

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2013

NU SERIES OF NOTICES

Conditions imposed in relation to
Collective Investment Schemes Other
than UCITS

May 2013

Explanatory Memorandum

Collective investment schemes other than UCITS may be established as:

- unit trusts, under the Unit Trusts Act, 1990;
- investment companies under the Companies Act, 1990 Part XIII;
- investment limited partnerships under the Investment Limited Partnerships Act, 1994; and
- common contractual funds under the Investment Funds, Companies and Miscellaneous Provisions Act, 2005.

Under these Acts (“the non-UCITS CIS legislation”) the Central Bank of Ireland (“the Central Bank”) is responsible for the authorisation and supervision of unit trusts, common contractual funds, investment companies and investment limited partnerships and has the power to impose conditions on them.

The conditions which the Central Bank is imposing are contained in this NU series of Notices which supersede all previous ones. The Notices must be read in conjunction with the non-UCITS CIS legislation which contain, inter alia, detailed provisions on the operation of collective investment schemes. In the event of any difference or discrepancy between the Notices and the non-UCITS CIS legislation, the provisions of the non-UCITS CIS legislation will prevail.

Where a requirement of these Notices is amended or deleted, any legal proceedings, or any investigation, disciplinary or enforcement action in respect of any requirement may be continued, and any breach of the requirement so amended or deleted may subsequently be the subject of a legal proceeding, investigation, disciplinary or enforcement action by the Central Bank or other person, as if the requirement had not been amended or deleted.

The following points should be noted:

- (1) the Central Bank has issued a separate set of Notices in respect of UCITS schemes i.e. unit trusts, common contractual funds and investment companies which are authorised by the Central Bank under the European Communities

(Undertakings for Collective Investment in Transferable Securities) Regulations 2011.

- (2) these NU Notices apply to collective investment schemes other than UCITS which have been authorised by the Central Bank and which may be in the form of
- a unit trust
 - a common contractual fund
 - a designated investment company (i.e. one which may raise capital by promoting its shares to the public)
 - an investment limited partnership.

A Notice in respect of non-designated investment companies (i.e. which may not raise capital by promoting the sale of its shares to the public) has been issued and is available separately.

- (3) these NU Notices also apply to the marketing, in Ireland, of a scheme (other than a UCITS) established in another jurisdiction.
- (4) Obligations imposed on a collective investment scheme under the non-UCITS CIS legislation and under these Notices are, in the case of a self-managed investment company, obligations of the investment company and in the case of unit trusts and common contractual funds, or investment companies that have appointed a management company, obligations of the management company.
- (5) Notices NU 3 and NU 13 set out the general borrowing and investment restrictions which the Central Bank imposes on all schemes. These restrictions will apply to each scheme unless
- the general restrictions are modified or replaced in the Notice applicable to a particular type of scheme (e.g. NU 22 (Feeder Schemes)
 - general restrictions in respect of investment in other collective investment schemes are relaxed)
- or
- a specific derogation is granted by the Central Bank.

(6) Collective investment schemes may be established with mixed investment objectives e.g. a scheme which proposes to invest 50 % of its portfolio in equities and 50 % in derivatives. In these circumstances the investment restrictions applicable to a particular type of scheme apply pro rata to that proportion of net assets which it is intended to invest in that particular type of scheme.

(7) **Interpretation:**

For the purposes of these Notices the following interpretations and definitions shall apply:

Associated company: This term has the same meaning as is given to “associated undertaking” in the European Communities (Companies: Group Accounts) Regulations, 1992 (S.I. No. 201 of 1992). In general this states that companies are associated where a significant influence may be exercised by one company over the operating and financial policy of another. This is deemed to be the case where 20 % or more of the voting rights in one company are owned directly or indirectly by another.

Best execution: The best price available in the market, exclusive of any charges but taking account of any other exceptional circumstances such as counterparty risk, order size or client instructions.

Central Bank's Licensing Requirements: The Licensing and Supervision Requirements and Standards for Credit Institutions as issued by the Central Bank from time to time.

Credit ratings: References to credit ratings are made in some of the Notices. The ratings referred to are Standard and Poors. An “**equivalent rating**” for the purposes of these Notices is one which has been provided by an internationally recognised rating agency and which is deemed equivalent to the rating stipulated in the Notice. An “**implied rating**” arises where a decision on an unrated entity is made by a scheme on the basis of a

relationship between an issuer and its rated parent, or where an issuer has a senior debt/long term rating but no short term rating

Fund Administration Services: The administration of collective investment schemes, including the performance of valuation services or fund accounting services or acting as transfer agents or registration agents for such schemes.

Group companies: Members companies of a group of associated or related companies (see other definitions).

Investment Funds Act 2005: This term refers to the Investment Funds, Companies and Miscellaneous Provisions Act, 2005.

Investment objectives/Investment policy: Some of the Notices refer to investment objectives and/or investment policy. By investment objective the Central Bank means the purpose for which the scheme was established. Investment policy is the means through which the objective will be achieved.

Liquid: money market instruments/transferable securities are regarded as being liquid where they can be repurchased, redeemed or sold at limited cost, in terms of low fees and narrow bid/offer spread, and with very short settlement delay.

Related company: This term has the same meaning as in the Companies Act, 1990 [Section 140(5)]. In general this states that companies are related where 50 % of the paid up share capital of, or 50 % of the voting rights in, one company are owned directly or indirectly by another.

Trustee: This term applies to a custodian in the case of a common contractual fund. The trustee function in respect of a unit trust scheme, an investment company, an investment limited partnership and a common contractual fund includes the custodian function.

Unitholder: This term applies to a shareholder in the case of an investment company, a limited partner in the case of an investment limited partnership and unitholder in the case of a unit trust scheme or common contractual fund.

Units: This term applies to shares of an investment company, interests of the partners in an investment limited partnership and units of a unit trust scheme or common contractual fund.

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COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Fund of funds schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme, the principal object of which is investment in units of other collective investment schemes, is subject to the following rules in addition to the general rules for all collective investment schemes which are not disapplied below:

1. Subject to the provisions of paragraph 8(b) NU 13, schemes in which the fund of funds scheme invests must be authorised in Ireland, or in another jurisdiction authorised by a supervisory authority set up in order to ensure the protection of unitholders and which, in the opinion of the Central Bank, provides an equivalent level of investor protection as that provided under Irish laws, regulations and conditions governing collective investment schemes.
2. The scheme may not invest more than 20 % of net assets in the units of any one scheme. However, the scheme may provide that this limit shall be raised to 30 % for one of the schemes in which it invests.
3. The scheme may not invest in units of another fund of funds scheme or of a feeder scheme.
4. Where the scheme invests in units of a collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made must waive the preliminary/initial/redemption charge which it would normally charge.

5. Where a commission is received by the manager of the scheme by virtue of an investment in the units of another collective investment scheme, this commission must be paid into the property of the scheme.

6. The prospectus must disclose, and quantify to the extent possible, the types of charges and other costs relating to the underlying collective investment schemes which will be borne by the scheme.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Dealings by promoter, manager, partner, trustee, investment adviser and group companies**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. Any transaction carried out with a collective investment scheme by a promoter, partner, manager, trustee, investment adviser and/or associated or group companies of these (“connected parties”) must be carried out as if negotiated at arm’s length. Transactions must be in the best interests of the unitholders.
2. Transactions permitted are subject to:
 - (i) certified valuation by a person approved by the trustee, or the scheme in the case of transactions involving the trustee, as independent and competent; or
 - (ii) execution on best terms on organised investment exchanges under their rules; or
 - (iii) where (i) and (ii) are not practical, execution on terms which the trustee, or the scheme in the case of transactions involving the trustee, is satisfied conform to the principles outlined in 1 above.

The trustee may hold funds for a scheme subject to the provisions of Section 30 of the Central Bank Act 1989. Funds held by a trustee for a scheme must be held on terms which comply with paragraph 1 above.

3. Where it is envisaged that such transactions may be entered into, there must be full disclosure in the scheme’s prospectus.
4. The periodic reports must state whether:

- (i) the board of directors are satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out in paragraph 1 above are applied to all transactions with connected parties; and
 - (ii) the board of directors are satisfied that transactions with connected parties entered into during the period complied with the obligations set out in paragraph 1.
5. This Notice specifies the extent of the disapplication by the Central Bank of Section 13(1) of the Unit Trusts Act, 1990, in accordance with its powers under Section 13(3) of that Act and of Section 15(1) of the Investment Funds Act, 2005 in accordance with its powers under that Section.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Borrowing powers**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. Subject to the provisions of the trust deed, deed of constitution, memorandum and articles of association, or partnership agreement, a collective investment scheme may borrow, which borrowing may be secured on the assets of the scheme.
2. Borrowings may not exceed 25 % of the net assets of a scheme at any time. Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding.
3. A scheme which invests across a range of currencies may borrow foreign currency by means of a back-to-back loan agreement. Foreign currency obtained in this manner is not classed as borrowings for the purposes of the Central Bank's borrowing restriction in paragraph 2 above, provided that the offsetting deposit equals or exceeds the value of the foreign currency loan outstanding.

However, where foreign currency borrowings exceed the value of the back-to-back deposit, any excess is regarded as borrowing for the purposes of paragraph 2 above.

4. Where it is envisaged that borrowing may be undertaken there must be full disclosure in a scheme's prospectus.

5. This Notice specifies the extent of the disapplication by the Central Bank of Section 13(2)(a) and Section 13(2)(c) of the Unit Trusts Act, 1990, in accordance with its powers under Section 13(3) of that Act.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Information and document requirements of the Central Bank of Ireland in support of an application for authorisation as a unit trust, common contractual fund, investment company or investment limited partnership**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

General Information Required For All Schemes:

An application for authorisation of a collective investment scheme shall be made in writing to the Central Bank. Applications must contain the following information:

1. the name of the scheme
2. a statement of the general nature of the investment objectives of the scheme
3. the prospectus
4. the full name and address of the promoter of the scheme. Sufficient information concerning the promoter to enable the Central Bank to be satisfied as to its expertise, integrity and adequacy of financial resources. This information should include, inter alia, details of shareholders, latest audited accounts and details of overseas regulatory status (if any), in accordance with *Guidance Note 2/96 – Promoters of Collective Investment Schemes*.
5. where a scheme proposes to employ the services of a management company the following information is to be supplied in respect of that company:
 - full name and address;
 - memorandum and articles of association;

- the names of the directors, the company secretary, and the shareholders;
 - sufficient information in respect of all directors and shareholders to enable the Central Bank to be satisfied that they have appropriate expertise and are of good reputation and, in the case of shareholders, that they have appropriate financial resources. This information should include inter alia, a curriculum vitae in the case of each director and latest audited accounts and details of overseas regulatory status (if any) in the case of each shareholder of a management company
6. the full name and address of the proposed trustee
 7. the full name and address of the proposed investment manager, if it is different from the management company, investment company or general partner and a copy of the relevant agreement with the investment manager. Sufficient information concerning the investment manager to enable the Central Bank to be satisfied as to its expertise, integrity and adequacy of financial resources. This information should include, inter alia, details of shareholders, latest audited accounts and details of the overseas regulatory status (if any) in accordance with Policy Document – *Investment managers and investment advisers to authorised collective investment schemes (CIS) – approval and disclosure – November 2004*
 8. the full name and address of the auditor
 9. the full name and address of any third party which has been contracted by the scheme, or management company acting for the scheme, to carry out its work and copies of the relevant agreements with the third party. Sufficient information concerning any third party involved to enable the Central Bank to be satisfied as to its expertise, integrity and adequacy of financial resources. This information should include, inter alia, details of shareholders, latest audited accounts and details of overseas regulatory status (if any)
 10. such additional information as the Central Bank may specify in the course of determining individual applications.

Unit Trusts and Common Contractual Funds:

An application for authorisation of a unit trust scheme or common contractual fund shall be made in writing to the Central Bank by the management company and trustee under the scheme. Applications must contain the following additional information:

11. the trust deed or deed of constitution
12. a copy of the custodian agreement, in the case of a common contractual fund.

Investment Companies:

An application for authorisation of an investment company shall be made in writing to the Central Bank by the investment company. Applications must contain the following additional information:

13. the full name and address of the investment company and the memorandum and articles of association
14. the names of the directors and the company secretary. Sufficient information in respect of all directors to enable the Central Bank to be satisfied that they have appropriate expertise and are of good reputation. This information should include, inter alia, a curriculum vitae in the case of each director
15. a copy of the agreement between the company and the trustee.

Investment Limited Partnerships:

An application for authorisation of an investment limited partnership shall be made in writing to the Central Bank by the proposed general partner(s). Applications must contain the following additional information:

16. the partnership agreement
17. the address of the registered office and the principal place of business of the investment limited partnership
18. the term, if any, for which the investment limited partnership is entered into or, if for unlimited duration, a statement to that effect and the date of its commencement
19. the full name and address of the person proposed under the partnership agreement as general partner and, if more than one, of each of them

In the case of a general partner which is a body corporate:

- the memorandum and articles of association of the Irish incorporated general partner as referred to in NU 5;
- where relevant, latest audited accounts, or in the case of a newly established Irish incorporated general partner, confirmation that the Central Bank's capital requirements have been complied with;
- names of the directors and shareholders. Sufficient information in respect of all directors and shareholders to enable the Central Bank to be satisfied that they have appropriate expertise and are of good reputation and, in the case of shareholders, that they have appropriate financial resources. This information should include, inter alia, a curriculum vitae in the case of each director and latest audited accounts and details of overseas regulatory status (if any) in the case of each shareholder;
- a statement that the proposed general partner has complied with the requirements of Section 352 of the Companies Act, 1963 and its registration number where the body corporate is not incorporated under the laws of the State

20. a copy of the agreement between the partnership and the trustee.

Applications:

All applications should be addressed to:

The Manager
 Funds Authorisation and Supervision Division
 Central Bank of Ireland
 Block D
 Iveagh Court
 Harcourt Road
 Dublin 2

**Funds Authorisation and Supervision Division
 Central Bank of Ireland
 July 2011**

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Supervisory conditions for non-UCITS collective investment schemes authorised by the Central Bank of Ireland and certain firms providing services to such schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. A management company, in the case of a unit trust scheme, a common contractual fund, or an investment company must have sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities.
2. A management company, in the case of a unit trust scheme or common contractual fund, or an investment company which temporarily suspends the repurchase or redemption of its units must inform the Central Bank immediately, and in any event within the working day on which such suspension took effect.
3. The management company in the case of a unit trust scheme or common contractual fund may not be replaced without the approval of the Central Bank. The trust deed or deed of constitution shall specify the conditions under which there may be effected, and the procedure to be followed with respect to, the replacement of the management company with another management company (including such a replacement by the Central Bank) and shall contain provisions to ensure the protection of unitholders in the event of any such replacement.
4. No alteration in the trust deed of an authorised unit trust scheme or deed of constitution of a common contractual fund or change in the name of such schemes shall be made without the approval of the Central Bank.

5. The partnership agreement shall specify the conditions under which there may be effected, and the procedure to be followed with respect to, the replacement of a general partner to the partnership with another general partner (including a replacement by the Central Bank) and the admission of additional general partners and shall contain provision to ensure the protection of limited partners in the event of any such replacement.
6. A general partner of an investment limited partnership may not be replaced by another general partner nor may additional general partners be admitted to such partnership, without the prior approval of the Central Bank.
7. No alteration in the partnership agreement or change in the name of the investment limited partnership shall be made or take effect without the prior approval of the Central Bank.

The following supervisory requirements of the Central Bank are imposed as conditions under Section 5 of the Unit Trusts Act, 1990, Section 257 of the Companies Act, 1990 Part XIII, Section 7 of the Investment Limited Partnerships Act, 1994, Section 10 of the Investment Funds Act, 2005, Section 92 of the Central Bank Act, 1989 and Section 14 of the Investment Intermediaries Act, 1995.

Conditions relating to certain firms providing services to schemes i.e. management/administration companies of unit trust schemes, common contractual funds and investment companies and the general partner of an investment limited partnership:

At least one general partner of an investment limited partnership must have a registered office and its head office in the State. The supervisory requirements in this section apply to that general partner.

8. The firm must, at all times, maintain a minimum capital requirement equivalent to €125,000 ('financial resources requirement') or one quarter of its preceding year's fixed overheads ('expenditure requirement'), whichever is higher. The firm's minimum capital requirement must be held as eligible assets in a form which is easily accessible and must be free from any liens or charges.

A firm, which is a member of a group, must maintain its minimum capital requirement outside the group. The firm must be in a position to demonstrate its ongoing compliance with this requirement.

The form of any subordinated loan or capital contribution incorporated in the calculation of Financial Resources, (including repayment), is subject to the approval of the Central Bank.

Specific details and supplementary guidance in relation to these requirements are contained in the 'Capital Compliance Requirement'. This document, which may be amended from time to time, includes the Compliance with Minimum Capital Requirement Report and forms part of the NU Series of Notices.

9. Appointments to the office of director or alternate director of the firm require the prior approval of the Central Bank. Departures from the office of director must be notified to the Central Bank immediately.
10. The board of directors of the firm should not have directors in common with the board of directors of the trustee of the scheme for which it acts.
11. Directors are required to disclose to their board any concurrent directorships which they hold on boards of authorised collective investment schemes and/or related entities which supply services to such schemes.
12. A minimum of two directors of the firm must be Irish residents.
13. Approval of the Central Bank is required in respect of any proposed change in ownership or in significant shareholdings. A significant shareholding for the purpose of this condition is defined as a shareholding of 10 % or more in the firm.
14. Half-yearly financial and annual audited accounts of the firm must be submitted to the Central Bank. The half-yearly accounts must be submitted

within two months and the annual accounts within four months of the relevant reporting period. Annual audited accounts of the corporate shareholder(s) of the firm must also be submitted.

