition to the general matters required to be disclosed in an offering document, the offering documents for a real estate scheme shall include a property valuation report which shall contain the information listed in **Appendix V**.

Valuation of
real estate
assets

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

Redemption	90. 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 12 calendar months.
Deferment of redemptions	91. Deferment of payment beyond 1 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.
Apportionment of losses	92. 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.
Warning statements	93. Advertisements shall include a warning statement that – <ul style="list-style-type: none"> (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.
Restriction on investments	94. A real estate scheme may invest up to a maximum of 80% of its net asset value in any type of real estate except that at all times a minimum of 20% of its net asset value shall be invested in cash or government treasury bills.

PART VI
PRICING, ISSUE, DISTRIBUTION, REDEMPTION AND CALCULATION OF
UNITS OR SHARES

Calculating prices of units

95. The calculation of prices at which units of any collective investment scheme may be bought or sold shall be made in accordance with the formula set out in Appendix VII.

Terms to maturity of investment asset

96. Approved investments in which a recognized scheme will invest in shall –

(a) have a maximum term to maturity at the time of issuance of not more than 366 days;

(b) undergo regular yield adjustments within a period not exceeding 366 days; and

(c) the remaining term to maturity for short term unsubordinated debt securities in the 3 months prior notice shall be given scheme's portfolio shall be taken to be the period of days remaining till the date of maturity.

Portfolio maturity asset allocation

97. (1) The weighted average maturity of a 3 months prior notice shall be given scheme's portfolio shall not exceed ninety days.

(2) The assets of a collective investment scheme shall be invested a hundred percent by the manager, in permissible instruments with a term to maturity at the date of acquisition of not more than 366 days.

Annual distribution of income

98. A collective investment scheme shall effect the distribution of not less than 25% of the collective investment scheme's income annually where such income is realized, except that this provision shall only apply to collective investment scheme with a stated objective of distributing income.

Government securities

99. A collective investment scheme shall invest a minimum of 25% of its assets in short term debt securities issued or guaranteed by the Republic.

Investment in other authorised schemes

100. A collective investment scheme may invest in other authorized collective investment schemes provided that the collective investment schemes are of a higher investment grade and the proportion of the investment shall not exceed 5% of its net asset value for a single fund and 20% for a group of money market funds.

Valuation
amortised
cost method
or
accumulated
net asset
value

101. A manager and trustee of a collective investment scheme shall work to ensure a stable net asset value per unit or accumulated net asset value of the collective investment scheme determined on the basis of the amortized cost method.

Stable net
asset
value per
unit

102. A collective investment scheme shall market and maintain the value of a unit at a stable net asset value per unit.

Valuation
review

103. (1) A manager of a collective investment scheme shall ensure periodic review of differences between amortized cost value of the collective investment scheme and the market value as a result of changes in yield or prices, and make a report of material deviation where amortized cost value falls below the market value.

(2) Whenever material discrepancies between the amortized cost value of the collective investment scheme's portfolio and the market value is in excess of between 10 basis points (0.1%) and 30 basis points (0.3%), this should be brought to the attention of the Board of the manager and the collective investment scheme's trustees, in writing, within 5 days of such discrepancy coming to light.

(3) Where discrepancies in excess of between 30 basis points (0.3%) and 50 basis points (0.5%) occur between the amortized cost value of the collective investment scheme's portfolio and the market value, the manager shall, with the trustees, jointly notify the Commission, within 5 days of the trustees becoming so informed, in a report specifying the action to be taken to reduce the deviation.

Dividend
distribution

104. (1) Dividends reflecting average accrual income to the collective investment scheme and net of operating expenses shall be distributed to eligible holders in accordance with the agreement for distribution by the holders or investors

(2) Dividend payment shall be computed on the basis of the amortized cost information and shall be disclosed to

holders or investors at the point of subscription of the option to elect for reinvestment or payment of dividend.

Scheme rating

105. A collective investment scheme may be rated by a rating agency registered with the Commission subject to annual review throughout the life of the collective investment scheme.

Risk assessment

106. A collective investment scheme shall have a laid down risk assessment policy in place which shall be disclosed to holders or investors in the offering document or purchase document and at the collective investment scheme's annual general meeting.

PART XI OFFERING DOCUMENT

Requirements as to form of prospectus

107. (1) An offering document to be used, in an offering for sales of the units of a collective investment scheme shall contain a clause for the identity of a prospective client, provided that the information is set forth in such manner as not to obscure any required information necessary to keep such information from being incomplete or misleading.

(2) The information set forth in an offering document shall be presented in clear concise English language under appropriate captions or headings reasonably indicative of the subject matter set forth thereunder.

Statements required in offering document

108. An offering document shall be in the format set out in Appendix IV and shall set forth on the inside cover page a statement showing that –

- (a) the offering document, together with the documents specified therein, have been approved by the trustees and has been delivered to the Commission for registration;
- (b) the offering document has been issued in compliance with the Act, regulations and these Rules for the purpose of giving information to the public with regard to the offer for subscription of

participatory interests in the collective investment scheme; and

- (c) the directors of the manager, collectively and individually, accept full responsibility for the accuracy of the information given and confirm, having made reasonable enquiries, that to the best of their knowledge and belief there are no material facts, the omission of which would make any statement contained therein misleading.

Date of offering document

109. Every offering document shall be dated on the front cover and the effective date of registration of the participatory interests which it offers shall not be earlier than the date of execution of the approved registration documents by all parties at a completion board meeting.

Contents of offering document

110. (1) Every offering document shall contain the information required in these Rules and shall further state the following:

- (a) the name of the issuer or promoter;
- (b) the manager;
- (c) the registration number of the manager;
- (d) the type of units offered;
- (e) the amount of units being offered;
- (f) the price and amount payable in full on application;
- (g) a statement as set out in Appendix VIII which shall appear in bold character;
- (h) a reasonably detailed table of contents in the forepart of the offering document showing the subject matter of the various sections or subsections of the offering document and page number on which each such section or subsection begins;
- (i) the corporate directory of the manager which shall include –
 - (i) details of the directors and principal officers of the manager;
 - (ii) names and profiles of the investment committee members specifying the independent members;

- (iii) e-mail and website address, if any, of the manager; and
- (iv) the collective investment scheme's financial reports of the last three to five years and where the manager is a new company, it shall furnish a statement of affairs including financial projection;
- (j) the offer, stating the dates of opening and closing of the offer, and the names of the trustee or custodian to the collective investment scheme;
- (k) the names and addresses of the directors of the manager and the names of the experts, if any, to the offer;
- (l) the history and prospects of the collective investment scheme;
- (m) the objective of the collective investment scheme, including strategy for achieving the stated objective and a statement that material changes to the investment objective would require the holders' approval;
- (n) offer price;
- (o) management and advisory services;
- (p) yield of the collective investment scheme;
- (q) preliminary charges;
- (r) investment policy of the collective investment scheme, including investment outlets;
- (s) dividends, distribution and re-investment options;
- (t) redemption policies;
- (u) a forecast of income of the collective investment scheme for the next three years;
- (v) statement as to consents of experts to the offer;
- (w) a statement as to consent of the directors of the manager;
- (x) the duration of the collective investment scheme and conditions relating to its termination, and modification of its trust deed;
- (y) the period, not exceeding 90 days of launching the scheme during which subscription at the offer price would be valid;

- (z) a breakdown of the fees, stating clearly that the management fee would be based on the net asset value of the collective investment scheme which shall also state that the initial expense shall be borne by holders or investors to be off-set from the offer proceeds
- (aa) charts, diagrams or flowcharts in the presentation of information, if required to ease understanding of the offering document;
- (bb) detailed information about the trustee and custodian;
- (cc) detailed information of the collective investment scheme with respect to –
 - (i) where the collective investment scheme invests in foreign securities or foreign currency denominated securities of Zambian issuers, asset allocation of the collective investment scheme, by asset category, and the principal market where investment will take place; and
 - (ii) the collective investment scheme’s policies and strategies relating to investment in the securities if not already covered in subparagraph (i);
- (dd) the experience or track record of the manager or any delegate thereof; and
- (ee) any other relevant information.

Allowable fees and expenses 111. The allowable fees and expenses of a collective investment scheme shall include –

- (a) regulatory fees;
- (b) management fee;
- (c) trustee fee;
- (d) custodian fee;
- (e) auditors fees;
- (f) registrar’s fees;
- (g) legal fees;
- (h) brokerage fees or transaction charges;
- (i) taxes and other duties;
- (j) valuation fees;

- (k) advertisement fees;
- (l) expenses for meetings; and
- (m) such other reasonable and justifiable expense incurred in the ordinary course of management of a collective investment scheme.

Matters to be disclosed in offering document

112. A collective investment scheme shall issue an up-to-date offering document which shall contain all the necessary information for a person 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.

Accompaniment to offering document

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

Offering document to accompany application form

114. (1) A collective investment scheme shall not supply an application form to any person who is not a holder unless the application form is accompanied by the offering document.

(2) An advertisement or report containing all the requirements of Appendix IV may be incorporated in an application form.

Inclusion of performance data

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

(2) A collective investment scheme shall not give a forecast of its performance.

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

XV

ADVERTISING AND PUBLIC ANNOUNCEMENTS

Commission to approve advertisements

116. (1) Advertisements, announcements and other invitations, including public announcements to the public in

Zambia to invest in a collective investment scheme, shall be submitted to the Commission for approval prior to their issue or publication in Zambia.

(2) Any advertisement, publication announcement or other invitations, including public announcements to the public in Zambia to invest in a collective investment scheme, submitted for approval, which concern a trustee shall be accompanied by the trustee's written consent.

(3) An approval granted pursuant to this rule may be varied or withdrawn by the Commission as it deems fit.

(4) Once authorised, an advertisement may be used for a maximum period of 6 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 14 calendar days of the submission of the material, the Commission shall be deemed to have approved it.

Statements
as to
authorisation
of scheme

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

Mention of
unauthorised
schemes

118. An advertisement or other invitation to the public in Zambia to invest in a collective investment scheme shall not refer to any scheme which has not obtained authorisation from the Commission.

Warning
statements

119. An advertisement shall include a warning statement to investors that-

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

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

Format of warning statements

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

(2) Notwithstanding sub-rule (1), a warning statement may be in smaller text if printed in bold type or prominently outlined.

