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GUERNSEY FINANCIAL SERVICES COMMISSION
PROTECTION OF INVESTORS (BAILIWICK OF GUERNSEY)

LAW, 1987

THE COLLECTIVE INVESTMENT SCHEMES (QUALIFYING PROFESSIONAL INVESTOR FUNDS) (CLASS Q) RULES 1998 ("Class Q Rules")

GUIDANCE NOTES

These Guidance Notes, which are intended to assist existing and potential promoters and managers of Class Q collective investment schemes with an understanding of the Commission's policy and practice, should be read in conjunction with the Class Q Rules.

1. Since 1990 when the Collective Investment Schemes (Class B) Rules 1990 ('the Class B Rules') were introduced, there has been a steady increase in the level of interest in funds targeting the professional investor.

As the Guidance Notes to the Class B Rules state, Class B schemes range from the retail fund aimed at the "general public" via institutional funds to the strictly private fund established solely as a vehicle for investment by a single institution, and their investment objectives and risk profiles are similarly wide-ranging. A high proportion of Class B funds are professional investor funds.

2. In response to fund managers' requirements and in order to maintain its competitiveness in this area where Guernsey has cornered a niche market, the Commission has established the Class Q Rules which are specific to qualifying professional investors. Class B funds will continue to be available for promoters/sponsors seeking to launch bespoke and innovative products for other types of investors.
3. The Commission's existing policy of selectivity which, in the context of funds, means that great weight is given to the status of the intended promoter will continue in respect of all Guernsey authorised collective investment schemes. Only those of the first rank are encouraged and, normally, a demonstrable and favourable track record in the promotion of established collective investment funds is required.

4. Class Q schemes, as with Class A and B schemes, will be subject to permanent and continuing supervision by the Commission and this should enhance the ability of promoters to market Class Q schemes in other jurisdictions. The Class Q Rules seek to provide a clear and concise set of requirements for the operation of professional investor funds and have been designed to encourage innovation. The Class Q Rules incorporate a measure of flexibility, consistent with meaningful investor protection. Accordingly the Rules allow greater discretion in respect of investment restrictions and place more emphasis on disclosure of risks inherent in the investment vehicle.
5. The following summarises the key features of the Class Q Rules -
 - (a) Each scheme must be authorised and is subject to permanent and continuing supervision by the Commission.
 - (b) Class Q funds may be established as companies (including protected cell companies), trusts or limited partnerships. The manager has a responsibility to ensure that the ownership of partnership interests, shares and units is limited to qualifying professional investors as defined.
 - (c) There is no prescribed minimum individual subscription requirement for investment in a Class Q fund.
 - (d) The property of the scheme must be subject to a spread of risk which will be at the discretion of the manager and, in the case of a company, the company. The criteria for spread of risk must be specified in the scheme's information particulars.
 - (e) Document requirements have been simplified. An offering document (information particulars) must be produced which contains sufficient information to facilitate an informed investment decision.
 - (f) A lawyer's certificate will not be required prior to a scheme being authorised. Instead, the manager is required to certify that the information particulars comply with the Class Q Rules.
6. Considerable thought has been given to the role of the trustee/custodian in relation to Class Q funds. The Commission has determined that in the best interests of Guernsey and of Class Q funds which it will authorise, a Guernsey licensed designated trustee/custodian is required. However, the emphasis in the rules on the role of the designated trustee/custodian is broadly limited to that of responsibility for the custody of scheme property and ensuring that sub-custodians are fit and proper.
7. In accordance with the Commission's policy, the principal manager should normally be incorporated in Guernsey. However, in the case of Class Q schemes promoted by a group of which the designated manager is a member, the Commission is willing to consider the incorporation of a principal manager outside Guernsey.

8. As with all other types of investment business, the Commission is always prepared to meet managers, potential promoters or their professional advisers in order to discuss matters of policy and practice regarding collective investment schemes, whether authorised or proposed.

Enquiries should be directed to the Director or Deputy Director of Investment Business.