15. The firm must maintain appropriate internal control systems to ensure that records clearly identify client funds and the assets in which they have been invested.
16. The firm is obliged to satisfy the Central Bank on a continuing basis that it has sufficient management resources to effectively conduct its business. In addition, its directors and managers should be persons of integrity and have an appropriate level of knowledge and experience. The firm must organise and control its internal affairs in a reasonable manner, with proper records and adequate arrangements for ensuring that employees are suitable, adequately trained and properly supervised. There should be well defined procedures in place to ensure compliance with regulations and the firm should deal with regulators in an open and co-operative manner. The firm must notify the Central Bank as soon as it becomes aware of any breaches of the Central Bank's supervisory or reporting requirements.
17. Review meetings will be held by the Central Bank with the firm as required by the Central Bank. A firm is required, for the purposes of such meetings, to supply any additional material as may be specified by the Central Bank, including internal auditors' reports, operating procedures and management letters issued by the firm's auditors and by the auditors of collective investment schemes under management/administration. In addition, the Central Bank may conduct inspections of the operations of the firm if these are deemed necessary or appropriate.
18. The firm must ensure that any references in publicity material to the role of the Central Bank in relation to its supervision of the firm's activities are not misleading.
19. The firm is required to consult with the Central Bank before engaging in significant new activities.

20. Firms providing administration services to a collective investment scheme not authorised by the Central Bank must be satisfied that the prospectus issued by the scheme does not imply, in any way, that the scheme is regulated by the Central Bank.

The firm is required to submit a quarterly return containing the following aggregate information for all schemes under administration, which are not authorised by the Central Bank, within each base currency category:

- domicile of the schemes
- number of schemes
- number of unitholders
- total net asset value.

The Central Bank may request information on non-Irish schemes in order to effectively perform its role as supervisor of Irish service providers. Such requests do not imply any regulatory or supervisory role for the Central Bank in respect of non-Irish schemes.

21. An administration company must comply with the Central Bank's requirements on outsourcing of administration activities, as set out in Annex II to these Notices, in relation to collective investment schemes to which it provides Fund Administration Services.

Conditions relating directly to the collective investment scheme - unit trust, common contractual fund, investment company and investment limited partnership:

22. The management company in the case of a unit trust or common contractual fund, the general partner in the case of an investment limited partnership and an investment company must comply with the terms of the prospectus issued by the scheme.
23. Appointments to the office of director or alternate director of the investment company require the prior approval of the Central Bank. Departures from the office of director must be notified to the Central Bank immediately.

24. The board of directors of the investment company should not have directors in common with the board of directors of its trustee. A minimum of two directors must be Irish resident.
25. Directors are required to disclose to their board any concurrent directorships which they hold on boards of authorised collective investment schemes and/or related entities which supply services to such schemes.
26. An investment company which does not employ the services of a management company or fund administration company must:
- have a minimum paid up share capital equivalent to €125,000 within 3 months of authorisation
 - satisfy the Central Bank on a continuing basis that it has sufficient management resources to effectively conduct its business and otherwise comply with the provisions of paragraph 16 above
 - meet with the Central Bank for review meetings as required by the Central Bank. An investment company is required, for the purposes of such meetings, to supply any additional material as may be specified by the Central Bank, including operating procedures and management letters issued by the company's auditors.
27. The management company, in the case of a unit trust scheme or common contractual fund, investment company or investment limited partnership must submit monthly return to the Statistics Department of the Central bank and half-yearly and annual reports to the Central Bank and any other reports which the Central Bank may from time to time request. The contents of monthly return, half-yearly and annual reports are set out in separate Notices.
28. The management company, in the case of a unit trust scheme or common contractual fund, investment company or investment limited partnership must submit a quarterly Survey of Collective Investment Undertakings (OFI1 Form) return to the Statistics Department of the Central Bank within ten working days of the end-quarter to which it refers. The management company, in the case of a unit trust scheme or common contractual fund, investment company or limited partnership must also submit a Funds Annual Survey of Liabilities return to the Statistics Department of the Central Bank, along with the OFI1 Form, for the first quarter of each year.

29. Material changes to the regulatory status, shareholder structure and financial standing of the promoter must be notified to the Central Bank.
30. An investment limited partnership which temporarily suspends the repurchase or redemption of its units must inform the Central Bank immediately, and in any event within the working day on which such suspension took effect.
31. The management company, in the case of a unit trust scheme or common contractual fund, an investment company or an investment limited partnership must notify the Central Bank on receipt of approval to market units in another jurisdiction.
32. The Central Bank must be notified in advance of proposed amendments to the following documentation:
 - prospectus
 - memorandum and articles of association of an investment company
 - material agreements entered into with third parties.

The Central Bank may object to the amendments notified to it and amendments objected to by the Central Bank may not be made.
33. The Central Bank must be notified in advance of any proposal to replace third parties which have contracted (directly or indirectly) with the management company in the case of a unit trust or common contractual fund, investment company or investment limited partnership to carry out services. The Central Bank may object to the proposals and replacements objected to by the Central Bank may not proceed.
34. The Central Bank requires that the procedures to be followed in relation to the replacement of a management company or administration company must be approved by the board of the investment company, the management company of a unit trust scheme or common contractual fund or the general partner of an investment limited partnership.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Trustees - eligibility criteria**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

As the duties and obligations of a trustee under the Unit Trusts Act, 1990 and the Companies Act, 1990 Part XIII and of a custodian under the Investment Limited Partnerships Act, 1994 and the Investment Funds Act 2005 are essentially the same, the term “trustee” only is used throughout this Notice in respect of all schemes.

1. The trust deed in the case of a unit trust scheme, the deed of constitution in the case of a common contractual fund, the articles of association in the case of an investment company and the partnership agreement in the case of an investment limited partnership must provide that the assets of a unit trust scheme, common contractual fund, investment company or investment limited partnership be entrusted to a trustee for safe keeping .
2. The trustee of a scheme may not be replaced without the approval of the Central Bank. The trust deed in the case of a unit trust scheme, the deed of constitution in the case of a common contractual fund, the articles of association in the case of an investment company or the partnership agreement in the case of an investment limited partnership shall specify the conditions under which there may be effected, and the procedure to be followed with respect to, the replacement of the trustee of the scheme with another trustee (including such a replacement by the Central Bank) and shall contain provisions to ensure the protection of unitholders in the event of any such replacement.
3. Entities eligible to act as a trustee are:

- (a) a credit institution authorised in the State with paid-up share capital which is not less than the limit specified in the Central Bank's Licensing Requirements,
 - (b) a branch, established in the State, of a credit institution with a paid-up share capital which is not less than the limit specified in the Central Bank's Licensing Requirements, or
 - (c) a company incorporated in the State which
 - (i) is wholly owned by a credit institution, provided the liabilities of the trustee are guaranteed by the credit institution and the credit institution has paid-up share capital which is not less than the limit specified in the Central Bank's Licensing Requirements; or
 - (ii) is wholly owned by an institution in a non-Member State which is deemed by the Central Bank to be the equivalent of such a credit institution, provided the liabilities of the trustee are guaranteed by the parent institution and the parent institution has a paid-up share capital which is not less than the limit specified in the Central Bank's Licensing Requirements; or
 - (iii) is wholly owned by an institution or company either in a Member State or in a non-Member State which is deemed by the Central Bank to be an institution or company which provides unitholders with protection equivalent to that provided by a trustee under (a), (b), (c)(i) and (c)(ii) above and provided the liabilities of the company acting as trustee are guaranteed by the institution or company and the institution or company has a paid-up share capital which is not less than the limit specified in the Central Bank's Licensing Requirements.
4. A trustee must satisfy the Central Bank that it has the appropriate expertise and experience to carry out its functions, which functions the Central Bank has set out in a Notice on the duties and conditions applicable to a trustee (NU 7). The trustee must satisfy the Central Bank that it has sufficient management resources to effectively conduct its business. In addition its directors and managers should be persons of integrity and have an appropriate level of knowledge and experience. The trustee must organise and control its internal affairs in a reasonable manner with proper records and adequate arrangements for ensuring that employees are suitable, adequately trained and properly supervised. There should be well defined procedures in place to ensure

compliance with regulations and the trustee should deal with regulators in an open and co-operative manner.

**Funds Authorisation and Supervision Division
Central Bank of Ireland
July 2011**

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Trustees - duties and conditions**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

As the duties and obligations of a trustee under the Unit Trusts Act, 1990 and the Companies Act, 1990 Part XIII and of a custodian under the Investment Limited Partnerships Act, 1994 and the Investment Funds Act 2005 are essentially the same, the term “trustee” is used throughout this Notice in respect of all schemes.

1. The trustee must ensure that the sale, issue, repurchase, redemption and cancellation of units effected on behalf of a unit trust scheme or common contractual fund by a management company or by an investment company or contributions and withdrawals of contributions of partners’ capital in the case of an investment limited partnership are carried out in accordance with the Unit Trusts Act, 1990, the Companies Act, 1990 Part XIII, the Investment Limited Partnerships Act, 1994 or the Investment Funds Act 2005, including conditions imposed by the Central Bank, and in accordance with the trust deed, deed of constitution, articles of association or partnership agreement.
2. The trustee must ensure that the value of units is calculated in accordance with the trust deed, deed of constitution, articles of association or partnership agreement.
3. The trustee must carry out the instructions of the management company, investment company or general partner unless they conflict with:
 - the Unit Trusts Act, 1990, the Companies Act, 1990 Part XIII, the Investment Limited Partnerships Act, 1994 or the Investment Funds Act 2005; and/or

- the trust deed, the deed of constitution, the memorandum and articles of association or the partnership agreement; and /or
 - the agreement between the trustee and the management company, in the case of a unit trust scheme or common contractual fund, the investment company or the investment limited partnership.
4. The trustee must ensure that in transactions involving a scheme's assets, any consideration is remitted to it within time limits which are acceptable market practice in the context of a particular transaction.
 5. The trustee must ensure that a scheme's income is applied in accordance with the trust deed, deed of constitution, articles of association or partnership agreement.
 6. The trustee must enquire into the conduct of the management company, investment company or general partner in each annual accounting period and report thereon to the unitholders. The trustee's report shall be delivered to the management company, investment company or general partner in good time to enable the management company, investment company or general partner to include a copy of the report in the annual report of the scheme. The trustee's report shall state whether in the trustee's opinion the unit trust, common contractual fund, investment company or investment limited partnership has been managed in that period:
 - (i) in accordance with the limitations imposed on the investment and borrowing powers of the scheme by the trust deed, deed of constitution, memorandum and articles of association or partnership agreement and by the Central Bank under the powers granted to the Central Bank by the Unit Trusts Act, 1990, the Companies Act, 1990 Part XIII, the Investment Limited Partnerships Act, 1994 and the Investment Funds Act 2005; and
 - (ii) otherwise in accordance with the provisions of the trust deed, deed of constitution, memorandum and articles of association or partnership agreement and the Unit Trusts Act, 1990, the Companies Act, 1990 Part XIII, the Investment Limited Partnerships Act, 1994 or the Investment Funds Act 2005.

If the management company, investment company or general partner has not complied with (i) or (ii) above, the trustee must state why this is the case and outline the steps which the trustee has taken to rectify the situation.

Where there has been a change of trustee during the accounting period, the annual report must include a trustee report from both the retiring and new trustee to cover their respective periods of appointment.

7. The trustee must notify the Central Bank promptly of any material breach of the non-UCITS CIS legislation, conditions imposed by the Central Bank or provisions of the prospectus with regard to a unit trust, common contractual fund or investment company.
8. The duties provided for in paragraphs 1 - 7 may not be delegated by the trustee to a third party. These duties must be carried out in the State.
9. A trustee company may not also act as a management company, investment company or general partner.
10. The board of directors of the trustee acting for a scheme must not have directors in common with the board of directors of the management company/administration company, the investment company or the general partner.
11. The management company, investment company or general partner and the trustee must act independently and solely in the interests of the unitholders.
12. A trustee must send to the Central Bank any information and returns which are specified by the Central Bank.
13. The trustee may issue registered certificates or bearer securities, representing one or more portions of the scheme, or alternatively, in accordance with the provisions of the trust deed, deed of constitution, articles of association or

partnership agreement written confirmations of entry in the register of units or fractions of units without limitation as to the splitting-up of units.

14. The trust deed in the case of a unit trust scheme, the deed of constitution in the case of a common contractual fund or the trustee agreement in the case of an investment company or investment limited partnership must state that the trustee must exercise due care and diligence in the discharge of its duties and will be liable to the management company, investment company or general partner and the unitholders for any loss arising from negligence, fraud, bad faith, wilful default or recklessness in the performance of those duties. Unitholders may enforce this liability either directly or indirectly through the management company, depending on the legal nature of the relationship between the trustee, the management company and the unitholders.

15. The trust deed in the case of a unit trust scheme, the deed of constitution in the case of a common contractual fund or the trustee agreement in the case of an investment company or investment limited partnership must state that the liability of a trustee will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safe-keeping.

In order to discharge its responsibility under this Notice, the trustee must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned. The trustee must maintain an appropriate level of supervision over the safe-keeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged.

16. The trustee must:
 - ensure that there is legal separation of non-cash assets held under custody and that such assets are held on a fiduciary basis. In jurisdictions where fiduciary duties are not recognised the trustee must ensure that the legal entitlement of the scheme to the assets is assured;

- maintain appropriate internal control systems to ensure that records clearly identify the nature and amount of all assets under custody, the ownership of each asset and where documents of title to that asset are located.

Where the trustee utilises the services of a sub-custodian the trustee must ensure that these standards are maintained by the sub-custodian.

17. Where the trustee utilises the services of a global sub-custodian the trustee must ensure that:

- the non-cash assets are held on a fiduciary basis by the global sub-custodian's network of custodial agents. This should be confirmed by those agents on a regular basis;
- the trustee must maintain records of the location and amounts of all securities held by each of the custodial agents;
- the relationship between the trustee and the global sub-custodian should be set out in a formal contract between the two entities.

18. A trustee company which is not a credit institution or a branch of a credit institution must comply with the following conditions:

- (i) The firm must have at all times:
 - initial capital of at least €125,000 (“**Initial Capital Requirement**”); or
 - one quarter of its total expenditure taken from the most recent annual accounts (“**Expenditure Requirement**”). (However, the Central Bank reserves the right to increase this amount should it be deemed not to reasonably reflect the current position of the trustee company), whichever is higher (“**Minimum Capital Requirement**”).

A firm is required to have financial resources, calculated in accordance with paragraph 5 of the *Minimum Capital Requirement Report, Notes on Compilation (Non-UCITS Management Company, Administration Company and Trustee Company)*, at least equal to its Minimum Capital Requirement (“**Financial Resources**”).

The firm's Minimum Capital Requirement must be held in the form of Eligible Assets, as specified in paragraph 6 of the *Minimum Capital Requirement Report, Notes on Compilation (Non-UCITS Management Company, Administration Company and Trustee Company)*. Eligible

Assets must be easily accessible and must be free from any liens or charges and maintained outside the firm's group.

The firm must be in a position to demonstrate its compliance with the Minimum Capital Requirement throughout the reporting period.

Any **Subordinated Loan Capital** or **Eligible Capital Contribution** (as provided for in paragraph 5.4 of the *Minimum Capital Requirement Report, Notes on Compilation (Non-UCITS Management Company, Administration Company and Trustee Company)*) incorporated in the calculation of Financial Resources (including repayment) is subject to the prior approval of the Central Bank. Subordinated Loan Capital may not be incorporated in the calculation of the Initial Capital Requirement.

Specific details and notes in relation to these requirements are contained in the *Minimum Capital Requirement Report, Notes on Compilation (Non-UCITS Management Company, Administration Company and Trustee Company)*. This document and the *Minimum Capital Requirement Report* are contained in Annex 1. These documents may be amended from time to time and form part of the NU Series of Notices.

- (ii) Appointments to the office of director or alternate director of the company require the prior approval of the Central Bank. Departures from the office of director must be notified to the Central Bank immediately.
 - (iii) A minimum of two directors of the company must be Irish residents.
 - (iv) Approval of the Central Bank is required in respect of any proposed change in ownership or in significant shareholdings. A significant shareholding for the purpose of this condition is defined as a shareholding of 10 % or more in the company.
 - (v) Half-yearly financial and annual audited accounts of the company must be submitted to the Central Bank. The half-yearly accounts must be submitted within two months and the annual accounts within four months of the relevant reporting period. Annual audited accounts of the corporate shareholder(s) of the company must also be submitted.
19. The trustee is obliged to satisfy the Central Bank on a continuing basis that it has sufficient management resources to effectively conduct its business. In addition, its directors and managers should be persons of integrity and have an appropriate level of knowledge and experience. The trustee must organise and control its internal affairs in a reasonable manner, with proper records and adequate arrangements for ensuring that employees are suitable, adequately trained and properly supervised. There should be well defined procedures in

place to ensure compliance with regulations and the trustee should deal with regulators in an open and co-operative manner.

20. Review meetings will be held by the Central Bank with the trustee as required by the Central Bank. A trustee is required, for the purposes of such meetings, to supply any additional material as may be specified by the Central Bank, including internal auditors' reports, operating procedures and management letters issued by the trustee's auditors.
21. The Central Bank requires that the procedures to be followed in relation to the replacement of a trustee must be approved by the board of the investment company, the management company of a unit trust scheme or common contractual fund or the general partner of an investment limited partnership. In addition the Central Bank requires confirmation from both the retiring trustee and new trustee that they are satisfied with the transfer of assets.
22. Trustees providing trustee/custodial services to a collective investment scheme not authorised by the Central Bank must be satisfied that the prospectus issued by the scheme does not imply, in any way, that the scheme is regulated by the Central Bank.

