

THE COLLECTIVE INVESTMENT SCHEMES (UNIT TRUSTS)

REGULATIONS 2004~~3~~

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THE COLLECTIVE INVESTMENT SCHEMES (UNIT TRUST)

REGULATIONS 2004~~3~~

The Capital Markets Authority in exercise of the powers conferred by sections 30 and 31 of the Collective Investment Schemes Act 2003~~2~~ ('the Act') hereby makes the following regulations -

Part 1 Introduction

Explanation. *These Regulations are made under the Act and, with it, make provision for the constitution and management of unit trusts in Uganda. The Authority's underlying purpose is to assure a high level of investor protection for the benefit of those who invest in such trusts.*

1.01 Citation and commencement

These regulations may be cited as 'The Collective Investment Schemes (Unit Trusts) Regulations 2004~~3~~' and shall come into operation on
2004~~3~~.

1.02 Interpretation

1. Schedule 2 to these regulations (Glossary) has effect for the interpretation of the expressions referred to in it.
2. Any note contained in these regulations forms part of them, but any explanation does not.

1.03 Sources of powers

These regulations are made under sections 30 and 31 of the Act and apply to licensed unit trust schemes constituted in Uganda and those that are recognised under the Act.

Part 2 Constitution

Explanation. *Each licensed unit trust scheme is constituted by a trust deed made between the manager and the trustee and setting out, amongst other things, what type of unit may be issued, whether income, accumulation, or both. A copy of the trust deed must be made available for inspection by the public.*

2.01 The trust deed

1. A unit trust scheme does not qualify to be licensed under section 15 of the Act unless the scheme is constituted by a deed made between the manager and the trustees which -
 - a. conforms with Part III of Schedule 1 to the Act; and

- b. (subject to a. above) makes no provision concerning matters which are dealt with elsewhere in these regulations.
2. Any power conferred on the manager, or on the trustee, or on them together, in these regulations is subject to any express prohibition contained in the trust deed.
3. Part 5 (Investment and borrowing powers) has effect in relation to any scheme subject to any restriction imposed by the trust deed under paragraph 47 of Schedule 1 to the Act.

2.02 Public availability of trust deed

1. The manager and the trustee shall each make available a copy of the trust deed (and of any supplemental deed) for inspection by any member of the public in accordance with paragraph 2.
2. The copy shall be made available at all times during ordinary office hours at the principal place of business in Uganda where it carries on the business of acting as the manager or, as the case may be, the trustee of licensed unit trust schemes.
3. A copy made available under this regulation shall be made available in English.
4. The manager and the trustee shall allow any person to obtain on payment of a reasonable fee a copy of any deed.
5. The places where the trust deed may be inspected or obtained shall be specified in the scheme documentation.

2.03 Units

The interests of the holders in a licensed unit trust scheme shall consist of units (including fractions of a unit) each unit representing one undivided share in the property of the scheme; but this general rule is modified in one special circumstance as to which see regulation 2.04.2.

2.04 Types of unit

1. ~~Units may be of two types –~~

Classes of units may include: -

- a. income units, in which the income is paid periodically to holders, under regulation 9.05; and
- ~~b. accumulation units, in which the income is credited periodically to capital, under regulation 9.04;~~

~~and the scheme will consist of income units only unless the manager and trustee decide in (or the manager decides pursuant to a power contained in) the trust deed that the scheme will consist of the other type or of both.~~

- b. net accumulation units, in respect of which income (net of any tax deducted or accounted for by the fund) is credited periodically to capital under regulation 9.04.*
 - c. gross accumulation units, in respect of which income is credited periodically to capital under regulation 9.04, but, in accordance with relevant tax law, without deduction by the fund of any income tax.*
2. The system of single undivided shares in regulation 2.03 is modified where both income and accumulation units are in existence -
- a. since, when income is accumulated and capitalised under regulation 9.04 this is achieved by increasing the number (including fractions) of undivided shares which together constitute the accumulation units then in existence; and
 - b. since any accumulation units issued thereafter must each represent when issued the same number (including fractions) of undivided shares in the capital property of the scheme as each other accumulation unit then in existence.
3. *If any class of units in the fund has different rights from any other class of units in the fund, the Trust Deed shall provide how the proportion of the value of the scheme property and the proportion of income available for allocation attributable to each such class shall be calculated.*
4. *Without prejudice to the provisions of paragraphs 1 and 2 and 3*
- a. *in the case of a scheme which is not an umbrella scheme, the Trust Deed must not provide for any class of unit in respect of which -*
 - (i) the extents of the rights to participate in the capital property, income property or distribution account would be determined differently from the extents of the corresponding rights for any other class of shares; or*
 - (ii) payments or accumulation of income or capital would differ in source or form from those of any class of units;*
 - b. *in the case of a scheme which is an umbrella scheme the provisions in paragraph a. apply to classes of units in respect of each sub-fund as if each sub-fund were a separate scheme.*
 - c. *the prohibitions in paragraph a. and b. shall not be regarded as breached by reason of any difference between the rights attached to one class of units and another class of units that relates solely to –*
 - (i) the accumulation of income by way of periodical credit to capital than distribution; and/or*

(ii) charges and expenses that may be taken out of the scheme property or payable by the shareholder; and/or

(iii) the currency in which prices or values are expressed or payments made.

2.05 Categories of scheme

1. A licensed unit trust scheme must belong to one only of the following categories -
 - a. a securities fund;
 - b. a money market fund;
 - c. an umbrella fund.
2. A 'securities fund' is a scheme comprising principally of transferable securities.
3. A 'money market fund' is a scheme which comprises of -
 - a. deposits; and
 - b. instruments creating or evidencing indebtedness which are not transferable securities; and
 - c. transferable securities other than equities.
4. An 'umbrella fund' (for the definition of which see Schedule 2) has constituent parts which consist of any of the categories a and b in paragraph 1.
5. A scheme may not change from one category to another, nor may its objectives be changed so as to achieve that effect.

- a. to the Authority; and
 - b. to the trustee; and
- b. subject to paragraph 3, shall not effect any sale of units in the scheme to any person until it has made available for inspection by the person at all times during ordinary office hours at its principal place of business in Uganda a copy of the scheme particulars in English; and
- c. must send a copy of the scheme particulars to any person who requests them.

3.03 Inspection of scheme particulars

1. The manager of a licensed unit trust scheme shall make a copy of the scheme particulars in English available for inspection by any member of the public at all times during ordinary office hours at its principal place of business in Uganda.
2. The manager of a licensed unit trust scheme shall publicise in all scheme documentation the place where the scheme particulars may be inspected.

3.04 False or misleading scheme particulars

1. The manager of a licensed unit trust scheme is responsible for the accuracy of any scheme particulars in relation to it and must, subject to paragraphs 2 and 3, ensure that the scheme particulars do not contain any untrue or misleading statement or omit any matter required by these regulations to be included.
2. A manager is not in breach of paragraph 1 if at the time when the scheme particulars were prepared or revised (or ought to have been revised) he reasonably believed, having made such enquiries (if any) as were reasonable, that the statement was true and not misleading, or that the omission was proper, and that -
 - a. he continued in that belief until the time of the purchase or agreement; or
 - b. the purchase or agreement took place before it was reasonably practicable to bring a correction to the attention of potential purchasers; or
 - c. he had already taken all such steps as it was reasonable for him to have taken to secure that a correction was brought to the attention of potential purchasers; or
 - d. the purchaser (or person agreeing to purchase) was not materially influenced or affected by that statement or omission in making his decision.
3. A manager is also not in breach of paragraph 1 if -

- a. before the purchase or agreement a correction had been published in a manner calculated to bring it to the attention of persons likely to participate in the scheme; or
- b. he took all such steps as it was reasonable for him to take to secure such publication and reasonably believed that it had taken place before the units were acquired; or
- c. the purchaser (or person agreeing to purchase) knew at the time that the statement was false or misleading or of the omission; or
- d. the issue arose only because of a failure to revise the scheme particulars, and that he reasonably believed at the time of the failure that there was no change or new matter such as to call for a revision of scheme particulars under regulation 3.05.1.

3.05 Revision of scheme particulars

1. Scheme particulars shall be -
 - a. revised immediately upon the occurrence of any materially significant change in the matters stated therein or upon the arising of any materially significant new matter which ought to be stated therein in advance of an annual review so far as is necessary to take account of that change or matter; and
 - b. reviewed and re-dated at least once in every twelve months, and revised to take account of any change or any new matter, other than one which reasonably appears to the manager to be insignificant.
2. A revision of scheme particulars may take the form of a complete substitution for the previous particulars or of a supplement to those particulars but, whichever it is, the date as at which the revision was made must be prominently displayed.
3. References in these regulations to scheme particulars prepared in accordance with regulation 3.01 include references to scheme particulars revised in accordance with this regulation.
4. This regulation is subject to the procedural requirements affecting certain amendments to scheme particulars in regulations 11.02 and 11.12.
5. A copy of the revised and re-dated scheme particulars shall be sent to the Authority and the Trustee.

Part 4

Pricing and Dealing

Explanation. Each unit in a scheme represents, in microcosm, the overall property of the scheme: so valuation of units in a scheme is achieved, in broad outline, by valuing the property in the scheme, and dividing that value by the number of units in existence.

Units come into existence when they are created by the trustee ~~on the instruction~~ **at the request** of the manager and the manager must then pay to the trustee money for them.

Units are then issued, to any person who applies, by the manager **as agent for the Trustee** at the price fixed by him in accordance with these regulations.

~~Managers often hold units for their own account (in the 'box') : so a purchaser of units from the manager may receive units that have just been created or units that have previously been issued (or have been redeemed by the manager from a previous unitholder).~~

These Regulations only permit the manager to Create and Cancel units as agent for the Trustee.

If an owner of units wishes to realise the value of them the manager will redeem them **as agent for the Trustee** at a price fixed by him in accordance with these regulations. The manager ~~may then decide either to hold the units in his box or else to instruct~~ will then **request** the trustee to cancel them

Units cease to be in existence when they are cancelled by the trustee **at the instructions request** of the manager. Payment for cancelled units is made on delivery to the trustee of the relevant certificates of title etc.

Each of these four stages of creation, issue, redemption and cancellation are the subject of pricing regulations in this Part.

The special provisions about initial creation and initial issue (whether for cash or on a unitisation), at the start of a scheme's life, are stated separately from the provisions about creation and issue in an ongoing scheme.

Provision also needs to be made for the dilutive effect of single pricing. Since single pricing results in a price at which scheme operators deal with participants, former Investors (in respect of the issue or redemption of units) and the trustee (in respect of the creation and cancellation of units), no allowance is made for the dilutive effect of:

Expenses of dealing	-	i.e. commissions
Fiscal duties	-	i.e. Stamp Duty

Similarly by dealing with all at a single price, there is no allowance for any bid/offer spread which may exist where underlying securities are dealt with on this basis. If not addressed, this would work to the disadvantage of the remaining/existing investors in the fund, since it will be the fund which absorbs these costs, ultimately to the detriment of fund performance.

In order to compensate the fund for this dilutive effect, these regulations require the manager to adjust the single price in response to fund growth or contraction.

Section A Initial fixed price offer and unitisations

4.01 Introduction to this Part and to Section A

1. Regulations 4.02-4.04 apply to the setting up of a new scheme by way of an initial fixed price offer, and apply during the period of such an offer.
2. The period of the initial fixed price offer shall be specified in the scheme particulars and is not to exceed 21 days and an initial fixed price offer must, subject to regulation 4.04, be kept open for the period of the initial fixed price offer.

4.02 Creation of units: initial fixed price offer

1. During the period of the initial fixed price offer and on the business day after it, units in the scheme may be created by the trustee under paragraph 2 or 4.
2. The manager may ~~instruct~~ **request** the trustee to create units in the scheme at the beginning of the first business day in the period.
3. At or before the beginning of that day, the manager must irrevocably choose, in respect of that initial fixed price offer, to proceed either under paragraph 4a ('up and running') or under paragraph 4b ('pay over and wait') and must notify his choice to the trustee.
4. Where on any business day during the period the manager assumes any obligation to issue units, he must, depending on his choice under paragraph 3, either -
 - a. instruct the trustee, at the beginning of the next business day, to create units in the scheme in such number at least as will enable the manager immediately to fulfil that obligation, ~~whether from the units so created or from other units; or~~ **by requesting the Trustee to create the appropriate number of units**
 - b. proceed as follows -
 - (i) pay to the trustee (in any case where the purchaser has sent a remittance) on the day of receipt of the remittance or on the next business day, the total amount (or the total amount less the total of the manager's preliminary charge, if any, in respect of those units); and
 - (ii) as soon as the period of the initial fixed price offer has come to an end, ~~instruct~~ **request** the trustee to create units in the scheme in such number at least as will enable the manager to fulfil his

obligations to issue units ~~whether from the units so created or from other units.~~

5. The ~~instructions~~ **request** given by the manager shall state, in relation to each type of unit to be created, the number to be created, expressed either as a number of units or as an amount in value (or as a combination of the two).
6. The trustee must (subject to regulation 4.11) create units on receipt of ~~instructions~~ **a request** by the manager given under this regulation, and must not, during an initial fixed price offer, create units otherwise.

4.03 Initial price

1. The price for each unit created during the period of the initial fixed price offer payable by the manager to the trustee shall be the initial price of that unit less the amount of any preliminary charge made in respect of that unit.
2. For this purpose, 'initial price' means such amount as may be agreed by the trustee and manager, as being the maximum amount, inclusive of the manager's preliminary charge, if any, which may be paid by a potential participant to the manager for units on an initial fixed price offer.
3. The amount which may be retained by the manager by way of preliminary charge shall not exceed the amount stated in the original scheme particulars as the current charge.
4. A unit is treated as created during the period of the initial fixed price offer if the manager had agreed to issue it or received an order for it to be issued before the close of the offer, and it was created only afterwards.
5. ~~The initial price of units shall be expressed in the base currency of the scheme.~~
5. **The initial price of a unit shall be expressed in the base currency of the scheme, or in the case of a currency class unit the currency of designation of that class, but during the period of the initial fixed price offer the ACD may agree to sell and arrange the issue of units in any other currency, so long as the price in that the other currency, compared with the initial price, is not at the time of the agreement likely to result in any material prejudice to the interests of holders or potential holders.**
6. **Where the initial fixed price offer is made in a country outside Uganda, there may be added to the initial price of units offered in that country an amount sufficient to cover additional duty or taxation leviable in that country and the cost of the remittance of money to Uganda.**

4.04 Compulsory termination of initial fixed price offer

1. An initial fixed price offer assumes a reasonably close correlation between the value of the property (whether or not wholly or partly invested in securities) and the initial price of units: and, accordingly, if the manager becomes aware or has reason to believe that the 2% tolerance has been exceeded, he must forthwith -

- a. carry out a valuation of the property of the scheme for the purpose of determining new prices at which units in the scheme are to be created, cancelled, issued and redeemed; and
 - b. refrain from agreeing to issue units at the initial price; and
 - c. refrain from ~~instructing~~ **requesting** the trustee to create units except to fulfil an obligation or an order to issue units at that price which he has already assumed or received.
2. Where the manager carries out a valuation under 1a, the period of the initial fixed price offer comes to an end, if the outcome of the valuation shows that the 2% tolerance has been exceeded. In all other cases, the initial fixed price period continues until the end of its published term.
3. In this regulation the '2% tolerance' is exceeded if there is a 2% or greater difference between the initial price (taking that as 100% for this purpose) and what would be the issue price of units if the property of the scheme were valued in accordance with regulation 4.27 below (excluding any preliminary charge in each case).

Section B Creation and cancellation

4.05 Introduction

1. Regulations 4.06-4.12 apply to creation and cancellation (including creation prices and cancellation prices)-
 - a. in an ongoing scheme; and
 - b. where specifically stated, in relation to an initial fixed price offer.
2. In this Section, a 'valuation point' means the valuation point fixed by the manager under regulation 4.27, whether on a periodic basis or for a particular valuation;
3. **In this section a manager may only create and cancel units as agent for the Trustee. There is an express prohibition on the manager dealing as Principal.**

4.06 Creation of units: manager's ~~instructions~~ **request**

1. Where the manager wishes new units to be created, and complies with regulation 4.12, he may ~~instruct~~ **request** the trustee to create them; and any ~~instructions given~~ **request made** by the manager shall state, in relation to each type of unit to be created, the number to be created, expressed either as a number of units or as an amount in value (or as a combination of the two).
2. Where at any valuation point, the manager has any outstanding obligation to issue units, then he must ~~instruct~~ **request** the trustee in writing, before the close of business on the day on which the valuation point occurs, to create units in the scheme in such number at least as will enable the manager immediately to

fulfil that obligation. ~~whether from the units so created or from other units owned by him immediately before the valuation point.~~

4.07 Creation by trustee

1. Subject to paragraph 2 and to regulation 4.11 the trustee must create units on receipt of and in accordance with ~~instructions~~ a request given by the manager under regulation 4.06, and must not, after an initial fixed price offer, create units otherwise.
2. The trustee may create units in exchange for assets other than money, but his obligation to comply with ~~an instruction~~ a request to create units in such a case arises only if he is satisfied that acquisition of the assets in exchange for the number of units to be created is not likely to result in any material prejudice to the interests of participants or potential participants.
3. On the creation of units, the manager shall, within the period specified in paragraph 4 -
 - a. pay the creation price of the units (if it remains unpaid) to the trustee in cash; or
 - b. in the case of an exchange under paragraph 2, ensure transfer to the trustee of the assets to be taken in exchange.
4. The period expires at the close of business on the fourth business day next after the relevant ~~instructions were given~~ request was made by the manager (or, in the case of a securities fund which is for the time being invested as to more than 50% in Government and other public securities or of a money market fund, at the close of business on the business day next after those instructions).
5. In a case within paragraph 2 (exchange) the manager must ensure that the beneficial interest in the assets is transferred to the trustee with effect from the creation of the units, even if the legal ownership is not then transferred.

