

Note: this document shows all amendments as marked up additions or deletions. There has been no attempt to re-order the glossary alphabetically or renumber where this will be needed.

**THE COLLECTIVE INVESTMENT SCHEMES
(CONDUCT OF BUSINESS AND MISCELLANEOUS) REGULATIONS 2003~~4~~**

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**THE COLLECTIVE INVESTMENT SCHEMES
(CONDUCT OF BUSINESS AND MISCELLANEOUS) REGULATIONS 2003³⁴**

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The Capital Markets Authority in exercise of the powers conferred by sections 30 and 31 of the Collective Investment Schemes Act 2003³² ("the Act") hereby makes the following regulations -

PART 1 INTRODUCTION

1.1 CITATION

These regulations may be cited as the Collective Investment Schemes (Conduct of Business and Miscellaneous) Regulations 2004³.

1.2 INTERPRETATION

1.2.1 Definitions

Schedule 1 to these regulations (Glossary) has effect for the interpretation of the expressions referred to in it.

Explanation: The use of capital letters at the beginning of a word signifies that it is amongst those which are defined.

1.2.2 Notes and explanations

Any note contained in these regulations forms part of them, but any explanation does not.

PART 2 STANDARDS OF CONDUCT

SECTION A FITNESS AND PROPERNESS

2.1 CRITERIA FOR JUDGING FITNESS AND PROPERNESS

2.1.1 Observance of the Principles

Each Licensed Person must recognise that the Authority has a continuing duty to determine whether a Licensed Person remains a fit and proper person to carry on its Permitted Business. In doing so, the Authority shall take account of whether the Licensed Person has observed the Principles in carrying on its Permitted Business or any other activities that may affect its Permitted Business.

Note: The Principles in the form current at the time of the making of these Regulations are set out in Schedule 2. Licensed Persons should read Regulation 2.1.1 for a further statement of the effect of the Principles on a Licensed Person's conduct of its Permitted Business.

2.1.2 Other matters which the Authority may take into account

The Authority may also take account of any other considerations

as the Authority sees fit. Such other considerations may include findings or decisions of courts or other bodies.

**SECTION B
COMPLIANCE WITH RULES AND
SPECIAL CONDITIONS**

2.2 REQUIREMENT TO COMPLY

2.2.1 Compliance with Regulations and Special Conditions

Each Licensed Person must comply with -

- (a) the Regulations; and
- (b) any Special Conditions imposed on or accepted by it.

**PART 3
CONDUCT OF BUSINESS RULES**

**SECTION A
SEEKING CIS CUSTOMERS AND ADVERTISING
FOR BUSINESS**

3.1 ADVERTISING: RULES OF GENERAL APPLICATION

3.1.1 Issue and approval of CIS Investment Advertisements

- (a) Where a Licensed Person issues or approves a CIS Investment or CIS Investment Services Advertisement or causes an ~~Investment~~ CIS or CIS Investment Services Advertisement to be issued or approved, it must

- (i) apply appropriate expertise; and
- (ii) be able to show that it believes on reasonable grounds that the advertisement is fair and not misleading.

- (b) Where a Licensed Person issues or approves a ~~CIS Specific Investment~~ or CIS Investment Services Advertisement or causes such an advertisement to be issued or approved it must ensure that the advertisement identifies it as issuer or approver and also identifies the Authority as its regulator.

Note: The CIS Advertising code applies where relevant to any CIS Investment Advertisement.

The CIS Advertising Code in the form current at the time of the making of these Regulations is set out in Schedule 3.

3.1.2 Issue and approval of CIS Published Recommendations

Regulation 3.1.1 also applies to all CIS Published

Recommendations to the same extent as it applies to CIS Investment Advertisements.

3.1.3 Approval procedure and records

When issuing or approving a CIS Investment or CIS Investment Services Advertisement and CIS Published Recommendation, a Licensed Person must ensure that -

- (a) it is approved by a specified individual who is responsible for seeing that the CIS Advertising Rules are, so far as applicable, complied with; and
- (b) records, including the name of the specified individual and the date of approval by him, together with a record of the evidence used to support any factual statement relevant to the product or service being advertised or recommended or of how access to such evidence may be obtained, are kept available for inspection by the Authority for not less than three years from the latest date of publication.

3.1.4 Submission of CIS Investment ~~a~~Advertisement/CIS ~~Published~~/Recommendation to Trustee/Depository

~~An Operator Licensed Person~~ shall send a copy of the CIS Investment Advertisement and CIS Published Recommendation issued ~~by it or~~ approved by the Depository or Trustee to the Licensed Person to the Trustee/Depository.

3.2 DIRECT OFFER CIS ADVERTISEMENTS

3.2.1 Restrictions and content

A Licensed Person must take reasonable steps to ensure that it does not issue or approve a Direct Offer CIS Advertisement ~~for the sale of Investments or the provision of Investment Services to a Customer~~ or cause the same to be issued or approved unless the advertisement -

- (a) gives information about the CIS Investment Services concerned ~~Investments or Investment Services~~ and the risks involved; and
- (b) either contains the prospectus and scheme particulars for the CIS Investment Services concerned or gives details of where a copy may be obtained.

3.3 INDUCEMENTS

3.3.1 Prohibition on Inducements

A Licensed Person must take reasonable steps to ensure that neither it nor any of its agents -

- (a) offers or gives; or
- (b) solicits or accepts;

either in the course of Regulated Business or otherwise, any Inducement which is likely to conflict with any duties of the recipient (or the recipient's employer) owed to CIS Customers in connection with Regulated Business.

~~Explanation: In judging whether their conduct meets the standards called for by this Rule, Licensed Persons may disregard the making of arrangements;~~

~~(a) between members of a Marketing Group, including their Appointed Representatives, or between any of those persons and their respective employees, for the purpose of marketing the Packaged Products of the group; and~~

~~(b) between members of a group for the purposes of selling the group's Investments or Investment Services;~~

3.3.2 A Licensed Person must maintain sufficient records so as to demonstrate compliance with regulation 3.3.1.

~~However, Licensed Persons should ensure that commission arrangements which are not disclosable, and any other Inducements, are unlikely so to influence the recipients as to cause them to breach any duties which they may have.~~

~~Arrangements for the rebate or discounting of commission will not constitute an Inducement where the Licensed Person can show that the arrangement is in the CIS Customer's interests and the amount or basis of the commission rebate or discount is disclosed to that CIS Customer.~~

~~*Note: Each Licensed Person is responsible for the conduct of its Appointed Representatives and if any of them breaches a Rule, the Authority may proceed as if the Licensed Person had committed the breach.*~~

SECTION B
DEALING, MANAGING AND ADVISING

3.4 SUITABILITY

3.4.1 Steps to ensure suitability of transactions in underlying securities for Collective Investment Schemes

The Operator of a Collective Investment Scheme ~~—~~ must take reasonable steps to ensure that transactions are suitable for the ~~s~~Scheme, having regard to the stated investment objectives of the ~~S~~Scheme.

3.5 CUSTOMER ORDER PRIORITY

3.5.1 Dealing fairly and in due turn

An ~~Operator-Licensed Person~~ should deal with CIS Customer, ~~CIS Customer~~ and Own Account Transactions fairly and in due turn.

3.6 TIMELY EXECUTION

3.6.1 Requirements for timely execution

Note: applies to dealings in Collective Investment Scheme units or shares and to dealings in underlying securities.

- (a) Once an ~~Operator-Licensed Person~~ has agreed or decided in its discretion to effect or arrange a Current CIS Customer Order ~~or~~ Current CIS Order it must effect or arrange the execution of the order as soon as reasonably practicable in the circumstances.
- (b) But this Regulation does not preclude an ~~Operator-Licensed Person~~ from postponing execution of an CIS Customer or CIS Order where it believes on reasonable grounds that this is in the best interests of the CIS Customer ~~or CIS~~.

3.7 BEST EXECUTION

Note: Applies to dealing in underlying securities

3.7.1 When and how to provide Best Execution

- (a) Where an ~~Operator-Licensed Person~~ deals ~~with or~~ for a ~~Customer~~ CIS or a CIS Customer, it must provide Best Execution.
- (b) An ~~Operator-Licensed Person~~ may rely on another person who executes the transaction to provide Best Execution, but only if it believes on reasonable grounds that he will do so.
- (c) For the purposes of this Regulation, an ~~Operator-Licensed Person~~ provides Best Execution -
 - (i) if it takes reasonable care to ascertain the price which is the best available for the ~~Customer~~ CIS ~~or CIS Customer~~ in the relevant market at the time for transactions of the kind and size

Note: Covers Operator selling securities as part of share exchange.

concerned; and

- (ii) unless the circumstances require it to do otherwise in the interests of the CIS or CIS Customer ~~Customer~~, it deals at a price which is no less advantageous to it ~~him~~;

and in applying this regulation on Best Execution, an Operator Licensed Person should leave out of account any Charges disclosed to the CIS or CIS Customer ~~Customer~~ which it or its agent would make.

- 3.7.2** Subject to regulation 3.7.1, there is no obligation on an Operator Licensed Person to provide Best Execution in relation to shares or units in a Collective Investment Scheme.

Note: Applies to dealing in shares or units of a Collective Investment Schemes

3.8 TIMELY ALLOCATION

3.8.1 Prompt allocation of transactions

An Operator Licensed Person must ensure that a transaction it executes is promptly allocated.

Explanation: Where an Operator Licensed Person has dealt collectively for CIS and CIS Customers, or for one or more CIS or CIS Customers and itself, or for non CIS Customers in addition to these allocation of the transaction should be completed as soon as possible after the transaction is effected. Where there is any delay in completing the allocation, particularly where the intended basis of allocation has not been determined in advance of dealing, the reason for the delay should be fully documented.

Note: Applies to dealing in underlying securities

3.8.2 Recording allocation

An Operator Licensed Person must make a record of the intended basis of allocation -

- (a) when the Operator Licensed Person is dealing for one or more CIS or CIS Customers ~~Customers~~, either before or as soon as possible after the transaction is effected; or
- (b) when the Operator Licensed Person is dealing for one or more CIS or CIS Customers ~~Customers~~ and itself, before the transaction is effected;

and that record must be kept for at least five years.

3.8.3 Re-allocation

If an Operator Licensed Person discovers an error, either in the

Note: Applies to dealing in underlying securities

intended basis of allocation or in the actual allocation, it may recommence the allocation on a different and correct basis provided that –

- (a) a written record of the reason for reallocation is made at the time of reallocation; and
- (b) it complies with all of the other provisions of regulation 3.9.1 and 3.9.2 so far as applicable.

3.9 FAIR ALLOCATION

3.9.1 Allocation of aggregated orders

Where an ~~Operator Licensed Person~~ has aggregated an Order for a CIS or CIS Customer Transaction with an Order for an Own Account Transaction, or with another order for a CIS or CIS or non CIS Customer Transaction, then in the subsequent allocation –

- (a) it must not give unfair preference to itself or to any of those for whom it dealt; and

Explanation: To avoid giving anyone "unfair preference" in allocating aggregated orders, allocations should be made in a manner which:

- (a) is fair as between the ~~Operator Licensed Person~~ and its CISs, CIS Customers and among its Customers themselves;
- (b) is reasonable in the interests of all; and
- (c) does not conflict with any relevant CIS Customer's instructions or the provisions of a CIS, his Customer Agreement.

- (b) if all cannot be satisfied, it must give priority to satisfying orders for CIS Transactions and CIS Customer Transactions unless it believes on reasonable grounds that, without its own participation, it would not have been able to effect those orders either on such favourable terms or at all.

3.9.2 Price at which allocations are to be effected

Each aggregated transaction shall be allocated at the price paid per unit allocated (taking into account all relevant fees and commissions).

3.9.3 Application of uniform standards

Each allocation made by an ~~Operator Licensed Person~~ must be made in accordance with standards and procedures which are uniform for all allocations made by the ~~Operator Licensed Person~~.

3.10 PROHIBITION ON INSIDER DEALING

3.10.1 Statutory restrictions on dealing

Note: Applies to dealing in underlying securities

(a) A Licensed Person must not effect (either in Uganda or elsewhere) an Own Account Transaction when it knows of circumstances which mean that it, its Associate, or an employee of either, is prohibited from effecting that transaction by the statutory restrictions on insider dealing.

~~For the purposes of Regulation 3.10.1 a Licensed Person may treat the following transactions as Customer Transactions:~~

~~(a) where the Licensed Person or a person in the same group as the Licensed Person is a Regulated Insurance Company, a transaction solely on the account of its life fund;~~

(b) A Licensed Person must use its best endeavours to ensure that it does not knowingly effect (either in the course of Regulated Business or otherwise) a transaction for a CIS or CIS Customer it knows is so prohibited.

~~(b) a transaction solely for the account of an Investment Trust or a Collective Investment Scheme which is a Body Corporate, which in either case is in the same group as the Licensed Person; or~~

~~(c) a transaction solely for the account of an employee (or his Close Relative) of the Licensed Person or its Associate, or a trustee acting on behalf of either of them, where the transaction was run on a proper basis of pre-established and generally applicable recorded principles and the employee is not himself an Associate of the Licensed Person or of its Associate.~~

(c) But paragraphs (a) and (b) do not apply where -

(i) the prohibition applies only because of knowledge of the Licensed Person's own intentions; or

~~(ii) the Licensed Person is a Recognised Market Maker with obligations to deal in the Investment; or~~

Note: reinsert if there are market markers in Uganda

(iii) the Licensed Person is a trustee or personal representative who acts on the advice of a third party appearing to be an appropriate adviser who is not so prohibited.

3.10.2 Requirement to notify the Authority

If a Licensed Person has reasonable cause to believe that it has effected a transaction prohibited under regulation 3.10.1, it must inform the Authority immediately.

SECTION C RECORDS AND DOCUMENTS

3.11 FAIR AND CLEAR COMMUNICATIONS

3.11.1 Requirements to ensure fair and clear communication

- (a) A Licensed Person may make a communication with another person which is designed to promote the provision of CIS Investment Services only if it can show that it believes on reasonable grounds that the communication is fair and not misleading.
- (b) A Licensed Person must take reasonable steps to ensure that any agreement, written communication, notification or information which it gives or sends to an existing or potential CIS Customer to whom it provides or hopes to provide CIS Investment Services is presented fairly and clearly.

3.12 REPORTING TRANSACTIONS

3.12.1 Duty to report

Note: Applies to dealing in underlying securities

An Operator must report to the Trustee or Depositary (in the form and manner prescribed by the Authority) details of all transactions effected outside a regulated market.

3.12.2 Form and content of reports

The report required by regulation 3.12.1 must be in such form as the Authority may prescribe, and must include the following details -

- (a) the particulars of parties to the transaction;
- (b) the identity of the relevant Investment, and the number of securities or other assets bought or sold;
- (c) the date and time of the transaction; and
- (d) the price paid or received.

3.12.3 Time limits for reporting

The report required by regulation 3.12.1 must be made no later than the end of the business day following the day on which the

transaction is effected.

3.12.4 Other reporting requirements

An Operator must comply with any obligation it may have to report transactions under the rules of a regulated market.

3.13 CONTRACT NOTES

3.13.1 Providing essential details of transactions

Note: Applies to both dealing in shares/units and underlying securities.

- a) ~~A Licensed Person-Depository or Trustee~~ which effects a sale or purchase of an Investment ~~with or~~ for a CIS customer must ensure that ~~the Operator of that CIS~~ is sent with due despatch a note containing the essential details of the transaction.
- b) ~~A Licensed Person which effects a sale or purchase of CIS units or shares on behalf of a CIS Customer must ensure that that Customer is sent with due despatch a note containing the essential details of the transaction.~~
- c) ~~An Operator which decides in its discretion to effect or arrange a CIS Order must ensure that the Depository or Trustee of that CIS is sent with due despatch a note containing the essential details of the transaction.~~

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SECTION D **CIS CUSTOMER~~CLIENT~~ MONEY**

3.14 DUTY TO OBEY ~~CLIENT~~CIS CUSTOMER MONEY REGULATIONS

3.14.1 An Operator shall comply with the requirements of this regulation and any other Client Money Regulations.

3.14.2 An Operator who holds CIS Customer~~Client~~ Money ~~on behalf of a Customer~~ must ensure that the money is paid forthwith into a Client Bank Account~~n-account~~ with an Approved Bank which is in the name of the Trustee or Depository~~Operator~~, ~~includes in its title an appropriate description to distinguish the money in the account from the Operator's money and is a current or deposit account.~~

3.14.3 An Operator may not hold CIS Customer~~Client~~ Money with an Approved Bank which ~~an Associate is in the same group as of~~ the Operator.

