



Astana Financial Services Authority

Consultation Paper

No. 26 of 2019

**Proposed revisions to AIFC investment
funds framework**

24 June 2019

Introduction

1. The Astana Financial Services Authority (AFSA) has issued this Consultation Paper to invite public comments on the proposed amendments intended to be made to the framework for investment funds in the Astana International Financial Centre (AIFC). The proposed rules are in full compliance with the AIFC legal and regulatory framework. The proposed amendments are set out in the Annexures to this Paper.
2. The proposals in this Consultation Paper will be of interest to Fund Managers, individuals, financial organizations and investors who are interested in doing business in the AIFC.
3. All comments should be in writing and sent to the address or email specified below. If sending your comments by email, please use “Consultation Paper No 26” in the subject line. You may, if relevant, identify the organisation you represent when providing your comments. The AFSA reserves the right to publish, including on its website, any comments you provide, unless you expressly request otherwise. Comments supported by reasoning and evidence will be given more weight by the AFSA.
4. The deadline for providing comments on the proposals is **23 July 2019**. Once we receive your comments, we shall consider if any refinements are required to the proposals.
5. Comments to be addressed by post:

Policy and Strategy Division
Astana Financial Services Authority (AFSA)
55/17 Mangilik El avenue, block C3.2, Nur-Sultan, Kazakhstan
or emailed to: consultation@afsa.kz
Tel: +7 7172 613626
6. The remainder of this Consultation Paper contains the following:
 - (a) background to the proposals;
 - (b) the list of key elements of the amended rules;
 - (c) Annex 1: The amendments to the AIFC Glossary;
 - (d) Annex 2: The amendments to the AIFC Collective Investment Scheme Rules;
 - (e) Annex 3: The amendments to the AIFC Companies Rules;
 - (f) Annex 4: The amendments to the AIFC Prudential Rules for Investment Firms.

Background

The AFSA intends to enhance the legislative framework governing investment funds in the AIFC.

This legislation comprises regulations and rules covering, inter alia, the creation, registration, management, operation, modification, transfer and termination processes of different types, forms and uses of investment fund vehicles in the AIFC.

The AFSA's objectives are to ensure that this framework for investment funds:

- (a) best meets the needs of the AIFC and the regions it serves;
- (b) does not pose risks to the regulatory objectives of the AFSA; and
- (c) is developed in line with the investment funds legislation of relevant leading jurisdictions.

The continued development of the investment funds available in the AIFC, and the introduction of new types of investment fund vehicles to the AIFC, is a key policy focus of the AFSA. The AFSA has considered the views of AIFC participants and other key stakeholders in determining what changes to make to the investment funds framework at this stage in the AIFC's evolution. Consequently, it is now consulting on the following changes to the investment funds framework:

- (a) the amendments to the Collective investment scheme rules;
- (b) the introduction of Foreign Fund manager regime;
- (c) the introduction of Self-managed funds;
- (d) the extension of the Protected Cell Companies framework for funds; and
- (e) amendments to the base capital requirements.

In addition to the foregoing, the AFSA expects to consult on the development of existing investment funds regimes shortly.

KEY ELEMENTS OF THE PROPOSED RULES

1. AMENDMENTS TO CIS

- 1.1 The Collective Investment Scheme Rules ("CIS") provide the essential framework for the treatment of collective investment schemes in the AIFC. The AFSA has reviewed the CIS regime and, in light of this review and its analysis of other jurisdictions, has proposed a number of amendments to CIS. These amendments are intended to ensure that CIS is clear, consistent and comprehensive.

Application of CIS

- 1.2 The revised rules set out in more detail how CIS applies to the different categories of fund manager and fund in the application section at the start of each chapter in CIS. In order to ensure consistency, the table previously in CIS 2.6 has been deleted.

Minimum subscription for Exempt Funds

- 1.3 The minimum subscription amount for Exempt Funds is currently 250,000 US Dollars. The AFSA wishes to ensure that barriers to investment are lowered in the AIFC. It is proposed to amend CIS 2.2(a) to lower the minimum subscription amount to 50,000 US Dollars, which is considered to be in line with comparable jurisdictions.

Clarification on exemptions

- 1.4 Chapters 2 and 3 contain provisions which state the circumstances in which:
- (a) a person is not considered to be marketing a collective investment scheme in the AIFC; or
 - (b) an arrangement is not a collective investment scheme.
- 1.5 The revised CIS rules provide additional guidance to clarify these exemptions, by explaining the exclusion applicable to certain offers and secondary transactions (CIS 2.5), the meaning of "by way of business" (CIS 3.3) and the nature of a "common account" (CIS 3.5).
- 1.6 In addition, the AFSA has recognised that there may be circumstances in which participants may wish to treat an arrangement as a collective investment scheme falling within the scope of CIS. The revised CIS rules allow participants in intra-group arrangements (CIS 3.7) or arrangements involving close relatives (CIS 3.17) to choose to treat the arrangement as a collective investment scheme.

Requirements for fund constitution

- 1.7 CIS 6.2 requires all Funds managed by a Domestic Fund Manager to have a written constitution. At present, the CIS rules do not specify the required contents for a fund constitution. Schedule 1 of the revised CIS rules specifies mandatory content for a constitution for a Non-Exempt Fund.

Notification requirements

- 1.8 The CIS rules specify that the following entities must register their funds with the AFSA:
- (a) a Domestic Manager that intends to manage a Non-Exempt Fund;
 - (b) a Centre Participant that wishes to market a Non-Exempt Fund; and
 - (c) a Foreign Fund Manager that intends to manage an Exempt Fund.
- 1.9 A new rule, CIS 4.7, requires any other kind of fund to be notified to the AFSA. This includes a Domestic Fund Manager managing a Foreign Fund.

Single pricing

- 1.10 CIS 6.2(iii) describes how single pricing is calculated in relation to an open-ended Non-Exempt Fund. Guidance has been added describing what is meant by single pricing for these purposes, namely, that the buying and selling price for units in the fund are the same.

Eligible custodian

- 1.11 CIS 7.3 currently requires fund managers to appoint an "eligible custodian" that is a separate legal entity. This provision has been amended to clarify that a self-managed fund may hold property itself, provided that it complies with certain conditions.

Prime brokers

- 1.12 There are circumstances in which a fund manager may allow a prime broker (that is, a brokerage firm offering integrated trading, securities lending, custody and settlement services to its clients) authority to combine fund assets with other assets held by the prime broker as collateral for its financing activities
- 1.13 CIS 7.4 imposes restrictions on this activity by prime brokers in relation to Non-Exempt Funds, by requiring that a risk warning is added to the offering materials, and the prime broker must qualify as an eligible custodian. In the interests of investor protection, the revised CIS rules will also apply these restrictions to all Funds, whether Exempt or Non-Exempt.