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

Advertisement not to state that scheme is fully subscribed or undersubscribed

121. (1) An advertisement shall not state that the scheme has been fully subscribed or oversubscribed during the period the scheme is open for subscription, except to the effect that the issue is open or closed.

(2) An advertisement shall not compare one scheme to another.

(3) Where an advertisement indicates the past performance of the scheme, the basis for computing the rates of return or yield, and adjustments made, if any, shall be expressly indicated with a statement that such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments.

PART VII RESTRICTIONS

Limits of investment

122. Where the limits on investments are affected as a result of diminution or appreciation in value of the related part of the scheme's portfolio, a manager shall not enter into any further transaction that will cause any further diminution or appreciation in the limit already breached, and the manager shall take any necessary action to rectify the breach within three months of the occurrence.

Investment restriction

123. The funds and assets of a collective investment scheme shall not be invested in unlisted securities where the investment –

- (a) is in the start-up stage of the target company, or would qualify as seed capital;

- (b) shall cause the value of the assets of the scheme so invested to exceed 20% of the net asset value of the scheme;
- (c) shall cause the value of the scheme so invested in the securities of a single unlisted company to exceed 5% of the net asset value of the scheme; or
- (d) is in a company where the board, management, or an affiliate of the manager, jointly or severally have more than 10% stake.

Investing in unlisted securities

124. (1) A collective investment scheme shall only invest in the unlisted securities of a company that has been rated to be of investment grade by a reputable securities exchange or licensed rating agency.

(2) A collective investment scheme which invests in unlisted securities shall undergo and submit a report of an annual rating by a rating agency or a reputable securities exchange licensed by the Commission.

Underwriting contracts

125. A person shall not enter into an underwriting or sub-underwriting contract on behalf of a collective investment scheme without the prior consent of the trustee or custodian, and unless the scheme or the manager provides, in writing, that all commissions and fees payable to the manager under such contract and all investments acquired pursuant to such contract shall form part of the scheme's assets.

Interest on deposits

126. If cash forming part of a collective investment scheme's assets is deposited with a trustee, custodian, manager, investment adviser or any person connected to the trustee, custodian, manager, investment adviser, being a person 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.

Transaction to be at arms length

127. (1) All transactions carried out by or on behalf of a collective investment scheme shall be at arm's length.

(2) In particular, any transactions between a collective investment scheme and a manager, investment

adviser, the directors of the scheme or any person connected to the manager, investment adviser or the directors as principal, may only be made with the prior consent of the trustee or custodian.

(3) A trustee shall not ratify a transaction entered into by a collective investment scheme and a related party after the transaction is finalised.

(4) All transactions made in accordance with this rule shall be disclosed in the scheme's annual report.

Diversity
of dealers

128. (1) A single connected dealer shall not account for fifty per cent or more of the collective investment scheme's transactions in value in any one financial year of the scheme.

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

(3) A collective investment scheme shall disclose, in its annual report that a single dealer accounted for fifty per cent or more of the scheme's transactions in value in any one financial year.

Requirements
for meetings

129. A collective investment scheme shall arrange to conduct general meetings of holders in the following manner:

- (a) a holder may be permitted to appoint a proxy;
- (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 25% 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 15 days, and the quorum at an adjourned meeting shall be those persons present in person or by proxy;

- (e) if a possibility exists of a conflict of interests between different classes of holders 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 rule **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 manager, 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, trustee, custodian, manager, investment adviser or any persons connected to the directors, trustee, custodian, manager, investment adviser shall be 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 75% or more of the votes of those present and entitled to vote in person or by proxy at a duly convened meeting.

Additional disclosure

130. A manager seeking to invest assets of a scheme in unlisted securities shall disclose –

- (a) the nature and extent of its professional indemnity insurance coverage, in the scheme's offer documents;
- (b) the interest of its board, management or affiliate, if any, in the target unlisted company;
- (c) all risk associated with investments in unlisted securities, and proposed strategies to mitigate those risks;
- (d) the scheme's proposed maximum exposure to unlisted securities; and
- (e) to clients, through the scheme offering document, the fact that the scheme shall also invest in unlisted securities.

Client
protection

131. (1) The constitutive documents of a collective investment scheme which intends to invest in unlisted securities shall provide for a liability clause stating that the manager shall take full responsibility for any investment in the unlisted security that shall be taken by the scheme.

(2) A copy of an agreement between the manager and the target company on the investment exit strategy shall be submitted to the Commission prior to making the investment.

Valuation

132. (1) A manager who invests in unlisted securities shall perform a quarterly valuation of the portfolio of unlisted equities.

(2) The methods or bases of valuation shall be adequately disclosed in a collective investment scheme's offering document.

(3) Fair value shall be determined on methods or bases which have been verified by a collective investment scheme's auditor and approved by the Trustees.

(4) In estimating fair value of an investment, a manager shall apply a methodology that is appropriate in the light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio, and shall use reasonable inputs, assumptions and estimates.

(5) Fair value shall reflect reasonable estimates and assumptions of all significant factors that parties to an arm's

length transaction would be expected to consider including those which impact upon the expected cash flows from the investment.

Reports
and returns

133. A collective investment scheme which invests in unlisted securities shall attach a detailed report on the investment in the monthly, quarterly, and annual report or return in a format prescribed by the Commission.

Spread of
investments

134. The value of a scheme's holding of securities issued by any single issuer may not exceed twenty per cent at book value or twenty-five per cent at market value.

Class of
securities

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

Unlisted
securities

136. 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.

Government
securities

137. (1) Rules 135 and 136 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.

Futures and
commodities

138. A scheme may not enter into any financial futures contracts save in respect of currencies for hedging purposes.

Commodities

139. (1) The only physical commodities that may be held by a Scheme are gold, silver, platinum, copper and any other commodity prescribed by the Commission.

(2) The commodities referred to in sub-rule (1) may not exceed in aggregate twenty per cent of its total net asset value.

Investment in
other schemes

140. (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 these rules and where such scheme's objective is to invest primarily in investments restricted by these rules, such holdings may not be in contravention of the relevant limitation.

Feeder funds

141. (1) Notwithstanding rule 140, a scheme may invest all of its assets in a single collective investment scheme and be authorised as a feeder fund.

(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.

Limitation on overall costs and charges

142. 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.

Restriction on real estate investments

143. (1) A real estate scheme shall comply with the following additional requirements:

- (a) the provisions of Part IV; and
- (b) the provisions of Appendix V.

Limitations on making loans

144. 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 or custodian.

Unlimited liability

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

Limitations on securities in which directors/officers have interests

146. 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 nil or partly paid securities

147. The portfolio of a scheme shall 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.

Borrowing prohibition

148. A scheme shall not borrow.

Applicability of restrictions to umbrella funds

149. (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 sub-fund of the umbrella fund as if each such separate part were a single scheme.

(2) Notwithstanding sub-rule (1), rule 135 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.

Breach of investment limits

150. Where investment limits are breached, a manager of a collective investment scheme shall, within 7 days of such breach-

- (a) submit a plan to remedy the situation to the trustee and Commission; or
 - (b) request the manager to disinvest and bear the resulting loss to the investors.
- (2)

Name of scheme

151. 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.

**PART XIV
FEES**

Statement as to costs and charges

152. The basis or level 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).

Sales agents commission

153. Commission to sales, advertising agents or other business acquisition costs in respect of dealing in units or shares of the scheme shall not be payable from the scheme's property.

Notice of increase of management or other fees

154. A manager, custodian, trustee or investment adviser shall give at least 3 month's notice to all holders, of any increase, up to the maximum level permitted under the scheme, of their management or other fees.

**PART X
AUDITOR**

Appointment of auditor

155. A manager of a collective investment scheme shall appoint an auditor for the scheme at the outset and immediately after the occurrence of a vacancy.

Qualifications of auditor

156. (1) A person shall not be appointed as an auditor for a collective investment scheme unless the person is a bonafide member of the Zambia Institute of Chartered Accountants, holds a valid practising certificate as provided in the Accountants Act and is approved by the Commission.

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13 of 2008

(2) An auditor appointed in accordance with sub-rule (1), shall be independent of the manager, trustee or custodian.

(3) An auditor of a collective investment scheme shall not perform the functions of auditor for the trustee, custodian or manager of the scheme.

Audit of annual report

157. (1) A manager shall cause all collective investment schemes' under its management to be audited,

within three months of the financial year end, by an auditor approved by the Commission.

PART XIII REPORTING REQUIREMENTS

Reports on
prices and asset
values

158. (1) A manager of a collective investment scheme shall publish the scheme's latest available offer, redemption prices and net asset value daily in at least two daily national newspapers of general circulation in the Republic, electronically on the Commission's website and any other media as the Commission shall deem fit.

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

Reporting to
Commission

159. Subsequent to the authorisation of a scheme, a manager, custodian or trustee shall file all financial reports produced by, or for the scheme, manager, custodian or trustee with the Commission, within –

- (a) 2 months, for interim reports; and
- (b) 3 months for final reports.

Commission
may require
further
information

160. A manager shall supply all information relevant to the scheme's financial reports and accounts upon request by the Commission.

Changes to
data in
application
form

161. A manager shall notify the Commission of any change to the data in an application form within 7 days of such change.

Notice of
changes to
constitutive
documents

162. A manager of a collective investment scheme shall notify holders of any amendments to the constitutive documents of the scheme within 7 days of such amendment.

Report to
holders

163. (1) A manager shall publish at least 2 reports in respect of each financial year.

(2) A manager shall cause annual reports to be published and distributed to holders within 3 months of the end of the scheme's financial year and interim reports shall be published and distributed to holders within 2 months of the end of the period they cover.

PART XII
KEY FACTS STATEMENTS

Obligation to
prepare and
maintain Key
Facts
Statement

164. (1) A manager, of a collective investment scheme shall cause to be prepared and maintained a Key Facts Statement in accordance with these Rules.

(2) Unless otherwise permitted by these Rules, a Key Facts Statement shall not be part of the offering document and shall be separately provided to investors in addition to an offering document.

(3) A manager of a collective investment scheme who provides a Key Facts Statement to an investor shall remain responsible for providing an offering document or any other document required by law to such investor.