3.14.4 Notification to an approved Bank

- ~~+(a)~~ When an Operator opens a Client Bank Account, the Operator must give or have given written notice to the

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Approved Bank requiring the bank to acknowledge to it in writing –

- (i) that all money standing to the credit of the account is held by the Operator as trustee and that the bank is not entitled to combine the account with any other account or to exercise any right of set-off or counterclaim against money in that account in respect of any sum owed to it on any other account of the Operator;
- (ii) that interest earned on the account shall be credited to the account, or to an account of that type, and
- (iii) that the title of the account sufficiently distinguishes the account from any account containing money that belongs to the Operator, and is in the form requested by the Operator.

2(b) In the case of a Client Bank Account in Uganda, if the Approved Bank does not provide the acknowledgement referred to in paragraph (a) within 20 business days of the despatch of the notice by the Operator, the Operator must-

~~(i)~~ (i) withdraw all money standing to the credit of the account; and

~~(ii)~~ (ii) close that account, and deposit the money in a client bank account with another Approved Bank.

(c) No Operator shall commence business as an Operator of a Collective Investment Scheme unless it has opened a Client Bank Account which complies with the provisions of regulation 3.14.4.

3.14.5 Post-Dated Cheque

Where an Operator receives ~~CIS Customer~~Client Money in the form of a post-dated cheque it must-

~~(i)~~ (i) record within one business day of receipt of the cheque the date of receipt, the Customer's name and (if different) the name of the person on whose account the cheque is drawn, the date on the cheque and the amount of the cheque; and

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~~(ii)~~(ii) ensure that the cheque is kept safely until it is properly banked; and

~~(iii)~~(iii) on the due date the cheque is paid into the Client Bank Account as required by these regulations.

3.14.6 Discharge of fiduciary duty

- (a) Money ceases to be ~~CIS Customer~~Client Money if it is paid-
- (i) to the Customer; or
 - (ii) to a third party on the instruction of the Customer; or
 - (iii) into a bank account in the name of the Customer (not being an account which is also in the name of the Operator), or
 - (v) to the Operator itself where it may be so paid under these Regulations;
- (b) where an Operator draws a cheque or other payable order to discharge its fiduciary duty under paragraph (a), it must despatch that cheque or order to the CIS Customer, or to another party permitted by paragraph (a)(ii), within one business day of the cheque or order being drawn;
- (c) Where an operator makes a payment to a CIS Customer, or to a third party on the instructions of the CIS Customer, from an account other than a Client Bank Account, the sum of money in the Client Bank Account equivalent to the amount of that payment will not become due and payable to the Operator until the Customer or other party has received that payment in cleared funds, since only then will the Operator's obligations have been performed.

3.14.7 Payment of money into ~~C~~lient ~~B~~ank ~~A~~ccount on instruction of the Authority

Where, pursuant to an instruction lawfully given by the Authority, an Operator pays its own money into a Client Bank Account, such money must be treated as ~~CIS Customer~~Client Money for the purposes of these Regulations.

3.14.8 Segregation

- (a) Where an Operator holds ~~CIS Customer~~Client Money, it must ensure that, except to the extent permitted in paragraph (b), the money remains separate from the Operator's own money.
- (b) The only money other than ~~CIS Customer~~Client Money

which may be in a Client Bank Account is-

- (i) a minimum sum required to open the account or keep it in being; and
- (ii) interest credited to the account which exceeds the amount due to CIS Customers as interest and has not yet been withdrawn by the Operator.

3.14.9 Reconciliation

- (a) The Operator must reconcile any CIS Customer~~Client~~ Money accounts once in every 28 days.
- (b) The Operator shall have a time limit of 10 days to carry out the reconciliation after the 28 days.
- (c) Any failure to reconcile CIS Customer~~Client~~ Money Account must be reported forthwith to the Authority after the expiry of the 10 days.

SECTION E MONEY LAUNDERING

- 3.15.1** A Licensed Person shall comply with any relevant legislation relating to Money Laundering to the extent applicable to that Licensed Person.

SECTION F MANAGEMENT OF COLLECTIVE INVESTMENT SCHEMES

3.16 MATERIAL INTERESTS

3.16.1 Material Interests and conflicts of interest

Where a Licensed Person has a Material Interest in a transaction to be entered into with or for a CIS or CIS Customer, or a relationship which gives rise to a conflict of interest relating to such a transaction, the Licensed Person must not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless it takes reasonable steps to ensure fair treatment for the CIS or CIS Customer.

3.16.2 Fair Treatment

When taking reasonable steps to ensure fair treatment for the Customer an Operator of a Collective Investment Scheme, who has a Material Interest or conflict of interest relating to a transaction for the Scheme, must satisfy itself that the transaction is not precluded by law or, where applicable, by the Collective Investment Schemes (Unit Trusts) Regulations 2003~~4~~, the

Collective Investment Schemes (Investment Companies with Variable Capital~~Open Ended Investment Companies~~) Regulations 2004³ or by the Scheme Documents and that -

- (a) the Scheme Documents expressly permit such transactions to be effected despite the existence of a Material Interest or conflict; or
- (b) the Operator has fairly disclosed the potential interest or conflict in the initial prospectus or scheme particulars, or in its most recent report to the participants or to the Trustee or Depositary of the Scheme not more than 12 months before the date of the transaction; or
- (c) where such disclosure was impracticable, the Operator, in effecting the transaction, disregards the interest or conflict so that any disadvantage to the Scheme is avoided, or eliminates the interest or conflict.

3.17 SIGNIFICANT INFLUENCE OVER COMPANY MANAGEMENT

3.17.1 Acquisition of Securities carrying voting rights

The Operator of a Licensed Scheme may not acquire or cause to be acquired for the Scheme the Securities of any Body Corporate if they carry voting rights which, taken together with those of any such Securities which the Licensed Person as Operator already holds for that Scheme or for other Regulated Collective Investment Schemes, would give the Licensed Person power significantly to influence the conduct of business of that Body.

3.17.2 Operator Licensed Person to reduce influence

- (a) If the Operator Licensed Person acquires the power significantly to influence the conduct of business of a Body Corporate in circumstances or for reasons beyond its control, it must take steps to reduce that power below the significant level by disposing of Securities as soon as reasonably practicable having regard to the interests of present and future participants in the Scheme or Schemes concerned, and in any case within six months of becoming aware that it has acquired that power.
- (b) If an Operator Licensed Person acquires the power significantly to influence the conduct of a Body Corporate in consequence of its own decision, it must take immediate steps to dispose of Securities to reduce the power below the significant level, and if that action results in a loss being sustained by a Scheme the Operator Licensed Person shall from its own resources compensate the Scheme with cash.

3.17.3 Definition of significant influence

For the purposes of regulation 3.17.1 and 3.17.2 a power significantly to influence the conduct of business of a Body Corporate arises if the Licensed Person exercises or controls the exercise of ~~15~~20% or more of the votes eligible to be cast at general meetings of that body (disregarding for this purpose any temporary suspension of voting rights in respect of the Securities of that body).

3.18 PRICING CONTROLS

3.18.1 Application of Rules

- (a) Regulation 3.18.2 to 3.18.14 and regulation 3.18.16 apply to Operators
- (b) Regulation 3.18.15 and 3.18.17 apply to Depositaries and Trustees

Note: This Regulation provides details of the types of checks and standards of control which an Operator and the Depositary or Trustee must have in place for the valuation of the scheme property and pricing of shares or units.

It also details the type of control regime the Authority considers that an Operator must employ to satisfy its obligations in connection with the pricing of shares or units in Schemes under its control.

Evidence of persistent or repetitive errors, or errors consistently in an Operator's favour, is likely to make it more difficult for an Operator to demonstrate it meets the standards in this Regulation.

An Operator should determine its method for valuing the scheme property and apply it on a consistent basis

3.18.2 Source of share prices and currency rates

- (a) Share prices and currency rates used by an Operator shall be up to date and from a reputable source.
- (b) Although it should not be necessary to carry out significant substantive checking, the reliability of the source of prices and rates must be kept under regular review and doubtful prices or rates must be followed up.

3.18.3 Valuation agents

- (a) The use by an Operator of a third party to carry out the valuation function amounts to delegation.
- (b) Where the pricing function is delegated or when assistance is obtained the Operator must satisfy itself that

the valuation agent's system is robust and will produce accurate results.

- (c) An Operator must keep the valuation agent's controls and procedures under review. That review must ensure that changes to controls and procedures, including a series of minor changes, do not have a significant adverse effect on the accuracy of the system.
- (d) An Operator must review the outputs from the system regularly and any significant system change.
- (e) In addition, if the valuation agent is also responsible for calculating dealing prices of units or shares, an Operator must regularly review this system.

3.18.4 Reconciliation

- (a) Unless the valuation and record keeping systems are integrated, the valuation output must be agreed with an Operator's records of the scheme at each valuation point.
- (b) In addition, an Operator's records, including debtors and creditors, must be agreed with the Depositary's or Trustees' records of stocks and both capital and income cash on at least a calendar month basis between the Operator and Trustee or Depositary. Reconciling items must be followed up promptly, and debtors reviewed for recoverability.

3.18.5 Inclusion of investment transactions in valuations

- (a) Systems must be in place by which all Investment Transactions are confirmed as quickly as possible in writing or by electronic means to an Operator or to a valuation agent.
- (b) It is desirable that all deals to which the Licenced Scheme is committed, which have been notified not less than one hour before a valuation, are included in that valuation, at estimated prices if necessary.
- (c) Unless, however, there is likely to be significant movement in the price of a unit, it is more important that an accurate cut-off procedure is in place to ensure that omissions or duplications do not take place, than it is to ensure that estimates are included in a valuation.

3.18.6 Prices obtained otherwise than from the main pricing source

- (a) Where prices are obtained otherwise than from the main pricing source (for example unquoted, suspended, or illiquid stocks), an Operator must maintain a record of the

source and basis for the value placed on the Investment.

(b) The methodology, procedure and controls for the valuation of those ~~Investments~~~~Securities~~ must be regularly reviewed to ensure that the valuations are fair and reasonable in the circumstances.

(c) Where no price is available from a main pricing source, valuation of equities shall be at cost of acquisition unless:

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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

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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

d) For debt instruments where no price is available from a main pricing source, short term debt instruments ie those with a maturity of under 365 days at the valuation point shall be valued at 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.

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e) For debt instruments where no price is available from a main pricing source, longer term debt instruments ie those with a maturity of over 365 days at the valuation point shall be valued on the basis of applying the redemption yield according to the 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.)

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3.18.7 Investment and borrowing powers/compliance

Licensed Persons must have Pprocedures ~~must be~~ in place to monitor the applicable rules and should breaches occur, ensure

they are rectified promptly.

3.18.8 Unapproved securities

To assist with the identification of the level of investment in Securities that are not Approved Securities, the Operator must notify the Depository or Trustee of any trade in Unapproved Securities by no later than the close of business following the date of the transaction(s).

3.18.9 Dividends, interest and expenses

- (a) A system must be in place to ensure that dividends are accounted for as soon as stocks are quoted ex-dividend, unless, ~~as with some foreign stocks,~~ it is prudent to account for them only on receipt.
- (b) Fixed interest dividends and interest must be accrued at each valuation point unless the level of materiality makes a longer interval appropriate.
- (c) ~~Similar considerations apply to the e~~Expenses of a Licensed Scheme must be accrued unless the level of materiality makes a longer interval appropriate.

3.18.10 Tax positions relevant to the Licensed Scheme

- (a) The full tax position must be reviewed regularly, including the basis for the current tax charge, the assumptions being used, and the tax rate applicable.
- (b) Adjustments must be made for substantive changes for example alterations to the tax profile or likely tax charge) when they occur.

3.18.11 Valuation limits

- (a) An Operator must fix a percentage or absolute limit for certain key elements of the valuation so that any movement outside these limits is investigated. The investigation and its outcome must be evidenced and retained by the Operator.
- (b) These key elements where relevant, include:
 - (i) the movement of the prices and values of individual stocks;
 - (ii) changes in currency rates; and
 - (iii) accrual figures for income, expenses, and tax.

Prices which appear not to have changed after a fixed period of time should be investigated, since this may be the result of a price movement having been missed.

3.18.12 Cash

Cash must be reconciled to the bank account regularly, with outstanding items promptly followed up and a full reconciliation should be sent to the Depositary or Trustee at a frequency agreed with the Depositary or Trustee.

3.18.13 Recording of shares or units in issue

Controls must be in place to ensure that the correct number of units/shares in issue is recorded at each valuation point. This must be reconciled with the register of unitholders or shareholders on at least a calendar monthly basis.

3.18.14 Verification by the Investment Adviser of the assets of the Licensed Scheme

Where an Investment Adviser is appointed to a Licensed Scheme, a copy of the valuation used by the Investment Adviser to produce the price of the units should be sent to the Operator at least weekly, which the Operator must check. When the Scheme's valuation point is less frequent than weekly, a copy of the valuation used should be sent to the Operator as soon as practicable after the valuation point.

3.18.15 Review by the Depositary or Trustee of Operator's controls and systems

Exxplanation

Regulation 3.18.15 provides details of the types of checks a Depositary or Trustee must carry out to be satisfied that the Operator adopts controls and systems which are appropriate to ensure that prices of units are calculated correctly and to ensure that the likelihood of incorrect prices will be minimised. These checks also apply where an Operator has delegated all or some of its pricing functions to a third party

- (a) The Depositary or Trustee must thoroughly review an Operator's controls and systems to confirm that they are satisfactory.
- (b) This review must be carried out:
 - (i) at the start of a Depositary's or Trustee's² appointment;
 - (ii) thereafter, on a frequency dependent on the risk profile of the Licensed Scheme;
 - (iii) when major changes are made by an Operator to its systems; and
 - (iv) when necessary, to ensure that a series of minor changes do not have a significant adverse effect on

the integrity of the systems.

- (c) A review must be carried out more frequently where a Depositary or Trustee knows or suspects that an Operator's controls and systems are weak or are otherwise unsatisfactory. In particular, the prices of Unapproved Securities and (where noted) the basis for their calculation must be subjected to frequent verification and an examination of the sources of the prices of those Securities should be carried out.
- (d) Additionally, a Depositary or Trustee must from time to time review other aspects of the valuation of the scheme property of each Licensed Scheme for which it is responsible, verifying, on a sample basis, if necessary, the assets, liabilities, accruals, units issued, Securities prices and any other relevant matters.
- (e) The Depositary's or Trustee's² review should include any analysis of the controls in place to determine the extent to which reliance can be placed in them.
- (f) A Depositary or Trustee should ensure that any issues, which are identified in any such review, are properly followed up and resolved.
- (g) Where an Operator's systems are manual, or have been installed or amended recently and are therefore unproven, the level of checking will need to be increased accordingly. This will also be necessary where a number of instances of incorrect pricing have previously been identified

3.18.16 Recording and reporting by the Operator

An Operator must record each instance where the last whole figure in shillings² of a price of a unit or share is incorrect, and, as soon as the error is discovered, report the fact to the Depositary or Trustee together with details of the action taken, or to be taken, to avoid repetition.

Explanation:
The purpose of this provision is that the Operator should take account only of a rounded price in shilling ignoring any fractions.

3.18.17 Reporting by the Depositary or Trustee

- (a) The Depositary or Trustee must report to the Authority any instances of incorrect pricing immediately upon receipt of notice from the Operator and in doing so state:-
 - (i) whether an Operator has followed the pricing controls set out in regulation 3.18.2 to 3.18.14
 - (ii) the significance of any breakdown in management controls or other checking procedures;

- (iii) the significance of any failure of systems, including situations where inadequate back-up arrangements exist; and
 - (iv) the duration of an error (the longer error persists, the more likely that it will have a material effect on price).
- (b) The Depositary or Trustee must also report to the Authority immediately any instance of incorrect pricing where the error is greater than 10.5% of the price of a unit share where the Depositary or Trustee believes that reimbursement or payment is inappropriate and should not be paid by an Operator
- (c) where a pricing error is less than 10.5%, the Depositary or Trustee may agree that there is no need to compensate either the Licensed Scheme or the CIS Customers of that Scheme fund or the investor, if the Depositary or Trustee is satisfied that the Operator has followed the pricing controls specified in these regulations. In this event, the Depositary or Trustee must make and retain records of that decision.