Question 1: Do you agree that the minimum subscription amount for Exempt Funds should be lowered to 50,000 US Dollars?

Question 2: Do you have any comments on the new guidance and clarifications in CIS?

Question 3: Do you agree with the new mandatory requirements for fund constitutions for Non-Exempt Funds?

Question 4: Do you have any comments on the notification requirements in CIS 4.7?

Question 5: Do you have any other concerns about the revisions to the CIS rules?

2. **FOREIGN FUND MANAGERS**

- 2.1 Currently the AIFC rules only allow AIFC fund managers to set up funds in the AIFC.
- 2.2 The revised CIS rules will allow a fund manager authorised outside the AIFC by its home state Financial Services Regulator to set up a fund in the AIFC.

Application of CIS

- 2.3 CIS 1.1 will be amended to make clear that the rules apply to a Foreign Fund Manager managing a Domestic Fund. In addition, the expression "located in the AIFC" will be replaced by a new definition of "Domestic Fund Manager", which refers to a fund manager licensed by the AFSA.

Restriction on types of funds allowed to be established by a foreign fund manager

- 2.4 A new CIS 1.5 states that Foreign Fund Managers may manage a Domestic Fund, provided that the fund must be an Exempt Fund if it is offered in the AIFC.

Prohibition on establishing, promotion and marketing of collective investment schemes

- 2.5 CIS 2.1 states that a collective investment scheme may only be established, promoted or marketed in the AIFC by a fund manager located in the AIFC or a Centre Participant. This has been amended to include Foreign Fund Managers.

Application for registration

- 2.6 CIS 4.2 states that applications for registration of a Non-Exempt Fund can only be made by fund managers located in the AIFC or by Centre Participants. This has been amended to require Foreign Fund Managers managing Exempt Funds to apply to the AFSA to register such funds.

Requirements for registration

- 2.7 CIS 4.3(b) currently allows the AFSA to register a fund if the fund manager is authorised by:
 - (a) the AFSA itself; or
 - (b) another financial services regulator that is acceptable to the AFSA.
- 2.8 This requirement has been supplemented with a framework allowing the AFSA to recognise specific jurisdictions for these purposes, so that the AFSA is not required to assess other regulators as acceptable on an ad hoc basis.

Recognised jurisdictions

2.9 The AIFC rules do not currently set out the requirements that a jurisdiction must meet in order to become a "Recognised Jurisdiction". Schedule 2 of the revised rules includes new eligibility criteria:

- (a) the jurisdiction is not listed as a Non-Cooperative Country and Territory by FATF;
- (b) the jurisdiction complies with the OECD standards on exchange of information in tax matters, including any multilateral tax agreements;
- (c) the jurisdiction's financial regulatory regime is assessed to achieve broadly similar outcomes to the AFSA's; and
- (d) the jurisdiction has appropriate cooperation arrangements in place with the AFSA in order to ensure an efficient exchange of information between the regulators.

Acceptable jurisdictions

2.10 The AFSA still wishes to retain the ability to allow access to the AIFC for a Foreign Fund Manager from a jurisdiction that has not gone through the formal process to become a "Recognised Jurisdiction". This would involve the new process specified in Schedule 3 of CIS, which would require the Foreign Fund Manager to submit documentation to the AFSA that:

- (a) contains a comparative analysis of its jurisdiction's regulatory regime with respect to fund managers and funds against that of the AFSA;
- (b) identifies any gaps between home and the AFSA's fund management and fund regulatory regimes; and
- (c) demonstrates controls intended to remedy identified gaps to match the AFSA's regulatory requirements.

List of recognised jurisdictions

2.11 The AFSA proposes to make public a list of Recognised Jurisdictions. A new rule will allow the AFSA to:

- (a) publish a list of Recognised Jurisdictions by means of a written notice on its official webpage;
- (b) add to the list any jurisdiction that meets the eligibility criteria for a Recognised Jurisdiction; and
- (c) remove from that list any jurisdiction where the AFSA is no longer satisfied that the jurisdiction meets the criteria.

Application of CIS 9 and 10

2.12 The application sections for these chapters currently restrict the rules to fund managers located in the AIFC. This has been revised to reflect the proposed application of the CIS rules, using new definitions of Foreign Fund Manager and Domestic Fund.

Application of CIS 8

- 2.13 This chapter currently applies requirements in relation to appointing eligible custodians and fund administrators to fund managers located in the AIFC. This has been amended to apply to Foreign Fund Managers too.

Registration of a domestic fund set up by a foreign fund manager

- 2.14 At present, the CIS Rules do not provide any registration requirements or guidance on the registration of a fund by a Foreign Fund Manager.
- 2.15 The AFSA proposes to introduce new minimum conditions for registering a fund managed by a Foreign Fund Manager. CIS 4.3(f) specifies that a Foreign Fund Manager will:
- (a) appoint a Fund Administrator and Eligible Custodian licensed by the AFSA in accordance with CIS 8;
 - (b) submit to the AFSA a declaration in which a Foreign Fund Manager confirms that it is subject to regulation by a Financial Services Regulator, whether in a Recognised Jurisdiction or a non-recognised jurisdiction; and
 - (c) submit to the AFSA a copy of its licence to manage funds granted by its home state Financial Services Regulator.

Question 6: Do you agree with the extension of the regime to Foreign Fund Managers?

Question 7: Do you have any comments on the requirements imposed on Foreign Fund Managers?

Question 8: Do you have any other comments on the proposed rules for Foreign Fund Managers?

3. SELF-MANAGED FUNDS

- 3.1 At present the CIS rules allow self-managed funds (that is, funds that operate without the involvement of an external fund manager) to be created but do not provide a formal framework to govern them. The AFSA intends to develop a more complete framework for self-managed funds.

Self-managed funds

- 3.2 CIS 1.2 states that a fund which has not appointed an external fund manager will be treated as its own fund manager for the purposes of the CIS rules.
- 3.3 This does not make clear the nature of the governance structure for self-managed funds. It is proposed to clarify this by stating in CIS 2.3(b) that the board of directors of a self-managed fund will be responsible for carrying out fund management activities.
- 3.4 In addition, there will be an obligation in CIS 2.3(d) on self-managed funds to notify the AFSA if a director of a self-managed fund resigns or is removed.