(4) A manager shall ensure that a Key Facts Statement refers to information in the offering document, constitutive documents and other prescribed documents.

Submission
of Key Facts
Statements
for approval

165. (1) A manager shall submit a Key Facts Statement of a collective investment scheme to the Commission for approval.

(2) Where a collective investment scheme is yet to be authorised by the Commission, a dealer or investment advisor shall prepare a Key Facts Statement relating to the scheme, which the dealer or investment advisor shall submit to the Commission at the time of submission of the application for authorization of the scheme, together with the offering document for the scheme.

(3) A manager shall, where a collective investment scheme was authorised by the Commission before the commencement of these Rules, prepare and submit a Key Facts Statement to the Commission for approval, within ninety days of the commencement of these Rules.

(4) The Commission shall approve or reject a Key Facts Statement submitted for approval within thirty days.

(5) The Commission shall, where it approves a Key Facts Statement, notify the manager, dealer or investment adviser in writing of the collective investment scheme which submitted the Key Facts Statement for approval and the statement shall be effective from the date of notification.

(6) The Commission shall, where it rejects a Key Facts Statement –

- (a) notify the manager, dealer or investment adviser of the collective investment scheme, in writing, stating the changes that the manager is required to make to the Key Facts Statement; and
- (b) require the manager to resubmit the corrected Key Fact Statement to the Commission within fourteen days of receipt of the notification of rejection by the Commission.

Obligation to
update Key
Facts
Statements

166. (1) A manager of a collective investment scheme shall update a Key Facts Statement annually, to reflect changes or developments affecting the information that must be included in the Key Facts Statement, where there is a material change, or any change to a material fact, relevant to the information that must be included in the Key Facts Statement

(2) A manager of a collective investment scheme shall submit an updated Key Facts Statement to the Commission for approval within 14 days from the date the manager, became aware of the changes to the material information in the Key Facts Statement.

(3) The Commission shall, within 30 days of receipt of an updated Key Facts Statement submitted in accordance with sub-rule (2), approve or reject the updated Key Facts Statement.

(4) The Commission shall, where it approves an updated Key Facts Statement, immediately notify the manager of the collective investment scheme in writing, and the updated Key Facts Statement shall be effective from the date of such notification.

(5) The Commission shall, where it rejects an updated Key Facts Statement –

- (a) notify the manager of the collective investment scheme in writing specifying the changes the manager is required to make to the updated Key Facts Statement; and

- (b) require the manager to resubmit the updated Key Facts Statement to the Commission within fourteen days of receipt of the notification to resubmit.

Retention of documents

167. (1) The manager of a collective investment scheme shall retain copies, and to the extent possible the originals, of all documents related to, and used in the preparation and distribution of the Key Facts Statement for at least ten years.

(2) The documents referred to in sub-rule (1), shall be available for inspection by the Commission on demand.

Obligation to provide Key Facts Statements to investors

168. (1) A manager of a collective investment scheme shall provide a current Key Facts Statement to all investors to whom they offer or sell shares, units or other securities representing an interest in a collective investment scheme.

(2) A manager shall provide a current Key Facts Statement to all holders of shares, units or other securities representing an interest in a collective investment scheme within 14 days of approval of the Statement by the Commission.

Delivery, timing and manner of delivery of Key Facts Statement

169. (1) A manager shall provide a Key Facts Statement for a collective investment scheme to a person who wishes to invest in the scheme within a reasonable time prior to the sale of participatory interests to enable the person to read and understand the statement.

(2) A manager shall ensure that a Key Facts Statement is provided with the offering document.

(3) A person to whom a Key Facts Statement is to be provided shall be notified that the person may opt for any of the following methods of delivery:

- (a) collecting it from the office of the manager of the collective investment scheme;
- (b) postal mail;
- (c) electronic mail;
- (d) facsimile transmission; or
- (e) such other mode of delivery as the Commission may determine.

(4) Where a Key Facts Statement is delivered to an investor in accordance with sub-rule (2), the manager of the collective investment scheme shall notify the investor of the delivery and that the person may obtain the statement in hard copy or in a digital format in a durable medium.

Notice
statement

170. (1) A Key Facts Statement shall prominently state at the beginning of the Statement, a notice showing that

–

- (a) the Key Facts Statement provides key information about the collective investment scheme but does not contain all of the information relevant to the collective investment scheme;
- (b) the full disclosure of the information regarding the Key Facts Statement is in the offering document and other constitutive documents of the collective investment scheme which can be obtained from the collective investment scheme or its manager and indicating how the documents can be obtained;
- (c) the manager of the collective investment scheme is required to provide it to investors.

(2) A warning statement made in accordance with sub-rule (1) shall be printed in the same font type and size as the rest of the text in the advertisement.

(3) Despite sub-rule (2), a warning statement may be in smaller font if it is printed in bold type or prominently outlined.

(4) A collective investment scheme shall ensure that a warning statement is capable of being read with reasonable ease by anyone reading the Key Facts Statement.

Information to
be contained in
Key Facts
Statement

171. (1) A Key Facts Statement shall include all of the information specified in Appendix II and, if applicable, Appendix III.

(2) If there is additional material information relevant to a specific collective investment scheme that is not specified in Appendix II, the information should be added, where appropriate, in the Key Facts Statement.

Format of
Key Facts
Statement

172. (1) A Key Facts Statement shall be in the form specified in Appendices I(A) or I(B).

(3) A Key Facts Statement shall not exceed three pages in length and shall be written in language that –

- (a) is capable of being read with reasonable ease;
- (b) is clear, succinct and comprehensible;
- (c) avoids the use of jargon; and
- (d) avoids technical terms when everyday words can be used instead.

(4) The minimum font size of a Key Facts Statement shall be 11.

False
deceptive
and
misleading
statements

173. (1) A Key Facts Statement shall not contain statements or other information that are false, deceptive or misleading.

(2) A person selling or offering to sell shares, units or other securities representing an interest in a collective investment scheme shall not, verbally or in writing, communicate to an investor that the information in the Key Facts Statement is not necessary, important or useful for such person in deciding to buy, sell or hold such shares, units or interests.

(3) A manager who submits, to the Commission, a Key Facts Statement that contains false, deceptive or misleading statements commits an offence and shall be liable on conviction, to an administrative penalty as provided for under the Act.

(4) A manager who gives, to an investor, a Key Facts Statement that contains false, deceptive or misleading statements commits an offence and shall be liable, on conviction, to an administrative penalty as provided in the Act.

(5) A manager who, directly or indirectly, for the purpose of inducing an investor to enter into a securities transaction in a collective investment scheme –

- (a) makes, a statement relating to securities specified in a Key Facts Statement that the manager knows or has reasonable grounds to believe is false or misleading; or

- (b) omits a material fact in a statement relating to securities specified in a Key Facts Statement that the manager knows or has reasonable grounds to believe is rendered false or misleading by reason of omission of that fact:

commits an offence and shall be liable, to an administrative penalty as provided in the Act.

(6) A manager who, verbally or in writing, communicates to an investor that a Key Facts Statement and the information contained in it is not necessary, important or useful for the person to make an investment decision relating to the shares, units or other securities representing an interest in the collective investment scheme commits an offence and shall be liable, to an administrative penalty as provided in the Act.

Failure to obtain approval for a Key Facts Statement

174. (1) A manager who fails to –

- (a) submit to the Commission, a Key Facts Statement for approval;
- (b) update a Key Facts Statement; or
- (c) submit to the Commission, an updated Key Facts Statement for approval, as required by these Rules

commits an offence and shall be liable to an administrative penalty as provided in the Act.

(2) A manager who provides to an investor a Key Facts Statement that is not approved by the Commission but which the manager purports to be a statement approved by the Commission, commits an offence and shall be liable, to an administrative penalty as provided for under the Act.

Failure to provide an approved Key Facts Statement to an investor

175. (1) A manager who fails to provide a current Key Facts Statement to an investor commits an offence and shall be liable, to an administrative penalty as provided in the Act.

(2) A manager who fails to provide a current Key Facts Statement to an investor within fourteen days of approval of any updates to the Key Facts Statement by the Commission commits an offence and shall be liable to an administrative penalty as provided in the Act.

PART XVI
WINDING UP OF COLLECTIVE INVESTMENT SCHEME

When
collective
investment
scheme
may be
wound up

Act No. 9
of 2017

176. (1) A collective investment scheme shall not be wound up except under a court order made pursuant to the provisions of these rules unless –

- (a) effect has been given in accordance with the provisions relating to a winding up order in the Corporate Insolvency Act, to a proposal to wind up the affairs of a company otherwise than by the court, and provided that the Commission shall have first exercised its powers to intervene in the management of the collective investment scheme before an application is made to court for winding up of the collective investment scheme; or
- (b) a statement has been prepared and delivered to the Commission in accordance with paragraphs 3(a), and received by the Commission prior to satisfaction of the condition in sub-rule (1) (a).

(2) Subject to sub-rule (1) and the subsequent provisions of these Rules, a collective investment scheme shall be wound up under these Rules if –

- (a) an extraordinary resolution to that effect has been passed;
- (b) when the period, if any, fixed for the duration of the collective investment scheme by its constitutive documents, expires; or
- (c) the event occurs, on the occurrence of which its instrument of incorporation provides that the collective investment scheme is to be wound up.

(3) On, or before a notice proposing to wind up the affairs of a collective investment scheme is given to the Commission, the board of directors shall commence to make a full inquiry into the collective investment scheme's affairs so as to ascertain whether the scheme will be able to meet all its liabilities, which include contingent and prospective liabilities, and the manager shall prepare a statement, which shall reflect the results of such enquiry, and either –

- (a) confirm that the collective investment scheme will be able to meet all its liabilities within twelve months of the date of the statement; or

- (b) state that such confirmation cannot be given.
- (4) A statement made in accordance with sub-rule (3) shall –
 - (a) relate to the collective investment scheme's affairs at the date which must not be more than twenty-one days prior to the date on which notice is given to the Commission; and
 - (b) be approved by the trustee or board of directors and be signed on their behalf by the manager, and if it is given under paragraph (a) of sub-rule (3), by at least one other director or alternatively, be signed by the manager and contain a statement signed by the auditor to the effect that in the auditor's opinion the enquiry required by sub-rule (3) has been properly made and is fairly reflected by the confirmation.
- (5) Following compliance with sub-rule (4), the statement referred to in sub-rule (3) shall be delivered to the Commission and a copy sent to the custodian.