The firms is required to submit a quarterly return containing the following aggregate information for all schemes not authorised by the Central Bank to which services are provided, within each base currency category:

- domicile of the schemes
- number of schemes
- number of unitholders
- total net asset value.

Information is not required in respect of those schemes, which are included in the return prepared by an authorised firm in accordance with paragraph 21 of Notice NU 5.

The Central Bank may request information on non-Irish schemes in order to effectively perform its role as supervisor of Irish service providers. Such requests do not imply any regulatory or supervisory role for the Central Bank in respect of non-Irish schemes.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Collective investment schemes - general conditions**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. The trust deed in the case of a unit trust scheme, deed of constitution in the case of a common contractual fund and articles of association in the case of an investment company shall lay down the conditions for the creation and cancellation of units.

The partnership agreement of an investment limited partnership shall lay down conditions for contributions and withdrawal of contributions of partners' capital.

2. The assets of a collective investment scheme, including any techniques or instruments used for the purposes of efficient portfolio management (Ref. NU 16), will be valued by a method clearly defined in the trust deed, deed of constitution, articles of association or partnership agreement and approved by the Central Bank. The method of valuation used will be disclosed in the prospectus.
3. The assets of a collective investment scheme may only be purchased and sold at prices which are in conformity with the method defined in the trust deed, deed of constitution, articles of association or partnership agreement.
4. Units of a collective investment scheme shall be issued or sold at a price arrived at by dividing the net asset value of the scheme (calculated on the approved basis) by the number of units outstanding; such price may be increased by duties and charges. The prospectus must disclose the charges relating to the sale or issue of units.

Units may not be issued, or if issued must be cancelled, unless the equivalent of the net issue price is paid into the assets of the scheme within a reasonable time, which is specified in the prospectus. This shall not preclude the distribution of bonus units.

5. Units shall be redeemed or repurchased at a price arrived at by dividing the net asset value of the scheme (calculated on the approved basis) by the number of units outstanding; such price may be decreased by duties and charges. The prospectus must disclose the charges relating to the redemption or repurchase of units. The maximum charge relating to the redemption or repurchase of units as provided for in the trust deed, deed of constitution, articles of association or partnership agreement may not be increased without approval on the basis of a majority of votes cast at general meeting. In the event of an increase in the redemption or repurchase charge a reasonable notification period must be provided by the scheme to enable unitholders redeem their units prior to the implementation of the increase.

The prospectus must disclose the period within which redemption proceeds will normally be paid or discharged to investors.

6. The trust deed, deed of constitution, articles of association or partnership agreement shall determine the frequency of the calculation of the issue and repurchase prices. These prices must be made available with similar frequency.
7. The management company or the investment company or the trustee shall issue registered certificates or bearer securities, representing one or more portions of the collective investment scheme which it manages, or alternatively, in accordance with the provisions of the trust deed, deed of constitution or articles of association, written confirmation of entry in the register of units or fractions of units without limitation as to the splitting of units.

Rights attaching to fractions of units are exercised in proportion to the fraction

of a unit held except for voting rights which can only be exercised by whole units. The certificates and bearer securities shall be signed by the trustee. This signature may be reproduced mechanically.

8. The trust deed, deed of constitution or partnership agreement shall prescribe the remuneration and the expenditure which the management company or general partner and trustee are empowered to charge to a unit trust, common contractual fund or investment limited partnership and the method of calculation of such remuneration and the costs to be borne by the unit trust, common contractual fund or investment limited partnership.

The articles of association shall prescribe the nature of the costs to be borne by the investment company.

The maximum annual fee¹ charged by a management company of a unit trust or of a common contractual fund or investment company or a general partner of an investment limited partnership as provided for in the trust deed, deed of constitution, management agreement or partnership agreement may not be increased without approval on the basis of a majority of votes cast at general meeting². In the event of an increase in the annual fee a reasonable notification period must be provided by the scheme to enable unitholders redeem their units prior to the implementation of the increase. The provisions of this paragraph are also applicable to the annual fee charged by an investment manager where this fee is paid directly out of the assets of the scheme.

9. The trust deed, deed of constitution, articles of association or partnership agreement shall lay down the conditions and manner of application of income.
10. Collective investment schemes may not grant loans or act as a guarantor on behalf of third parties. This is without prejudice to the right of a scheme to

¹ The annual fee includes any performance related fee charged by the management company or the investment manager

² If the fee disclosed in the prospectus is less than the maximum fee permitted in these documents, unitholder approval will also be required for an increase in the fee disclosed in the prospectus unless the prospectus also provides that a higher fee may be charged.

acquire debt securities. It will not prevent schemes from acquiring securities which are not fully paid.

11. A change to the investment objectives, or a material change to the investment policies of a collective investment scheme, as disclosed in the prospectus, may not be effected without the prior written approval of all unitholders or without approval on the basis of a majority of votes cast at general meeting. “Material” shall be taken to mean, although not exclusively: *“changes which significantly alter the asset type, credit quality, borrowing or leverage limits or risk profile of the scheme”*.

In the event of a change of investment objectives and/or investment policy, on the basis of a majority of votes cast at a general meeting, a reasonable notification period must be provided by the scheme to enable unitholders redeem their units prior to implementation of these changes.

12. Where management companies, general partners or administrators of collective investment schemes enter into soft commission arrangements they must ensure that:
- the broker or counterparty to the arrangement has agreed to provide best execution to the scheme;
 - benefits provided under the arrangement must be those which assist in the provision of investment services to the scheme;
 - there is adequate disclosure in the prospectus and in the periodic reports issued by the scheme.
13. An investment limited partnership may in the cases and according to the procedure provided for in the partnership agreement, temporarily suspend the calculation of the net asset value and redemption of units. Suspension may be provided for only in exceptional cases where circumstances so require and suspension is justified having regard to the interests of the partners. The general partner must inform the Central Bank immediately, and in any event within the working day on which such suspension took effect.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Prospectus**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

Publication

1. A collective investment scheme must publish a prospectus, which must be dated and the essential elements of which must be kept up to date.
2. The prospectus must be offered to investors free of charge before the conclusion of a contract.
3. The prospectus must contain sufficient information for investors to make an informed judgement of the investment proposed to them.
4. Material changes to the content of a prospectus must be notified to unitholders in the subsequent periodic report.
5. The prospectus may be translated into other languages provided that any such translation shall only contain the same information and shall have the same meaning as in the prospectus submitted to the Central Bank.

Advertising

6. All publicity comprising an invitation to purchase the units of a collective investment scheme must indicate that a prospectus exists and the places where it may be obtained.

7. Advertising must not contain information which is false or misleading or presented in a manner which is deceptive. Advertising should refer to the scheme's prospectus and must not be inconsistent with it.

8. Collective investment schemes marketing their units in Ireland or marketing their units in jurisdictions with no statutory regulation of marketing must comply with the following advertising standards:
 - All advertisements should be prepared with care and with the conscious aim of ensuring that potential investors fully grasp the nature of any commitment into which they may enter. The fact that the complexities of finance may well be beyond many of those to whom the opportunity being offered will appeal should be taken into account and accordingly advertisements must not take advantage of inexperience or credulity.

 - When an advertisement contains any forecast or projection, whether of a specific growth rate or of a specific return or rate of return it should make clear the basis upon which that forecast or projection is made, explaining for instance
 - whether reinvestment of income is assumed
 - whether account has been taken of the incidence of any taxes or duties and if so, how
 - whether the forecast or projected rate of return will be subject to any deductions other than upon premature realisation or otherwise.

 - Advertisements leading to the employment of money in anything the value of which is not guaranteed should clearly indicate that the value of the investment can go down as well as up and that the return upon the investment will therefore necessarily be variable. Where values are guaranteed sufficient detail should be included to give the reader a fair view of the nature of the guarantee.

- All advertisements making claims, whether specific or not, as to anticipated growth in value or rate of return should include a note, to be given due prominence, to the effect, as appropriate, that neither past experience nor the current situation are necessarily accurate guides to the future.
- When any advertisement quotes past experience in support of a forecast or projected growth in the value or rate of return it should not mislead in relation to present prospects and should indicate the circumstances in which and the period over which such experience has been gained in a way that is fair and representative.
- When investors are offered the facility of planned withdrawal from capital as an income equivalent (e.g. by cashing in units of schemes) the advertiser should ensure that the effect of such withdrawals upon the investment is clearly explained.
- When claims to investment skill are based upon an asserted increase in the value of particular items purchased or recommended for purchase by the advertiser in the past he should be able adequately to substantiate that the purchase or recommendation upon which his assertion is based was made at the time claimed and that the present value asserted for the investment corresponds to the price actually obtained for identical items when sold in the open market in the period immediately preceding the appearance of the advertisement. No claim to an increase in the value of investments or collectibles should be based upon the performance within a given market of selected items only unless substantiation for the claim can be provided in the form set out above.
- Phrases such as tax-free, tax-paid should not be used
 - unless it is made clear which particular tax(es) and/or duties are involved and
 - the advertiser states as clearly as possible what liabilities may arise and by whom they will be paid.

- When the achievement or maintenance of the return claimed or offered for a given investment is in any way dependent upon the assumed effects of tax or duty this should be clearly explained and the advertisement should make it clear that no undertaking can be given that the fiscal system may not be revised with consequent effect upon the return offered.

Contents

9. The prospectus must contain at least the following information:

(1) **Information concerning the scheme**

Name, form in law, and, if applicable, registered office and head office if different from the registered office.

Date of establishment or incorporation of the scheme and indication of duration, if limited.

Statement of the place where the trust deed, deed of constitution, articles of association or partnership agreement, if not annexed, and periodic reports may be obtained.

Brief indications relevant to unitholders of the tax system applicable to the scheme. Details of whether deductions are made at source from the income and capital gains paid by the scheme to unitholders.

Accounting and distribution dates. The time limit (if any) after which entitlement to dividend lapses and procedure in this event.

In the case of investment companies: - names and positions in the company of the directors. Their experience both current and past, which is relevant to the scheme. Details of their main activities outside the company where these are of significance with respect to that company.

Authorised share capital.

Name and address of auditor.

Details of the types and main characteristics of the units and in particular:

- the nature of the right (real, personal or other) represented by the unit,
- original securities or certificates providing evidence of title; entry in a register or in an account,
- characteristics of the units: registered or bearer. Indication of any denominations which may be provided for,
- indication of unitholders' voting rights
- circumstances in which winding-up of the scheme can be decided on and winding-up procedure, in particular as regards the rights of unitholders.

Where applicable, indication of stock exchanges or markets where the units are listed or dealt in.

Procedures and conditions of issue and sale of units.

Procedures and conditions for repurchase or redemption of units, including the period within which redemption proceeds will normally be paid or discharged to investors; circumstances in which repurchase or redemption may be suspended.

Description of rules for determining and applying income.

Description of the scheme's investment objectives (e.g. capital growth or income) and investment policy (e.g. specialisation in geographical or industrial sectors). The description must be comprehensive and accurate, readily comprehensible to investors and sufficient to enable investors make an informed judgement on the investment proposed to them. The description should include any limitations on that investment policy, and borrowing powers which may be used in the management of the scheme.

Description of the scheme's intentions regarding techniques and instruments which may be used for the purposes of efficient portfolio management, including its objectives (e.g. for hedging purposes or performance enhancement or both) and policy including a description of the different techniques and instruments which it can utilise and the risks inherent in these, if applicable.

Rules for the valuation of assets.

Determination of the sale or issue price and the repurchase or redemption price of units, in particular:

- the method and frequency of the calculation of those prices,
- information concerning the charges relating to the sale or issue and the repurchase, or redemption of units,
- the means, places and frequency of the publication of those prices.

In the case of umbrella schemes:

- the charges, if any, applicable to switching of investments from one sub-fund to another;
- the extent to which one sub-fund can invest in another and the conditions which apply to such investments.

The manner, amount and calculation of remuneration payable by the scheme to the management company, directors of the investment company, general partners, the trustee or third parties, and reimbursement of costs by the scheme to the management company, directors of the investment company, general partners, the trustee or to third parties. All other costs and expenses which will be borne by the scheme, including costs of establishment.

All information on remuneration, costs and expenses to be borne by the scheme must be contained in the same section of the prospectus and in a form that can be easily understood and analysed.

(2) **Information concerning a management company or general partner**

Name, form in law, registered office and head office if different from the registered office. If the company is part of a group, the name of that group and the ultimate parent. Date of incorporation of the company and indication of duration if limited.

Names and positions in the company of the members of the administrative, management and supervisory bodies. Their experience, both current and past, which is relevant to the scheme. Details of their main activities outside the company where those are of significance with respect to that company.

Amount of the prescribed capital with an indication of the capital paid-up.

(3) **Information concerning a trustee**

Name, form in law, registered office and head office if different from the registered office.

Main activity.

(4) **Information concerning investment advisers**

Information concerning the advisory firms or external investment advisers who give advice under contract which is paid for out of the assets of the scheme:

Name of the firm or adviser;

Material provisions of the contract with the management company, general partner or investment company which may be relevant to the unitholders, excluding those relating to remuneration.

Other significant activities.

(5) **General information**

The prospectus must state that the authorisation of the scheme is not an endorsement or guarantee of the scheme by the Central Bank nor is the Central

Bank responsible for the contents of the prospectus and must incorporate the following statement:

“The Central Bank shall not be liable by virtue of its authorisation of this scheme or by reason of its exercise of the functions conferred on it by legislation in relation to this scheme for any default of the scheme. Authorisation of this scheme does not constitute a warranty by the Central Bank as to the creditworthiness or financial standing of the various parties to the scheme.”

The prospectus issued by all schemes must identify, and describe in a comprehensive manner, the risks applicable to investing in that particular scheme. In particular schemes should make reference to:

- (i) the fact that prices of units may fall as well as rise;
- (ii) the desirability of consulting a stockbroker or financial adviser about the contents of the prospectus; and
- (iii) where relevant, the fact that the difference at any one time between the sale and repurchase price of units in the scheme means that the investment should be viewed as medium to long term.

Schemes with investment objectives which involve a higher than average degree of risk (e.g. schemes investing in emerging markets or warrant schemes) must recommend that an investment in the fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. This warning must be inserted and highlighted at the beginning of the prospectus and the prospectus must contain a full description of the risks involved.

Details of the persons who accept responsibility for information contained in the prospectus.

In the event that a stated minimum viable size is not reached within a specified period the prospectus must state that the scheme will return any subscriptions

to the unitholders and apply to the Central Bank for revocation of its authorisation.

A description of the potential conflicts of interest which could arise between the management company, general partner and investment adviser and the scheme, with details, where applicable, of how these are going to be resolved.

A description of soft commission arrangements which may be entered into by a management/administration company or a general partner of a collective investment scheme.

The name of any third party which has been contracted by the management company, general partner or investment company to carry out its work.

Material provisions of the contracts between third parties and the management company, general partner or investment company which may be relevant to unitholders, excluding those relating to remuneration.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS

Information to be included in the monthly returns

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. Total gross asset value of the scheme at end-month.
2. Total net asset value of the scheme at end-month.
3. Number of units in circulation at end-month.
4. Net asset value per unit at end-month.
5. Payments received from the issues of units during month.
6. Payments made for the repurchase of units during month.
7. Net amount from issues and repurchases during month.

This return must be submitted to the Statistics Department of the Central Bank within 10 working days of the end-month to which it refers.

**Funds Authorisation and Supervision Division
Central Bank of Ireland
July 2011**

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS

Publication of annual and half-yearly reports

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. A collective investment scheme must publish an annual report for each financial year and a half-yearly report covering the first six months of the financial year.

Dates for the initial reports issued by a collective investment scheme will be agreed with the Central Bank at the time of authorisation.

The accounting information given in the annual report must be audited by one or more persons empowered to audit accounts in accordance with the Companies Acts. The auditor's report to unitholders, including any qualifications, shall be reproduced in full in the annual report.

2. The annual and half-yearly report must be published within the following time-limits, with effect from the ends of the periods to which they relate:
 - (a) four months in the case of the annual report
 - (b) two months in the case of the half-yearly report.
3. The annual report must contain the information outlined in Appendix A to this Notice. The half-yearly report must contain the information outlined in Appendix B to this Notice.
4. The annual and half-yearly reports must be sent to the Central Bank.

5. The latest annual report and any subsequent half-yearly report published must be offered to investors free of charge before the conclusion of a contract.
6. The annual and half-yearly reports must be available to the public at the places specified in the prospectus.
7. The annual and half-yearly reports shall be supplied to unitholders free of charge on request.
8. The Central Bank may exempt an investment limited partnership from the provisions of the European Communities (Accounts) Regulations, 1993 where its sole business is the investment of its funds in property with the aim of spreading investment risk and giving its partners the benefit of the management of its assets.

Appendix A

Information to be contained in the annual report

The annual report must include the following as well as any significant information which will enable investors to make an informed judgement on the development of the scheme and its results.

1. A balance sheet or statement of assets and liabilities.
2. Number of units in circulation.
3. Net asset value per unit.
4. A portfolio statement, distinguishing between the different types of investments and each investment analysed in accordance with the most appropriate criteria in the light of the investment policy of the scheme (e.g., in accordance with economic, geographical or currency criteria) as a percentage of net assets; for each of the investments the proportion it represents of the total net assets of the scheme should be stated.
5. A statement of changes in the composition of the portfolio during the reference period. To ensure that unitholders can identify significant changes in the disposition of the assets of the scheme only material changes are required to be included in the published statement. These are defined as aggregate purchases of a security exceeding one % of the total value of purchases for the period and aggregate disposals greater than one % of the total value of sales. At a minimum the largest 20 purchases and 20 sales must be given. As an alternative, schemes may include a declaration that a complete statement of changes will be made available to unitholders on request free of charge. The complete statement must, in any event, be sent to the Central Bank.