4.08 Creation price

The creation price payable for each unit to the trustee is calculated as follows -

- a. take the most recent valuations of the capital and of the income elements of the property, bearing in mind accrued expenses and the manager's best estimate of the scheme's taxation liability;
- b. add the value of the capital element and the value of the income element together;
- c. compute the value of the property which is attributable to units of the type in question;
- d. compute the number of units of the relevant type in existence immediately before the valuations in a;

- e. divide the total at c by the number of units at d;
- f. express the result in base currency;
- g. express the price in a form that is accurate to the nearest whole shilling arithmetically rounded;
- h. if the result for the total value of units to be created on any day in any particular currency is a fraction of the smallest unit in the currency, round up or down to the nearest such unit.

4.09 Cancellation of units

1. Where the manager ~~wishes~~ **requires** units to be cancelled, and complies with regulation 4.12, he ~~may instruct~~ **must request** the trustee to cancel them; and any ~~instructions~~ **request** given by the manager shall state, in relation to each type of unit to be cancelled, the number to be cancelled, expressed either as a number of units or as an amount in value (or as a combination of the two).
2. Where, at any moment of ~~instruction-request~~, the manager has any outstanding obligation to issue units, he may not ~~instruct~~ **request** the trustee to cancel any units if or to the extent that his so doing would prevent him immediately from fulfilling any such obligation which had been assumed before the valuation point.
3. The trustee must (subject to regulation 4.11) cancel units on receipt of ~~instructions~~ **request** given by the manager, and the trustee may not cancel units otherwise.
4. On the cancellation of units and on delivery to the trustee of such evidence of the title to those units as he may reasonably require, the trustee shall, within the period specified in paragraph 6, pay the cancellation price of the units to the person who was the owner of those units.
5. The period expires at the close of business on the fourth business day next after the cancellation of the units (or, in the case of a securities fund which is for the time being invested as to more than 50% in Government and other public securities or of a money market fund, at the close of business on the business day next after the cancellation); but, where the manager has not ensured that the property of the scheme includes or will include sufficient cash in the appropriate currency within that period, the period is extended, until the shortage is rectified by the manager.
6. **The Trustee may cancel units in exchange for assets other than money. His obligation to comply with a request to cancel units in such a case arises only if he is satisfied that disposal of assets in exchange for the number of units to be cancelled is not likely to result in any material prejudice to the interests of participants or potential participants.**

4.10 Cancellation price

The cancellation price payable for each unit by the trustee under regulation 4.09 is calculated in the same way as the creation price and is identical to that price.

4.11 Trustee's refusal to create or cancel units

1. Where, in receipt of instructions to create or cancel units, the trustee is of the opinion that it is not in the interests of participants that -
 - a. units should be created; or
 - b. units should be cancelled; or
 - c. units should be created or cancelled in the number requested by the manager;

the trustee must give notice to the manager stating that the trustee refuses to create or, as the case may be, cancel, all, or a specified number of, the units so requested.

2. On the giving of such a notice the trustee is relieved of the obligation to create or cancel the number of units to which the notice relates.
3. This regulation also applies to an initial fixed price offer.

4.12 Timing of instructions to create or cancel units

1. A manager ~~may at any time give instructions to~~ **must request** the trustee to create ~~or~~ **and** to cancel units, **by close of business on the day on which the valuation was carried out.**
2. ~~Where instructions are given before the close of business on the day on which the last valuation point occurs and before the next valuation point the instructions must be given by reference to the price calculated (or being calculated) for the last valuation point.~~

Section C Issue and redemption (and purchase and sale)

Explanation. ~~There are two main ways in which the units in a licensed unit trust scheme can be obtained by, or cashed in by, an investor. One method is by dealing with the manager as principal, in which case units will be issued (or redeemed) by him. The other way is when the~~ **Units in a Licensed Unit Trust Scheme may be obtained, or cashed in by dealing through the manager acting as agent for the trustee in which case** ~~whereby~~ **units will be sold (or bought) by the manager for the trustee. These regulations seek to provide a maximum and minimum price level of transactions of all these kinds, and to ensure, so far as possible, that the investor receives equitable treatment whether the manager is acting as principal or as agent.**

4.13 Introduction

1. Regulations 4.14 to 4.25 apply to issue and redemption (and to issue prices and redemption prices) -

- a. in an ongoing scheme; and
 - b. where specifically stated, in relation to an initial fixed price offer and a unitisation.
2. Those regulations ~~also apply in similar manner~~ to purchases and sales of units effected or to be effected by the trustee acting through the manager as agent **only**. ~~(or by the manager acting as principal).~~

4.14 Manager's obligation to ~~issue~~ **accept and issue units**

1. The manager must at all times during a dealing ~~day~~ **period** be willing to **accept requests to** issue units in the scheme; and he must, at the request in writing of any person, agree to issue units to that person at a price arrived at under these regulations.
2. Paragraph 1 above does not apply -
 - a. if the manager has reasonable grounds, relating to the circumstances of the person concerned, for refusing to issue units to him;
 - b. if the number or value of the units sought to be issued is less than any number or value stated in the scheme particulars as the minimum number or value to be purchased or held; or
 - c. if the manager has not received payment with or prior to the order; or
 - d. if the manager has reason to believe that the potential purchaser has not seen or been offered a copy of the latest scheme particulars and of the last two reports to participants.
3. Units must be issued in ~~the base currency~~ **any currency in which provision is made for this class of unit**.
4. This regulation also applies during an initial fixed price offer.
5. This regulation is subject to Part 13 (Suspension and termination).

4.15 Issue price parameters

1. The manager's price for issue of units shall not exceed the price to be notified to the trustee at the next valuation point. In the event that the Manager imposes a preliminary charge, this may be added to the cost when issuing the contract note to the participant.
2. In the case of an initial fixed price offer, the manager's price for issue of units shall not exceed the initial price, which shall include any initial charge.
3. The manager's price for issue shall be identical to the redemption price.
4. ~~In applying this regulation to dealings after a valuation point but before the price relating to that point has been fixed and notified, the maximum issue~~

~~price will be the one next to be notified in respect of that point, or, where relevant, the next point.~~

4.16 Charges on issue

1. If the trust deed so permits, there may be added to the cost to the participant a preliminary charge, and that charge may be expressed either as a fixed amount, or calculated as a percentage of the creation/issue price, and any appropriate levy or tax imposed by law.
2. The manager shall not make any charge in connection with the issue of units except that referred to at paragraph 1.
3. Where paragraph 1 permits the manager to make a preliminary charge, the amount which he may charge shall not exceed the amount stated in the scheme particulars as the current charge.
4. Subject to regulation 4.21 the manager may not rely on any increase in the current charge (within the maximum stated in the trust deed) for the purposes of paragraph 1 or 3, unless -
 - a. he has given notice in writing of that increase and of the date of its commencement to the trustee and to all the persons who ought reasonably to be known to him to have made an arrangement for the purchase of units at regular intervals; and
 - b. he has revised the scheme particulars to reflect the new current preliminary charge and the date of its commencement; and
 - c. 90 days have elapsed since the revised scheme particulars became available.
5. Paragraph 1 and regulation 4.15 do not apply on an exchange of units within an umbrella fund.

4.17 Manager's obligation to ~~redeem~~ **accept requests for redemption:**

1. The manager must at all times during a dealing day be willing to ~~redeem~~ **accept redemption** of units in the scheme; and, accordingly, must at the request in writing of any participant agree to ~~redeem~~ **accept redemption** of units owned by that participant at a price arrived at under these regulations.
2. Paragraph 1 above does not apply -
 - a. if the number or value of the units sought to be redeemed is -
 - (i) less than the entirety of the participant's holding; and
 - (ii) less than any number or value stated in the scheme particulars as the minimum number to be redeemed; or

- b. if the number or value of the units sought to be redeemed would result in the participant holding less than any number or value stated in the scheme particulars as the minimum number to be held; or
 - c. if the manager ensures that the participant is able to sell his units on an investment exchange at a price not significantly different from the price at which they would have been redeemed; or
 - d. to the extent that the power to refuse in paragraph 3 applies; or
 - e. in the case of an initial fixed price offer.
3. Units must be redeemed in the base currency **of the unit class concerned** or, at the request of the participant, in any other currency in which the manager has previously issued units.
 4. Paragraph 1 does not apply where units are redeemed in return for property transferred or sold under regulation 4.28.
 5. This regulation is subject to Part 13 (Suspension and termination).

4.18 Payment on redemption

1. On agreeing to redeem units, the manager shall, within the period specified in paragraph 2 (except where b. applies) pay the appropriate proceeds of redemption less, where applicable –
 - a. the cost of remitting the sum abroad;
 - b. any redemption charge to the participant; and
 - c. any applicable levy or tax imposed by law.
2. The period expires at the close of business on the fourth business day (or, in the case of a securities fund which is for the time being invested as to more than 50% in Government and other public securities or of a money market fund, at the close of business on the business day) next after –
 - a. the valuation point immediately following receipt by the manager of the request to redeem; or
 - b. the time when the manager has all duly executed instruments and authorisation to effect (or enable the manager to effect) transfer of title to the units;whichever is the later.
3. Nothing in this regulation shall require a manager to part with money in respect of a redemption of units where he has not yet received the money due on the earlier issue of those units, or where he considers it necessary or appropriate to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory obligation.

4.19 Redemption price parameters

1. The manager's price for redemption of units shall not be less than the price to be notified to the trustee at the next valuation point.
2. In the event that a manager levies an exit charge, this may be deducted from the proceeds when issuing the confirmation note to the participant.
3. In the case of an umbrella fund, the maximum price at which units in one constituent part may be had in exchange for units in another such part shall not exceed the relevant maximum issue price (less any preliminary charge) of the new units; and the minimum price at which the old units may be taken in exchange shall not be less than the equivalent minimum redemption price.
4. The manager's price for redemption of units shall be identical to the issue price under regulation 4.15.
5. ~~In applying this regulation to dealings after a valuation point but before the price relating to that point has been notified, the redemption price will be the one next to be notified in respect of that point, or where relevant, the next point.~~

4.20 Charges on redemption

1. If the trust deed so permits, the amount payable as proceeds of redemption may be arrived at after deduction of a charge for the benefit of the manager, and that charge may be expressed either as a fixed amount, or calculated as a percentage of the proceeds of redemption which would otherwise have been payable.
2. The amount, or percentage, may be expressed as diminishing over the time during which the holder has held the units, but may not be expressed as liable to vary in any other respect.
3. Where the manager is permitted to make a deduction the amount shall not exceed the amount that would be derived by applying the rate or method prescribed in the scheme particulars at the date on which the relevant units were issued.
4. Where the trust deed of a scheme, whenever executed, is modified so as to include the provision enabled by paragraph 45 of Schedule 1 to the Act (Manager's charge on redemption) the modification must be expressed so as to apply only to units issued after the date on which the modification takes effect.
5. A modification of the rate or method which is adverse to redeeming unitholders must be limited so as to apply only to units which have been issued (whether at the request of the current unitholder or otherwise) after the date on which the modification takes effect.

6. Subject to regulation 4.21, the manager may not rely on any increase in the rate or method of the charge, unless -
 - a. he has given notice in writing of that increase and of the date of its commencement to the trustee and to all the persons who ought reasonably to be known to him to have made an arrangement for the purchase of units at regular intervals; and
 - b. he has revised the scheme particulars to reflect the new rate or method and the date of its commencement; and
 - c. 90 days have elapsed since the revised scheme particulars became available.
7. In deciding whether and to what extent a charge is deductible for the purposes of this regulation, units held by a holder are to be taken to be redeemed in the order in which they were issued (whether at the request of the current holder or otherwise), unless -
 - a. the manager has the holder's instructions to the contrary; or
 - b. the manager selects as the units first to be redeemed units which are not subject to the deduction; or
 - c. the manager and the trustee have agreed on another way of deciding the order in which units are redeemed which appears to them unlikely materially to prejudice the holder concerned.
8. In paragraphs 3 and 7, 'issued', in the case of units in a scheme which has absorbed the whole or part of the property of an earlier scheme, is a reference to the issue in the earlier scheme so far as it is practicable for the manager to ascertain the timing of that issue in relation to the issue of other units held by that holder.
9. Nothing in this regulation shall enable the manager to reduce the proceeds of redemption to an extent which might reasonably be regarded as fettering the right of redemption.

4.21 Control over maximum charges on issue and redemption

1. In the circumstance envisaged by paragraph 2, no introduction of, or change to, either of the charges permitted by regulation 4.16 (charges on issue) shall take effect unless the trust deed is modified under regulation 11.01 (modification of trust deed: with meeting) or, as case may be, the scheme particulars are amended following approval of the introduction or change by an extraordinary resolution at a meeting of the holders called for the purpose.
2. The circumstances envisaged by paragraph 1 is that (in respect of any individual unit notionally issued and redeemed on the same day) the maximum amount or percentage of any preliminary charge and of any charge on redemption would in aggregate exceed the maximum amount or percentage for the preliminary charge alone which is stated in the trust deed.

4.22 Exchange of units in umbrella funds

In the case of an umbrella fund, the manager may not make any charge on an exchange of units -

- a. if the exchange is the first to be made by the holder during any annual accounting period; or
- b. in the case of a second or subsequent exchange, unless -
 - (i) such a charge is authorised by the trust deed; and
 - (ii) the amount of charge is within the maximum for charging on such an exchange stated in the most recently published scheme particulars.

4.23 Notification of prices to the trustee

1. By the close of business of the trustee on the ~~dealing~~ **valuation** day the manager shall notify the trustee of **the price of a unit (or unit of each class as the case may be as determined for the relevant valuation point).**-
 - a. ~~the creation price;~~
 - b. ~~the cancellation price;~~
 - b. ~~the issue price;~~
 - d. ~~redemption price;~~
 - e. ~~(in the case of an umbrella fund) the issue price for units in any part on an exchange of units.~~
2. ~~The prices to be notified under paragraph 1 are those relevant to deals based on prices determined at that valuation point.~~
3. ~~Any notification under paragraph 1 shall include a statement of the number of units owned by the manager at that valuation point.~~

4.24 Publication of prices

1. This regulation applies unless the manager is excused from dealing with the public under these regulations.
2. Where the manager holds himself out as willing to **arrange** issue or ~~redeem~~ **redemption of** units, he must publish (on the business day following any valuation) the price of those units, the current preliminary charge and any exit charge.
3. The prices published under paragraph 2 are to be the relevant prices as notified to the trustee under regulation 4.23 before the relevant newspaper ceased to accept material for publication in the relevant edition.

4. Publication required by paragraph 2 must be in at least one English language newspaper of nationwide circulation.
5. Prices published under this regulation must be -
 - a. accurate to the nearest whole shilling arithmetically rounded; and
 - b. shown in base currency, **or in the case of currency class shares that currency.**
6. This regulation does not apply to prices on exchange of units within an umbrella fund.

4.25 ~~Instructions etc~~ **Requests and Notification by manager to trustee**

1. Any ~~instruction~~ **request** or notification given (or report supplied) under this Part by the manager to the trustee -
 - a. must be recorded by the manager, at the time when it is given or supplied;
 - b. must be sent in a form which enables the trustee to know or record the time of receipt; and
 - c. may be communicated in any form other than by word of mouth.
2. ~~Instructions~~ **Requests and Notifications** are given within any period under this Part if they are received by the trustee within the period, and ~~instructions~~ **requests and notifications** received by the trustee after the expiry of any period are treated as given after that expiry.
3. This regulation also applies, with the necessary modifications, to any notice or notification given by the trustee to the manager.

Section D Forward pricing

Explanation. *This section requires the manager to issue and redeem units at forward prices.*

4.26 Forward pricing

The pricing basis for Unit Trusts in Uganda will be at forward prices, that is to say at prices calculated by reference to the valuation point next following the manager's agreement to issue or, as the case may be, to redeem the units in question.

Section F Valuation

~~**Explanation.** *This section deals with the time and method of valuation of a licensed unit trust scheme for the purposes of determining creation, cancellation, issue and redemption prices.*~~

Explanation. *This section includes provisions which relate to valuation of the scheme property of a scheme for the purposes of determining the price of a unit.*

4.27 Valuation of the property of the scheme

1. **Regular Valuation.** For the purposes of determining in accordance with these regulations the prices at which units ~~in a scheme may be created, cancelled, of any class in a scheme may be issued or redeemed~~ **cancelled, sold or redeemed**, the manager shall carry out a valuation of the ~~property of the scheme~~ **scheme property** at each valuation point, determined by him in accordance with the scheme particulars **of the fund**. The valuation points shall not be less frequent than specified in the scheme particulars and in any event not less than once in two weeks.
- ~~2. **Additional Valuation.** The manager may at any time during a dealing day carry out an additional valuation of the property of the scheme if he considers it desirable to do so.~~
2. *A security included in the scheme property for which different prices are quoted according to whether it is being bought or sold shall be valued at its mid-market price.*
- ~~3. **Valuation for effecting a scheme of amalgamation or reconstruction.** The manager may at any time carry out a valuation of the property of the scheme for the purpose of effecting a scheme of amalgamation or reconstruction, and such a valuation does not create a valuation point for the purposes of dealings.~~
3. *Any part of the scheme property of a company that is not an approved security shall be valued at a fair value, and in accordance with the section of these Regulations, relating to illiquid assets as appropriate.*
- ~~4. **Valuation at end of annual or half-yearly accounting period.** The manager may carry out a valuation of the property of the scheme on the day on which the annual or half-yearly accounting period ends, and~~
 - ~~a. if that day is not a dealing day; or~~
 - ~~b. if the accounting period ends on a day before or after the period of that day which is the dealing day;~~~~that valuation does not create a valuation point for the purposes of dealings.~~
4. *For the purposes of the preceding paragraphs, there shall be excluded from the values of a security or other part of the scheme property any fiscal charges or commissions or other charges that were paid or would be payable on the acquisition or disposal of the security or other part of the scheme property.*
- ~~5. The manager shall inform the trustee of any decision to carry out a valuation referred to in paragraph 2.~~
5. *There must be at least two valuation points in each calendar month and if there are only two valuation points in any calendar month they must be two weeks or more apart.*

6. *The frequency of regulation valuation points shall be specified in the Scheme Particulars.*
7. *Notwithstanding paragraph 5. no valuation points are required during the period of any initial fixed price offer (but see regulation 4.04).*
8. ***Additional Valuation.*** *The manager may determine to have an additional valuation point and to carry out an additional valuation of the scheme property (or the scheme property related to a sub-fund) at any time if it considers it desirable to do so.*
9. *Prior to any additional valuation point the manager shall inform the Trustee of it.*

4.28 Valuation methodology

1. Basis for calculation

The scheme shall be valued upon the basis of a valuation of -

- a. investment holdings and cash (together comprising the capital assets of the scheme; and
- b. gross income after deduction of allowable expenses and taxation (which comprises net available income); in accordance with the requirements of this regulation.