Consequences
of
commencement
of winding up

177. (1) In this rule, 'effective time' means either the time at which the both conditions referred to in sub-rule (1) of rule 100 are satisfied, or, if later, the time, determined in accordance with sub-rule (2) of rule 145 at which the collective investment scheme shall be wound up.
- (2) Immediately following the effective time –
 - (a) regulations or rules relating to pricing, dealing, investment and borrowing powers shall cease to apply to the collective investment scheme;
 - (b) the collective investment scheme shall cease to issue and cancel shares or units;
 - (c) the manager shall cease to sell or redeem shares or to arrange for the collective investment scheme to issue to cancel them;
 - (d) no transfer of a share shall be registered and no other change to the register of holders shall be made without the sanction of the trustee or board of directors, as the case may be; and
 - (e) the collective investment scheme shall cease to carry on its business, except so far as may be

required for its beneficial winding up except that, the corporate state and corporate powers of the scheme and, subject to the preceding provisions of this rule, the powers of the trustee or board of directors shall continue until the collective investment scheme is dissolved.

(3) A manager shall, as soon as is practicable after the effective time –

- (a) cause to be published, the management's decision to wind up the collective investment scheme and the date of commencement of the winding up, in at least two daily newspapers of general circulation in the Republic; and
- (b) if the manager has not previously notified the holders of the proposal to wind up, give written notice of the commencement of the winding up to the holders.

Manner of winding up

178. (1) A manager of a collective investment scheme shall, as soon as practicable after the winding up effective time, cause the collective investment scheme portfolio to be utilized, and the liabilities of the collective investment schemes to be met out of the proceeds.

(2) The manager shall give instructions to the custodian as to how proceeds, until utilized to meet liabilities or make distributions to holders, shall be held and such instructions shall be with a view to the prudent protection of the holders against loss:

Provided there are sufficient liquid funds available after making adequate provision for the expenses of the winding up and the discharge of the liabilities of the collective investment scheme remaining to be discharged, the manager may arrange to make one or more interim distributions out of such funds to the holders proportionately to the right to participate in collective investment scheme portfolio attached to their respective shares as at the effective time.

(3) When the manager has caused all the collective investment scheme portfolio to be realized and all of the liabilities of the collective investment scheme known to the manager have been met, the manager shall make a final

distribution, on or prior to the date on which the final account is sent to the holders in accordance with rule 107(6), of the balance remaining, net of a provision for any further expenses of the collective investment scheme, to the holders in the same proportions as provided in sub-rule (2).

(4) Sub-rules 1 to 3 are subject to the terms of any scheme of amalgamation or reconstruction sanctioned by an extraordinary resolution of the collective investment scheme passed on or before the effective time.

Trustees' obligations in a winding up

179. (1) Where a scheme is wound up a trustee shall –

- (a) issue a public notice, disclosing the reasons for the winding up of the scheme, in at least two national newspapers of general circulation in the Republic;
- (b) in conjunction with the manager, ensure that the assets of the scheme are disposed of in the best interest of the holders;
- (c) ensure that the proceeds from the sale of assets of the scheme are distributed to holders in proportion to their holding after discharging all outstanding liabilities;
- (d) ensure that the scheme is fully wound up within twelve months of notifying the Commission;
- (e) forward to the Commission, on completion of the winding up –
 - (i) a report on steps taken for realization of the assets of the scheme, expenses for winding up, and net assets available for distribution to holders;
 - (ii) a certificate from the auditors of the scheme to the effect that all assets of the scheme are realized, and the details of the distribution of the proceeds; and
- (f) keep unclaimed money, if any, in an interest yielding account for the purpose of meeting investors' claims.

Manager to cease to carry on scheme business

180. (1) A manager of a collective investment scheme shall cease to carry on any collective investment

scheme activities in respect of the scheme, on or from, the date of publication of the notice of a winding up as provided under these Rules, except for the purpose of liquidating the schemes assets

(2) The Commission shall approve the winding up of a collective investment scheme, when it is satisfied that the requirements of these Rules have been complied with.

Final
account

181. (1) As soon as a collective investment scheme's affairs are fully wound up, including distribution or provision for distribution in accordance with rule 104(3), a manager shall prepare an account of the winding up, showing how it has been conducted and how the collective investment scheme portfolio has been disposed of.

(2) An account made under sub-rule (1) shall, following its approval by the trustee or board of directors as the case may be, be signed on their behalf by the manager and the trustee or at least one other director as the case may be.

(3) A final account shall state the date on which the collective investment scheme's affairs were fully wound up and the date stated shall be regarded as the final day of the accounting period of the scheme.

(4) The collective investment scheme's auditor shall make a report in respect of the final account, which shall state the auditor's opinion as to whether the final account has been properly prepared for the purposes of this rule.

(5) Within two months of the end of the final accounting period, the manager shall send a copy of the final account and the auditor's report on it to the Commission, to each person who was a holder, or the first named joint holders, immediately before the final accounting period.

(6) The account, once signed, shall be the final account for the purposes of these Rules.

Duty to
ascertain
liabilities

182. (1) A manager shall have a duty to use all reasonable endeavours to ensure that all the liabilities of the collective investment scheme are discharged prior to the completion of a winding up.

(2) The duty of a manager referred to in sub-rule (1), relates to all liabilities of the scheme of which –

- (a) the manager is, or becomes, aware prior to the completion of the winding up; or
- (b) the manager would have become aware of prior to the completion of the winding up had it used all reasonable endeavours to ascertain the liabilities of the collective investment scheme.

(3) If a manager rejects any claim against the collective investment scheme in whole or part, the manager shall forthwith send to the claimant a written notice of the manager's reasons for such rejection.

(4) If, after the effective time, a manager is of the opinion that a collective investment scheme will not be able to meet all its liabilities within 12 months of the date of a statement made in accordance with rule 145-

- (a) the manager shall notify the trustee or board of directors, as the case may be, immediately; and
- (b) the trustee or board of directors, as the case may be, shall forthwith present a petition or cause the collective investment scheme to present a petition for the winding up in accordance with the Corporate Insolvency Act.

183. (1) While a collective investment scheme is being wound up –

183. (1) While a collective investment scheme is being wound up –

- (a) the annual and half-yearly accounting periods shall continue to run;
- (b) the provisions about annual and interim allocation of income shall continue to apply; and
- (c) annual and half - yearly reports shall continue to be required.

(2) A manager shall not be required to send to each holder, a copy of any report relating to an accounting period or half-yearly accounting period which began after the effective time, if the trustee or board of directors of the collective investment scheme, as the case may be, after consulting the Commission, are satisfied that the interests of the holders are not such as to require the report to be sent

to the holders, but a copy of the report shall be sent or supplied free of charge to any holder requesting the same.

Liability of manager in winding up

184. (1) A manager shall be personally liable to meet any liability of a collective investment scheme wound up under these Rules, whether or not the collective investment scheme has been dissolved, that was not discharged prior to the completion of the winding up, except to the extent that the manager can show that it has complied with rule 108.

(2) If the proceeds of the realization of the assets attributable, or allocated to a particular sub-scheme of an umbrella scheme are insufficient to meet the liabilities attributable or allocated to that sub-scheme, the manager shall pay to the scheme for the account of the sub-scheme, the amount of the deficit, except and to the extent that the manager can show that the deficit did not arise as a result of any failure by the manager to comply with these Rules.

(3) The obligations of a manager under this rule shall not affect any other obligation of the manager under these Rules or any applicable law.

Additional liabilities applicable to umbrella schemes

185. (1) In this rule, a reference to –

- (a) shares, shall be a reference to shares of the class related to the sub-scheme to be terminated;
- (b) holders, shall be references to holders of such shares;
- (c) a resolution or extra-ordinary resolution, shall be a reference to such resolution passed at a meeting of holders of shares of the class or classes referred to in paragraph (a);
- (d) a reference to a collective investment scheme portfolio, shall be a reference to a collective investment scheme portfolio allocated or attributable to the sub-scheme to be terminated; and
- (e) a reference to liabilities shall be a reference to liabilities of the company allocated or attributable to the sub-scheme to be terminated.

(2) Liabilities of an umbrella scheme attributable, or allocated to a particular sub-scheme, shall be met out of the collective investment scheme portfolio umbrella attributable or allocated to such sub-scheme.

Cessation of
existence of
scheme

186. When the Commission has approved a winding up report submitted by a collective investment scheme in accordance with these Rules, the scheme shall cease to exist and shall not conduct any further collective investment scheme activities.

Termination
of scheme

187. (1) Any decision to terminate a collective investment scheme shall be justifiable and shall be subject to the approval of the Commission.

(2) A manager of a collective investment scheme shall demonstrate that the decision to terminate the scheme has taken due account of the interests of investors in the scheme.

(3) Where the Commission has approved the termination of a collective investment scheme, the scheme shall cease to exist and shall not conduct any further collective investment scheme activities.

Circumstances
when scheme
can be
terminated

188. A collective investment scheme may be terminated under the following circumstances:

- (a) by order of the court;
- (b) by resolution of holders;
- (c) where, the scheme has reached the end of its natural life and seeks to wind-up and distribute redemption proceeds to holders in line with its investment objective;
- (d) where, after taking factors such as costs into account, to continue in existence would not be acting in the best interests of holders;
- (e) where the scheme fails to attract significant assets at the outset and ceases operations and terminate within a relatively short period of time of initial launch;
- (f) where the manager is being wound up, if the manager has, in the opinion of the trustee, ceased to carry on business; or

- (g) where the manager has, in the opinion of the trustee, failed to comply with a provision of the trust deed to the prejudice of holders;

PART XVII GENERAL PROVISIONS

Investment committee for collective investment schemes

189. A collective investment scheme shall have an investment committee, comprising not less than three persons knowledgeable in investment and financial matters and who shall be independent of the manager, trustee and custodian.

Quorum at meetings

190. (1) A Manager shall, in consultation with the Trustee, call for an annual meeting of unit holders at which unit holders shall be updated on the performance of the scheme.

