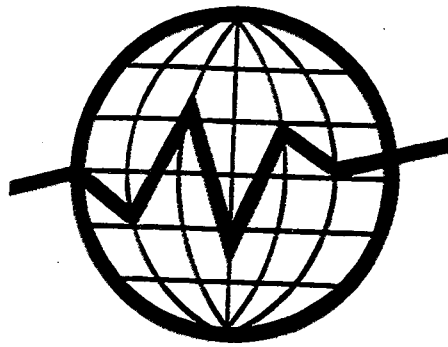


REPORT ON INVESTMENT MANAGEMENT



**Technical Committee
of the
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

July 1995

FOREWORD

Part I of this Report was initially publicly released by the Technical Committee of IOSCO during the XIXth Annual Conference of the Organization, which took place in Tokyo, Japan in October 1994.

During the March 15, 1995 meeting of the Technical Committee it was decided that this document should be completed by an International Comparative Table and publicly released during the XXth Annual Conference of IOSCO (Paris, July 1995).

The International Comparative Table is presented as Part II of this Report.

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PART I

**PRINCIPLES
FOR THE REGULATION OF
COLLECTIVE INVESTMENT SCHEMES**

and

EXPLANATORY MEMORANDUM

INTRODUCTION

In February 1993, at its meeting in Trinidad and Tobago, the Technical Committee created a Working Group with a mandate to identify equivalence in the regulatory framework for collective investment schemes, for the purpose of eliminating barriers to cross-border distribution, and ways to enhance regulatory cooperation in relation to collective investment schemes and their operators.

This Report, which has been adopted by the Technical Committee, is the Group's response to the first part of that mandate, addressing the relevant issues in relation to collective investment schemes investing primarily in securities. It does not cover schemes investing in property / real estate or venture capital, or closed end schemes, nor schemes that invest primarily in derivatives.

In carrying out this part of its mandate the Group undertook an analysis of the relevant international laws and practices. While the analysis demonstrated that member countries take a variety of approaches to regulating collective investment schemes, the Group identified a number of fundamental regulatory concepts that exist in each system. From these fundamental concepts the Group developed a set of core Principles that are considered important by member countries for the regulation of collective investment schemes falling within the scope of the Group's consideration.

In identifying the Principles it was recognised that, while there are general concepts common to most regulatory systems, there may be alternative approaches to the implementation of those concepts in seeking to achieve comparable levels of investor protection. The explanatory memorandum that accompanies the Principles illustrates by reference to different jurisdictions that there are a number of different ways of regulating collective investment schemes to achieve investor protection.

Neither the Principles nor the memorandum is intended to endorse the efficacy of any one system over another. Nothing in the Principles is in any way binding on any member country.

The Principles should provide guidance to member countries in their regulation of collective investment schemes, which is particularly important in the context of the globalisation of securities markets and investment advisory services. Development of the Principles will enhance cooperation among member countries in supervising and overseeing the increasingly internationalised investment management industry. The Principles will also provide

guidance for industry participants on the standards to be achieved by collective investment schemes seeking to access international markets.

As well as providing for greater understanding of member countries' systems of regulation, the Principles provide a foundation for the development of existing and future relationships among members. To the extent permitted by their legal and regulatory frameworks, member countries should be able to take the Principles into account in any facilitation of the marketing of foreign collective investment schemes in their jurisdiction.

The Principles are considered to be an important first stage in the facilitation and encouragement of international regulatory cooperation.

GLOSSARY OF TERMS

In the Principles and the Explanatory Memorandum the following terms are used with the following meanings:

Administrator: A person, which may or may not be the operator, who carries out all or part of the general administration of a CIS.

Advertising: Any activity or notice (electronically communicated or otherwise) which publicly calls or draws attention to a collective investment scheme.

CIS: An open-end collective investment scheme that issues redeemable units and invests primarily in transferable securities or money market instruments. For the purposes of these Principles, it excludes schemes investing in property / real estate, mortgages or venture capital.

Custodian: Includes a trustee or depositary but not a sub custodian.

Delegate: Means a third party engaged by the operator of a collective investment scheme to carry out certain tasks for the operator of the CIS, but does not include the custodian of the CIS.

Investment Manager: A person, which may or may not be the operator, who provides investment advice for the CIS.

Law: Means the law of a member country and includes any rules, codes or regulations adopted under that law or imposed under the power of the regulatory authority.

Money Market Instruments: Transferable securities that are usually traded on a money market, which the regulatory authority agrees are liquid assets and the value of which may be precisely determined at any time according to a permanent valuation methodology.

Operator: Means the legal entity that has overall responsibility for management and performance of the functions of the CIS, which may include investment advice and operational services.

Prospectus: A formal written offer document offering units or shares in a collective investment scheme.

Purchase: When applying to units or shares, is the purchase of new units or shares, or existing units or shares, by an investor from the CIS or the operator.

Redemption: When applying to units or shares, is the sale of units either directly or indirectly by an investor to the CIS or the operator.

Regulated Market: A market that is supervised by a public body in charge of defining its organisation and functioning rules, its operating and access conditions as well as contract specification and issuing conditions.

Regulatory Authority: May mean either a single statutory or government authority or a combination of authorities that derive power from a single statutory or government authority.

Scheme Rules: Rules that govern the operation a collective investment scheme as laid down in the constituting documents of the CIS and, in the case of an investment company, includes matters referred to in the investment company's instruments of incorporation, by-laws and any standing resolutions.

Transferable Securities: Any stocks, shares or other instruments which provide direct or indirect access to the equity capital of an issuer, or which provide a general debt right on its assets.

UCITS: Are undertakings for collective investment in transferable securities as recognised in the EC Directive 85/611.

Umbrella Funds: CIS that offer access to separate portfolios or sub funds covering different types of investment and represented by different classes of units with different issue and redemption prices.

Unit: Refers to the proportionate holding that an investor has in a collective investment scheme and any reference to a unit shall include a share in an investment company.

1. LEGAL FORM AND STRUCTURE

The regulatory regime should have requirements as to the legal form and structure of CIS which provide certainty to investors in assessing their interest in a CIS and enable the pool of investors' funds to be distinguished from the assets of other entities. This may be achieved either through the use of the corporate form, a trust arrangement or other structure recognised under the law of the home jurisdiction as an acceptable form of collective investment scheme. The regime must place limits on or regulate the use of different types of securities which have differing claims on the assets of a CIS.

1.1 Umbrella Funds

1.1.1 The regulatory regime should require that the different sub-funds of an umbrella fund together exclusively comprise a single legal form with a common generic denomination and set of constituting documents. The law or the CIS rules should further make clear the nature of the relationship between the sub-funds especially the liability of one sub-fund for the liability of another sub-fund.

1.1.2 The regulatory regime applicable to individual CIS should apply equally to all sub-funds of an umbrella fund.

2. CUSTODIAN, DEPOSITARY OR TRUSTEE

The regulatory regime must seek to protect the physical and legal integrity of the assets of a CIS by separation of the assets from the assets of management, its related entities and other schemes, as well as from the assets of the custodian itself.

2.1 Appointment of Custodian

A custodian must be appointed to hold the assets or be in a position to ensure their safekeeping. The liability of a custodian for any losses suffered by the investors as a result of its unjustifiable failure to perform its obligations or its improper performance of them cannot be affected by the fact that it has entrusted to a third party all or some of the assets in its safekeeping.

2.2 Financial and Other Resources of the Custodian

The regulatory regime must impose qualifying requirements on custodians in relation to their financial and other resources, which either rely on the status of the custodian (for example, as a bank) or its ability to carry out the tasks required as judged by the regulatory authority under an individual approval regime.

2.3 Independence

A custodian should be functionally independent of the operator of a CIS and must always act in the best interests of investors.

3. ELIGIBILITY TO ACT AS AN OPERATOR

The regulatory regime should impose standards of conduct and minimum eligibility standards that require approval by the regulatory authority prior to commencement of marketing of a CIS. The degree of restrictions imposed on eligibility will be likely to vary according to the overall context of collective investment regulation, including the extent of ongoing regulation of CIS transactions and the existence of independent monitoring systems. To the extent that a regulatory regime imposes specific requirements, they should include the following.

3.1 Honesty and Fairness

An operator should observe high standards of integrity and fair dealing while acting in the best interest of a CIS. High standards of market conduct should be maintained. In addition to its investment responsibilities, the operator should also ensure that the assets of a CIS are adequately protected and segregated.

3.2 Capability

An operator should have sufficient human and technical resources to ensure that it is capable of carrying out the necessary functions of fund management.

3.3 Capital Adequacy

An operator should at all times maintain adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject.

3.4 Diligence and Effectiveness

An operator should act with due skill, care and diligence and employ effectively the resources and procedures which are needed for the proper performance of the schemes. An operator must organise and control its internal affairs in a responsible manner, with proper records and adequate arrangements for ensuring that employees are suitable, adequately trained and properly supervised. There should be well defined procedures in place to ensure compliance with regulations and all operators should deal with regulators in an open and cooperative manner.

3.5 Operator Specific Powers and Duties

An operator has a duty to make decisions as to the investment portfolio structure and administrative procedures of the CIS so as to secure its objectives. The operator must not exceed the powers conferred on it by the CIS's constituting documents or particulars.

3.6 Compliance

Operators and schemes must meet strictly defined standards as set by the regulatory authority, for both initial approval and continuing operation.

4. DELEGATION

The regulatory regime should ensure that the level of protection afforded to investors in CIS is maintained at all times. Where the management of CIS activities is provided externally to the operational management of the CIS through the engagement of third parties (delegates) to carry out certain tasks for the operator, the Principles which govern eligibility and conduct of the operator should also apply to such delegates. The following sub-principles apply to those jurisdictions that provide for external management.

4.1 Responsibility

An operator should take responsibility for the actions or omissions, as though they were its own, of any person to whom it delegates any part of the provision of services to a CIS.

4.2 Ongoing Monitoring

An operator should ensure that procedures are in place, designed to monitor the behaviour of delegates.

4.3 The Delegate

An operator must be able to show that a delegate is and remains competent to undertake the function in question. The operator must have a sufficiently detailed knowledge of the operating procedures of a delegate to be able to meet its regulatory responsibilities in a full and thorough manner.

4.4 Ongoing Cooperation

An operator should provide all reasonable means to permit a delegate to fulfil its obligations and should ensure that the contractual relationship between the operator and its delegate is unambiguous.

4.5 Level Playing Field

The use of delegates should not, in any way, diminish the effectiveness of the primary regulation of a CIS. The regulation of the business undertaken by a delegate should embody similar Principles of regulation to those relating to the regulation of schemes generally.

4.6 Compliance

A delegate should comply with all regulatory requirements applicable to the conduct of its business activities.

5. SUPERVISION

The regulatory regime must provide for a regulatory authority to take overall responsibility for the supervision of CIS authorised within its jurisdiction.

5.1 Registration and Authorisation

A CIS must be registered with or authorised by the regulatory authority prior to commencement of marketing of its units. That process may take the form of document filing, CIS registration or approval of the parties to the CIS (such as the operator and custodian) as appropriate to the overall regulatory system.

5.2 Inspections and Investigations

The regulatory authority should have the means to investigate conduct relating to CIS, including the power to conduct on-site inspections. These inspections may be carried out by the authority itself or its delegate (which may be the CIS's auditor).

5.3 Powers of the Regulatory Authority

The regulatory authority should have adequate powers to protect investors' interests, including but not limited to revoking an operator's licence, freezing CIS assets or the operator's assets, taking action to withdraw the CIS's authorisation or stop the use of a prospectus, instituting administrative or civil proceedings, and recommending criminal action where appropriate.

5.4 Third Party Supervision

The regulatory regime may provide for an independent third party or parties (in addition to the regulatory authority) to supervise the activities of the operator and any other parties involved in CIS activities.

6. CONFLICTS OF INTEREST

The regulatory regime should recognise that an operator of a CIS may have interests that if exercised without restraint would conflict in a material way with the interests of investors. Regulatory authorities should respond to this risk by ensuring that a regime provides for the exercise of management responsibilities with full regard to the best interests of investors. Such a regime may be general in nature, relying on the concept of "fiduciary responsibility" as interpreted domestically. Equally the establishment of detailed regulations designed to monitor potential conflicts between operator and investors is recognised as an acceptable regulatory method.

6.1 Possible Conflict of Interest Situations

Whether the concept of overall fiduciary responsibility is utilised, or provisions exist for detailed rules to monitor potential conflicts, a regulatory regime must be capable of dealing with certain situations which may give rise to conflicts of interest. They include (but may not be limited to):

- (a) principal transactions between a CIS and its affiliates (including affiliates of the operator and custodian);
- (b) transactions where a CIS and its affiliates jointly participate;
- (c) soft commissions;
- (d) lending or borrowing to or from affiliates;
- (e) purchase of affiliate's securities;
- (f) purchase of securities underwritten by affiliates;
- (g) use of affiliated brokers; and
- (h) employees' transactions for their own account.

6.2 General Duties and Obligations

(b) the power of the regulatory authority to impose sanctions for self-dealing, such as revoking the operator's licence, taking action to withdraw a CIS's authorisation or stop the use of a CIS's prospectus, freezing the assets of the operator, instituting administrative or civil proceedings, and recommending criminal action where appropriate.

6.3 Specific Regulatory Response

In addition to general duties and obligations, the means available to control conflict of interest situations (to the extent that they may arise within the regulatory framework of a particular jurisdiction) include all or a combination of some of the following:

- (a) direct prohibition under the law;
- (b) a precise code of business conduct either established by the regulatory authority, or a code established by a practitioner's organisation, which is approved and enforced by the regulatory authority;
- (c) review and / or approval of certain transactions and activities by the regulatory authority;
- (d) surveillance of operators by the regulatory authority;
- (e) disclosure by the operator;
- (f) record keeping by the operator;
- (g) limitation of the activities of the operator; or
- (h) independent review by a third party.

7. ASSET VALUATION AND PRICING

The regulatory regime must provide a system for valuation of CIS assets, pricing of interests and procedures for entry to and exit from a collective investment which are fair to existing investors as well as to investors seeking to purchase or redeem interests. It is a fundamental principle that the price of interests in a CIS be calculated according to the net asset value of the CIS which must be determined on a regular basis in accordance with accepted accounting practices used on a consistent basis.

7.1 Valuations

7.1.1 Assets of the CIS must be valued according to their market price unless otherwise permitted by Law in particular circumstances. "Market price" means the price at which significant transactions have recently been concluded and disclosed to the market, or the best price available from a market maker. Should the market price not be available for any reason, the asset price should be calculated in good faith according to a permanent and reliable valuation procedure approved by the regulatory authority.

7.1.2 The net asset value per unit must be calculated in accordance with applicable accounting standards by dividing a CIS's assets less its liabilities by the number of units.

7.1.3 The net asset value per unit should be published at the operator's or at the custodian's offices or through the appropriate media.

7.1.4 The rules for asset valuation and for calculating the price of units must be laid down in the law or a CIS's rules or its public disclosure documents.

7.1.5 Information on the system for pricing, valuation and associated procedures must be made available to investors on requests.

7.2 Purchasing and Redemption of Units

7.2.2 Redemption of units may only be suspended on a temporary basis. Any such suspension must be in accordance with the procedures provided for by the law or the CIS rules and must be in the interests of investors. A CIS must inform the regulatory authority of a suspension. In accordance with the laws of its jurisdiction, a regulatory authority may permit a CIS to suspend the right of redemption for the protection of investors.

7.2.3 Purchase of units may be done in cash, or in certain circumstances an investor may be allowed to use securities to purchase units. Redemption of units may be paid in cash, except when the CIS is liquidated and this possibility has been disclosed in the prospectus, or in certain circumstances when redemption may be by way of securities.

7.2.4 Purchase and redemption orders are to be settled as soon as possible, in accordance with the law, the CIS rules and the prospectus.

7.3 Unit Pricing

7.3.1 A CIS must calculate the purchase and redemption price of its units on a regular basis in accordance with the law and the CIS rules.

7.3.2 Purchase and redemption orders must be executed at the net asset value calculation price as defined in Principle 7.1.2, excluding any subscription or redemption fees disclosed in the prospectus. The amount received by the CIS on the issue of its securities must equal the net asset value calculation price as defined in Principle 7.1.2. Any redemption fees disclosed in the prospectus may be deducted from the net asset value calculation price otherwise payable to the investor.

7.3.3 Any purchase or redemption fee applicable to units in a CIS (as well as any management fee) must be clearly indicated in the CIS rules or the prospectus, and actual rates disclosed in the prospectus.

7.3.4 The distribution or reinvestment of the income of a CIS must be effected in accordance with the law and the CIS rules.

8. INVESTMENT AND BORROWING LIMITATIONS

There should be investment restrictions, portfolio diversification and borrowing limitations that address the investment goals, the risk profile and the degree of liquidity required for a CIS to meet redemption in all market conditions. The need for liquidity typically contemplates a CIS investing primarily in transferable securities, money market instruments and derivatives incidental to the management of a securities portfolio.

8.1 Investments

Limitations imposed on CIS should indicate the extent of investment inter alia in the following:

- (a) transferable securities not listed on a regulated market;
- (b) transferable securities issued by the same issuer;
- (c) derivative instruments; and
- (d) other CIS.

8.2 Borrowing

Limitations imposed on CIS should also prescribe the extent of borrowing permitted, other than on a temporary basis, and the extent to which securities lending transactions may be entered into by the CIS.

9. INVESTOR RIGHTS

The regulatory regime should provide investors with certain rights in relation to a CIS, which are appropriate to the overall context of CIS regulation. A fundamental right of an investor in a CIS is the right to withdraw funds from the CIS within a reasonable period. The regime should also enable investors to participate in significant decisions concerning the CIS to the extent applicable under the structure of the CIS, or for the regulatory authority or another third party to have the capacity to act in the interests of investors.

9.1 Redemption Conditions

9.1.1. At the outset of the participation investors in a CIS must be fully informed through the prospectus of the charging of redemption and management fees.

9.1.2 Units of CIS must be repurchased or redeemed at the request of any unit holder, in a manner which does not give an unfair advantage to one investor in the CIS over any other investor. The regulatory regime should ensure that investor rights are maintained in the event of a major change in the activities of the CIS.

9.2 Access to Remedies

In addition to the normal access to legal procedures in the courts, investors should be able to refer matters to the regulatory authority for consideration. The regulatory authority must have proper powers of investigation, means to review investment managers and should have adequate powers (as noted in Principle 5.3) to enforce its decisions on the operator and on the custodian in order to protect investor's interests.

9.3 Investment Companies Only - Shareholder Powers

When a CIS is an investment company, investors should have the ability to participate in the affairs of the company through the exercise of a right to vote at periodic or special meetings of the shareholders.

10. MARKETING AND DISCLOSURE

The regulatory regime must impose a disclosure requirement to ensure that there is full, accurate and timely disclosure to prospective investors providing all the information necessary for an investor to make an informed investment decision in relation to a CIS. Financial data and other information relating to the management and operations of a CIS must be provided on a regular (annual or semi annual) basis for the benefit of existing and prospective investors in the CIS. These requirements must be monitored by the regulatory authority to ensure that information provided meets the standards required.

10.1 Prospectuses

10.1.1 There must be a prospectus which complies with the standards applicable in the home jurisdiction of a CIS. No additional documents may be used for marketing a CIS, except for permitted advertisements or other literature which comply with applicable requirements.

10.1.2 A CIS prospectus must include all material information which investors would reasonably require and reasonably expect to find to make an informed investment decision. A prospectus must not contain information that is false or misleading. A prospectus must be in one of the recognised languages of the country of circulation, although a CIS may also provide advertisements and prospectuses in additional languages.

10.1.3 To the extent applicable under the relevant regulatory regime, minimum contents that would be expected to be addressed in the offering documentation include (but are not limited to):

- (a) the date of issue of the prospectus;
- (b) information concerning the legal constitution of the CIS, the rights of investors in the CIS and any pending material legal proceedings involving the CIS;
- (c) information on the operator and its principals;

(g) the investment policy of the CIS, indicating the markets and instruments in which investments are made;

(h) information on the risks involved in achieving investment objectives;

(i) the appointment of any external administrators or investment managers or advisers who have a significant and independent role in relation to the CIS;

(j) fees and charges relating to the CIS;

(k) the regulatory authority, auditors and other independent third parties and their responsibilities in relation to the CIS.

10.1.4 Prospective investors must be offered (free of charge) a copy of the prospectus before the completion of an application form or the conclusion of a contract to purchase units.

10.1.5 The prospectus distributed to investors must be kept up-to-date to take account of any material changes affecting the CIS. In addition, prospectuses must either be revised on a periodic basis (such as annually or semi annually), or be accompanied by the most recent annual report and any subsequent semi annual report. Any material changes to information in a prospectus must be notified to the regulatory authority and by amendment to the prospectus, if necessary.

10.1.6 Circulation of a CIS prospectus to prospective investors should be conditional on filing of the prospectus with the regulatory authority. The regulatory authority must have the power to review all CIS prospectuses and suitable arrangements should be made for the review of their content, although it is not necessary for every prospectus to be reviewed. The regulatory authority must have the power to enforce withdrawal of a prospectus or take action if it does not meet applicable standards. Such review or approval of a prospectus should not be taken as endorsement of a CIS or as a guarantee to investors.

10.2 Regular Reporting

10.2.1 A report must be prepared in respect of a CIS's activities either on an annual or semi annual basis. The report must be filed with the regulator and made freely available to investors. The annual report of the CIS must be reviewed by an independent third party.

10.2.2 The annual and semi annual (if any) reports must contain accounting information relevant to the CIS and a statement concerning the interests in the CIS that have been redeemed or repurchased over the relevant period. The accounts of a CIS

included in these reports must be prepared in accordance with applicable accounting standards.

10.3 Advertising

10.3.1 Advertising must normally be undertaken after all the necessary authorisations have been granted to permit the CIS to market to the investing public. Advertising must not contain information which is false or misleading or presented in a manner which is deceptive.

10.3.2 Advertising (except where only the prices of authorised schemes are quoted) should refer to the prospectus applicable to the CIS. There must be nothing in advertising of a CIS which is inconsistent with the prospectus. The regulator must have the power to enforce withdrawal of advertising or take appropriate action against non compliance.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended as an aid to understanding the core Principles of regulating CIS which have been developed by IOSCO Working Group 5. The explanatory text provides a guide concerning the scope of each of the Principles and their interpretation. It also provides examples of how the range of regulatory systems reviewed give effect to the investor protection Principles.

The Explanatory Memorandum is not intended to provide a comprehensive guide to the regulatory systems of all jurisdictions considered by the Working Group; it provides an overview of the range of regulatory approaches and in some cases specific examples are used to illustrate their effect.

For more detailed information on the regulation in various member countries an International Comparative Analysis will be published later.

