

The Executive Bylaws  
Module Thirteen

## Collective Investment Schemes



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## Chapter One General

## Provisions

### Article 1-1

#### Forms of Collective Investment Schemes

#### Article 1-1-1

A Collective Investment Scheme may exist in any of the following forms:

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1. Investment Fund which is a corporate entity.
2. Contractual Collective Investment Scheme related to movable or immovable assets intended to enable Persons to participate in or gain from the profits accrued by acquisition, or ownership, or management, or disposition of such assets.
3. Any mechanism the Authority decides to include as a Collective Investment Scheme.

The Collective Investment Schemes shall be subject to the provisions set forth in this Module.

#### Article 1-1-2

The following shall not be included in the Collective Investment Schemes:

1. The insurance products intended to pay specific amounts due to death, disability, reaching certain age, expiration of the agreed-upon term, or life insurance without the Client's bearing the investment results, whether profit or loss.
2. The investment accounts opened with the Islamic banks, that are subject to the supervision of the Central Bank.
3. Investment Portfolios.
4. The contracts executed between companies that belong to one group.
5. Schemes of saving, pensions, retirement or benefits created for the benefit of the companies' employees.
6. Other cases that the Authority decides to be excluded from the scope of the Collective Investment Schemes.

#### License Issued by the Authority

#### Article 1-2

Securities or Units pertaining to a Collective Investment Scheme shall not be managed or sold unless the scheme has been licensed and approved by the Authority according to its rules, bylaws, and regulations and the issuance of the license has been announced to the public in the Official Gazette.

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#### Article 1-3

A Collective Investment Scheme may not be incorporated without obtaining a license from the Authority and registering it in the Authority's register. Such scheme can only be incorporated by the Licensed Persons licensed to practice the Collective Investment Scheme manager activity.

#### Redemption of Units

#### Article 1-4

Participants shall be entitled to redeem their Units in a Collective Investment Scheme according to its Articles of Association.

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Article 1-5

**Obligations of a Collective Investment Scheme Manager**

Any Person employed as a manager of a Collective Investment Scheme shall be obligated to with the following matters:

1. Is licensed by the Authority to practice the Collective Investment Scheme manager activity.
2. Manage the Collective Investment Scheme in a manner that achieves the investment goals thereof in accordance with its Articles of Association.
3. Apply appropriate policies and measures to prevent or limit malpractices, which may affect the market's stability and integrity.
4. Not to endanger the Collective Investment Scheme with any unnecessary investment risks in accordance with the objectives and investment policies of such Scheme.
5. Notify the Authority immediately upon the occurrence of material events that expose the interests of Unit holders to risk.

**Obligations of an Investment Advisor**

Article 1-6

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Any Person acting as an advisor for a Collective Investment Scheme shall comply with the following:

1. To be licensed by the Authority to act as an Investment Advisor or a representative thereof.
2. Act in the conformity with the regulations and procedures governing the Collective Investment Scheme, which aims to achieve the Unit holders' interests.
3. Exert Care of a Prudent Person to protect his own property when giving investment advice.
4. Maintain regular records according to the accounting systems related to the Collective Investment Schemes. He shall submit periodic reports to the Authority, as requested and in accordance with its issued regulations.

**Prohibitions on Collective Investment Schemes**

Article 1-7

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A Collective Investment Scheme is prohibited from carrying out the following:

1. Grant credit and finance other parties under different names through concluding contracts that involve giving monies to third parties.
2. Purchase any Securities issued by the company managing the Collective Investment Scheme or any of its Subsidiaries, except to the extent of the rules established by the Law and these Bylaws in this regard.
3. Purchase any Securities of the entity, where the Collective Investment Scheme's Manager is acting as the subscription manager or sales agent, except to the extent of the rules established by the Law and these Bylaws in this regard.

Deposits at banks in accordance with their deposit systems, Debt Instruments, or any financial instruments set for sale at the Primary Market or the Secondary Market are not considered credit prohibited to be practiced by Collective Investment Schemes.

**Article 1-8**

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**Replacement of a Service Provider**

A manager or Custodian or Investment Controller of a Collective Investment Scheme may not be replaced unless upon approval from the Authority; and the Authority shall notify an applicant for such a change of its decision setting out the reasons within thirty days from the date of receipt of the request.

**Article 1-9**

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**Amendment of the Contract or Articles of Association**

A manager of a Collective Investment Scheme shall not make any amendments to the Contract or Articles of Association of the scheme unless approved by the Authority.

The Authority - if it finds that the proposed amendments shall affect the acquired rights of Unit holders - may request the Collective Investment Scheme manager to acquire the approval of more than 50% of the capital on those amendments.

**Article 1-10**

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**Cancellation of Licenses**

The Authority may revoke the license of any Collective Investment Scheme in the following situations:

1. Proven failure to meet any of the requirements of granting the license.
2. Cancellation is in the interest of the participants in the Collective Investment Scheme.
3. The manager or Investment Controller or Custodian has violated any Law or regulation, or has submitted to the Authority incorrect or misleading information.
4. The Collective Investment Scheme's manager has requested the cancellation of the license, and the Authority may decide within two months from the date of receiving such request that meets all information and documents.

**Article 1-11**

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The Authority may notify the manager or the Investment Controller or the Custodian of a Collective Investment Scheme about its intention to revoke the license of the Collective Investment Scheme, and such decision shall be in writing and justified. The investment manager or Investment Controller or Custodian shall submit undertakings within fifteen days from the date of notification, and the Authority shall decide whether such undertakings are satisfactory in order to avoid the cancellation of the Collective Investment Scheme's license.