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THE COLLECTIVE INVESTMENT SCHEMES (QUALIFYING PROFESSIONAL INVESTOR FUNDS) (CLASS Q) RULES 1998

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GUERNSEY FINANCIAL SERVICES COMMISSION

THE COLLECTIVE INVESTMENT SCHEMES (QUALIFYING PROFESSIONAL INVESTOR FUNDS) (CLASS Q) RULES 1998

The Guernsey Financial Services Commission (the “Commission”), in exercise of the powers conferred on it by Sections 12, 14, 15, 16, 18 and 20 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (the “Law”) as amended hereby makes the following rules:

PART 1- INTRODUCTORY

1.01 Citation and commencement

These rules (including the schedule hereto) may be cited as the Collective Investment Schemes (Qualifying Professional Investor Funds) (Class Q) Rules 1998 (the “Class Q rules”) and come into operation on 2 March 1998.

1.02 Interpretation

- (1) Unless the context otherwise requires, in these Class Q rules expressions defined in the Law have the same meanings as they have in the Law and the following expressions have the meanings assigned to them:

“**annual accounting period**” is the period of 12 months between dates specified for that purpose or ending on a particular day in any calendar year specified in the information particulars or principal documents;

“**applicable law**” in the case of a company scheme, means the law of a jurisdiction in which the company is incorporated, and in any other case means the governing law specified in the scheme’s principal documents;

“**associate**” in relation to a body corporate means:

- (a) any member of the group of which that body corporate forms part;
- (b) any body corporate at least one third of the issued equity share capital of which is beneficially owned by that body or an associate;
- (c) any officer of that body corporate or of any associate;

“**associated scheme**”: see rule 3.04(3);

“**auditor**” means the auditors for the time being of a Class Q Scheme;

“**Class Q Scheme**” means an authorised collective investment scheme which is declared by the Commission to be a Class Q Scheme;

“**company scheme**” means any Class Q Scheme constituted as a body corporate;

“custodian” in relation to a Class Q Scheme, means the designated custodian of a scheme other than a unit trust scheme;

“custodian agreement” means an agreement under which a body corporate is appointed to hold the scheme property of a scheme (other than a unit trust scheme) and to discharge the duties imposed by these rules on the custodian;

“directors” means the directors, or other members of the principal managing body of a company scheme;

“generally accepted accounting principles” means the standard accounting practice or the generally accepted accounting principles of:

(a) the United Kingdom; or

(b) the United States of America; or

(c) Canada; or

(d) any other country approved in writing by the Commission,

or the generally accepted accounting principles issued from time to time by the International Accounting Standards Committee.

“general partner” means a person who is so appointed under a partnership agreement and who has unlimited liability for all debts of the partnership;

“group” in relation to a body corporate, means that body corporate, any other body corporate which is its holding company or subsidiary and any other body corporate which is a subsidiary of that holding company;

“holder” in relation to a unit in a Class Q Scheme, means the person who is entered in the register as the holder of the unit or a holder of a bearer certificate or the first named holder in the case of joint holders;

“information particulars” means particulars of a Class Q Scheme prepared in accordance with Part 9 and the Schedule and includes a prospectus, offering memorandum, explanatory memorandum, term sheet, application form, subscription agreement, any other similar documents or any combination of the foregoing;

“investment adviser” means a person who, under a commercial arrangement not being a mere contract of employment, provides the manager of a Class Q Scheme with advice as to the merits of investment opportunities available to a Class Q Scheme whether or not he regularly exercises a discretionary power over investments for the account of that scheme;

“Law” means the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended;

“limited partnership scheme” means any Class Q Scheme constituted as a limited partnership;

“management agreement” means an agreement under which a person is appointed manager of a Class Q Scheme other than a unit trust scheme or a limited partnership scheme to discharge the duties contemplated by these rules to be undertaken by the manager and includes any agreement whereby the manager has delegated the performance of some or all of its functions;

“management securities” means securities in a company scheme which:

(a) are held solely for the benefit of persons employed or engaged in or about the management of the assets of the company scheme (or any associate thereof); and