6. Where a scheme holds more than 10 % of its assets in deposits or other accounts with credit institutions, details of the amounts and the names of the institutions must be provided. Schemes holding less than 10 % of assets in deposits or other accounts with credit institutions must submit the relevant details to the Central Bank with their reports.
7. Investments by sub-funds within an umbrella investment company in the units of other sub-funds within the umbrella must be disclosed in accordance with industry adopted standards. The policies adopted to disclose cross-investments must be explained in a note to the accounts.
8. A description of soft commission arrangements affecting the scheme during the period.
9. A description on how techniques and instruments relating to transferable securities permitted for the purposes of efficient portfolio management, under Notice NU 16, have been utilised during the reporting period. This description should identify the specific techniques and instruments used during the period and indicate the purposes for the use of such techniques and instruments to allow unitholders assess their nature and the risk relating to them.

Open derivative positions at reporting date should be marked to market and specifically identified in the portfolio statement. Information on open option positions should include the strike price, final exercise date and an indication whether such positions are covered or not.

Treatment of realised and unrealised gains or losses arising from efficient portfolio management transactions should be explained in a note to the accounts.

Collective investment schemes which have engaged in stock-lending should disclose, in a note to the accounts, the aggregate value of securities on loan at reporting date, together with the value of collateral held by the scheme in

respect of these securities. Where a scheme has entered into a stock lending programme in accordance with paragraph 18 of NU 16, the name of the Central Securities Depository System must be disclosed

10. A description of any material changes in the prospectus during the reporting period.
11. A list of exchange rates used in the report.
12. A statement of the developments concerning the assets of the scheme during the reference period including the following:
 - income from investments,
 - other income,
 - management charges,
 - trustees charges,
 - other charges and taxes,
 - net income,
 - distributions and income reinvested,
 - changes in capital account,
 - appreciation or depreciation of investments,
 - any other change affecting the assets and liabilities of the scheme.
13. A comparative table covering the last three financial years and including, for each financial year, at the end of the financial year:
 - the total net asset value
 - the net asset value per unit.
14. Reports on the activities of the financial year.
15. Trustee's report.
16. A report from the board of directors in accordance with paragraph 4 of Notice NU 2.

Appendix B

Information to be contained in the half-yearly report

1. A balance sheet or statement of assets and liabilities.
2. Number of units in circulation.
3. Net asset value per unit.
4. A portfolio statement, distinguishing between the different types of investments and each investment analysed in accordance with the most appropriate criteria in the light of the investment policy of the scheme (e.g. in accordance with economic, geographical or currency criteria) as a percentage of net assets; for each of the investments the proportion it represents of the total assets of the scheme should be stated.
5. A statement of changes in the composition of the portfolio during the reference period. To ensure that unitholders can identify significant changes in the disposition of the assets of the scheme only material changes are required to be included in the published statement. These are defined as aggregate purchases of a security exceeding one % of the total value of purchases for the period and aggregate disposals greater than one % of the total value of sales. At a minimum the largest 20 purchases and 20 sales must be given. As an alternative, schemes may include a declaration that a complete statement of changes will be made available to unitholders on request free of charge. The complete statement must, in any event, be sent to the Central Bank.
6. Where a scheme holds more than 10 % of its assets in deposits or other accounts with credit institutions, details of the amounts and the names of the institutions must be provided. Schemes holding less than 10 % of assets in deposits or other accounts with credit institutions must submit the relevant details to the Central Bank with their reports.

7. Investments by sub-funds within an umbrella investment company in the units of other sub-funds within the umbrella must be disclosed in accordance with industry adopted standards. The policies adopted to disclose cross-investments must be explained in a note to the accounts.
8. A description of soft commission arrangements affecting the scheme during the reference period.
9. A description on how techniques and instruments relating to transferable securities permitted for the purposes of efficient portfolio management, under Notice NU 16, have been utilised during the reporting period. This description should identify the specific techniques and instruments used during the period and indicate the purposes for the use of such techniques and instruments to allow unitholders assess their nature and the risk relating to them.

Open derivative positions at reporting date should be marked to market and specifically identified in the portfolio statement. Information on open option positions should include the strike price, final exercise date and an indication whether such positions are covered or not.

Treatment of realised and unrealised gains or losses arising from efficient portfolio management transactions should be explained in a note to the accounts.

Collective investment schemes which have engaged in stock-lending should disclose, in a note to the accounts, the aggregate value of securities on loan at reporting date, together with the value of collateral held by the scheme in respect of these securities. Where a scheme has entered into a stock lending programme in accordance with paragraph 18 of NU 16, the name of the Central Securities Depository System must be disclosed.

10. A description of any material changes in the prospectus during the reporting period.

11. A list of exchange rates used in the report.
12. Where a scheme has paid or proposes to pay an interim dividend, the half-yearly report must indicate the results after tax for the half-year concerned and the interim dividend paid or proposed.
13. A report from the board of directors in accordance with paragraph 4 of Notice NU 2.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Schemes marketing solely to professional investors**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. The conditions and restrictions set out in the Central Bank's Notices for collective investment schemes other than UCITS, in particular those related to investment and borrowing may be disapplied in the case of schemes marketing their units to professional investors only. Notices may be disapplied in whole or in part on a case by case basis.
2. To qualify for such derogation, a scheme must have a minimum subscription requirement of €100,000 or its equivalent in other currencies. The aggregate of an investor's investments in the sub-funds of an umbrella scheme can be taken into account for the purposes of determining this requirement. The amounts of subsequent subscriptions from investors who have already subscribed the minimum subscription of €100,000 are unrestricted.

An exemption from the minimum subscription requirement can be granted to the following:

- (a) the management company or general partner;
- (b) a company appointed to provide investment management or advisory services to the scheme;
- (c) a director of the management company, investment company or general partner or a director of a company appointed to provide investment management or advisory services to the scheme;
- (d) an employee of the management company, investment company or general partner, or an employee of a company appointed to provide

investment management or advisory services to the scheme, where the employee:

- is directly involved in the investment activities of the scheme, or
 - is a senior employee of the company and has experience in the provision of investment management services.
- (e) investors who are trustees of pension plans provided the investors commit to invest the minimum subscription amount within a period of 12 months from subscription.

In the case of investments by employees¹ as set out in (d) above, the management company, investment company or general partner, as appropriate, must be satisfied² that prospective investors fall within the criteria outlined. The investors must certify that they are availing of the exemption provided and that they are aware that the scheme is marketed solely to professional investors who are normally subject to a minimum subscription of €100,000.

3. The prospectus must indicate, in a prominent position, that it has been authorised by the Central Bank to market solely to professional investors. It must specify its minimum subscription requirements and add the following:

“Accordingly, the requirements of the Central Bank which are deemed necessary for the protection of retail investors, in particular the conditions set down by the Central Bank in relation to investment and leverage, do not apply to the scheme.”

4. The prospectus must describe the investment objectives of the scheme and this description must be comprehensive and accurate, readily comprehensible to investors and be sufficient to enable investors make an informed judgement on the investment proposed to them.

¹ An employee who is primarily involved in the provision of clerical, secretarial or administrative functions may not avail of this exemption.

² This may entail a provision in the investment management/advisory agreement which will require the investment management/advisory company to confirm the status of the employee in question.

5. The prospectus must contain quantitative parameters which limit the extent of leverage which will be engaged in by the scheme and the extent to which the investments of the scheme will be concentrated in a single or narrow range of exposures. These limits should be relevant to the investment policies of the scheme. Where the scheme may employ more than one investment policy different limits may apply to each such policy.

6. Schemes marketing solely to professional investors are not required to make public the issue and redemption prices of their units; however, these must be made available to unitholders on request.

7. The periodic reports issued by a scheme marketing solely to professional investors must, where relevant, disclose if distributions have been made out of the capital of the scheme.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**General investment restrictions**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

The investment restrictions set out in this Notice apply to all collective investment schemes except where they are disapplied by Notices relating to schemes with specific investment and/or marketing objectives. Schemes may derogate from the investment restrictions contained in these Notices for six months following the date of their launch provided they observe the principle of risk spreading.

The investment objectives and policies of a scheme must be clearly defined in the prospectus with sufficient information to enable unitholders to be fully aware of the risks they are entering into.

1. A scheme may not invest more than 10 % of its net assets in securities which are not traded in or dealt on a market which is provided for in the trust deed, deed of constitution, articles of association or partnership agreement. Restrictions in respect of markets may be imposed by the Central Bank on a case by case basis.
2. A scheme may invest no more than 10 % of its net assets in securities issued by the same institution.

Where a scheme has as a sole objective, investment in Irish equities, it may derogate from this limit as follows:

- An investment of up to 15 % of net assets may be made in an equity which has a weighting in excess of 10 % in the ISEQ index;

- An investment of up to 12.5 % of net assets may be made in an equity which has a weighting of between 8 % and 10 % in the ISEQ index.

No more than 10 % of the net assets of a scheme may be kept on deposit with any one institution; this limit is increased to 30 % for deposits with or securities evidencing deposits issued by or securities guaranteed by the following:

- (i) a credit institution authorised in the European Economic Area (EEA) (European Union Member States, Norway, Iceland, Liechtenstein);
 - (ii) a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States);
 - (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand;
 - (iv) the trustee;
 - (v) a credit institution which is an associated or related company of the trustee, on a case-by-case basis.
3. Related companies/institutions are regarded as a single issuer for the purpose of paragraph 2 above.
4. In the case of an equity exchange index tracking scheme the limit of 10 % in paragraph 2 may be increased to 20 % subject to the following conditions:
- The investment objective of the scheme must be to replicate a particular index. The weighting of securities of a specific issuer in the scheme's portfolio must closely correspond to the weighting of those securities in the relevant index. Deviations should be temporary and related to operational difficulties. Deviations in excess of 0.5 % of the net asset value of the scheme must be rectified without delay;
 - The index must be sufficiently diversified and represent an adequate benchmark for the market to which it refers;
 - The index must be published and be freely available;

- The prospectus must clearly set out these conditions.
5. A scheme may not hold more than 10 % of any class of security issued by any single issuer. This requirement does not apply to investments in other collective investment schemes of the open-ended type.
 6. An investment company, or a management company acting in connection with all of the schemes which it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
 7. A scheme may, subject to authorisation by the Central Bank, invest up to 100 % of its assets in transferable securities issued or guaranteed by any State, its constituent states, its local authorities, or public international bodies of which one or more States are members. Full disclosure must be made in the prospectus indicating the States, local authorities and public international bodies in the securities of which it is intended to invest more than 10 % of the assets in accordance with the provision of the preceding sentence.
 8. A scheme may acquire the units of other open-ended collective investment schemes subject to the following:
 - (a) a scheme may not invest more than 20 % of net assets in such schemes;
 - (b) a scheme may not invest more than 10 % of net assets in unregulated schemes¹
 - (c) where a scheme invests in units of a collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made must waive the preliminary/initial/redemption charge which it would normally charge;
 - (d) where a commission is received by the manager of the scheme by virtue of an investment in the units of another collective investment scheme, this commission must be paid into the property of the scheme.

¹ A regulated scheme is defined in the Central Bank's Guidance Note 1/01

9. The Central Bank may allow derogations from the limits laid down in this Notice to a scheme investing in other collective investment schemes or companies which are authorised or incorporated in a non- EU state and where such collective investment schemes or companies invest their assets in the securities of issuing bodies which have their registered offices in that state and where under the legislation of that state such a holding represents the most effective way in which the scheme can invest in the securities of that state.
10. The Central Bank may authorise a scheme to wholly own the shares of a limited company which would, in turn, invest in investments which are permitted under these Notices for reasons which the Central Bank is satisfied are justified as being in the interests of unitholders.
11. The limits on investments contained in this and other Notices are deemed to apply at the time of purchase of the investments. If the limits laid down in this and other Notices are subsequently exceeded for reasons beyond the control of a scheme or as a result of the exercise of subscription rights, the scheme must adopt as a priority objective the remedying of that situation, taking due account of the interests of its unitholders.
12. A scheme may employ techniques and instruments for the purposes of efficient portfolio management and to provide protection against exchange rate risks under the conditions and within the limits laid down by the Central Bank (Ref. NU 16).
13. A scheme is permitted to engage, to a limited extent, in leverage through the use of techniques and instruments permitted for the purposes of efficient portfolio management under the conditions contained in NU 16. The net maximum potential exposure created by such techniques and instruments or created through borrowing, under the conditions and within the limits contained in NU 3, or through both of these together, shall not exceed 25 % of the net asset value of a scheme.

The prospectus must disclose a scheme's intention to engage in leverage.

14. A scheme may hold ancillary liquid assets.
15. A scheme may not carry out sales of transferable securities when such securities are not in the ownership of the scheme.
16. A scheme may invest in warrants on transferable securities which warrants are traded in or dealt on a market which is provided for in the trust deed, deed of constitution, articles of association or partnership agreement.

A scheme, an objective of which is to invest in such warrants must include the following risk warning in a prominent place in the prospectus:

“An investment in the scheme should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors”.

Other schemes may invest no more than 5 % of their net assets in such warrants.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Venture or development capital schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme, which invests in venture or development capital investments, is subject to the following rules in addition to the general rules for all collective investment schemes which are not disapplied below:

1. The title must make clear that the scheme is a venture or development capital scheme.
2. The scheme must have a minimum subscription requirement of €12,500 or its equivalent in foreign currency.
3. The scheme may not invest more than 20 % of that proportion of net assets which is intended to be invested in venture or development capital investments in any one company or group of companies. The scheme may derogate from this restriction for one year following the date of its launch provided it observes the principle of risk spreading.
4. The provisions of paragraphs 5 and 6 of NU 13 - general investment restrictions - are disapplied in respect of that proportion of net assets which is invested in venture or development capital. The prospectus must indicate the intention of the scheme regarding the exercise of legal and management control over underlying investments.
5. The scheme may provide for the issue of partly paid units in the trust deed, deed of constitution, articles of association or partnership agreement. The prospectus must fully disclose the nature of the commitment which investors

will enter into. Where the scheme provides for partly paid units investment restrictions apply in terms of uncalled capital and net asset value combined.

6. The redemption procedure as described in the trust deed, deed of constitution, articles of association or partnership agreement must be fully disclosed in a prominent position in the prospectus.
7. Before authorising a venture or development capital scheme, the Central Bank must be satisfied that the management company, general partner, and/or, where applicable, investment advisory company, have specific experience in the area of investment in venture or development capital.
8. The annual and half-yearly reports must contain:
 - (i) a report on the development of the companies in which the scheme has invested (indicating inter alia the nature of the companies profits/losses in the period); and
 - (ii) where an investment has been sold, the scheme must show separately for each investment the amount of profit or loss. These requirements are in addition to the requirements set down in the Central Bank's Notice NU 11 - Publication of annual and half-yearly reports.
9. The prospectus must contain a description of the risks involved in this type of scheme and a prominent risk warning which will make reference to the following:
 - (i) the above average risk involved;
 - (ii) the suitability of this type of investment only for people who are in a position to take such a risk;
 - (iii) the likelihood that because the scheme is invested in unquoted companies, delays may arise in meeting redemption requests from unitholders; and
 - (iv) a recommendation that not more than 5 % of an investor's portfolio be invested in the scheme.

The prospectus must also contain a description of the potential conflicts of interest which could arise between the management company and investment adviser and the scheme.

10. Where the scheme invests principally in venture or development capital investments, issue and redemption prices must be made available after a valuation of the portfolio has taken place and at least twice a year.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Umbrella schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. Where a collective investment scheme is constituted as an umbrella scheme, each sub-fund of the scheme must comply with the laws, regulations and conditions governing collective investment schemes.
2. The prospectus of an umbrella scheme must clearly state the charges, if any, applicable to the exchange of units in one sub-fund for units in another.
3. The trust deed, deed of constitution or articles of association must provide that the assets of each sub-fund shall belong exclusively to the relevant sub-fund and shall not be used to discharge directly or indirectly the liabilities of or claims against any other sub-fund and shall not be available for any such purpose.
4. The prospectus of an investment company constituted as an umbrella scheme must include the words "***An umbrella fund with segregated liability between sub-funds***". Investment companies constituted as umbrella schemes which were authorised and commenced trading before 30 June 2005 and which do not have segregated liability between sub-funds must clearly disclose the potential risks to investors arising from the absence of the segregation of liability between sub-funds.
5. Investment companies authorised before 30 June 2005, which have as an investment objective the employment of leverage, may not establish additional

sub-funds unless the umbrella scheme has taken measures necessary to apply segregated liability between sub-funds.

6. A unit trust scheme or common contractual fund constituted as an umbrella scheme may produce separate periodic reports for individual sub-funds. In such cases, the report of each sub-fund must name the other sub-funds and state that the reports of such sub-fund are available free of charge on request from the management company.
7. In accordance with company law, an investment company must include accounts for all sub-funds of that company in its periodic reports.
8. An umbrella scheme which has been authorised by the Central Bank must obtain the Central Bank's prior approval for each sub-fund. Details of proposed sub-funds, and the amendment or supplement to the prospectus which will set out the investment objectives and policy for the new sub-funds, must be submitted for approval. Where a supplement to the prospectus is issued the supplement must state that the scheme is constituted as an umbrella scheme and name the other existing sub-funds.
9. Investment by a sub-fund within an umbrella scheme in the units of another sub-fund within the umbrella is, in addition to the provisions of paragraph 8(c), NU 13, subject to the following:
 - investment must not be made in a sub-fund which itself holds units in other sub-funds within the umbrella;
 - the investing sub-fund may not charge an annual management fee in respect of that portion of its assets invested in other sub-funds within the umbrella. This provision is also applicable to the annual fee charged by an investment manager where this fee is paid directly out of the assets of the scheme.
10. Investment by a sub-fund within an investment company constituted as an umbrella scheme, in the units of another sub-fund within the umbrella, by way

of transfer for consideration¹, is subject to prior notification to the Central Bank.