**Article 1-12**

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If the Authority issues a decision to revoke the license of a Collective Investment Scheme, it shall assign a licensed Person to liquidate the Collective Investment Scheme or shall request the Competent Court to do so. The Authority shall, in such case, inform the Collective Investment Scheme manager and Custodian - immediately and in writing - of the procedures undertaken.

The provisions of liquidation stipulated in this Module do not apply to the liquidator appointed by the court.

Article 1-13

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**Suspension of the tasks of the Manager or any Service Provider of Collective Investment Schemes and the Redemption and Subscription transactions**

The Authority - where a manager or any Service Provider of Collective Investment Schemes has failed to comply with the provisions of the Law or these Bylaws hereof – may decide any of the following:

1. Instruct the Collective Investment Scheme manager to temporarily suspend issuance or redemption operations in the Units of the Collective Investment Scheme, or both, from the date specified in the instructions therewith.
2. Suspend the non-compliant entity/party and assign one of the Licensed Persons or Registered Persons with the tasks of the suspended entity or who would safeguard the assets of the scheme until the final resolution is taken by the Authority in this regard.

Article 1-14

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**Incorporation or Management of a Collective Investment Scheme outside the State of Kuwait by a Licensed Person**

A Licensed Person must notify the Authority prior to incorporating or managing a Collective Investment Scheme outside the State of Kuwait, and this shall be limited to the Licensed Persons that may undertake the activity of Collective Investment Scheme manager.

Article 1-15

**Marketing a Collective Investment Scheme Incorporated outside the State of Kuwait**

Units may not be marketed in the State of Kuwait for a Collective Investment Scheme incorporated out of the State of Kuwait unless a permission is granted from the Authority pursuant to the provisions of this Module.

Article 1-16

The Authority may revoke the permission granted for marketing a Collective Investment Scheme established outside the State of Kuwait in any of the following events:

1. Proven failure to meet any of the requirements for granting the permission.
2. Cancellation is in the interest of the participants in the Collective Investment Scheme.
3. The Marketer or manager or Investment Controller or Custodian has violated any of the provisions of the Law or these Bylaws, or has submitted to the Authority incorrect or misleading information.

**Article 1-17**

**License Term and Renewal**

The license of a Collective Investment Scheme incorporated locally is valid for three years from its granting date and it may be renewed for a period or similar periods based on a request submitted by the scheme's manager.

In any event, the scheme's manager shall verify the license validity throughout the duration of the scheme. Not-to-renew shall only be in the cases of ending the scheme pursuant to the regulations stipulated in this Module.

In such event, he shall notify the Authority of the aforementioned three months before the end of the license term so that the Authority can decide on ending the scheme.

**Article 1-18**

**Submitting Renewal Request**

The request of the license renewal shall be submitted three months before the end of the license term according to the form of renewing a Collective Investment Scheme set out in Appendix (9) of this Module, provided that all the documents and information mentioned in the form shall be attached with the request and the required fees must be paid.

The Authority may request -at any time after receiving the application- any additional documents or information if it deems it necessary.

**Article 1-19**

**Deciding on a Renewal Application**

The Authority may decide on the request of renewing the license within one month from the date of receiving such request, provided that it shall meet all information and documents. The Authority may take any of the following resolutions regarding the renewal request:

1. Approval of renewal of the license.
2. Rejection of renewal of the license.

The Authority shall notify the scheme's manager of its resolution concerning the request of renewing the license. In the event of rejection, the decision shall be justified.

**Article 1-20**

**Rejection of Renewal**

The Authority may reject the request of renewing the license of Collective Investment Scheme if it does not meet any of the main requirements of granting the license.

In the event of rejection, the scheme's manager shall take all the procedures and measures that ensure that the rejection does not affect the interests of the Unit holders or the integrity of the financial system and shall ensure delivering the scheme's funds and assets as specified by the Authority in this concern.

Rejection of renewal of the license shall not restrict the Authority from conducting any investigation, undertaking any procedure against the scheme's manager or any other Person regarding any Violation committed before the date of the rejection resolution, or undertaking any procedure it deems appropriate if the manager failed to comply with all the Authority's directions issued for deciding on the request submitted for the license renewal.