2. Investment holdings

- a. Prices to be used for valuation shall be at close of business as evidenced by official stock exchange publications.
- b. Prices shall be at the mid point of bid and offer where dual prices are quoted.
- c. Prices shall be the single price where that is the basis of quotation.
- d. No expenses of dealing (i.e. commission, stamp duty or other fiscal charges and fees) shall be included.
- e. Investment holdings shall be as at the valuation point.
- f. Securities in which there is no regular market or for which there has been no recent dealing shall be valued upon the basis of a best estimate to be given by the manager and agreed by the trustee with a full record of the basis of the valuation being maintained by the trustee and manager.
- g.** *Where no price is available from a main pricing source, 'fair value' for the valuation of equities shall be at cost of acquisition unless:*
 - i. *the liquidation value per share of the company at the last balance sheet date, after it has been discounted by 20%, is higher than the cost, in which the discounted liquidation value shall be used*

- ii. the actual liquidation value is lower than cost in which case the actual liquidation value shall be used after it has been discounted by 20%
 - iii. there has been a publicly disclosed transaction in which more than 10% of the issued capital has changed hands at a price, which, discounted by 10%, is higher than cost or at the actual price of the transaction where it is lower than cost, in which case the discounted transaction price shall be used
 - iv. the company has issued new shares at a price which, when discounted by 10%, is higher than cost in which case the discounted new issue share price shall be used or when the actual price of the issue is lower than cost, in which case this lower price shall be used
- h. Where no price is available from a main pricing source, 'fair value' for debt instruments shall be as follows:
- i. for short term debt instruments ie those with a maturity of under 365 days at the valuation point, cost (including accrued interest til the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument.
 - ii. for longer term debt instruments ie those with a maturity of over 365 days at the valuation point, value shall be calculated by application of the redemption yield according to the rating and maturity of that particular bond established by the matrix of redemption yields issued by the CMA. (Note: a formula for this will need to be created according to the bonds available in Uganda, and abroad, where needed.).

3. Cash

- a. All cash balances must be identified as at the valuation point.
- b. All cash balances must be converted to the base currency of the scheme.
- c. All cash balances must be included as part of the capital assets of the scheme as at the valuation point.

4. Gross Income

- a. Gross income must be accrued from valuation point to valuation point in respect of **fixed coupon** securities ~~having a fixed rate of return~~ and cash deposits.
- ~~b. Gross income must be accrued in pricing at ex dividend date for equities.~~
- b. Gross income must be taken into pricing only when received in the case of **domestic and** non domestic securities.

5. Expenses chargeable to the scheme

- a. Ad valorem expenses (e.g. operators annual charge, trustee fees) must be accrued from valuation point to valuation point.
- b. Other expenses must be taken into pricing as incurred (subject to agreement

with the trustee that accrual is not material).

6. Tax provision

After deducting chargeable expenses accrued against the gross income accrued, an allowance for any taxation that the scheme may suffer shall be provided.

4.29 Amendment of single price

1. The scheme operator shall amend the calculated price for dealing in units of the scheme – upwards or downwards by a factor (determined in accordance with these Regulations) in order to compensate for the dilutive effect of dealing expenses and bid to offer spreads where applicable.
2. The scheme operator may only make such adjustments within the criteria specified in these Regulations and then only in response to growth or contraction of a scheme.
3. The scheme operator shall disclose details of such adjustments as part of each transaction confirmation.

4.30 Resolution of the dilutive effect

1. Adjustment for the dilutive effect

- a. The manager shall adjust upwards the single price calculated under regulation 4.28 by a factor which represents the scheme's average expenses of buying underlying securities (e.g. commission, fiscal and other fees) **where in any dealing period sales of units exceed redemptions.**
- b. The manager shall adjust downwards the single price calculated under regulation 4.28 by a factor which represents the scheme's average expenses of selling underlying securities (e.g. commission fiscal and other fees) **where in any dealing period redemptions exceed sales.**
- c. The manager shall deal with issues, redemptions, creations, cancellations at the adjusted single price required by this regulation.

~~**2. Box management and dealing**~~

- ~~a. A manager must make the adjustments required by this regulation at all times in response to his net dealing position at the end of each dealing period.~~
- ~~b. A manager shall not move a price either upwards or downwards with the aim of creating a dealing profit for his own account.~~
- ~~c. Any decision to move the single price must be taken by the manager solely in response to the dealing day's net dealing position and without consideration for his own profit/loss position.~~

2 Records

- ~~a. A Manager shall maintain a record of his dealing position at each valuation point including his box position.~~
- a.** A Manager shall maintain a record of the price swing and of the movement of the price (upwards or downwards) and the amount in percentage terms.
- b.** These records shall be maintained for a period of seven years.
- c.** A Manager shall make and retain for a period of seven years from the date each record is made a daily record of the units in the scheme ~~held, acquired or disposed of by the Manager, including the types/classes of such units and of the balance of any acquisitions and disposal.~~ **created and liquidated by type and class of units.**
- d.** A Manager shall make and retain for a period of seven years from the date each record is made a daily record of:
- (i) how it calculates and estimates dilution; and
 - (ii) its policy and method for determining the amount of any dilution adjustment.

PART 5 Investment and Borrowing Powers

Explanation. *This Part sets out the regulatory framework within which decisions as to investment management may be taken on behalf of the scheme. This Part provides for Securities Funds, Money Market Funds and Umbrella Funds.*

The general pattern emerging from this Part may be summarised in the following Table: it is, however, indicative only and does not include all the detail in the Part. Umbrella funds are not treated separately in the Table.

TABLE: OVERVIEW OF INVESTMENT AND BORROWING POWERS

POWER CONCERNING	Securities Fund	Money Market Fund
1 Transferable securities		
1.1 Transferable but not approved including Pre-Listed Securities	10%	NO
1.2 Government or Public Securities	YES	80%
1.3 Collective Investment Scheme Units	5%	NO
1.4 Investment trusts	YES	NO
1.5 Approved Securities	YES	80% ⁿ
2 Cash (and near cash)	PRR	YES
3 Immovables	NO	NO
4 Stocklending	NO	NO
5 Derivative instruments	NO	NO
6 Underwriting	YES	YES
7 Borrowing	10%	10%
8 Short selling	NO	NO

Notes to Table

1. 'YES' means can be invested in without specific upper limit (though there may be limits of other kinds);

'NO' means not available for investment;

A percentage means an upper limit (though there may be limits of other kinds);

'PRR' means permitted if reasonable for redemption or in the context of the scheme's dedication within regulation 2.05 (see regulation 5.20).

Note: Investment in equities is not permitted in the category of approved securities for money market funds.

2. The umbrella fund is not covered: all of its parts must fall within the table, and each of them must fall within one column.

5.01 Introduction

Each of the Sections below applies only to schemes of the kind mentioned in the title to the relevant Section.

Section A General

Explanation. *This section, which sets the scene for the following Sections, deals with the general investment powers for licensed unit trusts. The basic investment restrictions for the different categories of scheme, covered in the following Sections, may be supplemented by further restrictions in the trust deed or the scheme particulars. The duties of the manager and trustee concerning rectification of any breach of investment limits are covered in Part 7 below.*

5.02 Investment powers: general

1. Subject to this Part, the property of a scheme may comprise any property the holding of which is consistent with the relevant category of scheme.
2. The property of a scheme may be invested only in accordance with this Part and within any relevant upper limit (such as 'up to 10%') in this Part.
3. The trust deed may restrict -
 - a. the descriptions of assets in which the property of the scheme may be invested; or
 - b. the proportion of the capital property of the scheme to be invested in assets of any description; or
 - c. the descriptions of transactions permitted; or
 - d. the borrowing powers of the scheme;

and any such restrictions shall be observed as if they were included in this Part.

4. Restrictions from time to time included in scheme particulars pursuant to paragraph 62 of Schedule 1 to the Act (and regulation 11.03) shall be observed as if they were included in this Part.

5.03 Valuation

1. For the purpose of this Part, the value of the property of the scheme means the net asset value, that is the net value of the property of the scheme after deducting any outstanding borrowings whether immediately due to be repaid or not.
2. *In valuing the scheme property for the purposes of this part the time at which the valuation is being carried out (the relevant time) is treated as if it were a valuation point, but the valuation and the relevant time do not count as a valuation or a valuation point for the purposes of Part 4.*

5.04 Part to be construed as a whole

In relation to any provision in this Part, whereby investment is permitted to be carried out or retained only if possible obligations arising out of the transaction would not cause any breach of any limit in these regulations (examples being nil or partly paid securities and underwriting) it is to be assumed -

- a. in applying any of those provisions, that the maximum possible liability to the scheme under any other such provision has also to be provided for; but
- b. in relation to the value of the property itself, that any relevant investment in that property is valued in accordance with Part 4.

5.05 Transferable security

1. In these regulations, 'transferable security' means any security to which paragraphs 2 or 4 do not apply.
2. A security is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
3. In applying paragraph 2 above to a security which is issued by a body corporate, and which consists of shares or stock, debentures, loan stock or any other instrument creating or acknowledging indebtedness, not being a security issued by or on behalf of a government, local authority or public authority, the need for any consent on the part of the body or any members or debenture holders of it may be ignored.
4. A security is not a transferable security if the liability of the holder of it to contribute to the debts of the issuer is not limited to any amount for the time being unpaid by the holder of it in respect of it.

5.06 Eligible securities markets

1. A securities market is eligible for the purposes of these regulations, if it is a market established in a country on which transferable securities admitted to official listing in the country are dealt in or traded.
2. A securities market not falling within paragraph 1 is, at any time, eligible for the purposes of these regulations if -
 - a. the manager, after consultation with the trustee has decided, in accordance with paragraphs 3 and 4, to choose the market as one which is appropriate for the purpose of investment of or dealing in the property of the scheme beyond, where appropriate, any limit which under these regulations, would otherwise apply;
 - b. that decision is notified in writing to the trustee and has not been revoked; and
 - c. the market is included in a list in the scheme particulars.
3. For the purposes of paragraph 2, a market may be considered to be appropriate if it -
 - a. is regulated;
 - b. operates regularly;
 - c. is recognised; and
 - d. is open to the public.
4. In exercising the choice in paragraph 2, regard shall in particular be had -
 - a. to the need for adequate liquidity in the market;
 - b. to the arrangements relevant to the market for unimpeded transmission of income and capital to or to the order of investors; and
 - c. to any relevant guidance of the Authority issued on or before the date of the making of these regulations.

5.07 Approved security

1. A transferable security is an 'approved security' if -
 - a. it is traded on or under the rules of an eligible securities market (otherwise than by virtue of the specific permission of the market authority); or
 - b. it is recently issued within the meaning of paragraph 2.

2. A transferable security is recently issued if it was issued within the last twelve months and an application for listing to an exchange or market has been made and has been accepted.

Section B Securities Funds

5.08 Securities funds: general

1. Subject to this Part, the property of a securities fund shall consist of transferable securities.
2. Up to 10% in value of the property may consist of transferable securities which are not approved securities or which are pre-listed securities, but there is no limit on the value of the property which may consist of approved securities.
3. Up to 5% in value may consist of transferable securities which are units in collective investment schemes but only if they fall within regulation 5.11.
4. Investment under paragraph 3 counts towards the limit in paragraph 2 (except where the units are approved securities).
5. Regulations 5.09 and 5.10 (spread) do not apply until -
 - a. the expiry of a period of 18 months or such longer period as may be prescribed by the Authority after the date on which the scheme is launched; or
 - b. the date when the value of the scheme first exceeds such amount as the Authority may determine in respect of each scheme;

whichever is the earlier, but the manager and the trustee shall ensure, so far as practicable, during that period that the scheme is invested with the aim of spreading risk.

5.09 Spread: general

1. This regulation does not apply to Government and other public securities as defined in regulation 5.10.5.
2. Up to 5% in value of the property may consist of transferable securities issued by any one issuer.
3. In applying paragraph 2, certificates conferring rights in relation to a security are treated as equivalent to the underlying security.
4. The figure of 5% in paragraph 2 may be regarded as 10% in respect of up to 40% of the value of the property.

5.10 Spread: Government and other public securities

1. This regulation applies to Government and other public securities only and in this regulation they are described as ‘such securities’.
2. As long as 35% or less of the property of a scheme is invested in such securities issued by any one issuer, there is no limit on the amount which may be invested in -
 - a. such securities; or
 - b. such securities issued by any one issuer or of any one issue.
3. Where, however, a scheme is invested as to more than 35% in such securities issued by any one issuer, then -
 - a. up to 30% of the property may consist of such securities of any one issue;
 - b. the property must include such securities issued by that or another issuer of at least three different issues; and
 - c. the disclosures in paragraph 4 must have been duly made.
4. Where it is intended or anticipated that paragraph 3 may apply, the trust deed, and the most recently published scheme particulars, must clearly state -
 - a. the fact that more than 35% of the property is or may be invested in Government and other public securities issued by one issuer; and
 - b. the identity of the issuer.
5. In these regulations, ‘Government and other public securities’ means transferable securities which are issued by -
 - a. the Government of Uganda; or
 - b. a local authority or public authority in Uganda or in any other country approved by the Authority; or
 - c. The Government of any country approved by the Authority or any international organisation approved by the Authority; and

also includes any security which would have been such a security had it been issued as opposed to merely guaranteed by a Government or local authority or public authority specified in a., b. or c.
6. In paragraphs 2, 3 and 4 (but not in paragraph 5) above, in relation to Government and other public securities -
 - a. issue, issued and issuer include guarantee, guaranteed and guarantor; and

- b. an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other terms of the issue.

5.11 Investment in collective investment schemes

1. A securities fund may invest in units **or shares** in a collective investment scheme only if the scheme is ~~also a securities fund~~.
- ~~2. A securities fund may invest in units in a collective investment scheme if the scheme –~~
 - a. **is either**
 - (i). a licensed scheme;
 - (ii) ***a recognised scheme; or***
 - ~~b. is a recognised scheme or, being constituted in a country or territory outside Uganda consists of units which are approved securities;~~
 - (iii) ***A collective investment scheme constituted outside Uganda, in which the investment of the scheme consists of units or shares which are approved securities.***
 - b. is dedicated to investing funds raised from the public in transferable securities;
 - c. operates on the principle of risk spreading; and
 - d. has terms which -
 - (i) prohibit more than 5% in value of the property of the scheme consisting of units in collective investment schemes; and
 - (ii) have the effect that the only units in which the scheme may invest are units in schemes themselves falling within this regulation.

5.12 Investment in nil paid or partly paid securities

A transferable security on which any sum is unpaid falls within any power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the scheme, at the time when payment is required, without contravening these regulations.

5.13 Significant influence

1. A scheme may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body or scheme if -
 - a. immediately before the acquisition the aggregate number of any such securities of that body held by the scheme does not give the scheme

power significantly to influence the conduct of business of that body;
and

- b. the acquisition will not give the scheme that power.
2. For the purpose of paragraph 1 a scheme shall be taken to have power significantly to influence the conduct of business of a body corporate if it can, by virtue of the transferable securities held by it, exercise or control the exercise of 15% ~~20%~~ or more of the votes cast at a general meeting of that body (disregarding for this purpose any temporary suspension of voting rights in respect of the securities of that body).
 3. A scheme must not hold -
 - a. transferable securities which do not carry rights to vote at a general meeting of the body corporate that issued them and represent more than 10% of the issued share capital of that body corporate; or
 - b. more than 10% of the units of a collective investment scheme.

5.14 Investment in **associated** collective investment schemes ~~managed by manager etc.~~

Units **or shares** in a collective investment scheme do not fall within regulation 5.11 if the scheme is managed or operated by the manager or an associate of the manager of the investing scheme, unless -

- a. the instrument constituting the scheme states that its investment will be restricted to a particular geographic area or economic sector;
- b. the instrument constituting the investing scheme and its scheme particulars clearly state that the property of the investing scheme may include such units; and
- c. regulation ~~5.30~~²⁸ (investment in other group schemes) is complied with.

Section C Money Market Funds

Explanation. *The money market fund is a licensed unit trust scheme invested in cash and near cash. Regulations in this Section governing the investment limits of money market funds ensure that such schemes maintain a high level of liquidity.*

5.15 Money market funds: general

1. Subject to this Section, to Section A (general) and to the subsequent Sections of this Part, the property of a money market fund shall consist of ‘money market fund assets’.
2. For this purpose, ‘money market fund assets’ means any of the following -
 - a. cash and near cash;

- b. bills of exchange accepted by an eligible institution, if repayable within twelve months;
 - c. a deposit which would be within a. above (near cash) except that it is repayable within six months (instead of immediately and without payment of a penalty exceeding seven day's interest calculated at ordinary commercial rates).
3. Regulation 5.17 (spread) does not apply until -
 - a. the expiry of a period of ~~9~~ 12 months after the date on which the scheme is launched (or on which the initial fixed price offer commenced if later); or
 - b. the date when the value of the property first exceeds such amount as may be determined by the Authority in respect of each scheme.

whichever is the earlier.

5.16 Investment limits

1. This regulation is subject to regulation 5.15.
2. At least 50% in value of the property must consist of instruments or deposits which are -
 - a. redeemable or repayable within two weeks; or
 - b. capable of being transferred without the consent of a third party (any issuer being regarded as a third party for this purpose).
3. Up to 80% in value may consist of transferable securities not including equities.