**Funds Authorisation and Supervision Division
Central Bank of Ireland
July 2011**

¹ Section 255(3) of the Companies Act 1990 Part XIII permits an umbrella investment company to acquire shares in a sister sub-fund by way of subscription or transfer for consideration. It is expected that, generally, such cross-investments will be processed as subscriptions under normal dealing arrangements. In the event that a transfer for consideration is proposed the scheme must notify the Central Bank in advance setting out the rationale behind the proposed transaction.

NU 16.10

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Techniques and instruments for the purpose of efficient portfolio management**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

General Conditions

1. Techniques and instruments utilised for the purposes of efficient portfolio management may be used only in accordance with the investment objectives of a collective investment scheme.
2. Any such technique or instrument must be one which (alone or in combination with one or more other techniques or instruments) is reasonably believed by the manager to be economically appropriate to the efficient portfolio management of a scheme.
3. The prospectus must disclose a scheme's intention to utilise these techniques and instruments and the periodic reports must indicate how they have been utilised.
4. The use of techniques and instruments contained in this Notice is subject to the following conditions and limits. Use of any other techniques and instruments may be considered by the Central Bank, as appropriate, on a case by case basis.

Derivative Contracts

5. Generally, call options may be written (sold) on condition that a scheme at all times maintains ownership of the security which is the subject of the call option. Index call options may be written provided that all of the assets of a scheme, or a proportion which may not be less in value than the exercise value of the call option written, can reasonably be expected to behave in terms of price movement in the same manner as the options contract. However, uncovered call options may be written on the condition that the aggregate exercise value of all call options sold in this way does not exceed 10 % of the net asset value of a scheme.

Cover is not required in the case of purchased call options.

6. Put options may be purchased on condition that the security which is the subject of the put option remains at all times in the ownership of a scheme. This requirement does not apply where the options are cash settled. Index put options may be purchased provided that all of the assets of a scheme, or a proportion of such assets, which may not be less in value than the exercise value of the put option purchased, can reasonably be expected to behave in terms of price movement in the same manner as the options contract. Uncovered put options may be purchased on the condition that the exercise value of the put options purchased in this way does not exceed 10 % of the net asset value of a scheme.
7. Put options may be written (sold) on condition that the exercise value of the option is at all times held by a scheme in liquid assets.
8. Futures contracts may be sold on condition that either the security which is the subject of the contract remains at all times in the ownership of a scheme, or on condition that all of the assets of a scheme or a proportion of such assets, which may not be less in value than the exercise value of the futures contracts sold, can reasonably be expected to behave in terms of price movement, in the same manner as the futures contract.

9. Futures contracts may be purchased on condition that the exercise value of the contract is at all times held by a scheme in liquid assets or readily marketable securities. However, a scheme which invests directly in both the fixed income and equity markets may purchase futures contracts on condition that the aggregate net exposure of the scheme is not greater than that which would be achieved through the direct investment of all of the scheme's assets in the underlying securities. In such cases the scheme must clearly provide for such an active asset allocation strategy in its investment objectives.
10. The total amount of premium paid or received for options together with the amount of initial margin paid for futures contracts may not exceed 10 % of the net asset value of a scheme.
11. Conditions 5 to 10 above do not apply to a transaction which is being effected to close out an existing position.

Netting of Positions

12. Purchased and sold derivative positions may be regarded as a single position provided that:
 - (i) Both relate to the same underlying asset, or if not the same, in the case of underlying fixed income securities:
 - they bear a high degree of correlation in terms of price movement;
 - both are cash settled with the same currency exposure;
 - (ii) Both are sufficiently liquid and are marked to market on a daily basis;
 - (iii) In the event that one of the positions is exercised, arrangements are such that the scheme will have the cover necessary to fulfil its actual or potential obligations under the outstanding position.

OTC Derivatives

13. Option and swap contracts transacted over the counter (OTC contracts) are permitted subject to the following additional requirements:

- (i) the swap instrument must not expose the scheme to risks which it could not otherwise assume (e.g. gain exposure to an instrument/issuer to which the scheme cannot have a direct exposure or subject the scheme to a potential loss greater than that which it could obtain in the cash market);
- (ii) obligations of the scheme under the transaction must, at all times, be held in liquid assets;
- (iii) the counterparty must have a minimum credit rating of A-2 or equivalent, or must be deemed by the scheme to have an implied rating of A-2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the scheme is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent;
- (iv) exposure to the counterparty must not exceed 10% of net assets (or 30% in the case of an institution specified in paragraphs 2(i), (ii) and (iii) of Notice NU 13). Exposure must take account of all exposures which the scheme might have to the counterparty. The Central Bank will permit arrangements under which collateral is passed by the counterparty to the scheme to reduce exposure. Acceptable collateral must comply with the provisions of paragraphs 16 and 17 of Notice NU 16.
- (v) the scheme must be satisfied that:
 - (a) the counterparty will value the OTC derivative with reasonable accuracy and on a reliable basis; and
 - (b) the OTC derivative can be sold, liquidated or closed by an offsetting at fair value⁷, at any time at the scheme's initiative;
- (vi) a clear description of the swap instruments which the scheme intends to use must be provided in the prospectus and this disclosure should focus on the constituent parts of the swaps; and

⁷ For the purposes of this paragraph, the reference to fair value shall be understood as a reference to the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction

- (vii) periodic reports must provide information on the swap instruments entered into during the reporting period, the names of the counterparties and the resulting amount of commitments.

Where the swap instrument is a **Credit Default Swap ("CDS")** and the scheme is a protection seller, two further conditions apply:

- (viii) the contract must be subject to daily valuation by the scheme and independently valued at least once a month; and
- (ix) the risks attached to the CDS must be independently assessed on a half-yearly basis and the independent report submitted to the scheme for review. (Independence, in relation to this assessment, will not prevent an assessment from being carried out by an entity related to the management of the scheme provided that the entity is independent of the counterparty.)

14. The net maximum potential exposure created by such techniques and instruments or created through borrowing, under the conditions and within the limits contained in NU 3, or through both of these together, shall not exceed 25 % of the net asset value of a scheme.

Use of Repurchase/Reverse Repurchase Agreements and Stock Lending

For the purposes of this section, “relevant institutions” refers to those institutions specified in paragraphs 2(i), (ii) and (iii), NU 13.

15. Repurchase / reverse repurchase agreements, (“repo contracts”) and stock lending may only be effected in accordance with normal market practice.
16. Collateral obtained under a repo contract or stock lending arrangement must be in the form of one of the following:
 - (i) cash;
 - (ii) government or other public securities;
 - (iii) certificates of deposit issued by relevant institutions;
 - (iv) bonds/commercial paper issued by relevant institutions or by non-bank issuers where the issue and the issuer are rated A-1 or equivalent;

- (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by relevant institutions;
 - (vi) equity securities traded on a stock exchange in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
17. Until the expiry of the repo contract or stock lending arrangement, collateral obtained under such contracts or arrangements:
- (i) must be marked to market daily;
 - (ii) must equal or exceed, in value, at all times the value of the amount invested or securities loaned;
 - (iii) must be transferred to the trustee, or its agent; and
 - (iv) must be immediately available to the scheme, without recourse to the counterparty, in the event of a default by that entity.

Paragraph (iii) is not applicable in the event that a scheme uses tri-party collateral management services of International Central Securities Depositories or relevant institutions which are generally recognised as specialists in this type of transaction. The trustee must be a named participant to the collateral arrangements.

Non-cash collateral:

- (i) cannot be sold or pledged;
- (ii) must be held at the risk of the counterparty;
- (iii) must be issued by an entity independent of the counterparty; and

Cash collateral:

Cash may not be invested other than in the following:

- (i) deposits with relevant institutions
- (ii) government or other public securities;
- (iii) certificates of deposit as set out in paragraph 16 (iii) above;
- (iv) letters of credit as set out in paragraph 16 (v) above;
- (v) repurchase agreements, subject to the provisions herein;
- (vi) daily dealing money market funds which have and maintain a rating of AAA or equivalent. If investment is made in a linked fund, as described in paragraph 8(c), NU 13, no subscription, conversion or

redemption charge can be made by the underlying money market fund.

Invested cash collateral held at the risk of the scheme, other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. A scheme must be satisfied, at all times, that any investment of cash collateral will enable it to meet its repayment obligations.

Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity.

18. Notwithstanding the provisions of paragraph 17, a scheme may enter into stock lending programmes organised by generally recognised International Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.
19. The counterparty to a repo contract or stock lending agreement must have a minimum credit rating of A-2 or equivalent, or must be deemed by the scheme to have an implied rating of A-2 or equivalent. Alternatively, an unrated counterparty will be acceptable where the scheme is indemnified or guaranteed against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A-2 or equivalent.
20. A scheme must have the right to terminate the stock lending agreement at any time and demand the return of any or all of the securities loaned. The agreement must provide that, once such notice is given, the borrower is obligated to redeliver the securities within 5 business days or other period as normal market practice dictates.
21. Repo contracts or stock lending agreements do not constitute borrowing or lending for the purposes of NU 3 or NU 8 respectively.

Protection against Exchange Rate Risk

22. A scheme may employ techniques and instruments intended to provide protection against exchange rate risks, including cross-currency hedging, in the context of the management of its assets and liabilities provided that:
- (i) the exposure of the scheme to foreign currency risk must not be leveraged in any way;
 - (ii) the intention to enter into such transactions should be fully disclosed in the scheme's prospectus, including disclosure regarding the currencies into which the scheme's currency exposure may be transformed; and
 - (iii) the periodic reports should indicate how these transactions have been utilised.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Money market schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A scheme which labels or markets itself as a money market fund must comply with this Notice in addition to the general rules for all collective investment schemes which are not disapplied below. It must classify itself as a “Short-Term Money Market Fund” or a “Money Market Fund”.

Weighted Average Maturity (“WAM”): WAM is a measure of the average length of time to maturity of all of the underlying securities in the money market fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid. In practice, WAM is used to measure the sensitivity of a money market fund to changing money market interest rates.

Weighted Average Life (“WAL”): WAL is the weighted average of the remaining life (maturity) of each security held in a money market fund, meaning the time until the principal is repaid in full (disregarding interest and not discounting). Contrary to what is done in the calculation of the WAM, the calculation of the WAL for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a security’s stated final maturity. WAL is used to measure the credit risk, as the longer the reimbursement of principal is postponed, the higher is the credit risk. WAL is also used to limit the liquidity risk.

Constant net asset value (“NAV”) Money Market Funds: A constant or stable NAV money market fund seeks to maintain an unchanging face value NAV (for example \$1/€1 per unit/share). Income in the fund is accrued daily and can either be paid out to the investor or used to purchase more units in the fund. Assets are generally valued on an amortised cost basis which takes the acquisition cost of the security and adjusts this value for amortisation of premiums (or discounts) until maturity.

1. The scheme must indicate in its prospectus whether it is a Short-Term Money Market Fund or a Money Market Fund. It must also include a risk warning drawing attention to the difference between the nature of a deposit and the nature of an investment in a money market fund with particular reference to the risk that the principal invested in a money market fund is capable of fluctuation.

2. The scheme must provide appropriate information to investors on the risk and reward profile of the fund so as to enable investors identify any specific risks linked to the investment strategy of the money market fund.
 - (i) In the case of Money Market Funds this must take account of the longer WAM and WAL.
 - (ii) In the case of all money market funds this must take account, where relevant, of investment in new asset classes, financial instruments or investment strategies with unusual risk and reward profiles.

Short-Term Money Market Funds

3. A Short-Term Money Market Fund must have a primary investment objective of maintaining the principal of the fund and aim to provide a return in line with money market rates.
4. Investments are limited to high quality money market instruments, as determined by the scheme and deposits with credit institutions.
5. To determine “high quality”, the following factors must at least be taken into account:
 - (i) the credit quality of the instrument, (a money market instrument may not be considered to be of high quality unless it has been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency that has rated the instrument, or, if the instrument is not rated, it is of an equivalent quality as determined by the scheme). Credit quality must be monitored on an ongoing basis;
 - (ii) the nature of the asset class represented by the instrument;
 - (iii) the operational and counterparty risk, in the case of structured financial instruments;
 - (iv) the liquidity profile.
6. Investments are limited to securities or instruments with a residual maturity until the legal redemption date of less than or equal to 397 days.

7. A Short-Term Money Market Fund must provide daily NAV and price calculations and have daily subscriptions and redemptions of units.
8. The WAM of the portfolio must not exceed 60 days.
9. The WAL of the portfolio must not exceed 120 days. When calculating the WAL for securities, including structured financial instruments, the scheme must base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, when a financial instrument embeds a put option, the exercise date of the put option may be used instead of the legal residual maturity only if the following conditions are fulfilled at all times:
 - (i) the put option can be freely exercised by the scheme at its exercise date;
 - (ii) the strike price of the put option remains close to the expected value of the instrument at the next exercise date; and
 - (iii) the investment strategy of the scheme implies that there is a high probability that the option will be exercised at the next exercise date.
10. When calculating the WAM and WAL, the impact of financial derivative instruments, deposits and efficient portfolio management techniques must be taken into account.
11. Direct or indirect exposure to equities or commodities, including through financial derivative instruments, is not permitted.
12. Financial derivative instruments may only be used when these are in line with the money market investment strategy of the scheme. Financial derivative instruments which give exposure to foreign exchange may only be used for hedging purposes. Investment in non-base currencies is not permitted unless the exposure is fully hedged.
13. Investment in other collective investment schemes is not permitted unless those collective investment schemes are also Short-Term Money Market Funds.

14. A Short-Term Money Market Fund may have either a constant or fluctuating NAV.

Money Market Funds

15. A Money Market Fund must have a primary investment objective of maintaining the principal of the fund and aim to provide a return in line with money market rates.
16. Investments are limited to high quality money market instruments, as determined by the scheme and deposits with credit institutions.
17. To determine “high quality”, the following factors must at least be taken into account:
 - (i) the credit quality of the instrument, (a money market instrument may not be considered to be of high quality unless it has been awarded one of the two highest available short-term credit ratings by each recognised credit rating agency that has rated the instrument, or, if the instrument is not rated, it is of an equivalent quality as determined by the scheme). Credit quality must be monitored on an ongoing basis;
 - (ii) the nature of the asset class represented by the instrument;
 - (iii) the operational and counterparty risk, in the case of structured financial instruments;
 - (iv) the liquidity profile.
18. Investments are limited to securities or instruments with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest reset date is less than or equal to 397 days. Floating rate securities must reset to a money market rate or index.
19. A Money Market Fund must provide daily NAV and price calculations and have daily subscriptions and redemptions of units.
20. The WAM of the portfolio must not exceed 6 months.

21. The WAL of the portfolio must not exceed 12 months. When calculating the WAL for securities, including structured financial instruments, the scheme must base the maturity calculation on the residual maturity until the legal redemption of the instruments. However, when a financial instrument embeds a put option, the exercise date of the put option may be used instead of the legal residual maturity only if the following conditions are fulfilled at all times:
 - (i) the put option can be freely exercised by the scheme at its exercise date;
 - (ii) the strike price of the put option remains close to the expected value of the instrument at the next exercise date; and
 - (iii) the investment strategy of the scheme implies that there is a high probability that the option will be exercised at the next exercise date.

22. When calculating the WAM and WAL, the impact of financial derivative instruments, deposits and efficient portfolio management techniques must be taken into account.

23. Direct or indirect exposure to equities or commodities, including through financial derivative instruments, is not permitted.

24. Financial derivative instruments which give exposure to foreign exchange may only be used for hedging purposes. Investment in non-base currencies is not permitted unless the exposure is fully hedged.

25. Investment in other collective investment schemes is not permitted unless those collective investment schemes are Short-Term Money Market Funds or Money Market Funds.

26. A Money Market Fund must have a fluctuating NAV.

Short-Term Money Market Funds – valuation on the basis of amortised cost

27. Short-Term Money Market Funds are permitted to follow an amortised cost valuation methodology provided the scheme or, where relevant, its delegate

have demonstrable expertise in the operations of money market funds which follow this method of valuation. This condition is satisfied where:

- (i) the Short-Term Money Market Fund has obtained a triple-A rating from an internationally recognised rating agency; or
- (ii) the management company or investment manager is engaged in the management, or has been engaged in the management, of a triple-A rated money market fund; or
- (iii) in exceptional circumstances, the management company or investment manager may provide sufficient information to the Central Bank to demonstrate appropriate expertise in the operation of this type of money market fund. Such applications will be considered on a case-by-case basis and should be submitted in advance of the application for authorisation of the money market fund.

28. The scheme must be satisfied that the persons responsible for the operation of the Short-Term Money Market Fund including under any delegation arrangements have and continue to have the necessary expertise.

29. The scheme must carry out a weekly review of discrepancies between the market value and the amortised cost value of the money market instruments. Escalation procedures must be in place to ensure that material discrepancies between the market value and the amortised cost value of a money market instrument are brought to the attention of personnel charged with the investment management of the scheme. In this regard:

- (i) discrepancies in excess of 0.1% between the market value and the amortised cost value of the portfolio are brought to the attention of the management company or the investment manager;
- (ii) discrepancies in excess of 0.2% between the market value and the amortised cost value of the portfolio are brought to the attention of senior management/directors of the management company or the board of directors and the trustee.

30. If discrepancies in excess of 0.3% between the market value and the amortised cost value of the portfolio occur a daily review must take place. The scheme must notify the Central Bank with an indication of the action, if any, which will be taken to reduce such dilution.