## Chapter Two Funds

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<p><b>Article 2-1</b></p>	<p><b>Corporate Entity</b></p> <p>Each <u>Fund</u> shall have a corporate entity and become financially independent from the <u>Unit</u> holders or the managing entity thereof. The <u>Fund</u> shall obtain its corporate entity status once it is registered in the <u>Funds</u> register at the <u>Authority</u>.</p>
<p><b>Article 2-2</b></p>	<p><b>Forms and Types of Funds</b></p> <p>a <u>Fund</u> shall take one of the following forms:</p> <ol style="list-style-type: none"> <li>1. <u>Open-Ended Fund</u></li> <li>2. <u>Close-Ended Fund</u></li> </ol>
<p><b>Article 2-3</b></p>	<p>According to the nature of its activity, a <u>Fund</u> may take one of the following types:</p> <ol style="list-style-type: none"> <li>1. <u>Equity Fund</u>.</li> <li>2. <u>Private Equity Fund</u>.</li> <li>3. <u>Money Market Fund</u>.</li> <li>4. <u>Debt Instrument Fund</u>.</li> <li>5. <u>Real Estate Fund</u>.</li> <li>6. <u>Fund of Funds</u>.</li> <li>7. <u>Real Estate Income-Generating Fund (Traded)</u>.</li> <li>8. <u>Hedge Fund</u>.</li> <li>9. <u>Venture Capital Fund</u>.</li> <li>10. <u>Sustainable Fund</u>.</li> <li>11. <u>Multi-Asset Fund</u>.</li> <li>12. The <u>Authority</u> may approve the incorporation of any other type not specified in this Article, provided that the submitted application includes a clear investment policy and positioning percentages that do not conflict with the general provisions regulated by the <u>Authority</u>.</li> </ol> <p>The general provisions stipulated in this Module shall apply to different types of <u>Funds</u>, unless there is a special provision on investment controls for each type of <u>Fund</u>.</p>
<p><b>Article 2-4</b></p>	<p><b>Fund Capital</b></p>
<p><b>Article 2-4-1</b></p>	<p>The <u>Fund's</u> capital is divided into <u>Units</u> of equal value. The liability of the <u>Unit</u> holders in the <u>Fund</u> is limited to the value of their participation in the <u>Fund's</u> capital. The value of <u>Units</u> shall be paid in cash upon subscription or participation. The value of subscription may be paid in instalments if stated in the Articles of Association of the <u>Fund</u>. As an exception of the provision aforementioned - for the <u>Real Estate Fund</u>, <u>Real Estate Income-Generating Fund (Traded)</u> and <u>Private Fund</u>- the value of <u>Units</u> may be paid in kind; provided that the Articles of Association states thereof; the assets in kind shall be set for appraisal in accordance with the provisions of appraisal of shares in kind referred to in Module Eleven (Dealing in Securities) of these <u>Bylaws</u>.</p>
<p><b>Article 2-4-2</b></p>	<p>The capital of the <u>Public Fund</u> should not be less than KWD 2,000,000 (two million Kuwaiti Dinars) or its equivalent in any other currency. The <u>Private Fund's</u> Articles of Association shall specify the minimum of its capital, unless the <u>Authority</u> specifies a higher capital for certain types of Funds. The <u>Fund Manager</u> should, in the event of a decline of the <u>Fund's</u> capital less than the minimum, notify the <u>Authority</u> within five <u>Business Days</u> as of the date of reduction in capital. The <u>Authority</u> shall take the appropriate measures, as it may deem fit for each case, to attain the interest of <u>Unit</u> holders.</p>

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**Article 2-4-3**

The listed Fund may increase its capital during the listing period. The listed Fund that wishes to increase its capital shall comply with the following measures and provisions:

1. Present the purpose of the capital increase and details of the investment opportunity if it was predetermined. If the investment opportunity included real estate, the real estate shall be determined as well as its valuations and the purchase or the right to the usufruct (Intifa'a) price over the Unit holders. Prior approval of more than 50% of the capital shall be obtained to adjust the article of the Fund's capital and its payment mechanism in the Articles of Association.
2. The Authority's approval shall be obtained for the capital increase through cash or in-kind participation or both, provided that it shall not conflict with Article (2-4-1) of this Module. The application shall include the Unit holders' approval and the detailed subscription statement mentioned in this Article in the event of a cash increase only.
3. The cash capital increase shall be offered in a Public Offer. The Prospectus may be replaced with a detailed subscription statement approved by the Authority, provided that it contains the necessary information to enable the investor to assess the financial position, performance, and opportunities of the Fund in accordance with Appendix 11 of this Module.
4. Further to the requisites of the previous Item, a printed or electronic copy of the Articles of Association must be provided to each new participant or any Person that intends to subscribe/participate in the Fund for the first time within the capital increase. The signature of the participant on the printed or electronic subscription/participation application – after reviewing the Fund's Articles of Association – is considered an approval of this scheme.
5. The period for offering new Units shall be five Business Days at a minimum, and not more than fifteen Business Days. The offering shall start within a period of not more than six months from the date of the Authority's approval, otherwise the Authority's approval shall be considered null and void.
6. The Unit holders, on the day of the Authority's approval, shall have Pre-emptive Right to subscribe in the new Units – only in case of cash increase – in accordance with the requirements of listing Pre-Emptive Rights stipulated in Chapter Seven of the Exchange rules. The mentioned Prospectus may be replaced with a detailed subscription statement.
7. In the event that the subscription is not fully covered by the old Unit owners, they shall be offered for subscription by the public.
8. Meet any other conditions required by the Authority.
9. In the event of violating any of the restrictions stipulated in this Article due to unforeseen circumstances to the Fund Manger without correcting the Violation within five Business Days from the date of its occurrence, the Fund Manager shall immediately notify the Authority and the Investment Controller of the procedures and measures required to correct it and the period required for that by the Authority, and the Authority may minimize such period.

Article 2-4-4

**Provisions of Real Estate Income-Generating Fund (Traded)**

Further to the provisions stipulated in the previous Article, the Real Estate Income-Generating Fund (Traded) seeking to increase its capital shall comply with the following measures and controls:

1. In the event of cash increase, the Fund shall provide the Authority with a binding contract for the sale of the real estate subject to investment to the Fund, or a contract arranging the right to the usufruct on the real estate (Intifa'a), or transfer of ownership as specified in the terms and conditions of the Fund's Articles of Association.
2. In the event of in kind subscriptions, the in kind asset shall be appraised in accordance with the provisions for in kind contributions referenced in Module Eleven (Dealing in Securities) of these Bylaws.
3. The Unit holder who subscribes in kind is prohibited from disposing of 10% of the number of Units allocated to them in exchange for the in kind subscription during the first year of its trading commencement.
4. The real estate asset is subject to investment controls – according to the type of Fund – provided for in Attachment (7) Investment Controls of Real Estate Income-Generating Fund (Traded) of Appendix 4 (Investment Controls for Each Type of Fund) of this Module.