Restriction on legal form and nature of self-managed fund

- 3.5 At present, there are no restrictions in the CIS rules that specify the legal form of a self-managed fund.
- 3.6 CIS 2.3(a) will allow self-managed funds to be set up as Investment Companies only, as specified in Part 6 of the AIFC Companies Rules.
- 3.7 In addition, it is stated in CIS 2.3(a) that self-managed funds should be restricted to Exempt Funds only.

Directors of investment company

- 3.8 The AIFC Companies Rules allow Investment Companies to be set up with a sole director. However, the AFSA considers that this may lead to a conflict of interest and may not reflect the complexity involved in a fund structure, so CIS 2.3(b) states that a self-managed fund must be required to have at least two directors. The director of an Investment Company may either be an individual or a body corporate.

Prohibition on managing other funds

- 3.9 As is the case in other jurisdictions, a self-managed fund is prohibited in CIS 2.3 from managing other funds.

Question 9: Do you have any comments on the new rules in relation to self-managed funds?

4. PROTECTED CELL COMPANIES

- 4.1 The PCC is a corporate vehicle with the ability to create statutorily segregated/ring-fenced cells (that is, the assets and liabilities of one cell are not available to shareholders or creditors of another cell).
- 4.2 The AIFC legal framework already allows for the creation of PCCs in relation to insurance. This is intended to facilitate the establishment of captive insurance businesses in the AIFC.
- 4.3 The AFSA proposes to amend the existing framework for PCCs allow PCCs to be used for fund vehicles in the AIFC. In particular, this requires amendments to Part 8 of the AIFC Companies Rules which sets out the main body of the existing provisions in protected cell companies. The amendments allow persons conducting the business of a fund to use the PCC structure to operate an umbrella fund.

Question 10: Do you have any comments on the proposed rules in relation to PCCs?

5. BASE CAPITAL REQUIREMENTS

- 5.1 Table 3.3 of the Prudential Rules for Investment firms sets out the base capital requirements.
- 5.2 It is proposed to lower the base capital requirements for authorised firms with “Advising on Investments”, “Arranging Deals on Investments”, “Arranging Custody”, “Providing Fund administration” licenses to 10,000 US Dollars, which is considered to be in line with comparable jurisdictions.

- 5.3 It is proposed to set different base capital requirements for authorised firms with a “Managing a CIS” license, that is to:
- (a) lower to 50,000 US Dollars if a Fund manager manages an Exempt fund and has an appointed Eligible Custodian to a Fund, unless the appointment of an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds;
 - (b) lower to 150,000 US Dollars if a Fund manager manages a Non-Exempt fund;
 - (c) lower to 300,000 US Dollars if a Fund has not appointed an external Fund Manager (i.e. is its own Fund Manager), and a Fund has an appointed Eligible Custodian, unless the appointment of an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds; and
 - (d) keep at 500,000 US Dollars if a Fund has not appointed an Eligible Custodian, except where the appointment of an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds,

which are considered to be in line with comparable jurisdictions.

Question 11: Do you have any comments on the proposed amendments to the base capital requirements?

In this document, the underlining indicates a new text and the striking through indicates deleted text in the proposed amendments



AIFC GLOSSARY

AIFC ACT NO. FR0017 OF 2018

Consolidated Version
([**] 2019)

Approval Date: [**] 2019
Commencement Date: [**] 2019

Constitution	<p>The Constitution of a Fund In relation to a Fund:</p> <p>(a) which is in the form of a Body Corporate, the instrument of incorporation;</p> <p>(b) which is in the form of a Trust, the trust deed;</p> <p>(c) which is in the form of a Partnership, the partnership deed; or</p> <p>(d) adopting a form other than one specified in (a) to (c), any instrument creating the legal form of the Fund to which the Fund Manager is a party setting out provisions relating to any aspect of the operation or management of the Fund.</p>
Domestic Fund	<p>A Collective Investment Scheme registered under CIS Rules that is established or domiciled in the AIFC.</p>
Foreign Fund	<p>A Collective Investment Scheme registered under CIS that is not established or domiciled in the AIFC.</p>
Recognised Jurisdiction	<p>A jurisdiction which has been recognised by the AFSA in accordance with CIS Schedule 2.</p>
<u>Sub-Fund</u>	<p>A separate pool of Fund Property within an Umbrella Fund.</p>
<u>Umbrella Fund</u>	<p>A Fund in which the contributions of the Unitholders in the Fund and the profits or income out of which payments made to them are pooled separately in a number of Sub-Funds constituting separate parts of the Fund Property.</p>

In this document, the underlining indicates a new text and the striking through indicates deleted text in the proposed amendments



AIFC COLLECTIVE INVESTMENT SCHEME RULES

(CIS)

AIFC RULES NO. _ OF 2017

Approval Date: [***] 2019]
Commencement Date: [***] 2019

1. INTRODUCTION

1.1 Application of these Rules

These Rules apply to:

(a) ~~A~~ A Domestic Fund Manager ~~located in the AIFC~~ which manages:

(i) a Domestic Fund; or

(ii) a Foreign Fund; or

(b) a Foreign Fund Manager which manages a Domestic Fund; and

~~(b)~~ c) a Centre Participant which markets a Collective Investment Scheme in or from the AIFC.

1.2 Self-managed Funds

A Fund which has not appointed an external Fund Manager is its own Fund Manager for the purposes of these Rules.

Guidance:

For the purposes of these Rules, a Self-Managed Fund shall be treated as a Domestic Fund that is managed by a Domestic Fund Manager in accordance with Rule 2.3.

...

1.5 Foreign Fund Managers

A Foreign Fund Manager is permitted to manage a Domestic Fund in accordance with these Rules, and if the Units of such Fund are Offered in the AIFC, then it must be an Exempt Fund as defined in Rule 2.2(a).

Guidance

A Foreign Fund Manager is not permitted to manage a Non-Exempt Fund where it offers the Units of a Fund in the AIFC. If a Foreign Fund Manager markets the Units of a Domestic Fund in jurisdictions other than the AIFC, the marketing of that Domestic Fund will be subject to the rules of the relevant non-AIFC jurisdiction.

2. CLASSIFICATION OF FUNDS AND APPLICATION OF THE RULES

2.1 Prohibition on establishment, promotion and marketing of Collective Investment Schemes

- (a) Any Collective Investment Scheme established, promoted or marketed in the AIFC must comply with these Rules.
- (b) A Collective Investment Scheme may only be established, promoted or marketed in the AIFC by a Person which is ~~a Fund Manager located in the AIFC or another Centre Participant~~:
 - (i) a Domestic Fund Manager;
 - (ii) a Foreign Fund Manager; or
 - (iii) another Centre Participant,

except that any Person may establish a Self-managed Fund that will be subject to these Rules.