(b) carry no right or expectation to participate, directly or indirectly, in any of the profits of the company scheme; and

(c) on a winding-up or on redemption, carry no right to receive anything other than the return of the price paid for the securities;

“manager” means:

(a) the designated manager; or

(b) where there is a principal manager and a designated manager each such person; or

(c) where there is more than one designated manager each such person;

“marketing” in relation to units in a Class Q Scheme and a particular country, means the promotion of that scheme in that country whether by means of information particulars, advertisements, invitations, advice or otherwise and “to market” shall be construed accordingly;

“multi-class fund” means a Class Q Scheme which provides that the contributions of investors and the profits or income out of which payments are to be made to them are pooled in separate parts of the property and that investors in each separate part do not generally have the ability to exchange rights in one part for rights in another;

“partnership agreement” means an agreement in writing of the partners as to the affairs of a limited partnership and the conduct of its business;

“partnership management agreement” means an agreement under which a general partner is appointed manager of a Class Q limited partnership scheme to discharge the duties contemplated by these rules to be undertaken by the manager and includes any agreement whereby the manager has delegated the performance of some or all of its functions;

“principal documents” in relation to:

(a) a unit trust scheme, means the trust instrument;

(b) a company scheme, means the articles of association of a Guernsey company (or an equivalent document under the applicable law of a non-Guernsey body corporate), the management agreement and the custodian agreement;

(c) a limited partnership scheme, means the partnership agreement, the partnership management agreement and the custodian agreement;

(d) a scheme other than a unit trust scheme, a company scheme or a limited partnership scheme means the documents dealing collectively with the same or similar obligations and duties as the principal documents constituting a unit trust scheme, a company scheme or a limited partnership scheme;

“principal manager” means the principal manager appointed under the principal documents;

“qualified auditor” means a person who holds a current practising certificate issued by:

- (a) (i) The Institute of Chartered Accountants in England and Wales; or
 - (ii) The Institute of Chartered Accountants of Scotland; or
 - (iii) The Institute of Chartered Accountants in Ireland; or
 - (iv) The Association of Chartered Certified Accountants; or
- (b) a body outside the United Kingdom undertaking a similar regulatory role and having equivalent professional standards for membership as any of the bodies specified in paragraph (a);

“qualifying professional investor” means:

- (a) a government, local authority or public authority (in the Bailiwick or elsewhere); or
- (b) a trustee of a trust which, at the time of investment, has net assets in excess of £2,000,000 (or currency equivalent);
- (c) a body corporate or limited partnership, if it or any holding company or subsidiary of it has, at the time of investment, net assets in excess of £2,000,000 (or currency equivalent); or
- (d) an individual who has, together with any spouse, at the time of investment, a minimum net worth (which excludes that individual’s main residence and household goods) of £500,000 (or currency equivalent).

“redemption” means the purchase of units from a holder by the manager and “redeemed” shall be construed accordingly;

“register”: see rule 4.01.

“sale” means the sale of units to a holder by the manager and “sold” shall be construed accordingly;

“scheme” means a unit trust or company scheme or limited partnership scheme or a collective investment scheme other than a unit trust scheme or company scheme or limited partnership scheme;

“scheme property” means the property of a Class Q Scheme but there shall be disregarded any property attributable to management securities;

“trust instrument” means a written instrument, whether or not under seal, made between the manager and the trustee constituting the unit trust scheme and includes supplemental instruments;

“trustee” in relation to a Class Q Scheme, means the designated trustee of a unit trust scheme;

“umbrella fund” means a Class Q Scheme which provides that the contributions of investors and the profits or income out of which payments are to be made to them are pooled in separate parts of the property and that investors in each separate part may generally exchange rights in one part for rights in another;

“unit” means a unit or share or similar interest in a Class Q Scheme;

“unit trust scheme” means a Class Q Scheme under which the scheme property is held in trust for the investors.

- (2) The Interpretation (Guernsey) Law, 1948 applies to the interpretation of these rules.