31. The trust deed, deed of constitution, articles of association or partnership agreement must provide for the escalation procedures set out in paragraph 29 and 30 or, alternatively, provide that a review of the amortised cost valuation vis-à-vis market valuation will be carried out in accordance with the requirements of the Central Bank. Weekly reviews and any engagement of escalation procedures must be clearly documented.
32. The scheme must engage in monthly portfolio analysis incorporating stress testing to examine portfolio returns under various market scenarios to determine if the portfolio constituents are appropriate to meet pre-determined levels of credit risk, interest rate risk, market risk and investor redemptions. The results of the periodic analysis must be available to the Central Bank on request.
33. Money Market Funds are not permitted to follow an amortised cost valuation methodology.

Transitional provisions

34. Short-Term Money Market Funds and Money Market Funds authorised before 1 July 2011 are allowed a transitional period to 31 December 2011 to comply with either paragraphs 3-14 or 15-26 of this Notice, as appropriate.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Property schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme, which invests in property or property related assets, is subject to the following rules in addition to the general rules for all collective investment schemes which are not disapplied below.

“Property” is defined as a freehold or leasehold, with a minimum unexpired lease of seventy years, interest in any land or building.

“Property related assets” refer to securities issued by a body corporate (e.g. shares, debentures, warrants or certificates representing these) whose main activity is investing in, dealing in, developing or redeveloping property.

1. Before authorising the scheme, the Central Bank must be satisfied that the management company, general partner and/or, where applicable, investment advisory company, have specific experience in the area of investment in property.
2. The scheme may provide for the issue of partly paid units in the trust deed, deed of constitution, articles of association or partnership agreement. The prospectus must fully disclose the nature of the commitment which investors will enter into. Where the scheme provides for partly paid units investment restrictions apply in terms of uncalled capital and net asset value combined.

Valuations

3. The management company of the scheme must appoint a qualified independent valuer or valuer(s) selected on a basis approved by the Central Bank. Details of the appointment(s) must be included in the prospectus and in the periodic reports issued by the scheme. The Central Bank must be notified in advance of a valuer's appointment and resignation.

4. The scheme must be valued at open market value at least twice yearly, with provision being made for more frequent valuations to be undertaken if market conditions warrant it. Issue and redemption prices must be made available after a valuation of the portfolio has taken place.

Investment Restrictions

5. Before a property is acquired for the scheme it must be valued. The valuation report must confirm that if the property was acquired for the scheme it could be disposed of at that valuation within a reasonable period. The property must be acquired within six months from the date of the report and at a price which is within 5 % of the valuation price.

6. Property related assets must be traded in or dealt on a market which is provided for in the trust deed, deed of constitution, articles of association or partnership agreement. However, up to 15 % of the scheme's net assets may consist of property related assets which are not traded in or dealt on such a market provided that these assets are acquired under the same conditions as for properties above.

7. Not more than 20 % of the scheme's net assets may be invested in any single property. This restriction is effective from the date of acquisition; however, a property whose economic viability is linked to another property is not considered as a separate item of property for this purpose. The scheme may derogate from this restriction for two years following the date of its launch provided it observes the principle of risk spreading. Schemes existing prior to August 1991, which had properties valued at more than 20 % of net assets do not have to dispose of such property.

8. There are no restrictions on the amount of cash or short term securities which can be held by the scheme when the purpose of such holdings is to meet redemption requirements or where this is otherwise reasonably necessary.
9. Not more than 25 % of the scheme's net assets may be invested in properties which are vacant, in the process of development or requiring development.
10. Not more than 25 % of the scheme's net assets may be invested in properties which are subject to a mortgage. (This provision does not affect the ability of a scheme to secure its borrowing generally on the properties of the scheme.) The amount of the outstanding mortgage on any property must not represent more than 50 % of the value of that property.
11. The scheme may not grant any person an option to acquire any property included in the scheme.

Borrowing

12. The scheme is allowed to borrow up to an amount equal to 25 % of the value of the net assets of the scheme, which borrowing may be generally secured on the properties of the scheme.

Redemption Procedures

13. The redemption procedure as described in the trust deed, deed of constitution, articles of association or partnership agreement must be fully disclosed in a prominent position in the prospectus.

Other Requirements

14. The prospectus must contain a description of the risks involved in this type of scheme and a prominent risk warning which will make reference to circumstances in property markets which can cause difficulties in meeting redemptions.

15. The scheme must have reached a minimum viable size within a specified period after the launch. The minimum viable size and specified period must be defined in the prospectus. No property may be purchased or contracted until this minimum amount has been reached. In the event that the minimum viable size is not reached within the specified period, the scheme must return any subscriptions received to the unitholders and apply to the Central Bank for revocation of its authorisation.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Inward marketing of schemes established in other jurisdictions**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. Collective investment schemes which propose to market their units in Ireland must be authorised by a supervisory authority set up in order to ensure the protection of unitholders and which, in the opinion of the Central Bank, provides a similar level of investor protection to that provided under Irish laws, regulations and conditions governing collective investment schemes. Alternatively, the Central Bank must be satisfied that the management and trustee/custodial arrangements, constitution and investment objectives of any scheme which it is proposed to market in Ireland provide a similar level of investor protection to that provided by schemes authorised under the Irish laws, regulations and conditions governing collective investment schemes.
2. A scheme situated in another jurisdiction which proposes to market its units in Ireland must make application to the Central Bank in writing, enclosing the following information and documentation:

Information

- The full name of the scheme.
- The full name and address of the operator.
- The full name and address of any supervisory authority or authorities to which the operator is subject in the state in which the operator is established.
- The full name and address of the trustee or custodian.
- The jurisdiction in which the scheme is authorised.
- Details of the arrangements for the marketing of units in Ireland.

- The full name and address of the establishment in Ireland (hereafter “facilities agent”) where facilities will be maintained where:
 - unitholders can be advised how dividend payments will be made, how a redemption request can be made to the scheme and how redemption proceeds will be paid to investors;
 - the instrument(s) constituting the scheme, the prospectus, the annual and half-yearly reports can be examined, free of charge, and copies obtained if required; and
 - complaints can be made for forwarding to the head office of the operator.

Documentation

- A statement or certificate from the supervisory authority of the scheme confirming that it is authorised.
- A certified copy of the fund rules or instruments of incorporation.
- The prospectus and any amendments thereto.
- The latest annual report and any subsequent half-yearly report.
- A copy of any other document affecting the rights of unitholders in the scheme.
- Confirmation from the facilities agent that it has agreed to act for the scheme.

Documentation submitted to the Central Bank must be in English or Irish or must be accompanied with a translation in English or Irish.

3. **Collective Investment Schemes Established in Certain Jurisdictions**

Collective investment schemes which are one of the following:

- established in Guernsey and authorised as Class A schemes
- established in Jersey and authorised as recognised funds
- established in the Isle of Man as authorised schemes

will receive approval to market their units in Ireland on completion of the information and documentation requirements.

4. Marketing of units in Ireland may not take place until the scheme has received a letter of approval from the Central Bank.

5. The following statement must be included in a prominent position in each copy of the scheme's prospectus and in any marketing material distributed in Ireland for the purposes of promoting the scheme:

“While this scheme has been approved to market its units to the public in Ireland by the Central Bank, the scheme is not supervised or authorised in Ireland. It is incorporated/established in _____ and is supervised by _____.”

6. The prospectus must provide the following information for Irish investors:
 - details of the facilities agent and the facilities maintained;
 - provisions of Irish tax laws, if applicable;
 - details of the places where issue and repurchase prices can be obtained or are published;
 - the minimum subscription requirement in the case of schemes which market solely to professional investors.

7. A scheme constituted as an umbrella scheme must seek approval before marketing units of additional sub-funds in Ireland. Applications must be made to the Central Bank, in writing, enclosing the following:
 - a statement or certificate from the supervisory authority of the scheme confirming that the sub-fund is authorised;
 - the revised prospectus for the scheme; and
 - details of any changes in the operation of the scheme since the initial approval.

8. Schemes marketing their units in Ireland must comply with the provisions of the Code for Advertising, Promotional and Direct Marketing in Ireland. The code is available from the Advertising Standards Authority for Ireland, Ferry House, 48 Lower Mount Street, 35/39 Shelbourne Road, Dublin 2. The standards are also outlined in NU 9, under “Advertising”.

9. Schemes marketing their units in Ireland must comply with the law, regulations and administrative provisions in force in Ireland.
10. The annual and half-yearly reports issued by schemes marketing their units in Ireland must be submitted to the Central Bank as soon as they are available.
11. When a scheme has received approval from the Central Bank to market units in Ireland the name of the scheme and the name and address of the facilities agent will be placed on a list of schemes marketing in Ireland, which will be made available to the public on request.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Futures and options schemes - capital protected**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme which invests in futures, options and other derivative instruments and which provides for the protection of capital invested in the scheme over a given period of time (not greater than seven years) is subject to the following rules, in addition to the general rules for all collective investment schemes which are not disapplied below:

1. The property of the scheme may consist of futures and options (or other derivative instruments which are disclosed in the prospectus and approved by the Central Bank), deposits or short term securities which may include securities with a maturity of up to 7 years.
2. Measures undertaken for the protection of capital, particularly those dealing with the segregation of assets, are subject to the approval of the Central Bank. If necessary the Central Bank may relax the investment restrictions contained in this Notice in order to provide for the protection of capital.
3. Not more than 5 % of the net asset value of the scheme may be invested in the debt securities of companies, other than banks, with a credit rating of less than A-1 or equivalent.
4. Futures and options must be traded on an organised exchange. Options and swap contracts transacted over the counter (OTC contracts) are permitted subject to the provisions of paragraph 13, Notice NU 16.

5. The scheme must not hold an open position in any one futures or options contract for which the margin or premium requirement represents 5 % or more of net assets.

The scheme must not hold an open position in contracts concerning a single commodity or single financial instrument for which the margin or premium requirement represents 10 % or more of net assets.

Where the investment objective of the scheme envisages tracking the performance of a securities index, the Central Bank may permit a derogation from the limits in this paragraph to enable the objective to be achieved subject to paragraph 2 above.

Foreign exchange transactions with credit institutions are permitted subject to the restrictions in this paragraph.

6. The scheme is permitted to borrow, for temporary purposes, up to 10 % of the net asset value of the scheme. However, the intention to borrow must not form part of the investment objectives of the scheme.
7. Before authorising a futures and options scheme the Central Bank must be satisfied that the directors of the management company, general partner and/or, where applicable, investment advisory company have specific experience in this area of investment.
8. The prospectus must contain a full description of the risks involved in this type of scheme.
9. The prospectus shall disclose what steps the scheme has taken to ensure that the liabilities of the scheme are limited to the net assets of the scheme, or in the case of a sub-fund of an umbrella scheme, to the net assets of that sub-fund.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Leveraged futures and options schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme which invests in futures and options and other derivative instruments, which does not provide for the protection of capital invested in the scheme and which does not fall within the terms of the Central Bank's Notice dealing with the subject of efficient portfolio management, is subject to the following rules, in addition to the general rules for all collective investment schemes which are not disapplied below:

1. The property of the scheme may consist of futures and options (or other derivative instruments which are disclosed in the prospectus and approved by the Central Bank), deposits or short term securities which may include securities with maturities of up to 7 years.
2. Not more than 5 % of the net asset value of the scheme may be invested in the debt securities of companies, other than banks, with a credit rating of less than A-1 or equivalent.
3. Futures and options must be traded on an organised exchange. Option and swap contracts transacted over the counter (OTC contracts) are permitted subject to the provisions of paragraph 13, Notice NU 16.
4. The property of the scheme must include liquid assets which have a total minimum value, at all times, at least equal to the sum of all margin deposited

and all premiums paid, in respect of transactions which have not been closed out.

5. The scheme must not hold an open position in any one futures or options contract for which the margin or premium requirement represents 5 % or more of net assets.

The scheme must not hold an open position in contracts concerning a single commodity or single financial instrument for which the margin or premium requirement represents 10 % or more of net assets.

Where the investment objective of the scheme envisages tracking the performance of a securities index, the Central Bank may permit a derogation from the limits in this paragraph to enable the objective to be achieved.

Foreign exchange transactions with credit institutions are permitted subject to the restrictions in this paragraph.

6. The scheme is permitted to borrow, for temporary purposes, up to 10 % of the net asset value of the scheme. However, the intention to borrow must not form part of the investment objectives of the scheme.
7. Before authorising a scheme the Central Bank must be satisfied that the directors of the management company, general partner and/or, where applicable, investment advisory company have specific experience in this area of investment.
8. The prospectus must contain a full description of the risks involved in this type of scheme and a prominent risk warning which will make specific reference to the following:

- (i) the above average risk involved;

- (ii) the suitability of this type of investment only for people who are in a position to take such a risk; and
 - (iii) a recommendation that not more than 5 % of an investor's portfolio be invested in the scheme.
9. The prospectus shall disclose what steps the scheme has taken to ensure that the liabilities of the scheme are limited to the net assets of the scheme, or in the case of a sub-fund of an umbrella scheme, to the net assets of that sub-fund.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Feeder Schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

A collective investment scheme, the principal object of which is investment in a single collective investment scheme (the underlying scheme), is subject to the following rules, in addition to the general rules for all collective investment schemes which are not disapplied below:

1. The underlying scheme must be authorised in Ireland, or authorised in another jurisdiction by a supervisory authority established in order to ensure the protection of unitholders and which, in the opinion of the Central Bank, provides an equivalent level of investor protection to that provided under Irish laws, regulations and conditions governing collective investment schemes.
2. The prospectus must contain sufficient information relating to the underlying scheme to enable investors make an informed judgement of the investment proposed to them. The periodic reports of the underlying scheme must be attached to the periodic reports of the feeder scheme.
3. The scheme must make appropriate disclosures in its prospectus regarding the relationship between it and the underlying scheme including comprehensive information relating to charges and expenses in respect of the underlying scheme.
4. The manager of the underlying scheme must waive the preliminary/initial charge which it is entitled to charge for its own account in relation to the acquisition of units by the feeder scheme.

5. Where a commission is received by the manager of the scheme by virtue of an investment in the units of the underlying scheme, this commission must be paid into the property of the scheme.

6. The scheme may employ techniques and instruments for the purposes of efficient portfolio management and to protect against exchange rate risk under the conditions and within the limits laid down by the Central Bank in Notice NU 16.

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Closed-ended schemes**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. An applicant who wishes to establish a closed-ended scheme must satisfy the Central Bank that the nature of the scheme as reflected, inter alia, in the investment objectives, the nature of the potential investors, the life or period of closure of the scheme, the intention regarding the listing of the scheme and any proposals from the manager to arrange for a market to be made, or otherwise to provide liquidity in the units, is such that it would be appropriate and prudent to approve the scheme as a closed-ended scheme.
2. The scheme must have a finite closed-ended period, the duration of which must be provided for in the trust deed, deed of constitution, articles of association or partnership agreement.
3. The Central Bank may permit the scheme to derogate from paragraph 4 of NU 8 - Collective investment schemes - general supervisory conditions, and provide for the issue of units other than at net asset value. The scheme must demonstrate that unitholders will not be prejudiced by such a provision. The conditions under which units will be issued are subject to approval by the Central Bank.
4. The prospectus for the scheme must make appropriate reference to the fact that the scheme will not redeem its units.
5. This Notice specifies the extent of the disapplication by the Central Bank of Section 12(1) of the Unit Trusts Act, 1990, Section 253(2)(b)(ii) of the Companies Act, 1990 Part XIII, and Section 14(1) of the Investment Funds

Act 2005, in accordance with its powers under Section 12(2) of the Unit Trusts Act, 1990, Section 253(2A)(a) of the Companies Act, 1990 Part XIII, and Section 14(2) of the Investment Funds Act 2005.

**Funds Authorisation and Supervision Division
Central Bank of Ireland
July 2011**

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS**Schemes which market solely to Qualifying Investors¹ and which are not bound by the limits relating to Investment Objectives and Policies as set out in these Notices.**

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

1. The conditions and restrictions related to investment objectives and policies and leverage set out in the Central Bank's Notices, in particular NU 3, NU 13 and NU 16, are disapplied in full in respect of schemes marketing solely to qualifying investors. A detailed list of these conditions and restrictions is attached in Appendix 1 to this Notice. All provisions contained in Notices which do not relate to investment objectives, investment policies or to the level of leverage employed apply in full to these schemes, unless specific derogations are granted by the Central Bank.
2. Investment companies marketing solely to qualifying investors must confirm in writing to the Central Bank that the scheme will maintain the aim of spreading investment risk as required under section 253 2(a) of the Companies Act, 1990 Part XIII. Periodic reports issued by the investment company, which are required under Notice NU 11, must confirm that the aim of spreading of investment risk has been maintained.
3. To qualify for a derogation, as in paragraph 1 above, a scheme must have the following characteristics :

¹ As defined in paragraph 3 of this Notice

Minimum Subscription

A minimum subscription of €100,000 or its equivalent in other currencies. The aggregate of an investor's investments in the sub-funds of an umbrella scheme can be taken into account for the purposes of determining this requirement. The amounts of subsequent subscriptions from investors who have already subscribed the minimum subscription of €100,000 are unrestricted.

Institutions may not group amounts of less than €100,000 for individual investors.

Qualifying Investors

- (a) An investor who is a professional client within the meaning of Annex II of Directive 2004/39/EC (Markets in Financial Instruments Directive); or
- (b) An investor who receives an appraisal from an EU credit institution, a MiFID firm or a UCITS management company that the investor has the appropriate expertise, experience and knowledge to adequately understand the investment in the scheme; or
- (c) An investor who certifies that they are an informed investor by providing the following:
 - Confirmation (in writing) that the investor has such knowledge of and experience in financial and business matters as would enable the investor to properly evaluate the merits and risks of the prospective investment; or
 - Confirmation (in writing) that the investor's business involves, whether for its own account or the account of others, the management, acquisition or disposal of property of the same kind as the property of the scheme.