2.2 Exempt Funds and Non-Exempt Funds

- (a) An Exempt Fund is a Collective Investment Scheme the Units of which are Offered in the AIFC only by way of a private placement:
 - (i) to Persons who are Professional Clients; and
 - (ii) in minimum subscription amounts of US\$ 250,000.
- (b) A Non-Exempt Fund is any Collective Investment Scheme ~~that~~:
 - (i) the Units of which are Offered in the AIFC; and
 - (ii) which is not an Exempt Fund.

2.3 ~~Requirement to register Non-Exempt~~ Self-managed Funds

~~All Collective Investment Schemes that are Non-Exempt Funds must be registered with the AFSA under these Rules.~~

- (a) A Self-managed Fund must be:
 - (i) an Exempt Fund; and
 - (ii) established as an Investment Company in accordance with Part 6 of the Companies Rules.

- (b) The board of directors of the Self-managed Fund:
- (i) must consist of at least two directors;
 - (ii) may include Directors who are individuals or Bodies Corporate; and
 - (iii) will be responsible for carrying on fund management activities in relation to that Fund.
- (c) The AFSA must be notified if any Person ceases to be a director of a Self-managed Fund.
- (d) A Self-managed Fund is prohibited from managing other Funds.

...

2.5 Secondary transactions and excluded Offers

A Person does not market a Collective Investment Scheme in the AIFC for the purposes of these Rules by Offering to sell or transfer a Unit that is owned by that Person if the Offer to sell or transfer is capable of acceptance only by the Person to whom that Offer is made.

Guidance

Rule 2.5 is intended to exclude personal sales or transfers of Units from being subject to the requirements in CIS relating to the marketing of Collective Investment Schemes. As a result, an offer to sell Units that is made by a Unitholder to a sole other Person will not be caught by the rules on requirements (for example, the seller is not required to be a Domestic Fund Manager, Foreign Fund Manager or Centre Participant in accordance with Rule 2.1 merely in order to sell the Units that it owns). However, depending on the nature of the transaction, the seller may be subject to the rules in financial promotion and may need to be licensed for another Regulated Activity, such as Dealing in Investments as Principal.

~~2.6—Application of these Rules~~

~~The table below sets out which chapters of the Rules apply to which types of Funds and Fund Managers and Centre Participants.~~

Chapter	Exempt Fund	Non-Exempt Fund	Fund Manager	Centre Participants
Chapter 4—Registration requirements for all Funds	✓ Not 4.3	✓	✓	*
Chapter 5—Marketing requirements	✓	✓	✓	✓

Chapter 6—Rules regarding the constitution and investment powers of Funds	✓ Not 6.3 or 6.10 (except that 6.10 shall apply to Exempt Funds that are REITs)	✓	✓	*
Chapter 7—Rules regarding the management and operation of Funds	✓ Not 7.4	✓	✓	*
Chapter 8—Additional service providers	* (except that Chapter 8 shall apply to Exempt Funds that are REITs)	✓	✓	*
Chapter 9—Rules regarding dealings in open-ended funds and liquidity	✓	✓	✓	*
Chapter 10—Audit, Financial and Valuation Requirements	✓ Not 10.4 or 10.5 (except that 10.4 shall apply to Exempt Funds that are REITs)	✓	✓	*

3. ARRANGEMENTS NOT AMOUNTING TO A COLLECTIVE INVESTMENT SCHEME

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3.3 Schemes not operated by way of business

An arrangement is not a Collective Investment Scheme if it is not operated by way of business.

Guidance

For the purposes of Rule 3.3, a person shall be treated as operating an arrangement by way of business if that person:

- (a) operates the arrangement in a manner which in itself constitutes the carrying on of a business;
- (b) holds himself out as willing and able to engage in the business of operating a Collective Investment Scheme; or
- (c) regularly solicits other persons to engage with him in transactions related to that activity.

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3.5 Common accounts

An arrangement is not a Collective Investment Scheme if:

- (a) the rights or interests of each participant in the arrangement are rights or interests in money held in a common account; and
- (b) the money is held in the account on the understanding that an amount representing the contribution of each participant is to be applied in making payments to him or in satisfaction of sums owed by him or in the acquisition of property for him or the provision of services to him.

Guidance

The exclusion in Rule 3.5 is intended to apply to an arrangement where each participant has a right or interest to an amount of money in a common account. For example, this will apply where a firm has a general client account that receives money from the firm's clients that are used to pay for services or is set off against amounts owed by those clients.

...

3.7 Group arrangements

- (a) Subject to (b), an Arrangement is not a Collective Investment Scheme if each of the participants is a Body Corporate in the same Group as the Person undertaking the Collective Investment Scheme management function in relation to the arrangement.

(b) Prior to setting up the arrangement, the participants may elect to treat the arrangement as a Collective Investment Scheme by notifying the AFSA of their intention to do so.

...

3.17 Close Relative accounts

(a) Subject to (b), an ~~An~~ arrangement is not a Collective Investment Scheme if every participant in the arrangement is a Close Relative. For the purposes of this Rule, the defined term "Close Relative" includes grandchildren.

(b) Prior to setting up the arrangement, the participants may elect to treat the arrangement as a Collective Investment Scheme by notifying the AFSA of their intention to do so.

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4. REGISTRATION AND NOTIFICATION REQUIREMENTS ~~FOR NON-EXEMPT FUNDS~~

4.1 Application and requirement for registration and notification

This chapter applies to ~~Non-Exempt Funds~~:

(a) any Domestic Fund that is managed by a Domestic Fund Manager;

(b) any Domestic Fund that is managed by a Foreign Fund Manager;

(c) any Foreign Fund managed by a Domestic Fund Manager; and

(d) any Centre Participant that wishes to market a Fund in the AIFC.

4.2 Application for registration

(a) The following entities must apply ~~An application~~ to the AFSA ~~for to~~ register the ~~registration following types~~ of a ~~Non-Exempt Fund~~ ~~must be made by the~~:

(i) a Domestic Fund Manager ~~located in the AIFC who~~ ~~that~~ intends to manage ~~that a~~ Non-Exempt Fund ~~or~~;

(ii) a ~~the~~ Centre Participant ~~who~~ ~~that~~ wishes to market ~~that a~~ Non-Exempt Fund in the AIFC; ~~and~~

(iii) a Foreign Fund Manager that intends to manage an Exempt Fund.