1.03 Umbrella and multi-class funds

- (1) In these rules, in the case of an umbrella or multi-class fund, except where otherwise expressly provided “constituent part” in relation to an umbrella or multi-class fund, means one of the separate parts into which the property of the umbrella or multi-class fund is divided.
- (2) The following rules shall apply in the case of an umbrella or multi-class fund as if each reference to a Class Q Scheme were a reference to each constituent part within the umbrella or multi-class fund but subject to any modification set out in any particular rule.

PART 2 - QUALIFYING PROFESSIONAL INVESTORS

2.01 Duties regarding prospective beneficial owners

Subject to rule 2.02, the manager, and in the case of a company scheme, the company and directors, shall take all reasonable steps to ensure that units in a Class Q Scheme shall be beneficially owned only by qualifying professional investors, and these steps shall include procedures whereby intending investors confirm that they fall within the definition of qualifying professional investors in rule 1.02(1).

2.02 Disposition of units on death etc. of holder

Units in a Class Q Scheme may be transferred as a consequence of death, bankruptcy, desastre, curatelle, or similar proceedings or under an order of a Guernsey Court to one or more holders who are not qualifying professional investors, subject to such units being fully paid up. The manager shall redeem as soon as practicable the partly paid units of any person entitled to become a holder of the partly-paid units as a consequence of death, bankruptcy,

desastre, curatelle, or similar proceedings or under an order of a Guernsey Court and who is not a qualifying professional investor.

PART 3- APPLICATION OF RULES, CONSTITUTION OF A CLASS Q SCHEME, AND INVESTMENT AND BORROWING POWERS

3.01 Application of Rules

- (1) Subject to paragraph (2), all of these Class Q Rules apply to every Class Q Scheme.
- (2) The Commission may, by notice in writing to the designated manager of a Class Q Scheme, exclude or modify the application of any provision of these rules in relation to that scheme if the Commission is satisfied that compliance with that provision is not necessary in the interests of investors.
- (3) A signed or certified copy of the principal documents and information particulars and any subsequent amendments or variations thereto shall be filed with the Commission.
- (4) The manager and the custodian/trustee of a Class Q Scheme shall operate and conduct the affairs of the Scheme in accordance with its principal documents, current information particulars and these rules.

3.02 deleted *(The Collective Investment Schemes (Qualifying Professional Investor Funds) (Class Q) Rules 1998 (Amendment) Rules 2004)*

3.03 Payments out of scheme property

- (1) Expenses, fees and charges may be paid out of the scheme property to the extent that the nature and basis of such payments are disclosed in the information particulars.
- (2) No other expenses, fees and charges may be paid out of the scheme property unless
 - (a) the Commission has been notified in accordance with rule 5.04(2)(a) and the requirements of rule 5.04(4) have been met; and
 - (b) existing holders have been given prior notification of the additional expenses, fees or charges to be borne by the scheme; and
 - (c) arrangements have been made to revise forthwith the information particulars.
- (3) In the case of an umbrella or multi-class fund any expenses, fees and charges which may be paid out of the scheme property under this rule shall be allocated amongst the constituent parts in such a way as the manager considers to be fair to the investors in the various constituent parts.