5.17 Spread

1. Up to 5% in value of the property may consist of instruments issued by any one issuer; but this limit does not apply to instruments which are Government and other public securities.
2. Up to 30% in value may consist of Government and other public securities of the same issue.
3. If more than 35% in value consists of Government and other public securities, it must include such securities of at least three different issues.
4. Up to 10% in value may be kept on deposit with any one institution but not with the Manager or his associates.
5. For the purposes of paragraph 4, the trustee and his associates are regarded as one person, and the manager and his associates as another.

6. The figure of 10% in paragraph 4 may be regarded as 20% if the person is an eligible institution which is not included within paragraph 5, provided that the amount of the deposit does not exceed 10% of that person's issued capital and reserves as shown in its most recently published annual accounts.
7. Paragraph 6 does not apply to a scheme if the total value of the property of the scheme which is held on deposit is less than such amount as may be determined by the Authority in respect of each scheme.

Section D Umbrella funds

Explanation. *The umbrella fund is a single licensed scheme with any number of constituent parts, providing the opportunity for unitholders to switch all or part of their investment from one part to another. Regulations in Part 12 adapt these regulations so as to enable the umbrella fund to be treated as a single scheme or as a collection of separate constituent parts as appropriate.*

5.18 Umbrella funds: general

1. Subject to paragraph 2, each of the separate parts of an umbrella fund shall be invested as if it were a single scheme within one only of Section B and C.

5.19 Restriction on Investment

1. No part of an umbrella fund may invest in units in another part, nor may any part invest in units in another umbrella fund.

Section E Stocklending and use of derivatives

Explanation. *The purpose of this section is to prohibit the use of derivative instruments and the technique known as stocklending, in substance a disposal of the relevant securities in return for which it is agreed that securities of the same kind and amount should be transferred back at a later date. A separate transaction, also by way of transfer of assets, is also involved in the technique for the purpose of providing collateral to the 'lender' to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.*

5.20 Stocklending

1. The property of the scheme may not be lent or used as collateral in cover of any transaction, except insofar as the cash property may be lent by way of deposit with eligible institutions.

5.21 Derivatives

1 The property of the scheme shall not include any form of derivative instruments.

Section F Cash, Borrowing, Lending etc

5.22 Cash and near cash

1. The property of a scheme may consist of cash and near cash, where this may reasonably be regarded as necessary in order to enable -
 - a. redemption of units;
 - b. efficient management of the scheme in accordance with its objectives; or
 - c. other purposes which may reasonably be regarded as ancillary to the objectives of the scheme (as to which see regulation 2.05).
2. Paragraph 1 does not apply to a money market fund but the property of any such scheme may consist of cash and near cash without limitation.
3. Paragraph 1 does not apply during the period of the initial fixed price offer, during which the property of the scheme may consist of cash and near cash without limitation.

5.23 General power to borrow

1. Subject to any restriction in the trust deed, the trustee may, in accordance with these regulations and with the instructions of the manager, borrow money for the use of the scheme on terms that the borrowing is to be repayable out of the property of the scheme.
2. The trustee may borrow under paragraph 1 only from an eligible institution.
3. The manager of the scheme must ensure that the borrowing of the scheme is on a temporary basis, and, for that purpose, -
 - a. the manager shall have regard in particular to -
 - (i) the duration of any period of borrowing; and
 - (ii) the number of occasions on which resort is had to borrowing in any period; and
 - b. the manager must ensure that no period of borrowing exceeds 3 months, whether in respect of any specific sum or at all, without the prior consent of the trustee which may be given only on such conditions as appear to the trustee appropriate to ensure that the borrowing does not cease to be on a temporary basis only.

5.24 Borrowing limits

The manager must ensure that the borrowing of a scheme does not, on any business day, exceed 10% of the value of the property of the scheme.

5.25 Restriction on lending of money

1. None of the money in the property of any scheme may be lent, except insofar as it may be lent to eligible institutions.

2. Purchasing a debenture is not lending for the purposes of paragraph 1 nor is the placing of money on deposit or in a current account.

5.26 Restriction on lending of property other than money

1. None of the property of the scheme other than money may be lent by way of deposit or otherwise (including stocklending).
2. None of the property of the scheme may be mortgaged.

5.27 General power to underwrite or accept placings

1. Subject to any restriction in the trust deed, any power in this Part to invest in transferable securities may be used for the purpose of entering into transactions to which this regulation applies.
2. Subject to paragraph 3, this regulation applies to any agreement or understanding (whereby transferable securities will or may become part of the property of the scheme) -
 - a. which is an underwriting or sub-underwriting agreement; or
 - b. which contemplates that securities will or may be issued to or subscribed for or acquired by the trustee.
3. Paragraph 2 does not apply to purchase of a transferable security which confers a right -
 - a. to subscribe for or acquire a transferable security; or
 - b. to convert one transferable security into another.
4. No agreement or underwriting within paragraph 2 may be entered into if it relates to units in collective investment scheme.
5. The exposure of a scheme to agreements and undertakings within paragraph 2 must, on any business day be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in these regulations.

5.28 Guarantees and indemnities

None of the property of any scheme may be used to discharge any obligation arising under a guarantee or indemnity given by the trustee or manager with respect to the obligations of any third party.

Section G Miscellaneous

5.29 Requirement to cover sales

1. No agreement on behalf of a scheme to dispose of property may be made by the manager or trustee

- a. unless that obligation, and any other similar obligation, could immediately be honoured by the scheme by delivery of property or the assignment of rights; and
- b. **unless** such property and rights are owned by the scheme at the time of the agreement.

5.30 Investment in other group schemes

Explanation: *This paragraph prohibits the manager from making any charges in relation to investments in his own schemes.*

~~1. No scheme may invest in or dispose of units in another collective investment scheme managed or operated by the manager or an associate of the manager of the scheme unless the manager is under a duty to pay into the property of the scheme, within the period specified in paragraph 2 –~~

~~a. where any charge is made by the issuer on issue of the units in the second scheme, the maximum permitted amount of any such charge; and~~

~~b. if the manager pays more for the units in the second scheme issued to him than the then prevailing creation price (in a case where that price could reasonably be known by him), the full amount of the difference; and~~

~~e. any amount charged by the issuer on redemption of units in the second scheme.~~

1. No scheme may invest in or dispose of units or shares in another collective investment scheme (the second scheme) which is managed or operated by the Manager of such scheme or an associate of that Manager unless the Manager is under a duty to pay to the scheme by the close of business on the fourth business day next after the agreement to buy or sell –

a. on investment, either may any amount by which the consideration paid by the scheme for the units or shares in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly created or issued by it or, if such price cannot be ascertained by the manager the maximum amount of any charge permitted to be made by the issuer of units or shares in the second scheme; and

b. on disposal, the amount of any charge made in respect of the disposal.

~~2. The period expires at the close of business on the fourth business day next after the agreement to buy or to sell (or, in the case of a securities fund which for the time being is invested as to more than 50% in Government and other public securities or of a money market fund, at the close of business on the business day next after that agreement).~~

2. For the purposes of this regulation –

- a. any addition to or deduction from the consideration paid on the acquisition or disposal of units or shares in the second scheme, which is applied for the benefit of the second scheme and is, or is akin to, a dilution levy made pursuant to regulation 4.30, shall be treated as part of the price of the units and not as part of any charge; and
- b. any charge made in respect of an exchange of units or shares in one fund or separate part of the second scheme for units or shares in another fund or separate part of that scheme shall be included as part of the consideration paid for the units or shares.

5.31 Short Selling

No scheme shall engage in short selling in relation to transactions in the underlying securities of the scheme.

5.32 Waiver from application of spread rules

The Authority may on the written application of a Manager waive the application of the spread rules in Regulation 5.8 to 5.18 for such period and on such conditions as it may prescribe.

Explanation: The purpose of this 5.32 is to enable CMA to waive spread rules, until a sufficient number of securities exist in Uganda.

Part 6

Title and Transfer

Explanation. *This Part deals (at regulations 6.01-6.045) with the register of holders, kept by the manager and the issue etc of certificates either of registration of ownership in that register, or else in bearer form. Thereafter, this Part deals (at 6.056-6.067) with the transferability of units, whether by act of the parties (eg trading) or by operation of law (death or bankruptcy). Other matters relating to ownership and documentation are also covered.*

6.01 The register

1. The manager shall be responsible for establishing and maintaining a register of the holders ('the register') in accordance with this regulation.
2. The register shall be maintained in a legible form or in a manner capable of being reproduced in a legible form.
3. There shall be entered in the register -
 - a. the name and address of each holder (other than one whose units are all for the time being represented by bearer certificates); and
 - b. the number of units (including fractions of a unit) of each type held by each such holder (other than units the title to which is for the time being represented by bearer certificates); and
 - c. the date on which the holder was registered in the register in respect of the units standing in his name; and
 - d. the number of units (including fractions of a unit) of each type for the time being in issue and represented by bearer certificates and the numbers of those certificates;but the manager is not bound to register more than six persons as the holders of any units.
4. The manager must -
 - a. take all reasonable steps; and
 - b. exercise all due diligence;to ensure that the information contained in the register is at all times complete and up to date.
5. In pursuance of paragraph 4, the manager must in particular take such steps as are necessary to obtain and supply information from or concerning any new holder of units to enable the entry in the register to be made.
6. Nothing in this Part of these regulations requires the manager to make or alter any entry in the register or to issue any certificate or other document or to accept any transfer or conversion in any case where he considers it necessary

or appropriate to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory obligation.

6.02 The register as evidence of title

1. Subject to regulation 6.10~~1~~, the register shall be conclusive evidence as to the persons respectively entitled to the units entered therein.
2. No notice of any trust, express, implied or constructive, which may be entered in the register in respect of any unit shall be binding on the manager or the trustee.

6.03 Inspection of the register and copies of entries

1. The register shall be available for inspection by or on behalf of the holders in Uganda at all times during ordinary office hours except that the register may be closed at such times and for such periods (not exceeding 30 days in any one year) as the manager may from time to time determine.
2. The manager shall supply to a holder or his authorised representative at his request a copy in print of the entries on the register, relating to that holder.
3. The manager shall state in scheme particulars the place and times where the register may be inspected or authorised copies obtained.

~~6.04 The manager as holder~~

- ~~1. The manager may, unless expressly forbidden to do so by the trust deed, be a holder.~~
- ~~2. The manager is deemed to hold each unit which is in issue (other than a unit the title to which is for the time being represented by a bearer certificate) if no person is entered in the register as the holder thereof.~~
- ~~3. Where units are transferred by a holder to the manager, they need not be cancelled, nor need the name of the manager be entered on the register as the new holder.~~

6.04 Certificates etc.

1. On or following the issue of units or, subject to regulation 6.06, at any other time, a certificate or other document recording title to the units may be issued to the holder if, and in such form, as the manager decides, having regard to any requirement of these regulations.
2. The manager shall decide on the procedures to be followed in redeeming units.
3. Where the trust deed enables bearer certificates to be issued, the manager must decide on the form of them, and on the procedures to be followed in respect of them.
4. The steps required to be taken by a holder in relation to the issue and redemption of units must be specified in the scheme particulars.

6.05 Transfer of units by act of parties

1. Subject to paragraph 2, every holder shall be entitled to transfer units held by him in respect of which he is entered in the register by an instrument of transfer in any usual or common form or in such other lawful form as the manager may from time to time approve.
2. The manager is not under any duty to accept a transfer -
 - a. if the number or value of the units sought to be transferred would result in the holder, or the transferee, holding less than any number or value stated in the scheme particulars as the minimum number to be held; or
 - b. if the trust deed contains a limitation upon the categories of persons who may be holders and the transferee is not within one of those categories.
3. Every instrument of transfer of units shall be signed by or on behalf of the holder transferring the units (or, in the case of a body corporate, sealed by that body or signed by one of its officers authorised so to sign) and, unless the transferee is the manager, the transferor shall be deemed to remain the holder until the name of the transferee has been entered in the register.
4. Every instrument of transfer, duly stamped if it is required to be stamped, must be left for registration accompanied by -
 - a. any necessary declarations or other documents that may be required in consequence of any legislation now or hereafter from time to time in force; and
 - b. such other evidence as the manager may require to prove the right of the transferor to transfer the units or in the case of a body corporate the authority of the signatory on its behalf.
5. All instruments of transfer which shall be registered shall be retained by the manager in original, copy or non-documentary form for a period of twelve years.
6. Upon registration of an instrument of transfer, a reference shall be made on the register enabling the name of the transferor and the transferee and the date of transfer to be identified.

6.06 Transfer of units by operation of law

1. On death of any one of the joint holders the survivor or survivors shall be the only persons recognised by the manager as having any title to or any interest in the units held by such joint holders.
2. The executors or administrators of a deceased holder (not being one of two or more joint holders) shall be the only persons recognised by the manager as having title to the units held by him.

3. Where any person becomes entitled to a unit in consequence of the death or bankruptcy of any sole holder or of the survivor of joint holders -
 - a. he may, subject to b., upon producing such evidence as to his title as the manager may properly require, either be registered himself as holder of the unit (upon giving to the manager notice in writing that he so desires) or transfer the unit to some other person;
 - b. the provisions concerning transfer of units shall be applicable to any such notice or transfer of the unit, but shall not until registered as holder be entitled to receive notices or attend or vote at any meeting of holders; and
 - c. subject to d., the new owner may give a discharge for all monies payable in respect of the unit, but shall not until registered as a holder be entitled to receive notices or attend or vote at any meeting of holders; and
 - d. the manager may at its discretion retain any monies payable in respect of the unit until the new owner is registered as the holder of such unit or duly transfers the same.

6.07 Change of name and address of holder

1. The manager shall -
 - a. upon receipt of notice in writing of a change of name or change of address of any holder; and
 - b. upon being satisfied thereof; and
 - c. on compliance with such formalities as he may require;alter the register accordingly.
2. Where a certificate has been issued and remains valid and the name of the holder is altered in the register, the manager shall either issue a new certificate to the holder or make an appropriate endorsement on the holder's existing certificate.

6.08 Conversion of units

1. This regulation applies to any scheme in which there are units of more than one type (that is, income units and accumulation units) and governs the conditions of conversion of units of one type into units of another.
2. Conversion is possible under this regulation only if both types of units are in existence and are offered for issue or sale at the time of the request for conversion.
3. If a participant requests the manager to convert units the manager shall make the appropriate arrangements subject to his right to refusal if the number or

value of such units on conversion would be less than any minimum stated in scheme particulars.

4. If the manager makes a request under paragraph 3, the trustee shall, unless excused by paragraph 3, convert them into the appropriate number of units of the other type, and that number shall be determined by the manager, on terms that are fair to the participant requesting conversion and to other participants.

6.09 Subdivision and consolidation of units

1. The manager may, unless expressly forbidden to do so by the trust deed, at any time or times when no bearer certificates are in issue with the approval of the trustee determine -
 - a. that each unit shall be subdivided into two or more units (whereupon each unit shall stand subdivided accordingly); or
 - b. that two or more units shall be consolidated (whereupon those units shall stand consolidated).
2. Upon a subdivision or consolidation of units the manager shall (unless it has done so before the subdivision or consolidation became effective) forthwith give to each holder (or to the first named of joint holders) whose name is entered in the register notice of the subdivision or consolidation.

6.10 Default by holder

Where -

- a. the holder of any units defaults in making any payment in money or a transfer of property due to the manager or the trustee under these regulations, or the trust deed, in respect of the creation and issue or the re-issue of units to that holder; and
- b. the manager is satisfied that there has been such a default by such evidence furnished to the manager as the manager shall require;

the manager may make any necessary deletion or alteration in the register; and thereafter the manager shall be entitled to the units in respect of which the defaulting holder's name has been removed from the register until those units are either cancelled or re-issued and paid for.

Part 7

Powers and Duties of the Manager and Trustee

Explanation. *This Part deals with the general powers and duties of the manager, and the trustee severally, and then contains regulations applying to both of them. Both manager and trustee have fiduciary duties stemming from the general law, from the trust deed and other documents relating to the individual scheme (scheme particulars) and from these regulations. Generally the manager has the executive responsibility for the scheme, in that he manages the investments, performs the valuations and determines the prices. The trustee has the duty of oversight and supervision and safeguards the title to the investments and the interests of the unitholders in them.*

Section A The Manager

7.01 Management of the scheme

1. It is the duty of the manager to manage the scheme in accordance with-
 - a. the trust deed; and
 - b. these regulations; and
 - c. the most recently published scheme particulars.
2. Subject to paragraph 1, it is the manager's right and duty to make decisions as to the constituents of the property of the scheme in such a way as appears to him likely to secure that the objectives of the scheme are attained and that any particular objectives specified in the scheme particulars are achieved.
3. The manager must instruct the trustee from time to time in writing as to how rights attaching to the ownership of property of the scheme are to be exercised; but not in the case where, under regulation 7.10.2, the trustee has the right to decide after consultation with the manager.
4. The duty at paragraph 1 extends to taking all reasonable steps, and exercising due diligence, to avoid the property of the scheme being incorrectly priced, contrary to any provisions of Part 4.
5. The duty at paragraph 1 extends to action forthwith to be taken to rectify any breach of Part 4; and where the breach relates to the incorrect pricing of units -
 - a. rectification shall, unless the trustee otherwise directs, extend to the reimbursement of money -
 - (i) by the manager to the scheme, to participants or to former participants; or
 - (ii) by the scheme to the manager; but

- b. rectification need not, unless the trustee otherwise directs, extend to any such reimbursement where it appears to the trustee that the incorrect pricing is of minimal significance.

7.02 Dealings in property of the scheme

1. The manager may without the specific authority of the trustee give instructions to agents as to the acquisition or disposal of property of the scheme.
2. Where the trustee is of the opinion that a particular acquisition or disposal of property by the manager exceeds the power conferred on the manager, it is the duty of the manager at his own expense to cancel the transaction or make a corresponding acquisition or disposal to secure restoration of the status quo ante.
3. Where the trustee is of the opinion that -
 - a. an acquisition of property by the manager necessarily involves documents of title or documents evidencing title being kept in the custody of a person other than the trustee; and
 - b. the trustee cannot reasonably be expected to accept the responsibility which would otherwise be placed upon him as a delegator;

the trustee may require the manager to cancel the transaction or make a corresponding disposal.