- (b) The Fund Manager or Centre Participant must complete and submit the appropriate registration form or forms to the AFSA (which registration form(s) must be in such form as the AFSA may from time to time prescribe).
- (c) The Fund Manager or Centre Participant must specify in the registration form if the Fund is to be registered as a Specialist Fund.
- (d) The registration form ~~for a Non-Exempt Fund~~ must be accompanied by:
 - (i) copies of the Fund's Constitution and Offering Materials; and
 - (ii) certification by the Fund Manager ~~of the Non-Exempt Fund~~ that the Constitution and Offering Materials comply with any relevant requirements prescribed under these Rules and any other applicable regulations of the AFSA; and
 - (iii) such other information as the AFSA may from time to time request.
- (e) If, at any time between the filing of an application for registration and the grant of a registration, the Fund Manager or Centre Participant becomes aware of any material change, error, or omission reasonably likely to be relevant to the application under consideration, it must inform the AFSA in writing of such change without delay.
- (f) In assessing an application for registration ~~of the Non-Exempt Fund~~, the AFSA may:
 - (i) make any enquiries which it considers appropriate, including enquiries independent of the relevant Fund Manager or Centre Participant; and
 - (ii) require the relevant Fund Manager or Centre Participant to provide further information in support of the application for registration.

4.3 Requirements for registration

The AFSA will register a Fund ~~as a Non-Exempt Fund~~ only if:

- (a) the incorporation or other legal formalities relating to the formation of the Fund are completed; and
- (b) the fund manager is either:
 - (i) authorised as a Fund Manager by the AFSA; or, ~~if the fund manager is not located in the AIFC, is~~
 - (ii) a Foreign Fund Manager that is authorised by a Financial Services Regulator:
 - (1) in a Recognised Jurisdiction; or

- (2) in a jurisdiction that is otherwise acceptable to the AFSA pursuant to Schedule 3; and
- (c) the Fund has arrangements satisfactory to the AFSA in relation to the administration of the Fund and custody and valuation of the Fund's property; and
- (d) the Fund has appointed an auditor satisfactory to the AFSA; and
- (e) the name and purpose of the Fund is not, in the opinion of the AFSA, undesirable or misleading and the purpose of the Fund is reasonably capable of being successfully carried into effect; and
- (f) if the Fund Manager is a Foreign Fund Manager, the Foreign Fund Manager has:
- (i) appointed a Fund Administrator and Eligible Custodian in accordance with the requirements of CIS 8;
- (ii) included in its application for registration a declaration stating that it is subject to regulation by a Financial Services Regulator:
- (A) in a Recognised Jurisdiction; or
- (B) in a jurisdiction that is not recognised by the AFSA; and
- (iii) submitted to the AFSA a copy of its licence to manage funds granted by its home state Financial Services Regulator.

4.4 Rejection of an application

- (a) The AFSA may refuse to grant an application for the registration of a Fund ~~as a Non-Exempt Fund~~ if it is not satisfied that the requirements referred to in these Rules have been met or if it otherwise considers that registration of the Fund is undesirable.
- (b) The AFSA will provide notice of any refusal to register a Collective Investment Scheme ~~as a Non-Exempt Fund~~ to the relevant Fund Manager or Centre Participant.
- (c) A Fund Manager or Centre Participant may refer the refusal to register any Collective Investment Scheme ~~as a Non-Exempt Fund~~ to the ~~Regulatory Committee~~ AFSA for review.

4.5 Granting registration

- (a) The AFSA will provide notice of the grant and effective date of registration of a Fund ~~as a Non-Exempt~~ to the relevant Fund Manager or Centre Participant.
- (b) The AFSA will maintain ~~a~~ publicly available lists of all Funds which have been registered with the AFSA as:

(i) Non-Exempt Funds; or

(ii) Exempt Funds managed by a Foreign Fund Manager.

4.6 Withdrawal of registration

- (a) The AFSA may withdraw the registration of a Fund ~~as a Non-Exempt~~ in the circumstances specified in section 94 of the Framework Regulations.
- (b) The Fund Manager of a registered ~~Non-Exempt~~ Fund or relevant Centre Participant may request that the AFSA withdraws the registration of that Fund. The AFSA may withdraw the registration of a ~~Non-Exempt~~ Fund if the AFSA is satisfied that to do so would not prejudice the interests of participants in that Fund.

4.7 Requirements for notification

- (a) A Fund Manager must notify the AFSA of its intention to manage a Fund as soon as reasonably practicable before launch if that Fund is not required to be registered in accordance with Rule 4.2.
- (b) The AFSA may prescribe the form of the notification, which must include the following information:
 - (i) the Constitution of the Fund;
 - (ii) the Offering Materials relating to the Fund; and
 - (iii) such other information as the AFSA may prescribe.

Guidance

For the purposes of Rule 4.7(a), "as soon as reasonably practicable before launch" will require a minimum of at least seven days' notice before the launch of the Fund.

5. MARKETING REQUIREMENTS

5.1 Application

- (a) Rules 5.2(c) and 5.3 (excluding 5.3(b)(i) and (j)) apply to ~~This chapter applies to~~ all Funds (whether Exempt or Non-Exempt Funds) that are Offered to investors in the AIFC.
- (b) Rules 5.2(b) and 5.3(b)(i) and (j) apply to Exempt Funds only.
- (c) Rule 5.2(a) applies to Non-Exempt Funds only.

5.2 General requirements

The following requirements apply:

(a) In respect of Non-Exempt Funds:

- (a) The Units or other securities of a Non-Exempt Fund may not be Offered prior to the effective date of registration of that Non-Exempt Fund under these Rules.
- (b) Copies of any Offering Materials relating to a Non-Exempt Fund must be filed with the AFSA prior to their use (including any amendments to those Offering Materials) and must comply with the content requirements for Offering Materials specified by these Rules.

~~(c)~~ In addition to these Rules, any person Offering respect of Exempt Funds:

- ~~(i)~~ The Units or other securities of an Exempt Fund ~~must comply with~~ managed by a Foreign Fund Manager may not be Offered prior to the ~~Rules regarding Financial Promotions~~ date of registration of that Exempt Fund to the AFSA under these Rules.
- ~~(ii)~~ A Fund Manager or other Centre Participant which Offers Units or other securities of an Exempt Fund is responsible for ensuring that the requirements of this chapter are complied with in respect of that Fund before commencing the Offering of that Fund and must maintain appropriate written records verifying that compliance which must be made available to the AFSA on request.

(c) In respect of all Funds (Exempt and Non-Exempt Funds):

- (i) Any person Offering Units or other securities of a Fund must comply with the Rules regarding Financial Promotions.