(2) The quorum at a meeting of investors of a collective investment scheme shall be at least five holders holding not less than 25% of the issued participatory interests of the scheme.

Promoter of scheme to subscribe to registered units

191. The promoter of a collective investment scheme shall subscribe to a minimum of 5% of the registered units of the scheme at inception, and such units shall be held throughout the life of the scheme.

Requirements for licence

192. (1) The type of licence required by a collective investment scheme shall depend on the functions to be performed by the manager in Zambia.

(2) A manager that is incorporated in Zambia may be licensed as an investment adviser under the Act, however, should the manager undertake the distribution function in Zambia or otherwise deal in securities, it shall be licensed as a dealer.

Constitutive documents

193. (1) The constitutive documents of a collective investment scheme shall contain the information set out in Appendix II.

(2) Nothing in the constitutive documents of a collective investment scheme may provide that a trustee,

custodian, manager or directors of the scheme shall be exempted from any liability to holders, imposed under the law of the Republic 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.

Alteration of
constitutive
documents

194. (1) The constitutive documents of a collective investment scheme may be altered by a manager, trustee or custodian without consulting holders, provided that the manager, trustee or custodian certifies in writing, that in its opinion the proposed alteration –

- (a) is necessary to enable compliance with fiscal or other statutory or official requirements;
- (b) does not materially prejudice holders' interests;
- (c) does not, to any material extent, release the trustee, custodian, manager or any other person from any liability to holders;
- (d) does not increase the costs and charges payable from the scheme property; or
- (e) 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 comprised of no less than 50% of those holders present and eligible to vote at the meeting. .

Commission to
approve
alterations to
constitutive
documents

195. (1) All proposed alterations to the constitutive documents of a collective investment scheme shall be submitted to the Commission for prior approval.

(2) The Commission shall determine whether holders shall be notified of a proposed alteration and the period of notice, if any, that shall be applied before the alterations are to take effect.

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

Self managed
schemes

196. A collective investment scheme may be managed by its own board of directors who shall perform the functions of a manager and any reference to the directors of a manager

shall be deemed to be references to the directors of a self-managed scheme.

Directors of self-managed scheme not to

197. The directors of a self-managed scheme are shall not deal with the collective investment scheme as principals.

Requirements for self-managed schemes

198. A self-managed scheme shall, in addition to any other requirements, specify the following in its trust deed:

- (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.

General penalty

199. A person who contravenes any of the provisions of these Rules for which a specific penalty is not specified commits an offence and is liable on conviction to a fine not exceeding one million penalty units or to imprisonment for a term not exceeding 1 year or to both and to a further penalty of ten thousand penalty units for each day the offence or non-compliance continues.

APPENDIX I (A)
(Rule 105)
Key Facts Statement (KFS)

(Rule 79)

COLLECTIVE INVESTMENT SCHEME):

[State name and type of COLLECTIVE INVESTMENT SCHEME]

Investment objective: [State objective of COLLECTIVE INVESTMENT SCHEME]

Date: [Date of KFS]

Purpose of this statement

This Key Facts Statement provides summary information about the collective investment scheme. You can use it to compare this collective investment scheme with other collective investment schemes by also obtaining their Key Facts Statement. It does not provide all of the information necessary to understand the collective investment scheme in detail. It should be read in conjunction with the Offering Document and other constitutive documents of the collective investment scheme. You can obtain these documents at the offices of the collective investment scheme or its manager.

collective investment scheme authorization:	[State the date of authorization by the SEC and the SEC authorization (or reference) number. State the name of any other entities that regulate the collective investment scheme. if a foreign collective investment scheme, state the name of the foreign authorizing or licensing entity,	Manager:	[State name of manager]
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	the date of authorization and the date of permission to operate in Zambia given by the SEC.]		
Manager's authorization:	[State the date of license of the Manager of the collective investment scheme and its sec license number. State the name of any other entities that regulate the manager]	Contacting the manager:	[State the primary person at the Manager and collective investment scheme who is responsible for dealing with investors and State their contact details.]
Form of collective investment scheme and its interests:	[State the legal form of the collective investment scheme and the type of interests (e.g. shares, units or other securities)]	Trading status:	[State if the collective investment scheme is open or closed. If the collective investment scheme is listed on an exchange, state the name of the that it is offering for sale, including any special characteristics.] exchange and the trading symbol.]
Trustee Authorization			
Custodian Authorization			

Investment objective and strategies

Objective [State the objective of the collective investment scheme such as capital appreciation, income, and high return/high risk investments, or other appropriate description]

Strategies [State the strategies used by the collective investment scheme to reach its objectives, such as use of high dividend large capitalization stocks, use of derivatives or use of small capitalization technology stocks]

The assets that the COLLECTIVE INVESTMENT SCHEME holds

Assets types [Show in a chart the types of assets that are currently in, or intended to be in, the collective investment scheme by percentage of the portfolio.]

Top 10 assets [State the top ten assets of the portfolio of the collective investment scheme by percentage of total value of the portfolio, listing each in a separate row as follows:

Asset	Holdings as % of total portfolio value
1.	_%
[number]	_%

What are the key risks?

[Include a short narrative of the general risk characteristics materially relevant to the collective investment scheme based on its character, objectives and strategy, including:

- Credit risk, where a significant level of investment is made in debt securities
- Liquidity risk, where a significant level of investment is made in financial instruments that are likely to have a low level of liquidity in some circumstances
- Counterparty risk, where a fund is backed by a guarantee from, or has material investment exposure through contracts with, a third party
- Operational risks including safekeeping of assets
- Impact of any techniques such as derivative contracts.

Use the following format to describe each risk:

[Risk type] [Risk description]

Is there any capital guarantee / protection?

[State details of nature, timing and extent of any capital guarantee or protection. If no capital guarantee / protection applies, state that this is the case.]

How has the collective investment scheme performed in the past?

[Specify the past performance of the collective investment scheme for year-to-date and last 1, 3 and 5 years: Period Year to date 1 year 3 years 5 years

Period	Year to date	1 year	3 years	5 years
Return	_%	_%	_%	_%

[The KFS may also illustrate the past performance of the collective investment scheme in a chart or graph. the following warning must always be included after the performance data:]

The performance data shown here represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate and investors may not get back the full amount invested. Current performance may be lower or higher than the performance data shown. The performance data is calculated on the basis that any distributable income of the collective investment SCHEME has been reinvested.

Fees and charges

[State in the tables below:

- the entry fee for purchasing an interest in the collective investment scheme, including any dealer’s fees
- any exit fees for selling an interest in the collective investment scheme, including any relevant time periods for holding the interest
- any fees or costs charged to the collective investment scheme on an ongoing basis by the collective investment scheme, management, trustee/custodian, dealer or any other entity
- any fees charged to the collective investment scheme by the collective investment scheme, management, trustee/custodian, dealer or any other entity based on the performance of the portfolio of the collective investment scheme
- the total fees that are levied against the collective investment scheme for a tax year.

first list the fees and charges payable by the investor and then those payable by the collective investment scheme:

Fees charged directly to investor

Fees charged to collective investment scheme (these fees affect the return on your investment)	[Fee or charge]	[State amount / method of calculation and when payable]
	[Fee or charge]	[State amount / method of calculation and when payable]

At the end include a statement regarding whether specified fees may increase or new fees may be introduced.]

What are the tax implications?
 [Include a short narrative of the tax implications for the profitability of the collective investment scheme resulting from the performance of the collective investment scheme.]

How and where to purchase and redeem
Purchasing [State how, where and when an investor can purchase an interest in the collective investment scheme.]
Redeeming [State circumstances during which the right to redeem can be suspended.]
 [

How prices are calculated and published
 Describe the Net Asset Value calculation for the collective investment scheme.]
 [state how and when prices for the collective investment scheme are calculated and published.]

[Distributions and withdrawals
Distributions [Provide a short statement of when distributions are made and the alternative of payment or reinvestment with the distribution.]
Withdrawals [provide a short statement of how withdrawals from the collective investment scheme are requested and how quickly the funds will be sent to the investor.]
[Account closure [provide a short statement of how to close an account with the collective investment scheme and how quickly the funds will be sent to the investor.]

Conflicts affecting the collective investment scheme
 [Provide a brief narrative statement as to any material conflicts of interest that exist between the collective investment scheme, its manager, custodian and

dealer, individually or collectively, and the investor. Include a statement as to how the conflicts are being dealt with.]

Other information about the collective investment scheme

[State:

- the name of the portfolio manager employed by the manager for the collective investment scheme and how long the person has been managing the portfolio
- the name of the trustee/custodian of the collective investment scheme, the date of its authorization to act as trustee/custodian
- the name of all entities acting as dealers or advisors for the collective investment scheme and their dates of license and license number
- the name of any other entities that regulate Trustee/Custodian.]

Making a complaint

[Provide a brief description of the internal complaint procedure at the collective investment scheme and its manager]

[SEC to include standardized wording for the template to specify the existence of available external dispute mechanisms, such as arbitration, and how to obtain further information about them.]

All information in this KFS Statement should be prepared in accordance with the provisions of Securities (Collective Investment Scheme) Rules 2019.

APPENDIX I (B)
(Rule 105)
REAL ESTATE

Key Facts Statement

Collective investment scheme (CIS): [State name and type of CIS]

Investment objective: [State objective of CIS]

Date: [Date of KFS]

Purpose of this statement

This Key Facts Statement provides summary information about the CIS. You can use it to compare this CIS with other CISs by also obtaining their Key Facts Statements. It does not provide all of the information necessary to understand the CIS in detail. It should be read in conjunction with the Offering Document and other constitutive documents of the CIS. You can obtain these documents at the offices of the CIS or its manager.