1. LEGAL FORM AND STRUCTURE

There is a wide range of legal forms and associated structural requirements imposed on CIS under the regulatory regimes of member countries. The lack of compatibility of these structures has contributed significantly to the barriers to CIS entering foreign jurisdictions and marketing internationally. This variability in legal form and structure seems to have resulted from the unique cultural and legal settings of each member country. The legal form and structure of CIS have also influenced the way in which individual jurisdictions address their regulatory responsibilities.

The Principles recognise that a number of structures can be utilised to achieve the same investor protection objectives; there is no single structure which is considered appropriate for effective regulation of CIS. For example, company structures are commonly used in the USA, as well as in several European jurisdictions. Contract and trust based structures are also established under legislation in many European jurisdictions including the United Kingdom, as well as in Hong Kong, Japan, Canada and Australia. In a smaller number of jurisdictions, partnership and other structures may be used to establish CIS.

The main investor protection issues arising from the adoption of a particular structure are reflected in the Principles. These are that the structure should ensure that the assets of the CIS are clearly separated from other assets and that it should not create an unfair disadvantage for investors, such as might arise from the issuing of separate classes of interests.

Umbrella funds have been addressed in this Principle because of the particular regulatory issues that they give rise to. While the Principles refer to umbrella funds as comprising a single legal form, in some countries sub-funds are recognised as separate legal entities for tax purposes. In the U.S. such funds are called "series funds", although they are generally treated as separate investment companies, and therefore do not raise many of the issues presented by umbrella funds.

The relationship between sub-funds of umbrella funds and their

with creditors has been made, in others there may be complete segregation of liabilities. Furthermore, in some jurisdictions, such as Australia, the exact legal position under the common law of trusts is not clear.

Consequently the key Principle in relation to umbrella funds is that, where there is not complete segregation of liabilities, the relationships between sub-funds and their effect on investors are clearly disclosed, in particular the potential risks faced by investors depending on the segregation of liabilities. Although not required in all jurisdictions, there may also be a common administrator, operator, custodian and auditor of each sub-fund of an umbrella fund.

2. CUSTODIAN, DEPOSITARY OR TRUSTEE

The requirement for separation of assets (usually by an independent custodian, trustee or depositary) is a feature common to all regulatory regimes. The primary role of the custodian is to hold the assets of the CIS in safe custody and to keep them separate from any other assets, in particular the assets of management. In some jurisdictions additional functions and duties are carried out by the custodian.

Appointment of Custodian

A custodian is appointed to be responsible for the safekeeping of CIS assets and is held accountable for those assets even though it may entrust the physical deposit of all or part of the assets to a third party. For example, in most jurisdictions the appointment of a sub-custodian does not remove the ultimate responsibility of the appointed custodian.

An alternative to the appointment of a formal custodian, but which meets the objective of separation of assets, is the concept of "self-custody" as it operates in the USA under the Investment Company Act and also in Canada. Under these arrangements a CIS may maintain custody or otherwise have access to CIS assets if certain additional protective conditions are met. It requires the assets to be deposited in the safekeeping of, or a vault maintained by, a bank or other company whose functions and physical facilities are supervised by federal or state authorities. In the United States these arrangements must be examined by an independent public accountant three times each year.

In Canada, the custodian of a CIS is often different from the trustee who carries out additional responsibilities.

Financial and Other Resources of the Custodian

Because of the importance of the custodian's role in protecting the assets of investors, all regulatory regimes impose certain minimum standards as to who may qualify as a custodian. In some jurisdictions a custodian may be required to be a bank and the

Independence

The independence of the custodian is considered critical to meeting its obligations. In many cases this means that a custodian must be legally independent of and totally unconnected with the operator of a collective investment scheme.

The concept of "independence" varies between jurisdictions, with some insisting upon there being no share holding relationship with the operator of a collective investment scheme, while others allow cross-share holdings between the operator and custodian. Instead of restricting share holding relationships, some regulatory systems achieve the required degree of independence by the establishment of a separate corporate structure for the custodian, an independent board and separate lines of reporting to the management of the custodian.

In terms of performance of custodial functions, all regimes seek to ensure that the custodian is independent in the way it performs its obligations. In the Principles this is referred to as "functional independence", so as to distinguish it from absolute, structural independence. "Functional independence" may be achieved in a variety of ways (as described) provided each is appropriate to the broader regulatory framework.

The primary responsibility of a custodian is to ensure safekeeping of CIS assets. In some jurisdictions custodians are fiduciaries under the law and, as such, have direct responsibilities to investors. In other cases, such as the USA, the custodian's responsibilities are under a contract with the operator.

Additional Supervisory Responsibilities

Under some regulatory systems the custodian has additional supervisory responsibilities, although the extent of these responsibilities varies. They include supervision of the purchase and redemption of units in the CIS (including price calculation and settlement), review of the allocation of income and expenses, valuation of CIS assets, the keeping of proper accounts and general oversight of compliance with applicable laws and CIS rules.

While these additional supervisory responsibilities are key features of many regulatory systems, it is not essential that the supervisory role be carried out by the custodian. Instead, this supervision may be carried out by other third parties, such as auditors as is appropriate to the overall framework of regulation in individual jurisdictions. In the USA, for example, while not necessarily having the same role as a supervisory custodian an independent board of directors of an investment company supervises the activities of the operator.

3. ELIGIBILITY TO ACT AS AN OPERATOR

There is a wide range of regulatory systems and a variety of mechanisms for ensuring the suitability and proficiency of CIS operators. The Glossary of Terms defines an operator of a collective investment scheme.

In all jurisdictions operators of CIS are subject to authorisation either prior to, or as part of, authorisation of the CIS. "Authorisation" in this context may mean that an approval process is instituted by the regulatory authority (which assesses the suitability of the operator), or it may simply mean that the authority requires registration of the operator in order for the CIS to market its securities.

In some jurisdictions both the operator and the CIS itself must be registered with the regulators. In the US, for example, CIS are generally operated under an investment company structure (with its own board of directors) and the operator is a separate entity (usually called the investment manager) which is under contract to the investment company. The result is that the operator is licensed as an investment adviser and the CIS as an investment company.

This Principle recognises that eligibility requirements imposed as part of this authorisation process will vary according to the overall context of regulation, in particular where other factors effectively monitor operator conduct. In many European jurisdictions, the regulatory authority reviews the suitability of a CIS manager before authorisation. However, such a detailed review at the point of entry may not be required in the context of a rigorous inspections program and where there is prescriptive regulation of transactions undertaken by the operator.

Under the US system as described, the focus is not upon entry requirements for investment advisers (operators) or investment companies but instead upon prohibitions and other provisions designed to maintain standards of operator conduct on an ongoing basis. In this context, the imposition of substantive eligibility requirements is not necessary.

key attributes of operators and the objectives of those regulatory systems that use specific criteria applicable to CIS, at the point of authorisation and as part of a monitoring program.

A range of suitability criteria are imposed by regulatory systems on CIS operators including (but not limited to) the following:

- minimum net capital;
- sufficient human and technical resources;
- "fit and proper" test;
- educational requirements.

In the case of minimum capital requirements, many operators of CIS are subject to specific minimum amounts (such as HK\$1 m in Hong Kong, DM5M in Germany) and in many other there is a general requirement to show capital adequacy.

In drafting the Principles, it is acknowledged that not all of these requirements will necessarily be set out in the laws of member countries; instead the Principles express objectives which should be embodied in the overall regulatory framework.

4. DELEGATION

CIS operators often engage third party investment managers or administrators to whom some or all of the functions and duties of the operator (but not overall responsibility) may be delegated. This Principle is concerned with the maintenance of investor protection in the event that delegation occurs.

Although sometimes described as "external management", this situation is different from the concept of "external management" which exists in the USA under the Investment Company Act. In the USA, CIS are legal entities operated by their officers subject to the oversight of a board of directors or trustees. Typically, US investment companies enter into agreements with parties for the provision of all necessary services including operational management and advice. Thus US funds generally do not contemplate delegation of investment authority from a manager to a third party investment adviser. In that regard many of the requirements of this Principle will not apply in the context of the US regulatory system.

There are other jurisdictions, such as Mexico, where delegation of functions by the operator is not permitted.

It is acknowledged that there are limits to the direct control that regulators have over delegates of CIS operators in the current regulatory framework. The Principles recognise these limits and focus on the effect that the use of delegates has on the protection of investors in a collective investment scheme. In some member countries specific approval is required for the use of delegates, while in others there is only a requirement to disclose material information concerning delegates. Where the delegate is an investment manager, generally the same rules will apply to the conduct of its business as an investment manager.

The aim of the Principle is to ensure that a CIS operator has primary and overall responsibility for the proper management of the CIS, and that the operator's accountability is not diminished by the appointment of delegates. Because of the limits on direct regulation of delegates, the Principles are concerned mostly with the ability of the operator to ensure that the functions of the

Under the US system, the board of directors must ensure that procedures are in place designed to monitor the behaviour of the investment manager (also called an adviser). That manager has a fiduciary duty with respect to and must always act in the best interests of the fund. CIS may also enter into a separate contract with a sub-adviser to manage some or all of the CIS's portfolio. Like the manager any sub-adviser has a fiduciary relationship to the CIS and is liable for misconduct or breach of its fiduciary duties. A manager must reasonably supervise the activities of persons acting on its behalf and may remain responsible for the conduct of a sub-adviser, depending on the facts and circumstances in each case.

5. SUPERVISION

The regulator's responsibilities in supervising the activities of CIS does not vary greatly, under the law of member countries. Analysis of different regulatory systems indicates that the role of the regulator is paramount and that it holds ultimate regulatory responsibility for CIS. This is reflected in the Principles. The manner in which individual regulatory authorities carry out their responsibilities does, however, vary according to the overall regulatory framework.

Key aspects of a regulator's role as reflected in the Principles are:

- registrations and authorisation;
- inspections and investigations; and
- enforcement powers.

It is recognised that in carrying out their responsibilities regulators may place a different emphasis upon their various powers and activities, and this is something that is likely to change over time depending on the policies of the various regulatory authorities. The role and activities of regulatory authorities is a matter for more detailed consideration by the Working Group in relation to international cooperation issues.

Registration and Authorisation

The activities of member countries in the area of "registration" ranges from the requirement for document filing to undertaking a detailed review of CIS documentation for compliance with the applicable law. The nature of documents lodged may include constituting documents, fund rules, prospectuses and so on. The common element among the various systems is that the regulator has a role in the process of CIS entering the market for the first time, although the level of active involvement of the regulatory authority varies from one jurisdiction to another. In some cases this will depend on the degree of prescription in the applicable law. Another common element is that regulatory authorities, even those that undertake a detailed review prior to CIS approval, do not endorse CIS nor guarantee their

effect to their inspection responsibilities in a variety of ways. For example, some aspects of inspections may be delegated to a third party (e.g. an auditor) even though the regulatory authority has the power to conduct its own inspection. This is considered to provide an appropriate level of investor protection, provided the regulatory authority maintains overriding control and responsibility for CIS supervision.

Powers of the Regulatory Authority

It is fundamental that a regulatory authority have the powers to take action to enforce the obligations relevant to CIS. This Principle recognises that the nature of enforcement powers and penalties will vary from one jurisdiction to another, and that there are a variety of means to achieve adequate enforcement. The Principles identify the range of powers which might be available to enforce CIS requirements although they may not be exhaustive. The Principles do not imply that an individual regulatory authority must take action in any particular circumstances.

Third Party Supervision

As indicated previously, some systems rely on a third party (such as a custodian or auditor) to carry out some of these supervisory functions. While the regulatory authorities of some member countries rely on the role of third party supervisors, this does not make the regulator's role any less important. Examples of third party supervisors include trustees (with responsibilities additional to that of custodian), auditors, as well as independent directors on the board of an investment company (see Principle 2).

6. CONFLICTS OF INTEREST

There are wide ranging approaches by member countries to regulation of conflicts of interest. In all regulatory systems there is an overriding responsibility for CIS to be managed in the best interests of investors. This duty is variously expressed as:

- (a) acting exclusively in the interests of investors with the "diligence of an orderly businessman";
- (b) the duty to exercise good faith in the interest of investors when giving directions relating to a CIS;
- (c) exercising powers and duties honestly, in good faith and in the best interests of the CIS;
- (d) the duty to act for the sole benefit of the CIS's subscribers.

In some jurisdictions the obligation of an operator to act in the best interests of investors is implicit in their role as a fiduciary under the applicable law, although it may also be an explicit requirement of CIS regulation.

In addition to this general duty of CIS operators, it is essential that all regulators have adequate powers of investigation and enforcement to ensure that where specific circumstances give rise to a conflict of interest the regulator may take appropriate action. These issues are addressed in Principle 5 regarding Supervision.

Beyond these broad principles, the approaches of member countries to conflict of interest situations varies quite significantly. The existence of a general obligation to act in the best interest of investors will often mean that a CIS operator must ensure that CIS transactions are at arms' length and on a commercial basis, that they achieve best execution for the interests of the CIS and that the operator act independently of any other affiliations.

As well as a general obligation, some jurisdictions have adopted

Other regulatory systems (such as those in Mexico, Australia and many of the European jurisdictions) rely largely on the general obligations to investors, combined with close supervision of activities by the regulatory authorities and other third party supervisors. Another example of how conflict of interest situations may be addressed is by prohibiting the operator of a CIS from carrying out activities other than operation of a CIS.

The aim of this Principle is to ensure that there are proper responses from the regulatory regime to the potential for conflicts of interest. The Principle identifies a number of transactions as examples of situations which raise potential conflict of interest issues. It is acknowledged that the list of situations identified in the Principles may not be comprehensive of all potential conflict of interest situations, but they represent the main areas of concern.

The use of the words "capable of dealing with ..." in Principle 6.1 reflects the fact that not all regulatory systems explicitly restrict or prohibit these transactions in their applicable law; it also recognises that the response of member countries to these situations may differ.

The Principles use the term "affiliates" in describing a number of potential conflict of interest situations. Broadly, the term refers to those parties who may be affiliated with a CIS, its operator or custodian, or other parties to the CIS's activities. In many jurisdictions, the term "affiliates" or "associates" has a very specific and complex definition and the Working Group has not attempted to provide an all encompassing definition; a comprehensive definition can only be provided in a context of an individual regulatory framework.

The range of responses utilised in a regulatory system to deal with these conflict situations will depend on the overall regulatory framework and whether structural requirements influence the likelihood of the potential conflicts becoming real. The range of possible responses is meant to show that a number of approaches to regulation may be acceptable, and to note that a system of regulation need not embody all such responses in order to be effective. In most cases, member countries employ a number of techniques (direct and indirect) to resolve conflict of interest situations.

7. ASSET VALUATION AND PRICING

A fundamental principle of collective investment regulation is the ability of investors to withdraw their funds (liquidate their interest) within a reasonable period. The calculation of unit price and the valuation of CIS assets is an important part of any regulatory system because of the direct interest that investors have in the underlying assets of the CIS. The regularity and accuracy in valuing the underlying assets of a CIS is essential for fairness and accuracy to be achieved in the pricing of interests, for both investors seeking to liquidate their units as well as investors remaining in a fund. These general principles are reflected in the preamble to Principle 7.

The Principles for Valuations, Purchasing and Redemption of Units and Unit Pricing each provide a statement of how the broad Principle applies in the context of CIS within the scope of the Working Group's mandate (i.e. those investing in transferable securities). The Principles have been drafted so as to cover a range of approaches considered acceptable to achieve the broad objectives.

While many jurisdictions impose specific requirements under the law, there are others that do not embody these Principles in applicable laws. Instead the Principles may operate as rules of best practice and are often embodied in the rules of individual CIS. In some regulatory systems, changes to the system for asset valuation and pricing must be approved by investors.

Provided these Principles are reflected in the rules of a CIS, it is not considered necessary for the laws of member countries to include these detailed requirements for effective regulation to occur.

Valuations

A fundamental Principle of asset valuation and pricing of CIS units is that it is based on the net asset value of the total pool of assets under management according to the market value of those assets, or some other value which is representative of

operating in the United Kingdom. In the USA and Canada, there is a requirement to price CIS units on a forward pricing basis, although again this may not be common to all regulatory systems. US regulation also permits the use of a non-market prices for certain types of money market instruments and allows their value to be determined at their amortised cost according to a procedure approved by the SEC.

The system for pricing of units is often specified by the law, but in many jurisdictions it may also be set out in the fund rules or the prospectus. In Mexico, the system for pricing units must be disclosed in the prospectus.

Purchasing and Redemption of Units

In relation to redemption requirements, some jurisdictions require CIS to pay out redemptions within a specified amount of time while others (such as Australia) simply require the obligation to be met within a "reasonable" period. This would be judged according to the relevant commercial standards and, in practice, the timeframe for payment of redemptions is similar to other jurisdictions notwithstanding the absence of a direct legal obligation.

The Working Group has not proposed any specific time periods during which pricing of units must occur or redemption requests met. Specific time limits or periods are arbitrary in nature and will vary according to historical and commercial settings. In many jurisdictions, it is recognised that pricing must occur at least twice a month, although some authorities permit CIS to reduce the frequency to once a month on condition that it does not prejudice the interests of investors. Other jurisdictions require more frequent pricing. In the USA, for example, a CIS must stand ready to redeem an investor's units each business day. A CIS must make payment within 7 days of the tendering of units for redemption.

Another key issue addressed by the Principles in relation to the purchase and redemption of CIS units is fees. While the Principles require purchase or redemption fees to be disclosed in the CIS rules or the prospectus, and actual rates in the prospectus, it is noted that some CIS will disclose a range of fees applicable and also may offer a variety of ways to investors for those fees to be charged.

8. INVESTMENT AND BORROWING LIMITATIONS

This Principle provides a statement as to the scope of the Working Group's mandate and the range of schemes to which the Principles should apply. This Principle identifies the range of investments that may be made by a CIS for it to be the subject of the CIS regulatory Principles. The types of investments which fall within this range are also defined in broad terms.

In some jurisdictions different categories of CIS exist, which, whilst they are promoted to the public, are intended to meet specific investment objectives through different means than those covered in Principle 8. These schemes may also be governed by regulatory regimes that depart in various respects from the other Principles. These types of schemes include those dedicated to investing in derivatives, property / real estate, mortgages and venture capital and are not included in the scope of the Working Group.

This Principle recognises that a key benefit of investing through a CIS is a level of diversification of investment not offered by investment directly in securities. The Principle also recognises that, although borrowing by a CIS in connection with its investments can be appropriate, excessive borrowing by a CIS can be potentially damaging to investors. To give effect to this Principle, it is not necessary that specific requirements as to investment and borrowing limitations be imposed under the applicable laws of member countries. Instead, they may be met by the commercial practices of CIS operators as reflected in the rules of schemes that they manage.

In most jurisdictions the primary purpose of investment and borrowing limitations is to ensure that a CIS has sufficient liquidity to meet redemption requests and to address the CIS's risk profile. A feature of regulation that is common to most jurisdictions is the requirement to disclose the investment policy of a CIS to incoming investors and to take certain action in the event that a fundamental change occurs. This is addressed by Principle 10.1.3.

At a more detailed level, the approach to investment and

subjected to the same investment restrictions as domestic schemes, but gain access to that market primarily on the basis of full disclosure.

Because many member countries impose specific investment and borrowing limitations on CIS, the Working Group recognises that certain countries that wish to permit cross-border marketing want to present a model for investment and borrowing limitations which they believe will satisfy the requirements of most of those countries and will provide guidance to CIS wishing to market cross border in those countries. While many of those jurisdictions will not impose all these requirements, there may be others that impose more stringent requirements in some cases.

Investment and Borrowing Limitations Model

(Relevant definitions are contained in the Glossary of Terms.)

8.1 Transferable Securities and MMI

8.1.1 A CIS must invest its assets primarily in transferable securities negotiated on a regulated market and money market instruments whose value can be precisely determined at any time. This includes securities and MMI which are listed or negotiated on a regulated market.

8.1.2 At least 90% of CIS net assets other than cash and bank deposits must be invested in transferable securities or MMI.

8.1.3 The investment of a CIS in transferable securities or MMI issued by the same issuer must not exceed 10% of total CIS net assets. This limit may be increased when securities are issued or guaranteed by government authorities or by public international bodies.

8.2 Derivatives

8.2.1 For the purpose of efficient portfolio management, a CIS may be permitted to use derivatives provided they relate to transferable securities. Such exposure as it arises should be fully covered.

8.2.2 Eligible derivatives instruments are limited to futures and option contracts, swaps on interest rates, and indexes (of interest rates or securities) that are negotiated on a regulated market ("market traded derivatives").

8.2.3 CIS may also be permitted to invest in derivative instruments which are negotiated "over-the-counter" provided that:

- (a) transactions are arranged with a highly rated counterparty;
- (b) the contract is standardised;
- (c) there is a fair off-setting provision in this contract;
and
- (d) a market value is available at any time.

8.2.4 Transaction on currencies (cash and forward) may be arranged by a CIS for hedging purposes only i.e., in order to protect the CIS against adverse fluctuations in the value of the currencies in which foreign assets or foreign liabilities are denominated.

8.3 Warrants

Only warrants that are related to transferable securities and that are negotiated on a regulated market are eligible.

8.4 Other CIS Shares or Units

8.4.1 Investment may only be made in units of open-ended schemes that meet the IOSCO Principles of regulation and those of the host regulatory authority and are authorised by a regulatory authority.

8.4.2 Investment in units of other open-end CIS must be limited to 10% of the assets of the CIS. Arrangements must be made to eliminate the duplication of management fees and other charges.

8.5 Borrowing and Lending Rules

8.5.1 A CIS is allowed to borrow up to 10% of its assets in securities or in cash provided that the transaction is made on a temporary basis.

8.5.2 A CIS is allowed to lend up to 10% of its assets in securities, excluding cash, provided that the transaction is made

8.6 Limitations on Repos

A CIS may be allowed in some jurisdictions to use repurchase agreements. This technique is usually defined as a financing arrangement, used primarily in government securities markets, whereby a holder sells securities and agrees to repurchase them at an agreed future date, at an agreed price. The underlying security should be clearly identified and such transactions should fall within the scope of risk containment rules imposed by the regulatory authority.

8.7 Cash and Bank Deposits

Investments in cash and bank deposits may be made only on an ancillary basis.

8.8 Limitation on Voting Rights

An investment company or management company acting on behalf of all the CIS it manages must not acquire shares carrying voting rights which would lead to a significant influence as determined by the host regulatory authority.

9. INVESTOR RIGHTS

All regimes recognise the central importance of investor rights. The nature and extent of rights that individual investors have in CIS varies among member countries according to the overall regulatory framework.

In large part, the difference in investor rights is attributable to the legal form and structure of CIS. In those regulatory systems where investors have few rights to participate in management, there is significant reliance on the right of investors to liquidate or withdraw their investment. In other jurisdictions, investors are able to participate in management by calling meetings of investors and by their ability to remove the operator. The Principles recognise the different approaches, in particular, providing for the rights which may be given to shareholders of investment companies.