3.04 Investment and borrowing powers

- (1) The scheme property of a Class Q Scheme shall be invested with the aim of spreading risk. Pursuant to paragraph (2) below, the spread of risk shall be at the discretion of the manager or, in the case of a company scheme, the company.
- (2) The property of a Class Q Scheme shall be invested in accordance with limits or restrictions disclosed in its information particulars and no significant departure may be made from these limits or restrictions unless -
 - (a) the Commission has been notified in accordance with rule 5.04(2)(b) and the requirements of rule 5.04(4) have been met; and
 - (b) existing holders have been given prior notification of the revised investment parameters; and
 - (c) arrangements have been made to revise forthwith the information particulars.
- (3) No Class Q Scheme may invest in or dispose of units in another scheme (the “associated scheme”) which is managed by the manager of the Class Q Scheme or by an associate of that manager unless the manager procures that any preliminary charge payable on the issue of units, or any charge payable on the redemption of units, in the associated scheme is not suffered directly or indirectly by the Class Q Scheme or any investors in that scheme.
- (4) No borrowing shall be undertaken by a Class Q Scheme which exceeds the limits or restrictions disclosed in its information particulars and no departure may be made from these limits or restrictions unless -
 - (a) the Commission has been notified in accordance with rules 5.04(2)(b) and the requirements of rule 5.04(4) have been met; and
 - (b) existing holders have been given prior notification of the revised limits or restrictions; and
 - (c) arrangements have been made to revise forthwith the information particulars.
- (5) The manager shall take all reasonable steps and exercise all due diligence to avoid any contravention of paragraphs (2) and (4); however in the event of a breach of the limits or restrictions the manager shall take such steps as are necessary, having regard to the interests of investors, to rectify the position as soon as is reasonably practicable and shall notify the Commission if the breach has not been rectified within three months.

PART 4 - TITLE TO UNITS AND DEALINGS THEREIN

4.01 The register

- (1) The manager or, in the case of a company scheme, the company shall be responsible for establishing and maintaining a register of holders ("the register") in accordance with this rule.
- (2) The register shall be maintained in a legible form or in a manner capable of being reproduced in a legible form, and shall be conclusive evidence as to the persons respectively entitled to the units entered therein.
- (3) There shall be entered in the register:
 - (a) the name and address of each holder, the number of units held by each holder, and the date on which the holder was registered; and
 - (b) in the case of a transfer of units, a reference enabling the name of the transferor and the transferee and the date of transfer to be identified.
- (4) The manager and, in the case of a company scheme, the directors must take all reasonable steps and exercise all due diligence to ensure that the information contained in the register is at all times complete and up to date.

4.02 Rights of holders

The manager shall supply a holder or his authorised representative free of charge on request with a copy in print of the entries on the register relating to that holder.

4.03 Pricing of units and dealings therein

The manager of a Class Q Scheme must comply with the principal documents and information particulars in relation to the sale and redemption of units, the pricing thereof, and settlement thereof.

4.04 Suspension of dealings

If dealings in units are suspended, the manager, or the custodian/trustee if it has required the manager to suspend dealings, shall inform the Commission forthwith stating the reason for the suspension.

PART 5 - THE MANAGER AND THE CUSTODIAN/TRUSTEE

5.01 Management of the scheme

- (1) It is the duty of the manager to manage and administer the scheme and to make decisions as to the constituents of the scheme property from time to time in accordance with:
 - (a) the principal documents; and
 - (b) these rules; and
 - (c) the most recently published information particulars; and

- (d) in the case of a company scheme, subject to any directions from time to time given by the directors.
- (2) In the case of a company scheme, it is the duty of the directors not to give any directions or exercise any powers, duties or discretions which would or might cause the company to operate otherwise than in accordance with the principal documents and information particulars or these rules.
- (3) The manager and, in the case of a company scheme, the company and the directors, shall on the request of the custodian/trustee forthwith supply the custodian/trustee with such information concerning the management and administration of the scheme as the custodian/trustee may reasonably require.
- (4) The manager of a company scheme is entitled to discharge all the powers, duties and discretion of the directors, subject to sub-paragraph (1) above and to any provisions of applicable law; and, if so required, the directors shall execute all such deeds and documents and do everything necessary or desirable to give full effect to this provision.
- (5) The manager may at its discretion delegate any function to any person provided that the manager is satisfied at the outset, and continues to remain satisfied, that the delegate is competent to undertake the function in question.

5.02 Auditor

- (1) In the case of a scheme other than a company scheme, the manager shall, at the outset and upon any vacancy, with the approval of the custodian/trustee, appoint a qualified auditor as auditor for the scheme.
- (2) In the case of a company scheme, the directors shall, at the outset and upon any vacancy, with the approval of the custodian and in accordance with the principal documents and applicable law, appoint a qualified auditor as auditor for the scheme.