**Definition of Units****Article 2-5**

An investment unit is an indivisible Security that represents a share in the Fund's Assets directly authorizing its holders of all rights resulting therefrom.

If there is more than one owner of the Unit, they must choose one Person amongst them to represent them before the Fund.

Non-Kuwaiti citizens may subscribe in or own investment Units.

**Article 2-6****Requirements for incorporating a Fund****Article 2-6-1**

Any Fund shall be incorporated as follows:

1. Submit an application, to incorporate a Fund, according to the form set out in Appendix 2 of this Module, the aforementioned application should be enclosed with the complete documents and information set out in Appendix and the required fees must be paid.
2. The Authority may at any time, after it receives the application to incorporate a Fund according to the requirements in item (1) of this article, require additional documents or information that it considers as necessary to decide on such application within the period specified by the Authority.
3. The Authority shall decide on the application to incorporate a Fund after it receives the application including all the information and documents set out in items (1) and (2) of this article within thirty Business Days.
4. If the Authority rejected the application, the decision of rejection shall set out the reasons thereof.
5. If the Authority approved the application, the applicant shall be notified to pay the licensing fees within thirty days from the issuance date of the approval. The applicant shall specify and notify the Authority of the start date of subscription, provided that it shall be within six months from the Authority's approval on the incorporation.
6. The Authority shall issue a temporary license for three months from the date of the opening of subscription within which time the Authority's requirements and the minimum capital stated in the Fund's Articles of Association should be met. It is not permitted to practice any of the Fund's activities based on the temporary license.
7. The temporary license may be extended for a similar term at the request of the Licensed Person before the expiration of the original term of the license.
8. In any event, the applicant may end the subscription period and be satisfied with the subscribed capital at any time during the temporary license, provided that he shall announce and notify the targeted group that was invited for subscription no less than three Business Days from the new ending date.
9. If the temporary license term expires without meeting the requirements set forth in this article, the temporary license shall be terminated. In this event, the Fund Manager shall return any money collected from the Clients and the returns achieved within a maximum period of ten Business Days from the expiration date of the temporary license and shall notify the Authority in writing of the same.
10. The Authority shall issue the final license - at the request of the Licensed Person - once the requirements set out in this article are met.
11. The applicant shall meet all the periods stipulated in this Article, otherwise the application shall be considered as void.

In all cases, the Authority shall, notify the applicant of its decision referred to in this article and, publish its decision related to the issuing of the license in the Official Gazette.

- Article 2-6-2** Participation of the Fund Manager in the units of a Public Fund must not be less than a minimum of KWD 100,000 (one hundred thousand Kuwaiti Dinars) or its equivalent in any other currency at the incorporation and he may act or redeem some of the Units that he owns if their Net Value exceeds the minimum stipulated in this Article.
- Article 2-7** **Subscription in a Fund's Units**
- Article 2-7-1** A Prospectus of a Fund's Units should include the necessary information to enable the investor to evaluate the Fund's financial position, management, and expected opportunities. The Prospectus should also include the information set out in Appendix 3 of this Module.
- The Fund Manager may target a specific class of investors to subscribe in the Public Fund or Private Fund, provided that such class shall be determined in the Prospectus.
- Article 2-7-2** The Authority may exempt a Fund Manager from including in the draft Prospectus some data and information mentioned in Appendix 3 of this Module if it sees that disclosure of such information will contravene public interest.
- The Authority may also require additional information to be included in the Prospectus other than the data and information referred to in Appendix 3 of this Module, including any additional information regarding Financial Promotions.
- Supplementary Prospectus**
- Article 2-7-3** If any material change or error or variation has risen in any data or information available in the Prospectus approved by the Authority; the Fund Manager shall, before the closing of the subscription period, provide the Authority with a supplementary Prospectus that includes the necessary amendments.
- The participants should be notified of the supplementary Prospectus after it is approved by the Authority and before the closing of the subscription period. Any participant that has participated before being notified of the supplementary Prospectus is entitled to withdraw the subscribed amount and the Fund Manager shall refund the participant his amount thereto within a maximum of two business days as of the date of expressing its intention to recant.
- Article 2-7-4** The Fund Manager shall indemnify any Person that may incur any damages resulting from incorrect or misleading information included in the Prospectus or as a consequence of negligence concerning any data or information required to be included
- Article 2-8** **Provisions of a Private Fund Incorporated in the State of Kuwait**
- Article 2-8-1** It is permitted to license the incorporation of a Private Fund for the participation therein through Private Placement addressed to a Professional Client. Participation in the Fund throughout its term shall only be by a Professional Client. Such Funds will be subject to the provisions of Public Funds, excluding the provisions set out in the following articles.
- Article 2-8-2** A Prospectus should include the information set out in Appendix 3 of this Module.

**Article 2-8-3**

A Fund's Articles of Association shall set the following provisions:

1. The minimum capital of the Fund.
2. The minimum subscription amount required to be paid by each investor.
3. The extent to which the Fund Manager may be dismissed and the competent body for such dismissal.
4. The body that specializes in appointing a substitute Fund Manager or to appoint a liquidator in cases other than that assigned to the Authority.
5. The mechanism of considering and deciding on the annual reports of the Fund Manager and the service providers (in the event that they were not from the competences of the Units holders' assembly).
6. The regulating provisions of the Units holders' assembly (if any).
7. The method of obtaining the approvals to amend the Fund's Articles of Association or liquidation.
8. The regulations of valuating and pricing of the Fund's Units.
9. The regulations of participation and redemption.
10. The provisions of borrowing and investing the Fund's money.
11. Periodic reports to Unit holders.
12. The mechanism of discussing the financial statements for the ended year of the Fund under liquidation, the Auditor's report, the annual report of the liquidation works, and the audited final account on the liquidation of the Fund and the division of its assets.