The Principles recognise that in all CIS the rights of investors are primarily to be able to withdraw their funds with relative ease. A key part of this Principle is that investors be fully aware of their rights at the time they invest. For example, if there is a fundamental change in CIS management (e.g. its investment policy) then some jurisdictions provide investors with the opportunity to withdraw their funds without any disadvantage and on substantially the same terms as existed prior to the change. Other jurisdictions, such as France, address this situation differently and allow investors to redeem their investment without paying any redemption charges.

There is also substantial reliance on the regulatory authority to enforce investors' rights. For example, in those jurisdictions where there is no direct right on the part of investors to remove the operator, the regulatory authority has such a right. In these circumstances, it is important that a regulatory authority has adequate powers to take up investor concerns and enforce their rights.

It is recognised that investors in CIS which are structured as investment companies often have more direct rights of participation (as shareholders) compared to other CIS investors.

In Australia, Hong Kong and the UK (although not under an investment structure) there is provision for investor meetings to consider certain matters such as changes to CIS rules, to increase any fees or to terminate the CIS. Meetings for these purposes tend to occur on an irregular basis.

10. MARKETING AND DISCLOSURE

All regulatory systems have mandatory disclosure requirements for both new and existing investors in CIS.

In relation to disclosure to new investors, all member countries require there to be a formal written offer document disclosing all relevant information. This is commonly called a prospectus, but may also include ancillary documentation such as annual or half yearly reports, statements of additional information, scheme rules and so on. The Principles refer to these collectively as "offering documentation" and it is noted that the disclosure obligations may be satisfied by using a combination of documents.

Prospectuses

The general disclosure standard applied under the law of member countries varies slightly from one country to another, but the fundamental Principles are similar: that the information provided is what an investor would reasonably require and that the information is not false or misleading. Some regimes also specify disclosure of prospectus of a CIS, but it is not considered necessary to separately specify these matters under the general Principle.

The Principles recognise the importance of the prospectus being understandable by the investing public of the country of circulation. Hence it is considered that the prospectus should be in one of the recognised languages of the country of circulation. In most cases this would be the "official language" but in some countries, such as Hong Kong and Luxembourg, there may be a number of languages which are recognised. It is also permissible for the prospectus and other material (such as advertising) to be provided in other languages in addition to the recognised languages.

At a more detailed level, the approach of member countries to the content of disclosure documents varies, with many providing a list of matters that must be included and others providing no minimum content requirements at all. Some member countries require information to be provided in a certain format. The

the matters listed will necessarily be specific requirements under the laws of member countries.

In relation to the currency of offer documentation, all member countries agree that it should be kept up-to-date. The means by which this is achieved varies from country to country. For example, in Australia, this means renewing the prospectus at least every 12 months and also being required to up-date the prospectus to take account of any material changes during that 12 month period. In other countries, the core prospectus document is up-dated as and when required and the accompanying annual and semi annual reports provide a regular financial up-date on the CIS.

The approach of regulatory authorities also varies in relation to the review of CIS prospectuses. In some cases, there is a detailed review of the prospectus before authorisation of a CIS; in others only a selective review is undertaken after the CIS has commenced marketing. This review might be undertaken by the relevant authorities or a co-regulatory body. All of these approaches are considered appropriate in their jurisdictions to achieve effective regulation of CIS prospectuses.

Regular Reporting

Regular reporting to existing investors is a fundamental Principle of collective investment regulation. In all member countries, CIS are required to report on an annual basis and to make these reports available to investors in the CIS; some (but not all) require semi annual reports to be prepared. While these reports must always be available to investors, not all jurisdictions require them to be sent to investors.

In all countries, the financial statements must be prepared in accordance with the accounting standards applicable to CIS in the country of regulation. This means that in most cases if a CIS is marketed in a particular jurisdiction, it will need to strictly comply with the accounting standards of that jurisdiction, which may be different from its home jurisdiction. In most cases, part or all of the CIS annual report is reviewed by a third party, usually an auditor or certified public accountant in particular the financial statements.

Advertising

Member countries take a variety of approaches to advertising. In some cases, advertisements must be approved by the regulatory authorities; in others there are certain statutory requirements which must be met in order for advertisements to comply.

Because of these varying approaches the Principles do not specifically require that regulatory authorities authorise or approve advertising. Instead the Principles indicate that advertising of CIS should not be undertaken until "all the necessary authorisations have been granted to permit the CIS to market to the investing public". This means that if an advertisement is required to be authorised, it should not be used until authorised; alternatively if all that is required is for the CIS to be authorised or registered (in the broader sense) that such authorisation must have been given, before the advertising is used. The Principle does not mean that advertising must be directly authorised or approved.

The Principles in relation to advertising acknowledge that while reference to a prospectus is an important requirement, certain advertising, such as price quotation of CIS, will not necessarily make any reference to a prospectus and may not be required to do so. In some cases, this is a requirement of the law but in others it may be representative of industry best practice.

PART II

**INTERNATIONAL COMPARATIVE
TABLE**

Principle 1

Legal Form & Structure

<p>1.1 Standard operating structure for collective investment schemes</p>	<p>Trust contract based and obligations of management and trustee are prescribed)</p>	<p>Both open-ended investment trust (mutual fund trusts) and corporations (mutual fund corporations) are permitted, although open-ended investment trusts are more common. Private and closed end investment funds are not as strictly regulated as public, open-ended investment funds.</p>	<p>Trust structure with a trustee and management company operating under a contract (trust deed) with investors.</p>	<p>Collective investment scheme may be organised as corporation, business trust, or partnership. May be open-end, closed-end, or unit investment trust (UIT). Majorly open-end; closed-end funds and UITs also significant. Fund may not physically hold assets. Must deposit with bank or other custodian pursuant to custodian agreement, or with bank pursuant to safekeeping agreement.</p>	<p>Both contract/trust (unit trust) and company based schemes (mutual fund corporations). A trustee/custodian is required to act.</p>	<p>Company based open ended funds (duties and obligations of operator are prescribed in the law).</p>
<p>1.2 Regulator approval of scheme documentation</p>	<p>Both the deed and trustee must be approved by the regulator ASC in relation to every scheme</p>	<p>No approval of individual CIS. The role of the regulator relates to approval/licensing of advisers/dealers and review and clearance of prospectus documentation for public CIS, both at time of start-up and annually thereafter.</p>	<p>Ministry of Finance approves the deed and other scheme documentation</p>	<p>Fund files registration statement, which includes prospectus, with SEC. SEC reviews for compliance with disclosure requirements but does not approve securities or scheme documentation</p>	<p>SFC reviews all documentation (prospectus, deed etc) for authorisation for schemes offered to the public</p>	<p>CNV reviews all documentation (deeds, prospectus, general operating program of the fund) and may approve the constitution of the mutual fund.</p>

The information included in the international comparative table as it relates to "Canada" is information applicable in the province of Ontario, being the primary jurisdiction for the large majority of CIS sold managed in Canada. Canada has no national system of securities regulation. Each of the ten provinces and two territories is a separate regulatory jurisdiction and has its own legislation, rules and policies. However the Canadian securities administrators have adopted two national policies applicable to all CIS sold to the public in any one or all of the jurisdictions of Canada: National Policy No. 36 governs the content of prospectuses and National Policy No. 39 governs the structure and operations of CIS. The legislation applicable to CIS in the provinces and territories other than Ontario is not dissimilar in many respects to the legislation, rules and policies of Ontario and outlined in the following table.

Principle 1

Legal Form & Structure

<p>1.1 Standard operating structure for collective investment schemes</p>	<p>Both Contract based and company based schemes are permitted.</p>	<p>Both contract based and company based schemes. Mostly open ended schemes with mandatory trustee/depositary. Close ended schemes must be listed</p>	<p>Contract based with scheme assets usually owned collectively by investors, a custodian (bank) as depositary of the assets. - (There are CIS in Germany which assets belonging to it may be owned by the investment management company (real estate funds)).</p>	<p>Open-ended schemes may be authorised and promoted to the public.</p>
<p>1.2 Regulator approval of scheme documentation</p>	<p>Each scheme has to obtain IML approval before it may exercise its activities. In the course of the approval process, the IML reviews all documentation (scheme rules, prospectus, contractual arrangements with third party service providers etc) which a projected scheme has to submit in support of its application for authorisation</p>	<p>All scheme, prior to commencing its activities, should obtain approval for the proposal of its incorporation from the Ministry of Economy and Finance. Said approval shall be granted after a report from the CNMV.</p> <p>Afterwards the scheme must be registered on the corresponding register of the CNMV. The CNMV reviews and registers all the scheme documentation.</p>	<p>Each contract/deed must be reviewed and approved by the regulator</p>	<p>Schemes are authorised or recognised by the SIB.</p>

Principle 1

Legal Form & Structure

<p>1.1 Standard operating structure for collective investment schemes</p>	<p>Only open-ended schemes of the contractual type qualify as CIS. Although the Operator is the legal owner of the pool of assets, it has strict fiduciary duties towards the investor as the beneficial owners of the CIS. The CIS assets must be strictly segregated from the Operator's own assets.</p>	<p>Both investment company and unit trust (management company and separate depositary/custodian required) based open-end or closed-end schemes.</p>	<p>Both contract/trust (FCP's) and company based schemes with variable capital (SICAV's). They are open ended funds.</p>	<p>Open-ended company based schemes (mutual funds) are permitted. Must have a bank or credit institution as custodian of fund assets.</p>
<p>1.2 Regulator approval of scheme documentation</p>	<p>The FHC supervises investment fund activities, approves the fund manager, the depositary, the scheme rules, the auditors and receivers and any person advertising/selling CIS units.</p>	<p>Regulator approves scheme documentation including the prospectus and the terms and conditions</p>	<p>Documents to be filed for approval with COB. Must include a statement of investment objectives.</p>	<p>FSA approves the depositary, management company, rules of the fund. No formal approval of other documentation. The content in the annual report, half yearly report and prospectus has to meet the requirements set by the FSA. The content of the prospectus is checked at the time of approval of fund rules.</p>

Principle 2

Trustee/Custodian/Depository

<p>2.1 Independence</p>	<p>Yes. Independent trustee. Limited instances for related party trustees.</p>	<p>No requirement that either a trustee or custodian be independent from the CIS or its manager, but usually entities acting as a trustee or custodian are independent from the other functions they may perform in relation to the CIS</p>	<p>Yes</p>	<p>No requirement that custodian be independent. Self-custody permitted but assets must be held by a bank and other conditions imposed to assure safekeeping of assets.</p>	<p>Yes. May be connected in limited circumstances but no common directors.</p>
<p>2.2 Capital Requirements</p>	<p>Sufficient Financial Resources</p>	<p>No capital requirements for trustees; custodians that are not Canadian chartered banks must have capital of C\$10 Million</p>	<p>Yen 2 Billion</p>	<p>\$500,000 (bank custodian) \$200 million (eligible foreign custodian)</p>	<p>\$1.3 million</p>
<p>2.3 Other qualifying requirements</p>	<p>Sufficient qualifications and experience and adequate and resources.</p>	<p>Trustees may be individuals; if a corporation acts as a trustee, it must be either the same entity as the manager of the CIS or a registered trust company; custodians must be a Canadian chartered bank or trust company or a subsidiary of either a bank or trust company (with applicable capital)</p>	<p>Trust Bank or Trust Company</p>	<p>Bank subject to banking regulation. Other depositories permitted subject to conditions</p>	<p>Regulated bank or trust company</p>

LUXEMBOURG	SPAIN	GERMANY	UK	ITALY
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Principle 2

Trustee/Custodian/Depository					
2.1 Independence	Each scheme is required to have a depository which must be a separate legal entity obliged by law to act independently.	Yes, may be connected in limited circumstances but no common directors, physical separation etc.	Yes. May be connected in limited circumstances but no common directors	Manager and trustee must be persons independent of each other. May have corporate links with restrictions	Yes. Must be separate entities obliged by law to act independently. May be connected in limited circumstances (no majority of common directors).
2.2 Capital Requirements	Minimum paid-in capital of 250 million Luxembourg francs	Variable, depending on class of depository (150 to 1500 mill. ptas).	Min. DM 10 million	GBP 4 million	Lire 75 Billion
2.3 Other qualifying requirements	Depository must be a bank established in Luxembourg with sufficient human and technical resources.	Must be a bank, saving bank, broker, dealer or credit cooperative	Must be a bank with sufficient qualifications and experience.	Must be regulated by a UK SRO	Approved credit institution

SWITZERLAND

NETHERLANDS

FRANCE

Principle 2

Trustee/Custodian/Depository

2.1 Independence	Must be separate legal entities, but may belong to the same conglomerate. Obligated by law to act independently. The managing directors of the operator and those of the custodian bank must be independent from each other.	Must be separate legal entities but may be same conglomerate but no common directors. Obligated by law to act independently.	Must be separate legal entities obliged by law to act independently	Must be separate legal entities in the same country
2.2 Capital Requirements	Minimum paid-in capital CHF 10 million	Fl.250.00	Sufficient financial resources (depends also on category)	ECU 5 million
2.3 Other qualifying requirements	Must be a bank subject to Swiss supervision	Corporate body: fitness and propriety of directors	Must be a regulated bank securities dealer, insurance co. or other financial institutions established in France. Sufficient qualifications and experience	Must be a Swedish

Principle 3

Eligibility to Act as an Operator

1. General Principles of Conduct

<p>A Principles Governing Fund Management Legislation</p>	<p>Derived from the Corporations Law and ASC Regulations. Management Company must be licensed. ASC must have no reason to believe that the Management Company will not operate honestly, efficiently and fairly.</p>	<p>No specific legislation regulating managers of CIS, the Securities Act (Ontario) ("OSA") and other applicable provincial legislation requires that managers of mutual funds must follow a particular mandated fiduciary standard of care; however if the manager is providing investment advice or acting as a dealer of CIS securities the manager must be registered under the OSA (and other applicable provincial legislation) as an adviser and/or a mutual fund dealer. Most managers of CISs are registered as either an adviser or a mutual fund dealer and some are registered as both. OSA (and other applicable provincial legislation) regulates registered advisers and mutual fund dealers.</p>	<p>Derived from the Securities Investment Trust Law 1951 and administered by MOF. Japan has only contractual trusts. MOF will check to see if applicants are experienced, qualified and capitalized. Management company also has fiduciary duties</p>	<p>Derived from IAAM/CA. Fund and adviser must register. Neither ICA nor IAA imposes min. eligibility standards on fund advisers. State law may. SEC does not approve funds or investment advisers; no vetting. Advisers must disclose background/educational financial condition to clients. Certain persons ineligible to serve as investment advisers. Adviser has fiduciary duty to clients.</p>	<p>Derived from the Hong Kong Code on Unit Trusts and Mutual Funds, under which the manager must be sufficiently resourced and fit and proper.</p>	<p>Derived from the Mutual Funds Act and the regulation thereof, the operator (Operating Companies of Mutual Funds: OCMFs) and the scheme itself (Mutual Funds: MF) must be authorised by the CNV, as well as their deeds of incorporation and MF's operating program.</p>
<p>B Professional Records</p>	<p>Biographies required in the application process, for example details of employment history, qualifications and disclosure of past legal actions.</p>	<p>Managers, if registered advisers and/or dealers, must provide quite extensive personal information concerning their partners, directors and officers, all of whom are required to have taken certain securities educational courses and officers performing advisory or sales distribution functions must have certain educational and professional proficiency.</p>	<p>Yes, submitted to the MOF.</p>	<p>ICAI/AA require registration and periodic reporting forms to be signed. Adviser/fund registration forms require investment adviser/fund to provide brief biographies of principal officers. Investment advisers must disclose in SEC reports disciplinary matters, investment practices, and financial affiliations.</p>	<p>Any new management companies must seek approval of SFC and records are checked as part of this process, but no formal questionnaire.</p>	<p>General director of operating companies must prove to the CNV to be morally and economically solvent, as well as technically and administratively capable.</p>

Principal 3

Eligibility to act as an Operator

1. General Principles of Conduct

<p>A Principles Governing Fund Management Legislation</p>	<p>Derived from Law dated 30 March 1988: Directors must be fit and proper. Management company of a contract based scheme must have sufficient financial resources and must present all guarantees of an effective and durable solvency.</p>	<p>Derived from the Royal Decree 1393/1991 on Collective Investment Institutions ("CII"): Managers must be honest, competent and solvent.</p>	<p>Derived from the Law concerning capital investment companies of 1970 (amended). Managers must be experienced, competent and customer orientated.</p>	<p>Derived from Financial Services Act 1986 ("FSA"). All applicants to be fund managers must be fit and proper - honest, competent and solvent.</p>	<p>Derived from Act 84/1991</p>
<p>B Professional Records</p>	<p>Biographies of directors required in the application process.</p>	<p>Yes, Managers and Directors of schemes complete and sign a questionnaire containing information about their professional records - which is checked by CNMV.</p>	<p>Managers must provide a curriculum vitae to the regulator to manage a credit institution adequate theoretical and practical experience is needed.</p>	<p>Biographies required in application process, disclosure of past legal action etc.</p>	<p>Applicants must provide certain records</p>

Principal 3

Eligibility to act as an Operator

1. General Principles of Conduct

<p>A Principles Governing Fund Management Legislation</p>	<p>Derived from the Investment Funds Act 1994 (IF:3) which requires fitness an proprieness of the directors and managers, capability, adequate capital, diligence and effectiveness of the operators. the regulatory authority and its external auditors secure compliance with the law and the scheme rules.</p>	<p>Derived from the Act and later Decree on the Supervision of Investment Institutions of 15 October 1990: directors must be both experienced and trustworthy, and the investment company capitalised.</p>	<p>Derived from UCIT's legislation of Dec 1988 which defines operation of SICAVs and the fitness and proprieness of the managers and their companies; all applications must be approved by the COB.</p>	<p>Derived from Swedish mutual funds act (1990:14). Fund managers must have experience from fund business and should not be charged with certain offences in the past.</p>
<p>If Professional Records</p>	<p>The directors and managers of the operator must file an exhaustive questionnaire and, amongst others, supply evidence of their professional background, their experience and good reputation (eg absence of a criminal record).</p>	<p>Directors of the management company or depository must fill in and sign a full questionnaire with references supplied.</p>	<p>No reference made to professional records, but the manager must be honest and experienced.</p>	<p>If relevant, records of the funds are checked as part of the authorisation process.</p>

Principle 3

Eligibility to act as an Operator

1. General Principles of Conduct

<p>* Codes of Conduct for Management Company</p>	<p>No - but ASC does look at existence and adequacy of guidelines of management. If A has voluntary standards.</p>	<p>No requirements as such for non-registrant managers, if the manager is a registrant, the registrant must adopt procedures for dealing with its clients and for ensuring fairness in allocation of investment opportunities (applicable to advisers)</p>	<p>Whilst there are no legal requirements to adopt a code of conduct, management companies do in practice have them.</p>	<p>ICA requires adoption of code of ethics by fund and fund's investment adviser and principal underwriter.</p>	<p>Yes. Rates on conduct in code on UT and MF.</p>
<p>* Asset Segregation</p>	<p>Unless specifically exempted the fund must have a separate trustee to hold the assets of the scheme. Yes, subject only to very limited exceptions.</p>	<p>Yes, all assets of CIS must be held by custodian.</p>	<p>Yes (admin by Trust Bank)</p>	<p>Asset segregation required.</p>	<p>Yes.</p>
<p>* Personnel Experience</p>	<p>Employment details must be provided in application. Officers dealing in corporate activities must have a minimum of two years experience.</p>	<p>None for non-registrant managers - if manager is an adviser, individual investment counsel/portfolio manager officers of the manager must have taken certain courses and have minimum 5 years financial analysis experience, if manager is also a mutual fund dealer - salespersons must have completed a particular course.</p>	<p>Yes, 'sufficient' experience required. No concrete criteria.</p>	<p>No regulatory qualifications/criteria needed. Certain persons ineligible. Disclosure of experience to clients required. Many states impose minimum requirements for registration and require investment advisers to pass exam.</p>	<p>Must provide the "sufficient" experience required, including management of retail funds.</p>

LUXEMBOURG

SPAIN

GERMANY

U.K.

ITALY

Principal 3

Eligibility to act as an Operator

1. General Principles of Conduct Continued

* Codes of Conduct for Management Company	No code of conduct.	Yes, management company draw up their own code of ethics, which is submitted to CNMV.	No.	Standards of conduct imposed by regulator.	No - but management company must comply with rules laid down by supervisory authorisation.
* Asset Segregation	Yes, assets must be segregated.	Yes.	Yes.	Yes, scheme assets must be held by a regulated independent trustee.	Yes, funds assets are segregated from the management companies other assets.
* Personnel Experience	Directors must be sufficiently experienced.	Yes, at least two years or more experience of the Stock Market.	Only the general manager of the investment company need have experience.	Must provide a Curriculum Vitae and meet standards of threshold competence set by regulator	Managers and general managers are required to be experienced (3 years).

