

FUND PROSPECTUS RULES 2007

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INVESTMENT FUNDS ACT 2006

2006 : 37

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In exercise of the powers conferred upon it by section 38 of the Investment Funds Act 2006, the Authority makes the following Rules:

Citation

1 These Rules may be cited as the Fund Prospectus Rules 2007.

Application

2 These Rules shall apply to all funds authorised under the Investment Funds Act 2006.

Requirement for, and approval of, prospectus

3 (1) Every fund shall prepare a prospectus which shall comply with these Rules.

(2) Upon application for authorisation, the operator of a fund shall submit to the Authority a copy of the prospectus that it proposes to issue; and where a mutual fund company is registered under section 6 of the Segregated Accounts Companies Act 2000, or a unit trust fund is operating segregated accounts, the operator of such a fund shall submit to the Authority copies of the prospectus for each segregated account that is to be operated as a fund.

(3) Such a prospectus shall not be used for the offering of units to participants or potential participants until the Authority has approved it.

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Publication and availability of prospectus

4 (1) Subject to paragraph 3, every operator of a fund shall publish the prospectus or otherwise make copies of the prospectus available to participants and potential participants.

(2) The prospectus shall be made available to participants without charge at the registered or principal office of the fund in Bermuda or at the office in Bermuda of at least one of the service providers.

Contents of prospectus

5 A prospectus shall, in addition to any requirements of law, contain the following —

- (a) the name of the fund and the address of its registered or principal office in Bermuda;
- (b) a statement whether the fund is registered or licensed, as the case may be, (or intends to be registered or licensed) in any jurisdiction or with any supervisory or regulatory authority, outside Bermuda;
- (c) the date of incorporation or establishment of the fund (indicating whether or not the duration is limited);
- (d) where applicable, an indication of stock exchanges or markets where the securities are, or are to be, listed or dealt in;
- (e) the names, addresses and other relevant particulars of directors, officers, resident representatives, auditors, fund administrators, custodians, registrars, promoters, legal advisers, investment managers, and other persons having significant involvement in the affairs of the fund;
- (f) a description of the fund's investment objectives, including its financial objectives, investment policy and any limitations on that investment policy and an indication of any techniques and instruments, and any borrowing powers;
- (g) a description of the investment fund's material risks, including in relation to a mutual fund company registered under section 6 of the Segregated Accounts Companies Act 2000 or a unit trust fund operating segregated accounts, a statement on any potential risks associated with the operation of segregated accounts;
- (h) details of the capital of the fund including, where applicable, any existing initial or founder capital;

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- (i) details of the principal rights and restrictions attaching to the units, including with respect to currency, voting rights, circumstances of winding up or dissolution, certificates, entry in registers and other similar details;
- (j) a description of the intentions with respect to the declaration of dividends or distribution of profits;
- (k) the procedures and conditions for the issue of units;
- (l) the procedures and conditions for the redemption and sale of units and the circumstances in which such redemption may be suspended;
- (m) a description of the basis for the determination of the issue and redemption prices (including the frequency of dealings) and an indication of the places where information as to the prices may be obtained;
- (n) a description of the basis and frequency of valuation of the fund's assets;
- (o) particulars of any material provisions of any contract engaging the services of any and all directors, trustees, partners, service providers and any other third parties receiving or likely to receive fees from the fund;
- (p) a description of the potential conflicts of interest between the fund, its directors, trustees, partners and its service providers;
- (q) the date of the financial year end of the fund;
- (r) information on the nature and frequency of financial reports to be distributed to participants.
- (s) a statement of the place where copies of the constitution and any annual or periodic report may be inspected and obtained;
- (t) particulars relating to the main business activity of the custodian and any co-custodian; and
- (u) particulars of the experience of investment managers.

Disclaimer

6 The following statements shall also be included in the prospectus —

- (a) In relation to all funds —

"Authorisation by the Bermuda Monetary Authority does not constitute a guarantee by the Authority as to the performance of the fund or its creditworthiness.

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Furthermore, in authorizing such a fund, the Authority shall not be liable for the performance of the fund or the default of its operators or service providers, nor for the correctness of any opinions or statements expressed in the prospectus.";

(b) in relation to an institutional or administered fund, the following statement —

"(name of fund) has been classified as an Institutional/Administered Fund. As such, the fund may not be supervised to the same degree as other funds which are authorised and regulated by the Authority. Therefore, the fund should be viewed as an investment suitable only for participants who can fully evaluate and bear the risks involved."

Additional information

7 The operator of a fund shall also include in the prospectus any other material information which is within its knowledge or which it can obtain by making reasonable enquiries, being information which investors would reasonably require for the purpose of making an informed judgment about the merits of investing in the fund.

Made this 7th day of March 2007

Alan Richardson
Chairman
Bermuda Monetary Authority

Cheryl-Ann Lister
Chief Executive Officer
Bermuda Monetary Authority