**Article 2-8-4**

The Private Fund shall be exempt from the following provisions:

1. Article (2-32) of this Chapter which is related to providing the public with reports.
2. Article (2-33-3) of this Chapter, which is related to the publishing of monthly and financial data on the Exchange and with the obligation to provide the Authority with a copy of the financial data of the Fund according to the provisions of Article (2-33-1) and (2-33-2) of this Chapter.
3. Article (2-35) of this Chapter which is related to the Units holders assembly.

**Article 2-8-5**

Private Funds shall not address any Financial Promotion unless it is in accordance with the Financial Promotion set forth in Chapter Seven of Module Eight (Conduct of Business) of these Bylaws and it shall be addressed only to a Professional Client, given that the means of marketing available for public shall not be used.

**Article 2-9****Transferring the Fund's Classification****Article 2-9-1**

The Fund's classification may be transferred from Public Fund to Private Fund or the opposite according to the following provisions:

1. If the Authority approved the Prospectus and/or the Articles of Association.
2. In order to transfer to a Private Fund, all the Fund's Unit holders shall meet the requirements of the Professional Client. In addition, the Fund Manager shall submit a declaration and undertaking issued by the Authority in accordance with Item (9) of Section (3) of Appendix (2) of this Module.

**Article 2-10****Article 2-10-1****Articles of Association**

The Articles of Association should - in particular - include the mandatory information set forth in Article (2-10-2) of this Module.

A Fund Manager may, other than the mandatory information mentioned herein, add any other conditions compatible with the peremptory provisions in the Law and in these Bylaws.

A printed copy of the Articles of Association must be provided to each participant or any Person that intends to subscribe/participate in the Fund. The signature of the participant on the subscription/participation form- after reviewing the Fund's Articles of Association- shall be regarded as approval thereof.

**Article 2-10-2**

The Fund's Articles of Association should include the necessary information about the Fund, and the following in particular:

1. Preface.
2. Glossary.
3. Fund name.
4. Fund type.
5. Fund Manager's name and statement that the Fund Manager is licensed by the Authority, his address and a summary about him.
6. Fund form (open/close).
7. Fund's classification (Public Fund or Private Fund).
8. The targeted class of the offering.
9. Fund's nature (Conventional or Conforms with Islamic Sharia standards).
10. Term of the Fund.
11. Currency of the Fund.
12. Capital of the Fund and its payment method.
13. Number of investment Units and the nominal value of each.
14. Investment objectives of the Fund.
15. Investment controls.
16. The Fund's investment scope, sector, or index that it follows.
17. Controls and limitations of borrowing (as applicable).
18. Investment risks.
19. Beginning and end of the financial year of the Fund.
20. Method of subscription, participation and redemption in the Fund's Units and the transfer of their ownership.
21. Minimum and maximum participation and redemption by the Fund Manager and Unit holders in the Fund.
22. Participation and redemption periods, if any.
23. Early redemption cases and the mechanism of calculating its fees (if any).
24. Specified period for submitting the applications of the Fund's Units' participation and redemption (if any).
25. Dealing Days in which the applications of participation or redemption of the Fund's Units may be submitted (if any).
26. Criteria and method of valuating the Fund's Assets according to the controls and International Accounting Standards approved by the Authority, and provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.

27. Valuation Day(s), on which the net asset value (NAV) of the Fund's assets is calculated.
28. Mechanism of calculating the net asset value of a Unit.
29. Methods and bases of distributing dividends (if any).
30. Rights of the Unit holders, with a statement showing the responsibility of Unit holders to update their details.
31. Periods of submitting the periodic reports of the Unit holders.
32. Methods and periods for disclosure of information.
33. Summary of the responsibilities of the service providers, in addition to the provisions relevant to the termination of their service or replacing them.
34. Provisions of the Unit holders' assembly (if any).
35. Events of winding up and liquidation of the Fund.
36. Procedures of Fund liquidation.
37. Method of amending the Articles of Association of the Fund.
38. Procedure of correspondence with the Unit holders.
39. Procedures for complaints.
40. Any other information required by the Authority.

The Articles of Association of the Fund must be written in Arabic and provided free of charge upon request.

**Article 2-10-3**

The Articles of Association must be attached with an appendix that includes a table of all fees, expenditures, and charges relevant to the work of the Fund and the method of calculating and paying the charges of the service providers whether they are charged to Unit holders, the Fund's Assets, or paid by the Fund Manager.

The Authority may require the Fund Manager to include any other information in such appendix.

**Article 2-10-4**

The Fund Manager shall not make any amendments on the appendix of the Articles of Association unless he obtains the approval of the Authority regarding such amendments.

The Authority - if it finds that the proposed amendments shall affect the acquired rights of Unit holders - may request the Fund Manager to acquire the approval of more than 50% of the capital on those amendments. The manager may take written or electronic approvals from the Unit holders on those amendments.

**Article 2-10-5**

No amendments shall be done on the Fund's Articles of Association or the appendix without the approval of the Authority immediately or on the date it determines.

The Fund Manager must notify the Unit holders of any amendments on any of them within a period not more than ten Business Days from the date of the Authority's approval on the amendments. The Articles of Association of the Fund may include the method(s) in which to notify the Unit holders through modern means of communication.

**Article 2-11****Service Providers for the Fund****Article 2-11-1**

Each Fund must have the following service providers:

1. A Fund Manager.
2. An Investment Controller.
3. A Custodian.
4. An external Auditor.
5. An External Sharia Auditing Office for Funds licensed to operate in accordance with the provisions of Islamic Sharia.