Principal 3

Eligibility to act as an Operator

1. General Principles of Conduct

<p>* Codes of Conduct for Management Company</p>	<p>Not yet existing, but the Swiss Investment Funds Association is currently drafting a Code of Conduct. The lack of such a Code is not, however, a serious gap in the regulatory framework, since the main principles of conduct are embodied in the IFA.</p>	<p>There is no code of conduct.</p>	<p>Yes, code de Deontologie de l'ASFFI, LCI's managers, professional organisation, approved by COB).</p>	<p>No, but the Management with the rules laid authorisation</p>
<p>* Asset Segregation</p>	<p>All assets are segregated by law.</p>	<p>Yes, assets must be segregated.</p>	<p>Yes.</p>	<p>Yes</p>
<p>* Personnel Experience</p>	<p>The law requires that the managers give evidence of the professional experience necessary to fulfill their duties. In the case of the high-risk funds at least 2 managers with a minimum experience of 5 years are required.</p>	<p>Two directors of the management company must be experienced and trustworthy; 2 years and assessment by the supervisory authority respectively.</p>	<p>Articles 12 and 24 specifically refer to managers experience.</p>	<p>Curriculum Vitae's of as part of the authorisation</p>

Principle 3

Eligibility to act as an Operator

1. General Principles of Conduct

* Monitoring	Records required to be filed with the ASC. The ASC also conducts a Manager's Surveillance program.	No monitoring of non-registrant managers, other than police checks conducted on officers and directors of managers in connection with the annual renewal of the prospectus of the CIS - if manager is a registrant monitoring primarily via requisite annual filings necessary to renew registration - inspections carried out generally only when investigation action deemed necessary due to either investor complaints or registrant activities or filings indicate a potential problem.	Regular visits and checks by MOF.	Investment adviser/fund must maintain specified records which are subject to SEC review. SEC conducts routine and for-cause examinations. Fund/adviser files periodic reports, and amendments thereto, with SEC and sends reports to shareholders.	Yearly audit is required and the accounts are sent to SFC to check. SFC carries out inspections of managers advises based in Hong Kong.	GNV responsible for inspections and surveillance of MFs and OCMFs.
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2. Manager Powers and Duties

A. In the context of delegation, are there minimum duties that managers must provide? In particular do managers have to provide:	The Fund's Deed has the effect of imposing on the management company general and specific duties in relation to the fund. Those covenants in the deed include all of the duties set out below:	Manager generally responsible to perform or arrange to be performed all administrative and investment management services required by the CIS. No prohibition on delegation and a significant number of managers engage service providers (generally to provide administrative processing support or investment management services).	The manager must provide the duties set out below: The Security company which handles the sales of beneficiary certificates will also cash in share holdings for the management company. Managers must provide all items listed.	Investment company is separate legal entity required to have board of directors or similar group. Board legally responsible for management of fund, has duty to oversee fund. Board does not manage daily affairs of fund - delegates to officers and, by contract, to separate legal entities, such as adviser and administrator.	The general obligations of the management company are set out in the Hong Kong Code on Unit Trusts and Mutual Funds which state that the Manager must provide the duties set out below.	OCMFs generally provide all the specified duties, except for investment decisions, which are made by a special committee within each MF.
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- * Statutes of Scheme
- * Bookkeeping
- * Cash
- * Settlement
- * Investment decisions

Principle 3

Eligibility to act as an Operator

1. General Principles of Conduct

<p>* Monitoring</p>	<p>Directors required to have adequate controls in place for monitoring - IML may carry out on-site inspections</p>	<p>CNMV expects a firm to act with due care, skill and diligence and employ effective resources and procedures. CNMV conducts on-going supervision process by inspection, transaction reporting, etc.</p>	<p>The Regulator requires adequate internal controls and procedures for monitoring</p>	<p>Procedures monitored through regular visits by regulator, continuous surveillance and written returns.</p>
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2. Manager Powers and Duties

<p>A. In the context of delegation, are there minimum duties that managers must provide? In particular do managers have to provide: * Statutes of Scheme * Bookkeeping * Cash * Settlement * Investment decisions</p>	<p>Subject to the overall control and responsibility of their directors, schemes are normally administered and managed by delegated administrators and investment managers. The administrator concentrates on the day-to-day administration of the scheme and the investment manager on making the investment decisions. Between the two, all the duties set out above are covered.</p>	<p>The Royal Decree 1393/1990 specifies the duties that a management company must provide, these include those below.</p>	<p>All schemes are managed directly by the credit institution. There are no separate administrative and management functions. The manager of the investment company must provide all the duties set out below.</p>	<p>Manager may delegate any function to any person, including the trustee, but remains responsible, having taken all reasonable steps and exercised all due diligence.</p>
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Principle 3

Eligibility to act as an Operator

1. General Principles of Conduct

* Monitoring	External auditor will report any shortcomings, otherwise there is little on-going supervision.	The regulator requires that it is furnished with information relating to the balance sheets, profit and loss (both on a three monthly basis), detailed administrative organisation, and be continually informed of all changes relating to the original application.	While UCITS legislation does not impose standardised controls: visits, document controls and portfolio surveillance are all carried out by the COB.	The company is monitored through regular visits by the FSA as well as reporting requirements to the FSA. The FSA also appoints auditors in the companies.
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2. Managers Powers and Duties

A. In the context of delegation, are there minimum duties that managers must provide? In particular do managers have to provide: * Statutes of Scheme * Bookkeeping * Cash * Settlement * Investment decisions	Managers must undertake all the functions set out below.	The Manager is responsible for the day-to-day management for the investors and regulators. - Not manager's specific duty - Statutes of Scheme Yes - Book keeping No - Cash Yes - Settlement Yes - Investment Decisions	Requirements set out in UCITS legislation of December 1988. The management company or investment company must provide the duties set out below.	Yes - Statutes of Scheme Yes - Book keeping Yes - Cash Yes - Settlement Yes - Investment Decision
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Principle 3

Eligibility to act as an Operator

2. Managers Powers and Duties

<p>* Resources</p>	<p>Financial resources primarily. Others in surveillance but not on entry.</p>	<p>No specific requirements for non-registrant managers - if manager is a registrant, minimum insurance/bonding requirements and financial reporting requirements - no specific assessment to determine if registrant has the resources (technical or otherwise) to perform advisory functions - discretion in regulator to not permit the sale of securities of a CIS where its manager clearly has limited resources to carry out its contractual obligations to the CIS.</p>	<p>Yes.</p>	<p>Extensive disclosure to SEC and shareholders required regarding financial and other matters.</p>	<p>"Sufficient" resources.</p>
<p>* Capital Requirements</p>	<p>Security deposit of \$20,000 must be lodged with the ASC. Surplus liquid funds must be maintained at \$50,000 or 5% of adjusted liabilities (General sufficiency).</p>	<p>No requirements for non-registrant managers - If manager is a registrant - minimum net free capital requirements; for advisers minimum is amount deductible under requisite insurance/bonding plus C\$5,000 and for mutual fund dealer - minimum is amount deductible under requisite insurance/bonding plus C\$25,000.</p>	<p>50 Million Y. Net Asset should not decline below 50 Million Y.</p>	<p>Generally, fund must have \$100,000 net worth to make public offering. Adviser with discretionary authority/custody over client assets must disclose material facts about adviser's financial condition.</p>	<p>Min. paid up share capital and reserves of HK\$ 1mm.</p>

Principle 3

Eligibility to act as an Operator

2. Managers Powers and Duties

* Resources	IML to assess the adequacy of human and technical resources of scheme's administrator in Luxembourg.	No specific regulations to assess whether a firm has adequate technical resources, as legally required.	No specific regulations.	Yes, specific requirements depending on scheme details.	Adequacy of financial and technical resources. Supervision of organisational aspects of management companies falls to the Bank of Italy.
* Capital requirements	Minimum capital of 5 million Luxembourg francs required for the management company of a contract based scheme.	Minimum capitalisation 50 million ptas.	DM 5 million.	Regulator sets ratios depending on activities undertaken.	Initial minimum capital of 2 billion lira. Additional capital requirements depending on activity undertaken

Principle 3

Eligibility to act as an Operator

2. Manager's Powers and Duties

* Resources	The IFA requires an adequate organisation of the operator.	Regulatory to assess adequacy of technical resources - but objective criterion not set.	Articles 12 and 24 specifically refer to technical and financial resources.	Technical res set.
* Capital requirements	Initial minimum capital of CHF 1 million; additional capital required up to a maximum of CHF 10 million depending on the volume of assets under management.	Investment Institution = £1 500,000 and the Depository = £1 250,000	SICAV = 50 million FF FCP management company 500,000 For 5% of the volume of the assets under management.	Minimum 1 n

Principle 3

Eligibility to act as an Operator

2. Manager's Powers and Duties

<p>If What functions may be delegated to an external adviser?</p>	<p>Management Company may delegate any of its functions (but not ultimate responsibility). The delegation must not impede the managers ability to conduct the fund in a proper and efficient manner.</p>	<p>No restrictions on delegation to external portfolio advisers so long as such advisers are registered under the OSA. If international portfolio advisers, not registered under the OSA, manager must be a registrant and must contract to be responsible to the CIS for the advise received from the international adviser. Managers not registered as advisers must delegate portfolio management to a registered adviser.</p>	<p>No functions are delegated to an external adviser: all done by the management company.</p>	<p>Fund typically employs external adviser to manage fund's portfolio, although a few funds manage portfolios without external advisers. Fund/adviser may employ sub advisers. Sub adviser has fiduciary duty to fund, and subject to all the ICA/MLA requirements applicable to adviser. Adviser may be liable for actions of sub adviser, depending on legal/contractual relationship.</p>	<p>Advisory and administrative functions may be delegated by the management company, but it retains overall control and responsibility.</p>	<p>OCMFs functions are not delegated in another entity.</p>
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3. Compliance

<p>A. Do fund managers have to give information of funds performance to regulator?</p>	<p>Annual returns and audited accounts must be filed with the ASC, along with a summary of the funds acquisitions. In certain circumstances, half yearly accounts will need to be lodged.</p>	<p>Annual (audited) and semi-annual (unaudited) financial statements for all public CIS must be filed with regulators - financial statements are generally reviewed together with the annual review of the CIS prospectus - no requirement to disclose annual returns of each CIS, however if CIS uses performance data, the returns must be calculated in a particular mandated fashion.</p>	<p>Management company submits annual report to MOP every year.</p>	<p>Fund must file with SEC registration statement (which includes the prospectus) and semi-annual and annual reports, all of which contain financial and performance information.</p>	<p>Management company prepares at least 2 reports per fund, and sends its own annual audited report to the SFC.</p>	<p>The MFs directly file information with CNV including management data.</p>
<p>B. And to the shareholders of the funds they manage?</p>	<p>Audited accounts sent to the shareholders.</p>	<p>Annual (audited) and semi-annual (unaudited) financial statements must be sent to securityholders contemporaneously with the regulatory filings - no requirement to disclose annual returns of a CIS.</p>	<p>No.</p>	<p>Yes. Fund provides prospectus, annual report, and semi-annual report to shareholders.</p>	<p>Yes annual and semi annual.</p>	<p>OCMFs must display in a visible place in their offices a report on the MFs securities assets portfolio</p>

Principle 3

Eligibility to act as an Operator

2. Manager's Powers and Duties

<p>B. What functions may be delegated to an external adviser?</p>	<p>All or part of the administrative and management or advisory functions may be delegated by the directors who retain overall control and responsibility</p>	<p>Investment decision delegation is prohibited. Other functions may be delegated to an external adviser, however the manager remains responsible for all decisions taken. If the function relates to investment advice, and the external adviser is foreign, that adviser must be subject to CNMIV scrutiny.</p>	<p>The Manager may delegate certain advisory matters to an external adviser but this must be done by contract and set out in the fund's prospectus.</p>	<p>Manager may delegate all or part of functions relating to operation of scheme, but remains responsible.</p>
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3. Compliance

<p>A. Do fund managers have to give information of funds performance to regulators?</p>	<p>For both supervisory and statistical purposes, each scheme has to file with the IML monthly returns which provide among others information on the evolution of the total and per unit net asset value of the reporting scheme.</p>	<ul style="list-style-type: none"> * Yes, on different basis depending on the type of information: <ul style="list-style-type: none"> - Monthly, portfolio, net asset, number of shareholders and other basic data. * Quarterly: Balance sheet and P&L account * Annually: Income distribution. Management companies must provide semi-annual information of their own performance to the regulatory authority. 	<p>Annual audited accounts and monthly returns (statistical and supervisory information) supplied to the Regulator.</p>	<p>Yes, as published to investors.</p>
<p>B. And to the shareholders of the funds they manage?</p>	<p>Annual and half-yearly reports have to be supplied to investors free of charge on request. When registered certificates are issued, the reports are generally sent to the unit holders' domicile.</p>	<p>Management company not required to pass information to shareholders - quarterly bulletins that, in addition to said information, it should set out details of the fund and management relationships.</p>	<p>Annual audited report and half-yearly non audited report to the unit holders</p>	<p>Annual reports must contain a comparative table showing the highest issue price and lowest redemption price and the net income per unit distributed for each year up to 10 where available.</p>

Principle 3

Eligibility to act as an Operator

2. Manager's Powers and Duties

<p>B. What functions may be delegated to an external adviser?</p>	<p>The operator may delegate investment management or other auxiliary functions to an external advisor/person. Notwithstanding this delegation, the operator remains fully liable toward unitholders. The prospectus has to give full disclosure of functions delegated.</p>	<p>All functions may be delegated to an external adviser, although the manager remains responsible for all decisions taken. The delegation of functions must not impede the managers ability to conduct the fund in a proper and efficient manner.</p>	<p>A CIS's activities may be delegated to an external adviser, by contractual arrangements. If the operator is based overseas then there must be either a cooperation agreement with that country or fund subject to an audit.</p>	<p>No functions, except register-keeping and investment advice and analysis.</p>
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3. Compliance

<p>A. Do fund managers have to give information of funds performance to regulators?</p>	<p>Annual audited and semi-annual non-audited report plus annual audit report to be filed with the regulatory authority.</p>	<p>Under the decree the management company must undertake to do activities.</p>	<p>Under Article 29 of December 1988 law, the management or investment companies must provide documents A-D.</p>	<p>Yes, data regarding performance must be reported quarterly to the FSA.</p>
<p>H. And to the shareholders of the funds they manage?</p>	<p>Annual audited and semi-annual non-audited report, with their minimum contents being fixed by IFA.</p>	<p>Annual report, half-yearly figures, monthly statement.</p>		<p>Annual Report and half yearly report sent to unit holders if they have not said that they don't want it.</p>

Principle 3

Eligibility to act as an Operator

3. Compliance

<p>C. Do their Financial Statements have to be audited?</p>	<p>Yes.</p>	<p>Yes, if the manager was a registrant - no requirements if non-registrant (however, if manager is itself a publicly traded company, financial statements required to be audited pursuant to requirements applicable for public companies).</p>	<p>No special regulations to audit but management company larger than 500 million yen must have its accounts audited.</p>	<p>Yes - - - certified by independent accountant annually</p>	<p>Yes.</p>
<p>D. Any other ongoing obligations?</p>	<p>Any changes in original application must be notified to the ASC.</p>	<p>No requirements if manager a non-registrant - if a registrant - requirement to notify regulators of any changes in directors/officers/shareholders and certain other information.</p>	<p>No.</p>	<p>Extensive record-keeping obligations, among other things.</p>	<p>Management company must tell SFC of any change of information to the initial application.</p>

Principle 3

Eligibility to act as an Operator

3. Compliance

C. Do their Financial Statement have to be audited?	Management companies of contract based schemes are required to have their accounts audited by their statutory auditor.	Annual audited reports.	Yes audited accounts.	Yes, for annual accounts.	Yes A6(1) of Law 77/1983.
D. Any other ongoing obligations?	No.	Yes, may require information from management company as and when.	No.	Operator regulated by SRQ. Proposed changes to the scheme must be notified to the SIB.	Reporting requirements to shift of funds of action by directors. Regulators may require information from management.

Principle 3

Eligibility to act as an Operator

3. Compliance

<p>C. Do their Financial Statement have to be audited?</p>	<p>Yes, by an Independent Auditor, recognised by the FBC.</p>	<p>Yes, by an external auditor</p>		<p>Yes</p>
<p>D. Any other ongoing obligations?</p>	<p>Operators must report to the FBC any amendment of their articles of association and bye-laws and any change in their board of directors, management or substantial shareholders.</p>	<p>All changes relating to the application have to be communicated to the regulator.</p>		<p>No</p>

Delegation

1. Maintaining Protection

<p>(A) Describe the legal or regulatory requirements for an entity advising fund managers.</p>	<p>Anyone carrying on investment business must hold a licence, this would include investment advisers.</p>	<p>Entities advising CIS in Ontario must be (i) registered as an adviser under the OSA, (ii) registered as an adviser in another province of Canada, (iii) an international adviser registered as such under the OSA or (iv) an international adviser not registered in Canada; in the latter case the manager contracting with the international adviser must be registered as an adviser or dealer and cannot be affiliated with the international adviser. Capital and proficiency requirements must be complied with fully for first 2 categories; Special, less onerous requirements for international advisers</p>	<p>All functions concerning the fund are carried out by the management company. Management company takes full responsibility before operation and management of funds as set out under SIF law.</p>	<p>Advisers and sub advisers required to register with SEC, subject to IAA/CA. Sub adviser has fiduciary duty to fund.</p>	<p>SFC requires investment adviser to be qualified, has been licensed, etc. No capital check required.</p>	<p>OCMF does not delegate to another entity.</p>
<p>(B) Do they require registration or individual approval by regulator ?</p>	<p>Yes</p>	<p>Yes, except no registration requirement for international advisers advising a CIS with a non-affiliated manager that is itself registered - prospectus must disclose all advisers to the CIS - discretion in regulator to refuse to permit securities of CIS sold where advisers unacceptable.</p>		<p>Registration of advisers and sub advisers required but no vetting/approval.</p>	<p>Regulator must be satisfied as to overall level of control.</p>	
<p>(C) Does the manager remain responsible for acts and omissions of the adviser ?</p>	<p>Yes</p>	<p>Liability vis a vis manager and sub-adviser generally established via contract - only regulatory requirement is statutory duty of care for the manager and in situations where manager contracts with a non-registered international adviser - manager must remain responsible for the advice received.</p>		<p>Adviser and sub adviser have fiduciary relationship to fund. Adviser may also be responsible for actions of sub adviser depending on legal/contractual relationship.</p>	<p>This generally depends on the terms and conditions set out in the investment advisory agreement.</p>	

Delegation

1. Maintaining Protection

<p>(A) Describe the legal or regulatory requirements for an entity advising fund managers.</p>	<p>In granting scheme authorisation, the IML implicitly approves the adviser who is not subject to specific regulatory requirements.</p>	<p>Adviser is regulated by CNMIV, the adviser must be legal entity and its directors honest and competent and must be a broker or dealer by those allowed under the Stock market Act</p>	<p>External fund management is very unusual in German, therefore no regulations concerning external funds investment company and their managers remain responsible.</p>	<p>Manager remains responsible for scheme property management and, within the UK, adviser must meet SIB and SRO regulations.</p>	<p>N</p>
<p>(B) Do they require registration or individual approval by regulator ?</p>	<p>Advisers are not required to obtain a specific authorisation from the IML.</p>	<p>Yes, if they are investment advisers.</p>		<p>Regulator expects the adviser to comply with regulatory standards</p>	<p>D to es</p>
<p>(C) Does the manager remain responsible for acts and omissions of the adviser?</p>	<p>The directors remain responsible for the acts or omissions of the adviser, as though they were their own.</p>	<p>Yes.</p>	<p>Yes.</p>	<p>Yes, the manager remains responsible for the management of the schemes</p>	<p>Y</p>

Principle 4

Delegation

1. Maintaining Protection

<p>(A) A describe the legal or regulatory requirements for an entity advising fund manager.</p>	<p>No specific regulations (except in case of high-risk funds). On the basis of auditing report the regulatory authority may intervene in order to ensure adequate organisation, if necessary.</p>	<p>No specific regulations.</p>	<p>It is the responsibility of the delegating company to supervise the delegates. It must make sure that the delegates have adequate provisions in place to carry out their mission. They will tend to do this, as liability still rests with the delegating company.</p>	<p>No specific regulation.</p>
<p>(B) Do they require registration or individual approval by regulator ?</p>	<p>No (except in case of high-risk funds).</p>	<p>Prior approval of prospectus (in which the adviser will be named) is required by the regulator.</p>	<p>Yes</p>	<p>No but the adviser have to be named in the prospectus.</p>
<p>(C) Does the manager remain responsible for acts and omissions of the adviser</p>	<p>Yes.</p>	<p>Yes.</p>	<p>Yes.</p>	<p>Yes.</p>

Principle 4

Delegation

1. Maintaining Protection

(D) Sanctions against the Adviser.	Yes	Legislation and policies impose no sanctions against the manager for infringements by the adviser, except in cases where the adviser is a non-registered international adviser and accordingly the manager is liable for the advice.		Yes. Three options if SEC believes fund, adviser, or sub adviser has committed securities law violation: administrative proceedings, civil judicial proceedings, and criminal judicial proceedings.	Not directly, but SFC can withdraw authorisation
(E) (i) Manager Oversight of Adviser.	No	Regulatory scheme does not require advisers to report to managers; generally provided for via contract.		Board including majority of independent directors, and shareholders approve advisory agreement. Board has general oversight responsibility. Sub adviser required to register and treated like adviser under ICA and IAA. Adviser may be liable for violations of sub adviser.	Yes, manager responsibility to monitor.
(E) (ii) Manager Contract with Regulator	No	Regulatory scheme does not require managers to report to regulators on performance of advisers.		No. Adviser has contract with the fund.	No.
(F) Contractual Obligations.	No provisions	Provision for termination generally in contract between adviser and manager - no standard provisions and none required by regulatory scheme.		Adviser serves pursuant to advisory contract with fund. ICA requires contract to terminate on assignment, permits termination at any time by fund on 60 days notice, requires advisory contract to describe compensation. These requirements applicable to contract with sub adviser.	Yes.

Principle 4

Delegation

1. Maintaining Protection

<p>(D) Sanctions against the Adviser.</p>	<p>IML, normally sanctions the directors not the advisers by either (i) asking for a proper indemnification in cases where investors have been damaged or (ii) requiring directors to stop using advisers or (iii) withdrawing the scheme's authorisation.</p>	<p>No specific provisions to sanction the Adviser but the management company will be sanctioned by CNMIV if infringement by advisers.</p>		<p>Manager expected to monitor Adviser. Specific sanctions not provided.</p>	<p>Yes, directors do remain fully responsible and may be sanctioned if infringing by advisers</p>
<p>(E) (i) Manager oversight of Adviser.</p>	<p>The directors are liable to oversee and monitor their advisers.</p>	<p>No</p>		<p>Regulator expects compliance with regulations by Adviser through Manager.</p>	<p>Bank of Italy does check agreement.</p>
<p>(E) (ii) Manager Contract with Regulator.</p>	<p>Adviser has normally no contact with IML.</p>	<p>No</p>		<p>No. Manager takes responsibility for compliance by Adviser.</p>	<p>No</p>
<p>(F) Contractual Obligations.</p>	<p>Disputed contractual obligations between schemes and advisers are subject to legal settlement if arrangement out of Court cannot be reached.</p>	<p>This would be dependent on the agreement between the management company and adviser.</p>		<p>Situation would depend on agreement between scheme manager and adviser.</p>	<p>No specific regulation other than civil law.</p>

Delegation

1. Maintaining Protection

(D) Sanctions against the Adviser.	No, since manager is completely liable. Sanctions only against operators ranging from asking for proper identification of unitholders or termination of adviser contract to withdrawal of authorisation.	No specific provisions to sanction the Adviser but the management company will be sanctioned by regulator if infringement by Advisers.	No, manager completely liable.	No
(E) (I) Manager Oversight of Adviser.	Manager has to oversee and monitor its advisers.	The management company remains responsible; additional auditors may be required to the Adviser.		No
(E) (II) Manager contract with Regulator.	No regulations, subject to contract law.	The management company is responsible to the regulator.		No
(F) Contractual Obligations.	Later for contract law	Any disagreements will be settled between the management company and adviser.	Yes - A Personal Contract is required.	No regulations by FSA. Sub contract law.

Principle 4

Delegation

2. Exclusion of Regulatory Competition

<p><i>Using external fund managers should not diminish the effectiveness of primary regulation of the funds under management. The investment adviser should follow similar regulatory principles to that of the main scheme.</i></p>			<p>No external management allowed</p>			<p>OCNIF does not delegate to another entity.</p>
<p>(A) Levels of regulation for an adviser: (i) Must the adviser comply with eligibility requirements applicable to its investment advising activities?</p>	<p>Yes.</p>	<p>Yes, if registered as an adviser must comply with all requirements. If registered as an international adviser must comply with all requirements applicable to this category of registration - non-registered international advisers are subject only to the requirements applicable in home jurisdiction and the registrant manager must comply with all requirements in Ontario.</p>		<p>All subadvisers must register with SEC.</p>	<p>Yes</p>	

Principle 1

LUXEMBOURG

SPAIN

GERMANY

UK

Delegation

2. Exclusion of Regulatory Competition

Using external fund managers should not diminish the effectiveness of primary regulation of the funds under management. The investment adviser should follow similar regulatory principles to that of the main scheme.