An exemption from the minimum subscription requirement and qualifying investor criteria can be granted to the following:

- (a) the management company or general partner;
- (b) the promoter or an entity within the promoter's group;

- (c) a company appointed to provide investment management or advisory services to the scheme;
- (d) a director of the promoter, management company, investment company or general partner or a director of a company appointed to provide investment management or advisory services to the scheme;
- (e) an employee of the promoter, management company, investment company or general partner, or an employee of a company appointed to provide investment management or advisory services to the scheme, where the employee;
 - is directly involved in the investment activities of the scheme, or
 - is a senior employee of the company and has experience in the provision of investment management services.

In the case of investments by employees², the management company, investment company or general partner, as appropriate, must be satisfied³ that prospective investors fall within the criteria outlined. The investors must complete the certification requirements set out in paragraph 4 below. In addition investors must certify to the scheme that they are availing of the exemption provided for in this sub-paragraph and that they are aware that the scheme is normally marketed solely to qualifying investors who are subject to a minimum subscription of €100,000.

4. Qualifying investors must certify in writing to the investment company, management company in the case of a unit trust or common contractual fund, or general partner in the case of an investment limited partnership that they meet the minimum criteria listed in paragraph 3 and that they are aware of the risk involved in the proposed investment and of the fact that inherent in such investments is the potential to lose all of the sum invested.

² An employee who is primarily involved in the provision of clerical, secretarial or administrative functions may not avail of this exemption.

³ This may entail a provision in the investment management/advisory agreement which will require the investment management/advisory company to confirm the status of the employee in question.

5. The prospectus must indicate, in a prominent position, that a scheme has been authorised by the Central Bank for marketing solely to qualifying investors. It must specify its minimum subscription requirements and add the following:

“Accordingly, while this scheme is authorised by the Central Bank, the Central Bank has not set any limits or other restrictions on the investment objectives, the investment policies or on the degree of leverage which may be employed by the scheme.”

In the case of investment companies the following sentence must be added to the above statement:

“The scheme must comply with the aim of spreading investment risk in accordance with Section 253(2) (a) of the Companies Act, 1990 Part XIII”

6. The prospectus must describe the investment objectives and investment and borrowing policies of the scheme and these descriptions must be comprehensive and accurate, readily comprehensible to investors and be sufficient to enable investors make an informed judgement on the investment proposed to them. The prospectus must contain quantitative parameters on the extent of leverage which will be engaged in by the scheme.
7. The prospectus must contain a prominent risk warning which will make specific reference to the following:
- (i) the potential for above average risk involved and
 - (ii) the suitability of this type of investment only for people who are in a position to take such a risk.
8. Schemes marketing solely to qualifying investors are not required to make public the issue and redemption prices of their units; however, these must be made available to unitholders on request.
9. Investment companies or investment limited partnerships marketing solely to qualifying investors are not required to publish a half-yearly report, as

prescribed in Notice NU 11. The annual report issued by all schemes marketing solely to qualifying investors must, where relevant, disclose if distributions have been made out of the capital of the scheme.

**Funds Authorisation and Supervision Division
Central Bank of Ireland
July 2011**

Appendix 1

Automatic derogations from provisions contained in the Non-UCITS NOTICES for schemes authorised under Notice NU 24

A : AUTOMATIC DEROGATIONS

- NU 1 Fund of funds schemes - **Paragraphs 1, 2, and 3**
- NU 3 Borrowing powers - **Paragraphs 2 and 3**
- NU 8 Collective investment schemes - general conditions - **Paragraph 6**
- NU 11 Publication of annual and half-yearly reports – In the case of investment companies and investment limited partnerships, all provisions in relation to the half-yearly report and Appendix B.
- NU 12 Schemes marketing solely to professional investors - **Not relevant**
- NU 13 General investment restrictions - **Paragraphs 1, 2, 3, 4, 5, 7, 8(a), 8(b), 9, 10, 11, 12, 13, 15 and 16**
- NU 14 Venture or development capital schemes - **Paragraphs 2, 3, 4 and 9**
- NU 16 Techniques and instruments for the purpose of efficient portfolio management - **Paragraphs 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20 and 22**
- NU 18 Property schemes - **Paragraphs 5, 6, 7, 9, 10, 11 and 12**
- NU 20 Futures and options schemes - capital protected - **Paragraphs 1, 2, 3, 4, 5 and 6**
- NU 21 Leveraged futures and options schemes - **Paragraphs 1, 2, 3, 4, 5, 6 and 8**
- NU 22 Feeder schemes - **Paragraph 6**
- NU 25 Funds of unregulated funds schemes

B : NO DEROGATIONS IN RESPECT OF THE FOLLOWING NOTICES

- NU 2 Dealings by promoter, manager, partner, trustee, investment adviser and associates
- NU 4 Information and document requirements of the Central Bank in support of an application for authorisation as a unit trust, common contractual fund, investment company or investment limited partnership
- NU 5 Supervisory conditions for non-UCITS collective investment schemes authorised by the Central Bank and certain firms providing services to such schemes
- NU 6 Trustees - eligibility criteria
- NU 7 Trustees - duties and conditions
- NU 9 Prospectus
- NU 10 Information to be included in the monthly returns
- NU 15 Umbrella schemes
- NU 17 Money Market Schemes
- NU 19 Inward marketing of schemes established in other jurisdictions - **Not relevant**
- NU 23 Closed-ended schemes

COLLECTIVE INVESTMENT SCHEMES OTHER THAN UCITS

Funds of unregulated funds schemes

Obligations are derived directly from provisions of the non-UCITS CIS legislation, or are conditions imposed by the Central Bank of Ireland (the Central Bank) under powers given to the Central Bank under that legislation.

Fund of funds schemes, authorised pursuant to the provisions of Notice NU 1, may invest no more than 10% of their net asset value in unregulated schemes. A scheme which proposes to invest more than 10% in unregulated schemes, including investments in hedge funds and other alternative investment funds, is subject to the following rules. These rules are in addition to the general rules for all collective investment schemes which are not disapplied below:

Diversification

1. The scheme may not invest more than 20% of net assets in the units of any one scheme.

Underlying schemes

2. The underlying schemes
 - must be subject to independent audit in accordance with generally accepted international accounting standards;
 - must have arrangements in place such that all assets are held by a party/parties independent of the manager of the schemes.

Disclosure

3. The prospectus must include the following risk warning, in bold, in a prominent position on the cover of the prospectus and on the application form attached to the prospectus:

“This scheme will invest in unregulated collective investment schemes which may not be subject to the same legal and regulatory protection as afforded by collective investment schemes authorised and regulated in the

European Union or equivalent jurisdictions. Investment in unregulated schemes involves special risks that could lead to a loss of all or a substantial portion of such investment.

An investment in this scheme is not suitable for all investors. A decision to invest in this scheme should take into account your own financial circumstances and the suitability of the investment as a part of your portfolio. You should consult a professional investment advisor before making an investment.”

4. In addition to the normal information provided, the prospectus must include information on the special risks referred to in paragraph 3. It must provide specific information drawing attention to:
 - the investment policies of underlying schemes in which the scheme proposes to invest and the relevant risks associated with such policies;
 - the levels of leverage employed by the underlying schemes;
 - the expected impact of fees charged at both the level of the scheme and the underlying schemes on overall performance;
 - cumulative effect of performance fees, which may arise at both the scheme and underlying scheme level;
 - potential liquidity problems;
 - potential valuation difficulties.

5. The prospectus must provide an explanation, in plain English, including a glossary of terms if necessary, of the alternative investment strategies which the underlying schemes may employ.

The prospectus must describe the diversification policies of the scheme including information on the extent to which the scheme will diversify between trading strategies and also the extent to which it will invest in underlying schemes which have demonstrated a high volatility of return.

6. The periodic reports must list the names of the underlying schemes, their managers and their domicile. The annual report must provide information on the impact of fees, including performance fees, on returns to unitholders.

Management

7. The management of the scheme and its delegate(s), where applicable, must demonstrate appropriate experience and expertise in relation to alternative investment schemes.

Detailed information must be submitted to enable the Central Bank to be satisfied that appropriate controls and systems are in place to monitor constantly the activities of the underlying schemes, their managers and risk assessment procedures. This will include, inter alia, information on the extent to which the management of the scheme and its delegate(s) will:

- review the background, expertise and experience of the underlying managers;
 - review, on an ongoing basis, the risks of the underlying schemes and the risks of the strategies being employed, including the amount of gearing inherent in these strategies and counterparty risk;
 - monitor overall leverage of the scheme.
8. The management of the scheme must be able to provide the Central Bank, on request, with a detailed report on the risk profile and recent performance of the scheme's investments.
9. Where the scheme invests more than 40% of net assets in schemes managed by the same management company, or by an associated or related company, the management of the scheme must make a quarterly report to the Central Bank on the extent to which the underlying schemes diversified between trading strategies.
10. The scheme may not invest in units of another fund of funds scheme or of a feeder scheme⁸.
11. Where the scheme invests in units of a collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made must waive the preliminary/initial/redemption charge which it would normally charge.

⁸ A limited derogation is available from the provisions of this paragraph as set out in Section 5(e) of Guidance Note 1/01.

12. Where a commission is received by the manager of the scheme by virtue of an investment in the units of another collective investment scheme, this commission must be paid into the property of the scheme.

Redemption policies

13. Where the scheme is open-ended it must provide at least one dealing day per month. The maximum interval between submission of a redemption request and payment of settlement proceeds must not exceed 95 calendar days.

The scheme may retain up to 10% of redemption proceeds, where this reflects the redemption policy of the underlying scheme(s) until such time as the full redemption proceeds from the underlying scheme(s) is received.

Annex I

MINIMUM CAPITAL REQUIREMENT REPORT NOTES ON COMPILATION (NON-UCITS MANAGEMENT COMPANY, ADMINISTRATION COMPANY AND TRUSTEE COMPANY)

1. This Minimum Capital Requirement Report must be submitted to the Central Bank by the non-UCITS management company, administration company or trustee company (each a “**Firm**” for the purposes of these Notes) with the half yearly and annual audited accounts at the reporting intervals specified in paragraph 14 of Notice NU 5 and paragraph 18 of Notice NU 7, as applicable. The Minimum Capital Requirement Report and these Notes on Compilation thereto form part of the NU series of Notices. The Minimum Capital Requirement Report must be signed by a director or a senior manager of the Firm.

2. **Initial Capital Requirement**
 - 2.1 The **Initial Capital Requirement** specified in the Notices is €125,000.

3. **Expenditure Requirement**
 - 3.1 The **Expenditure Requirement** is calculated as one quarter of the Firm’s total expenditure taken from the most recent annual accounts.⁹ However, the Central Bank reserves the right to adjust this amount should it be deemed not to reasonably reflect the current position of the Firm.
 - 3.2 Total expenditure includes all expenditure incurred by the Firm. The following may be deducted from the expenditure figure:
 - (a) Depreciation;
 - (b) Profit shares, bonuses etc.;
 - (c) Net losses arising in the translation of foreign currency balances;
 - (d) Shared commissions paid (other than to officers and staff of the Firm) that have been previously agreed with the Central Bank; and
 - (e) Exceptional and extraordinary non-recurring expense items which have been previously agreed with the Central Bank.
 - 3.3 All deductions from the total expenditure figure should be either clearly identified in the most recent annual audited accounts or supported with a letter from the auditors confirming the figures.

⁹ The Minimum Capital Requirement Report submitted with the audited annual accounts must take the total expenditure figure from those accounts. For example, the Minimum Capital Requirement Report submitted with the audited annual accounts for 2010 will take the total expenditure figure from those 2010 audited annual accounts.

4. Minimum Capital Requirement

- 4.1 The Firm's **Minimum Capital Requirement** is the higher of:
- the Initial Capital Requirement; or
 - the Expenditure Requirement.

5. Financial Resources

5.1 A Firm is required to have **Financial Resources** at least equal to its Minimum Capital Requirement.

5.2 Financial Resources for a Firm will be based on the half yearly accounts or the annual audited accounts, whichever is most recent.

5.3 Financial Resources are calculated as the aggregate of:

- Fully paid up equity capital;
- Perpetual non-cumulative preference shares;
- **Eligible Capital Contribution** (see 5.4 below);
- Qualifying **Subordinated Loan Capital** (see 5.4 below);
- Share premium account;
- Disclosed revenue and capital reserves (excluding revaluation reserves);
- Interim net profits (may only be included if they have been audited); and
- Other reserves.

Less

- Current year losses not included in disclosed revenue and capital reserves above.

5.4 Conditions for Eligible Capital Contributions and Subordinated Loan Capital

The following conditions apply to Eligible Capital Contributions and to Subordinated Loan Capital (both perpetual and redeemable):

- (a) The prior approval of the Central Bank must be obtained in respect of the inclusion of the Eligible Capital Contribution or Subordinated Loan Capital in the Financial Resources for capital adequacy purposes. Subordinated Loan Capital may not be incorporated in the calculation of the Initial Capital Requirement.
- (b) The Central Bank must be provided with documentary evidence¹⁰ that the Eligible Capital Contribution or Subordinated Loan Capital has been received by the Firm.

¹⁰ Documentary evidence should include a copy of the original bank statement showing receipt of the relevant funds by the Firm. The Central Bank may request independent confirmation of the receipt of additional capital, for example, auditor confirmation.

- (c) The Firm must use the Capital Contribution Agreement, Perpetual Loan Subordination Agreement or the Loan Subordination Agreement (for redeemable Subordinated Loan Capital), without amendment. These documents are available on the Central Bank’s website.

The following additional conditions apply to the use of redeemable Subordinated Loan Capital:

- (a) The extent to which such loans rank as Financial Resources will be reduced on a straight-line basis over the last five years before repayment date.
- (b) The qualifying amount of redeemable subordinated debt is calculated as follows:

Remaining term to maturity	
Gross Amount	
Less Amortisations	
= Qualifying Amount	

6. Eligible Assets

6.1 A Firm is required to hold the higher of the Expenditure Requirement or the Initial Capital Requirement in the form of **Eligible Assets**. Eligible Assets must be easily accessible and free from any liens or charges and maintained outside the Firm’s group.

6.2 The Central Bank requires Eligible Assets to be held in an account that is separate to the account(s) used by a Firm for the day-to-day running of its business.

6.3 Eligible Assets are calculated as follows:
Total Assets (Non-current Assets plus Current Assets)

Less the following ineligible assets

- Fixed assets
- Intangible assets
- Cash or cash equivalents held with group companies
- Debtors
- Bad debt provisions
- Prepayments
- Intercompany amounts (gross)
- Loans
- Collective investment schemes which are not daily dealing (see 6.4 below)
- Any other assets which are not easily accessible not included above.

- 6.4** When a Firm invests all or part of its capital in one or more collective investment schemes, the Central Bank reviews the relationships linking the collective investment scheme and the Firm. It is the Central Bank’s view that it is likely that where the Firm invests in collective investment schemes promoted by other group companies or to which other group companies provide services, its access to those funds is likely to be restricted in the event that the related Firm gets into difficulty. Accordingly, investments in such collective investment schemes will not rank as Eligible Assets for the purposes of satisfying the Firm’s Minimum Capital Requirement.
- 7.** The Firm must be in a position to demonstrate its ongoing compliance with the capital adequacy requirements outlined in this document. Where a Firm’s financial position changes materially at any time between reporting dates, which would impact on its compliance with its regulatory capital requirements, it must notify the Central Bank immediately and take any necessary steps to rectify its position.

MINIMUM CAPITAL REQUIREMENT REPORT
ADMINISTRATION COMPANY / TRUSTEE COMPANY / NON-UCITS MANAGEMENT
COMPANY

NAME OF FIRM:

Period under review: _____ **Currency:** _____

1. INITIAL CAPITAL REQUIREMENT

ADMINISTRATION COMPANY / TRUSTEE COMPANY

Initial Capital Requirement _____ €125,000 (A)

2. EXPENDITURE REQUIREMENT

Total Expenditure (taken from P&L Account) _____

LESS:

Depreciation _____

Profit Shares, Bonuses, etc _____

Net losses on translation of foreign currency balances _____

Shared Commissions paid (Note 3.2(d)) _____

Exceptional and Extraordinary Items (Note 3.2(e)) _____

Any other Non-recurring Expense (Note 3.2(e)) _____

Net Qualifying Expenditure

EXPENDITURE REQUIREMENT [One quarter of Net Qualifying Expenditure] **(B)**

3. MINIMUM CAPITAL REQUIREMENT

Higher of **Initial Capital Requirement (A)** and **Expenditure Requirement (B)**

MINIMUM CAPITAL REQUIREMENT – [Higher of (A) and (B)] **(C)**

4. FINANCIAL RESOURCES

Equity Capital fully paid up	_____
Perpetual Non-cumulative Preference Shares	_____
Eligible Capital Contributions	_____
Qualifying Subordinated Loan Capital (See 'Note on Qualifying Subordinated Loan Capital' below)	_____
Share Premium Account	_____
Disclosed Revenue and Capital Reserves (excluding Revaluation Reserves) (from most recent audited figures)	_____
Audited Interim Net Profits (Note 5.3)	_____
Other Reserves	_____
Total	<input type="text"/>
<i>LESS: Current Year Losses not included in Disclosed Reserves and Capital Reserves above</i>	_____
FINANCIAL RESOURCES	<input type="text"/> (D)

5. ELIGIBLE ASSETS (Must be held outside the Group)

Total Non-current Assets (taken from Balance Sheet)	_____
Current Assets (taken from Balance Sheet)	_____
TOTAL ASSETS	<input type="text"/>
Less: Ineligible Assets	
Fixed Assets	_____
Intangible Assets	_____
Cash held with group companies	_____
Debtors	_____
Bad Debt Provisions	_____
Prepayments	_____
Intercompany Amounts (gross)	_____
Loans	_____
Collective investment schemes which are not daily dealing (Note 6.4)	_____
Any other assets which are not easily accessible not included above	_____
Total Ineligible Assets	<input type="text"/>
ELIGIBLE ASSETS	<input type="text"/> (E)

Are Financial Resources (D) at least equal to Minimum Capital Requirement (C)? YES / NO

Are Eligible Assets (E) at least equal to the C(C)? YES / NO

Where are Eligible Assets held?
(Attach recent independent statement evidencing location)

Was the firm in compliance with the capital adequacy requirements throughout the period under review? (Note 7) YES / NO

Note on Qualifying Subordinated Loan Capital

The qualifying amount of **redeemable subordinated debt** is calculated as follows:

Remaining term to maturity	_____
Gross Amount	_____
Less Amortisations	_____
= Qualifying Amount	_____

Signature, Position and Date

(Director / Senior Manager)

Annex II

REQUIREMENTS ON OUTSOURCING OF ADMINISTRATION ACTIVITIES IN RELATION TO COLLECTIVE INVESTMENT SCHEMES

Introduction

These requirements incorporate and are consistent with the rules on outsourcing contained in MiFID Directive 2004/39/EC and MiFID implementing Directive 2006/73/EC and with the Committee of European Banking Supervisors (“CEBS”) Guidelines on Outsourcing published on 14 December 2006.