7.03 Maintenance of records

1. The manager must keep such accounting and other records as are necessary -
 - a. to enable it to comply with these regulations; and
 - b. to demonstrate at any time that such compliance by it has been achieved.
2. After each valuation point, the manager must keep an up to date record of ~~the units held by it, including the type of such units, which have been acquired or disposed of, and of the balance of any acquisitions and disposals.~~ **units created and cancelled by class of unit.**
3. The manager must make the record available for inspection by the trustee at all times during ordinary office hours and must supply the trustee with a copy of the record or any part of it on request.

7.04 Audit

1. The manager must, at the outset and upon any vacancy, with the approval of the trustee appoint as an auditor for the scheme any person qualified for appointment as auditor of a person licensed to carry on investment business in Uganda by the Authority.

2. The audit fees of the auditor are determined by the manager with the approval of the trustee.
3. The manager must ensure that the accounts required to be included in the annual report of the scheme are audited by the auditors appointed by the manager; and that that report is accompanied by a report of the auditor to the holders that those accounts have been audited in accordance with approved auditing standards and stating whether or not in the auditor's opinion they give a true and fair view of the financial position of the scheme as at the end of the annual accounting period.
4. The manager may with the approval of the trustee at any time remove an auditor and this power exists notwithstanding anything in any agreement between the persons concerned.

7.05 Tax certificates

Tax certificates in respect of the income available for allocation shall be sent or given in accordance with the requirements of the Income Tax Act 1997 but in any event not less than once in respect of every annual accounting period.

7.06 Review of scheme's constitution

The manager must keep under review the trust deed and the scheme particulars with a view to ensuring that they are in compliance with the law, including these regulations, and from time to time must make or propose the making of such changes therein as are necessary or desirable in the interests of unitholders.

7.07 Manager to supply information to trustee

The manager must on the request of the trustee forthwith supply it with such information concerning the management and administration of the scheme as the trustee may reasonably require.

Section B The Trustee

7.08 Oversight by the trustee of the manager

1. It is the duty of the trustee to take reasonable care to ensure -
 - a. except in relation to Part 5, that the scheme is managed by the manager in accordance with regulation 7.01.1; and
 - b. in relation to Part 5, that decisions about the constituents of the property of the scheme do not exceed the powers conferred on the manager.
2. The trustee must satisfy itself on reasonable grounds and on a continuing basis that the manager has maintained and is maintaining sufficient records and is adopting such procedures and methods for the calculation of prices at which units are issued and redeemed to ensure that those prices are within the limits for the time being prescribed by Part 4.

3. If the trustee is at any time not satisfied of any matter specified in paragraph 2, it must inform the Authority.

7.09 Control by the trustee over the property of the scheme

1. The trustee must take all steps and execute all documents which are necessary to secure that acquisitions, disposals and loans properly made by the manager in accordance with Section A above are completed.
2. The trustee must take into its custody or under its control all the capital property of the scheme and hold it in trust for the holders in accordance with these regulations and the trust deed. **Accordingly, the trustee must ensure that title to all investment holdings, capital cash balances and income bank account are vested in their name or its Nominee.**
3. The trustee is responsible for the collection of any income due to be paid to the scheme and for claiming any repayment of tax, and shall hold any income received in trust for the holders in accordance with these regulations and the trust deed.
4. The trustee must keep such records as are necessary -
 - a. to enable it to comply with these regulations; and
 - b. to demonstrate that such compliance by it has been achieved.

7.10 Exercise of rights in respect of the property of the scheme

1. The trustee must take all steps and execute all documents as are necessary to secure that instructions properly given to it by the manager as to the exercise of rights (including voting rights) attaching to the ownership of property are carried out.
2. The trustee may exercise (or not exercise) any right of voting conferred by any of the property of the scheme which is in units or shares in other collective investment schemes managed or otherwise operated by the manager or by an associate of the manager, but only after consultation with the manager.
3. The trustee must upon the written request of the manager from time to time execute and deliver or cause to be executed or delivered to the manager or his nominees such powers of attorney or proxies as the manager may reasonably require, in such name or names as the manager may request, authorising such attorneys and proxies to vote consent or otherwise act in respect of all or any part of the property of the scheme not included in paragraph 2.
4. The trustee must without undue delay forward to the manager all notices of meetings, reports, circulars, proxy solicitations and other documents of a like nature received by it as registered holder of any security.
5. In this regulation 'voting' includes giving any consent to or approval of any arrangement, scheme or resolution or any alteration in or abandonment of any rights attaching to any part of the property of the scheme and 'right' includes a

requisition or joining in a requisition to convene any meeting or to give notice of any resolution or to circulate any statement or to consent to any short notice of any meeting.

Section C The Manager and the Trustee

7.11 Duties of the manager and trustee under the general law

1. Subject to paragraph 4, the duties of the manager and the trustee imposed on them by these regulations and by the trust deed are in addition to and not in derogation from the duties which are otherwise imposed on them by law.
2. Subject to paragraph 4, the manager and the trustee are required to fulfil those other duties by these regulations as well as by the general law.
3. Subject to paragraph 4, the manager and the trustee have, by virtue of these regulations, all the powers conferred on them by the general law.
4. Paragraphs 1, 2 and 3 apply only in so far as the duties imposed or powers conferred by the general law are not qualified or restricted by the Act or these regulations.

7.12 Timely performance of duties

The manager and the trustee must perform the functions and fulfil the duties conferred upon them by these regulations with dispatch unless delay is both lawful and in the interests of the holders.

7.13 Duties of the manager and trustee: investment and borrowing powers

1. Subject to paragraphs 6 and 7, it is the duty of the manager -
 - a. to take all reasonable steps; and
 - b. to exercise all due diligence;to avoid the property of the scheme being used or invested contrary to any provision in Part 5.
2. It is the duty of the trustee -
 - a. to take all reasonable steps; and
 - b. to exercise all due diligence;to exercise such degree of supervision of the manager's operation of the scheme as is appropriate with a view to ensuring that the manager complies with paragraph 1.

3. The duty at paragraph 1 extends to action forthwith to be taken by the manager to rectify any breach of any provision in Part 5 to which the following paragraphs do not apply.
4. Paragraph 6 applies -
 - a. where the property of the scheme at any time is used or invested contrary to any provision of Part 5 (other than a provision excusing a failure to comply on a temporary basis); and
 - b. the reason for the contravention is beyond the control of both manager and trustee.
5. Paragraph 6 also applies on or in anticipation of the arrival of a supervening transaction (such as the purchase by the scheme of property pursuant to a rights issue, the conversion by the scheme of convertible stock) -
 - a. which, but for this regulation, would constitute a breach of Part 5; and
 - b. where it was not possible for the manager or trustee to know at the time of the earlier transaction whether there would be a subsequent breach or not.
6. In the circumstances envisaged by paragraph 4 or 5 -
 - a. nothing in Part 5 prevents the manager from entering into a transaction within paragraph 5 provided that it has obtained the consent of the trustee in writing; and
 - b. the manager must take such steps as are necessary to ensure a restoration of compliance as soon as is reasonably practicable having regard to the interests of the holders and, in any event, within the period specified in paragraph 8.
7. Forthwith upon the trustee becoming aware of any circumstance envisaged by paragraph 4 or 5, it must take such steps as are necessary to ensure that the manager complies with paragraph 6.b.
8. The maximum period for restoration of compliance under paragraph 6.b. starts at the date of discovery of the relevant circumstance and lasts for six months.

7.14 Delegation

1. The manager may delegate any function to any person, including the trustee.
2. The trustee may not delegate to the manager -
 - a. any function of oversight in respect of the manager; or
 - b. any function of custody or control of the property of the scheme;nor may the trustee delegate any function in a. to an associate of the manager.

3. The trustee may not delegate to anyone the function of being a custodian of documents of title or documents evidencing title to property of the scheme unless the arrangements with the custodian prevent the custodian from releasing the documents into the possession of a third party without the consent of the trustee.
4. Subject to paragraphs 2 and 3, the trustee may delegate any function to any person, including the manager.
5. If -
 - a. the manager delegates any function concerning the management of the property of the scheme; or
 - b. the manager delegates any function to the trustee or to an associate of its own or of the trustee; or
 - c. the trustee delegates any function to the manager or to an associate of its own or of the manager;

the manager or as the case may be the trustee, remains responsible, even though it could have satisfied the conditions in paragraph 6, for the acts or omissions of the delegate as if they were the acts or omissions of the manager, or as the case may be of the trustee.
6. In the case of any delegation by the manager or the trustee to which paragraph 5 does not apply, the manager, or as the case may be the trustee is not responsible for any act or omission of the delegate if the manager or trustee can show -
 - a. that it was reasonable for an agent to be employed for the function in question; and
 - b. that the agent was and remained competent to undertake the function in question; and
 - c. that the manager or trustee had taken reasonable care to ensure that the function in question was undertaken by the agent in a competent manner.
7. Paragraphs 1 and 4 are subject to any restriction in the trust deed.

7.15 Conflict of interest etc

1. The manager and the trustee must take all reasonable steps to ensure that there is no breach of any of the following requirements in this regulation by any 'affected person', that is to say -
 - a. the manager;
 - b. an associate of the manager;
 - c. the trustee;

- d. an associate of the trustee;
 - e. any investment adviser; and
 - f. any associate of any person in e.
2. Cash forming part of the property of the scheme or standing to the credit of the distribution account may be placed in any current, deposit, or loan account with an affected person only if he is an eligible institution and the arm's length requirement in paragraph 8 is satisfied.
 3. An affected person may lend money to the scheme only if he is an eligible institution, and the arm's length requirement in paragraph 8 is satisfied.
 4. An affected person may not sell or deal in the sale of property to the trustee for the account of the scheme unless paragraph 9 applies.
 5. An affected person may not vest property in the trustee against the issue of units in the scheme, unless upon a unitisation or unless paragraph 9 applies.
 6. An affected person may not purchase property from the trustee acting for the account of the scheme unless paragraph 9 applies.
 7. An affected person within paragraph 1.b, 1.d or 1.f. may not provide services for the scheme unless the trustee has reliable evidence that the services are provided on terms which satisfy the arm's length requirement in paragraph 8.
 8. The arm's length requirement is that the arrangements are at least as favourable to the scheme as would be those of any comparable arrangement effected on normal commercial terms negotiated at arm's length between two independent parties.
 9. There is no breach of paragraphs 4, 5 or 6 if paragraph 10 (best execution on exchange) or paragraph 11 (independent valuation) or paragraph 12 (arm's length transaction) applies.
 10. There is best execution on exchange for the purposes of paragraph 9 if -
 - a. the property is an approved security;
 - b. the transaction is effected with or through a member of the relevant exchange under the rules of that exchange; and
 - c. there is evidence in writing of the effecting of the transaction and of its terms; and
 - d. the manager has taken all reasonable steps to effect the transaction or to ensure that it is effected on the terms which are the best available for the scheme in the circumstances.
 11. There is independent valuation for the purposes of paragraph 9 if -

- a. the value of the property is certified in writing for the purpose of that transaction by a person selected or approved by the trustee as -
 - (i) independent of any affected person; and
 - (ii) qualified to value property of the relevant kind; and
 - b. the trustee is of the opinion that the terms of the transaction are not likely to result in any material prejudice to holders.
12. There is an arm's length transaction for the purposes of paragraph 9 if -
- a. paragraph 10a is not satisfied; and
 - b. it is not reasonably practicable to obtain an independent valuation under paragraph 11; and
 - c. the trustee has reliable evidence that the transaction is or will be on terms which satisfy the arm's length requirement in paragraph 8.
13. Paragraphs 2 to 7 are subject to any provision in the trust deed forbidding the taking of advantage of all or any of them.

Section D New Managers and Trustees

7.16 Replacement of manager

1. Subject to section 35 of the Act, the manager for the time being shall be subject to removal by notice in writing given by the trustee to the manager in any of the following events -
 - a. the manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the trustee); or
 - b. a receiver is appointed of the undertaking of the manager or any part thereof; or
 - c. for good and sufficient reason the trustee is of the opinion and so states in writing that a change of manager is desirable in the interest of the holders; or
 - d. an extraordinary resolution is passed removing the manager (or to determine that he be removed as soon as this is permitted by law); or
 - e. the holders of three quarters majority in value of the units in existence (excluding units held or deemed to be held by the manager or by any associate of the manager) make a request in writing to the trustee that the manager be removed.
2. On receipt of a notice by the trustee under paragraph 1 the manager shall cease to be the manager; and the trustee shall by deed appoint some other person

eligible under the Act to be the manager of the scheme upon and subject to that other person's entering into such deed or deeds as the trustee may require.

3. If the name of the scheme contains a reference to the name of the former manager, the former manager shall be entitled to require the new manager and the trustee forthwith to propose a change in the name of the scheme.

7.17 Retirement of manager

1. Subject to section 35 of the Act, the manager shall have the right to retire in favour of some other person eligible under the Act and approved in writing by the trustee upon and subject to fulfilment of the following conditions -
 - a. the retiring manager appointing such a person by deed as manager of the scheme in its place and assigning to such appointee all its rights and duties as such a manager; and
 - b. the new manager entering into such deed or deeds as the trustee may be advised is necessary or desirable to be entered into by that person in order to secure the due performance of its duties as a manager.
2. Upon retirement, the retiring manager -
 - a. is absolved and released from all further obligations under these regulations and under the trust deed but without prejudice to the rights of the trustee or of any holder or any other person in respect of any act or omission on the part of the retiring manager prior to such retirement; and
 - b. may retain for its own benefit, and without having to account therefore to the holders or any of them, any consideration paid to it in connection with the change of manager.
3. Upon the retirement of the retiring manager, the new manager may exercise all the powers and enjoy all the rights and shall be subject to all the duties and obligations of the manager under these regulations and under the trust deed as fully as if it had originally been a party to the trust deed.

7.18 Supplementary

1. Upon the removal or retirement of the manager, the removed or retiring manager -
 - a. remains entitled to all units held or deemed to be held by it;
 - b. may require the trustee to issue to it a certificate or certificates in respect thereof (if not previously issued);
 - c. is to be registered in the register in respect thereof; and
 - d. thereafter has and may exercise all rights of a holder.

2. Paragraphs 1.b., c and d. are subject to any restriction in the trust deed deriving from paragraph 50 of Schedule 1 to the Act (limited categories of holder).

7.19 Retirement of the trustee

1. The trustee may not retire voluntarily except upon the appointment of a new trustee.
2. In the event of the trustee desiring to retire or ceasing to be a licensed person, the manager may, subject to section 35 of the Act, by deed supplemental to the trust deed, appoint another person eligible under section 17 of the Act to be the trustee in its place.
3. The Trustee shall upon deciding to seek retirement inform CMA forthwith of the intention, stating full reasons in arriving at the decision. In providing CMA with this information, the Trustee shall also confirm that other than those reasons which it discloses, it knows of no other matters which ought properly to be brought to the notice of CMA.

- a. he has given notice in writing to the trustee and to the holders of his intention to increase the amount currently charged by way of periodic charge; and
 - b. he has revised the scheme particulars to reflect the proposed increase in that amount; and
 - c. 90 days have elapsed since the revised scheme particulars became available.
6. The manager shall adapt the calculations in paragraph 3, where the relevant period includes 29 February, so that his remuneration is the same as it would be if the year were not a leap year.

8.02 Remuneration of the trustee and reimbursement of trustee's expenses

1. No payment may be made to the trustee out of the property of the scheme, whether by way of reimbursement of expenses or otherwise, except -
 - a. remuneration for the trustee in respect of its services and in respect of which the following have been stated in the scheme particulars -
 - (i) the actual amount or rate of the remuneration; and
 - (ii) the periods in respect of which the remuneration is to be paid; and
 - (iii) how the remuneration is to accrue; and
 - (iv) when the remuneration is to be paid; and
 - b. reimbursement of expenses properly incurred by the trustee in performing or arranging for the performance of the functions conferred on the trustee by these regulations.
2. Paragraph 1.a.(i) may be taken to be complied with if the scheme particulars contain -
 - a. the maximum amount or rate of the remuneration which may become payable to the trustee; and
 - b. an explanation as to how the actual amount or rate is to be determined, including the mathematical basis and the relevant factors involved.
3. Payment may be made under paragraph 1.a. only if authorised by the trust deed.

8.03 Other payments out of the property of the scheme

1. No payments may be made out of the property of the scheme other than payments under regulations 8.01, 8.02 and 8.03 (and sums due by virtue of any other regulation in this instrument (such as, for example, cancellation proceeds)) and the following -

- a. broker's commission, fiscal charges and other disbursements which are -
 - (i) necessary to be incurred in effecting transactions for the scheme; and
 - (ii) normally shown in contract notes and confirmation notes as appropriate; and
 - b. interest on borrowings permitted under the scheme and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings; and
 - c. taxation and duties payable in respect of the property of the scheme, the trust deed or the issue of units; and
 - d. any costs incurred in modifying the trust deed, including costs incurred in respect of meetings of holders convened for purposes which include the purpose of modifying the trust deed, where the modification is -
 - (i) necessary to implement, or necessary as a direct consequence of, any change in the law (including changes in these regulations); or
 - (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the manager and the trustee agree is in the interest of holders; or
 - (iii) to remove from the deed obsolete provisions; and
 - e. any costs incurred in respect of meetings of holders convened on a requisition by holders not including the manager or an associate of the manager; and
 - f. liabilities on unitisation, amalgamation or reconstruction arising, when paragraph 2 applies, under paragraph 3; and
 - g. the audit fee properly payable to the auditor and any value added tax thereon and any proper expenses of the auditor;
 - h. the scheme fees of the Authority ;and
 - i. the reasonable costs of holding annual general meetings of unit holders.
2. Paragraph 3 applies where the property of a body corporate (such as an investment trust) or of another collective investment scheme is transferred to the trustee in consideration of the issue of units in the scheme to shareholders in that body or to participants in that other scheme.
 3. In such a case the trustee as the successor in title to the other property may pay out of the property of the scheme any liability arising after the transfer which,

had it arisen before the transfer, could properly have been paid out of that other property, but it may pay only if -

- a. there is nothing in the trust deed expressly forbidding the payment; and
 - b. the trustee is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer.
4. Other payments may be made from the property of the scheme provided that they are authorised in the trust deed and reflected and disclosed in other scheme documentation.