5.3 Content requirements for Offering Materials

...

- (b) Prior to investing in a Fund, a potential investor must be supplied with Offering Materials and other documentation that contain all the information which a person and his professional advisers would reasonably require and expect to be able to make an informed decision to become a Unitholder of the Fund, including the following:

...

- (xii) where available, the latest net asset value of the Fund and its units or shares or the latest market price per unit or share of the Fund; and

...

- (j) All Offering Materials relating to an Exempt Fund managed by a ~~fund manager which is not located in the AIFC~~ Foreign Fund Manager must prominently disclose the following statement to prospective Unitholders:

"The fund manager of this Fund is not subject to regulation by the Astana Financial Services Authority."

...

6. RULES REGARDING THE CONSTITUTION AND INVESTMENT POWERS OF FUNDS

6.1 Application

This chapter applies to all Domestic Fund Managers ~~located in the AIFC~~ in respect of all Funds managed by those Fund Managers.

6.2 General requirements

- (a) Every Fund must have:
- (i) a written Constitution which complies with these Rules and, if the Fund is a Non-Exempt Fund, contains the contents specified in Schedule 1; and
 - (ii) a purpose that is reasonably capable of being successfully carried into effect; and
 - (iii) in the case of an open-ended Non-Exempt Fund, single pricing for the purposes of redemption and re-issue or sale of Units in the Fund where the price of a Unit is calculated by reference to the net asset value of the property of the Fund to which the Units relate and in accordance with these Rules.
- (b) Any provision in the Constitution of a Fund is void in so far as it would have the effect of exempting the Fund or the Fund Manager from liability for any failure to discharge their obligations under these Rules, the FSFR or any other rules made under the FSFR.

Guidance

For the avoidance of doubt, single pricing for these purposes means that the buying and selling prices for Units in a Fund are the same (that is, there is no spread between the buy and sell prices). This is in contrast with dual-priced Funds that offer different buy and sell prices.

...

6.11 Rules relating to Real Estate Investment Trusts

...

- (h) Where a Real Estate Investment Trust holds any Real Property via one or more special purpose vehicles, the Fund Manager must ensure that each special purpose vehicle distributes to the Fund all of [the Fund's proportionate share of the special purpose vehicle's](#) ~~its~~ income to the maximum extent permitted by the laws and regulations of the jurisdiction where the special purpose vehicle is established.

...

7. RULES REGARDING THE MANAGEMENT AND OPERATION OF FUNDS

7.1 Application

This chapter applies to all [Domestic](#) Fund Managers ~~located in the AIFC~~ in respect of all Funds managed by those Fund Managers.

7.2 General management duties

- (a) A Fund Manager must:
 - (i) manage the Fund including the Fund's property in accordance with the Fund's Constitution and its most recent Offering Materials;
 - (ii) perform the functions conferred on it by the Fund's Constitution and by or under these Rules;
 - (iii) comply with any conditions or restrictions imposed by the AFSA including those on its ~~Financial Services Permission~~ [Licence](#) or in respect of the Fund; and
 - (iv) comply with any requirements or limitations imposed under these Rules including any limits relating to financial interests it or any of its associates may hold in a Fund, for which it acts as the appointed Fund Manager.

...

7.3 Duties in relation to Fund property

- (a) A Fund Manager must make decisions as to the constituents of the Fund's property that are in accordance with the Fund's Constitution and investment objectives and policy stated in the Fund's Offering Materials.

- (b) A Fund Manager must take all steps and execute, or procure the execution of, all documents to ensure that transactions relating to the Fund's property are properly entered into for the account of the relevant Fund or sub-fund.
- (c) The Fund Manager is responsible to the Unitholders for ensuring the safekeeping of the Fund's property in accordance with these Rules.
- (d) ~~Without~~ Subject to Rule (e), and without removing the generality of the obligation under (c), the Fund Manager must delegate the Regulated Activity of Providing Custody in relation to the Fund's property to a service provider who is an Eligible Custodian in accordance with ~~rule~~ Rule 8.2.
- (e) A Self-managed Fund is not required to delegate the Regulated Activity of Providing Custody to an Eligible Custodian and may hold the Fund's property itself, provided that the Self-managed Fund:
 - (i) holds a Licence for the Regulated Activity of Providing Custody;
 - (ii) to the extent practicable, ensures that the function Providing Custody operates independently from its fund management function;
 - (iii) take effective steps to identify, manage and monitor any conflicts of interest arising as a result; and
 - (iv) must disclose to Unitholders:
 - (A) the arrangements for Providing Custody;
 - (B) the nature of any conflict that arises; and
 - (C) how the conflict will be managed, including the measures and safeguards in place to ensure proper segregation and protection of the Fund's property.

7.4 Use of prime brokers

- (a) A Fund Manager may only grant to a prime broker authority to combine the assets of a ~~Non-Exempt~~ Fund with any other assets held by or available to the prime broker as collateral for any financing activities to be undertaken by the prime broker where, and so long as the Fund's Offering Materials include:
 - (i) the identity and profile of the prime broker, including where it is located and how it is regulated;
 - (ii) the services provided by the prime broker to the Fund and the nature and extent to which the prime broker has the power and authority to commingle

the assets of the Fund with any other assets held by or available to the prime broker as collateral for any financing activities undertaken by the prime broker; and

(iii) a prominent warning to alert prospective Unitholders to the fact that the prime broker has the power and authority to use as collateral the assets of the Fund in conjunction with any other assets held by or available to the prime broker and where the prime broker uses the Fund's assets as collateral pursuant to the above power, the Unitholders may lose all the assets of the Fund in the event of the insolvency of the prime broker.

(b) Any Person appointed as a prime broker to a ~~Non-Exempt~~ Fund must qualify as an Eligible Custodian.

...

8. ADDITIONAL SERVICE PROVIDERS

8.1 Application

This chapter applies to:

(a) all Domestic Fund Managers ~~located in the AIFC~~ in respect of all Non-Exempt Funds and Real Estate Investment Trusts managed by those Fund Managers; and

(b) all Foreign Fund Managers that manage an Exempt Fund.

8.2 Requirement for Eligible Custodian and Fund Administrator

(a) A Fund to which this chapter applies must have an Eligible Custodian and a Fund Administrator, in both cases acceptable to the AFSA. This is subject to the exception to appoint an Eligible Custodian contained in ~~rule~~ [Rule 8.2\(b\)](#) and ~~rule~~ [Rule 8.2\(e\)](#).

...