SECTION G

DEPOSITARY AND TRUSTEE ACTIVITIES

3.19 GENERAL

3.19.1 Application of Rules

The regulations in this Section apply to a Licensed Person only in relation to those Depositary and Trustee Activities provided to Licensed Schemes under the Act which constitute Investment Business of a kind with which the Authority is concerned and to which the Regulations apply. In undertaking such Activities a Depositary or Trustee is subject to the provisions of this Section whether it undertakes such Depositary and Trustee Activities regularly or on an isolated occasion. It shall also comply with all the other provisions of the Regulations.

Note: The Licensed Person should note from Regulation 3.19.1 that the regulatory regime reflected in Section G applies to a Depositary or Trustee only in relation to its "Depositary and Trustee Activity", which is any activity undertaken in the course of or incidental to the exercise of any of its powers, or the performance of any of its duties, when acting in its capacity as a Depositary or Trustee to a Licensed Scheme.

3.19.2 Exception to Regulation 3.19.1

A Depositary or Trustee will not be taken to have breached the Regulations applying to it if it contravenes them as a result of a

legal duty.

3.19.3 Use of Permitted Third Party (PTP)

A Depositary or Trustee may use the services of a PTP only if:-

- (a) the Depositary or Trustee has notified the Authority of its intention to use such services either generally or in relation to specific activities constituting Investment Business;
- (b) the Depositary or Trustee reasonably believes that the PTP is suitable to perform for the Depositary or Trustee the investment activity in question;
- (c) the use of such services is authorised whether under the express terms of the instrument governing the Scheme or otherwise and is not prohibited by any applicable law;
- (d) the use of such services is reasonable in the circumstances and, in a case where the PTP is managing investments, the Depositary or Trustee exercises reasonable supervision over that activity;
- (e) the Depositary or Trustee supplies to the PTP all information believed by the Depositary or Trustee to be material and any other relevant information reasonably requested by the PTP; and
- (f) where a Complaint about an activity being carried on by a PTP for a Depositary or Trustee is referred to the Depositary or Trustee by a ~~CIS Customer shareholder, settlor, beneficiary or co trustee of a trust of of a CIS to~~ which the Depositary or Trustee is a depositary or trustee, the Depositary or Trustee promptly considers whether, consistently with its duties as such depositary or trustee, it should pursue the Complaint against the PTP and, if it so concludes, promptly pursues the Complaint accordingly.

3.19.4 Interpretation of Regulations

~~Unless otherwise expressly provided in this Section, the Regulations which apply to a Depositary or Trustee shall be construed:-~~

~~(a) as if references to:~~

~~“Customer” were to the scheme of which the Depositary or Trustee/depositary is a custodian or trustee or depositary and with which or for the benefit of which the relevant activity is or is to be carried on; and the terms Private Customer, Execution only Customer, Discretionary Customer, Current Customer Order,~~

~~Customer Transaction, Customer Title Documents and Customers' Asset Rules shall be construed accordingly;~~

~~"Customer Agreement" were to the instrument governing the trust or the instrument of incorporation;~~

- ~~(b) as if for all purposes of the Regulations the scheme is a Customer;~~
- ~~(c) as if all references to a shareholder, a settlor, a beneficiary or co-trustee were references to a shareholder, settlor, beneficiary or co-trustee of the trust or Open Ended Investment Company in relation to which the Depository or Trustee Activity in question is being carried on;~~
- ~~(d) as if the term beneficiary includes, where appropriate, a holder of units or the equivalent in any Collective Investment Scheme; and~~
- ~~(e) as if, where a Trustee is required by any of the Regulations in this Section to provide information to or obtain consent from, a Customer, the Trustee were required to ensure that the information is provided to, or consent is obtained from, each of its co-trustees (if any) unless the context otherwise requires.~~

Note: A Trustee will not incur any obligation under this Regulation in respect of any trust of which it is the sole trustee.

3.20 CONDUCT OF BUSINESS

Depositories or Trustees of Licensed Collective Investment Schemes:

- 3.20.1 (a) In relation to its activities as Depositories or Trustees of a Licensed Scheme a Depository or Trustee shall be treated as having contravened these Regulations if it contravenes any of the applicable requirements of the Collective Investment Schemes (Unit Trusts) Regulations and the Collective Investment Schemes (Investment Companies with Variable Capital~~Open Ended Investment Company~~), Regulations and any other regulations under the Act applicable to the conduct of CIS Trustee/Depository business.
- (b) The Depositories or Trustees of a Licensed Scheme must report in writing to the Authority forthwith any facts which come to the knowledge of the Depository or Trustee of the Licensed Scheme from which it appears or might appear that the Operator of the Scheme has failed materially -
 - (i) to give correct instructions to the Depository or Trustee to create or cancel shares/units in the Scheme when the Operator should have done so;

- (ii) to price units in the Scheme in accordance with the provisions of the Collective Investment Schemes (Unit Trusts) Regulations and the Collective Investment Schemes (Investment Companies of Variable Capital~~Open-Ended Investment Company~~) Regulations; or
 - (iii) to ensure that any CIS or CIS-Related Investment Advertisement issued or approved by the Operator complies with the CIS Advertising Rules.
 - (iv) To comply with these Regulations, the Collective Investment Schemes (Unit Trusts) and Collective Investment Schemes (ICVC) Regulations and governing Scheme Documentation.
- (c) The Depositary or Trustee of a Licensed Scheme must submit to the Authority every three months a written return (to be received by the Authority not later than one month after the end of that period) stating, by reference to the Operator of each Licensed Scheme in respect of which Licensed Person is a Depositary or Trustee the number of times during the period covered by the return in which facts came to the Licensed Person's knowledge from which it appeared or might have appeared that the Operator had failed (materially or otherwise) in the manner set out in paragraphs (b) (i) ~~– (iv) and (ii)~~ above, unless such failure was an isolated incident.
- (d) The Depositary or Trustee of a Licensed Scheme must comply with regulation 3.14 as if it were an Operator in relation to its function as Eligible Custodian of the property of the scheme.

3.21 COMPLIANCE, REPORTING AND RECORDS

3.21.1 Maintenance of Records

A Depositary or Trustee shall maintain all appropriate records to enable it to report to the Authority (in whatever manner as prescribed) covering its own licensed activities, and those of Operators for whom it acts in this respect.

3.22 SCHEME MONEY

3.22.1 Scheme money to be held with an Approved Bank

- (a) Where a Depositary or Trustee holds Scheme ~~m~~Money it must ensure that the money is held in a separately designated bank account with an Approved Bank, but this

does not apply to a Depositary or Trustee which is a bank and holds scheme money in a designated bank account with itself.

- (b) A separate Scheme Money Bank Account must be held for each Scheme for which the Depositary or Trustee acts in this capacity.

3.22.2 Segregation

- (a) Where a Depositary or Trustee holds Scheme money, it must ensure that, except to the extent permitted or provided for in regulation 3.22.3, the money remains separate from its own money.
- (b) The only money other than scheme money which may be held in a Scheme Money Bank Account is -
 - (i) a minimum sum required to open the account or keep it in being; and
 - (ii) any money temporarily in the account pursuant to paragraph (c) of regulation 3.22.3.

3.22.3 Payment of scheme money into Scheme Money Bank Account

- (a) Where a Depositary or Trustee begins to hold Scheme money, it must either—
 - (i) pay it as soon as possible (and, in any event, no later than the next business day after so beginning) into the relevant Scheme Money Bank Account; or
 - (ii) pay it out, or pay it over in a manner which ensures that it is no longer scheme money.
- (b) Where scheme money is received by the Depositary or Trustee in the form of an automated transfer, the Depositary or Trustee must ensure that -
 - (i) where possible, the money is transferred into the relevant Scheme Money Bank Account; and
 - (ii) in the event that the money is transferred into the Depositary's or Trustee's own account the money is paid into the relevant Scheme Money Bank Account no later than the next business day after the transfer.
- (c) Where a Depositary or Trustee receives a 'mixed remittance' (that is an aggregate sum of money which is

in part scheme money and in part other money) it must pay the full sum into the relevant Scheme Money Bank Account, but must then ensure that, except to the extent that it represents fees and commission due to it, the other money is paid out of the account within one business day of the day on which the Depositary or Trustee would normally expect the remittance to be cleared.

- (d) Where a Depositary or Trustee receives dividends overseas on behalf of ~~Licensed Schemes-its trusts or scheme~~, it may pay that money into any bank account operated by it, provided that the Depositary or Trustee ensures that such money is distributed to the ~~S~~schemes concerned, or paid into a separately designated bank account, within five business days of receipt.

3.22.4 Payment of money into Trust Money Bank Account on instruction of the Authority.

Where pursuant to an instruction lawfully given by the Authority, a Depositary or Trustee pays its own money into a separately designated bank account, such money must be treated as ~~S~~scheme money for the purposes of regulation 3.22.1 to 3.22.13.

3.22.5 Accounting Records

- (a) A Depositary or Trustee must keep accounting records which are sufficient to show and explain its transactions in respect of scheme money, and which must in particular contain -
- (i) entries from day to day of -
 - (1) all money which is paid into or out of any Scheme Money Bank Account; and
 - (2) receipts and payments of scheme money not passed through a Scheme Money Bank Account identifying the persons to whom each such receipt and payment relates; and
 - (ii) a record of the balances held on each Scheme Money Bank Account.
- (b) The accounting records must also show, in respect of each deposit into or withdrawal from a Scheme Money Bank Account
- (i) the name of the Scheme concerned;
 - (ii) the date; and

- (iii) the name of the person to whom (or, or in the case of a deposit, from whom) the money was paid or transferred (or, in the case of a deposit, received).

3.22.6 Nature of Accounting Records

- (a) Accounting records may be kept in a form other than a document or copy of a document, provided that the record can be reproduced in hard printed form.
- (b) Where all the accounting records relating to any scheme are not kept together, each document or group of documents relating to it must be accompanied by an indication that other accounting records relating to that scheme exist, and how access to them can be obtained.
- (c) Subject to paragraph (d), a Depositary or Trustee may accept and rely on accounting records supplied by a third party so long as those records are capable of being, and are, reconciled with records created by it.
- (d) A Depositary or Trustee may delegate to a third party its obligations to keep accounting records under regulation 3.19.1 to 3.19.13 but the Depositary or Trustee shall be responsible for the accuracy of those records, and for their compliance with the regulations as if the records had been prepared by it.
- (e) Accounting records must be kept in English.

3.22.7 Audit Trail

- (a) Information required to be recorded must be recorded in such a way as to enable a particular transaction to be identified at any time and traced through the accounting systems of the Depositary or Trustee.
- (b) All accounting records must be arranged, filed and indexed so as to permit prompt access to any particular records.

3.22.8 Retention of Records

- (a) A Depositary or Trustee must keep the records required by regulation 3.22.5 to 3.22.7 (together with any working papers which are created to assist in the preparation of a reconciliation or other record) for a period of six years after the date on which they are made or prepared.
- (b) During the first two of the six years in paragraph (a), records and working papers must be kept either at a place where the Depositary or Trustee carries on business or in such manner that they can be produced

at such a place within 24 hours of their being requested.

3.22.9 Reconciliation of Depositary's or Trustee's records with Approved Bank's records

- (a) Subject to paragraph (b) of regulation 3.22.9, the Depositary or Trustee must -
- (i) as often as necessary to ensure the accuracy of its records, and at least once in every five weeks, reconcile the balance on each Depositary or Trustee Scheme Money Bank Account (as recorded by the Depositary or Trustee) with the balance on that account (as set out on the statement or other form of confirmation issued by the Approved Bank), currency by currency;
 - (ii) perform the reconciliation carried out in accordance with paragraph (i) within 10 business days of the date to which the reconciliation relates; and
 - (iii) correct any difference arising on the reconciliation as soon as possible, unless the difference arises solely as a result of timing differences between the accounting systems of the Approved Bank and of the Depositary or Trustee.
- (b) Paragraph (a) above does not apply to a Depositary or Trustee which is a bank to the extent that it holds Scheme~~trust~~ money with itself. Such a Licensed Person must -
- (i) as often as necessary to ensure the accuracy of its records, and at least once in every five weeks, ensure that the balance on each Scheme Money Bank Account held by it properly reflects all sums of money paid into or out of that account as recorded in accordance with regulation 3.22.5; and
 - (ii) must correct any difference arising as soon as possible.

3.22.10 Failure to perform Reconciliations

- (a) A Depositary or Trustee must notify the Authority forthwith where it is unable to perform the Reconciliations required by regulation 3.22.9.

- (b) Where a Depositary or Trustee is unable to resolve a difference arising from a reconciliation within the period allowed for the performance of the reconciliation under these Rules, but one of the sets of records examined by the Depositary or Trustee during its performance of the Reconciliation indicates that there might need to be a greater amount of money in the relevant Scheme Money Bank Account than is in fact the case, the Depositary or Trustee must assume, until the matter is finally resolved, that that set of records is accurate and pay its own money into the relevant Scheme Money Bank Account; and such money will henceforward be treated as scheme money (until any time at which such difference is resolved, when the money concerned will be repaid to the Depositary or Trustee).

3.22.11 Notification to the Authority on default of an Approved Bank

A Depositary or Trustee must notify the Authority as soon as it is aware of the default of any Approved Bank with which it has deposited scheme money.

3.22.12 Auditor's report

- (a) A Depositary or Trustee must cause such records as are required to be maintained by regulation 3.22.1 to 3.22.11 to be examined from time to time by its auditor.
- (b) The auditor shall report to the Authority in writing, in relation to the same periods in respect of which he is required to report on the Depositary's or Trustee's financial statements or, where the Depositary or Trustee is not required to prepare such statements, in relation to periods of not more than twelve months -
 - (i) whether or not, in his opinion, the Depositary or Trustee has adequate systems to have enabled it to comply with regulation 3.22.1 to 3.22.11 throughout the period reported on;
 - (ii) whether or not, in his opinion, the Depositary or Trustee was, at the conclusion of that period, in compliance with regulation 3.22.1 to 3.22.11; and
 - (iii) any breaches of the regulations which had come to his attention during the period (disregarding any trivial breaches)

3.22.13 Submission of Auditor's report

A Depositary or Trustee must ensure that the audit report is complete and sent to the Authority within three months of the end

of the period to which it relates.

PART 4 COMPLIANCE, REPORTING, RECORDS AND COMPLAINTS

SECTION A COMPLIANCE, INSPECTIONS AND RESEARCH

4.1 COMPLIANCE ARRANGEMENTS: GENERAL

4.1.1 Compliance by Officers and employees with the regulatory system

- (a) A Licensed Person must take reasonable steps, including the establishment and maintenance of procedures, to ensure that its Officers and employees act in conformity with their own and their employer's relevant responsibilities under the regulatory system.

Principle 9 requires a Licensed Person to have adequate arrangements to ensure that its employees are suitable, adequately trained and properly supervised. These arrangements should cover recruitment procedures, including the vetting of applicants for employment and the taking-up of references.

- (b) The duty under regulation 4.1.1 (a) includes a duty to take reasonable steps to ensure that its Officers and employees are fit and proper persons to be engaged in the duties assigned to them.

4.1.2 Appointment of a Compliance Officer

A Licensed Person must ensure that its Compliance Procedures include the appointment of a Compliance Officer of appropriate status and experience.

4.1.3 Written Statement of Compliance Procedures

A Licensed Person must ensure that its Compliance Procedures are set out in writing and that a copy of that part of the written Compliance Procedures relevant to the Permitted Investment Business carried on by a given office of the Licensed Person is kept at that office. Copies of the document must be available to each Officer and employee of the Licensed Person who is engaged

A Licensed Person may record its Compliance Procedures in more than one document, in order to tailor its compliance manual to the requirements of different offices or departments.

in the Licensed Person's Permitted Business.