5.03 General powers and duties of the custodian/trustee

- (1) It is the duty of the custodian/trustee to discharge its duties under the principal documents and these rules.
- (2) The custodian/trustee shall take into its custody or under its control all the scheme property.
- (3) The custodian/trustee may at its discretion delegate its function under paragraph (2) to some other person(s) ("the sub-custodian(s)") not being the manager provided that -
 - (a) the arrangements with the sub-custodian(s) prevent the sub-custodian(s) from releasing the documents evidencing title to the scheme property into the possession of a third party without the consent of the custodian/trustee; and
 - (b) the custodian/trustee is satisfied at the outset, and continues to remain satisfied, that the sub-custodian(s) is/are competent to undertake the function in question.

- (4) The custodian/trustee may at its discretion delegate any of its other functions to any person other than the manager provided that the custodian/trustee is satisfied at the outset, and continues to remain satisfied, that the delegatee is competent to undertake the function in question.
- (5) The custodian/trustee shall be entitled to give notice to the manager that it is not prepared to accept the transfer of any property which in the opinion of the custodian/trustee infringes the terms of these rules or of the principal documents or the information particulars in relation to a scheme; and the custodian/trustee shall be entitled to require the manager to secure the transfer in place of any such property of other property acceptable to the custodian/trustee.

5.04 **General provisions applicable to the manager and the custodian/trustee**

- (1) (a) The manager and the custodian/trustee of a Class Q Scheme shall:
 - (i) be different persons and act independently of each other; and
 - (ii) each be licensed under the Law and administered, and have a place of business, in Guernsey; and
 - (iii) not be a subsidiary of the other; and
 - (iv) not have executive directors or other officers in common.
- (b) In the case of a company scheme, the custodian shall not have executive directors or other officers in common with those of the company.
- (2) The manager of a Class Q Scheme shall give prior written notice to the Commission of:
 - (a) any proposal to pay expenses, fees and charges out of the scheme property in addition to those disclosed in the scheme's information particulars; and
 - (b) any proposed alteration to the scheme's investment and borrowing powers; and
 - (c) any proposal to replace the custodian/trustee of the scheme; and
 - (d) any proposal to alter holders' voting rights or their entitlement to participate in the scheme property or the income thereof.
- (3) The custodian/trustee of a Class Q Scheme shall give prior written notice to the Commission of any proposal to replace the manager of the scheme.
- (4) No effect shall be given to any such proposal as is mentioned in paragraph (2) or (3) unless:
 - (a) the Commission has given its approval to the proposal; or

- (b) one month has elapsed since the notice was given without the Commission having notified the person serving the notice that the proposal is not approved.
- (5) The duties of the manager and the custodian/trustee and, in the case of a company scheme, the directors imposed on them by these rules and by the principal documents and the information particulars are in addition to and not in derogation from the duties which are otherwise imposed on them by applicable law.

5.05 **Dealing as principals**

Any transaction carried out with a Class Q Scheme as principal by the manager, custodian/trustee, investment adviser and, in the case of a company scheme, a director, or by any associate of the foregoing, must be carried out as if effected on normal commercial terms negotiated at arms length, and be in the best interest of holders.

PART 6 - INCOME

6.01 **Amount available for income distribution/allocation**

The manager (or in the case of a company scheme, the directors) shall determine the amount of the scheme income available for distribution or allocation in accordance with the principal documents and information particulars.

6.02 **How distributions may be made**

The manager is responsible for the distribution/allocation of income to holders in accordance with the principal documents and information particulars.

PART 7- REPORTS TO HOLDERS

7.01 **Preparation of annual reports and financial statements**

- (1) The manager shall prepare an annual report and financial statements which shall at least contain in respect of each scheme:
 - (a) details of any significant change in the information particulars and the principal documents and the management and administration of the scheme during the period to which the report relates; and
 - (b) any significant information which would enable holders to make an informed judgement on the development of the activities of the scheme during that period and the results of those activities as at the end of the period.
- (2) The accounting information set out in the annual report must be audited by a qualified auditor.
- (3) The financial statements shall be prepared in accordance with generally accepted accounting principles and shall give a true and fair view of the financial position of the scheme as at the end of the period to which the financial statements relate.