1. Levels of regulation on adviser

<p>(1) Must the adviser comply with eligibility requirements applicable to its investment advising activities?</p>	<p>The IML does not interfere in the choice of advisers as the directors take the ultimate and entire responsibility for that choice.</p>	<p>Yes. Regulated by CNMV as the companies must be brokers or dealers and if a foreign adviser it must comply with regulation and conduct of management companies.</p>		<p>A UK adviser must be regulated by an SRO or SIB to carry out investment business.</p>	
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Yes, regulator expects adviser to be monitored for compliance by operator.

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Principle 4

Delegation

2. Exclusion of Regulatory Competition

<p>Using external fund managers should not diminish the effectiveness of primary regulation of the funds under management. The investment adviser should follow similar regulatory principles to that of the main scheme.</p>	<p>Owing to the strict liability of the operator toward unitholders, effective fund regulation is not diminished by using external fund managers who are not subject to supervision.</p>	<p>Whilst the adviser may be specifically mentioned in the Prospectus, the manager is and remains responsible for the adviser. The regulator has no specific jurisdiction over the adviser.</p>	<p>Only authorised companies may act as external funds managers, they too are supervised by the COB for its investment advising activities. If sanctions should be brought by the COB then it will be against the delegating company that they are brought.</p>	<p>The FSA has jurisdiction over the adviser only if the adviser is a bank or a securities business firm or any other entity under the supervision of the FSA</p>
<p>(1) Levels of regulation for an adviser</p>				
<p>(1) Must the adviser comply with eligibility requirements applicable to its investment advising activities?</p>	<p>No statutory requirements (except for high risk funds).</p>		<p>Yes.</p>	<p>Yes. If the adviser is under the supervision of the FSA.</p>

Principle 4

AUSTRALIA	CANADA	JAPAN	USA	HONG KONG
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Delegation
2. Exclusion of Regulatory Competition

<p>(ii) Must the adviser comply with all regulatory requirements in relation to the conduct of its business activities?</p>	<p>Yes</p>	<p>The OSA governs the investment advising activities of advisers - no related legislation governing business conduct generally (other than the applicable business corporations legislation governing the adviser)</p>	<p>Yes</p>	<p>Yes</p>
<p>(iii) Do your regulations provide for sanctions against the adviser?</p>	<p>Yes</p>	<p>Sanctions against registrants in Ontario and entities which advise in Ontario without registration - no sanctions against international advisers not registered in Ontario and contracting with non-affiliated registrant managers (provided certain requirements met).</p>	<p>Yes</p>	<p>Yes but only where the adviser is licensed in Hong Kong</p>

Principle 4

Delegation

2. Exclusion of Regulatory Competition

<p>(ii) Must the adviser comply with all regulatory requirements in relation to the conduct of its business activities ?</p>	<p>It is the responsibility of the directors to ensure that advisers comply with all regulatory requirements applicable to the conduct of their business activities in general.</p>	<p>No specific regulations - but the management company also remains responsible for adviser and should ensure that the adviser obeys regulations.</p>		<p>Yes, UK adviser is regulated by SRO.</p>	
<p>(iii) Do your regulations provide for sanctions against the adviser ?</p>	<p>Regulations do not provide for sanctions against advisers, but only against the directors of the scheme or the scheme itself.</p>	<p>Investment Management regulation does not provide for specific sanctions against an adviser. The manager remains responsible for all decisions taken.</p>		<p>Yes, adviser must be regulated and can be sanctioned by SRO</p>	

Principle 4

SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Delegation

2. Exclusion of Regulatory Competition

<p>(ii) Must the adviser comply with all regulatory requirements in relation to the conduct of its business activities ?</p>	<p>No. The operator has the responsibility to ensure that advisers comply with all regulatory requirements in relation to the conduct of their business activities.</p>	<p>Yes.</p>	<p>Yes. If the adviser is un the FSA</p>
<p>(iii) Do your regulations provide for sanctions against the Adviser ?</p>	<p>No. Regulations provide for sanctions only against operator.</p>	<p>No, but the adviser may be forbidden to deliver advising</p>	<p>Yes, if the adviser is un the FSA</p>

Principle 5

Supervisory role of Auditor (other than audit of annual Independence)

5.1 Supervisory role of Auditor other than audit of annual Independence	No.	Limited review role of certain required compliance reports	No.	Board, not auditors, performs principal oversight and supervisory function. Independent auditor certifies annual financials, reviews custody arrangements, reports on funds system of internal accounting controls. If accountant resigns/its dismissed, must disclose in semi-annual report to shareholders and SEC	No.	No.
5.2 If so what?	N/A	CIS are required to file reports annually indicating compliance with rules establishing sales/redemption procedures and relating to co-mingling of monies - auditors review these reports and state whether they agree with the reports	N/A	See preceding response	N/A	No, but CNV is entitled to ask the auditor for information and review.
Role of Regulatory Authority, 5.3 Ongoing Monitoring and Supervision?	Yes.	Annual prospectus review by regulator, includes a review of investment portfolio to ensure compliance with objectives - annual and semi-annual filings of financial statements - regulatory approval required before a manager may be changed, before control of a manager may be changed and before a custodian may be changed (where manager is also changing).	Yes.	Extensive record keeping requirements. Ongoing reporting requirements to SEC. SEC conducts on-site, routine and for-cause, examinations.	Yes.	Yes, CNV has an annual inspection program for Mutual Funds. Concerning operators, inspections are done on specific circumstances; but as most operators are brokerage houses or banks, they are inspected by the CNV or the Banking Commission.

Principle 5

Supervisory Role of Auditor (other than audit of annual Independence)

5.1 Supervisory role of Auditor other than audit of annual Independence.	Yes	No.	Yes	Not specifically, duty to report irregularities to regulator.	Y
5.2 If so, What	If the auditor becomes aware that the information supplied by a scheme to its investors or to the IML does not truly describe that scheme's financial condition, he must immediately inform the IML of that fact. The auditor is also under the obligation to report to the IML any breaches of the scheme's investment restrictions which come to his notice.	N/A	Control asset valuation and compliance with law. Audit reports to be sent to BAK.	Statutory responsibility to alert regulator if irregularities are discovered.	Y
Role of Regulatory authority. 5.3 Ongoing monitoring and supervision?	Yes	Yes	Yes	Yes	Y

	SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 5

Supervisory Role of Auditor (other than audit of annual Independence).

5.1 Supervisory Role of Auditor other than audit of annual Independence.	Yes.	Yes.	Yes.	Yes.
5.2 If so, What?	Audit reports to be filed annually with FBC. Obligation to inform FBC of irregularities discovered on an ongoing basis.	The external auditor must certify one of the three monthly reports to the regulator, and must report breaches of reporting.	Control asset valuations and compliance with law; report serious, repeated breaches to COB.	Auditor appointed by the FSA must report irregularities to the FSA
<i>Role of regulatory Authority.</i>	Yes.	Yes.	Yes.	Yes.
5.3 Ongoing monitoring and supervision?	Yes.	Yes.	Yes.	Yes.

Principle 5

Supervisory role of Auditor (other than audit of annual Independence)

<p>5.4 Enforcement powers</p>	<p>Investigative powers, criminal proceedings; administrative actions eg revocation of approval/licenses.</p>	<p>Investigative powers - administrative actions such as cancel, amend or suspend registration of registrants - refuse to issue a receipt for a prospectus - cease trade of CIS securities - ability to lay criminal charges (if a criminal offence).</p>	<p>Investigation and inspection powers: criminal action eg revocation of approvals/licenses.</p>	<p>Administrative, civil and judicial proceedings.</p>	<p>Administrative action; revocation of approval/licenses.</p>
<p>5.5 Inspection</p>	<p>Surveillance program for trustees and management companies.</p>	<p>Monitors documents required to be filed; carries out periodic inspections of registrants, principally mutual fund dealers.</p>	<p>Surveillance inspectors from time to time.</p>	<p>Surveillance through routine and for-cause on site examinations. (There is no difference between "examination" and "inspection" in our lexicon. For consistency only, we use the word "examination" in this Table.)</p>	<p>Surveillance program for HK licensed fund managers.</p>

LUXEMBOURG	SPAIN	GERMANY	U.K.	ITALY
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Principle 5

Supervisory Role of Auditor (other than audit of annual Independence)

5.4 Enforcement Powers	Retraction of scheme authorisation, punitive sanctions, indemnification for losses.	Administrative, investigative powers; punitive sanctions.	Revocation of authorisation, after that the right of disposal shall pass over to the depositary bank which shall liquidate the CIS/wind up the CIS.	Not directly, statutory duty to report irregularities to regulator.	Forfeiture of management company: winding up of fund.
5.5 Inspection	Surveillance inspections by the IMJ, from time to time.	Regular inspections & internal control programs developed to track portfolios etc.	Inspection carried out by external auditors for BAK.	Auditors undertake inspections at request of regulator.	Inspection program.

SWITZERLAND	NETHERLANDS	FRANCE	SW
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Principle 5

Supervisory Role of Auditor (other than audit of annual Independence)

<p>5.4 Enforcement powers</p>	<p>Investigative powers including appointment of an observer or executor, punitive sanctions, revocation of license, winding up. Furthermore, the FBC may take any other measures it deems appropriate to remedy violations of the IFA or the scheme rules.</p>	<p>Investigative: appointment of secret receiver, revocation of license.</p>	<p>Administrative: revocation of licence, pecuniary sanctions.</p>	<p>The FSA can revoke an</p>
<p>5.5 Inspection</p>	<p>Responsibility of auditor: coverage of inspection fixed by IFA.</p>	<p>Regular surveillance by Regulator.</p>	<p>COB has developed control programs of audits on portfolio valuations, inspections of management company and depositary.</p>	<p>Inspections can be do appointed by FSA on be</p>

Principle 6

AUSTRALIA	CANADA	JAPAN	USA	HONG KONG	MEXICO
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Conflicts of Interest

<p>6.1 Soft Dollar Arrangements</p>	<p>Disclosure in annual return and subject to trustee supervision.</p>	<p>Restricted to goods and services which are for the benefit of securityholders of CIS ie investment decision making services - full disclosure required in prospectus of CIS.</p>	<p>Prohibited from receiving compensation other than from the fund.</p>	<p>Permitted. If broker charges higher commission, adviser must conclude that fund receives other benefits such as research, enabling adviser to provide better services, and justify higher commission. Adviser must disclose in offering documents. Arrangements to use fund brokerage to pay fund affiliates for fund expenses may be prohibited.</p>	<p>Full disclosure in prospectus and annual report</p>	<p>All concepts of management charges made by the OCMF to investors, and to MF, as well as the procedures for modifications, must be detailed in the prospectuses.</p>
<p>6.2 Purchase of Underwritten securities</p>	<p>Subject to trustee review who may refuse to complete the transaction in best interest of unit holders.</p>	<p>Prohibits purchase by the CIS from an underwriting syndicate in which the manager participates or an associate or affiliate of the manager. Participation, unless participation is less than 5% of total underwriting or if the securities underwritten are government securities.</p>	<p>Indirectly prohibited by barring fund manager from underwriting securities.</p>	<p>Fund generally prohibited from purchasing securities in underwriting (unless fund is issuer) if any of underwriters is officer, director, adviser, or employee of fund, or affiliate of any of foregoing, unless board, including majority of independent directors, approves procedures containing specified safeguards.</p>	<p>Subject to prior written approval of trustee.</p>	<p>In Mexico, only brokerage houses are authorised to underwrite securities. If the OCMF is a brokerage house, CNV Rule 10-163, specifies that such brokerage house must make sure, through internal controls, that investment decision making on behalf of the MF is separated from investment on the brokerage house's own account.</p>
<p>6.3 Purchase of Managers Securities</p>	<p>Prohibits purchase of securities issued by manager or affiliates.</p>	<p>Prohibits purchase of securities issued by "substantial securityholder" (20% shareholder) of manager, CIS or distribution company or issued by issuer in which officer or director of CIS, manager or distribution company or substantial securityholder thereof has a "significant interest" (10% holdings).</p>	<p>Prohibits purchase of securities issued by manager.</p>	<p>Fund generally cannot purchase securities issued by its adviser, or an affiliate of adviser.</p>	<p>Only as per investment limits.</p>	<p>No specific restriction but general investment limits apply.</p>

Principle 6

Conflicts of Interest

6.1 Soft Dollar Arrangements.	No regulation.	Prohibited from receiving compensation other than from the fund.	Not permitted.	Allowed within limits and must be disclosed.	Prohibited.
6.2 Purchase of by affiliates Underwritten Securities.	Indirectly prohibited by barring management companies or schemes themselves from underwriting securities	No specific Restrictions. No specific Prohibitions. Indirectly prohibited by barring fund management companies from underwriting securities.	Indirectly prohibited by barring of fund management companies from underwriting securities.	All transactions must avoid conflicts of interest and manager must ensure fair treatment of CIS.	May purchase securities placed by group.
6.3 Purchase of Managers Securities.	Regulations prohibit purchase of securities issued by management companies	If depository and manager are related, Fund may not invest more than 1% of assets in securities issued by depository.	Indirectly prohibited by barring fund manager from issuing securities.	As Above	May purchase securities of funds of securities companies of securities companies

	SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 6

Conflicts of Interest					
6.1	Sofr Arrangements. Dollar	Prohibited since operator must act in the sole interest of unitholders.	No specific regulations except that manager must act in the best interest of the investors	Prohibited from receiving extra compensation from the brokers or intermediaries	No specific regulations.
6.2	Purchase of Underwritten Securities.	Indirectly prohibited by barring fund management companies from underwriting securities.	No specific restrictions nor prohibitions.	Indirectly prohibited by barring fund management companies from underwriting securities.	No specific restrictions.
6.3	Purchase of managers Securities.	Prohibited since operator has to act exclusively in the interest of the unitholders.	No specific restrictions nor prohibitions.	Only within investment limits.	No specific restrictions.

Principle 6

Conflicts of Interest Continued

<p>6.4 Principle Transactions with Affiliates.</p>	<p>Trustee must be advised of the transaction and may disapprove in the best interests of investors.</p>	<p>No principal trading permitted between CIS and its manager, portfolio adviser, trustee or any officer or director of the CIS, its manager, portfolio adviser or trustee or any of their associates or affiliates, without consent of regulator. Also portfolio manager may not cause a CIS to purchase or sell securities of any issuer from or to the account of a responsible person (portfolio managers, directors and officers and affiliates thereof) any associate of a responsible person or the portfolio manager.</p>	<p>Prohibits securities transactions between a fund and the director/principal shareholder of its management company.</p>	<p>Generally prohibited, absent SEC approval.</p>	<p>Subject to prior written approval of trustee.</p>
<p>6.5 Joint Transactions.</p>	<p>No specific restrictions, but subject to manager's fiduciary responsibilities and trustee supervision.</p>	<p>See above restrictions.</p>	<p>Generally not executed owing to fiduciary obligation although no specific regulations.</p>	<p>Prohibited unless permitted by SEC.</p>	<p>Subject to prior written approval of trustee.</p>

LUXEMBOURG	SPAIN	GERMANY	U.K.	ITALY
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Principle 6

Conflicts of Interest

6.4 Principal Transactions With Affiliates.	No specific restrictions, except that transactions have to be concluded on an "arm's length basis".	Certain affiliates may purchase securities from fund provided the terms are consistent with prevailing market conditions.	Prohibits securities transactions between a fund and the director/principal shareholder of the manager, members of the supervisors.	As Above.	No specific restrictions except that manager must act in the sole interest of the beneficiaries.
6.5 Joint Transactions.	No specific restrictions, but subject to directors' fiduciary responsibilities.	No specific restrictions but subject to manager's fiduciary responsibilities, compliance with conduct standards and trustee supervision.	Prohibits joint transactions between fund and employees of the manager.	As Above.	No specific regulations, but subject to manager's fiduciary responsibilities.

Principle 6

Conflicts of Interest

<p>6.4 Principal Transactions with Affiliates.</p>	<p>Certain affiliates may purchase securities from fund provided the terms are consistent with prevailing market conditions.</p>	<p>No specific restrictions except that manager must act in the best interest of the investors. In general when affiliates are large investors there are certain disclosure requirements (position and transactions).</p>	<p>Certain affiliates may purchase securities from fund provided that the terms are consistent with prevailing market conditions.</p>	<p>No specific restr</p>
<p>6.5 Joint Transactions.</p>	<p>Joint participation of fund, managers and/or affiliates prohibited.</p>	<p>Permitted, subject to disclosure of all assets held by both the fund and the members of the supervisory board.</p>	<p>No specific restrictions, but subject to managers fiduciary responsibilities.</p>	<p>No specific restr</p>

Principle 6

Conflicts of Interest Continued

6/6 Borrowing and Lending to Affiliates.	Prohibits loans to or from the manager, trustee or affiliates, except for a licensed Australian Bank.	Prohibits loan by CIS to any officer or director of the CIS, its management company, or an associate of any of them; prohibits loans by CIS to any individual if the individual is a substantial securityholder of the CIS, its management company, or distribution company; a portfolio manager may not cause the CIS to make a loan to a responsible person, an associate of a responsible person or the portfolio manager.	Prohibited making loans, but may borrow provided it is on an arm's length commercial basis.	Lending to affiliate: Generally prohibited unless permitted by SEC or exemptive rule. Borrowing from affiliate (or non-affiliate): Open-end fund may only borrow from bank, and then only in compliance with leverage restrictions. Closed-end fund borrowing subject to leverage restrictions.	Prohibits making loans, but may borrow provided it is on an arm's length commercial basis.	In general, can borrow only to cover liquidity needs for their business, such loans can only be provided by banks and other financial intermediaries (domestic and foreign). Banks are restricted from lending to individuals or entities of the same financial group as the bank. AIFs do not grant loans, but are permitted to lend securities. Repos are allowed only on Federal Government securities, as well as securities issued, accepted or guaranteed by banks.
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Principle 6

LUXEMBOURG	SPAIN	GERMANY	UK
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Conflicts of Interest

<p>6.6 Borrowing and Lending to Affiliates.</p>	<p>Regulations prohibit the lending of money and borrowing of securities. Subject to certain restrictions, lending of securities and borrowing of money is allowed if it is done on an "arms length basis".</p>	<p>Subject to restrictions concerning objectives of lending and borrowing and quantitative limitation.</p>	<p>Securities Lending is permitted to CIS since August 1st, 1994 (amendment of German law); the management company is allowed to do this business with the depository bank and affiliates, but not admitted for directors and members of the supervisory board.</p>	<p>Prohibits lending money or borrowing stock, except for stock lending to eligible institutions.</p>
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SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 6

Conflicts of Interest			
6.6 Borrowing and Lending to Affiliates	Regulations prohibit the lending of money and borrowing of securities. Subject to certain restrictions, lending of securities and borrowing of money is allowed, if done on an "arm's length basis".	No specific restrictions, but must act in the best interests of the investors. In general when affiliates are large investors there are certain disclosure requirements (position and transactions).	Admitted with banks, but must be at market conditions.
			No specific restrictions. Subject to general restrictions.

Principle 7

Asset Valuation & Pricing

<p>7.1 Principles for valuation and pricing interests in collective investment schemes.</p>	<p>Calculation of issue and buy back price must be specified in the deed and capable of independent determination; for property trusts must be based on NFA.</p>	<p>Disclosure of valuation policies required in prospectus - certain valuation procedures required by NP 39, ie of restricted securities, covered clearing corporation call options - generally set out in constituting documents of CIS. Securities of the CIS to be sold and redeemed at net asset value "next determined"; net asset value to be determined no less frequently than most CIS determine; net asset value on a daily basis (although a very few older CIS are still permitted to calculate net asset value monthly) if the CIS uses permitted derivatives, net asset value must be determined daily - securityholder approval required to decrease timing of calculation of net asset value.</p>	<p>Issue, buy back and redemption prices must be based on NAV adjusted for charges as disclosed in the deed.</p>	<p>Money market funds generally maintain a stable price per share by valuing portfolio securities at amortised cost. A non-money market fund values assets at market price. If market price not readily available, assets valued at fair value as determined in good faith by directors.</p>	<p>Issue/redemption at price calculated based on NAV adjusted for fees and charges. Detailed pricing restrictions in Code.</p>
<p>7.2 Regulation of redemption and buy-back</p>	<p>Buy back by management must be "reasonable", assumed 1 yr for property trusts.</p>	<p>All CIS must permit redemption at net asset value "next determined" - depending on method chosen by CIS for calculation of net asset value, redemption may be daily or weekly - redemption price to be paid within 5 days of calculation of net asset value - CIS may suspend right of redemption in certain limited circumstances or with the consent of the regulator.</p>	<p>Redemption is required for all schemes, but some allow a closed period as specified in the deed.</p>	<p>An investor in an open-end fund has right to redeem shares each business day. Purchase and redemption orders must be executed at the net asset value calculation price next computed after receipt of the purchase or redemption order. Currently funds must pay out redemptions within seven days, this time period will be shortened to three days in June, 1995 for transactions settled through broker-dealers.</p>	<p>Minimum of one dealing day per month for redemptions, which may only be suspended in exceptional circumstances.</p>

Principle 7

Asset Valuation & Pricing

<p>7.1 Principles for valuation and pricing interests in collective investment schemes</p>	<p>Valuation of assets based on last known stock exchange price or if not listed or if price is not representative, probable realisation value, estimated with care and good faith.</p>	<p>Valuation of assets regulated. Must be valued at market prices. Daily calculation of the liquidity value of the fund.</p>	<p>Prospectus must indicate how costs, values and prices are calculated. Real estate funds require an expert valuation committee.</p>	<p>Detailed regulations for valuation of scheme assets and pricing of units.</p>	<p>Fund rules must specify calculation of commission charges etc and those borne by the fund or the management company. Unit value must be based on NAV.</p>
<p>7.2 Regulation of redemption and buy-back</p>	<p>Regulations require repurchase at least twice a month for LICITs, once a month for other schemes.</p>	<p>Redemption is upon request within 1 to 3 days, depending on the type of fund, & at a certain price.</p>	<p>Law requires redemption be available to investors at all times.</p>	<p>Detailed requirements for redemption. Manager must be willing to issue or redeem at all times during the dealing day.</p>	<p>Contract funds open ended: right to redeem units for cash on any business day to be met within 15 days (this term is reduced in practice to 7 days). With the same frequency a statement must be prepared indicating unit value and NAV. SICAV: right to redeem shares once a week.</p>