8.7 Requirements for notification

The AFSA must be notified when a Person ceases to be an Administrator or Eligible Custodian, and any Offering Materials must be updated accordingly.

9. RULES REGARDING DEALINGS IN OPEN-ENDED FUNDS AND LIQUIDITY

9.1 Application

This chapter applies to:

(a) all Funds managed by [Domestic](#) Fund Managers ~~located in the AIFC~~; and

(b) all Exempt Funds managed by Foreign Fund Managers.

...

10. AUDIT, FINANCIAL AND VALUATION REQUIREMENTS

10.1. Application

This chapter applies to:

(a) all Funds managed by [Domestic](#) Fund Managers ~~located in the AIFC~~; and

(b) all Exempt Funds managed by Foreign Fund Managers,

except that:

(i) Rule 10.4 applies to Non-Exempt Funds and Real Estate Investment Trusts only;
and

(ii) Rule 10.5 applies to Non-Exempt Funds only.

...

10.6 Valuation of Fund property

- (a) A Fund must have comprehensive and well documented valuation policies and procedures in place to ensure the production of timely and accurate valuation of the Fund and Units of the Fund.
- (b) A Fund Manager must ensure that the investment portfolio of each Fund managed by that Fund Manager is valued at regular intervals as appropriate to the nature of the Fund, market practice and investor expectations, and in accordance with the valuation procedures set out in the Fund's Constitution or Offering Materials, except where such valuation is suspended in any circumstances that are set out in the Fund's Constitution or Offering Materials.
- (c) A Fund Manager must ensure that as soon as practicable after each valuation point for each Fund it manages, the Fund notifies Unitholders of the value per Unit of the Fund.
- (d) Where required by these Rules, a Fund Manager must appoint an independent third party valuer which is expert in valuing the type of investments held by the Fund to value the Fund's investments.

Schedule 1: CONTENT REQUIREMENTS FOR CONSTITUTION

The Constitution of a Non-Exempt Fund must contain all of the information specified below:

- (a) the name of the Fund;
- (b) the Fund Manager's name and its principal place of business;
- (c) a statement that the Fund is a Domestic Fund, the Constitution of which is governed by the laws of the AIFC;
- (d) the legal form of the Fund and whether it is open- or closed-ended;
- (e) a statement to the effect that:
 - (i) the Fund Manager is responsible for all operations concerning the Fund and may from time to time delegate activities or outsource functions, but not the responsibility for conducting those activities and functions, to another Person in accordance with these Rules; and
 - (ii) the Fund Property is entrusted to the Fund Manager and the Fund Manager remains responsible for the property even when an Eligible Custodian holds the legal title to the Fund Property;
- (f) if the duration of the Fund is limited, the length of such duration;
- (g) a statement that fees, charges and other expenses of the Fund may be taken out of Fund Property and the basis for determination of the amount of such fees, charges and other expenses;
- (h) the maximum and minimum sizes of the Fund's capital, if any;
- (i) a statement that a Unitholder is not liable:
 - (i) for the debts of the Fund, unless the applicable legislation prescribes otherwise and, if so, those circumstances;
 - (ii) to make any further payment after he has paid the price of his Units and that no further liability can be imposed on him in respect of the Units he holds;
- (j) information on the investment objectives of the Fund, including:
 - (i) whether the aim of the Fund is to spread investment risks and, if a Property Fund, whether the Fund invests in a single property;
 - (ii) the types of Investments or assets in which it and (where applicable) each Sub-Fund may invest; and
 - (iii) if the Fund is a specialist class of Fund, the class of Fund;

- (k) details of any investment, borrowing or stock lending restrictions or, in the event that there are no such restrictions, a statement to that effect;
- (l) a statement specifying:
 - (i) the classes of Units which the Fund may issue; and
 - (ii) the rights attaching to Units of each class (including any provisions for the expression in two or more denominations of such rights);
- (m) details as to:
 - (i) the provisions relating to any restrictions on the right to redeem Units in any class; and
 - (ii) the circumstances in which the issue of the Units of any particular class may be limited;
- (n) details of who is carrying out the calculation, transfer, allocation and distribution of income for any class of Unit issued and outstanding during the accounting period;
- (o) information regarding the provision for the payment of income, if any, and the date on which such distribution shall be made;
- (p) a statement specifying the base currency of the Fund;
- (q) details of the procedures for the convening of meetings and the procedures relating to resolutions, voting and the voting rights of Unitholders;
- (r) details of oversight arrangements;
- (s) details as to:
 - (i) the grounds under which the Fund Manager may initiate a suspension of the Fund and any associated procedures; and
 - (ii) the methodology for determining the rights of Unitholders to participate in the Fund Property on winding up;
- (t) details of the manner in which amendments to the Constitution may be made;
- (u) a statement that nothing in the Constitution has the effect of exempting the Fund Manager from any liability to Unitholders imposed under AIFC law and the Rules; and
- (v) details of those matters which enable the Fund, Fund Manager or any Person providing the oversight function of the Fund to obtain any privilege or power conferred by the Rules which is not otherwise provided for in the Constitution.

Schedule 2: RECOGNISED JURISDICTIONS

- (a) The AFSA will consider eligibility criteria when determining the assessment of a Recognised Jurisdiction, namely whether:
 - (i) the jurisdiction is listed as a Non-Compliant Country or Territory by the Financial Action Task Force;
 - (ii) the jurisdiction complies with OECD standards for the exchange of tax information, including adherence to multilateral agreements in respect of the exchange of information;
 - (iii) the jurisdiction's financial services regulatory regime achieves broadly similar outcomes to that of the AFSA; and
 - (iv) the jurisdiction has appropriate co-operation arrangements in place with the AFSA to ensure co-operation including the exchange of information between regulatory authorities.
- (b) The AFSA will publish on its website a list of Recognised Jurisdictions that it considers as having met the eligibility criteria in (a).
- (c) The AFSA may determine that a jurisdiction no longer satisfies one or more of the eligibility criteria in (a), and that jurisdiction will cease to be a Recognised Jurisdiction and may be removed accordingly from the list of Recognised Jurisdictions on the AFSA's website.

Schedule 3: ACCEPTABILITY ASSESSMENT

The AFSA will consider whether a non-AIFC jurisdiction is acceptable by assessing the following factors, after the Foreign Fund Manager has submitted documentation:

- (a) containing a comparative analysis of its jurisdiction's regulatory regime in relation to Funds and Fund Managers compared with that of the AFSA;
- (b) that identifies any gaps between the home state and the AFSA's fund management and regulatory regimes; and
- (c) demonstrates the controls intended to remedy any gaps identified in order to satisfy the AFSA's regulatory requirements.