4.1.4 Supervision of Company Representatives

A Licensed Person must establish and maintain procedures with a view to ensuring that each of its Company Representatives -

- (a) does not procure, endeavour to procure or advise anyone to enter into a transaction if the Company Representative is not competent to advise on that transaction or to assess its suitability for investors; and
- (b) behaves in a reasonable manner when calling upon a customer.

4.1.5 Contracts of employment and contracts for services

A Licensed Person must -

- (a) ensure that under their terms and conditions of service, or contracts for services, each of its employees who are engaged in its Permitted Business or in activities affecting that business, give the undertakings in regulation 4.1.6;
- (b) use all reasonable endeavours to ensure that all other persons who are engaged in its Permitted Business or in activities affecting that business give those undertakings.

Note: The undertakings required to be given by employees and Appointed Representatives by Regulation 4.1.6 may be contained in their contracts of employment or for services or in any other separate document.

4.1.6 Undertakings required

Each person referred to in regulation 4.1.5 must individually or corporately in so far as it is reasonably in that person's power, undertake to obey -

- (a) the Regulations as if they were directly binding; and
- (b) the Licensed Person's written Compliance Procedures.

4.1.7 Consequence of breach

In the event of a breach of any of the terms and conditions of service or contracts for services referred to in Regulation 4.1.5 which the Authority shall consider material, a Licensed Person must take such steps as the Authority may in writing request and as may be within the power of the Licensed Person, to enforce the relevant terms and conditions or contracts.

4.2 ACCESS AND INSPECTIONS

4.2.1 Access and Inspections by the Authority

Records required to be maintained by the Regulatory System may be inspected by the Authority.

4.2.2 Extension of Regulation 4.2.1

- (a) The Authority shall also be entitled to conduct Inspections of the conduct of the whole or any part of any Licensed Person's activities relating to or affecting a Licensed Person's Permitted Business.
- (b) Any Inspection carried out under regulation 4.2.1 or paragraph (a) above may be conducted on any basis that the Authority considers appropriate.

Note. "Inspection" is defined to mean "an Inspection of whatsoever kind" carried out under Regulation 4.2.1 or 4.2.2. Therefore it may include routine Inspections on a pre-arranged basis and random spot checks.

4.2.3 Co-operation by Licensed Persons

Each Licensed Person must co-operate to the fullest possible degree with any Inspection. Without limiting the generality of this obligation, a Licensed Person must ensure that it and, to the extent that they are under its power or control, any persons who are its Directors, Officers, employees or Company Representatives, shall upon request -

- (a) make themselves readily available to any Inspection Team;
- (b) produce to any Inspection Team any documents, files, computer data and other material in his or its possession, power or control that the team considers necessary for the performance of its duties;
- (c) give any Inspection Team access at all times to the Licensed Person's premises and reasonable facilities therein (including access to any records, files or computer systems) as the Inspection Team may require;
- (d) permit any Inspection Team to copy documents or other material on the Licensed Person's premises or elsewhere at the Licensed Person's expense and to remove copies and hold them elsewhere;
- (e) answer truthfully, fully and promptly all questions put to them by any member of an Inspection Team; and
- (f) suspend recording entries until checks on the observance of the Regulations have been completed.

4.3 STATEMENTS OF REPRESENTATION

4.3.1 Obligations to deliver

Each Licensed Person must provide the Authority once a year (or more frequently if deemed necessary by the Authority) with a written Statement of Representation for the period since the previous statement (or, if none, since the Licensed Person became licensed) to a date determined by the Authority, being either the Licensed Person's Mid-Year Point or, in special circumstances, an alternative date agreed with the Authority.

4.3.2 Form and contents

Statements of Representation must be in the form set out in, and provide the information required by, Schedule 4.

4.3.3 Time limits for submission

A Statement of Representation must be received by the Authority not more than two months after the end of the period to which it relates.

4.4 COMPLIANCE ARRANGEMENTS: INSIDER DEALING

4.4.1 Compliance by Officers and employees with statutory restrictions

A Licensed Person must take reasonable steps, including the establishment and maintenance of procedures, to ensure that its Officers and employees act in conformity with, where relevant, the requirements of the statutory restrictions on insider dealing.

4.5 COMPLIANCE ARRANGEMENTS: PERSONAL DEALINGS

4.5.1 Compliance by Officers and employees with personal dealing arrangements

A Licensed Person must take reasonable steps, including the establishment and maintenance of procedures, to ensure that its Officers and employees act in conformity with appropriate arrangements on propriety in personal dealings.

4.5.2 Prohibited dealings

Each Licensed Person must take reasonable steps to ensure that none of its Officers or employees, either on his own account or on that of any Connected Person, effects any transaction -

- (a) in an Investment at any time if he knows or should reasonably know that this would contravene the provisions of section 89 of the Capital Markets Authority Statute, 1996 or paragraph (b) of regulation 3.10.1; or

- (b) if he knows or should know that to do so would involve him in a conflict between his own interest or that of any Connected Person and that of any CIS or CIS Customer or his duty to any CIS or CIS Customer; ~~or~~
- ~~(c) in an Investment of a description in relation to which the Licensed Person carries on Investment Business, unless the Licensed Person has consented to that particular transaction or to transactions generally in Investments of that description; or~~
- ~~(d) in an Investment with a Customer whose portfolio is under the discretionary management of the Licensed Person, unless he has the specific written consent of the Licensed Person which may be given only when the Customer is the spouse, cohabitant or infant child of the Officer or employee.~~

4.5.3 Notification of dealings

Licensed Persons must take reasonable steps to ensure that its Officers and employees inform the Licensed Person as soon as reasonably practicable after a transaction of the kind described in paragraph ~~(a)~~ or ~~(b)~~ of regulation 4.5.2 has been effected.

4.5.4 Records

Each Licensed Person must make a record of ~~each consent given under paragraph (c) or (d) of regulation 4.5.2 above and~~ each notification given in accordance with regulation 4.5.3.

4.5.5 Disclosure of office or employment

Each Licensed Person must take reasonable steps to ensure that, if any of its Officers or employees, either on his own account or on that of any Connected Person, with or through the agency of another Licensed Person, effects a transaction relating to an Investment of a description in relation to which the Licensed Person carries on Permitted Investment Business -

- (a) he informs that other Licensed Person that he is an Officer or employee of the Licensed Person; and
- (b) he does not request or accept from that other Licensed Person any credit or special dealing facilities in connection with the transaction unless the Licensed Person has given specific consent.

4.5.6 Notification of transactions effected

A Licensed Person must ensure that, if any of its Officers or employees effects a transaction in an Investment of any

description with or on behalf of a Customer whom he knows to be an Officer or employee of a person who carries on Investment Business in relation to Investments of the same description, that person is informed of the transaction, its terms and the identity of the Customer, unless the Officer or employee has good reason to believe that that person has consented to the transaction being effected.

4.5.7 Observance by Connected Persons

A Licensed Person must take reasonable steps to ensure that each of the Licensed Person's Officers or employees, takes reasonable steps to ensure that when any Connected Person is acting on his own account, that person observes the requirements of regulation 4.5.1 to 4.5.6 as though they applied to that person. This regulation 4.5.7 does not apply where the Connected Person is an Officer or employee of another Licensed Person and acts on his own account in connection with a transaction in an Investment of a description in relation to which that other Licensed Person carries on Permitted Investment Business.

Note: The term "Connected Person" is defined in the Glossary to mean anyone connected with the Officer or employee concerned by reason of a domestic or business relationship (other than as arises solely because that person is a CIS or Non CIS Customer of the Licensed Person), such that the Officer or employee has influence over that person's judgment as to how to invest his property or exercise any rights attaching to his Investments.

4.6 RECORDS

4.6.1 Recording requirements

- a) A Licensed Person must take reasonable steps, including the establishment and maintenance of procedures, to ensure that sufficient information is recorded and retained about its Regulated Business.
- b) Information required to be recorded must be recorded in such a way as to enable a particular transaction to be identified at any time and traced through the accounting systems of the Licensed Person.
- c) All accounting records must be arranged, filed and indexed so as to permit prompt access to any particular records.

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4.6.2 Records to be kept

Each Licensed Person must make a record of those events and matters which concern it as specified in Schedule 5; and must keep such records for the minimum period of retention specified in that Schedule even if this extends beyond the cessation of the Licensed Person's business.

A Licensed Person may keep a record required under Regulation 4.6.2 in any form provided it is capable of reproduction in hard printed form within one business day.

4.6.3 Form of records

The records referred to in regulation 4.6.2 must be maintained in English.

4.6.4 Inspection of records relating exclusively to one CIS Customer

A Licensed Person must, on reasonable notice, allow a CIS Customer to inspect, either personally or through an agent, any record of matters relating exclusively to him within seven days of receiving his request.

4.6.5 Inspection of other records

If a Licensed Person's CIS Customer asks to inspect any entries in its records which relate to transactions effected by the Licensed Person with or for him, but which are not exclusive to him, the Licensed Person may refuse but, if so, the Licensed Person must inform the Customer that the Customer has the right to inspect those entries if the Authority thinks it appropriate.

4.6.6 Destruction of records or files

Without limiting any other obligation under the Regulations or under general law, each Licensed Person must take all steps within its power to ensure that without the express consent in writing of the Authority, no record or file shall be amended or destroyed if it may be relevant to any matter which is currently the subject of an Inspection, an Investigation or any disciplinary or other process.

Note: Licensed Persons who keep their records on computer disk, tape or the like would be well advised to duplicate that material at regular intervals to avoid the risk of total loss through computer error, "wiping" or otherwise. Computer loss may be an extenuating circumstance but its occurrence cannot relieve a Licensed Person from the consequences of a failure to comply with a Regulation.

4.7 DISQUALIFIED EMPLOYEES

4.7.1 Licensed Persons not to employ disqualified persons

Each Licensed Person must comply with its duty under section 42(6) of the Act (duty of care regarding employment of disqualified persons) to take reasonable care not to employ or continue to employ anyone in contravention of a disqualification direction made under that section and shall ensure that its Appointed Representatives do likewise.

Note: If a Licensed Person has any reason to suspect that an employee or potential employee may be subject to a disqualification direction, it may enquire of the Authority whether this is the case.

SECTION B NOTIFICATIONS

4.8 CLEARANCE REQUIRED FOR CERTAIN EVENTS

4.8.1 Clearance Events

This regulation applies to any event designated as a Clearance

Event in Part I of Schedule 6.

4.8.2 Requirement for notification

Subject to regulation 4.8.4, notification of a Clearance Event containing the information specified in Part II of Schedule 6 must be made, in such form as may be prescribed by the Authority, before such an event occurs.

4.8.3 Clearance procedure: the Waiting Period: Stop Notices

Upon notification of a Clearance Event, the Authority shall either -

- (a) inform the Licensed Person in writing within the Waiting Period that it has no objection and the Licensed Person may allow the event to occur; or
- (b) seek further information from the Licensed Person or from a third party in writing and, in respect of a Clearance Event designated in paragraph 1 and 2 of Part I of Schedule 6, extend the Waiting Period, and if thought necessary re-extend it, for such time as the Authority may reasonably require to obtain and consider that information; or
- (c) issue a Stop Notice to the Licensed Person requiring that the event shall not occur.

4.8.4 Clearance Event not in Licensed Person's control

- (a) If the occurrence of a Clearance Event falling within paragraphs 1 and 2 of Part I of Schedule 6 is not in the Licensed Person's control, the Licensed Person must nevertheless take all reasonable steps to prevent the event occurring before the Authority has made a determination or the Waiting Period has elapsed.
- (b) In respect of a Clearance Event falling within paragraph 3 of Part I of Schedule 6, where the event is occasioned by circumstances beyond the Licensed Person's control, the Licensed Person must notify the Authority, as soon as practicable, either before or after the event occurs.

4.8.5 Expiry of Waiting Period

In relation to a Clearance Event falling within paragraphs 1 and 2 of Part I of Schedule 6, if upon the expiry of the Waiting Period, including any extension the Authority has neither indicated assent nor issued a Stop Notice, the Licensed Person may let the event occur.

4.8.6 Stop Notice: effect on Licence

Upon receipt of a Stop Notice, the Licensed Person may require the Authority to treat the notification of the Clearance Event as if it were an application for licensing on the basis of the circumstances that would prevail if the event were to take place; the provisions of the Licensing Procedures will then apply. If the event, not being in the Licensed Person's control, has occurred before the Licensed Person has made a determination, a Stop Notice shall have effect as a notice that the scheme licence will be reconsidered as if an application had been made on the basis of the new circumstances and all of the provisions of the Licensing Procedures shall apply.

Note: Deliberate breach of a Stop Notice would bring into question the Licensed Person's fitness and properness.

4.9 NOTIFICATIONS REQUIRED TO BE MADE TO THE AUTHORITY

4.9.1 Notifiable Events

A Licensed Person must make a written notification to the Authority of any event or circumstance designated as a Notifiable Event in Schedule 6.

4.9.2 Form and contents and time limits

The notification referred to in regulation 4.9.1 must be made within the time and contain the particulars specified in Schedule 6 and must also be in such form as may be prescribed by the Authority.

4.9.3 Annual notification of Controllers

A Licensed Person must, at intervals of no more than one year, notify the Authority in writing of the name of each person who, to the knowledge of the Licensed Person, is a Controller of the Licensed Person at the date of such notification, specifying to the best of the Licensed Person's knowledge in relation to each such person -

Note: Licensed Persons should note that this notification must be made as part of the Statement of Representation.

- (a) what percentage of the shares in the Licensed Person, or another Body Corporate of which the Licensed Person is a Subsidiary, he holds, directly or indirectly, whether alone or with any associate or associates; and
- (b) what percentage of the voting power he is entitled, directly or indirectly, and whether alone or with any associate or associates, to exercise or control the exercise of, at any general meeting of the Licensed Person, or another Body Corporate of which the Licensed Person is a

Subsidiary.

**SECTION C
COMPLAINTS**

4.10 COMPLAINTS PROCEDURE

4.10.1 Complaints Procedure : general

Every Licensed Person shall operate a Complaints Procedure to investigate and, where appropriate, provide remedies in relation to complaints.

4.10.2 Content of Significant Complaints Procedure

In relation to any Significant Complaint, the procedure described in regulation 4.10.1 must contain at least these provisions -

- (a) the Complaint must be considered by an Officer or employee of suitable seniority who was not himself concerned in the matter or, where this is not possible, by another person of appropriate standing who is not an Officer or employee of the Licensed Person or the Appointed Representative, and a substantive reply must be sent promptly;
- (b) where a Complainant has received a substantive reply and does not within one month of its being despatched indicate that he is not satisfied, the complaint may be treated as settled on the terms of that reply provided that the reply included a notification to the Complainant that his complaint would be so treated in the circumstances;
- (c) if two months after the complaint has been received it has not been settled to the satisfaction of the Complainant, the Licenced Person must:
 - (i) give notice to the Authority of the details of the complaint and of the action taken in response to it; and
 - (ii) inform the Complainant that the Authority has been so notified and give him the date of the notice;
- (d) the first substantive reply to the Complaint, unless it offers a settlement reasonably expected to be acceptable to the Complainant, must advise the Complainant that he has a right to complain directly to the Authority;

- (e) if the Complainant, having received a substantive reply as described in (d), indicates dissatisfaction, the next response must, unless this has already been done in connection with the Complaint in question, advise the Complainant that he has a right to complain directly to the Authority;
- (f) where the Licensed Person gives notice to the Authority of a Complaint, as described in (c), the Licensed Person must, when the Complaint has been settled to the satisfaction of the Complainant, give notice to the Authority of the terms of the settlement;
- (g) a full record of each Significant Complaint and of the action taken in respect to it must be kept by the Licensed Person for three years after the date of the last response.

4.10.3 Returns to the Authority

A Licensed Person must submit to the Authority, as part of its Statement of Representation, a return of all Significant Complaints which have been received and those which have been settled during the period covered by that statement or, if there have been none in either category, confirming that fact.

4.10.4 Co-operation with the Authority

Without limiting its other obligations under this Part, each Licensed Person must co-operate with the Authority in any investigation of any Complaint, and in particular must upon request inform the Authority of any similar Complaint within the preceding year from any Complainant or of any Complaint from the same Complainant within that period.