Principle 7

Asset Valuation & Pricing

<p>7.1 Principles for valuation and pricing interests in collective investment schemes</p>	<p>Valuation at market value at the end of fiscal year and on every day units are issued/redemmed. Non-liquid assets must be calculated in good faith.</p>	<p>Methods must be set out in fund rules/prospectus. Open ended schemes must value assets daily.</p>	<p>Principles set out in accounting regulations. Detailed regulations set down in fund rules & prospectus. Pricing based on "per share net asset value".</p>	<p>Valuation on basis of conducted regularly &</p>
<p>7.2 Regulation of redemption and buy-back</p>	<p>Redemption upon request at all times. If there is insufficient liquidity to meet redemptions, assets of the fund must be sold.</p>	<p>An open ended scheme must have a redemption facility available. The timing of redemption is not prescribed by law (daily, weekly, twice a month or monthly is possible).</p>	<p>Investors have the right to repurchase or redeem. Repurchases may be suspended temporarily if in interests of holders.</p>	<p>Redemption upon request of assets must be sold without prejudice interest of other</p>

Principle 8

Investment and Borrowing Limitations

Eligible Instruments

1. Transferable securities	Equities, bonds, warrants negotiated on a regulated market	Any investment consistent with meeting the fundamental investment objectives; must be stated in prospectus	Equities, bonds warrants negotiated on a regulated market.	Generally no restrictions on types of instruments in which fund may invest. Fund only limited by: investment objectives, liquidity restrictions (except that closed-end funds are not subject to this restriction), and leverage restrictions. See 8.A below.	Equities, bonds, warrants (max. 15%, except when CIS is denoted as "warrant-fund"). Traded on a regulated market; securities not listed/traded on a regulated market: 15%.	Listed securities except those of which the CNV disapproves, or where it determines that there is a conflict of interest, warrants with CNV approval
2. Money market instruments	Yes.	Permitted if investment in A.M.I consistent with meeting the fundamental investment objectives of CIS.	Yes.	Extensive restrictions apply to money market funds relating to credit quality, diversification, interest rate risk, and disclosure. Generally, money market fund must invest in secs. rated in top 2 categories.	Yes.	Yes, if listed
3. Other CIS units	Yes.	Only in other CIS qualified for sale in Canada or where investment in a CIS is the only way the Ontario CIS can invest in a particular foreign country - CIS must ensure no conflicts of interest or duplication of fees arise due to the investment in another CIS; investments of more than 10% of assets in another CIS requires regulatory approval.	Yes.	Substantial restrictions on ability of fund to invest in another fund.	10%; cumulation of fees prohibited if both CIS managed by the same/affiliated management company.	Only with approval by the CNV

Principle 8

Investment and Borrowing Limitations

Eligible Instruments				
1. Transferable securities	Equity + debt instruments and warrants traded on a market which must be regulated/recognised regular/open to the public	Equity + debt instruments and warrants traded on a market which must be regulated/recognised regular/open to the public	Equity + debt instruments and warrants traded on a market which must be regulated/recognised regular/open to the public	Equities, debt instruments and warrants permitted that are traded on market are regulated, recognised, regular or open to public.
2. Money market instruments	Debt instruments which are regularly traded on a money market (eg certificates of deposit, commercial paper, bankers acceptances, etc). MMII are treated as transferable securities if their residual maturity exceeds 12 months.	Yes, eg Treasury Bills traded on the Govt Debt System. Commercial Paper traded on a regulated market.	Up to 49% of the assets of a CIS may be held in bank deposits, CDs, treasury notes and bills, as well as in similar instruments issued by other member states of the OECD, life < 12 months.	Specific regulations apply to use of money market fund assets. Requirements determined by different structures a objectives of securities funds, money market funds, Futures and Options (FOFs) and Geared Futures and Options (GFOFs).
3. Other CIS units	Investments in open-ended schemes are permitted if these are UCITs within the meaning of the European UCITs Directive.	See F	See F: prohibited to funds from non-EU-countries.	Other than for a Fund of Funds, a Securities Fund may only invest in another CIS within certain restrictions. These include a 5% limit of total a

SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 8

Investment and Borrowing Limitations

Eligible Instruments

1. Transferable securities	Same as EU countries	Yes. No specific regulations except for UCITS.	Equity + debt instruments and warrants traded on a market which must be regulated/recognised regular/open to the public	Same as other EU countries
2. Money market instruments	Yes. For EU-compatible schemes limited to those instruments recognised by FHC. For other schemes no limits ie. following scheme rules.	Yes. No specific regulations except for UCITS.	Transf. securities which are considered liquid + permanently appreciable.	Transf. securities which are considered liquid + permanently appreciable.
3. Other CIS units	Yes. Specific limits for EU-compatible schemes. For other schemes no limits ie following scheme rules.	Yes. No specific regulations except for UCITS.	yes, but UCITS ONLY.	Yes, but UCITS ONLY.

Principle 8

Investment and Borrowing Limitations

Eligible Instruments

	AUSTRALIA	CANADA	JAPAN	USA	HONG KONG
4. Derivative Instruments	Related to transferable sec./AIMI/ indexes or transferable sec/ others if negotiated on a regulated market.	"Permitted Derivatives" as defined in National Policy No 39.	Yes.	See 8.1 and 8.A. Must be disclosed in prospectus.	Yes, restrictions: see under
Forex Operations					
5. Bonds deposits or other liquid assets	Yes.	No specific restrictions other than investment must be consistent with fundamental investment objectives of the CIS.	Bank deposits + domestic AIMI on an ancillary basis.	See 8.1.	Yes
6. Other financial Instruments	Yes.	Special rules for CIS investing in real estate and mortgages; conventional CIS may not invest in real estate and are restricted to invest no more than 10% of assets in "permitted mortgages"; special rules for commodity pools (conventional mutual funds prohibited from investing in commodities); some precious metal CIS have been permitted.		See 8.1	Precious metals + me instruments: 20% (aggregate unhedged futures contracts)

Principle 8

Investment and Borrowing Limitations

Eligible Instruments

4. Derivative instruments	The use of derivative instruments related to transferable securities is permitted for the purpose of an efficient portfolio management. Schemes may also use derivative instruments and engage themselves in forex transactions intended to provide protection against exchange risks in the context of the management of their assets and liabilities.	Yes, if related to transf. sec. foreign currencies	Only if traded on a domestic or foreign stock exchange	Derivatives may be utilized for efficient portfolio management (EPM) and to a greater extent in FOFs and GFOFs, where detail provisions apply.	Yes. Not all contracts are admissible.
forex operations				May be used for EPM, FOFs and GFOFs.	
5. Banks deposits or other liquid assets	Liquid assets such as bank deposits may be held on an ancillary basis. MML the residual maturity of which does not exceed 12 months are considered to be liquid assets.	Yes, only on an ancillary basis within the liquidity coefficient they have to comply with.	Yes, see under 2.	May be used for EPM ancillary purposes, plus in FOFs, GFOFs and Money Market funds under specific regulations.	Yes, on ancillary basis.
6. Other financial instruments		REPCPs traded on the book-entry Govt Debt System.	Subscription rights.	Property and gold investment allowed, under specific restrictions.	

Principle 8

Investment and Borrowing Limitations

Eligible Instruments

<p>4. Derivative Instruments</p>	<p>For hedging and efficient portfolio management purposes only, as defined in the Investment Funds Ordinance 1994 of the FBC. Instruments must trade on a regulated market except for the following OTC transactions: interest-rate and forex-swaps, forex contracts with highly-rated counterparties (min. P1,AA).</p>	<p>no specific regulations.</p>	<p>Only traded on regulated market, supervised with clearing houses. Yes OCT: only interest rate/index related swaps.</p>	<p>Yes.</p>
<p>forex operations</p>		<p>Yes, No specific regulations except for UCITs.</p>	<p>restricted to hedging the forex exposure of the CIS-portfolio.</p>	<p>Restricted to hed portfolio.</p>
<p>5. Banks deposits or other liquid assets</p>	<p>For strategic purposes (investment policy): E1-compatible schemes: limited to 25% of assets Other schemes: no limits ie according to scheme rules. For tactical purposes: E1-compatible scheme: Bank deposits with maturity not exceeding 1 year are considered an element of overall liquid assets which are permitted up to an adequate level. (Other schemes: no limits ie. according to scope of scheme and scheme rules.</p>	<p>Yes, No specific regulations except for UCITs.</p>	<p>Bank deposit no more than 10%.</p>	<p>Only if assets are</p>
<p>6. Other financial Instruments</p>	<p>E1-compatible schemes: none Other schemes: Standardised derivatives on commodities, precious metals, indices, interest rates and currencies; precious metals and real estate.</p>	<p>Yes, for example real estate, metals, commodities, special restrictions for UCITs.</p>		

Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

A. Limitations - Investment Limitations - Transferable Securities and MIM	No general limitations. Investment Policy of CIS will be restricted as set out in the Trust Deed	May not invest more than 10% of assets in securities of any one issuer (other than Canadian or US government securities)	<ul style="list-style-type: none"> * stocks issued by single issuer: 10% of total assets of all CIS * illiquid securities: 10% * short-term Govt bonds: 50% 	<p>Sec 8.1. Some examples:</p> <ul style="list-style-type: none"> * no more than 15% of total assets of open-end fund in illiquid sec; * no more than 10% of total assets of money market fund in illiquid sec; * closed-end fund has no liquidity restriction; * generally no more than 5% of the total assets of a taxable money market fund invested in a single issuer; * generally money market fund must maintain \$-weighted avg portfolio maturity of 91 days or less; * if "diversified," must have at least 75% of its assets in cash, government securities, securities of other investment companies, and other securities, the latter restricted to: no more than 5% of value of funds total assets in single issuer, and no more than 10% of outstanding voting securities of the issuer. 	<ul style="list-style-type: none"> * securities issued by simple issuer: 10% * any class of sec. issued by simple issuer: 10% * unlisted securities: 15% * if director/officer of management company owns more than 1/2% of the nominal amount of any class of securities in any company or, collectively, 5% of those securities: any investment prohibited. 	<p>CNV Rule 1.2-22 establishes different limits depending on the type of mutual funds (diversified or specialised, common or instruments of debt). Limitations that apply for diversified mutual funds (common and instruments of debt), are:</p> <ul style="list-style-type: none"> * At least 90% of the mutual fund's investment must be in cash and securities * Investment in securities issued by an individual company: no more than 15% of the mutual fund's total assets * Investment in debt securities issued by an individual company: no more than 10% of the issuer's total outstanding securities. The same criteria applies for debt securities that are issued, guaranteed or accepted by one bank * Investment in securities issued by companies belonging to one business group cannot exceed 40% of total assets of the mutual fund <p>Common mutual funds must comply also with the following limitations:</p> <ul style="list-style-type: none"> * Investment in variable income securities will be the equivalent of at least 10% of their total assets
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Luxembourg	Spain	Germany	United Kingdom
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Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

<p>A. Limitations - Investment Limitations - Transferable Securities and MNI</p>	<p>In the same issue: 10% of net assets, but investments for more than 5% in single issuers may not exceed 40% of the total NAV. 10% limit may be raised to 35-100% for transferable securities issued guaranteed by OECD States or public international bodies.</p>	<p>See F</p>	<p>See F</p>	<p>Limitations are specific to different of funds and their structural objectives.</p>
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SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

<p>A. Limitations - Investment Limitations - Transferable Securities and MNI</p>	<p>EU-compatible schemes: same as French Other schemes: following scheme rules</p>	<p>UCITS Directive: other investment institutions no general restrictions, the investment policy has to be set out in fund rules and prospectus.</p>	<p>in same issuer: 5% Bal: 10% if total value of assets exceeding 5% < 40% Transf: see issued/guaranteed by OECD states public bodies: 35-100%</p>	<p>Same as France</p>
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Principle 8

Investment and Borrowing Limitations

Limitations

A. Investment Limitations

On Voting Rights		May not invest in issuer where CIS would hold more than 10% of any class of securities of issuer.	10% in a single company.	Fund may acquire portfolio securities carrying voting rights subject only to restriction on acquisition of voting securities of another fund. All common stock issued by fund must be voting stock and must have equal voting rights.	See above
On CIS units		see above.	5%	See 8.3 above	

	Luxembourg	Spain	Germany	United Kingdom	Italy
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Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

On Voting Rights	A scheme may not acquire any shares carrying voting rights which would permit it to exercise significant influence over the management of an issuing body.	Single CIS: max investment 5% of the outstanding securities of a corporation; aggregate investments of CISs-belonging to the same economic group: 15% of the outstanding securities group.	10% of total voting rights.	As above	Listed stock 5% of voting rights unlisted stock 40% of voting rights regulations prohibit CIS to acquire control of corporations.
On CIS units	5% in UCITS funds	5% investment in affiliated CIS prohibited	Up to 3% including investment in affiliated CIS (the affiliated CIS must be specialised in investing in a specific geographic area or economic sector). Approval by regulator required. Must be stated in Fund Rules. Cumulation of fees prohibited.	As above	5% of a CIS Net value and 40% of the units in the other fund.

Principle 8

Investment and Borrowing Limitations

**Limitations
A. Investment Limitations**

On Voting Rights	Eligible schemes: 10% of voting rights Other schemes: following scheme rules		10% of voting rights	5%
On CIS units	Eligible schemes: 10% of voting rights Other schemes: following scheme rules		10%	5% of a CIS net value and

Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

On Derivatives	Investments in Futures > 15% only if fund management has futures dealer's licence.	"Permitted derivatives" only; incl. OTC-options + OTC-forward contracts.	Permitted, if for general fund management purposes; limitation of total exposure by leveraged transactions is 50% of Net Asset Value.	See 8.4 above.	Except when CIS is denoted as "futures" or "derivative funds" <ul style="list-style-type: none"> • aggregate value of contract prices of future contracts on an unhedged basis: 20% • investment in options/warrants: 15% • writing of calls (strike price): 25% No limitations for hedging purposes.	Warrants are the only authorised derivatives. Trading in warrants is allowed only to common mutual funds, where limit is 15% of mutual fund's total assets. Must be authorised by CNY.
Other Limitations	None	Investment in illiquid/restricted securities may not exceed 10% of CIS assets; investment in "permitted mortgages" may not exceed 10% of CIS assets; may not purchase securities for purpose of exercising control or management of the issuer; may not invest more than 10% of assets in gold or gold certificates; may not invest in real estate, commodities, derivatives other than "permitted derivatives".	None	None	None	At least 96% of the mutual fund's investment must be in cash and securities. Investment in securities where maturity is less than 3 months, must be defined by each mutual fund, according to its liquidity policy, and must be disclosed in its prospectus.

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

<p>On Derivatives</p>	<p>Regulations provide that schemes may use derivative instruments for the purpose of protecting their assets against the particular risks associated with their investment policy (market risk, interest rate risk or currency risk). Under the condition that this is done with the aim of efficient portfolio management, schemes are also allowed to use derivative instruments for purposes other than hedging, provided that the total value of the commitment arising out of transactions on derivative instruments which are so undertaken shall not exceed the value of their net assets.</p>	<p>Amount of premiums + margins paid shall not exceed:</p> <ul style="list-style-type: none"> • 16% (in case of futures + options on stock indexes • 4% (in case of futures + options on fixed floating interest issues + indexes) * 4% if foreign assets (in case of futures + options on foreign currencies) <p>General exposure aggregate premiums + margins-paid: 10% OTC-Derivatives: prohibited.</p>	<p>- Securities Options: Strike prices on underlying related to options sold/acquired < 20%. Other limits: max 9% (under special conditions 10%) options of one issuer < 2%. - Options on financial futures (incl. cash settlement and index options): allowed under special conditions (eg listing on exchange required) and limits (incl. hedging transactions: contract values of futures contracts < 20%). - Currency based derivatives: Special conditions and limits for buying of (exchange traded) options on foreign currency and currency futures (incl. cash settlement). Sale must be matched by a corresponding amount in the same currency held within the CIS portfolio. Buying allowed if necessary to fulfil contract.</p>	<p>In securities funds, derivatives may be used for EPR. Specific restrictions exist for their use in FOFs and G</p>
<p>Other Limitations</p>	<p>Investments in unlisted securities may not exceed 10% of a scheme's net assets. Moreover, a scheme may not acquire more than</p> <ul style="list-style-type: none"> - 10% of the non-voting shares of the same issuer; - 10% of the debt securities of the same issuer; - 10% of the units of another scheme 	<p>CIS must comply with liquidity coefficient (3%); liquid assets must not exceed 10-20% (depending on type of CIS).</p>	<p>Short-selling of securities prohibited. Purchase of precious metals/certificates prohibited</p>	<p>Up to 10% only of a securities fund may be invested in non-approved FOFs. No short-selling. Other limits must conform with UCITS regulations including voting rights and hold other CIS units.</p>

Principle 8

Investment and Borrowing Limitations

Limitations
A. Investment Limitations

On Derivatives	Schemes may use derivative instruments for the purpose of protecting their assets against market risk and currency risk. Contract value of all aggregate hedging operations may not exceed 100% of assets. Contract value of all aggregate operations for efficient portfolio management (for purposes other than hedging) may not exceed 49% of assets. Transactions for the latter purpose must be matched by holding a corresponding amount of liquid assets to eliminate leverage. Hedging of currency risk allowed up to 100% of risk exposure.	No specific regulations, except for UCITS (for efficient portfolio management only).	provisions on specific limitations will be deleted + replaced by a single ratio: global commitment < 100%	General rule aggregate commitments from derivatives may not exceed 100%. Specific rule, aggregated premium 20% aggregated margin 20%.
Other Limitations	EU-compatible schemes: following EC-UCITS-Directive Other schemes: following scheme rules which may be established with FISC on an individual basis.	No specific regulations.	None.	Derivatives on precious metals or commodities prohibited.

Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations
Borrowing

of Liquidity		Temporary measure only for accommodation of redemptions to a maximum of 5% of CIS assets.	Only on temporary basis for redemption.	Fund borrowing restricted by leverage restrictions. See 6.6	Equity-CIS 25% Bond + MNI-CIS: 10%
of Securities		May pledge mortgage assets only as a temporary measure for the accommodation of redemptions to a maximum borrowing of 5% of CIS assets.	Prohibited.	See preceding response and 6.6	Equity-CIS 25% Bond + MNI-CIS: 10%

LUXEMBOURG

SPAIN

GERMANY

U.K.

ITALY

Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations
Borrowing

of Liquidities	10% on temporary basis.	See F. Receiving funds from the public (deposits, loans, REPOs or similar forms) prohibited securities: prohibited.	Liquidities: see France	Borrowing permitted from eligible institutions, must be temporary (exception FOFs) and limited to 10%	Liquidities: 10% for max. 6 months; no restriction for back to back loans related to purchase of securities denominated in foreign currencies.
of Securities	Prohibited.	Prohibited.	Securities: prohibited	Borrowing prohibited.	Securities prohibited.

Principle 8

Investment and Borrowing Limitations

**B. Borrowing and Lending Limitations
Borrowing**

of Liabilities	El-compatibile schemes: 10% on temporary basis Other schemes: 25% on permanent basis	No specific Regulations, except for UCITs.	10% on temporary basis.
of Securities	Prohibited	No specific Regulation, except for UCITs.	10% on temporary basis.

Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations

of Liquidities		Prohibited	Prohibited	<p>Fund generally prohibited from lending money/property to affiliate, promoter, prin. underwriter, or their affiliates, unless SEC permission, or rule exemption. Generally fund can't lend money/property to any person if (i) fund's policies do not authorize; or (ii) the borrower controls/is under common control with fund, except fund may lend to company owning all funds outstanding securities.</p>		Prohibited
of Securities		Prohibited	Permitted	<p>Permitted if fund receives cash or other collateral equal to at least 100% of the value of securities loaned, marked to market daily. See also above</p>	<p>Prior written consent of trustee/custodian, in practice, allowed through recognised clearing houses</p>	<p>Reforms to Art. 14 of MFIA contemplate lending of securities by mutual funds. However, the rules for this activity, to be issued by the Central Bank of Mexico, have not yet been defined.</p>

Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations

of Liabilities	Prohibited	prohibited	Prohibited	Prohibited
of Securities	<p>A scheme may only participate in lending transactions within a standardised lending system organised by a securities clearing institution or by a highly rated financial institution specialised in that type of transactions</p> <p>Scheme must in principle receive security (cash and/or securities issued or guaranteed by OECD States or by their local authorities or supranational institutions and bodies) of a value which must be at least equal to the market value of the securities lent.</p> <p>Lending transactions may not exceed 50% of the aggregate market value of the securities in the portfolio, unless scheme has the right to obtain at any time the restitution of the securities lent.</p> <p>Lending transactions may not extend beyond a period of 30 days.</p>	<p>CIS may max. 50% of its assets to an authorised intermediary for the purpose of lending</p>	<p>- in general: max up to 10% to one counterparty (if fixed lending period: max 15% for max 30 days)</p> <p>- if unlimited lending period: daily termination right and re delivery within 5 days required</p> <p>- collateral (cash or securities) necessary: amount depending on standing of counterparty but collateral value > market value of lent securities + usual margin</p>	<p>Stocklending permitted specific regulations (app counterparties, collateral n adequate).</p>

	SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations

of Liabilities	Prohibited	No specific Regulation, except for UCITs.	Prohibited	Prohibited.
of Securities	<p>Authorised counterparties: clearing organisations and specialised financial institutions only.</p> <p>Maximum term of notice of restitution of securities 10 days.</p> <p>If term of notice established, only up to 50% of each type of security may be lent for a maximum of 30 days.</p> <p>If immediate restitution of securities without observing term of notice is warranted, lending is not restricted.</p> <p>Market Value of collateral must be at least 105% of market value of securities lent.</p> <p>Custodian bank is liable for any damages.</p>	No specific Regulation, except for UCITs.	15%	<p>Counterparties is: financial institution under supervision</p> <p>50% of fund</p> <p>Sufficient collateral</p>

Principle 8

Investment and Borrowing Limitations

B. Borrowing and Lending Limitations

Limitation of REPO's		Status uncertain - under consideration by regulators - reverse REPOS will not be permitted - certain REPOS may be permitted despite prohibition on securities lending and borrowing restrictions.	Balance of REPOS < 50%	Repos must be fully collateralized. Reverse repos must be covered by a segregated account to comply with the leverage restrictions of ICA.	No specific limitation.

	SWITZERLAND	NETHERLANDS	FRANCE	SWEDEN
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Principle 8

Investment and Borrowing Limitations				
B. Borrowing and Lending Limitations				
Limitation of REPO'S	Prohibited	No specific Regulations, except for UCITs.	Underlying security clearly identified + included in large exposure - rates	No specific Regulation.