It shall be taken into consideration that the Investment Controller, the external Auditor, or the External Sharia Auditing Office may not be a Related Party with the Fund Manager.

The Fund Manager may also appoint a Licensed Person which is regulated by a foreign Regulatory Body to carry out some of the duties of the Fund Manager in regard to the Fund's Assets outside of the State of Kuwait. Contracting with any of those entities shall not exempt the Fund Manager from his responsibilities regarding the damages resulted from such contract.

**Fees of Service Providers****Article 2-11-2**

The details of the service providers' fees are determined in the Appendix of the Fund's Articles of Association and the Prospectus as well as stating the entity incurring those fees.

The Fund shall incur the incorporation expenses and the Authority's licensing fees, or any other fees stipulated by the Authority. No amount shall be paid from the Fund Assets in the event of appointing a service provider to carry out a task related to the Fund Manager or for the fees of the Investment Advisor, or for the promoting or selling of Units, including but not limited to, the expenses to copy and distribute the Fund's Articles of Association, provided that the Fund Manager shall incur such expenses.

**Article 2-12**

A service provider may not combine two or more functions set forth in Article (2-11) of this Chapter for one investment Fund. As an exception, combination may be conducted in the following cases:

1. The functions of the Custodian and the Investment Controller may be combined.
2. The functions of Fund Manager, Subscription Agent (Selling) and real estate management company may be combined.
3. The functions of Subscription Agent (Selling), Investment Advisor, and real estate management company may be combined.
4. The functions of Investment Advisor and real estate management company may be combined.

Provided that the necessary procedures and measures for the segregation of functions assumed by the service provider shall be taken and the conflict of interests that may occur while carrying out the tasks shall be avoided.

**Article 2-13****General Duties**

Service providers for a Fund, whether they were natural Persons or corporate entities, should comply with the following:

1. They should have the adequate human resources, technical and financial abilities and capabilities to the sufficient extent to meet the commitments thereof.
2. Enter into a contract with the service provider which includes the rights and obligations of the parties thereto, in particular, the fees of the service provider, the bases of calculating it, dates of payment, the procedures to be taken at the termination of such contract, and procedures and implications resulting from the termination of the relationship with such service provider, except the Fund Manager who may be replaced by the Fund's Articles of Association which includes the requirements of this Item.
3. Assume Care of a Prudent Person when undertaking the responsibilities of a service provider, and cooperate with the other service providers of the Fund, being reliable for any default, professional negligence, or fraud that may occur while carrying out his tasks, and compensate every Person harmed as a result of an error committed by the service provider, provided that the Authority shall be notified within five Business Days once any of the events stipulated in this item occurs.
4. The service provider may not deal in the Fund's Units for its interest or on anyone's behalf, except in the following cases:
  - a. Fund Manager.
  - b. Subscription Agent (Selling), Investment Advisor, and real estate management company in regard to the Real Estate Fund or the Real Estate Income-Generating Fund (Traded), provided that it shall not conflict with investment provisions of each Fund.
5. Comply with the Law, these Bylaws, the circulars, resolutions, and regulations issued by the Authority, the Articles of Association, and the Prospectus.
6. Take all necessary measures immediately to rectify any failure to comply with its obligations stipulated in the Articles of Association and these Bylaws and any instructions issued by the Authority.
7. Review, at any time, the records, documents, and papers related to the Fund, which are held by other service providers, within the limits of their competences and their ability to perform as required.
8. Not to exploit the Fund Assets for a personal benefit.

**Article 2-14****Fund Manager****Article 2-14-1**

The Fund shall be managed by an Executive Committee formed of two or more of the Fund Manager's employees, who must meet the requirements of the representatives of activity of Collective Investment Scheme manager, provided that one of the employees should be at an Executive Position of the Fund Manager.

The members of the Executive Committee shall be Registered Persons at the Authority and shall represent the Fund Manager in terms of the responsibilities and authorities stipulated in this Module. The signature of the Executive Committee members or their representative is considered as the signature of the Fund Manager, and they shall be, in conjunction with the manager, reliable for any failure, default, or fraud in the Fund's management.

**Article 2-14-2**

The Fund Manager shall appoint a representative of the activity of a Collective Investment Scheme Manager - (Operations Officer) who works for the Executive Committee and receives orders and implements them within the limits of the supporting operations. He also coordinates with the Investment Controller and provides him with all necessary information about the Fund that enables him to evaluate shares or Units and perform his tasks efficiently and effectively, without having any discretionary power to make investment decisions regarding the Fund management.

**Article 2-14-3**

The Fund Manager is committed in particular to the following:

1. Represent the Fund legally and practice the rights and obligations related to the Fund for the interest of the Unit holders and on their behalf and shall have -or his representatives- the right to sign on its behalf.
2. Manage the Fund's Assets in a manner that achieves its investment objectives set forth in the Fund's Articles of Association.
3. Comply with all the provisions of the Fund's Articles of Association.
4. Take all of the investment decisions and other decisions in a manner that achieves the interest(s) of the Fund and its Unit holders, and ensure the fair treatment of the Unit holders.
5. Not to expose the Fund to any unnecessary investment risks in accordance with its policies and investment objectives.
6. Take appropriate measures to protect and safe keep the Fund's Assets.
7. Apply the appropriate policies and procedures to prevent or reduce wrongful practices, which may affect the stability of the market and its integrity.
8. Ensure the use of pricing models and valuation methods that are fair, correct, and transparent for the Fund's Assets of each Fund managed thereby. In the event that the Fund Manager evaluates or assesses the impairment of any asset listed in the financial statements based on the requirements of the International Accounting Standards approved by the Authority, the manager shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.
9. Maintain records of purchase and sale transactions which occur in the Fund and according to its timing and chronological sequence.
10. Provide an accounting system to register the Fund's financial transactions.
11. Ensure an adequate system is in place for the settlement of transactions that have been entered into the accounting system with bank accounts and securities accounts opened under the Fund's name with the Custodian.
12. Prepare periodic and annual financial statements for the Fund.
13. Appoint service providers and ensure that they perform their tasks.
14. Provide the necessary information of the Fund to the service providers to enable them to perform their duties thereof effectively.
15. Provide sufficient liquidity for the Fund to meet any obligations that may arise.
16. Notify the Authority immediately after the occurrence of material events or information that may expose the interests of Unit holders to risk.