8.04 Exemption from liability to account for profits

1. The manager is not liable to account to the trustee or the holders or any of them for the amount of any charge properly taken in accordance with these regulations.
2. The trustee is not liable to account to the manager or the holders or any of them for the amount of any remuneration (or expenses) properly paid to the trustee in pursuance of these regulations.
3. Where the manager has disclosed prominently in the scheme particulars a statement that he or another specified affected person is under no obligation to account to the trustee or to the holders or any of them for any profit he makes on the issue of units, or on the re-issue or cancellation of units which he has redeemed, that person is not liable to account to the trustee or to the holder or any of them for any such profit made since the disclosure.
4. A person who is an affected person within regulation 7.15.1 is not liable to account either to another such affected person or to the holders or any of them for any benefits or profits made or derived from or in connection with -
 - a. his acting as agent for either or both the trustee and the manager in the sale or purchase or property to or from the trustee for the account of the scheme; or
 - b. his part in any transaction or the supply of services permitted by regulation 7.15; or
 - c. his dealing in property equivalent to any owned by (or dealt in for the account of) the scheme.

8.05 Allocation of payments to income

1. Any payments under this Part (except under regulation 8.03.1.a, b. and c.) shall be made from the income account in the first instance.
2. Subsequently, any payment under regulation 8.03.1.a. shall continue to be made from the capital account; and any payment under regulation 8.03.1.b. or c. shall be made from the income account.

3. Where, in respect of any annual accounting period, taken as a whole, the amount of income received or receivable is less than the net amount of payments made from the income account, the shortfall shall, as from the end of that period, be charged to the capital account and shall not thereafter be transferred to the income account.
4. Any tax applicable on any charge which is authorised to be levied against the scheme property under this Part shall be paid out of scheme property.

8.06 Allocation of payments to capital

Without prejudice to the provisions of 8.05 above, the manager may with the agreement of the Trustee charge all or any portion of the managers annual charge (and any other expenses properly authorised by the Trustee Deed) to the capital property of the scheme.

In the first instance, such amounts must be charged to the income property of the scheme and reflected as such in interim and annual accounts. A subsequent transfer of the debit item from the income account to the capital account may be made if the expense is considered to be capital in nature.

Any such charges to the capital account will have the effect of increasing the amount of distributable income – but with a commensurate restraint on the capital growth of the scheme. A manager employing this convention must therefore ensure that a Risk Warning reflecting the above appears prominently in Scheme Particulars.

Part 9

Income

Explanation. *Each scheme must have an annual and a half-yearly accounting period and may have additional interim accounting periods each year. The manager calculates income in respect of each accounting period and the trustee distributes it to income unitholders or allocates it to accumulation unitholders in proportion to their respective interest in the property of the scheme. Regulations in this Part cover: the method of calculation of the amount available for income allocation; how distributions or allocations are to be made and when; and the providing of distribution statements and tax certificates.*

9.01 Accounting periods

1. A scheme must have an annual and a half-yearly accounting period, and this regulation determines what they are.
2. A scheme must also have an accounting reference date, which is the date in any year stated in the most recently published scheme particulars as the date on which the scheme's annual accounting period is to end.
3. The first annual accounting period shall begin -
 - a. where the scheme is the subject of an initial fixed price offer, on the first day of the period of the initial fixed price offer; or
 - b. in any other case, when the scheme's licence is issued;and each subsequent period shall begin immediately after the end of the one before.
4. Each annual accounting period shall end at the last regular valuation point on the day arrived at under paragraph 5.
5. The day for paragraph 4 is -
 - a. the next accounting reference date after the beginning of the period in question; or
 - b. if that period is the first period or a period in the course of which a change in the accounting reference date takes place, and the next accounting reference date in either case is less than six months after the beginning of the period, and the manager after consulting the auditor so determines, the next but one accounting reference date.
6. **As required by the Financial and Accounting Regulations a mandatory annual accounting date of 31st December is required.**
7. A half-yearly accounting period is a period beginning with the first day of an annual accounting period and ending on the day which is -
 - a. six months before the next accounting reference date; or

- b. if the next accounting reference date is less than six months after that first day, six months before the next accounting reference date but one after that first day.

9.02 Annual income allocation date

1. A scheme must have an annual income allocation date, which is the date in any year stated in the most recently published scheme particulars as the date on or before which, in respect of each annual accounting period, an allocation of income is to be made.
2. The annual income allocation date must be a date within two months after the relevant accounting reference date.

9.03 Annual allocation of income

1. At the end of each annual accounting period, the trustee shall transfer the income property of the scheme to an account to be known as ‘the distribution account’.
2. The trustee is not obliged to comply with paragraph 1 if it appears to it, having consulted the manager, that the average payment to the holders (disregarding holders of bearer certificates, holders of accumulation units, and holders who are the manager or the trustee or associates of either of them) by way of income would be less than an amount per unit agreed by the Manager with the trustee.
3. Where the trustee decides under paragraph 2 not to distribute income, he must so inform the manager who must then immediately instruct the trustee to carry the income forward to the next annual accounting period (and to regard it as received at the start of that period).
4. On or before each annual income allocation date the manager shall calculate under paragraph 5 the amount available for income allocation in respect of the immediately preceding annual accounting period, and he shall inform the trustee of that amount.
5. ~~The calculation of available income is as follows—~~
 - a. ~~take the aggregate of the income property received or receivable by the trustee in respect of the period;~~
 - b. ~~add the manager’s best estimate of any relief from tax on expenses properly payable out of income in respect of the period;~~
 - c. ~~deduct the aggregate of all the manager’s and the trustee’s remuneration properly paid or payable in respect of the period;~~
 - d. ~~deduct the aggregate of the payments properly paid or payable in respect of the period in accordance with regulation 8.05.1 (payments out of income);~~

5. The calculation of available income is as follows:-
- a. take the aggregate of the income property received or receivable for the account of the scheme in respect of the period;
 - b. deduct the charges and expenses of the scheme paid or payable out of income property in respect of the period;
 - c. add the managers best estimate of any relief from tax on such charges and expenses;
 - d. make such other adjustments that the manager considers appropriate (in the case of paragraph (i) and (ii) below, after consulting the auditors) in relation to _
 - (i) taxation;
 - (ii) the proportion of the price received or paid for units that is related to income;
 - (iii) potential income which is unlikely to be received until 12 months after the income allocation date;
 - (iv) income which should not be accounted for on an accrual basis because of lack of information about how it accrues;
- Provide that with the approval of the Trustee transfers from capital where income is insufficient to meet expenses may be made.*
- ~~e. deduct such provision for taxation as the manager after consulting the auditor considers appropriate;~~
 - ~~f. deduct (or disregard) and carry forward any potential income, if the trustee and the manager agree that, because adequate information is normally not available about how that income accrues, it ought generally not to be accounted for on an accrued basis; and~~
 - e. deduct (or disregard) and carry forward any potential income, if the trustee and the manager agree that that income is not likely to be received by the trustee until 12 months after the income allocation date, provided the auditor is satisfied that the trustee has made and intends to continue to make all proper efforts to obtain its receipt.
6. On or before the annual income allocation date, the trustee shall allocate the available income to the units in existence in accordance with the relevant numbers of undivided shares, and in accordance with regulation 9.04 or 9.05 or both.

9.04 Annual allocation to accumulation units

1. Where a scheme has in existence both accumulation units and income units, the trustee shall allocate the amount available for allocation of income between accumulation units and income units according to the respective

shares in the property of the scheme represented by the accumulation units and income units in existence at the end of the relevant annual accounting period.

2. The amount allocated to accumulation units (whether under paragraph 1 or because all the units are accumulation units) shall, with effect from the end of the annual accounting period, become part of the capital property and the interests of the holders in that amount shall be satisfied by an increase, as at the end of the period, in the number of undivided shares in the property of the scheme which an accumulation unit represents.
3. The increase in undivided shares under paragraph 2 shall be of such number (which may be a fraction but must be calculated to at least four decimal figures) as will ensure that the creation price of an accumulation unit remains unchanged notwithstanding the transfer of the income to the capital property or the relevant part of it.

9.05 Annual distribution to holders of income units

1. Subject to paragraph 2, where the units in existence in a scheme are to include income units, on or before each annual income allocation date the trustee shall distribute the income allocated to those units among the holders and the manager rateably in accordance with the number of such units held or deemed to be held by them respectively at the end of the relevant annual accounting period.
2. Before distributing income under paragraph 1, the trustee shall deduct any amounts previously allocated by way of interim allocation of income in respect of that annual accounting period.
3. Nothing in this Part of these regulations requires the trustee to distribute income allocated to any units in any case where the manager or the trustee considers it necessary or appropriate to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory obligation.

9.06 Interim allocations of income

1. This regulation applies if at any time the most recently published scheme particulars -
 - a. state that an allocation of income will be made before the annual income allocation date in any year in respect of a period ('an interim accounting period') within the annual accounting period; and
 - b. Specify a date as the interim income allocation date in relation to that interim accounting period.
2. In such a case, regulations 9.03 to 9.05 shall apply so as to secure the making of an interim allocation of income as if -

- a. the interim accounting period in question and all previous interim accounting periods in the same annual accounting period taken together, were the annual accounting period;
- b. the interim income allocation date were the annual income allocation date; and
- c. the manager were to treat as the available amount of income for the interim allocation a sum in his opinion not exceeding the amount which would be available for allocation of income if the interim accounting period and all previous interim accounting periods in the same annual accounting period taken together were an annual accounting period.

9.07 How distributions may be made

1. Any monies payable by the trustee to a holder in respect of any unit, the title to which is for the time being represented by a bearer certificate may be paid by crossed cheque or warrant made payable to the order of the person who, in such manner as is prescribed in the trust deed, has identified himself to the trustee as the person entitled to that distribution and may be sent by post to such address as that person shall have disclosed to the trustee for that purpose.
2. Any monies payable by the trustee to the manager or to a registered holder in respect of any unit may be paid by crossed cheque or warrant made payable to the order of and sent through the post to the usual business address of the manager or the registered address of such holder, as the case may be, or, in the case of joint holders, made payable to and sent to the registered address of that one of the joint holders who is first named on the register.
3. The payment of any cheque or warrant to the first named of joint holders shall be as effective a discharge to the trustee and the manager as if such first named joint holder had been a sole holder.
4. Every such cheque or warrant which is so sent shall be a satisfaction of the monies payable and shall be a good discharge to the trustee and the manager.
5. Where an authority in writing given by the holder (or in the case of joint holders by all of them) in such form as the trustee shall consider sufficient, is held by the trustee, he shall pay the amount payable in accordance with that authority **[e.g payment directly to a nominated Bank Account]**.
6. Any distribution payment which shall remain unclaimed after a period of six years from the date of payment shall then be transferred to and become part of the capital property in accordance with the provision of the Trust Deed and thenceforth neither the payee nor the holder nor any successor in title of his shall have any right thereto or therein except as part of the capital property.

9.08 Distribution statements and tax certificates

1. On or before any income allocation date (whether annual or interim) the trustee shall send to each holder (or to the first named of joint holders) entitled

to be entered in the register as at the end of the accounting period in question and shall on request give or send to every holder of units the title to which is represented by a bearer certificate -

- a. a statement prepared by the manager showing the calculation of the amount of income allocated in respect of the period to which he is entitled, whether or not the income is distributed to him or allocated to accumulation units; and
 - b. where applicable, a tax certificate to be prepared by the manager in a form to be approved by the trustee and the Uganda Revenue Authority in respect of the income available for allocation in respect of the preceding accounting period and attributable to such holder.
2. In the case of any distribution on liquidation of the trust, each tax certificate shall show what proportion of the distribution represents capital and what proportion represents income.
3. If in any year an interim allocation of income is made in respect of a period of less than six months it shall, subject to paragraph 4, be a sufficient compliance with this regulation in relation to that interim allocation period if -
- a. instead of sending or giving a distribution statement for that period in accordance with paragraph 1.a., the information which would have been given in such a statement is included in the next distribution statement for a half-year or for a full year to be sent or given; and
 - b. tax certificates are sent or given in accordance with the requirements of the Income Tax Act 1997.
4. Paragraph 3 does not absolve the trustee from complying with paragraph 1 in respect of any person who was entitled to any part of the interim allocation but who ceased to be a holder of any or all of his units before the end of the period to be covered in the next distribution statement; but in such a case the trustee shall comply with paragraph 1 on or before the next ensuing annual (or half-yearly) income allocation date.

Part 10

Reports

Explanation. *This Part requires the manager to prepare a report and accounts of the scheme in respect of every annual and half-yearly accounting period. Each annual report includes a report by the trustee on the management of the scheme during the year covered in the annual report.*

10.01 Annual and half-yearly reports

1. The manager shall, in relation to each annual and half-yearly accounting period, prepare a report stating the matters set out in Part 1 of Schedule 1 in respect of the relevant 12 months or 6 months. The report shall also comply with the following requirements of this regulation;

But a half-yearly report need not be prepared in relation to the first half-yearly accounting period if the first annual accounting period is a period of less than twelve months.

2. A report which relates to an annual accounting period shall contain -
 - a. a statement of commissions paid on dealing as required by Part II of Schedule 1; and
 - b. a comparative table relating to that period stating the matters set out in Part III of Schedule 1; and
 - c. a copy of a report of the auditor to the holders on the accounts contained in the report stating the matters set out in Part IV of Schedule 1 below; and
 - d. a copy of a report of the trustee to the holders stating the matters set out in Part V of Schedule 1 below and supplied to the manager by the trustee in accordance with regulation 10.05.
3. A report which relates to any accounting period shall contain the accounts of the scheme for the period to which the report relates which shall, subject to these regulations, include the matters required to be stated therein by the Authority.
4. A report which relates to any accounting period shall be signed by two directors of the manager.

10.02 Publication of manager's reports

1. The manager shall on or before the annual income allocation date and within four months after the end of each annual accounting period and two months after the end of the half-yearly accounting period, publish the manager's annual and half-yearly report respectively in accordance with paragraphs 2 and 3.

2. The manager shall send a copy of the report to each holder (or to the first named of joint holders) entered in or entitled to be entered in the register at the close of business on the last day of the relevant accounting period (or, if the report relates to a half-yearly accounting period for which no interim allocation of income is made, as at the last day of that period) and shall supply a copy of the report to each holder of bearer units on request by the holder.
3. The manager and the trustee shall make the most recent annual report and the most recent half-yearly report (unless it has been superseded by an annual report) available in English for inspection by the public at each place specified for the purpose in the most recently published scheme particulars during ordinary office hours.
4. The manager shall send a signed copy of the annual report when it is published to the Authority and also to the trustee.

10.03 Manager's reports to be offered to purchasers of units.

The manager shall not effect any sale of units in the scheme to any person until it has made available for inspection by the person at all times during ordinary office hours at its principle place of business in Uganda or sent to the person on request a copy of the most recent annual report of the manager and the most recent half-yearly report of the manager (unless it has been superseded by an annual report) in English.

10.04 Manager to publish statement of availability of reports, etc.

1. The manager shall, with every publication of prices under regulation 4.24, publish a statement that the most recent report of the manager and the manager and the scheme particulars are available to anyone who applies to the manager for them.
2. Paragraph 1 is sufficiently complied with if one of the pages of the newspaper in which managers publish prices carries the statement there required in relation to all the schemes referred to in those pages.

10.05 Annual Report by the trustee

1. It shall be the duty of the trustee to enquire into the conduct of the manager in the management of the scheme in each annual accounting period and to report thereon to the holders.
2. The trustee's report shall contain the matters set out in Part V of Schedule 1 and shall be delivered to the manager in good time to enable him to include a copy of the report in his report to the holders made on or before the annual income allocation date.

Part 11

Meetings and Modifications

Explanation. *This Part deals with restrictions on the power of the manager or that of the manager and trustee to modify the scheme, and with the requirements of meetings of unitholders with a view to authorising certain such modifications. Subdivision and consolidation of units are also dealt with here.*

~~11.01 Annual meeting of holders~~

~~The manager shall arrange to hold an annual general meeting of holders. Except where inapplicable, the provisions of this Part relating to meetings of unitholders (regulations 11.07 to 11.18) shall apply to annual general meetings convened by the manager under this regulation as they apply to other meetings convened by the manager or trustee under this Part.~~

11.01 Modification of the trust deed: with meeting

1. A modification may be made to the trust deed only by a deed, expressed to be supplemental to the trust deed, entered into by the manager and the trustee following -
 - a. the calling of a meeting of holders by notice (if required under paragraph 2); and
 - b. the approval of the holders (if required under paragraph 3).
2. The calling of a meeting is necessary unless the manager and the trustee have agreed that the modification is one which may, in accordance with regulation 11.02, be made without the approval of a resolution.
3. The approval of the holders (signified by the passing at the meeting of an extraordinary resolution authorising the modification) is required in any case where a meeting of holders has to be called.
4. If a meeting is required under paragraph 2, the notice calling the meeting must state that the trustee has reviewed the circumstances leading to the proposed resolution and considers that the information accompanying the notice contains sufficient information to enable unitholders to make an informed decision.

11.02 Modification of the trust deed: without meeting

1. Subject to paragraph 2 and to any restriction on the powers to modify which may be contained in the trust deed, a modification to the trust deed may be made without the approval of a resolution of the holders if it is required solely -
 - a. to implement any change in the law, including a change brought about by an amendment of these regulations; or
 - b. as a direct consequence of any such change in the law; or

- c. to change the name of the scheme; or
 - d. to include a provision to enable the manager to deduct a charge on redemption, where the circumstance envisaged by regulation 4.21 does not apply; or
 - e. to remove from the trust deed obsolete provisions; or
 - f. to replace the manager or the trustee when he has been removed or wishes to retire or has retired;
 - g. to remove references to a constituent part of an umbrella fund; or
 - h. to make any other modification which the trustee and the manager have agreed in writing does not involve any holders or potential holders in any material prejudice.
2. A modification is not within paragraph 1 if it -
- a. would affect any express restriction imposed by the trust deed on the powers which the manager and trustee or either of them would otherwise be able to exercise within these regulations; or
 - b. would increase the maximum of any preliminary or periodic charge authorised by the trust deed to be made by the manager; or
 - c. would relate to the authority for payments to be made out of the property of the scheme to the trustee by way of remuneration for the trustee's services.