In this document, the underlining indicates a new text and the striking through indicates deleted text in the proposed amendments



AIFC COMPANIES RULES

(COR)

AIFC RULES NO. GR0004 OF 2017

Astana International Financial Centre, Astana

[***]

PART 6: INVESTMENT COMPANIES

...

6.2 Investment Companies: modification of Companies Regulations and general powers of AFSA

...

6.2.2 This Part is additional to the provisions of any AIFC Regulations or any other provisions of AIFC Rules that may apply to the incorporation of, or conversion to, an Investment Company, or that may apply to the operations and affairs and winding up of an Investment Company, including, for example, the provisions of the AIFC Companies Regulations, the AIFC Financial Services Framework Regulations, the AIFC Collective Investment [Scheme](#) Rules, the AIFC Insolvency Regulations and the AIFC Insolvency Rules.

6.2.3 This Part does not limit any powers of the AFSA under AIFC Financial Services Framework Regulations, the AIFC Collective Investment [Scheme](#) Rules or any other Legislation Administered by the AFSA.

6.3 Incorporation of, or conversion into, Investment Company

...

6.3.10 In addition to any other requirements under the AIFC Companies Regulations and these Rules, the Articles of Association of an Investment Company must contain provisions about the following matters:

- (a) the objects of the Investment Company, including:
 - (i) detail about the kind of property in which the Investment Company is to invest; and
 - (ii) a statement that the object of the Investment Company is to invest in property of that kind with the aim of spreading investment risk or with the aim of investing in a single property, as the case may be, and of giving its Shareholders the benefit of the results of the management of that property;
- (b) matters required to be included in the Articles of Association under the AIFC Collective Investment [Scheme](#) Rules or by the AFSA under or for those Rules.

6.3.11 The Articles of Association of an Investment Company that is a Closed-Ended Investment Company must state that it is a Closed-Ended Investment Company with **variable** [fixed](#) share capital.

6.3.12 The Articles of Association of an Investment Company must comply with this Part, the AIFC Collective Investment [Scheme](#) Rules and any requirements imposed by the AFSA under or for those Rules.

6.3.13 An Investment Company may alter its Articles of Association by Special Resolution to comply with this Part, the AIFC Collective Investment [Scheme](#) Rules and any requirements imposed by the AFSA under or for those Rules.

...

PART 8: PROTECTED CELL COMPANIES

...

8.2 Modification of Companies Regulations and general powers of AFSA

...

8.2.2 This Part is additional to the provisions of any AIFC Regulations or any other provisions of AIFC Rules that may apply to the incorporation of, or conversion to, a Protected Cell Company, or that may apply to the operations and affairs and winding up of a Protected Cell Company, including, for example, the provisions of the AIFC Companies Regulations, the AIFC Financial Services Framework Regulations, the AIFC [Collective Investment Scheme Rules](#), the AIFC Insolvency Regulations and the AIFC Insolvency Rules.

...

[8.2.4 Where an Umbrella Fund is formed as a Protected Cell Company, the terms in these Rules will have the meanings given to them in rule 4.3 of Schedule 4 \(Interpretation\).](#)

8.3 Incorporation of, or conversion into, Protected Cell Company

8.3.1 Subject to [the](#) AIFC Companies Regulations and any other provisions of these Rules:

- (a) a Company may be incorporated, under section 143 (Incorporation of prescribed types of Company) of those Regulations, as a Protected Cell Company; or
- (b) an existing Company may, if authorised by its Articles of Association and by a Special Resolution, be converted, under that section, into a Protected Cell Company.

...

SCHEDULE 4: INTERPRETATION

...

4.2 Definitions for these Rules

In these Rules:

...

Fund and *Fund Manager* have the meanings respectively given ~~under the AIFC Collective Investment Rules~~ [by the AIFC Glossary](#).

...

Restricted Scope Company means a company incorporated as a Restricted Scope Company in accordance with the Part 9 (Restricted Scope Companies).

[Sub-Fund](#) has the meaning given by the AIFC Glossary.

Umbrella Fund has the meaning given by the AIFC ~~Collective Investment Rules~~ [Glossary](#).

4.3. Umbrella Funds

In these Rules, where an Umbrella Fund is formed as a Protected Cell Company, any references to the following terms must be read in relation to that Umbrella Fund as meaning, unless otherwise provided, as follows:

- (a) a reference to a *Cell* as a reference to a Sub-Fund;
- (b) a reference to *Cell Share Capital* as a reference to the proceeds of the issue of Units of a Sub-Fund;
- (c) a reference to *Cell Shares* as a reference to the Units issued by a Sub-Fund;
- (d) a reference to *Cellular Assets* as a reference to the Fund Property of a Sub-Fund;
- (e) a reference to a *Cellular Dividend* as a reference to a dividend payable by a Sub-Fund;
- (f) a reference to a *Director* of a Protected Cell Company as a reference to a Director of the Fund Manager of the Umbrella Fund;
- (g) a reference to *Non-Cellular Assets*, as a reference to the assets of the Protected Cell Company which are not Cellular Assets of any particular Sub-Fund;
- (h) a reference to a *Protected Cell Company* as a reference to an Umbrella Fund; and
- (i) a reference to a *Shareholder*, unless the context requires otherwise, as a reference to a Unitholder of a Sub-Fund.

In this document, the underlining indicates a new text and the striking through indicates deleted text in the proposed amendments

In the table 3.3 of the Prudential Rules for Investment Firms (PRU(INV)):

Regulated Activity	Base Capital Requirement (USD)
Managing Investments	500,000 <u>150,000</u>
<u>Managing A Collective Investment Scheme, which is an externally-managed Exempt Fund and has an appointed Eligible Custodian, unless the appointment of an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds.</u>	<u>50,000</u>
<u>Managing A Collective Investment Scheme, which is a Non-Exempt Fund</u>	<u>150,000</u>
<u>Managing A Collective Investment Scheme, which is a Self-managed Fund and has an appointed Eligible Custodian, unless the appointment of an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds.</u>	<u>300,000</u>
<u>Managing A Collective Investment Scheme, which does not have an appointed Eligible Custodian, except where an Eligible Custodian is not required due to the nature of the Fund and the type of assets which it holds.</u>	500,000
Arranging Custody Services	200,000 <u>10,000</u>
Providing Fund Administration	200,000 <u>10,000</u>
Advising on Investments	200,000 <u>10,000</u>
Arranging Deals in Investments	200,000 <u>10,000</u>