**Article 2-14-4** | If the manager manages more than one Fund, he should separate between the transactions related to these Funds.

**Article 2-14-5** | The Authority may replace the Fund Manager if it notices a material breach of his obligations set forth in this Module.

**Article 2-15****Investment Controller**

Each Fund shall have a licensed Investment Controller appointed by the Fund Manager after obtaining the approval of the Authority, and shall be committed to the following:

1. Ensure that the Fund Manager complies with the Law, these Bylaws and the Authority's decisions and instructions, Articles of Association, Prospectus, and any other documents issued by the Fund Manager.
2. To appraise the investment Units and calculate their net asset value in an independent and fair manner in accordance with the methods, periods and policies stated thereof in the Fund's Articles of Association.
3. Notify the Fund Manager and the Authority of all the valuation errors or Unit pricing that occurred during any period within five Business Days of discovering the mistake.
4. Ensure that the Fund Manager undertakes the responsibilities thereof, in a manner that achieves the interest of the Unit holders in accordance with the Fund's Articles of Associations and the provisions set forth in these Bylaws; and ensure that the Fund's monies are invested within the methods and policies set out in its Articles of Association.
5. Execute the Fund Manager's instructions of the scope of work of the Investment Controller.
6. Approve any transactions that involve a conflict of interest.
7. Meet at least twice annually with the Executive Committee of the Fund to review the Fund compliance with the Law, these Bylaws, the Authority's decisions and instructions, Articles of Association, Prospectus, and any other documents issued by the Fund Manager.
8. Notify the Authority in the event that the Fund Manager does not comply with the Law, these Bylaws, or the Fund's Articles of Association within five Business Days of the notice.
9. Prepare an annual report to the Unit holders in accordance with the mechanism specified for this purpose in its Articles of Association on the work of the Fund. It shall include the Violations record, non-compliance cases, violating the provisions of investment and borrowing mentioned in Article 2-31-3 of this Chapter, the procedures taken, and the period of correcting such Violations.
10. Attend the Fund's Unit holders' assembly (if any).

**Safekeeping of the Fund's Assets****Article 2-16****Custodian****Article 2-16-1**

The Fund's Assets shall be kept with a licensed Custodian and appointed by the Fund Manager after obtaining the approval from the Authority. Such Custodian may appoint a sub-Custodian that is licensed or registered from a another Regulatory Body to safe keep the assets outside of the State of Kuwait. Contracting with a sub-Custodian shall not exempt the principal Custodian from the responsibilities thereof.

**Article 2-16-2**

Without prejudice to the provisions of Module Seven (Clients' Funds and Clients Assets) of these Bylaws, a Custodian shall take the necessary procedures to ensure the following:

1. Open and manage the necessary bank accounts, Clearing Agency accounts, Brokers accounts, or any other accounts under the Fund's name.
2. Keep the Fund's Assets in independent accounts from his or third parties accounts.
3. Only use the Fund's Assets or any relevant rights in accordance with the objectives specified in the Articles of Association, and not to use them for his personal interest, other Clients' interest, or the interest of other Collective Investment Schemes.
4. Set appropriate systems for keeping the records of the Fund's Assets.
5. Ensure that all the Fund's Assets -except the right to the usufruct (Intifa'a)- are registered under the Fund's name or for its interest and ensure that all the legal arrangements necessary for the safeguarding of the ownership rights of the Fund's Assets and Unit holders are met in a legally enforceable manner where applicable.
6. Ensure to transfer the contract of the right to the usufruct (Intifa'a) to the Fund's name without compromising the provisions investment of Funds.
7. Collect and keep the dividends and any other distributions arising from the activities of the Fund, and deposit them in a bank account in the name of the Fund.
8. Execute the instructions of the Fund Manager, within the Custodian's scope of work.
9. Notify the Fund Manager of any obligations on the Fund's Assets and send any notifications received thereby in the period prescribed for it.
10. Develop and maintain a record of the Unit holders, unless it is kept with another Record Keeper.

**Article 2-16-3**

A written consent shall be obtained from the Fund Manager for all contracts concluded between the principal Custodian and sub-Custodian.

**Article 2-16-4**

All contracts concluded with the principal Custodian or the sub-Custodian shall regulate the following issues:

1. The requirements that enable the Fund to exercise all the rights related to the assets kept by the Custodian.
2. The requirements related to the place where the Fund's Assets are kept.
3. The method used in safekeeping and protection of the Fund's Assets.
4. Proof of his parties' compliance with assuming the required Care of a Prudent Person and responsibility of damage.
5. Fees and the method of calculating them.

**Article 2-17****Unit Holders' Record Keeper****Article 2-17-1**

The Fund's Unit holders' record shall be kept at the Clearing Agency. If the Fund is not listed, such record may be kept at the Custodian.