11.03 Resolution to change scheme particulars

- 1. Any statement of policy or set of investment objectives in the scheme particulars of the kind referred to at regulation 11.13.2.d may not be changed without an extraordinary resolution, and no significant departure may be made in the management of the scheme from that stated policy or set of investment objectives unless and until the departure has been approved by an extraordinary resolution at a meeting of holders called for the purpose, and scheme particulars amended accordingly have been published.
- 2. Except where approved by an extraordinary resolution at a meeting of holders called for the purpose, a change to the scheme particulars relating to a proposal to treat all or any part of the manager's periodic charge as a capital charge, may not be made; but this prohibition does not apply where -
 - a. the scheme concerned already has clear investment objectives indicating -
 - (i) a greater preference for the generation of income than for capital growth; or
 - (ii) equal emphasis on the generation of income and on capital growth; and

- b. 90 days have elapsed since the unitholders were notified in writing by the manager of the change to the scheme particulars and of the date when it is to come into effect.
3. Any amendment to the scheme particulars to introduce a list, or to add an eligible market to the list, required by paragraph 63 of Schedule 1 (list of eligible markets) to the Act shall require approval of an extraordinary resolution at a meeting of holders unless -
 - a. the amendment is, in the context of the investment strategy of the scheme, of minimal significance only, and the trustee and the manager have so agreed in writing; or
 - b. the manager has -
 - (i) given notice in writing of the intended amendment to the trustee and the holders; and
 - (ii) included in the scheme particulars the proposed date of commencement of the amendment; and
 - (iii) before the amendment is relied upon, waited for 90 days to elapse since the amended scheme particulars became available.

11.04 Amalgamation

1. An amalgamation is a scheme of arrangement (notified to the Authority whenever a licensed unit trust scheme is involved) whereby the whole of the property of a collective investment scheme (whether licensed or not) or body corporate becomes the property (but not the first property) of a licensed scheme, and whereby unitholders (or shareholders) in the collective investment scheme or body corporate receive units in the licensed scheme.
2. An amalgamation shall not result in the holders of units in a licensed unit trust scheme becoming holders (or shareholders) in a unlicensed scheme.
3. Where it is proposed that two or more licensed unit trust schemes should be amalgamated, the proposals will require -
 - a. the approval of the holders of the scheme or any scheme which would cease to exist if carried through ('the discontinuing scheme or scheme'); and
 - b. unless paragraph 5 applies, the approval of the holders of the scheme or a scheme which would not so cease to exist ('the continuing scheme').
4. Paragraph 3.b. does not apply if the trustee of the continuing or absorbing scheme is reasonably satisfied that the inclusion of the property concerned -
 - a. is not likely to result in any material prejudice to the interests of the participants in the scheme; and

- b. is consistent and is regarded by the manager as consistent with the objectives of the scheme; and
- c. could be effected without any breach, inadvertent or not, of Part 5.

11.05 Reconstruction

1. A reconstruction of a licensed unit trust scheme is a scheme of arrangement (notified to the Authority under section 35 of the Act) whereby -
 - a. part of the property of a licensed unit trust scheme becomes the property of a licensed scheme or schemes; or
 - b. the whole of that property becomes the property of two or more licensed schemes; and

whereby holders in the licensed unit trust scheme being reconstructed receive units in the licensed scheme or schemes in exchange for the property received into that scheme or schemes.

2. A proposal for reconstruction requires, in respect of the scheme being reconstructed, the approval of the holders in the scheme.
3. Where it is proposed that property of the scheme being reconstructed should become property of a licensed unit trust scheme, the proposals will (irrespective of any other approval and subject to regulation 4.07.2 require the approval of the holders of units in the licensed unit trust scheme unless that approval would not have been required on an amalgamation by virtue of regulation 11.04.4 (on the assumption that the property to be included were treated as a discontinuing scheme).

11.06 Convening of meetings, attendance and voting

1. The trustee or the manager may at any time convene a meeting of the holders at such a time and place as the trustee after consulting the manager, may think fit.
2. The trustee shall, on request in writing of holders registered as holding not less than one-tenth (or any proportion below one-tenth specified for this purpose in the trust deed) in value of the units in issue, convene a meeting of holders at such time and place as the trustee, after consulting the manager, may think fit.
3. The manager shall be entitled to receive notice of and attend at any such meeting but shall not be entitled to vote or be counted in the quorum therefore and accordingly for the purposes of regulations 11.06 to 11.17, the units held or deemed to be held by the manager shall not be regarded as being in issue.
4. The words in paragraph 3 after 'but' do not apply in respect of any units which the manager holds on behalf of or jointly with a person who, if himself the sole registered holder, would be entitled to vote, and from whom the manager has received voting instructions.

5. Any associate of the manager shall not be entitled to vote at any such meeting except in respect of units which he holds on behalf or jointly with a person who, if themselves the registered holder, would be entitled to vote, and from whom the associate has received voting instructions.
6. The trustee and its solicitors shall be entitled to attend every such meeting.
7. In this regulation, and in regulations 11.07 to 11.17, 'holders' means -
 - a. the persons who were holders on the date 7 days before the notice under regulation 11.08 is sent or delivered, whichever is the earlier, but excluding any persons who are known not to be holders at the time of the meeting or at any other relevant time; and
 - b. in the case of units for the time being represented by bearer certificates, the persons who for the time being are holders of such units which were in issue on the date 7 days before the notice under regulation 11.08 is sent or delivered, whichever is the earlier;

but where a meeting is adjourned, this paragraph applies as if the references to regulation 11.08 were references to regulation 11.09.4.

11.07 Powers of a meeting of holders

A meeting of holders duly convened and held in accordance with this Part of the regulations shall be competent by extraordinary resolution to require, authorise or approve any act, matter or document in respect of which any such resolution is required or expressly contemplated by these regulations, but shall not have any other powers.

11.08 Notices of meetings of holders

1. Fourteen days' notice (or any longer period of notice specified for the purpose in the trust deed), inclusive of the day on which the notice is deemed to be served and of the day specified pursuant to paragraph 2, of every meeting shall be given to the holders in the manner provided for in Part 14.
2. The notice shall specify the place day and hour of meeting and the terms of the resolutions to be proposed.
3. Unless he has convened the meeting a copy of the notice shall be sent by post to the trustee.
4. The accidental omission to give notice to or the non-receipt of notice by any of the holders shall not invalidate the proceedings at any meeting.

11.09 Quorum

1. The quorum at a meeting of holders shall be the holders present in person or by proxy of one-tenth in value (or any proportion more than one-tenth in value specified for this purpose in the trust deed) of all the units in issue on the date

specified in regulation 11.06.6 excluding from that total any units known to have been redeemed before the time of the meeting.

2. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.
3. If within half an hour from the time appointed for the meeting a quorum is not present the meeting shall stand adjourned to such day and time not being less than 14 days thereafter and to such place as may be appointed by the chairman and at such adjourned meeting the holders present in person or by proxy shall be a quorum.
4. Notice of any adjourned meeting of holders shall be given in the same manner as for an original meeting and such notice shall state that the holders present at the adjourned meeting whatever their number and the number of units held by them will form a quorum.

11.10 The chairman

Some person (other than the manager), who need not be a holder, nominated in writing by the trustee shall preside at every meeting of holders and, if no such person is nominated or if at any meeting the person nominated shall not be presented within fifteen minutes after the time appointed for holding the meeting, the holders present shall choose one of their number to be chairman.

11.11 Adjournment

The Chairman may, with the consent of any meeting of holders at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

11.12 Votes at meetings

1. At any meeting of holders an extraordinary resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, by the trustee or by one or more holders present in person or by proxy and holding or representing one-twentieth (or any proportion less than one-twentieth specified for this purpose in the trust deed) in value of all the units in issue on the date specified in regulation 11.06.6.
2. Unless a poll is so demanded a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.
3. If a poll is duly demanded it shall be taken in such a manner as the chairman may direct and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

4. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time and place as the chairman directs.
5. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
6. On a show of hands every holder who (being an individual) is present in person, or (being a corporation) is present by its representative properly authorised in that regard, shall have one vote.
7. On a poll every holder who is present in person or by proxy shall have one vote for every complete undivided share in the property of the scheme and a further part of one vote proportionate to any fraction of such an undivided share of which he is the holder; and a holder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
8. A corporation being a holder may authorise such person as it thinks fit to act as its representative at any meeting of holders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual holder.
9. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of holders.
10. On a poll votes may be given either personally or by proxy.

11.13 Restrictions on the putting of composite resolutions to meetings of holders.

1. Modifications to the trust deed and departures from policies or a set of investment objectives stated in scheme particulars of the descriptions set out in paragraph 2 shall not be taken to have been authorised by an extraordinary resolution at a meeting of holders unless each such modification or departure has been the subject of a separate motion for its approval which has been separately approved by an extraordinary resolution at that meeting.
2. The following are the descriptions of modification to the trust deed and departures from policy referred to in paragraph 1 -
 - a. an increase in the maximum of any periodic charge payable to the manager;
 - b. an increase in the maximum of any preliminary charge payable to the manager;
 - c. a modification to any provision in the trust deed restricting -

- (i) the descriptions of asset in which the property of the scheme may be invested;
 - (ii) the proportion of property to be invested in assets of any description;
 - (iii) the description of transactions permitted; or
 - (iv) the borrowing powers of the scheme;
- d. any statement made in the scheme particulars that the manager will or may in relation to any matter within paragraph 2.c. adopt, in the management of the scheme, a policy or set of investment objectives more restrictive than the restrictions imposed in relation to that matter by Part 5 or by the trust deed; and
- e. any change to any statement in paragraph 2.d.

11.14 Proxies

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a naturally certified copy of such power or authority shall be deposited at such place as the trustee or the manager with the approval of the trustee may in the notice convening the meeting direct (or if no such place is appointed then at the registered office of the manager) not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
3. No instrument for appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution.
4. A person appointed to act as a proxy need not be a holder.
5. An instrument of proxy may be in the usual common form or in any other form which the trustee shall approve.
6. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the units in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received at the place appointed for the deposit of proxies or if no such place is appointed at the registered office of the manager

before the commencement of the meeting or adjourned meeting at which the proxy is used.

11.15 Minutes

1. Minutes of all resolutions and proceedings at every meeting of the holders shall be made and duly entered in books to be from time to time provided for the purpose at the expense of the manager.
2. Any such minute purporting to be signed by the chairman of the meeting shall be conclusive evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed thereat to have been duly passed.

11.16 Meaning of ‘extraordinary resolution’

In these regulations ‘extraordinary resolution’ means a resolution -

- a. proposed and passed at a meeting of holders duly convened and held in accordance with this Part of these regulations of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given; and
- b. carried, whether on a show of hands or on a poll, by a majority consisting of 66% (or any larger proportion specified for this purpose specified for this purpose in the trust deed) of the total number of votes cast for and against such resolution.

11.17 Class meetings

1. If the trustee is of the opinion that any extraordinary resolution to be proposed is one in relation to which there is or might be a conflict of interest between the holders of accumulation units and the holders of income units **or between classes of unit** or, in the case of an umbrella fund, between the holders of units in one constituent fund and the holders of units in another, such resolution shall be deemed to have been duly passed only if in lieu of being passed at a single meeting of all holders it shall be duly passed at separate meetings respectively of the holders of accumulation units and income units **or the holders of different classes of unit** or of the holders of units in the one constituent fund and holders of units in the other, as the case may be.
2. This Part of these regulations shall apply to each separate meeting held pursuant to paragraph 1 as it applies to other meetings.

Part 12

Special Provisions for Umbrella Funds

Umbrella Funds

Explanation. *Umbrella funds are schemes which consist of a number of constituent parts, and which provide opportunities for investors to switch all or part of their investment from one part to another. This regulation requires each constituent part of such schemes to comply with licensing requirements.*

12.01 Qualification to be licensed as an umbrella fund

A unit trust scheme does not qualify to be licensed as an umbrella fund unless each constituent part would, if it were the subject of a separate application for licensing, qualify for separate licensing.

12.02 Base Currency

In the case of an umbrella fund any reference to base currency shall in the context of a valuation of a sub-fund or the price of a unit in respect of a sub-fund or a payment in respect of such a unit respectively be treated as if the reference were to the currency stated in the Scheme Particulars as being the currency to be used for the purpose in question in relation to that fund.

12.03 Allocation of scheme property

In so far as any of the scheme property of an umbrella fund or any assets to be received as part of the scheme property, or any costs, charges or expenses to be paid out of the scheme property, are not attributable to one fund only, the manager must allocate such scheme property, assets, costs, charges or expenses between the funds in a manner which is fair to the unitholders of the umbrella scheme generally.

12.04 Investment and Borrowing Powers

Except in the case of regulation 5.13.3 (significant influence), the regulations contained in Part 5 shall be applied as if each sub-fund were a separate fund.

12.05 Income

Except in the case of regulations 9.01 (accounting periods) and 9.02 (annual income allocation date) the regulations contained in Part 9 shall be applied as if each sub-fund were a separate fund.

12.06 Units in respect of less than two sub-funds in issue

1. Subject to paragraph 3, if for a period of 24 consecutive months commencing at any time after the first issue of any units of an umbrella scheme, units in respect of less than two sub-funds are in issue, the manager shall take such action as is necessary to change the category of the scheme or to cause units in respect of more than one sub-fund to be in issue.

2. Without prejudice to any requirement for a notice to the Authority if paragraph 1 becomes or should reasonably be expected by the manager to become, applicable, the manager shall, prior to or forthwith upon, the expiration of the 24 month period, notify the unitholders and the Authority of any action proposed in order to comply with paragraph 1.
3. Paragraph 1 shall not apply if, on or prior to the expiration of the 24 month period, winding up of the scheme has commenced.

Explanation

Provisions of these regulations relating to classes of units or class meetings are relevant to umbrella schemes as a unit related to a sub-fund of an umbrella scheme will be of a different class to units related to any other sub-fund of that umbrella scheme.

Provisions of these regulations which relate specifically to umbrella schemes include:

<i>Regulation</i>	<i>Subject Matter</i>
2.04	Types of unit
2.05	Categories of scheme
4.02	Initial Fixed Price Offer
4.26	Forward Prices
5.18	Investment Powers
10.01	Annual and half-yearly reports
10.01	Annual and half-yearly reports relating to sub-funds
13.02 – 13.04	Termination of sub-fund.

Part 13

Suspension and Termination

Unit Trusts

Explanation. *This Part sets out the circumstances in which a manager must or may suspend the issue and redemption of units in the scheme, the circumstances in which a scheme falls to be wound up, and the manner in which suspension and winding up are to be carried into effect.*

13.01 Suspension and resumption of issue and redemption of units

1. The manager may with the prior agreement of the trustee or shall if the trustee so requires, at any time for a period not exceeding 28 days suspend the issue and the redemption of units if he, or the trustee in the case of any requirement by him, is of the opinion that there is good and sufficient reason to do so having regard to the interests of participants or potential participants.
2. At the time of suspension under paragraph 1 the manager, or the trustee if he has required the manager to suspend issue and redemption, shall -
 - a. inform the Authority of the suspension, stating the reasons for his action; and
 - b. forthwith confirm the suspension by giving the notice in writing to the Authority stating the reasons for this action.
 - c. publish notice of the suspension in an English language newspaper of nationwide circulation.
3. If issue and redemption are suspended -
 - a. the trustee shall not create or cancel units; and
 - b. the manager shall not buy or sell units as agent for the trustee ~~or on his own account.~~
4. Before the resumption of issue and redemption of units, the manager shall inform the Authority of the proposed resumption and forthwith after the resumption confirm the resumption by giving notice in writing to the Authority, and publish notice of the resumption in an English language newspaper of nationwide circulation.
5. Nothing in this regulation shall prevent the manager from agreeing, during the period of the suspension, to issue or to redeem units ~~(or to buy or sell them~~ as agent for the trustee at a price calculated by reference to the first valuation point after resumption of issue and redemption.
6. During the period of a suspension, none of the obligations in Part 4 relating to the creation, cancellation, issue or redemption of units or to the valuation of units shall apply.

13.02 When the scheme is to be wound up

1. Upon the occurrence of any of the events specified in paragraph 2 and not otherwise -
 - a. Parts 4 and 5 shall cease to apply to the scheme; and
 - b. the trustee shall cease to create and cancel units in the scheme; and
 - c. the manager shall cease to issue and redeem units in the scheme; and
 - d. the manager shall cease to buy and sell units as agent for the trustee ~~or on his own account; and~~
 - e. the trustee shall proceed to wind up the scheme in accordance with regulation 13.03.
2. The events referred to in paragraph 1 are -
 - a. the order declaring the scheme to be a licensed unit trust scheme is revoked; or
 - b. in response to a request to the Authority by the manager or the trustee for the revocation of the order declaring the scheme to be a licensed unit trust scheme the Authority has agreed, albeit subject to there being no material change in any relevant factor, that, on the conclusion of the winding up of the scheme, the Board will accede to that request; or
 - c. the expiration of any period specified in the trust deed as the period at the end of which the scheme is to terminate; or
 - d. the effective date of a duly approved scheme of amalgamation; or
 - e. the effective date of a duly approved scheme of reconstruction which results in all the property of the reconstructed scheme becoming the property of two or more licensed schemes.
3. This regulation is without prejudice to regulation 13.01 and to any order or direction made under section 53 or 55 of the Act.