Administration firms are authorised and supervised by the Central Bank under the Investment Intermediaries Act, 1995. These firms are appointed by management companies and boards of directors of Irish authorised and non-Irish collective investment schemes who retain responsibility for the delegated functions and who must ensure that the regulatory requirements applicable to the functions are complied with on an ongoing basis.

The purpose of these requirements is to promote greater consistency of approach and certainty in relation to the principles applied by the Central Bank in relation to outsourcing by administration firms of services provided to collective investment schemes.

Part 1: Definitions

For the purposes of these requirements, the following definitions apply:

- a) **outsourcing**: an administration firm’s use of a third party to perform administration activities that would normally be undertaken by the administration firm, now or in the future. The outsourcing service provider may itself be an authorised or unauthorised entity. The purchasing by the

administration firm of services, goods or facilities without information about, or belonging to, the administration firm coming within the control of the supplier or the purchasing by the administration firm of standardized products, such as market information or office inventory does not constitute outsourcing and is not subject to these Requirements.

- b) **core administration activities:** the final checking and release of the collective investment schemes' net asset value ("NAV") calculation for dealing purposes¹ and the maintenance of the shareholder register.
- c) **outsourcing service provider:** the supplier of goods, services or facilities, including another administration firm, and/or an affiliated entity within a corporate group.
- d) **administration firm:** a company which has been authorised by the Central Bank and appointed to provide administration services to collective investment schemes.
- e) **senior management:** persons who effectively direct the business of the administration firm, this includes the firm's board of directors and other persons who effectively direct the business of the firm.
- f) **"chain" outsourcing:** outsourcing where the outsourcing service provider subcontracts elements of the service to other providers.

Part 2: Requirements on outsourcing addressed to administration firms

Requirement 1

The ultimate responsibility for the proper management of the risks associated with outsourcing or the outsourced activities lies with the administration firm's senior management.

¹ Where the NAV calculation is released by the outsourcing service provider the final check must be completed by the administration company on the following day.

- 1.1 All outsourcing regimes must ensure that the outsourcing of functions to an outsourcing service provider does not impair the ability of the Central Bank to supervise the administration firm.
- 1.2 Responsibility for outsourced functions must always be retained by the administration firm. The outsourcing of functions does not relieve the administration firm of its regulatory responsibilities for its authorised activities or the function concerned.
- 1.3 The administration firm must retain adequate core competence at a senior operational level in-house to enable them to have the capability to resume the performance of an outsourced activity, in extremis.
- 1.4 Outsourcing shall not affect the administration firm's full and unrestricted responsibilities under, and its ability to comply with, applicable collective investment scheme legislation and the conditions with which the administration firm must comply in order to be authorised by the Central Bank.
- 1.5 The relationship and obligations of the administration firm towards its collective investment scheme clients must not be altered.

Requirement 2

Outsourcing arrangements can never result in the delegation of senior management's responsibility.

- 2.1 The outsourcing of core management functions is considered generally to be incompatible with the senior management's obligation to run the enterprise under their own responsibility. Core management functions include, inter alia, setting the risk strategy, the risk policy, and, accordingly, the risk-bearing capacity of the firm. Hence, management functions such as the setting of strategies and policies in respect of the administration firm's risk profile and control, the oversight of the operation of the firm's processes and the final responsibility towards clients and the Central Bank must not be outsourced.

With respect to mind and management of the administration firm, adequate and effective control and decision-making must continue to be exercised by the administration firm.

Requirement 3

3(a) An administration firm may not outsource services and activities unless the outsourcing service provider has the appropriate authorisation to carry out the outsourced services and activities if required by the outsourcing service providers national legal framework.

3(b) The responsibilities and obligations identified in Requirement 1 and 2 may not be outsourced.

3(c) Core administration activities may not be outsourced.

3(d) Any area of activity of an administration firm other than those identified in 3(b) and 3(c) may be outsourced provided that such outsourcing does not impair:

- (i) the orderliness of the conduct of the administration firm’s business or of the financial services provided;**
- (ii) the senior management's ability to manage and monitor the administration firm’s business and its authorised activities;**
- (iii) the ability of other internal governance bodies, such as the board of directors or the audit committee, to fulfil their oversight tasks;**
- (iv) the supervision of the administration firm by the Central Bank; and**
- (v) the administration firm’s ability to have full access and control over the administration systems and to generate a full set of the books and records for each collective investment scheme serviced.**

3.1 These Requirements do not affect the principle of the administration firm’s ultimate responsibility (Requirement 1) for all authorised activities. The senior management of the administration firm shall be responsible for any outsourced activity. Senior management must therefore take suitable measures to ensure that the outsourced activities continue to meet the performance and quality standards that would apply if their own institution were to perform the relevant activities in house. These measures must

include, but are not necessarily limited to, having a detailed Service Level Agreement in place, continuously monitoring and checking the quality of the outsourced activities and reviewing the systems and processes that the outsourcing service provider has in place and any SAS 70 audits carried out.

- 3.2 The Final check and release of each collective investment scheme NAV is a core administration activity which must be performed by the administration firm. This review must be completed prior to the release of the NAV for dealing purposes and should be completed, signed and dated by a senior staff member within the administration firm. In exceptional circumstances the administration firm may release the NAV for dealing purposes provided the final check is performed on the following day. Documentary evidence of this review must be maintained by the administration firm and made available to the Central Bank on request.
- 3.3 The shareholder register for each collective investment scheme must be maintained by the administration firm. This means that the administration firm maintains oversight and control of the register and can reproduce the full register at any time.
- 3.4 The administration firm must inform the Central Bank in writing of any activity to be outsourced. This notification must afford the Central Bank sufficient time to consider the proposal and should include the following information:
- The activities to be outsourced;
 - The identity of the impacted collective investment schemes;
 - The name of the outsourcing service provider (indicating whether this firm is part of the administration firm's group and its regulatory status, if any);
 - The location where the outsourced activity will be carried out.

The administration firm must also submit written confirmation from senior management that these Requirements have been fully complied with in

relation to the outsourced activities. In the event that the administration firm does not comply with any of these Requirements, the Central Bank may require the outsourcing arrangement to be terminated and the administration firm may face administrative sanction.

It is not necessary to notify the Central Bank when additional collective investment schemes are added to a previously cleared outsourcing arrangement. The Central Bank may request up-to-date details of all outsourcing arrangements including the impacted collective investment schemes at any time. Any change to the activities which are outsourced must be notified to the Central Bank in accordance with the procedure outlined above.

- 3.5 Within one month of receipt of the proposed outsourcing notification the Central Bank will inform the administration firm whether further information regarding the outsourcing arrangement is required or whether the firm may proceed with its proposals. The Central Bank may impose, at its discretion, specific conditions on the outsourcing activities, in addition to these Requirements. In doing so, the Central Bank will consider factors such as the size of the administration firm and its compliance history, the nature of the outsourced activity, the characteristics and market position of the outsourcing service provider, the duration of the contract and the potential for the outsourcing arrangement to generate conflicts of interest.
- 3.6 If the outsourcing proposal does not proceed within 12 months of the Central Bank's confirmation that it may proceed, the Central Bank will view the proposal as lapsed. The administration firm must resubmit the notification of the outsourcing proposals if it is intended to proceed with them at a later date.
- 3.7 An administration firm must inform the Central Bank of any material development affecting the outsourcing service provider and its ability to fulfil its obligations to customers. In this regard, the outsourcing service provider must be required to disclose to the administration firm any

development that may have a material impact on its ability to carry out the outsourced functions effectively and in compliance with applicable laws and regulatory requirements.

- 3.8 Due to possible data protection risks and risks to effective supervision by the Central Bank, administration firms must take special care when entering into and managing outsourcing agreements in order to ensure that it can comply with these Requirements and with legal obligations under data protection legislation.
- 3.9 Intra-group outsourcing is also covered by these Requirements. The Central Bank will take specific circumstances into consideration, including the extent to which the administration firm controls the service provider or has the ability to influence its actions and the extent to which the service provider is included in the consolidated supervision of the group, when assessing the risks associated with an intra-group outsourcing arrangement and the treatment to apply to such arrangements.
- 3.10 The service provider must have the ability and capacity to perform the outsourced functions, services or activities reliably and professionally.

Requirement 4

4(a) The administration firm must have a documented policy on its approach to outsourcing, including contingency plans and exit strategies.

4(b) An administration firm must conduct its business in a controlled and sound manner at all times.

- 4.1 The administration firm must have a documented policy that covers all aspects of outsourcing, whether the outsourcing takes place within the firm's group or not.

- 4.2 When drawing up the policy the administration firm must recognise that no form of outsourcing is risk free. The policy must recognise that the management of intra-group outsourcing must be proportionate to the risks presented by these arrangements.
- 4.3 The policy must explicitly consider the potential effects of outsourcing on certain significant functions (e.g. the ability of the internal audit and compliance function to carry out their roles) when conducting the risk analysis prior to outsourcing.
- 4.4 The policy must ensure that the outsourcing service provider's financial performance and essential changes in the service provider's organisation structure and ownership structure are appropriately monitored and assessed by the administration firm's management so that any necessary corrective measures can be taken promptly.
- 4.5 The administration firm must specify the internal units or individuals that are responsible for monitoring and managing each outsourcing arrangement.
- 4.6 The policy must address the main phases that make up the life cycle of the administration firm's outsourcing arrangements:
- (a) the decision to outsource or change an existing outsourcing arrangement (the decision making phase);
 - (b) due diligence checks on the outsourcing service provider, including both pre-contractual and ongoing due diligence checks. These checks should include periodic visits to the outsourcing service provider;
 - (c) drafting a written outsourcing contract and service level agreement (the pre contractual drafting phase);
 - (d) the implementation, monitoring, and management of an outsourcing arrangement (the contractual phase). This may include the following up of changes affecting the outsourcing service provider (e.g. major change in ownership, strategies, profitability of operations);

- (e) dealing with the expected or unexpected termination of a contract and other service interruptions (the post contractual phase). In particular, administration firms must plan and implement arrangements to maintain the continuity of their business in the event that the provision of services by an outsourcing service provider fails or deteriorates to an unacceptable degree, or the firm experiences other changes. This policy must include contingency planning and a clearly defined exit strategy.

4.7 The administration firm's existing clients must be made aware of the outsourcing arrangement, if applicable, and future clients must be advised of the arrangement prior to the commencement of business.

Requirement 5

An administration firm must appropriately manage the risks associated with its outsourcing arrangements.

5.1 Compliance with this Requirement must include an ongoing assessment by the administration firm of the operational risks and the concentration risk associated with all its outsourcing arrangements. An administration firm must inform the Central Bank of any material development in relation to the management of these risks.

Requirement 6

6(a) All outsourcing arrangements must be subject to a formal and comprehensive contract or service level agreement. The outsourcing contract must oblige the outsourcing service provider to protect confidential information.

6(b) In managing its relationship with an outsourcing service provider the administration firm must ensure that the contract or services level agreement includes details of the responsibilities of both parties and provides that a quality control description is put in place.

- 6.1 Any outsourcing arrangement must be based on a clear written legally binding contract or service level agreement.
- 6.2 An administration firm must ensure that the written contract or service level agreement takes account of the following (bearing in mind other specific national rules and legislation):
- (a) The operational activity that is to be outsourced must be clearly defined;
 - (b) The precise requirements concerning the performance of the service must be specified and documented, taking account of the objective of the outsourcing solution. The outsourcing service provider's ability to meet performance requirements in both quantitative and qualitative terms and its ability to meet these Requirements must be assessable in advance;
 - (c) The respective rights and obligations of the administration firm and the outsourcing service provider must be precisely defined and specified. This must also serve to ensure compliance with laws and supervisory regulations and guidelines for the duration of the outsourcing arrangement;
 - (d) In order to underpin an effective policy for managing and monitoring the outsourced activities, the contract or service level agreement must include a termination and exit management clause, where proportionate and if deemed necessary, which allows the activities being provided by the outsourcing service provider to be transferred to another outsourcing service provider or to be reincorporated into the administration firm;
 - (e) The contract or service level agreement must cover the protection of confidential information and any other specific provisions relating to handling confidential information. Whenever information is subject to confidentiality rules at the level of the administration firm, at least the same level of confidentiality must be ensured by the outsourcing service provider;
 - (f) The contract must ensure that the outsourcing service provider's performance is continuously monitored and assessed so that any necessary corrective measures can be taken promptly;

- (g) The contract or service level agreement must include an obligation on the outsourcing service provider to allow the administration firm's compliance and internal audit departments complete access to its data and its external auditors full and unrestricted rights of inspection and auditing of that data;
 - (h) The contract or service level agreement must include an obligation on the outsourcing service provider to allow direct access by the Central Bank and its authorised officers and agents to relevant data and its premises as required;
 - (i) The contract or service level agreement must include an obligation on the outsourcing service provider to immediately inform the administration firm of any material changes in circumstances which could have a material impact on the continuing provision of services. This may require obtaining consents from affected parties such as the parent company and relevant home supervisory authority;
 - (j) The outsourcing contract or service level agreement shall contain provisions allowing the administration firm to terminate the contract or service level agreement if so required by the Central Bank.
- 6.3 When drafting the contract or service level agreement the administration firm must bear in mind that the level of monitoring, assessment, inspection and auditing required by the contract or service level agreement must be proportionate to the risks involved and the size and complexity of the outsourced activity.
- 6.4 The contract or service level agreement should normally contain a mixture of quantitative and qualitative performance targets, to enable an administration firm to assess the adequacy of service provision.
- 6.5 In addition to the administration firm evaluating the outsourcing service provider on an ongoing basis, the administration firm must also consider the need to evaluate the performance of its outsourcing service provider using mechanisms such as key performance indicators (including price delivery times, error rates and reconciliation breaks), service delivery reports, self-certification

or independent review by the administration firm, or the outsourcing service provider's, internal and/or external auditors. In particular, the Central Bank requires that the administration firm's internal auditors will examine the operation of the outsourcing arrangement within the first 12 months of its operation and a copy of their report sent to the Central Bank. In addition, the compliance function of the administration firm will be requested to submit a similar review of the outsourcing arrangement to the Central Bank. Additional periodic reports may be required by the Central Bank during the course of any outsourcing arrangement.

- 6.6 The administration firm must be prepared to take remedial action if the outsourcing service provider's performance is inadequate. In this regard, the administration firm must have sufficiently detailed knowledge of the outsourcing service provider's processes and the necessary resources to enable it to take such remedial action.

Requirement 7

7(a) The administration firm must take account of the risks associated with “chain” outsourcing.

7(b) The administration firm must only agree to chain outsourcing if the sub-contractor will also fully comply with the obligations existing between the administration firm and the outsourcing service provider, including obligations and commitments to the Central Bank.

7(c) The administration firm must take appropriate steps to address the risk of any weakness or failure in the provision of the sub-contracted activities having a significant effect on the outsourcing service provider's ability to meet its responsibilities under the outsourcing agreement.

- 7.1 The sub-outsourcing of outsourced activities and functions to third parties (sub-contractors) must be treated by the administration firm like a **primary outsourcing measure**. Compliance with these conditions must be ensured contractually, for example by a clause in the outsourcing contract requiring the

prior consent of the administration firm to the possibility and the modalities of sub-outsourcing.

- 7.2 The administration firm must ensure that the outsourcing service provider agrees that the contractual terms agreed with the sub-contractor will always conform, or at least not be contradictory, to the provisions of the agreement with the administration firm.

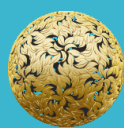
Requirement 8

The administration firm must provide the Central Bank with access to relevant data held by the outsourcing service provider and the right for the Central Bank to conduct onsite inspections at an outsourcing service provider's premises.

- 8.1 The administration firm must ensure that contracts with outsourcing service providers grant the Central Bank the right to information and to inspection, admittance and access (including access to databases), as well as the right to give directions or instructions, which the Central Bank needs in order to exercise its supervisory functions.
- 8.2 The administration firm must seek to ensure that information be made available to the Central Bank by the outsourcing service provider's external auditor.
- 8.3 The administration firm must ensure that, in relation to any outsourced activity, it and its outsourcing service provider can comply with formal orders or instructions issued by the Central Bank to the administration firm.
- 8.4 The administration firm must ensure that the Central Bank can obtain detailed information about any outsourcing processes which might undermine the stability of the consolidated group.
- 8.5 In the case of outsourcing to service providers abroad, the administration firm is responsible for ensuring that the Central Bank can exercise its information gathering rights, including its right to demand documents and audits and compatible with the overall legal framework, its inspection rights.

- 8.6 The administration firm must, prior to engaging in outsourcing, consider and set out in a risk management document what alternative measures could adequately mitigate the risks involved.

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