Principle 9

Investor Rights

	AUSTRALIA	CANADA	JAPAN	USA	HONG KONG
<p>9.1 Principal rights of Investors.</p>	<p>Right to buy back, to disclose of information and right to call meeting for the purposes of voting on resolutions.</p>	<p>Right to redeem on demand, to receive prospectus containing full true and plain disclosure, to receive annual financial statements concerning CIS; to vote on certain fundamental changes to CIS (increase in management fees, change of manager, auditors of CIS, change of fundamental investment objectives); to vote at any special meetings called by CIS; if CIS a corporation - right to vote at annual meetings to elect directors and appoint auditors; rights to rescind or withdraw from an order to acquire securities of CIS (if rescission or withdrawal within 2 days of receipt of confirmation/prospectus)</p>	<p>To redeem units, other rights set out in the deed. Rights to inspect scheme documents etc.</p>	<p>Investors in open-end fund, but not closed-end fund, have right to redeem. Fund may not change fundamental investment policies without approval of majority of outstanding securities; shareholders must approve advisory contract, material changes to advisory contract, 12b-1 plan; shareholders generally elect directors; shareholders rarely selection of auditors.</p>	<p>To redeem units/shares. To remove management company on 50% majority.</p>
<p>9.2 Capacity to remove management.</p>	<p>Management can be removed by trustee or investors (by 50% majority) at general meeting.</p>	<p>Regulatory scheme does not give any such rights - containing the CIS may, via contract, give investors the right to demand that a vote be held to remove the manager; if CIS a corporation - investors under corporate law can requisition a shareholder meeting to consider removal of manager or to change directors - also shareholders of a corporate CIS would have the right to nominate directors other than management state.</p>	<p>No.</p>	<p>No, except indirectly through election of directors. Shareholders may vote to terminate investment advisory contract.</p>	<p>Trustee and investors have the power to remove.</p>

Principle 9

Investor Rights					
9.1 Principal rights of investors	Right to require the repurchase of their units. Shareholders of company based schemes (ie investment companies) have the right to vote at general meetings.	Right of redemption. No provision for investors participation in management.	To redeem unit certificate.	Right to redeem units at any time during the dealing day.	Open ended funds: To redeem interest at any time.
9.2 Capacity to remove management	IML has the power to remove the management company of a contract based scheme.	Investors do not have the power to remove the manager, which may only occur with the approval of the regulator.	The regulator (BAK) has the power to remove the management company.	Scheme holders may remove management by 75 percent majority vote. SRO, SIB, and Trustee may also remove management for good and sufficient reason in the interests of holders.	Regulator has the power to remove management company. SICAV: general shareholders meeting may remove managers.

	SWITZERLAND	NETHERLANDS	FRANCE	SW
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Principle 9

Investor Rights

<p>9.1 Principal rights of Investors</p>	<p>Right of redemption, right to information, right to fulfillment of contract to damages, if applicable. Moreover, the investors may ask the Judge to appoint a "representative of unitholders" in case of litigation against the operator/Custodian (class-action).</p>	<p>Right to redeem in open-ended funds and to participate where meetings required to be held and to disclosure of information.</p>	<p>Shareholders of SICAVs vote at annual meeting.</p>	<p>To redeem upon request</p>
<p>9.2 Capacity to remove management</p>	<p>The FBC may withdraw authorisation of the scheme operator or custodian if they no longer fulfil their obligations.</p>	<p>Regulator may revoke authorisation on certain grounds and wind up scheme.</p>	<p>For SICAVs a general meeting of investors may remove manager. COB may withdraw its approval of an FCP manager.</p>	<p>FSA may revoke management company funds management</p>

AUSTRALIA	CANADA	JAPAN	USA	HONG KONG	MEXICO
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Principle 9

Investor Rights Continued

<p>9.3 The role of investors' meetings</p>	<p>To consider accounts, to give directions to the trustee or management company or for their removal.</p>	<p>NP 39 states that certain fundamental changes to CIS (to change of manager, change of auditors, increase in management fees, change in fundamental investment objective, decrease in frequency of calculating net asset value) must be approved by security holders voting at a duly called meeting. No other requirements for holding meetings, unless CIS incorporated as company and their corporate law requires annual meetings at which directors elected and auditors appointed.</p>	<p>No specific requirements.</p>	<p>ICA does not require annual shareholders' meetings; many states do. Share holders' meeting required for purposes enumerated in 9.1 above.</p>	<p>To approve changes to scheme documentation, increase fees, terminate scheme etc, with voting requirements specific.</p>	<p>Annually there is at least 1 ordinary and 1 extraordinary meeting. In ordinary meetings unit holders approve the financial statements of the scheme; in extraordinary meetings, application of scheme's yields or deeds amendments, if any, are presented for authorisation.</p>
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Principle 9

Investor Rights Continued

<p>9.3 The role of investors' meetings</p>	<p>Unit holders of contract based schemes have generally no voting rights.</p> <p>A general meeting of shareholders of company based schemes has to be convened at least once a year for the purpose of</p> <ul style="list-style-type: none"> - approving the balance-sheet and income and expenditure account for the previous financial year. - deciding the payment of distribution. - appointing and removing directors - appointing and removing the independent auditors. <p>-deciding any other matters for which the board of directors wishes to obtain the shareholders' approval.</p>	<p>There is no provision in the law for meetings of investors.</p>	<p>There is no provision in the relevant German law for a meeting of investors.</p>	<p>Specific regulations apply, covering such issues as convening procedures, powers of managers and scheme holders, and alterations to scheme objectives.</p>
<p>Extraordinary general meetings of shareholders with special quorum and majority requirements have to be convened for the purpose of</p> <ul style="list-style-type: none"> - changing the name of an investment company - amending its instruments of incorporation. - deciding its liquidation and winding-up. 				

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Principle 9

Investor Rights Continued				
9.3 The role of investors' meetings	N/A	Investors meetings for approval of changes to scheme rules which may affect the rights of investors (eg expenses).	Investors in SICAVs have a voice in the way the fund is managed.	No specific rules in the law.

Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Principal Obligation	Prohibits offers or invitations for securities unless a prospectus which complies with the Law has been registered by the ASC.	No trading in securities unless the securities are qualified via a prospectus for which a "receipt" has been obtained.	Prospectus must be prepared and scheme registered by the Ministry of Finance before making offers.	A public securities offering must be registered with SEC. Prospective investors must receive free of charge a current prospectus before or with delivery of security. Information in prospectus must be kept current. Fund must notify SEC of material changes to information in prospectus by amendment.	Offering prohibited unless authorized by the SFC, including a prospectus.	The mutual fund must receive a prospectus summary of 1 prospectus must
Summary Reporting/Disclosure Requirements	Initial investors must receive a prospectus. Ongoing investors receive annual accounts and have access to other filings with the ASC.	Investors must be given a prospectus - annual and semi-annual financial reports must be delivered to securityholders - material changes must be disclosed via press releases and filings with regulator - redemption procedures to be outlined annually to investors in annual report - investors may request a more detailed annual information form which is filed and renewed annually along with the prospectus (incorporated by reference into the prospectus), a copy of the standard investment restrictions and practices followed by the CIS and have the right to review material contracts of the CIS.	Initial registration of offering and prospectus for potential beneficiaries. Annual reporting to existing beneficiaries.	Prospectus delivered to prospective investors, statement of additional information available to prospective investors; annual and semi-annual reports containing financial and other information delivered to investors and filed with SEC.	Prospectus and financial statements to prospective investors. Ongoing reporting obligations to existing investors.	Initial investors amendments, Existing investors including, additve and shares held of the mutual the name of n where such rep Mutual funds quarterly acco- statements. S accounts estab with nationwi are under the statutory auth-
Statutory Exemptions	Offers over \$500,000 to fund managers and professional advisers; private trusts with less than 15 beneficiaries	Securities of privately offered investment funds may be distributed on exempt basis (generally rely on exemption available where investor purchases CS\$150,000 of securities as principal).	Regulated offerings are those made to individuals. No details of specific exceptions to regulation	No disclosure exemptions unless fund exempt from ICA. Private funds (funds with no public offering and no more than 100 investors), for example, exempt from ICA. Other exemptions.	Regulations only apply to public offers. Prospectus not required for offers to existing holders.	No exemption

Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Principal obligation	Schemes established in Luxembourg are required to publish a prospectus.	A prospectus must be provided to prospective investors in CIS.	The capital investment company must make available to the public a prospectus and fund roles.	To offer prospective investors particulars of scheme.	Any person who offers CIS publicly must publish a prospectus (and accounting documents) which conforms to Consol requirements.
Summary of reporting/disclosure requirements	In addition to the prospectus, they have to publish an annual report and a half-yearly report covering the first six months of the year.	Prospectus, latest annual report and quarterly report must be given before making a contract. Existing investors must get the annual and quarterly reports, and "position statement".	A prospectus must be available free of charge to prospective investors, with fund rules, latest annual report and half-yearly (if any) attached. Existing investors get an annual and half yearly report.	UCITS Directive + "product particulars" (more detailed information) to be provided to investor. Existing investors receive copies of half-yearly and annual reports and accounts.	Initial investors must receive a prospectus. Existing investor get on request free of charge an annual and half yearly report.
Statutory Exemptions	No exceptions to the prospectus requirement are permitted.	No exceptions to the prospectus requirement.	The requirements do not apply to "special funds" defined in the Law.	No exceptions to requirements set out above.	Offers to institutional and professional investors are not subject to regulation as public offers.

Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Principal Obligation	IF: A requires operator to publish a prospectus in conformity with the requirements of the EC-UCITS-Directive. The prospectus must contain the scheme rules.	Supervision of Investment Institutions Act requires disclosure (partly based on ED Directive) for both prospective and existing investors.	ED Directive - an investment or management company must publish a prospectus (including notice d'information and fund rules).
Summary of reporting/disclosure requirements	Annual semi-annual report. unit value to be published in newspaper.	Unit holders receive prospectus, annual and half yearly reports, monthly statements on value of fund, units on issue and unit value.	An investment/management company must publish a prospectus, an annual report (as per ED Directive) and a half yearly report.
Statutory Exemptions	None.		

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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Standard Applicable to Prospectus Disclosure</p>	<p>"All information as investors and their professional advisers would reasonably require an expert to find for the purpose of making an informed assessment of...the scheme".</p>	<p>"Full, true and plain disclosure of all material facts relating to the securities issued".</p>	<p>Prospectus content prescribed, but disclosure requirements not as precise as for share offers. Representations likely to be misunderstood by investors are forbidden.</p>	<p>Prospectus must include all information that reasonable investor would require to make informed investment decision. Prospectus must not contain information that is false or misleading. Prospectus used in foreign country must be printed in language of segment of population being solicited.</p>	<p>"The information necessary for investors to be able to make an informed judgement of the investment proposed to them". The Code also prescribes minimum contents.</p>	<p>Provide investors with adequate information on the mutual fund to allow investors making an informed judgment of the investment proposed, including the mutual funds investment, valuation and share repurchase policies Information must be expressed in a clear and precise manner, to avoid inducing the public to deceit, error or confusion regarding the services offered by mutual funds and by their operating companies</p>
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Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Standard applicable to prospectus disclosure</p>	<p>The prospectus must include all information necessary for investors to be able to make an informed judgement of the investment proposed to them.</p>	<p>Prospectus is to provide all such information as investors and their professional advisers would reasonably require and reasonably expect to find in a prospectus.</p>	<p>"The prospectus must include all information necessary for investors to be able to make an informed judgement of the units at the time of purchase."</p>	<p>Material information which investors and their professional advisers reasonably require and expect to find in prospectus for purpose of making an informed judgement about merits and risks.</p>
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Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Standard applicable to prospectus disclosure	The prospectus must include all information necessary for investors to be able to make an informed judgement of the investment proposed to them.	Disclosure of relevant information to investors (transparency) is one of aims to Act.	"Notice of information" includes information necessary for investors to be able to make an informed judgement of the investment proposed to them.	Fund rules and prospectus includes information necessary for investors to be able to make an informed judgement of the investment proposed to them.
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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Specified contents of prospectuses</p>	<p>Minimum information set out in Schedule A to the European UCITS Directive. The IML may require the publication of other information which it deems necessary for objective and complete information to the public.</p>	<p>ED Directive prospectus contents: plus Rating Agency qualification (if any); material provisions of contract between management company and depositor; marketing procedures and conduct standards; management and audit reports.</p>	<p>At least the information provided for in a detailed list is s19(2) of law. The Banking Supervisory Authority may require further information to be given if it has reason to believe info is important to investors.</p>	<p>The scheme particulars must contain the information required by the UCITS Directive and UK regulations</p>	<p>Comply with Consob schedules. Specified contents include the legal nature, functions of various parties, the type of investment, eligible investments, links with other products, allocation of proceeds etc.</p>
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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Specified contents of prospectuses</p>	<p>If A requires minimum information according to schedule A of EC-CITIS-Directive (namely details on delegated functions, operator and charges) and scheme rules.</p>	<p>Application forms contain a checklist of the way requirements are met in prospectus. Names and functions of persons, address of entities responsible for prospectus etc.</p>	<p>Classification of CIS; eligible instruments commitment levels on derivatives; Manager and custodian; pricing; charges; distribution of income, publicity of net asset values.</p>
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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Other Documents to accompany a Prospectus	None. Application form must be attached to a prospectus.	The financial statements for the last completed financial year and any interim semi annual financial statements	Not specified.	Statement of Additional Information filed with the SEC along with the prospectus, but only made available to investors on request.	Annual accounts and most recent semi annual report (if any). Application form must be attached.	A simplified brochure with relevant data and policies of the mutual fund and any amendments to prospectus.
When a Prospectus may be Distributed and Securities Issued	After registration by the ASC.	CIS may "solicit expressions of interest" only once a preliminary prospectus is filed - may only trade and issue securities once regulators have issued a receipt for a final prospectus.	After scheme is examined by Ministry of Finance and prospectus approved.	Fund may distribute Preliminary Prospectus after filed with SEC for review. Securities may not be issued until registration statement declared effective.	After SFC authorisation.	After both, the scheme and the prospectus have been authorised by CNV.
When must an Investor Receive a Prospectus	Before completing an application form.	Prior to any acquisition of securities.	After registration becomes effective and before investing.	Prospective investor must receive prospectus free of charge, before or with delivery of security.	Before completing an application form.	After registration and before sale.
Procedural Matters	Prospectus must be signed and dated.	Prospectus must be dated - and certain certificates originally signed by representatives of CIS (usually trustee), of the manager, the distributor and the promoter.	Must be updated.	Dated and registration statement signed.	Date of issue; in English and Chinese.	When the prospectus and its amendments are delivered to investors, a receipt must be drawn by the investor. The prospectus and its amendments must be always available for investors. Date of authorisation of scheme and date of issuing are usually included.

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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Other documents to accompany a prospectus	Latest annual report and any subsequent half-yearly report. It is the practice of the IMI, to require that application forms are included in or attached to a copy of the current prospectus.	The fund rules.	The fund rules, latest annual and half-yearly report, (if any). Purchasers must also get a copy of the application showing initial and annual charges.	Application forms do not have to be attached to a copy of the prospectus.
When a prospectus may be distributed and securities issued	Not before scheme has been granted IMI approval.	See article 33 from EEC Directive 85/611.	Only after approval of the fund rules by the Banking Supervisory Authority may the prospectus be issued.	After approval of a UK scheme and recognition of offshore schemes.
When must an investor receive a prospectus	Prospectus (and attachments) must be offered to subscribers before the conclusion of the subscription contract.	Before the conclusion of a contract.	Before the conclusion of the application the prospectus must be given to investors.	Scheme details to be available before purchase.
Procedural matters	A prospectus must be dated.		Prospectus must be dated.	Must be dated.

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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Other documents to accompany a prospectus	Scheme rules, annual semi-annual report.	Application forms don't have to be attached to prospectus. Copy of authorisation must be made available upon request to unit holders.		
When a prospectus may be distributed and securities issued	After approval of scheme rules.	No circulation prior to authorisation is allowed.	After CIS approval by the regulator.	After approval of Fund Rules.
When must an investor receive a prospectus	The prospectus must be put at the disposal of the subscribers prior to the conclusion of the contract.	Each offer announcement shall state the places where the prospectus can be obtained by the public.	The 'notice d'information' in the prospectus must be delivered to potential investors. The fund rule be delivered on request.	Each offer announcement shall state the places where the prospectus can be obtained by the Public.
Procedural matters	Prospectus must be dated.	Management and external auditor have to provide a statement signed and dated.		Date of prospectus not required.

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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Notification of Material Changes to Prospectus</p>	<p>Material changes require a supplementary prospectus, lodged with the ASC and given to future investors. Prospectus must be lodged every 6 months.</p>	<p>Material change reports required to be filed, press releases must be made and amendments filed to the prospectus and copies of amendment distributed with the prospectus to a new purchasers.</p>	<p>Material changes of the investment scheme are required to get approval of the Authority and it will be disclosed to the public.</p>	<p>Annual update of registration statement (and prospectus). Must maintain a current prospectus at all times; update for any material changes.</p>	<p>Must be "up to date" (current annual statements). Any other changes must be submitted for SFC approval (and sent to holder if the SFC requires).</p>	<p>Material changes to investment statement to modify it and at least are put into publish and distributed prospectus communication months of if the CNV.</p>
<p>Polices Applicable to Prospectus</p>	<p>Some prospectuses may comprise more than 1 document if disclosure standard is met; some content relief for Regular Savings Plans.</p>	<p>Exemption from prospectus requirements where CIS offered privately to "sophisticated investors" (ie acquiring more than C\$150,000).</p>	<p>None specified.</p>	<p>Form N-1A provides guidelines on disclosure. Financial statements may be incorporated by reference.</p>	<p>No others specified.</p>	<p>Not specified.</p>

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Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

Notification of material changes to prospectus	A prospectus may only be used as long as the information it contains is accurate. The essential elements of the prospectus must be kept up-to-date.	When there is a significant change or a new matter arises a supplementary prospectus must be lodged and available to public. They are not required to be provided to investors.	Main parts must be up to date. Supplementary prospectuses are usually not required. Changes are noted in half-yearly or annual report or additional information put on a sheet of paper with prospectus.	Must be reviewed every 12 months and revised to take account of significant changes.	Changes prior to close of offer must be updated. To the "permanent" part, a new document must be published; if to the loose leaf part, then the changed pages may be inserted after Consob approval.
Policies Applicable to Prospectus	N/A		Exemption from the need for a prospectus only for special funds (see above).	As above	Exemptions only available in relation to non public offers.

Principle 10

Marketing and Disclosure

10.1 Marketing and Disclosure Requirements

<p>Notification of material changes to prospectus</p>	<p>The prospectus must be updated in case of material changes of its contents or the integrated scheme rules. These changes must be published in newspapers as determined by the scheme rules.</p>	<p>If current prospectus is no longer relevant, a new prospectus can be required. An insert may be sufficient to update minor changes to the prospectus.</p>	<p>Promoter must lodge significant changes with COB for authorisation. Changes must be notified to investors through press release or mail (but not prospectus).</p>
<p>Policies applicable to prospectus</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

Principal 10

Marketing and Disclosure

10.2 Role of the Regulator

<p>Filing Requirements</p>	<p>Lodge prospectus with the ASC. ASC must register within 14 days.</p>	<p>File preliminary prospectus with regulator in each provincial jurisdiction where CIS to be sold, one regulator has principal jurisdiction - each regulator may comment on preliminary prospectus - once comments satisfied, prospectus filed and if all is in order, all regulators issue receipts for the prospectus - requirement to file a "pro forma" prospectus for review and comment annually thereafter - once comments cleared a new final prospectus is filed and receipt issued.</p>	<p>File scheme details and prospectus with Ministry of Finance.</p>	<p>Registration statement must be filed with the SEC, including the prospectus and SAI.</p>	<p>Securities offering documents must be filed with SFC for authorisation prior to issue of securities.</p>	<p>File application and prospectus with CNV. Prospectus will be authorised within 45 days. Application must be filed with the following documentation: mutual fund's charter of incorporation; general data of founding partners, members of the first board of directors, and who will be the principal executives; a study justifying the establishment of the corporation; a general operating program (with the mutual fund's objectives, securities purchase and selection policy; basis for diversification of assets; plan for sales of the scheme's units, and basis for profit application; and name of the operating company or the brokerage house or the bank who will render the service).</p>
<p>What Does the Regulator Do?</p>	<p>ASC checks prospectus for compliance with technical requirements and undertakes a cursory review only. Selected prospectus are subject to a detailed post registration review.</p>	<p>Reviews preliminary, and annually thereafter, a pro forma prospectus, for non-compliance: misleading statements; annual reviews concentrate on investments made by CIS and activities of manager in connection with operations of CIS.</p>	<p>Reviews scheme deed and prospectus for compliance. Conducts inspections also.</p>	<p>Reviews prospectus disclosure in detail to ensure it is complete (and not misleading). After resolution of queries, registration becomes effective. Regular issuers may request a limited review.</p>	<p>SFC undertakes a detailed review to ensure compliance with the Code.</p>	<p>Reviews application and, if considered adequate, authorises the mutual fund's creation, approves the charter of incorporation and the general program of functioning, may verify contracts with the operating company, checks prospectus for compliance with requirements, and authorises registration of the scheme's units in the National Registry of Securities and Intermediaries (RNVVI). Approve any material changes in the authorised documents.</p>
<p>Powers to Reject a Prospectus</p>	<p>ASC may reject if it is of the opinion that it does not comply (a false or misleading statement, omission).</p>	<p>Director of OSC may refuse to issue receipt for prospectus if not in public interest. CIS has right to a hearing in such circumstances - otherwise a receipt must be issued.</p>	<p>The Ministry of Finance can reject if it considers that the trust scheme is incomplete.</p>	<p>SFC can reject it if it considers that the prospectus is incomplete.</p>	<p>SFC may refuse to authorise a prospectus if it does not comply.</p>	<p>CNV may refuse to authorise or modify the prospectus if it considers it does not comply with requirements.</p>

Principle 10

Marketing and Disclosure

10.2 Role of the Regulator

<p>Filing requirements</p>	<p>Prospectuses, as well as any subsequent amendments thereto, have to be submitted in draft form to the IML. Annual and half-yearly reports have to be forwarded to the IML in their final form when published.</p>	<p>Prospectus must be registered annually with the CNMV and upon the schemes' registration; a significant change or new matter arising.</p>	<p>Prospectus and accompanying documents sent to the Banking Supervisory Office and Deutsche Bundesbank as soon as they become effective.</p>	<p>A copy of the scheme details and any revisions must be sent to SIB.</p>
<p>What does the regulator do?</p>	<p>Prior to their publication, the IML examines in detail the initial prospectuses and any amendments thereto. The IML identifies the prospectuses which have received his clearance by apposing his "visa" thereon.</p>	<p>Examines in detail prior to registration. Minimum contents are verified. CNMV may make suggestions to make the prospectus easy to understand. Other disclosure documents are not reviewed prior to registration.</p>	<p>Detailed examination by the Banking Supervisory Authority (at the same time as the fund rules are approved) to prevent misleading statements and forecasts being made etc.</p>	<p>No statutory requirement for SIB to approve scheme particulars. SIB considers key elements of the prospectus.</p>
<p>Powers to reject a prospectus</p>	<p>The IML has the power to require a scheme to stop or withdraw prospectuses after issue and to enforce a rectification of mistakes, false or misleading information or omissions in the prospectus. No new units may be issued until completed or rectified prospectus is available.</p>	<p>Supervision and sanction provisions for operators which infringe disclosure and reporting requirements or if they include mistakes, false or misleading information etc.</p>	<p>The regulator may require further information to be included in the prospectus and has the power at least to demand a rectification.</p>	<p>Any failure to produce a prospectus in accordance with SIB's regulations constitutes a breach of the regulations.</p>

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Marketing and Disclosure

10.2 Role of the Regulator

<p>Filing requirements</p>	<p>The scheme rules have to be submitted for approval by the FBC. Prospectus, annual/semi-annual report must be filed with FBC.</p>	<p>Prospectus, quarter and half year figures and annual reports.</p>	<p>Prospectuses and significant changes lodged for approval with COB.</p>	<p>What does the regulator do?</p>	<p>Prior to granting a license the regulator must ascertain if scheme rules comply with IFA and if all prescribed information is contained in the prospectus. Any subsequent changes of the scheme rules must be approved by the FBC.</p>	<p>The regulator must ascertain if all prescribed information is contained in the prospectus (ie examination in detail).</p>	<p>Annual reports and half year Reports, Fund Rules, Prospectus, Quarterly reports filed with FSA</p>
<p>Powers to reject a prospectus</p>	<p>FBC can approve (or reject) only part of the prospectus, ie the scheme rules. However, it has powers to demand explanations and changes to certain statements in the prospectus.</p>	<p>The regulator can demand explanations and changes to certain statements in the prospectus.</p>	<p>COB can demand explanations and changes to certain statements in the prospectus.</p>	<p>Fund Rules and any changes or amendments must be approved by FSA. Management Companies must be authorised by FSA</p>	<p>FSA can demand explanations if the prospectus does not meet the requirements set up by the FSA.</p>	<p>Fund Rules and any changes or amendments must be approved by FSA. Management Companies must be authorised by FSA</p>	<p>FSA can demand explanations if the prospectus does not meet the requirements set up by the FSA.</p>

*Principal 10***Market and Disclosure****10.2 Role of the Regulator**

Powers to take Action in respect of the prospectus	ASC can issue a "stop order" to prevent allotment of securities if prospectus breaches the Law or it is misleading.	OSC may apply to court for an order where failure to comply or violation of Act or decision of OSC. Power to issue a cease trading order.	The Ministry of Finance (the Securities Bureau) has administrative powers to enforce requirements relating to marketing and disclosure.	SEC may issue a "stop order" suspending effectiveness of registration. Power to enforce requirements relating to misleading or deceptive conduct.	Main power (after approval) is to withdraw scheme authorisation. SFC may prosecute under PFO for false or misleading information.	CNV is entitled to the policies has the power scheme and
Powers to exempt from statutory and other provisions	Broad exemption powers; no relief from content requirements but technical relief available.	An exemption may be given from registration and prospectus requirements and generally applicable to all CIS. ie requirements established for standard investment restrictions and practices by NP 39.	No exemptions from the requirement for a prospectus.	Exemption powers if in "public interest" and consistent with investor protection. No disclosure exemption power.	No specific power, the Code may be varied by SFC administrative decisions but this is rare for disclosure.	No exemption
Sanctions for non-compliance	Criminal sanctions and civil action for false or misleading statements or omissions.	Criminal sanctions and civil action for false and misleading statements or omissions - punishable by fines or imprisonment.	False or misleading information or omissions are punishable by a fine or an imprisonment.	Sanctions include fines, criminal and civil actions for certain offences.	Withdrawal of authorisation or prosecution.	Withdrawal sanctions.