(4) The following matters shall be included in the financial statements:

- (a) A statement of the scheme's assets and liabilities (or in the case of a company scheme, a balance sheet) including a description and the amount of any contingent liabilities; and
- (b) A detailed income and distribution account (or in the case of a company scheme, a statement of income and expenditure); and
- (c) A statement of the bases for valuation of the scheme property, and for converting amounts in currencies other than the base currency into amounts in the base currency.

7.02 **Publication of annual report and financial statements**

- (1) The manager shall, within six months after the end of the annual accounting period, publish an annual report and financial statements in accordance with paragraphs (2) and (3).
- (2) The manager shall send a copy of the annual report and financial statements to each holder entered in the register on the record date and shall give a copy of the report to each holder of bearer certificates on request by the holder.
- (3) The manager shall send a copy of the annual report and accounts in English to the Commission when it is published, together with a certificate signed by the manager confirming that the manager has managed the scheme in the period covered by the accounts in accordance with the provisions of the principal documents, the information particulars and these rules.

7.03 **Annual reports and financial statements to be offered to purchasers of units**

- (1) Subject to paragraph (2), the manager shall not effect any sale of units in a Class Q Scheme to any person other than a person who is already a holder of units in the scheme until it has offered that person free of charge a copy of the most recent annual report and financial statements.
- (2) Paragraph (1) does not apply where the sale is effected otherwise than in the course of a conversation conducted face to face or by telephone, but the manager must send free of charge a copy of the documents mentioned in paragraph (1) to the purchaser if he asks for them.

PART 8 - MEETINGS OF HOLDERS

8.01 **Convening of meetings, attendance and voting**

- (1) The custodian/trustee, the manager, or in the case of a company scheme, the company may at any time subject to applicable law convene a meeting of holders.
- (2) The manager, or (being a holder) any associate of the manager, shall be entitled to receive notice of and attend any meeting of holders but,

subject to paragraph (3), shall not be entitled to vote but may be counted in the quorum therefor.

- (3) The manager or any associate of the manager shall be entitled to vote at any meeting of holders in respect of units which he holds as bare trustee or nominee or otherwise on behalf of a person entitled to vote.

8.02 **Notice of meetings**

- (1) Not less than fourteen days written notice (or any longer period of notice specified in the principal documents or by applicable law) of a meeting shall be given to holders, and the notice shall specify the place, day and hour of the meeting and the terms of the resolutions to be proposed.
- (2) Paragraph (1) shall not apply to notice of an adjourned meeting.

8.03 **Quorum**

- (1) Subject to applicable law, the quorum at a meeting of holders shall be such number of holders present in person or by proxy as is specified in the principal documents.
- (2) No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

PART 9 - INFORMATION PARTICULARS

9.01 **Preparation of information particulars**

- (1) The manager or, in the case of a company scheme, the directors of a Class Q Scheme shall prepare information particulars which shall at least contain the matters set out in the Schedule.
- (2) The information particulars shall be revised to reflect any significant change which occurs in the matters stated therein, and such revision may take the form of a complete substitution for the previous document or of a supplement to that document.
- (3) Upon revision, a copy of the revised information particulars shall be sent to the Commission.
- (4) Changes in the contents of information particulars must be notified to holders either immediately or in the subsequent annual report.

9.02 **Publication of information particulars**

- (1) Information particulars must be offered to potential investors free of charge before the conclusion of a contract for the sale of units in a Class Q Scheme.
- (2) The requirement in paragraph (1) to offer a copy of the information particulars before effecting a sale of units in the Class Q Scheme does not apply if the sale is effected otherwise than in the course of a conversation conducted face to face or by telephone, but the manager (and in the case of a company scheme, the company) must send free of charge a copy of the information particulars to the purchaser if he asks for it.

9.03 False or misleading information particulars

The manager, and in the case of a company scheme the directors, of a Class Q Scheme is/are to be treated as responsible for the information particulars and shall take all reasonable steps to ensure that they do not contain any untrue or misleading statements.