13.03 Manner of winding up

1. In a case falling within regulation 13.02.2.d. or 13.02.2.e., the trustee shall wind up the scheme in accordance with the approved scheme of amalgamation or reconstruction.
2. In any other case falling within regulation 13.02 -
 - a. the trustee shall, as soon as practicable after the scheme falls to be wound up, realise the property of the scheme and, after paying thereout or retaining adequate provision for all liabilities properly so payable and retaining provision for the costs of the winding up distribute the proceeds of that realisation to the holders and the manager (upon

production by them of such evidence, if any, as the trustee may reasonably require as to their entitlement thereto) proportionately to their respective interests in the scheme as at the date of the relevant event referred to in regulation 13.02.2; and

- b. any unclaimed net proceeds or other case (including unclaimed distribution payments) held by the trustee after the expiration of twelve months from the date on which the same became payable shall be paid by the trustee into court subject to the trustee having a right to retain thereout any expenses incurred by him in making and relating to that payment;

but, in the case of a scheme which is a relevant pension scheme, payments shall not be made to holders in the scheme but the proceeds of realisation shall be paid by the trustee in accordance with the destinations specified in the trust deed.

3. Where the trustee and one or more holders agree, the requirement in paragraph 2 to realise the property of the scheme shall not apply to that part of the property proportionate to the entitlement of that or those holders, and the trustee may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the trustee appropriate for ensuring that that or those holders bear a proportional share of the liabilities and costs.
4. Nothing in this Part of these regulations requires the trustee to distribute proceeds of a realisation to any holder in any case where the manager or the trustee considers it necessary or appropriate to carry out or complete identification procedures in relation to the holder or another person pursuant to a statutory obligation.
5. On completion of the winding up in respect of the events referred to in regulations 13.02.2.b., c., d. or e. the trustee shall notify the Authority in writing of that fact and at the same time the manager or trustee shall request the Authority to revoke the licence under section 51 of the Act and the trustee shall publish notice of the winding up in the Uganda Gazette and an English language newspaper of nationwide circulation.

13.04 Accounting and reports during winding up

1. Subject to any order of the High Court, and to paragraphs 2 and 3, while a scheme is being wound up, whether under regulation 13.03 or otherwise -
 - a. the annual and half-yearly accounting periods shall continue to run;
 - b. the provisions about annual and interim allocation of income shall continue to apply; and
 - c. annual and half-yearly reports shall continue to be required.
2. Where, in respect of any annual or half-yearly accounting period, the trustee (after consulting the manager (if appropriate) and the Authority) is satisfied

that timely production of an annual or half-yearly report is not required in the interests of the participants or of the regulators, it may direct that immediate production of the report may be dispensed with, and thereupon the period in question must be reported on together with the ensuing period in the next report prepared under paragraph 1 or 3.

3. At the conclusion of the winding up, the accounting period then running shall be regarded as the final annual accounting period, and the annual reports of the manager and trustee in respect of that final period, shall be published and sent to each person who was a holder immediately before the end of the final accounting period within two months after the end of the period.

Part 14

Supplementary

14.01 Service of notices and documents

1. Any notice required to be served upon a holder shall be deemed to have been duly given -
 - a. in the case of units for the time being represented by bearer certificates, if it is given in the manner provided for in the most recently published scheme particulars; or
 - b. in the case of units held by a registered holder, if it is sent by post to or left at his address as appearing in the register.
2. Subject to regulation 4.25, any notice required to be served or information to be supplied or given to any other person, including the Authority shall be in writing or else in such other form as enables the recipient to know or record the time of receipt and to preserve a legible copy thereof.
3. Any notice served by post shall be deemed to have been served on the second day following that on which the letter containing the same is posted, and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted.
4. Service of a notice or document on any one of several joint holders shall be deemed effective service on the other joint holders.

Schedule 1

ANNUAL AND HALF-YEARLY REPORTS

(Regulation 10.01.1)

Part I: Report of the manager

The following matters shall be set out in every annual and half-yearly report of the manager:

1. the names and addresses of the following -
 - a. the manager;
 - b. the trustee;
 - c. any investment adviser;
 - d. the registrar;
 - e. the auditor;
2. the objectives of the scheme;
3. the manager's policy for achieving the objectives of the scheme;
4. a statement that the scheme is a licensed unit trust scheme within the meaning of the Act;
5. a statement of which the categories of scheme in regulation 2.05.1 the scheme belongs to and, in the case of an umbrella fund, this statement is to be made separately in relation to each constituent part;
6. a review of the manager's investment activities during the period to which the report relates;
7. particulars of any significant change in the scheme particulars made since the making of the last report by the manager;
8. a statement of any subdivision or consolidation of units which has been effected during the period to which the report relates;
9. any other significant information which would enable holders to make an informed judgement on the development of the activities of the scheme during this period and the results of those activities as at the end of that period.

Part II: Commissions paid on dealings

The statement of commissions paid shall specify the following information on dealings in the property of the scheme in relation to transactions effected through the agency of a broker -

- a. the average rate of commission for such transactions; and

- b. the aggregate amount of the commissions paid to associates of the manager; and
- c. the aggregate amount of the commissions paid to associates of the trustee; and
- d. the name of each broker who received more than 10% of the aggregate amount of the commissions paid.

Part III: Comparative table

The following matters shall be set out in the comparative table included in the report of the manager -

- 1. a performance record of the last 5 annual accounting periods, or if the scheme has not been in existence during the whole of that period, over the whole period in which it has been in existence, showing the highest price and the lowest price of the units during each of those years, the net income per unit distributed or, in the case of accumulation units, allocated during each of those years taking account of any sub-division or consolidation of units that occurred during that period;
- 2. over the last three annual accounting periods (or, if the scheme has not been in existence during the whole of that period, over the whole period in which it has been in existence) the total net asset value of the property of the scheme at the end of each of those years and the net asset value per unit and the number of units in existence or deemed to be in existence at the end of each of those years;
- 3. If, in the period covered by the table -
 - a. the scheme has been the subject of an amalgamation or reconstruction having, to a significant extent, an effect on the size of the scheme; or
 - b. there have been changes in the investment objectives of the scheme;

an indication, related in the body of the table to the relevant year in the table, of the date of the amalgamation or reconstruction or change in investment objectives, and a brief description of its nature.

Part IV: Report of the auditor

The report of the auditor to the holders for any annual accounting period shall state -

- 1. whether in the auditor's opinion the accounts prepared for that period have been properly prepared in accordance with generally accepted accounting principles and in accordance with any statement of recommended practice relating to licensed Unit Trust Schemes issued by the Authority in these regulations and the trust deed; and
- 2. if there is any material departure from the standard expected by paragraph 1, what that departure is and the reasons for it; and

3. without prejudice to paragraph 1, whether in the auditor's opinion a true and fair view is given of the financial position of the scheme as at the end of that period; and
4. if the auditor is of the opinion that proper accounting records for the scheme have not been kept by the manager or that the accounts are not in agreement with the manager's accounting records for the scheme, that fact; and
5. if the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit, that fact; and
6. if the auditor is of the opinion that the information given in the report of the manager for that period is inconsistent with the accounts, that fact.

Part V: Report of the trustee

The report of the trustee to the holders for any annual accounting period shall state whether in the trustee's opinion the manager has managed the scheme in that period -

- a. in accordance with the limitations imposed on the investment and borrowing powers of the manager and trustee by the trust deed, by scheme particulars and by all regulations for the time being in force under section 31 of the Act;
- b. otherwise in accordance with the provisions of the trust deed and those regulations; and

if he has not done so, the respects in which the manager has not done so and the steps which the trustee has taken in respect thereof.

Schedule 2

GLOSSARY

(Regulation 1.02.1)

Explanation. *Definitions provided by the Act apply to these regulations. In order to assist users, some of the terms used in these regulations and defined elsewhere are listed with an appropriate cross-reference.*

In these regulations, unless the context otherwise requires, the following expressions shall mean -

‘accounting reference date’ means the date stated in the most recently published scheme particulars as the date on which the scheme’s annual accounting period is to end in each year;

‘accrual interval’, in relation to the manager’s periodic charge, means the interval specified in the trust deed over which the charge accrues due;

‘accumulation unit’ means a unit in a licensed unit trust scheme ~~described as such~~ (see regulation 2.04.1); *where the income arising from investment is retained within the fund and reflected in the unit value.*

‘affected person’: see regulation 7.15.1;

‘amalgamation’: in relation to a scheme, see regulation 11.04.1;

‘annual accounting period’: see regulation 9.01;

‘annual income allocation date’: see regulation 9.02.1;

‘approved security’: see regulation 5.06;

‘associate’, in relation to a person, means -

- a. an undertaking in the same group as that person;
- b. an appointed representative of the first person or of any undertaking in the same group; and
- c. any other person whose business or domestic relationship with the first person or its associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealing with third parties;

and, in relation to a firm which is a body corporate, includes any officer of that firm;

‘Authority’ means the Capital Markets Authority;

‘base currency’ means the currency specified in the trust deed as the base currency of the scheme;

‘bearer certificate’ means a certificate representing units of any type -

- a. which contains a statement that the bearer of the certificate is entitled to the number of units of that type represented by the certificate; or

b. delivery of which is otherwise sufficient to transfer title to the units concerned;

‘business day’, in relation to anything done or to be done in Uganda means any day other than a Saturday, a Sunday or a public holiday in Uganda and in relation to anything done or to be done by reference to a market outside Uganda means any day on which that market is normally open for business;

‘cancellation price’ means the price for each unit payable by the trustee on the cancellation of units (**note: this is the same as the creation price**);

‘capital account’ means an account relating to the capital property of the scheme;

‘capital property’ means all the property for the time being held on the trusts of the trust deed other than income property and any amount for the time being standing to the credit of the distribution account;

‘cash’ includes foreign currency;

‘collateral’ means any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction;

‘constituent part’ in relation to an umbrella fund, means one of the separate parts into which the property of the umbrella fund is divided;

‘controller’ means:

(a) in relation to a Body Corporate, means a person, who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15 per cent. or more of the voting power at any general meeting of the Body Corporate or another Body Corporate of which it is a Subsidiary; and

(b) in relation to an unincorporated body means:

(i) any person in accordance with whose directions or instructions, either alone or with those of any associates, the officers or members of the governing body of the association are accustomed to act (but disregarding advice giving in a professional capacity); and

(ii) any person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15 per cent, or more of the voting power at any general meeting of the association.

and, for the purposes of this definition, “associate”, in relation to any person, means that person’s wife, husband, minor child or step-child, any Body Corporate of which that person is a director, any person who is an employee or partner of that person and, if that person is a Body Corporate, any Subsidiary of that Body Corporate and any employee of any such Subsidiary.

‘court’ means the High Court as defined in section 2 of the Act;

‘controller’, in relation to a body corporate, means a person who, either alone or with any associate or associates, is entitled to exercise, or control the exercise of, 15% or more of the voting power of any general meeting of the body corporate or another body corporate of which it is a subsidiary and, for this purpose, associate means any subsidiary of that body corporate and any employee of that subsidiary;

‘creation price’ means the price for each unit payable by the manager to the trustee on the creation of units (**note: this is the same as the cancellation price**);

‘current preliminary charge’ (and ‘current charge’): see regulation 4.16.3 and paragraph 67 of Schedule 1 to the Act;

~~**‘dealing day’** means the period in each business day (or in each other day when the manager or operator is open for business) during which the manager or operator keeps his premises or any of them open to the public or otherwise publicly available for business of any kind;~~

‘dealing period’ means the period between one valuation point and the next;

‘dilution’ means the amount of dealing costs incurred, or expected to be incurred, by the scheme to the extent that they may reasonably be expected to result, or have resulted, from the acquisition or disposal of investments by the scheme as a consequence (whether or not immediate) of the increase or decrease in the scheme’s cash resources resulting from the issue or cancellation of units over a period. For the purpose of this definition, dealing costs include both the costs of dealing in an investment and, where there is a spread between the buying and selling prices of the investment, the indirect cost resulting from the differences between such prices.

‘deposit’ has the same meaning as in Financial Institutions Statute 1993.

‘distribution account’: see regulation 9.03.1;

‘dilution adjustment’ means an adjustment to the price of units made by a manager under regulation 4.30 to compensate for dilution.

‘documents evidencing title’ includes any means of evidencing title whether in documentary form or otherwise;

‘extraordinary resolution’: see regulation 11.15;

‘eligible’, in the context of a securities market, means any market which the manager is, for the time being, entitled to regard as one through which more than 10% of the property of the scheme may be invested for the purposes of regulation 5.07;

‘eligible institution’ means a financial institution as defined in the Financial Institutions Act 1993;

‘forward price’ means a price calculated by reference to the valuation point next following the manager’s agreement to issue or, as the case may be, to redeem the units in question;

‘Government and other public securities’: see regulation 5.10.5;

‘half-yearly accounting period’: see regulation 9.01.6;

‘holder’, in relation to a unit in a licensed unit trust scheme, **means** (subject to regulation 11.05.6) the person who is entered in the register as the holder of that unit or the bearer of a bearer certificate representing that unit;

‘income account’ means an account relating to the income property of the scheme;

‘income property’ means all sums deemed by the manager, after consultation with the auditor, to be in the nature of income received or receivable by the trustee in respect of the property of the scheme but excluding any amount for the time being standing to the credit of the distribution account; **in this context, income does not include any realised capital gains on the underlying investments.**

‘income unit’ means a unit in a licensed unit trust scheme which is not an accumulation unit;

‘initial fixed price offer’ means an offer for sale of units in a scheme (otherwise than on a unitisation) at the initial price of units where all or part of the consideration paid to the trustee for the units is to be used to acquire the initial capital property of the scheme;

‘initial price of units’: see regulation 4.03;

‘instrument constituting the scheme’ means the trust deed;

‘interim accounting period’: see regulation 9.06;

‘interim income allocation date’: see regulation 9.06;

‘investment adviser’ has the meaning given in Section 2 of the Act;

~~**‘investment adviser’**, in relation to a manager, means a person who is engaged by the manager under a commercial arrangement not being a mere contract of employment—~~

~~a. — to supply the manager with advice in relation to the scheme as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or~~

~~b. — to exercise as a delegate of the manager any function concerning the management of the property of the scheme;~~

‘issue’, in relation to units, means the sale of units by the manager as a principal;

‘issue price’ means the manager’s price for issue under regulation 4.15;

‘manager’, in relation to a scheme, means the manager of the scheme;

‘marketing’, in relation to units in a licensed unit trust scheme, means -

a. issuing or causing to be issued any advertisement inviting persons to become or offer to become participants in that scheme or containing information calculated to lead directly or indirectly to persons becoming or offering to become participants in that scheme, or

b. advising or procuring any person to become a participant in that scheme;

and ‘to market’ shall be construed accordingly;

‘money market fund’: see regulation 2.05.3;

‘money market fund assets’: see regulation 5.15.2;

‘mortgage’ includes a charge, heritable security or other similar security created on or over an immovable property;

‘near cash’ means money, deposits or investments which fall within any of the following -

- a. money deposited with an eligible institution which is in -
 - (i) a current account; or
 - (ii) a deposit account, if the money can be withdrawn immediately and without payment of a penalty exceeding seven days’ interest calculated at ordinary commercial rates;
- b. certificates of deposit issued by an eligible institution if immediately redeemable at the option of the holder;
- c. Government and other public securities, if redeemable at the option of the holder or bound to be redeemed within two years;
- d. a bill of exchange issued by any Government or body within regulation 5.10.5 (issuers of Government and other public securities).

‘net asset value’: see regulation 5.03;

‘participant’ means holder;

‘period of the initial fixed price offer’: see regulation 4.01.2;

‘periodic valuation’: see regulation 4.29.1;

‘pre-listed security’ means a security which is not listed but for which there is an intention to obtain a stock market listing;

‘price’ in relation to a unit means the price of a unit calculated in accordance with Part IV of these Regulations before any adjustment for the effect of dilution.

‘price swing’ means an adjustment made to the price of a unit under regulation 4.29 and 4.30 to compensate for the effect of dilution.

‘property of the scheme’, in relation to a licensed unit trust scheme, means the capital property and the income property;

‘recently issued’: see, in relation to transferable securities, regulation 5.06.2;

‘recognised scheme’ means a scheme recognised under section 24 or 25 of the Act;

‘reconstruction’: see regulation 11.04;

‘redemption’, in relation to units in a scheme, means the purchase of units from a participant by the manager as a principal;

‘redemption price’ means the manager’s price for redemption under regulation 4.19;

‘register’: see regulation 6.01;

‘registrar’ means the person who maintains the register;

‘scheme’ means a licensed unit trust scheme;

‘Scheme documentation’ means scheme particulars and any other material documentation provided to participants or potential participants;

‘scheme particulars’ means particulars of a scheme prepared and published in accordance with Part IV and Schedule 1 to the Act;

‘securities’ has the same meaning as in section 2 of the Capital Markets Authority Statute and **‘security’** shall be construed accordingly;

‘securities fund’: see regulation 2.05.2;

‘short selling’ has the same meaning as in section 64 of the Capital Markets Authority Statute.

‘the Act’ means the Collective Investment Scheme Act 2002;

‘transferable security’: see regulation 5.05;

‘trust deed’ means the deed referred to in regulation 2.01 together with any deed expressed to be supplemental to it made between the manager and the trustee (or in the case of a recognised scheme, the instrument constituting the scheme as amended from time to time);

‘trustee’ has the meaning given in section 2 of the Act; ~~in relation to a scheme, means the trustee of the scheme; (see section 2 of the Act);~~

‘umbrella unit trust’ means a scheme which allows for such pooling as is mentioned in Section 3(3)(a) of the Act in relation to separate parts of the scheme property and whose unitholders are entitled to exchange rights in one constituent part for rights in another;

~~**‘umbrella fund’** means a scheme which provides for pooling in relation to separate constituent parts of the property and participants in which are entitled to exchange rights in one constituent part for rights in another;~~

‘unit’: has the meaning given in Section 2 of the Act; ~~see regulation 2.03;~~

‘units in existence’ means all units which have been created, but including any unit which the trustee is obliged to create, and excluding any unit which the trustee is obliged to cancel;

‘valuation point’: ~~A time fixed and disclosed by the Operator for the purpose of regular valuation of Scheme property. see regulation 4.05.2.~~