CIS authorization:	[State the date of authorization by	Manager:	[State name of manager]
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	<p>the SEC and the identification number. State the name of any other entities that regulate the CIS. If a foreign CIS, state the name of the foreign authorizing or licensing entity, the date of authorization and the date of permission to operate in Zambia given by the SEC.]</p>		
<p>Manager authorization:</p>	<p>[State the date of license of the Manager of the CIS and its identification number. State the name of any other entities that regulate the manager]</p>	<p>Contacting the CIS / Manager:</p>	<p>[State the primary person at the manager and CIS who is responsible for dealing with investors and State their contact details.]</p>
<p>Form of CIS and its interests:</p>	<p>[State the legal form of the CIS and the type of interests (e.g. shares, units or other securities) that it is offering for sale, including any special characteristics.]</p>	<p>Trading status:</p>	<p>[State if the CIS is open or closed. If the CIS is listed on an exchange, state the name of the exchange and the trading symbol.]</p>
<p>Investment objective and strategies</p>			

Objective [State the objective of the CIS such as capital appreciation, income, and high return/high risk investments, or other appropriate description]

Strategies [State the strategies used by the CIS to reach its objectives, such as use of high dividend large capitalization stocks, use of derivatives or use of small capitalization technology stocks]

The assets that the CIS holds

Asset types [Show in a chart the types of real estate assets that are currently in, or intended to be in, the CIS by percentage of the portfolio, according to the purpose for which they are or will be held, e.g.:

Top 10 assets [State the top ten real estate investments of the portfolio of the CIS by percentage of total, listing each in a separate row as follows:

Asset	Holdings as % of total portfolio value
2.	___%
[number]	___%

[Provide a brief statement of the criteria used for selecting the investments and how the current investments meet those criteria.]

What are the key risks?

[Include a short narrative of the general risk characteristics materially relevant to the CIS based on its character, objectives and strategy, including:

- Basic risks of real estate investing that will affect profitability
- CIS policy towards leverage in purchasing real estate assets and the risks of such policy
- Liquidity risk, where a significant level of investment is made in real estate assets that are likely to have a low level of liquidity in some circumstances
- Counterparty risk, where a fund is backed by a guarantee from, or has material investment exposure through contracts with, a third party

- Operational risks including safekeeping of assets
- Impact of any techniques such as derivative contracts.

Use the following format to describe each risk:

[Risk type] [Risk description]

Is there any capital guarantee / protection?

[State details of nature, timing and extent of any capital guarantee or protection. If no capital guarantee / protection applies, state that this is the case.]

How has the CIS performed in the past?

[Specify the past performance of the CIS for year-to-date and last 1, 3 and 5 years:

Period	Year to date	1 year	3 years	5 years
Return	___%	___%	___%	___%

The KFS may also illustrate the past performance of the CIS in a chart or graph. The following warning must always be included after the performance data:]

The performance data shown here represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate and investors may not get back the full amount invested. Current performance may be lower or higher than the performance data shown. The performance data is calculated on the basis that any distributable income of the CIS has been reinvested.

Fees and charges

[State in the tables below:

- the entry fee for purchasing an interest in the CIS, including any dealer’s fees
- exit fees for selling an interest in the CIS, including any relevant time periods for holding the interest
- any fees charged to the CIS on an ongoing basis by the CIS, manager, custodian, dealer or any other entity
- any fees charged to the CIS by the CIS, manager, custodian, dealer or any other entity based on the performance of the portfolio of the CIS
- the total fees that are levied against the CIS for a tax year

- other substantial fees to be paid by the CIS, such as property management fees.

First list the fees and charges payable by the investor and then those payable by the CIS:

Fees charged directly to investor

[Fee or charge]	[State amount / method of calculation and when payable]
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Fees charged to CIS (these fees affect the return on your investment)

[Fee or charge]	[State amount / method of calculation and when payable]
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At the end include a statement regarding whether specified fees may increase or new fees may be introduced.]

What are the tax implications?

[Include a short narrative of the tax implications for the profitability of the CIS resulting from the performance of the CIS.]

How and where to purchase and redeem

Purchasing

[State how, where and when an investor can purchase an interest in the CIS.]

Redeeming

[State how, where and when an investor can sell or redeem an interest in the CIS.]

[State circumstances during which the right to redeem can be suspended.]

How prices are calculated and published

[Describe the valuation and date of valuation for the real estate held by the CIS.]

[The valuation policy of the CIS and the dates and history of revaluation.]

[The identity, including name and address, of the valuation expert.]

[State how and when the prices for purchases and sales of shares, units or other securities representing an interest in the CIS are calculated and where they are published.]

Distributions and withdrawals

Distributions	[Provide a short statement of when distributions are made and the alternative of payment or reinvestment with the distribution.]
Withdrawals	[Provide a short statement of how withdrawals from the CIS are requested and how quickly the funds will be sent to the investor.]
Account closure	[Provide a short statement of how to close an account with the CIS and how quickly the funds will be sent to the investor.]
Conflicts affecting the CIS	
[Provide a brief narrative statement as to any material conflicts of interest that exist between the CIS, its manager, custodian and dealer, individually or collectively, and the investor. Include a statement as to how the conflicts are being dealt with.]	
Other information about the CIS	
[State:	
<ul style="list-style-type: none"> • the name of the portfolio manager employed by the management for the CIS and how long the person has been managing the portfolio • the name of the Custodian of the CIS, the date of its authorization to act as Custodian • the name of all entities acting as dealers or advisors for the CIS and their dates of license and license number • the name of any other entities that regulate Custodian.] 	
Making a complaint	
[Provide a brief description of the internal complaint procedure at the CIS and its manager.]	
[SECZ to include standardized wording for the template to specify the existence of available external dispute mechanisms, such as arbitration, and how to obtain further information about them.]	

APPENDIX II
(Rules 103, 104)
ADDITIONAL INFORMATION TO BE DISCLOSED IN THE KEY FACTS
STATEMENT

INFORMATION ABOUT THE CIS

1. The KFS shall state at the beginning of the document –

- (a) the name of the CIS;
- (b) the type of CIS it is, such as open or closed end, real estate fund, venture capital fund or other appropriate description;
- (c) the basic objective of the CIS, such as capital appreciation, income, high return/high risk investments or other appropriate description;
- (d) the characteristics of the shares, units or other securities representing an interest in a CIS being offered;
- (e) the authorization provided to it by the Commission as a domestic or foreign CIS;
- (f) if it is a foreign CIS, the foreign governmental authorities that issued its license;
- (g) the primary person at the CIS responsible for dealing with investors; and
- (h) all entities that regulate it.

2. The KFS shall state the asset manager, investment advisers, trustees, custodian and dealers of the CIS –

- (a) their name;
- (b) the types of licenses or authorizations they have;

- (c) the governmental authorities that issued the licenses;
- (d) their primary person responsible for dealing with or managing the CIS; and
- (e) all entities that regulate them.

OBJECTIVES, STRATEGY AND PERFORMANCE OF THE CIS

3. The KFS shall state the investment objectives and strategy of the CIS.

4. The KFS shall identify and describe the assets of the CIS, including –

- (a) the type of assets that will be (for a new CIS) or are currently (for an existing CIS) the subject of the portfolio, using the terminology –

“Equities” for common and preferred shares in a corporation or other business associations;

“Government bonds” for debt instruments issued by a government;

“Government notes” for short term instruments issued by a government;

“Corporate bonds” for debt instruments issued by corporations or other business associations;

“Commercial Paper” for short term debt instruments issued by corporations or other business associations;

“Bank instruments” for financial instruments issued by banks, such as certificate of deposits, timed deposits and similar instruments;

“Derivatives” for futures, options other financial instruments derived from the value of an underlying asset;

“Real estate” for interests in real property;

“Forex” for positions in foreign currency; and

such other terminology as may be determined by the Commission;

- (b) the ten largest underlying investments or reference assets and their percentage of the portfolio; and
- (c) the percentage breakdown of assets by type.

5. The KFS shall describe the past performance of the CIS (to the extent applicable) for 1, 3, and 5 years in a format that easily compares the time periods –

- (a) the performance should be presented for the financial years of the CIS, with the 1 year performance based on the most recent annual report of the CIS filed with the Commission;
- (b) the performance should be based on the Net Asset Value of the CIS for the relevant time period and calculated on the basis that any distributable income of the CIS has been reinvested;
- (c) these time frames shall be in derogation of the time frames set forth in Rule 11 Securities (Advertisements) Rules;

6. The following warning shall be added after the performance data –

- (a) the performance data shown here represent past performance, which is not a guarantee of future results;
- (b) investment returns and principal value will fluctuate and investors may not get back the full amount invested.
- (c) current performance may be lower or higher than the performance data cited; and
- (d) the performance data is calculated on the basis that any distributable income of the CIS has been reinvested.

RISK CHARACTERISTICS OF THE CIS

7. The KFS shall state the basic risk factors that will affect the profitability of the CIS.

8. The KFS shall describe the nature of any guarantees offered for the CIS.

VALUATION, PRICING AND COSTS OF THE CIS

9. The KFS shall contain a description of how the Net Asset Value of the CIS is determined.

10. The KFS shall describe how and when the prices for purchases and sales of shares, units or other securities representing an interest in the CIS are calculated and where they are published.

11. The KFS shall state –

- (a) all fees, charges and costs of the CIS and its manager, trustee, custodian and dealer; and
- (b) the impact of taxes on the profitability and performance of the CIS.

INVESTOR RIGHTS IN THE CIS

12. The KFS shall state how the shares, units or other securities representing an interest in the CIS are purchased and sold, including –

- (a) how, where and when they can be purchased;
- (b) how, where and when they can be redeemed or sold; and
- (c) the circumstances during which the right to redemption can be suspended.

13. The KFS shall state –

- (a) when and how interest and dividends in the CIS are distributed or reinvested;
- (b) the procedure for withdrawal of funds from the CIS; and
- (c) the procedure for account closing.

INVESTOR COMPLAINTS REGARDING THE CIS

14. The KFS shall describe the internal procedures at the CIS and its manager and custodian for handling complaints and dispute resolution.

15. The KFS shall explain the existence of the various dispute resolution mechanisms that exist outside of the CIS and how to obtain information regarding the mechanisms.

CONFLICTS OF INTERESTS BETWEEN CIS AND INVESTOR

16. The KFS shall disclose –

- (a) all material conflicts of interest between the investor and the CIS and its manager, custodian, advisor and dealer, collectively or individually; and
- (b) how the existing conflicts are dealt with.