Principle 10

Marketing and Disclosure

10.2 Role of the Regulator

Powers to take action in respect of the prospectus	Withdrawal of scheme authorisation if it does not comply with prospectus requirements. In such event the scheme may be dissolved and liquidated by decision of the District Court of Luxembourg.	CNMV is able to investigate operators and impose sanctions for serious and minor infringements. The former sanctions rest with the Ministry of Economy and Finance.	Administrative offence to willfully or by slight negligence fail to make a available or make one available which odds not contained the required information. Fine up to 50,000DM.	As above	Consob has inspection powers. Injured parties may also claim damages.
Powers to exempt from statutory and other provisions	The IML is not empowered to exempt schemes from the prospectus and general disclosure requirements.		The regulator in Germany has no power in this connection.	As above	Consob may waive inclusion of non material information.
Sanctions for non compliance	In case of non-compliance, the marketing of a scheme may be prohibited.			Regulator has powers to enforce sanctions against operator.	In cases of non-compliance the marketing of a CIS may be prohibited.

Principle 10

Marketing and Disclosure

10.2 Role of the Regulator

<p>Powers to take action in respect of the prospectus</p>	<p>If a prospectus is incorrect or incomplete the FBC has powers to revoke authorisation. For less serious infringements, the FBC may give the operator time to comply with requirements.</p>	<p>If a prospectus is incorrect or incomplete the regulator has power to revoke authorisation. For less serious imperfections, the regulator may give the scheme time to comply with requirements.</p>	<p>An investigation can be conducted by the regulator.</p>
<p>Powers to exempt from statutory and other provisions</p>	<p>None.</p>		
<p>Sanctions for Non Compliance</p>	<p>Sanctions include administrative, criminal and civil actions, revocation of authorisation.</p>		

Principal 10

Marketing and Disclosure

10.3 Ongoing Reporting Obligations

Reports required	Annual accounts, buy back statement and auditor's report and Form 723 filed with the ASC (register of holders, summary of transaction, investment portfolio).	Annual audited financial statements, semi-annual unaudited financial statements, reports of material changes, press releases - if meetings of securityholders called, proxy and information circulars must be filed with regulators and sent to securityholders.	Annual business reports including financial statements required.	Annual/semi-annual reports filed with SEC and sent to shareholders. Extensive records required to be kept. Proxy statements filed if shareholder vote solicited.	Annual and semi annual financial and statistical reporting. Latest offer and redemption prices monthly.	Day to day valuation data, including registry of all purchases and sales of securities and documents which are part of the asset portfolio of the scheme; monthly financial statements; report on the decisions taken by the investment committee during the meetings held in that month; details on the mutual funds' securities portfolio at the end of the month; valuation prices of the scheme's units; annual financial statements.
Contents of reports	Accounts (contents not specified). Form 723 includes register of holders, summary of transactions, brokerage and investments of the scheme.	Financial statements must contain income statements, balance sheets, statements of investment portfolio as of year end, changes in net assets and statements of portfolio transactions throughout the financial year.	Annual financial statements containing income statements, balance sheets and investment portfolio, transactions and changes in net assets.	Over 132 categories of information plus subparts required. Reports include info about: structure, organisation, capitalisation, affiliates, operations, adviser, administrator, custodian, agreements with service providers, expenses/fees, transaction activity, finances (annual reports contain audited financials), internal controls, investment practices, legal proceedings, and more. See Form N-SAR.	Contents of financial reports prescribed, the balance sheet, revenue statement, distributions, portfolio and investment portfolio and auditor's report.	Financial statements include income statement, balance sheets, investment portfolio, assets transactions (purchases and sales of securities including warrants, repos), valuation data, investment regime (percentage of different types of securities in total investment), foreign investment in the mutual fund, purchase and sale decisions taken during the investment committee meeting.
Standards applied to reporting	Accounts subject to review by an auditor who is subject to accounting standards and must present a "true and fair view". Standards do not have the force of law.	Financial statements must be prepared according to accounting principles of Canadian Institute of Chartered Accountants - annual financial statements must be audited.	Various rules apply to formatting and preparation of statements, including Accounting Standards.	U.S. Generally Accepted Accounting Principles (GAAP) apply to preparation of financial statements.	Annual accounts must be audited.	Accounts must be audited, and prepared according to the principles of the Mexican Institute of Public Accountants, as well as to the accounts catalogue furnished by the CNV. The Commission has published also special forms for the reports.

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Marketing and Disclosure

10.3 Ongoing Reporting Obligations

Reports required	Schemes are required to publish an annual report for each financial year, and a half-yearly report covering the first six months of the financial year.	Financial reports are provided quarterly and accounts are provided in the annual report.	An investment company must prepare and publish an annual report no later than 3 months after end of year. It must prepare another financial report during the year.	Timescale for annual and half-yearly reports and contents set out in regulations and UCITS Directive.
Contents of reports	Schemes are required to comply with the relevant provisions of the European UCITS Directive.	EID Directive, such reports must include all "Significant Changes": eg share holding changes, principal transactions and annual accounts.	The annual report must include a report on the activities of the CIS during the year; any significant information to enable unit holders to make a judgement on the development of the fund and its results; and s24 of the law.	Investors must be offered scheme particulars, with place of the availability identified.
Standards applied to reporting	Independent auditor is required to review the financial information included in the annual report and to issue an opinion stating the results of his review. Financial statements are prepared in conformity with international accounting standards.	Must comply with model layouts imposed by the CNMV.	CIS annual report and investment company accounts must have the same auditor. It must comment on compliance with the law and fund rules. Bank international accounting standards are applied.	As above.

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10.3 Ongoing Reporting Obligations

Reports required	Annual and semi-annual reports to be published within 4 and 2 months, respectively, after end of fiscal year.	Annual and half yearly reports and monthly statement required from schemes. They must have to report quarterly to regulator.	Periodic (half yearly or quarterly yearly) and annual documents are required.	Annual Reports. Half year reports and quarterly reports
Contents of reports	Financial statements; distributions; redemption's and issues; units on issue at year end; inventory of assets; NAC/unit; purchases and sales of securities and foreign custodians; material events; auditor's view.	Regulator must be given periodically: balance sheet, profit and loss account; statement of change in net worth, or value outstanding units and net asset value per unit.	Must include CIS investment policy, portfolio, net asset value, distributions. Periodic reports include CIS simplified portfolio, Annual report includes b/s, Profit and Loss.	Reports must confirm informative requirements set up by the FSA; balance sheet, profit or loss, inventory of assets, etc.
Standards applied to reporting	Detailed accounting rules laid down by the Investment Funds Ordinance 1994 of the FBC.	The standards applied (form, periods etc) are determined by the regulator and may differ for different groups types of investment institutions.	Must meet accounting standards (eg interventions in futures market recognised, valuation methods, exchange rate risks etc).	Must comply with model set up by the FSA

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10.3 Ongoing Reporting Obligations

<p>Filing and publication requirements</p>	<p>Files on the public database of the ASC; annual accounts sent to investors within 2 months.</p>	<p>Annual and semi-annual financial statements must be mailed to securityholders and filed with regulators within 140 days and 60 days, respectively, of period end. A pro forma prospectus must be filed with regulators for review at least 30 days prior to the anniversary of the date of last final prospectus and a new final prospectus must be filed within 10 days of such date.</p>	<p>Filed with Ministry of Finance and sent to all existing investors within 2 months.</p>	<p>Open-end and closed-end funds: file annual report with SEC and shareholders within 60 days after close of fiscal year; semi-annual report within 60 days after close of fiscal second quarter. UIT: file annual report with SEC within 60 days after close of calendar year; semi-annual reports to shareholders.</p>	<p>All reports must be sent to existing investors, and provided to SFC on request.</p>	<p>Reports must be sent to investors within 2 months and the Central Bank of Hong Kong in a newspaper one month after the reporting period (for the portfolio at published in the newspaper).</p>
<p>Other record keeping requirements</p>	<p>Manager required to lodge annual return containing information relating to scheme (Form 723).</p>	<p>Managers which are registrants must comply with annual renewal requirements in respect of their registration and the books and record keeping requirements applicable to their registration.</p>	<p>None specified</p>	<p>Current accounts, books and other documents as specified by rules. IAA imposes record keeping requirements on investment advisers. Records must be available for on-site examination by SEC.</p>	<p>None specified.</p>	<p>Books and records made available to investors.</p>

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Marketing and Disclosure

10.3 Ongoing Reporting Obligations

Filing and publication requirements	Annual reports must be published within 4 months and half-yearly reports within 2 months from the end of the periods to which they relate. They must be available to the public, supplied to investors free of charge on request (if registered certificates are issued, they are sent to the unit holders' domicile).	Reporting: Quarterly and annual. Audit: annual, significant changes must be reported within 10 days.	Annual report must be published within 3 months of the year end; half yearly report within 2 months after period end. Reports must be sent asap to Banking Supervisory office and Deutsche Bundesbank. Auditor's report on fund.	As per the UCITS Directive. Reports must be sent to investors in the scheme, as well as to the SRO.	Reports must be prepared within 60 days of the year end and 30 days for half yearly reports. Investors are entitled to a free copy at their domicile. The reports must be publicly available at the office of the manager and at the offices of depositary's bank.
Other record keeping requirements	Schemes are required to file with the IML monthly returns which include a limited number of financial data and information. These returns are not available to the public	Monthly and quarterly reports submitted to CNMV (by diskette).	Monthly returns (including financial data) must be filed with the authorities for statistical and supervisory purposes. These are not available to the public.	In addition, returns must be made to the relevant Self-Regulating Organisation.	Managers are required to keep all the prescribed data for companies. Unit values re published in a two national newspapers.

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10.3 Ongoing Reporting Obligations

<p>Filing and publication requirements</p>	<p>Annual and semi-annual reports must be lodged within 4 and 2 months, respectively, after end of fiscal year. Operator must hold free copies of those at disposal of investors for at least 10 years.</p>	<p>Annually - within 4 months of end of year end, and must be made public. Half yearly figures must be published within 2 months of end 1st half year.</p>	<p>Periodic reports must be made half-yearly and quarterly. Annual report required.</p>
<p>Other record keeping requirements</p>	<p>Detailed rules in the Investment Funds Ordinance 1994 of the FBC. External auditors have to check the accounts and are required to certify that the records of the scheme have been kept in accordance with the Law and generally accepted accounting rules.</p>	<p>Annual accounts to be accompanied by auditor's report. Monthly statement also required from investment institution.</p>	<p>Documents controlled and certified by auditors after CIS approval. Auditors must report to the manager and investors and notify anomalies to COB.</p>

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Marketing and Disclosure

10.4 Advertising

<p>Principal restriction on advertising</p>	<p>Advertising there is a registered prospectus and certain information in notices.</p>	<p>Must not be misleading. must not conflict with prospectus nor distort information contained in prospectus. restrictions apply to "sales communications" - set out in NP 39 - must comply with certain standards for use of performance data, he must disclose 1.3.5 and 10 year returns if any performance data to be used in radio and television advertisements.</p>	<p>Representations made in advertising and publicly must not deviate from prospectus content.</p>	<p>Ads can't be false/misleading. subject to anti-fraud provisions. Before registration statement filed with SEC, no advertising about specific fund. After reg. statement filed, but before declared effective, may use ads complying with Rule 134 (no performance info) or Rule 482 (performance info). After reg. statement effective, must use SEC. 10(a) prospectus; can use other material if accompanied/preceded by SEC. 10(a) prospectus. Also NASID requirements.</p>	<p>Advertising falls within the PJO general prohibition unless authorised by the SFC.</p>	<p>Mutual funds' shares promotion and distribution plans must be approved by the CNV. Mutual funds are not allowed to advertise their authorised capital unless their paid in capital is disclosed.</p>
<p>Prescribed contents</p>	<p>That a prospectus has been lodged, its date of issue, subscriptions to be made on application form, interest of publisher of notice the prospectus and additional information.</p>	<p>If sales communication is used when only a preliminary prospectus filed - severe restrictions on content - otherwise must state who has prepared the sales communication, restrictions on what CIS may be described as "no-load" or as a money market CIS, if any reference is made to fees or charges or the absence thereof, all such fees and expenses whether payable by investor or CIS must be disclosed, standard warnings must be included where performance data used, disclosure as to fundamental changes in CIS must be disclosed where performance data used, performance data must be calculated as set out in NP 39.</p>	<p>Business Rules of the ITA impose guidelines and forbid any representation that capital is assured, judgments about future performance, misleading statements, ITA must approve certain advertising.</p>	<p>Various - ombudsone: "not misleading or deceptive", provisions guiding use of performance information; advertisements information; the substance of which is included in the final prospectus allowed.</p>	<p>Guidelines issued on advertising principles and stringent pre vetting by the SFC.</p>	<p>Publicity and information must be expressed in a clear and precise manner, to avoid misrepresentation regarding the services offered by mutual funds and by their operating companies.</p>

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Marketing and Disclosure

10.4 Advertising

Principal restriction on advertising	Only banks and authorised financial institutions are permitted to market schemes in Luxembourg. Individuals may not intervene in their marketing or distribution. No special rules of conduct apply except that the legal texts which govern in a general manner the commercial practices authorised in Luxembourg are also applicable when schemes are distributed there.	No specific provisions in relation to advertising other than general publicity and advertising legislation. Marketing of CIS is restricted to brokers, dealers, banks, savings banks and for the funds they manage, the management companies.	No special rules exist in relation to the marketing of domestic CIS except general advertising law. The management company is responsible for false or misleading statements being made. Certain types of advertising is prohibited for foreign CIS.	Misleading statements are a criminal offence under s47(1) of the Act. S.I. It has reasonable grounds to believe advertisement is fair and O misleading. O authorised/recognised CIS may publicly marketed.
Prescribed contents	All publicity comprising an invitation to purchase the units of a scheme must indicate that a prospectus exists and the places where it may be obtained by the public. Publicity material may not contain untrue or misleading statements.		All advertising must make references to prospectus and places where it may be obtained by public. All documentation concerning foreign funds must be translated into German.	Investors must be offered scheme particulars, with place of availability identified

SWITZERLAND

NETHERLANDS

FRANCE

SWEDEN

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Marketing and Disclosure

10.4 Advertising

<p>Principal restriction on advertising</p>	<p>Regulatory approval of advertising activities is not provided for in the I.F.A. Swiss Bankers Association and Swiss Investment Funds Association have issued some general guidelines relating to advertising.</p>	<p>Regulatory approval of advertising is not provided for by law. There are certain general guidelines (information has to be correct, complete and not misleading, place of prospectus plus warning on performance predictions).</p>	<p>Commercial advertising is not systematically controlled by the regulator, however the regulator imposes restrictions on the marketing activities of special kinds of CIS: futures funds and venture capital funds are not allowed to use advertising.</p>	<p>Advertising is not systematically controlled by the FSA</p>
<p>Prescribed contents</p>	<p>Any false or misleading statement is prohibited by law and will trigger punitive and regulatory sanctions.</p>	<p>The information must be correct, complete and not misleading. It must provide a warning on performance predictions.</p>	<p>Commercial documents may be used for marketing CIS but COB may check the sincerity of the information. Special controls on marketing policies have been set by the new procedures.</p>	<p>False or misleading statement is prohibited by general law (not especially designed for CIS)</p>

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Marketing and Disclosure

10.4 Advertising

When an issuer can advertise	Any time provided there is a registered prospectus.	Alter a preliminary prospectus filed, limited advertisements can be made - with explicit statements as to the status of the offering - after a final prospectus filed and before it has lapsed (ie one year later, unless a pro forma prospectus filed) may advertise as above.	After the trust deed is approved.	See above	After authorisation by SFC. May only use for 6 months after approval.	After the advertisement
Means by which an issuer may advertise	Use of television and print (including radio) advertising allowed if it contains required information.	Print, radio, television, via telephone or tape recording, billboards etc.	No restrictions.	No restrictions.	No restrictions.	No specific
Role of the regulator	Promotional material not reviewed by ASC but ASC can take action if material doesn't comply with law.	Regulator will follow up and investigate any improper advertisements brought to regulators attention - may request that any advertisements be pre-cleared through regulator before use.	Investment Association must approve certain types of advertisements. Trusts of	Must file ads and sales literature with NASD if shares distributed by broker-dealer. NASD reviews and comments on (but does not approve) ads filed with it.	SFC must review and authorise all advertising	Review and is entitled to amend that in i misleading
Other marketing restrictions	Prohibition on hawking ie going from place to place including by telecommunications, but not if attached to prospectus and sent by post.	Securities can only be marketed through registered dealers or brokers - no ads in furtherance of a trade except by registrants - unless CUS manager is registered as a dealer, may not sell securities directly to the public or advertise, unless the advertisement is placed by registrant - regulator can, by order, suspend or restrict right to call on residences or via telephone to residences for the purposes of trading.	None specified.	NASD "know your client" rule.	Rules of conduct applicable to securities dealers apply - hawking and cold calling is prohibited.	In general mutual fund CNV.

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10.4 Advertising

When an issuer can advertise	Not before scheme has been granted IML approval.		For domestic funds after approval of the fund rules. For foreign funds two months after registration.	Advertisements soliciting investors not permitted before scheme authorisation.	After the prospectus is published and the advertising is approved by the Consob.
Means by which an issuer may advertise	Regulations do not exclude any form of publicity so that television and/or radio advertisements are permitted.	There are no specific provisions in relation to advertising or schemes other than the general advertising legislation.	Leaflets, sales letter, advertising pamphlets and other means of propaganda can be used.	Advertisements soliciting investors not permitted before scheme authorisation.	All media.
Role of the regulator	Advertising/publicity material has to be approved by the IML (or the authorities of other countries). IML may take action if such material contains untrue or misleading statements.	Television and/or radio advertisements are not approved. The CNMV is empowered to sanction brokers/dealers and the Central Bank supervises banks and savings banks.	If a person engaged in distribution of foreign funds substantially violates an order the authority may prohibit further distribution of investment units.	Regulators do not approve of advertisements. CIS are subject to a range of applicable rules. Regulators may take action for a breach of these rules.	Advertising must be submitted in advance to Consob.
Other marketing restrictions	Hawking (door to door selling and simultaneous delivery of goods) is prohibited, but canvassing of orders is permitted with certain restrictions. Solicitation must be written and subject to a 7 days cooling off period.	None except those in the Stock Market Act which restricts marketing and sales of CIS to the entities mentioned above and its representatives who could hawk. However, funds management companies are not allowed to have representatives and therefore they could not sell units going from place to place.	Distribution of foreign investment units may only commence if 2 months have elapsed since receipt of complete notification without the authorities having prohibited commencement of distribution.	Rules laid down by regulator govern conduct relating to unsolicited calls (personal visits or oral communication made without express permission).	Door to door selling may only be carried out by specially authorised intermediaries that have recourse to specially registered financial salesmen. A 5 day cooling off period is allowed for contracts signed at home.

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Marketing and Disclosure

10.4 Advertising

When an issuer can advertise	Only after scheme authorisation	Market research prior to authorisation is permitted as long as it is solely aimed at getting an insight into the potential market for one or more investment products. This means that it is never allowed to solicit or obtain funds from the public.	
Means by which an issuer may advertise	All media	Television and/or radio advertisements are allowed. No specific regulations or approval is required.	TV or radio advertisements used in France, the regulator can control the content of these advertisements.
Role of the regulator	Regulator does not approve of advertising	Circular issued by regulator with regard to pre authorisation market research. Regulator assumes full and fair information is included in advertising.	In certain cases, the COB controls information disseminated to the public.
Other marketing restrictions	Certain distributors need authorisation by FBC. Door to door sales are prohibited by the Federal Act on Commercial Travellers.	Hawking is regulated by a separate law, so-called "Colportage-wet". This law not applicable to securities listed on a stock exchange and non-listed securities if price announcement is available to the public.	Hawking activity is regulated. People who expect to practice hawking have to obtain a special authorisation delivered by the Judiciary.