Explanation: In responding to a request from the Authority under Regulation 4.10.4 a Licensed Person which conducts its business through branches may provide the Authority with information about previous Complaints which relate to the experience of the relevant branch rather than to the Licensed Person's whole business unless, on consideration, the Authority requests wider information.

4.10.5 Authority's investigation

Where -

- (a) a Complaint is referred to the Authority; and
- (b) the Authority investigates that complaint;

a Licensed Person must co-operate with the Authority in its investigation.

SECTION D CONTROLS AND SYSTEMS RULES

5.1 CONTROLS AND SYSTEMS

5.1.1 Adequacy of controls and systems

A Licensed Person must, for the purpose of its compliance with the regulations in this Part, ensure that its internal controls and systems are adequate for the size, nature and complexity of its activities.

5.1.2 Proper discharge of duties

Systems of control must be such as to enable the Licensed Person to discharge properly the duties imposed on it by the regulations in this Part.

5.1.3 Validity of system

No system of control will be treated as established or maintained unless there is kept available an adequate statement in writing of the system of control which is in operation for the time being.

5.1.4 Use of Permitted Third Party (PTP)

Where functions are delegated to a PTP, regulations 5.1.1 to 5.1.3 applies in relation to controls and systems as if the functions delegated to a PTP are carried out by the Licensed Person itself.

SCHEDULE 1

GLOSSARY

Accounting Reference Date	means the date to which a Licensed Person's accounts are prepared in order to comply with the Companies Act or, in the case of a Licensed Person not subject to the Companies Act, the equivalent date selected by the Licensed Person.
Advertisement	includes every form of advertising, whether in a publication, by the display of notices, signs, labels or show cards, by means of circulars, catalogues, price lists or other documents, by an exhibition of pictures or photographic or cinematographic films, by way of sound broadcasting or television, by the distribution of recordings, <u>by electronic display or distribution</u> or in any other manner. <i>Explanation: See also the following defined terms: <u>CIS Investment Advertisement</u>, <u>Direct Offer CIS Advertisement</u>, <u>Specific CIS Investment Advertisement</u>, <u>CIS Investment Services Advertisement</u></i>
Advertiser	means anyone by whom an Advertisement is issued or caused to be issued, whether or not that person takes direct responsibility for the contents, timing or medium of the Advertisement.
<u>CIS</u> Advertising Code	means the <u>CIS</u> Advertising Code made by the Authority under section 34 of the Act of which the version current at the date of the making of these Regulations is set out in Schedule 3.
Advertising Rules	means Rules 3.1.1 to 3.1.3 and 3.2.1 of Part 3.
Ancillary	“Ancillary” in relation to an investment means any right to an interest in that investment which is apportioned to that investment.
Annual Accounts	means accounts prepared to comply with the Companies Act or other statutory obligations.
Applicant	means, as the context requires, a person who has applied, or is in the course of applying, to the Authority to be a licensed person <u>under the Act</u> .
Appointed Representative	means a person -

	<p>(a) who is employed by a Licensed Person (his "principal") under a contract for services which requires or permits him to carry on <u>CIS</u> Investment Business; and</p> <p>(b) for whose activities in carrying on the whole or part of that <u>CIS</u> Investment Business his principal has accepted responsibility in writing.</p>
Approved Bank	means an institution which is authorised as a bank under the Financial Institutions Statute 1993.
Associate	in relation to a person, means: <p>(a) an undertaking in the same group as that person; and</p> <p>(b) an <u>A</u>ppointed Representative of the first person or of any undertaking in the same group; and</p> <p>(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 dealings with third parties.</p>
Associated Business	means business which is carried on in connection with <u>CIS</u> Investment Business.
Authority	means the Capital Markets Authority.
<u>Authorised Corporate Director</u>	<u>Has the meaning given under section 2 of the Act.</u>
Best Execution	in relation to the effecting of a transaction means the effecting of that transaction in compliance with regulation 3.7 of Part 3.
Body Corporate	Includes a body corporate constituted under the law of a country or territory outside Uganda.
Broker Fund Adviser	means an independent Intermediary who has, or whose Associate has, an arrangement with the Operator of a Regulated Collective Investment Scheme, under which it is to be expected that the Operator will take into account the advice of that Independent Intermediary or his Associate in determining either the composition of the property of the Scheme into which cash contributions of that Independent Intermediary's Customers or his Associate's Customers have been made.

NOTE:

~~The Authority considers that the definition of Broker Fund Adviser would not normally include arrangements relating to the management of personal insurance and investment bonds, under which a Customer has the right to select the investments which constitute the fund to which the bond relates. While the terms of the policy will dictate the nature of the arrangements, where the Customer appoints a Licensed Person to manage the fund on his behalf, that person would be regarded generally as an Investment Manager acting for the Customer rather than as a Broker Fund Adviser.~~

Chief Executive

Includes any person occupying the position of chief executive or managing director (whether solely or jointly) by whatever name called.

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means an arrangement within the organisation of a Licensed Person or between a Licensed Person and any Associate of that Licensed Person, which requires information obtained by the Licensed Person or, as the case may be, Associate in the course of carrying on one part of its business of any kind to be withheld in certain circumstances from persons with whom it deals in the course of carrying on another part of its business of any kind.

Clearance Event

means any of the events referred to as a Clearance Event in regulation 4.8.1 Part 4.

Client Bank Account

means an account complying with the requirements of regulation 3.14.2.

CIS Customer ~~Client~~ Money

Any amount of money received before a Dealing Day by an Operator for the purchase of a share or unit in a collective investment scheme or any amount of money held by an Operator as a result of a redemption of a share or unit in a Collective Investment Scheme beyond the prescribed period for redemption.

CIS Customer ~~Client~~ Money Regulations

means regulation 3.14 and any other regulations made by the Authority in respect of Client Money.

CIS Advertisement

Means any advertisement inviting anyone to enter or offer to enter into a CIS Agreement or to exercise any rights conferred by a CIS Agreement to acquire, dispose of or convert units or shares in a CIS or containing information calculated to lead directly or indirectly to anyone doing so.

CIS Investment Services Advertisement

Means any advertisement promoting the business of a Licensed Person under the Act.

<u>CIS Agreement</u>	<u>Founding document of a Licensed Scheme.</u>
Close Relative	in relation to an Individual means that individual's spouse, brother, step-brother, sister, step-sister, parent, step-parent, child (natural or adopted) or step-child but excluding any such relative over whom the individual can show on reasonable grounds that he has no significant influence.
Collective Investment Scheme	has the meaning given in Section 3 of the Act.
Company Representative	in relation to a Licensed Person or an Appointed Representative of a Licensed Person (whether the Licensed Person or the Appointed Representative is a company or not), means an individual who is: (a) the Appointed Representative himself if the Appointed Representative is a sole trader, or (b) an employee, partner or Officer of the Licensed Person or of the Appointed Representative, as the case may be, and whose activities include procuring or endeavouring to procure persons to enter into <u>CIS Investment Agreements</u> or giving advice to the persons with whom he deals about entering into <u>CIS Investment Agreements</u> or exercising rights conferred by <u>CIS shares or units investments</u> .
Complainant	means: (a) a Customer; or (b) a holder of units or shares in any Collective Investment Scheme of which a Licensed Person is or was at the time of the Complaint the Operator or Trustee or Depositary.
Complaint	means <u>an expression of dissatisfaction-complaint</u> made by or with the authority of a Complainant to a Licensed Person or any Appointed Representative of the Licensed Person concerning <u>one or more CIS the Permitted Business</u> not being a complaint solely related to the performance of the Investment which is the subject of the <u>CIS Permitted Business</u> .
Compliance Officer	means the individual from time to time appointed by a Licensed Person as responsible for compliance matters.

Compliance Procedures	means the compliance arrangements and procedures required to be established and maintained by each Licensed Person in accordance with the provisions of PART 4.
Connected Person	in relation to a person, means for the purposes of regulations 4.5.2 to 4.5.7 of Part 4, anyone connected with him by reason of domestic or business relationship (other than as arises solely because that person is a Customer of the Licensed Person) such that the Officer or employee has influence over that person's judgment as to how to invest his property or exercise any rights attaching to his Investments.
Controller	<p>(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</p> <p>(b) in relation to an unincorporated body means:</p> <p>(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</p> <p>(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.</p> <p>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.</p>
Controls and Systems Rules	means Regulation 5.1.1 to 5.1.4 of Part 5.
<u>Currency Point</u>	<u>Has the meaning given in Section 2 of the Act.</u>

Current <u>Non CIS</u> Customer Order	Includes anyboth a customer order for immediate execution and, once the condition is fulfilled, <u>any</u> customer order which is only to be executed on fulfilment of a condition <u>which does not relate to the provision of CIS Investment Services by the Licensed Person.</u>
<u>Current CIS Customer Order</u>	<u>Includes both a CIS Customer Order for immediate execution and, once the condition is fulfilled, a CIS Customer Order which is only to be executed on fulfilment of a condition.</u>
<u>CIS Customer Order</u>	<u>Order for a purchase or sale or conversion of units or shares of a Collective Investment Scheme.</u>
<u>Current CIS Order</u>	<u>Includes both a CIS Order for immediate execution and, once the condition is fulfilled, a CIS Order which is only to be executed on fulfilment of a condition.</u>
<u>CIS Order</u>	<u>Means an order to acquire or dispose of Investments on behalf of a CIS.</u>
<u>Non CIS</u> Customer	means <u>any person to whom the Licensed Person provides services other than CIS Investment Services -</u>
<u>CIS Customer</u>	(a) any person to whom the Licensed Person provides <u>or has provided CIS</u> Investment Services; or (b) a customer of an Appointed Representative of a Licensed Person with or for whom the representative acts in the course of <u>CIS Investment</u> Business for which the Licensed Person has accepted responsibility. and includes an Indirect Customer and a potential customer but does not include (i) a Market Counterparty; (ii) a Trust Beneficiary other than a holder of a unit in a unit trust.
<u>Non CIS</u> Customer Agreement	means any agreement in writing relating to <u>services other than CIS</u> Investment Business to which a Licensed Person and a Customer of the Licensed Person are parties.
<u>CIS Customer Agreement</u>	<u>Agreement to the Foundation Documents of a Licensed Scheme signified by the acquisition of units or shares in a Licensed Scheme.</u>
<u>CIS</u> Customers' Asset Rules	means the <u>CIS</u> Client Money Regulations and regulation 3.14.

Customer Title Document	in relation to an Investment, means a document of title, or certificate <u>or an electronically maintained record</u> evidencing a Customer's title, to that Investment.
<u>CIS Customer Title Document</u>	<u>In relation to a CIS, means a document of title, or certificate evidencing a CIS Customer's title, to units or shares in a CIS and may also be construed in the context of these Regulations to include an electronically maintained record where the CIS Customer has the right to obtain a paper copy of the entry referring to his or her holding.</u>
<u>Non CIS Customer Transaction</u>	<u>Means a transaction executed or to be executed as an agent of a Non CIS Customer, does not include an Own Account Transaction.</u>
<u>CIS Customer Transaction</u>	<u>Means a transaction executed or to be executed as an agent of a CIS Customer.</u>
<u>CIS Transaction</u>	<u>Means a transaction to purchase or sell Investments held by a CIS.</u>
<u>Dealing Day</u>	<u>means the period in each business day (or in each other day when the Manager or ACD is open for business) during which the Manager or ACD keeps his premises or any of them open to the public or is otherwise publicly available for business of any kind.</u>
<u>Dealing Period</u>	means the period between a <u>V</u> valuation <u>P</u> point and the next <u>V</u> valuation <u>P</u> point.
<u>Depository</u>	<u>Has the meaning given in Section 2 of the Act means the person in whom the property of an Open-ended Investment Company is entrusted for safekeeping.</u>
<u>Direct Offer CIS Advertisement</u>	means a Specific <u>CIS</u> Investment Advertisement (including a pre-printed or off-the-screen advertisement) which - (a) contains - (i) an offer by the Licensed Person or another offeror to enter into an <u>CIS Investment</u> Agreement with anyone who responds to the advertisement; or (ii) an invitation to anyone to respond to the advertisement by making an offer to the Licensed Person or another offeree to enter into an <u>Investment CIS</u> Agreement; and

	(b) specifies the manner or indicates a form in which any response is to be made (for example by providing a tear-off slip).
Director	means, in relation to - (a) a Body Corporate, a person occupying in relation to it the position of a director (by whatever name called) and any person in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors that body are accustomed to act; and (b) a person which is not a Body Corporate - (i) in the case of a partnership, a general partner; and (ii) in the case of an unincorporated association, any member of the governing body or other equivalent persons.
Discretionary Customer	means a Customer for whom a Licensed Person exercises or may exercise discretion in relation to the investment of assets belonging that that Customer.
Discretionary Transaction	means a transaction to which a Licensed Person executes or proposes to execute in the exercise of discretion.
Eligible Custodian	in relation to a Licensed Person means - (a) an Eligible Nominee; or (b) an Approved Bank; or (c) a Body Corporate which maintains its head office outside Uganda and whom the Licensed Person reasonably believes to be a person: (i) whose business includes the provision of investment custodial services; and

	(ii) who, in providing those services is subject to regulation and supervision by a regulatory body or agency of government in the country in which that person carries on that business or to independent review (not less frequently than annually) by auditors with qualifications prescribed by law or prescribed by such a body or agency.
Eligible Nominee	Means - (a) an individual chosen by the Customer <u>or CIS Customer</u> who is not known by the Licensed Person to be an Associate of the Licensed Person, or (b) a corporate nominee with no other business; or (c) an Approved Bank. <i>Explanation: A "corporate nominee" means a nominee which is a Company.</i>
Execution-only Customer	means a Customer <u>or CIS Customer</u> who, in relation to a particular transaction, can reasonably be assumed by the employee of the Licensed Person who deals with him regarding that transaction not to be relying on the Licensed Person to advise him on, or to exercise any judgment on his behalf about, the merits of or the suitability for him of that transaction.
Financial Business	means business which is, or is held out as being, primarily for the purposes of investment.
Formal Guidance	means guidance which is intended to have continuing effect and is issued <u>by the Authority</u> - (a) generally or to a class of persons; and (b) in writing or other legible form.
Foundation Documents	<u>Has the meaning given in Section 2 of the Act.</u>
Holding Company	has the meaning given in [section ...of the Companies Act] [CMA to provide]*.
Independent Intermediary	means a <u>person authorised by the Authority to provide independent advice on Investments Licensed Person which is not in relation to a Scheme the Operator of that Scheme or its Marketing Group Associate and which provides Investment Services in respect of Packaged Products.</u> <u>(CMA may need to re-phrase)</u>

Indirect Customer	means, where a Customer is known to be acting as agent, an identified principal who would be a Customer if he were dealt with direct.
<u>Individual</u>	<u>Means a physical person resident or for the time being in Uganda (Note to CMA: does a better definition than this may exist in other law that could be inserted?)</u>
Inducement	does not include - (a) disclosable commission; or (b) goods or services which can reasonably be expected to assist in the provision of <u>CIS</u> Investment Services to Customers and which are provided or to be provided under a Soft Commission Agreement.
Inspection	is an inspection of whatsoever kind carried out by the Authority pursuant to regulation 4.2.1 or 4.2.2.
Inspection Team	means any employees of the Authority and any agent or agents appointed by the Authority to assist with a particular inspection.
Intervention	means a requirement or prohibition imposed on a Licensed Person under Part IX of the Act.
Investigation	is an investigation pursuant to Part XI of the Act.
Investment	means any asset, right or interest held under an Investment Agreement including in relation to an Investment, where the context permits, an ancillary on that Investment.
Investment Advertisement	means any Advertisement inviting anyone to enter or offer to enter into an Investment Agreement or to exercise any rights conferred by an Investment to acquire, dispose of, underwrite or convert an Investment or containing information calculated to lead directly or indirectly to anyone doing so.
Investment Agreement	means any agreement the making or performance of which by either party constitutes an activity which is regulated under the Act or the Capital Markets Statute 1996.
<u>CIS Investment Business</u>	means the business of engaging in one or more of the activities comprised in the establishment or operation of a Collective Investment Scheme.
<u>Investment Advisor</u>	<u>Has the meaning given in Section 2 of the Act</u>

<u>Investment Company of Variable Capital</u>	<u>Has the meaning given in Section 19 (2) of the Act</u>
Investment Manager	means a person who, acting only on behalf of a Customer, either - (a) manages an account or portfolio in the exercise of discretion; or (b) has accepted responsibility on a continuing basis for advising on the composition of the account or portfolio
<u>CIS Investment Services</u>	means activities undertaken in the course of carrying on <u>CIS Investment Business</u> .
<u>Investment Transaction</u>	<u>Purchase or sale of an Investment</u>
[Investment Trust	means a closed ended limited liability company which is listed in Uganda.
Investment Trust Savings Scheme	means a dealing service dedicated to the securities of a particular Investment Trust or of Investment Trusts within a particular Marketing Group, and references to an Investment Trust Savings Scheme include references to securities to be acquired through that scheme.] [Remove if term not used in the Regulations]*
Licensed Person	means a person (being a Body Corporate) licensed under section 8 of the Act <u>and includes the Trustee and Depository, the Unit Trust Manager, the Authorised Corporate Director and the scheme Investment Manager in the context of these regulations.-</u>
Licensed Scheme	means a Collective Investment Scheme for the time being licensed by the Authority.
Licensed <u>Investment Company of Variable Capital Open-Ended Investment Company</u>	means an Open Ended Investment Company <u>for the time being licensed by the Authority</u> under the Act.
Licensed Unit Trust Manager	means the <u>Operator of manager of</u> a Licensed Unit Trust Scheme <u>for the time being licensed by the Authority under the Act.</u>
Licensed Unit Trust Scheme	means a u Unit T rust S scheme for the time being licensed by the Authority <u>under the Act.</u>
Licensing Procedures	means the procedures set out in the notice issued by the Authority together with any other procedures which the Authority resolves, either generally or in relation to any specific case, should apply to the licensing of persons under the statute.