APPENDIX III INFORMATION TO BE DISCLOSED IN A KEY FACTS STATEMENT FOR A REAL ESTATE SCHEME

INFORMATION ABOUT THE CIS

1. The KFS shall state at the beginning of the document –
- (a) the name of the CIS;
 - (b) the type of CIS it is, such as open or closed end, real estate fund, venture capital fund or other appropriate description;
 - (c) the basic objective of the CIS, such as capital appreciation, income, high return/high risk investments or other appropriate description;

- (d) the characteristics of the shares, units or other securities representing an interest in a CIS being offered;
- (e) the authorization provided to it by the Commission as a domestic or foreign CIS;
- (f) if it is a foreign CIS, the foreign governmental authorities that issued its license;
- (g) the primary person at the CIS responsible for dealing with investors; and
- (h) all entities that regulate it.

2. The KFS shall state the asset manager, investment advisers, trustees, custodian and dealers of the CIS –

- (f) their name;
- (g) the types of licenses or authorizations they have;
- (h) the governmental authorities that issued the licenses;
- (i) their primary person responsible for dealing with or managing the CIS; and
- (j) all entities that regulate them.

OBJECTIVES, STRATEGY AND PERFORMANCE OF THE CIS

3. The KFS shall state the investment objectives and strategy of the CIS.

4. The KFS shall identify and describe the real estate held by the CIS, including –

- (a) a table highlighting the principle statistics of the ten largest underlying real estate investments or reference assets and their percentage or portfolio; and
- (b) the percentage breakdown of real estate now held or intended to be acquired by the CIS, according to the purpose that they are or will be held–
 - (i) for development;

- (ii) for investment;
 - (iii) for owner occupation; or
 - (iv) for sale.
- (c) a brief statement of the criteria for selecting the investments and how the real estate held meets the established criteria for selection.

“Equities” for common and preferred shares in a corporation or other business associations;

“Government bonds” for debt instruments issued by a government;

“Government notes” for short term instruments issued by a government;

“Corporate bonds” for debt instruments issued by corporations or other business associations;

“Commercial Paper” for short term debt instruments issued by corporations or other business associations;

“Bank instruments” for financial instruments issued by banks, such as certificate of deposits, timed deposits and similar instruments;

“Derivatives” for futures, options other financial instruments derived from the value of an underlying asset;

“Real estate” for interests in real property;

“Forex” for positions in foreign currency; and

such other terminology as may be determined by the Commission;

- (a) the ten largest underlying investments or reference assets and their percentage of the portfolio; and
- (b) the percentage breakdown of assets by type.

5. The KFS shall describe the past performance of the CIS (to the extent applicable) for 1, 3, and 5 years in a format that easily compares the time periods –

- (d) the performance should be presented for the financial years of the CIS, with the 1 year performance based on the most recent

annual report of the CIS filed with the Commission;

- (e) the performance should be based on the Net Asset Value of the CIS for the relevant time period and calculated on the basis that any distributable income of the CIS has been reinvested;
- (f) these time frames shall be in derogation of the time frames set forth in Rule 11 Securities (Advertisements) Rules;

6. The following warning shall be added after the performance data –

- (e) the performance data shown here represent past performance, which is not a guarantee of future results;
- (f) investment returns and principal value will fluctuate and investors may not get back the full amount invested.
- (g) current performance may be lower or higher than the performance data cited; and
- (h) the performance data is calculated on the basis that any distributable income of the CIS has been reinvested.

RISK CHARACTERISTICS OF THE CIS

7. The KFS shall state-

- (a) the basic risk factors of real estate investing that will affect the profitability of the CIS; and
the CIS policy towards leverage in purchasing real estate assets and the risks in such borrowing.

8. The KFS shall describe the nature of any guarantees offered for the CIS.

VALUATION, PRICING AND COSTS OF THE CIS

9. The KFS shall contain the –
- (a) valuation and date of valuation for the real estate held by the CIS;
 - (b) revaluation policy of the CIS and the dates and history of revaluation; and
 - (c) identity, including name and address, of the valuation expert.

10. The KFS shall describe how and when the prices for purchases and sales of shares, units or other securities representing an interest in the CIS are calculated and where they are published.

11. The KFS shall state –
- (a) all fees, charges and costs of the CIS and its manager, custodian and dealer; and
 - (b) details on other substantial fees to be paid by the CIS, such as property management fees.

INVESTOR RIGHTS IN THE CIS

12. The KFS shall state how the shares, units or other securities representing an interest in the CIS are purchased and sold, including –

- (d) how, where and when they can be purchased;
 - (e) how, where and when they can be redeemed or sold; and
 - (f) the circumstances during which the right to redemption can be suspended.
13. The KFS shall state –
- (d) when and how interest and dividends in the CIS are distributed or reinvested;
 - (e) the procedure for withdrawal of funds from the CIS; and
 - (f) the procedure for account closing.

INVESTOR COMPLAINTS REGARDING THE CIS

14. The KFS shall describe the internal procedures at the CIS and its manager and custodian for handling complaints and dispute resolution.

15. The KFS shall explain the existence of the various dispute resolution mechanisms that exist outside of the CIS and how to obtain information regarding the mechanisms.

CONFLICTS OF INTERESTS BETWEEN CIS AND INVESTOR

16. The KFS shall disclose –
- (c) all material conflicts of interest between the investor and the CIS and its manager, custodian, advisor and dealer, collectively or individually; and
 - (d) how the existing conflicts are dealt with.

APPENDIX IV

INFORMATION TO BE DISCLOSED IN OFFERING DOCUMENT

(Rules 65,79)

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

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

2. Investment objectives and restrictions – 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.

3. Operators and principals – The names and registered addresses of the following parties (where applicable)

–

- (a) the directors of the scheme/manager 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;
- (h) the lawyers to the scheme.

4. Minimum investment (if any) –A description of the different types of units or shares, including their currency of denomination.

5. Form of certification –Frequency of valuation and dealing, including dealing days.

6. Application and redemption procedures –

- (a) the name(s) of the daily national newspaper(s) in which prices will be published.
- (b) procedure for subscribing/redeeming units or shares, and in the case of umbrella funds, conversion of units or shares.
- (c) the maximum interval between the request for redemption and the despatch of the redemption proceeds.
- (d) a summary of the circumstances in which dealing in units or shares may be deferred or suspended.
- (e) it shall be stated that no money should be paid to any intermediary in Zambia who is not a licensed dealer or investment adviser.

7. Distribution policy –The distribution policy and the approximate dates on which dividends (if any) will be paid (if applicable).

8. Fees and charges –

- (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 schemes).
- (b) The level of all fees and charges payable by the scheme, including management fees, custodian fees and start-up expenses.
- (c) Disclosure of entitlement to brokerage or other transactions benefits of any connected persons to the scheme.

9. Taxation – 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.

APPENDIX IV
ADDITIONAL INFORMATION TO BE DISCLOSED IN 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 head-leases, and under leases, (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, provide details of rentals of the property.

3. Where the property is being developed, provide –
- (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, provide the following details (where available):

- (a) details of development potential;
- (b) material or special conditions affecting development; and
- (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; or
- (d) for sale.

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

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

8. The effective date of the valuation.

APPENDIX V
CONTENTS OF CONSTITUTIVE DOCUMENTS
(Rule)

Name of
scheme

1. (1) **Participating parties.** A statement specifying particulars of the participating parties including the Manager, trustee, custodian, and investment adviser (if appointed).

2. **For unit trusts only –**

(a) a statement that the deed is binding on each holder as if the holder had been a party to it and so to be bound by its

provisions and authorises and requires the trustee and the manager 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 the holder has paid the purchase price of units and that no further liability can be imposed on the holder in respect of the units which the holder holds.
- (c) a declaration that the property of the scheme is held by the trustee in trust for the holders of the units paripassu 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;
- (e) a statement that the trustee should retire in the manner as stipulated in the trust deed.

(2) **For all other collective investment schemes –**

- (a) declaration that the property of the scheme is held by the custodian in trust for the scheme;
- (b) a statement listing the obligations of the custodian; and
- (c) a statement that the custodian should retire in the manner as stipulated in clause five of the Schedule.

(3) **Role of manager–**

- (a) statement to list the obligations of the manager as set out in clause sixteen of the Schedule; and
- (b) a statement that the manager should retire in the manner as stipulated in clause seventeen of the Schedule.

(4) **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.

(5) **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 manager 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.

7. **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.

8. **Fees and charges.** The following shall be stated

- (a) the maximum percentage of the initial charge payable to the manager out of the issue price of a unit or share;

- (b) the maximum fee payable to the manager out of the property of the scheme, expressed as an annual percentage;
- (c) fees payable to the trustee or 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.

9. **Meetings.** 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.

10. **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 or custodian, manager 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 arms length;
- (b) money can be borrowed from the trustee or custodian, manager, 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; and
- (c) any transactions between the scheme and the manager, 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 or custodian.

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

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

13. **Base currency.** A statement of the base currency of the scheme.

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

15. **Termination of scheme.** A statement of the circumstances in which the scheme can be terminated.

APPENDIX VI CONTENTS OF FINANCIAL REPORTS

General

1. (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

2. (1) The following shall be separately disclosed
- (a) total value of investments;
 - (b) bank balances;
 - (c) formation costs;
 - (d) dividends and other receivables;
 - (e) amounts receivable on subscription;
 - (f) bank loans and overdrafts or other forms of borrowing;
 - (g) amounts payable on redemption;
 - (h) distributions payable;
 - (i) total value of all assets;
 - (j) total value of all liabilities;
 - (k) net asset value;
 - (l) number of units or shares in issue; and
 - (m) net asset value per unit or share.
- (3) The following shall be separately disclosed –
- (a) total investment income net of withholding tax, broken down by category;
 - (b) total other income, broken down by category;
 - (c) equalisation on issue and cancellation of units or shares;
 - (d) an itemised list of various costs which have been debited to the scheme including –
 - (i) fees paid to the manager;
 - (ii) remuneration of the trustee or custodian;
 - (iii) amortization of formation costs;
 - (iv) directors' fee and remuneration;
 - (v) safe custody and bank charges;
 - (vi) auditors' remuneration;
 - (vii) interest on borrowings;
 - (viii) fees paid to investment adviser, if any;
 - (ix) other amounts paid to any connected persons of the scheme;

- (x) legal and other professional fees; and
 - (xi) any other expenses borne by the scheme.
- (e) taxes;
 - (f) amounts transferred to and from the capital account; and
 - (g) net income to be carried forward for distribution.
- Distribution Statement
3. The following shall be separately disclosed –
- (a) amount brought forward at the beginning of the period;
 - (b) net income for the period;
 - (c) interim distribution per unit or share and date of distribution;
 - (d) final distribution per unit or share and date of distribution; and
 - (e) undistributed income carried forward.
- Statement of movements in capital account
4. The following shall be separately disclosed –
- (a) value of the scheme at the beginning of the period;
 - (b) number of units or shares issued and the amounts received upon such issuance after equalisation, where applicable;
 - (c) number and units or shares redeemed and the amount paid on redemption(after equalisation, where applicable);
 - (d) any items resulting in an increase or decrease in value of the scheme including –
 - (i) surplus or loss on sale of investments;
 - (ii) exchange gain or loss;
 - (iii) unrealised appreciation or diminution in value of investments; and
 - (iv) net income for the period, less distribution;

- (e) amounts transferred to and from the revenue account; and
- (f) value of the scheme at the end of the period.