PART 10 - AUTHORISATION OF CLASS Q SCHEMES

10.01 Application

The manager of a collective investment scheme seeking a Class Q Scheme declaration of authorisation from the Commission shall submit to the Commission:

- (a) the appropriate Commission application form;
- (b) a certificate from the manager stating that the information particulars comply with all of these rules relating to their contents;
- (c) signed or certified copies of the information particulars, the principal documents, and any other agreements material to the scheme;
- (d) the application fee as prescribed from time to time by Regulations made under Section 22 of the Law; and
- (e) such other information as the Commission may require.

10.02 Undertakings

As a condition of the authorisation or continuing authorisation of a scheme as a Class Q Scheme the Commission shall be entitled to require such undertakings, indemnities, bonds, guarantees and assurances as the Commission may determine to secure compliance with these rules.

PART 11 - CONSEQUENTIAL AMENDMENT

11 Consequential amendment

In rule 1.01(2) of the Collective Investment Schemes (Designated Persons) Rules 1988, insert “or Class Q” after “Class B”.

SCHEDULE

CONTENTS OF INFORMATION PARTICULARS

The following shall be stated:

Name and status of scheme

1. The name of the scheme, and the fact that it is an authorised Class Q Scheme.

Parties to the scheme

2. Details of the manager, the custodian/trustee, the directors in the case of a company scheme, any investment adviser, the auditor, any registrar, and any other parties to the scheme.

Qualifying Professional Investors

3. A definition of qualifying professional investors and a statement to the effect that only intended holders who fall within that definition are eligible to invest in the scheme.

The constitution and objectives of the scheme

4. If the duration of the scheme is not unlimited, when it will or may terminate.
5. Particulars of the scheme's capital structure.
6.
 - (i) the investment objectives of the scheme together with the policy for achieving those objectives; and
 - (ii) how the spread of risk will be achieved; and
 - (iii) the limitations on the nature, type or amount of assets which may be held by the scheme; and
 - (iv) the borrowing powers of the scheme; and
 - (v) if the scheme is a feeder fund, a statement of the name and status of the scheme into which it is to feed.
7. The circumstances in which the winding-up of the scheme can be decided on, a description of the procedure to be followed in a winding-up and what the rights of holders will be in a winding-up.

The characteristics of units in the scheme

8. In relation to each available class of unit in the scheme, the entitlement of the holder of that unit to participate in the scheme property and any income thereof, and, where there is more than one type of unit, the names given to each class and the characteristics of each class which distinguish it from the others.
9. How title to units will be evidenced.

10. Details of holders' voting rights and, if persons other than holders can vote at meetings of holders, who those persons are and the extent of their voting rights.

Valuation of property, charges and distributions

11. How frequently and the basis on which the scheme property will be regularly valued for the purpose of determining prices at which units in the scheme may be sold to or redeemed by investors and a description of any circumstances in which the scheme may be specially valued.
12.
 - (i) If the price at which units may be sold to investors includes a preliminary charge a statement of the maximum amount of that charge.
 - (ii) If the price at which units may be redeemed by investors is subject to a redemption charge, a statement of the maximum amount of that charge.
 - (iii) The nature of all fees, charges and expenses payable out of the scheme property and, where applicable, how their amounts will be determined.
13. The date or dates in each calendar year on which allocations or distributions of income are to be made to investors.

The sale and redemption of units in the scheme

14.
 - (i) The procedure for effecting the sale and redemption of units and settlement therefor, and any minima/maxima (by number or value of units) which apply to such transactions;
 - (ii) The circumstances in which the sale or redemption of units may be suspended.

Other Information

15. When annual reports will be published.
16. Any other material information which investors and their professional advisers would reasonably require, and reasonably expect to find for the purpose of making an informed judgement about the merits of investing in the scheme and the extent of the risks accepted by so investing.

Risk warnings

17. Sufficient risk warnings for any intended holder to make an informed judgement on the merits of investing in the scheme.