Listed Money Market Institution

means a money market institution for the time being listed by the Authority.

Manager

in relation to a person, means an employee who, under the immediate authority of the governing body of such person, is responsible either alone or jointly with one or more other person for the conduct of such person's business and in relation to a Licensed Unit Trust Scheme, means the manager of the scheme.

Marketable Investment

means -

- (a) an Investment which is traded on or under the rules of a Recognised or Designated Investment Exchange; or
- (b) any loan stock, bond or other instrument creating or acknowledging indebtedness issued by a government, local authority or public authority; ~~or-~~
- (c) money market instruments that are dealt in on a regulated market and which are liquid and whose value can be determined at any time eg certificates of deposit, commercial paper.

Market Counterparty

means a person dealing with the Licensed Person -

- (a) as principal or as agent for an unidentified principal; and
- (b) in the course of Investment Business of the same description as that in the course of which the Licensed Person acts.

Market Maker

in relation to an Investment of any description, means a person who (otherwise than in his capacity as the ~~Op~~operator of a Regulated Collective Investment Scheme) holds himself out as able and willing to enter into transactions of sale and purchase in Investments of that description at prices determined by him generally and continuously rather than in respect of each particular transaction.

Marketing Group

~~means a group of persons -~~

- ~~(a) who are allied together (either formally or informally) for the purposes of marketing Packaged Products of the group; and~~

	<p>(b) each of whom, if it holds itself out in Uganda as marketing any Packaged Products to Private Customers, does so only as an Investment Manager or in relation to those of the Marketing Group.</p>
Material Interest	<p>in relation to a transaction, does not include -</p> <p>(a) disclosable commission on the transaction; or</p> <p>(b) goods or services which can reasonably be expected to assist in the provision of <u>CIS</u> Investment Services to Customers and which are provided or to be provided under a Soft Commission Agreement.</p>
Notifiable Event	<p>means an event or circumstance specified in Schedule 6, Part II.</p>
Officer	<p>in relation to a Body Corporate, means any director or secretary, in relation to an unincorporated association, means any member of the governing body of the association and in relation to a partnership, means any partner.</p>
Open-ended Investment Company	<p><u>Has the meaning given in section 2 of the Act.</u> means a Collective Investment Scheme under which -</p> <p>(a) the property in question belongs beneficially to, and is managed by or on behalf of, a Body Corporate having as its purpose the investment of its funds with the aim of spreading risk and giving its participants the benefit of the results of the management of those funds by or on behalf of that Body Corporate; and</p> <p>(b) the rights of the participants are represented by shares in or securities of that body which -</p> <p>(i) the participants are entitled to have redeemed or repurchased, or which are redeemed or repurchased from them by, or out of funds provided by, that Body Corporate; or</p> <p>(ii)(i) the Body Corporate ensures can be sold by the participants on an investment exchange at a price related to the value of the property to which they relate.</p>
Operator	<p><u>Has the meaning given in section 2 of the Act and includes the Authorised Corporate Director of an Open Ended Investment Company and of an Investment Company of Variable Capital (a) in relation to a Unit Trust Scheme, means the manager;</u></p>

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	<p>(b) in relation to an open-ended investment company means the Authorised Corporate Director of that company.</p>
Option	means an option to acquire or dispose of an Investment.
Order	in relation to an order from a Customer <u>or CIS Customer</u> , means - (a) an order to a Licensed Person from the Customer <u>or CIS Customer</u> to effect a transaction as agent; or (b) any other order to a Licensed Person from the Customer <u>or CIS Customer</u> to effect a transaction in circumstances giving rise to similar duties as those arising on an order to effect a transaction as agent; or (c) a decision by a Licensed Person in the exercise or discretion for the Customer.
Overseas Person	means a person who carries on <u>CIS</u> Investment Business but who does not do so from a permanent place of business maintained by him in Uganda.
Own Account Transaction	means a transaction - (a) effected or arranged by the <u>Operator Licensed Person</u> in the course of <u>making Investments carrying on either Investment Business or Associated Business; and</u> (b) on its own account or on the account of an Associate acting on its own account.
Own Custodian	in relation to <u>an Operator Licensed Person</u> , means an Eligible Custodian who is, or whose directors are, accustomed to act in accordance with the directions or instructions of the <u>Operator Licensed Person</u> .
Own Nominee	means the nominee of a <u>Licensed Person engaged by that person in CIS Investment Services.</u> Licensed Person engaged by that person in Collective Investment Scheme Activity.
Permitted Business	means <u>CIS</u> Investment Business of the kind and scale described in the business profile maintained by the Licensed Person which the Authority has for the time being accepted in writing that the Licensed Person is permitted to carry on, as the basis of its licence.

Permitted Third Party or PTP

means a person whom a Trustee or Depositary or Operator reasonably believes to be -

- (a) a Licensed Person; or
- (b) an Overseas Person.

Powers of Intervention

are the Authority's powers of intervention set out in Part IX of the Act.

Principles

means the Statement of Principles made by the Authority under section 32 of the Act of which the version current at the date of the making of these Regulations is set out in Schedule 2.

Prospectus

Has the meaning given in Section 2 of the Act.

CIS Published Recommendation

means any journal, tipsheet, broker's circular or other publication (including publication by sound broadcasting or television or electronic broadcasting) which contains the results of research into or analysis of factors likely to influence the future performance of CIS Investments, or advice or recommendations based on such results, and which is issued by or on behalf of a Licensed Person to the public or selected sections of the public, including members of the public who are CIS Customers or potential CIS Customers of the Licensed Person responsible. A communication of which the main body or import is common to a number of such communications may be a Published Recommendation notwithstanding that the introduction or presentation of each such communication is so worded or arranged as to appear to make it a personal communication.

Readily Realisable Investment

means a share or unit in a Regulated Collective Investment Scheme or any Marketable Investment other than one which is traded on or under the rules of a Recognised Investment Exchange so irregularly or infrequently -

- (a) that it cannot be certain that a price for that Investment will be quoted at all times; or
- (b) that it may be difficult to effect transactions at any price which may be quoted.

Recognised Scheme

Has the meaning given in Section 2 of the Act.

Regulated Market

means a market which is regulated, operates regularly, is recognised and is open to the public.

Registrable Activity	<p>in relation to a Licensed Person means any one of the following -</p> <ul style="list-style-type: none">(a) holding the post of Director or Chief Executive;(b) acting as an Investment Manager in the course of the Permitted Business of the Licensed Person;(c) acting in a senior capacity with responsibility either alone or jointly with one or more other individuals for the management, supervision and control of a part of the Licensed Person's Permitted Business (including the Compliance Officer and the Finance Officer);(d) procuring or endeavouring to procure other persons to enter into <u>CIS Investment</u> Agreements, or giving advice to persons with whom he deals about entering into <u>CIS Investment</u> Agreements or exercising rights conferred by <u>CIS Investments, Agreements</u> in the course of the Permitted Business of the Licensed Person.
Regulated Business	<p>means <u>CIS Investment</u> Business which is -</p> <ul style="list-style-type: none">(a) Investment Business carried on from a permanent place of business maintained by a Licensed Person (or its Appointed Representative) in Uganda; and(b) other Investment Business carried on with or for Customers in Uganda unless that business is -<ul style="list-style-type: none">(i) business carried on from an office of a Licensed Person outside Uganda which would not be treated as carried on in Uganda if that office were a separate person; or(ii) business of an Appointed Representative of the Licensed Person which is not carried on in Uganda.
Regulated Collective Investment Scheme	<p>means a Licensed Collective Investment Scheme <u>licensed under Section 13 to 18 of the Act</u> or a Recognised Scheme recognised under <u>Section 24 to 27</u> of the Act.</p>
Regulated Insurance Company	<p>means an insurance company which is a Licensed Person <u>under ... Law (CMA to insert)-</u></p>
Regulations	<p>means the regulations (including any rules) made by the Authority, as altered, amended, added to or cancelled from time to time whether by the Authority or pursuant to the Act.</p>

Regulatory System	means the arrangements for regulating a Licensed Person under the Act including the Principles and the Regulations.
Scheme	means a Collective Investment Scheme.
Scheme Documents	means the document or documents governing the operation of a Scheme.
<u>Scheme Money Bank Account</u>	<u>Means a bank account maintained under the control of and in the name of the Depositary or Trustee on behalf of a Scheme and may include uninvested capital cash or income cash.</u>
<u>Scheme Particulars</u>	<u>Means a document containing information about a unit trust scheme as specified in Part IV of Schedule 1 to the Act</u>
Securities	has the same meaning as in section 2 of the Capital Markets Authority Statute and security shall be construed accordingly.
Significant Complaint	has its natural meaning, but in any event includes one which cannot be settled quickly and directly, one which involves sums which are material in relation to the financial circumstances of the Complainant or one which alleges - (a) a breach of a <u>CIS</u> Customer Agreement; or (b) a failure to comply with responsibilities under the regulatory system; or (c) bad faith, malpractice or impropriety; or (d) repetition or recurrence of any matter about which there has been recent complaint.
Special Conditions	are any terms, conditions or restrictions on or subject to which a Licensed Person or an Applicant is, or is proposed to be, admitted or which otherwise apply to the Licensed Person over and above any general terms, conditions or restrictions contained in the Regulations.
Specific <u>CIS Investment Advertisement</u>	means a <u>CIS</u> a Investment Advertisement which identifies and promotes a particular <u>CIS</u> or <u>CISs</u> Investment or particular Investment Services .
Statement of Representation	means a written representation statement in the form set out in and containing the contents required by Part 4.

Stop Notice	means a written notice issued by the Authority pursuant to regulation 4.8.3 of Part 4 requiring that a Clearance Event shall not occur.
Subsidiary	means a subsidiary within the meaning given by [section - of the Companies Act] subsidiary undertaking. [CMA to provide reference]*
<u>Tied Firm</u>	means a Product Company or its Marketing Group Associate.
Trust Beneficiary	means a beneficiary under a trust (not being the settlor) who benefits from the performance by a Licensed Person as trustee of CIS Investment Services relating to the management of the trust assets.
Trustee	Has the meaning given in Section 2 of the Act. means the person holding title to the property of a Unit Trust Scheme on trust for the participants and, in relation to a Collective Investment Scheme constructed under the law of a country or territory outside Uganda means any person who (whether or not under a trust) is entrusted with the custody of the property in question.
Trustee Activity	means, in relation to a Licensed Person, any activity undertaken in the course of or incidental to the exercise of any of its powers, or the performance of any of its duties, when acting in its capacity as a <u>Trustee of a Collective Investment Scheme</u> .
Trustee Company	means any Licensed Person to whom Section G of Part 3 applies.
Unit Trust Scheme	Has the meaning given in Section 2 of the Act. means a Collective Investment Scheme under which the property is held in trust for the participants.
<u>Umbrella Company</u>	<u>Has the meaning given in Section 2 of the Act.</u>
<u>Umbrella Unit Trust Scheme</u>	<u>Means a Unit Trust Scheme whose trust deed provides for such pooling as is mentioned in Section 3 (3) a in relation to separate parts of the Scheme property and whose unitholders are entitled to exchange rights in one part for rights in another.</u>
<u>Unit</u>	<u>Has the meaning given in Section 2 of the Act.</u>
<u>Valuation Point</u>	<u>A time fixed and disclosed by the Operator for the purpose of regular valuation of Scheme property.</u>
Unregulated Collective Investment Scheme	means a Collective Investment Scheme which is not a Regulated Collective Investment Scheme.

Waiting Period

means the period of 28 days within which the Authority may, under regulation 4.8.3 of Part 4, inform a Member that it has no objection to the occurrence of a Clearance Event.

SCHEDULE 2

THE CIS LICENSED PERSON PRINCIPLES (issued by the Authority under section 32(1) of the Act)

31 Integrity

A Licensed Person should observe high standards of integrity and fair dealing.

42 Skill, Care and Diligence

A Licensed Person should act with due skill, care and diligence.

53 Market Practice

A Licensed Person should observe high standards of market conduct. It should also, to the extent endorsed for the purpose of this principle, comply with any code or standard as in force from time to time and as it applies to the Licensed Person either according to its terms or by rulings made under it.

64 Information about Customers

A Licensed Person should seek from existing and potential CIS customers it advises ~~or for whom it exercises discretion~~ any information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfil its responsibilities to them.

75 Information for Customers

A Licensed Person should take reasonable steps to give a potential or existing CIS customer it advises, in a comprehensible and timely way, any information needed to enable him to make a balanced and informed decision.

A Licensed Person should similarly be ready to provide such a customer with a full and fair account of the fulfilment of its responsibilities to him.

86 Conflicts of Interest

A Licensed Person should either avoid any conflict of interest arising or, where conflicts arise, should ensure fair treatment to all its customers by disclosure, internal rules of confidentiality, declining to act, or otherwise. A Licensed Person should not unfairly place its interests above those of its customers and, where a properly informed customer would reasonably expect that the firm would place his interests above its own, the Licensed Person should live up to that expectation.

97 Customer Assets

Where a Licensed Person has control of or is otherwise responsible for assets belonging to a CIS or CIS customer which it is required to safeguard, it should arrange proper protection for them, by way of segregation and identification of those assets or otherwise, in accordance with the responsibility it has accepted.

108 Financial Resources

A Licensed Person should ensure that it maintains adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject.

119 Internal Organisation

A Licensed Person should organise and control its internal affairs in a responsible manner, keeping proper records, and in relation to the employment of its staff and where it is responsible for the conduct of investment business by others, should have adequate arrangements to ensure that they are suitable, adequately trained and properly supervised and that it has well-defined compliance procedures.

1210 Relations with the Authority

A Licensed Person should deal with the Authority in an open and cooperative manner and keep the Authority promptly informed of anything concerning the Licensed Person which might reasonably be expected to be disclosed to it.

SCHEDULE 3

THE **CIS** ADVERTISING CODE (issued under section 34(1) of the Act)

This code describes the standards set by the Authority for determining whether a ~~CIS Investment~~ Advertisement meets the requirements of paragraph (a)(ii) of regulation 3.1.1 and paragraph (a) of regulation 3.2.1.