Notes to the Accounts

5. The following matters shall be set out in the notes to the accounts –

- (a) principal accounting policies, including –
 - (i) the basis of valuation of the assets of the scheme including the basis of evaluation of unquoted and unlisted securities;
 - (ii) the revenue recognition policy regarding dividend income and other income;
 - (iii) foreign currency translation;
 - (iv) the basis of evaluation of forward foreign exchange and futures contracts;
 - (v) the basis of amortization of formation costs;
 - (vi) taxation; and
 - (vii) 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.
- (b) any changes to the above accounting policies and their financial effects upon the accounts shall also be disclosed.

Transactions with connected persons

6. The following transactions shall be disclosed –
- (a) details of all transactions entered into during the period between the scheme and the manager, investment adviser, the directors of the scheme or any entity in which the manager, investment adviser, the directors or their connected persons have a material interest, if any; and

- (b) the 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.

Contingent liabilities and commitments

7. (1) Details of any contingent liabilities and commitments of the scheme shall be made available.

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

Commissions

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

(2) 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 of calculating the compensation, and where compensation to a dealer for the sale shares or units in the scheme includes an allocation of the execution of portfolio transactions to that dealer, the compensation so allocated.

Legal proceedings

10. (1) 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.

(2) 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

11. The Auditor's report shall state –

- (a) whether, in the auditors 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 were produced on a basis consistent with the figures at the end of the year and within 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 (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 (shall be reported forthwith by the auditor to the Commission).

Investment
portfolio

12. The following shall be stated –

- (a) number and quantity of each holding together with the description and market value. (Distinguish between listed and unlisted and categorise by country);
- (b) the total investment stated at cost;

- (c) the value of each holding as a percentage of net asset value; and
- (d) statement of movements in portfolio holdings since the end of the preceding accounting period.

Performance table

13. The following shall be provided –
- (a) A comparative table covering the last three financial years and including, for each financial year, at the end of the financial year –
 - (i) the total net asset value; and
 - (ii) the net asset value per unit or share;
 - (b) 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 VII
(Rule 53)**

BASIS OF COMPUTATION OF BID AND OFFER PRICES FOR COLLECTIVE INVESTMENT SCHEMES

Offer Price

1. (1) The bid and offer prices of units in a collective investment scheme shall be based on the net asset value of the scheme calculated on a weekly basis by the scheme manager as follows:
- (2) Value per unit = (1) minus (summation of 2- 10) divided by number of units on sale rounded off –
- (a) Total market value of securities based on the Exchange daily official list as at the date of valuation (lowest market offer price);
 - (b) stamp duties;
 - (c) brokerage fee;
 - (d) S.E.C. fee;
 - (e) other relevant approved costs
 - (f) actual cost of investment in unquoted securities (if applicable);

- (g) estimate of capital appreciation/diminution in value for unquoted companies(if applicable);
- (h) un-invested cash;
- (i) undistributed income to date less expenses;
- (j) total value of money market instrument;
- (k) manager's charge.

(3) Bid Price. Value per unit = summation of (1) minus (2 - 8) divided by number of units on sale rounding off

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- (a) total market value of securities based on exchange daily official list as at date of valuation (highest market bid price).
- (b) actual cost of investment in unquoted securities (if applicable).
- (c) estimate of capital appreciation for unquoted companies (if applicable).
- (d) un-invested cash.
- (e) undistributed income to date less expenses.
- (f) total value of money market instruments.
- (g) stamp duties.
- (h) brokerage fee.
- (i) S.E.C. fee.
- (j) Other relevant approved costs.

(4) **Note:** Securities traded on a Stock Exchange or any regulated market will generally be valued at the last traded price quoted on the relevant exchange or market as at the date of computation. If no trade is reported for that date or if the exchange was not open on that day, the last published sale price or the recorded bid price (whichever is more recent) shall be used. Unlisted equity securities will be valued initially at cost and thereafter, as the Scheme's Manager shall in its discretion deem appropriate. Unlisted securities (other than equities), for which there is an ascertainable market value will be valued generally at the last known price dealt on the market on which the securities are traded on or before the day preceding the relevant date of valuation and unlisted securities (other than equities), for which there is no

ascertainable market value, will be valued at cost plus interest (if any) accrued from purchase to (but excluding) the Valuation Date plus or minus the premium or discount (if any) from par value written off over the life of the security. Any value otherwise than in Zambian kwacha shall be converted at the prevailing market exchange rate.

APPENDIX VIII

(Rule 91)

STATEMENTS REQUIRED IN OFFERING DOCUMENT

1. (1) There shall be set forth on the outside front cover of every offering document the following statement printed in red ink –

“THIS OFFERING DOCUMENT AND THE UNITS WHICH IT OFFERS HAVE BEEN REGISTERED BY THE SECURITIES AND EXCHANGE COMMISSION. THE ACT PROVIDES FOR CIVIL AND CRIMINAL LIABILITIES FOR THE ISSUE OF A OFFERING DOCUMENT WHICH CONTAINS FALSE OR MISLEADING INFORMATION. REGISTRATION OF THIS OFFERING DOCUMENT AND THE UNITS WHICH IT OFFERS DOES NOT RELIEVE THE PARTIES OF ANY LIABILITY ARISING UNDER THE ACT FOR FALSE OR MISLEADING STATEMENTS CONTAINED OR FOR ANY OMISSION OF A MATERIAL FACT IN ANY OFFERING DOCUMENT.”

(2) Every offering document shall set forth on the page describing the “offer” the following statement –

- (a) a copy of this offering document together with the documents specified herein, having been approved by the trustees, has been delivered to the Securities and Exchange Commission (“the Commission”) for registration;
- (b) this offering document is issued in compliance with the Act, and the rules and regulations of the Commission for the purpose of giving information to the public with regard to the offer for subscription of units in the scheme; and
- (c) the directors of the fund manager collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made reasonable enquiries, that to the best of their knowledge and belief there are no material facts, the omission of which would make any statement contained therein misleading.

(3) Every offering document shall be dated on the front cover and the effective date of registration of the units which it offers shall not be earlier than the date of execution of the approved registration documents by all parties at a completion board meeting.

(4) Every offering document shall contain the information specified in the Act and shall, in addition, state the name of the issuer/promoter, the fund manager, the registration number of the fund manager, the type of units offered, amount of units being offered, the price and amount payable in full on application.

(5) The following statements shall appear in bold character on the cover page:

- (a) **“you are advised to read and understand the contents of the Offering document. Before subscribing, please consult your stockbroker, solicitor,**

banker or an independent investment adviser registered by the Securities and Exchange Commission”;

- (b) **“this Offering document has been seen and approved by the directors of the fund manager and/or promoters of the unit trust and they jointly and individually accept full responsibility for the accuracy of all information given and confirm that, after having made all enquiries which are reasonable in the circumstances, and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading”;**
- (c) a reasonably detailed table of contents in the forepart of the offering document showing the subject matter of the various sections or subsections of the offering document and page number on which each such section or subsection begins;
- (d) corporate directory of the fund manager which shall include details on –
- (i) directors and principal officers of the manager;
 - (ii) names and profile of the investment committee members specifying the independent members;
 - (iii) e-mail and website address (if any) of the manager;
 - (iv) financial statements for the previous three to five years (where the manager is newly incorporated, it shall furnish a statement of affairs);
 - (v) names and addresses of the directors of the manager and the names of the other experts to the offer;
 - (vi) history and prospects of the scheme;

- (vii) objective of the scheme including strategy for achieving the stated objective and a statement that material changes to the investment objective would require holders' approval;
- (viii) offer price;
- (ix) management and advisory services;
- (x) yield of the fund;
- (xi) preliminary charges;
- (xii) investment policy of the fund, including investment outlets;
- (xiii) dividends, distribution and re-investment options;
- (xiv) redemption policies;
- (xv) a forecast of income of the fund for the next three (3) years;
- (xvi) statement as to consents of experts to the offer;
- (xvii) statement as to consent of the directors of the manager;
- (xviii) duration of the scheme and conditions relating to its termination, and modification of its trust deed;
- (xix) the period not exceeding ninety (90) days of launching the scheme during which subscription at the offer price would be valid;
- (xx) application forms;
- (xxi) for ease of understanding, the offering document may include the use of charts, diagrams/flowcharts in the presentation of information;
- (xxii) the following statement shall be written boldly in the summary page— ***“Investors are advised to seek information on the fees and charges before investing in the funds”***;

(xxiii) a breakdown of the fees stating clearly that the management fee would be based on the net asset value of the scheme which shall also state that the initial expense shall be borne by holders and off set from the offer proceeds;

(xxiv) detailed information about the trustee and custodian;

(xxv) detailed information of the fund with respect to the following:

(3) Where the scheme invests in foreign securities or foreign currency denominated securities of Zambian issuers –

(a) asset allocation of the fund (by asset category) and the principal market where investment will take place;

(b) the fund's policies and strategies relating to investment in the securities if not already covered in (i) above;

(c) the experience or track record of the fund manager or any delegate thereof; and

(d) other relevant information (e.g. cost to be borne by the scheme).

(4) Three (3) to five (5) years financial statement. Where the fund has just been created and is yet to solicit for investment, a statement of affairs of the fund including financial projection.

Securities and Exchange Commission

LUSAKA

, 2020

(SEC/ /)

Consultations