GENERAL REQUIREMENTS

To follow the code a Licensed Person should -

Clarity of purpose	make it plain that the advertisement contains promotional material and has a promotional purpose and make the advertisement distinct from any other matter contained in the medium which carries it;
Clarity of subject	describe clearly the nature of the CIS or CIS Investment Services or the services to which the advertisement relates;
Avoidance of misleading statements, promises or forecasts	take all reasonable steps to ensure that any statement, promise or forecast to be included or approved is not misleading in form or context;
Verification of statements of fact	have formed the reasonable belief (on the basis of evidence of which a record is kept or to which access may be obtained) - (a) that any statement relevant to the product or services being advertised and purporting to be a statement of fact is true; and (b) that any such statement will remain true during the currency of the advertisement;
Statements of opinion	take all reasonable steps to ensure that the person giving any statement of opinion is of that opinion at the time when the advertisement is issued or approved;
Disclosure of capacity	if the Licensed Person or an Associate is a Market Maker in any Investment being advertised, state the fact;
Disclosure of Material Interests and conflicts	if in relation to the Investment or Investment Services which are the subject of the advertisement the Licensed Person has directly or indirectly a Material Interest (except for an interest arising solely from the mere participation of the Licensed Person as agent for the Customer) or a relationship of any description with another party which may involve a conflict with the Licensed Person's duty to the Customer, state that fact and disclose the nature of the interest or relationship.

Note: An example of a Material Interest is where a Licensed Person or an Associate has a Long or Short Position in an Investment which is not a Readily Realisable Investment and the Licensed Person is recommending recipients to buy or, as the case may be, sell that Investment.

GENERAL PROHIBITIONS

To follow the code a Licensed Person should not -

Promotions not to be disguised	issue an advertisement with the intention of persuading anyone who responds to it to transact <u>or offer to transact business Investment—Business</u> of a kind not described in the advertisement;
No false claims of independence	claim or suggest independence of itself or any of its Associates in giving advice, making recommendations or exercising discretion unless such claim or suggestion may properly be made;
Advertisements not to claim government, etc., approval	state or imply that the <u>CIS</u> Investment <u>Services or services</u> being advertised or any other matter in the advertisement has been approved by the Authority or any governmental or other public regulatory body unless - (a) approval has been given in writing; or (b) the advertisement is issued by or on behalf of the Government;
No suppression of required statements	disguise the significance of any statement, warning or other matter required by the <u>CIS</u> Advertising Rules to be included in an advertisement either through relative lack of prominence or by the inclusion of matter likely to detract from it;
<u>Omit information</u>	<u>omit any matters the omission of which causes the CIS Advertisement to be unclear, unfair or misleading;</u>
No false indications about scale or business	include any statement indicating the scale of the activities or the extent of the resources of the advertiser which implies that the resources available to support performance of its obligations are greater than they are;

**Advertisement
not to include
inappropriate
reference to the
Authority**

if the advertisement does not relate to Regulated Investment
Business, include any matter referring to the Authority.

SPECIFIC REQUIREMENTS

If an Advertisement contains any of the items listed in the left-hand column below, to follow the code a Licensed Person should -

Synopsis or selection	state enough of the relevant features to give a fair view of the <u>CIS Agreement or Agreements</u> Investment or Investment Agreement being advertised, including the financial commitments and risks involved, and state how full details may be obtained;
Information about past performance of Investments or of an Investment Manager	<p>include information about past performance only if -</p> <p>(a) it is relevant to the performance of the <u>CIS Agreement or CIS Investment Services</u> Investment or investment management service advertised;</p> <p>(b) it is complete, or is a fair and not misleading representation of the past performance of the <u>CIS Investment Services</u> Investment or investment management service;</p> <p>(c) it has not been selected so as to exaggerate (or disguise) the success (or lack of success) of the <u>CIS Investment Services</u> Investment or investment management service over the period to which the information relates; and</p> <p>(d) the source of the information is stated and the advertisement contains a warning that the past is not necessarily a guide to future performance;</p> <p>(e) where a standard is used for comparison of performance the same standard will be applied in relation to subsequent performance comparison; and</p> <p>(f) <u>the period</u> which is selected as illustrating past performance is a period of not less than 3 years or such other period as the Authority may allow.</p> <p>A Licensed Person should-</p>
Comparisons with Unregulated Collective Investment Schemes	not include any comparison or contrast of the performance or the likely performance of an investment in units or shares in a Regulated Collective Investment Scheme with an investment in an Unregulated Collective Investment Scheme;
Past performance	not include any information about past performance of <u>CIS Investment Services</u> an Investment Product unless the advertisement includes <u>year on year discrete</u> information relating to the performance of the investment during the period of 3 years, or if it has been in existence

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for less than 3 years, for the period during which it has been in existence, ending three months before the date of issue of the advertisement;

Forecasts or illustrations

not include a forecast or illustration of the realisable value of the CIS Investment Services ~~an investment Product~~ concerned except in accordance with the requirements prescribed by the Capital Markets Authority.

~~**Note:** It is recommended that the CMA consult with actuarial profession in order to determine realistic growth rates for illustrative purposes. As precedent the OIC FSA prescribes three rates of growth (4%,6%,8%) which shall be used for illustrative purposes. We suggest a similar approach be taken by the CMA. It should also be noted that the use of prescribed growth rates for illustrative purposes does not in any way vary the requirement that an appropriate risk warning both to income and capital shall be contained and appropriately displayed in all advertising materials. It is recommended that disclosure of cost of investment in a CIS should not be based on forecasts but only on a factual statement of the Total Expense Ratio as established by the most recent audited accounts.~~

Invitation to enter into an Investment Agreement with a named person

~~Make it clear, by statement or by necessary implication, whether the person offering any Investment or service is to contract as principal or agent and (if that person is to act as agent) give the name of the principal if the principal can be identified at the time when the advertisement is issued;~~

Information about taxation

if any reference is made to taxation -

- (a) include a warning that the levels and bases of, and reliefs from, taxation can change;
- (b) where a matter is based upon an assumed rate of taxation, state the rate;
- (c)
 - (i) state that any tax reliefs referred to are those currently available and that their value depends on the individual circumstances of the investor; and
 - (ii) make it clear whether any tax reliefs (or freedom from taxation) referred to in the advertisement apply directly to the investor, to the provider of the Investment or to the fund in which the investor participates or, if such is the case, to more than one of them;
- (d) state whether the matters referred to are only relevant to a particular class or classes of investor with particular tax liabilities and identify the class or classes and liabilities concerned;
- (e) do not describe the CIS Investment Services~~Investment~~ as being free from any liability to capital gains tax unless equal

prominence is given to a statement, if applicable, that the value of the Investment is linked to a fund which is liable to that tax; and

- (f) do not describe the income from the CIS Investment Services~~Investment~~ as being free from any liability to income tax unless equal prominence is given to a statement, if applicable, that the income is payable out of a fund which is liable to that tax.

SPECIFIC REQUIREMENTS

If an advertisement is of a kind described, or contains any of the items listed in the left-hand column below, to follow the code a Licensed Person should not -

Material stating or implying limited availability	claim or imply limited availability of <u>CIS Investment Services</u> Investments or services (e.g. limited quantity, limited period of offer, or special terms for a limited period) unless justified;
Testimonials	quote from a testimonial or commendation unless the quotation is: <p>(a) complete, or a fair representation of the whole;</p> <p>(b) accurate and not misleading at the time when the advertisement is issued; and</p> <p>(c) relevant to the <u>CIS Investment Services</u>Investment or service advertised;</p> and the author has given his consent to the advertisement and, if he is an employee, Officer or Associate of the Licensed Person, the advertisement says so;
Comparisons or contrasts	include any comparison or contrast, for example with other Investments, expenditure, assets, services or indices, unless it is fair and the Licensed Person should also not omit factors which are likely to be relevant to an appreciation of such comparison or contrast;
Advertisements issued by Appointed Representatives	include any matter referring - <p>(a) to the Authority except in relation to the Permitted Business of a Licensed Person on whose behalf the Appointed Representative is acting; or</p>

(b) to the fact that the advertiser is connected with a Licensed Person if the advertisement is not in respect of the Permitted Business of that Licensed Person;

or state that the Appointed Representative is an Authorised Person;

Guarantees

describe any CIS Investment Services Investment as guaranteed unless there is a legally enforceable arrangement with a third party who undertakes to meet in full an investor's claim under the guarantee.

RISK WARNINGS

To follow the code a Licensed Person should give the following risk warnings, if applicable -

A CIS Investment Services Investment which can fluctuate in value

for ~~a CIS Investment Services Investment~~ which can fluctuate in value, a statement should warn that values may fall as well as rise and that the investor may not get back the amount he has invested;

Income from CIS Investment Services

for ~~an CIS Investment Services~~ described as being likely to yield a high income or as suitable for an investor particularly seeking income from his Investment, the investor should be warned, if it is the case, that income from the CIS Investment Service may fluctuate in value in money terms;

CIS Investment Services involving exposure to a foreign currency

for CIS Investment Services an Investment involving exposure to a currency other than that in which acquisitions of the CIS Investment Services Investment are invited, the investor should be warned that changes in rates of exchange may cause the value of the CIS Investment Services to go up or down;

Advertising of so-called "High Income" Products

where a Licensed Person issues or approves a CIS Investment Advertisement for ~~an investment product or service~~ which offers "high income", it should ensure that -

(a) the use of the term "income", either in the name of the product or to describe payments to investors, is not misleading in form or context; if "income" payments to investors constitute a return of capital either in whole or in part, this should be made

clear, and a Licensed Person should bear in mind what investors are likely to understand by the term; where “income” payments do not represent a distribution of interest, and/or dividend or other earnings, this should be explained clearly and prominently at an early point in the Advertisement;

- (b) the Advertisement makes clear, if it is the case, the extent to which the forecast rate of “income” will be achieved by foregoing the potential for future capital growth; any claim that the risk of capital depreciation is limited should be balanced by an explanation of any limitation on the potential for capital recovery;
- (c) all the risks to an investor’s capital, or to maintenance of “income” payments at the advertised rate are fully explained, having regard to the particular nature of the product
- (d) any comparison of the product the subject of the Advertisement either directly or indirectly with bank and building society deposits or other investment and deposit-based savings vehicles is not made unless its distinguishing features and attendant risks are adequately explained;
- (e) the use, size and prominence afforded to the description of the “income” payments, together with any associated graphics or figures is not such as to distract from the salient features of the product and the nature of the risks involved; in particular, the advertised rate of income should not be presented in such a way as to imply that it is “guaranteed” or “certain” where this is not the case; and if the relevant risk factors are not placed alongside or immediately after the advertised rate of “income”, prominent signposting should be provided indicating where they may be found, and all the risk factors should appear with sufficient prominence relative to other text to ensure that the significance of the risks is not disguised;

Government and Other Public Securities

that more than 35% of the property of a Regulated Collective Investment Scheme (at the time when the advertisement is prepared for issue) consists, or is likely to consist, of Government and other public securities issued by one issuer, together with the identity of that issuer;

Charges deducted from capital

in relation to units in a Regulated Collective Investment Scheme, a statement:

- (a) explaining that the objective of the scheme is to maximise distributable income, or to place an equal emphasis on the generation of income and on capital growth, and to this end all or part of the Manager’s or ACD’s periodic charge will be taken out of capital. The likely effect of this should also be explained, in particular how capital may be eroded or future growth constrained; and

- (b) where a gross distribution yield is quoted showing the level, or maximum level, of the Manager's or ACD's periodic charge which may be charged to capital, explaining that the distributable income is increased by that amount and that the capital will therefore be reduced by a similar amount. Reference should also be made to the fact that when compared with a fund which charges expenses to income, the increase in income will result in some increased income tax liability for unitholders and shareholders and, where applicable, a reduction in liability for capital gains tax.

SCHEDULE 4

STATEMENT OF REPRESENTATION

The form of the statement is as follows -

Statement of Representation

For the period _____
Name of Licensed Person _____
CMA Reference _____

For CMA use

Date received _____
Checked _____
Follow up required _____

Statement of Representation

NOTES FOR COMPLETION OF THIS STATEMENT

1. Licensed Persons are required to submit a Statement of Representation twice a year at six monthly intervals for the period since the previous statement (in the case of new grant of their licence, since the date of grant of their licence). The Authority may determine that a Statement of Representation should be submitted more frequently where it deems this necessary.
2. To reflect the fact that responsibility for compliance is primarily that of the Licensed Person's Board (or equivalent), the answers to the questions must be approved by the Board (or equivalent). Where, exceptionally, the Licensed Person considers that full board approval would not be appropriate, it may seek permission from the Authority for Statements of Representation to be approved by a sub-committee of the Board.
3. The statement, after approval, should be signed by both the Licensed Person's Chief Executive and Compliance Officer and submitted to the Authority **within a maximum two months** ~~of the end of the reporting period~~~~after the date to which it is completed.~~
4. Where the answer to a question calls for further details or other information, these should be submitted on separate typed sheets.
5. Words used in the statement have the same meaning as in the Glossary to the Collective Investment Schemes (Conduct of Business and Financial) Regulations.

Statement of Representation

GUIDANCE NOTES

- | | | | |
|----|------------------------------|------|--|
| 1 | Business | 1.1 | Each of the <u>CIS</u> Principles should be considered in relation to the Licensed Person's business before answering this question. The Authority needs to be informed of any areas where it is felt that there may have been a departure from the Principles and of the action taken to remedy the position. |
| 3 | Compliance | 3A.2 | Where the answer to this question is NO, the details supplied should clearly identify the areas where the arrangements are not considered fully effective and the steps taken to remedy the situation. |
| 3A | <i>Compliance Procedures</i> | 3A.3 | If the answer to this question is NO, the instances where the Compliance Procedures have not been observed must be identified and details given of the action taken and of the results of such action. |
| 3B | <i>Compliance Monitoring</i> | 3B.1 | In answering this question Licensed Persons should determine whether their compliance monitoring procedures include as a minimum -

(a) review of continued adequacy of written procedures;

(b) review of appropriateness of training material so far as it relates to compliance requirements;

(c) test checks on documentation;

(d) review of customer <u>C</u> omplaints, their follow-up and arrangements for handling complaints;

(e) review of arrangements in respect of <u>CIS Customers' Clients' Money and Scheme Money</u> and Customers' Assets to ensure that they are in accordance with principle 7 and the Regulations;

(f) review of the records maintained by the Firm as required by the Regulations; and

(g) review of the steps taken to ensure that advice to <u>CIS</u> Customers and execution of transactions with or for them are in accordance with Principles 1 to 6 and the Regulations. |

Where the answer to this question is NO, the details supplied should clearly identify the areas where it is considered that monitoring procedures are inadequate and the steps taken to

remedy the situation.

- | | | |
|----|------------------------------|---|
| 3C | <i>Records of Compliance</i> | 3C.2 The details to be supplied in answer to this question should include information on occurrences which have resulted in losses to <u>CIS</u> Customers or in <u>CIS</u> Customers being otherwise disadvantaged. |
| 4B | <i>Customers' Assets</i> | 4B.1 In answering questions 4B.1 and 4B.2 <u>a firm should have particular regard to the need for adequate systems and controls so as to be able to carry out regular and accurate reconciliations of customer assets. firms which have adopted the rolling basis of reconciliation under paragraph (a) of regulation 3.16.7 should have particular regard to the need for adequate systems and controls to be able to carry out reconciliations on this basis.</u> |
| 5 | Notifications | 5.1 Details should be supplied with the Statement of Representation to fulfil the requirements of <u>the Collective Investment Scheme (Conduct of Business and Miscellaneous) 2004</u> regulation 4.9.3 (annual notification of Controllers). |
| 6 | Other Regulatory Action | 6.1 The Authority expects to be informed by a Licensed Person where there has been any regulatory action, otherwise than by Authority, of the nature described in the question either affecting the Licensed Person or any Group company (see the Glossary of the Regulations). A copy of any report or other document relating to such action should be supplied to the Authority. |

Statement of Representation

Statement of Representation

To: CAPITAL MARKETS AUTHORITY OF UGANDA (C.M.A.)

relating to the affairs of

.....("the Licensed Person")

from(date) to(date)

("the Period")

approved by resolution of the board* of the Licensed Person on(date)

as being accurate in all material aspects to the best of the Licensed Person's knowledge and belief.

*SignedChief Executive

..... Compliance Officer

Dated

Statement of Representation

The following questions should be answered with a YES or a NO. If a particular question is inapplicable to the Licensed Person both should be deleted and the reason for this stated. The Guidance Notes should be studied before answering the questions.

- | | | | | |
|---------|---------------------------------------|-------|---|---|
| 1 | Business | *1.1 | Has the Licensed Person carried on any Investment-B business in the Period other than its Permitted B business as set out in its current business profile? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, give details |
| | | *1.2 | Is the Licensed Person satisfied that it has conducted its <u>CIS</u> Investment B business at all times in accordance with the Principles? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| 2 | Special Conditions | 2.1 | Is the Licensed Person subject to any Special Condition? | YES <input type="checkbox"/> NO <input type="checkbox"/> |
| | | 2.2 | If YES, has the Licensed Person complied with such Special Condition? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| 3
3A | Compliance
Compliance Arrangements | 3A.1 | Does the Firm have and make available to employees written procedures incorporating rules of conduct reflecting the Authority's requirements? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| | | *3A.2 | Does the Licensed Person have arrangements which it is satisfied are adequate to comply with <u>CIS</u> Principle 9 (Internal Organisation) and the <u>Conduct of Business and Miscellaneous</u> Regulations as regards its employees? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details of action being taken to comply |
| | | *3A.3 | Is the Licensed Person satisfied that its arrangements for ensuring compliance (including complaints procedures) as required by the <u>Conduct of Business and Miscellaneous</u> Regulations have been effective throughout the Period? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| 3B | Compliance Monitoring | *3B.1 | Can the Licensed Person demonstrate that it carried out regular and adequate monitoring procedures during the Period? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| | | 3B.2 | Is the Licensed Person satisfied that adequate action has been taken to correct deficiencies? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details of action still being taken |

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		3B.3	Has the Licensed Person's board been made aware at regular intervals of compliance monitoring findings?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details of board involvement
3C	<i>Records of Compliance</i>	3C.1	Is the record of occurrences which have, or may have, involved a breach of the rules complete and accurate?	YES <input type="checkbox"/> NO <input type="checkbox"/>
		*3C.2	Is there any material or significant matter or trend revealed by such record which should be drawn to the Authority's attention?	YES <input type="checkbox"/> NO <input type="checkbox"/> If YES, give details
4	<u>CIS</u> CustomerClient Money and Customers' Assets Rules	4A.1	Does the Licensed Person have adequate systems of control to enable it to comply with the <u>CIS</u> CustomerClient Money Regulations?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details of action being taken
4A	<u>CIS</u> CustomerClient Money	4A.2	Was the Licensed Person in compliance with the <u>CIS</u> CustomerClient Money Regulations at all times during the Period?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details of breaches
4B	<i>Customers' Assets</i>	*4B.1	Has the Licensed Person adequate systems to enable it to comply with the Customers' Assets Rules, other than the <u>CIS</u> CustomerClient Money Regulations?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details of action being taken
		4B.2	Was the Licensed Person in compliance with those Rules at all times during the Period?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details of breaches
4C	<i>Reconciliations</i>	4C.1	Have the following been performed in the Period in the manner and at the times required by the Regulations -	
		(a)	<u>CIS</u> CustomerClients Money reconciliations?	YES <input type="checkbox"/> NO <input type="checkbox"/>
		(b)	<u>CIS</u> Customer Title Documents counts and reconciliations?	YES <input type="checkbox"/> NO <input type="checkbox"/>
		4C.2	Has the Authority been notified of any differences arising out of a reconciliation to which 4C.1 applies which the Licensed Person has been unable to correct?	YES <input type="checkbox"/> NO <input type="checkbox"/> If NO, give details

- | | | | | |
|---|-----------------------------|------|---|---|
| 5 | Notifications Requirements | *5.1 | Has the Authority been notified of all Notifiable Events? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details |
| | | 5.2 | Has any event specified as a Clearance Event taken place without the prior notification required by the Regulations? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, give details |
| 6 | Other Regulatory Action | 6.1 | Has the Licensed Person or any Associate company in the same Group as the Licensed Person , during the Period, and in relation to its Permitted Investment Business, been the subject of any disciplinary measures or had its affairs investigated by any regulatory body (other than the Authority) in Uganda or overseas? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, give details |
| 7 | Completeness of Information | 7.1 | Is the Licensed Person satisfied that all appropriate enquiries have been made of all those employees who should in the opinion of the Licensed Person properly be consulted before answering the above questions? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If NO, give details of enquiries not made |
| | | 7.2 | Are there any material or significant matters concerning the Licensed Person's Permitted B usiness or its Compliance Procedures which have not been disclosed to the Authority in accordance with Principle 10 of the Regulations? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, give details |
| | | 7.3 | Are there any matters relating to an earlier Statement of Representation or qualification in an auditor's report which remain unresolved? | YES <input type="checkbox"/> NO <input type="checkbox"/>
If YES, give details |
| 8 | Complaints | | In respect of Significant Complaints Licensed Persons are required to provide the statistical information indicated in the accompanying Table as at the reporting date. | |

Statement of Representation

COMPLAINTS STATISTICS	Total Complaints received in this period		Complaints outstanding at the reporting date		
	<i>Settled</i>	<i>Not Settled</i>	<i>3 months old</i>	3-6 months old	<i>more than 6 months old</i>
(a) General fitness complaints	_____	_____	_____	_____	_____
(b) <u>CIS</u> Advertising	_____	_____	_____	_____	_____
(c) <u>CIS</u> Customer agreement	_____	_____	_____	_____	_____
(d) Inadequate knowledge of customer	_____	_____	_____	_____	_____
(e) Inadequate / misleading <u>CIS</u> product disclosure	_____	_____	_____	_____	_____
(f) <u>CIS</u> Product suitability	_____	_____	_____	_____	_____
(g) Unreasonable sales conduct	_____	_____	_____	_____	_____
(h) Best execution	_____	_____	_____	_____	_____
(i) Remuneration / charges	_____	_____	_____	_____	_____
(j) Churning	_____	_____	_____	_____	_____
(k) Conflicts of interest	_____	_____	_____	_____	_____
(l) Complaints relating to records / documents	_____	_____	_____	_____	_____
(m) <u>Cis Customer</u> Client Money / Customer Assets	_____	_____	_____	_____	_____
(n) Unit Trust / <u>ICVCOEFC</u> regulations	_____	_____	_____	_____	_____
(o) Other <u>Ce</u> onduct of <u>B</u> usiness Rule breaches	_____	_____	_____	_____	_____
(p) Dispute about instructions	_____	_____	_____	_____	_____
(q) Poor administration	_____	_____	_____	_____	_____
(r) Poor investment management	_____	_____	_____	_____	_____
(s) General complaints	_____	_____	_____	_____	_____

Notes

- 1 Where a Compliant relates to more than one category, the most appropriate single category should be selected.
- 2 “Settled” means settled to the satisfaction of the Complainant.

*Final draft to First Parliamentary Counsel
August 2003
Amended by Cadogan Financial May 2004*

SCHEDULE 5

RECORDS

*See precedent of FSA Record Keeping Requirements
which will need to be adapted by CMA in the light of Uganda's circumstances*

See attached.

*Final draft to First Parliamentary Counsel
August 2003
Amended by Cadogan Financial May 2004*

CIS Sourcebook – Record keeping requirements

**SCHEDULE 6
NOTIFICATIONS**

PART I CLEARANCE EVENTS	
SECTION I NATURE OF EVENT	
1. Controller	where any person is to become or cease to be a Controller of the Licensed Person or where a Controller of the Licensed Person decides to increase its holding so that the proportion of the voting rights or of the capital that it holds or controls would reach or exceed 20, 33 or 50% or so that the Licensed Person would become its Subsidiary.
2. Chief Executive	where any person is to become the Chief Executive of the Licensed Person.
SECTION II INFORMATION TO BE SUPPLIED	
<i>Event</i>	<i>Information to be notified to the Authority</i>
1. Change of Controller	<p>the fact that a change as set out in paragraph 1 of Part 1 above is to occur and, in the case of a person becoming a Controller -</p> <ul style="list-style-type: none"> (i) its name; (ii) a description of its principal business; (iii) the names of its Directors, partners and Managers, if any; (iv) the address of its registered or head office (in the case of a Body Corporate) or its principal place of business (in the case of a partnership or an unincorporated association) or his address (in the case of an individual); and (v) the percentage of the voting power which it will, on becoming a Controller, be able to exercise, or control the exercise of, at any general meeting of the Licensed Person.
2. Change of Chief Executive	<p>the fact that a person is to become the Chief Executive of the Licensed Person and his name.</p> <p><i>Note: A completed registration form for the incoming Chief Executive must be submitted unless one has been previously received by the Authority and there has been no material change in the information supplied.</i></p>

Notifications

PART II		
NOTIFIABLE EVENTS		
EVENT	NOTICE TO THE AUTHORITY	
	Time within which notification to be given	Particulars to be given
SECTION I		
A: CONSTITUTION		
1. Changes made as regards the Licensed Person in:		
(a) name;	immediately	details of the change including the date such change occurs
(b) any business name under which it carries on its Permitted Business;	"	"
(c) address of its head office or principal place of business;	"	"
(d) address of its registered office; <i>or</i>	"	"
(e) address for service of notices or documents, if different from (d).	"	"

Notifiable Events		
EVENT	NOTICE TO THE AUTHORITY	
	Time within which notification to be given	Particulars to be given
B: CONTROL AND MANAGEMENT		
<p>2. When the Licensed Person becomes a Subsidiary of another company.</p>	<p>not more than 7 days after the event or the date on which the Licensed Person becomes aware of the event, whichever is the later.</p>	<p>name of company of which it has become a Subsidiary together with the date of such change</p>
<p>3. When in relation to the Licensed Person a person becomes or ceases to be:</p> <p>(a) a Controller;</p> <p><i>Note: Any change which will result in any person becoming or ceasing to be a Controller, or where a Controller decides to increase his holding so that the proportion of the voting rights or of the capital that he holds or controls would reach or exceed 20, 33, or 50% or so that the Licensed Person would become his Subsidiary is also a Clearance Event.</i></p>	<p>not more than 7 days after the event or the date on which the Licensed Person becomes aware of the event, whichever is the later</p>	<p>together with the date of such change, the fact that a person has either -</p> <p>(a) become; or</p> <p>(b) ceased to be a Controller and, in the case of a person becoming a Controller:</p> <p>(i) its name;</p> <p>(ii) a description of its principal business;</p> <p>(iii) the names of its Directors, partners and Managers, if any;</p> <p>(iv) the address of its registered or head office (in the case of a Body Corporate) or its principal place of business (in the case of a partnership or an unincorporated association) or his address (in the case of an individual);</p>

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<p>(b) the Chief Executive;</p> <p><i>Note: Where anyone is to be appointed as Chief Executive, a Clearance Event will occur.</i></p> <p>(c) a Director;</p> <p>(d) a Manager of the Licensed Person's Permitted Business;</p> <p>(e) the Compliance Officer;</p> <p>(f) the Finance Officer;</p> <p>(g) the Company secretary or equivalent;</p>	<p>not more than 7 days after the event or the date on which the Licensed Person becomes aware of the event, whichever is the later.</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p>	<p>(v) the percentage of the voting power which it can exercise, or control the exercise of, at any general meeting of the Licensed Person and, if different, the percentage of the capital which it holds; and</p> <p>(vi) the occurrence of which the Licensed Person is aware of any of the events set out in paragraphs (b) to (h) of Part II of this Table relating to the Controller's Directors, partners and Managers;</p> <p>the fact that a person has ceased to be the Chief Executive of the Licensed Person and -</p> <p>(i) the date on which he ceased to be Chief Executive; and</p> <p>(ii) the reason(s) for the change.</p> <p>the reason(s) for, and the date of, change, together with the name of the person concerned</p> <p style="text-align: center;">"</p> <p>the nature and date of change</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p>
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<p>4. Changes in the entitlement of any person to exercise, or control the exercise of, the voting power at any general meeting of the Licensed Person or any body corporate of which the Licensed Person is a subsidiary and, if different, the percentage of capital which it holds, if before or after any such change, that person was a Controller.</p> <p><i>Note: This refers to a situation where a person is a Controller, and continues to be a Controller, but the level of his control changes.</i></p> <p><i>Note: Under Regulation 4.9.3 a Licensed Person is required to make an annual notification of Controllers of the Licensed Person.</i></p>	<p>not more than 7 days after the event or the date on which the Licensed Person becomes aware of the event, whichever is the later</p>	<p>details of the change</p>

C: STATUS OF PERSONNEL

<p>5. The dismissal of, or the occurrence of any of the events set out in Section II of this Schedule in respect of, any of the following in relation to the Licensed Person -</p> <p>(a) Chief Executive;</p> <p>(b) Director;</p> <p>(c) Manager of the Licensed Person's Permitted Business;</p>	<p>immediately upon the Licensed Person becoming aware of the event</p> <p style="text-align: center;">"</p> <p style="text-align: center;">"</p>	<p>date and reason for the dismissal or details of the event</p> <p>name of person concerned and date and reasons for dismissal or details of the event</p> <p style="text-align: center;">"</p>
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(d) Compliance Officer; or	"	"	
(e) Finance Officer	"	"	

6. The dismissal of, or the occurrence of any of the events set out in paragraph (a) to (f) of Section II of this Schedule in respect of a Company Representative of the Licensed Person.	immediately upon the Licensed Person becoming aware of the event	details of the event and the name of the Company Representative concerned	
D: COMPLAINTS			
7. The conclusion of any investigation or adjudication proceedings	promptly	a statement of the fact	
8. (a) Action taken by the Licensed Person pursuant to paragraph (c) Regulation [4.10.2] of PART IV in response to any Significant Complaint which has not been settled to the Complainant's satisfaction two months after the Licensed Persons receipt of the complaint.	immediately	details of the action taken	
(b) Notice, pursuant to paragraph (f) of Regulation [4.10.2] of the terms of settlement of a Significant Complaint (of which notice has been given under paragraph of (c)(i) of Regulation [4.10.2]	immediately	statement of the terms of settlement	

E: SCHEME ASSETS		
9. (a) When the Licensed Person has not carried out reconciliations in accordance with paragraph (a) of <u>CIS Conduct of Business and Miscellaneous Regulation 3.22.10</u> or, having done so, is unable to correct any differences (other than immaterial differences) pursuant to paragraph (b) of Regulation 3.22.10.	Immediately	a statement of the fact
(b) When the Licensed Person intends to change the basis on which it performs Reconciliations pursuant to Regulation 3.22.9.	immediately	a statement of the fact
F: INSIDER DEALING		
10. If a Licensed Person believes that it has, or may have, effected a transaction falling within <u>CIS Conduct of Business and Miscellaneous Regulation 3.10.1.</u>	immediately	a statement of the fact and the reason and circumstances of the events
G: <u>FAILURE TO PROCURE ISSUES OF UNITS OR SHARES NEGATIVE BOXES</u>		

11. A M anager/ACD fails to create or procure the creation of sufficient units/shares in response to an obligation to sell under Unit Trust and <u>ICVCOEIC</u> Regulations	immediately upon the T rustee or Depositary becoming aware of the circumstances	a statement of the reason for and circumstances of the event, together with details of corrective action taken.
H: SHORT SELLING		
12. If a Licensed P erson believes that it has, or may have, effected a transaction falling within Regulation 5.29 of the Unit Trusts Regulations and Regulation 5.3 10 of the <u>ICVCOEIC</u> Regulations:	immediately	a statement of the fact and the reasons for and circumstances of the events

**SECTION II
SPECIFIED EVENTS CONCERNING STATUS OF PERSONNEL**

The following are the events referred to in paragraphs 5 and 6 of Section I of this Schedule:

- (a) a change of name;
- (b) the bringing of a prosecution for, or a conviction of, any offence involving fraud or other dishonesty;
- (c) the bringing of a prosecution for, or a conviction of, any offence under legislation relating to banking, Building Societies, companies, consumer credit, credit unions, friendly societies, industrial and provident societies, insolvency, insurance and other financial services;
- (d) the presentation of a petition for a bankruptcy order or an award of sequestration;
- (e) the imposition of disciplinary measures or sanctions by any regulatory authority in relation to the individual's professional or business activities; and
- (f) the making of an order by a court disqualifying that individual from serving as Director of a company or from being concerned with the management of a company.