In the event of liquidation, the record may be kept at the Fund's liquidator in the event of termination of the services of the record keeping entity.

Article No. (3-6-1) of Module Four (Securities Exchanges and Clearing Agencies) and Article No. (6-1) and Article No. (6-2) of Module Eleven (Dealing in Securities) of these Bylaws do not apply to the provisions of this article.

And that the charges of the record keeping entity shall be paid from the Fund's monies.

**Article 2-17-2**

The Record Keeper shall comply with the following:

1. Maintain a record indicating the Unit holders' names, nationalities, countries, the number of Units owned by each one of them, their type and the value paid thereon, and any update occurs on the remaining balance of the Units and the Units that were issued, redeemed, updated, or cancelled and provide the Investment Controller with a copy of the statement.
2. Undertake the settlement and clearing tasks in regard to the Units of the listed Fund and transfer the ownership in the cases stipulated in Boursa Rulebook. As for the unlisted Fund, the Record Keeper shall undertake the tasks of the Clearing Agency pursuant to the Over the Counter Boursa Rulebook.
3. Attend the Unit holders' assemblies and announce the legal quorum after verifying the identities and validity of the proxies.

**Article 2-18****Sharia Supervision****Article 2-18-1**

Funds operating under the provisions of Islamic Sharia shall have Sharia supervisory controls to carry out oversight of all the activities of the Fund to ensure compliance with the Sharia Standards and the relevant resolutions of the Authority. The Sharia supervisory controls consist of:

1. Internal Sharia Audit Unit.
2. External Sharia Auditing Office.

The Fund Manager may appoint a Sharia Supervisory Board to carry out the tasks stipulated in Module Five (Securities Activities and Registered Persons) of these Bylaws. It is not permitted to combine the tasks of the Internal Sharia Audit Unit and the External Sharia Auditing Office.

**Article 2-18-2**

A Fund Manager, who manages a Fund that operates in accordance with sharia standards, shall be entitled to appoint the External Sharia Auditing Office, provided that such office shall be a Registered Person at the Authority.

- Article 2-18-3** A Fund Manager who operates in accordance with sharia standards may assign the Sharia Audit Officer thereof to carry out the tasks of the Fund's Internal Sharia Audit Unit.
- If the Fund Manager does not operate in accordance with sharia standards, he shall be entitled to appoint an External Sharia Auditing Office to carry out the functions of the Fund's Internal Sharia Audit Unit, provided that the Fund Manager shall incur the charges thereof, and that office shall not carry out the external operations of the Fund's External Sharia Auditing Office.
- Article 2-18-4** A Fund's External Sharia Auditing Office shall be appointed for one financial year renewable annually, and for a maximum period of four consecutive financial years unless the Fund was under liquidation. The same External Sharia Auditing Office may be reappointed after a period of suspension not less than two consecutive financial years.
- The Fund Manager may not replace the External Sharia Auditing Office during the contracted period unless the reasons and justifications are given to the Authority and its approval is obtained thereon.
- Article 2-18-5** An Internal Sharia Audit Unit shall ensure that the operations are carried out according to sharia by selectively examining some of the different daily transactions of the Fund; to ensure that the Fund's transactions are abiding by Sharia Standards and by the relevant resolutions of the Authority.

**Article 2-18-6**

The report submitted by the External Sharia Auditing Office shall include the following:

1. An evaluation of the effectiveness and efficiency of the Sharia risk management procedures.
2. An evaluation of the Fund's compliance with Sharia Standards and the relevant resolutions of the Capital Markets Authority.
3. The scope of work of the External Sharia Auditing Office to include the activities, contracts, and Securities' transactions of the Fund.
4. A statement of the references of the implemented Sharia Standards of the Fund in case it differs from the Sharia Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
5. Opinion regarding the Fund's compliance with the provisions of Islamic Sharia in accordance with the Sharia reference it follows, including Sharia violations in the activities, contracts or transactions of the Fund -if any- whether in Securities transactions or their execution.
6. Procedures of auditing that led to the results of its works mentioned in this report.
7. Evidence of viewing the report of the Internal Sharia Auditing Unit.
8. The signature of the External Sharia Auditor registered at the Authority.

The External Sharia Auditing Office shall issue quarterly periodic Sharia auditing reports that include the results of following-up and examining the Fund's compliance with the Islamic Sharia principles in its transactions and activities and publish them through the periodic disclosures of the Fund that works in accordance with the Islamic Sharia principles. It is necessary to present these reports to the Executive Committee of the Fund to clarify the contents of the reports.

The External Sharia Auditing Office shall also present its annual report to the Fund's Unit holders in accordance with the mechanism prepared thereof in its Articles of Association and attend the assemblies that consider its report (if any).

**Article 2-19****External Auditor****Article 2-19-1**

The Fund Manager shall appoint an external Auditor who is Registered with the Authority, provided that he shall comply with the following:

1. Review and audit the Fund's accounts in accordance with the International Accounting Standards approved by the Authority.
2. Prepare a report on the periodic and annual audited financial statements of the Fund.
3. Notify the Authority if it was revealed at the time of reviewing and auditing the Fund's accounts that the Fund Manager does not comply with the Law, these Bylaws, or the Fund's Articles of Association within five Business Days from the notice.
4. Attend the Unit holders' assembly in which the Auditor's audited financial statements will be presented and discussed, and the relevant enquiries will be answered.

- Article 2-19-2** A Fund's External Auditor shall be appointed for one financial year renewable annually, and for a maximum period of four consecutive financial years unless the Fund was under liquidation. The same Auditor may be reappointed after a period of suspension not less than two consecutive financial years.
- The Fund Manager may not replace the Auditor during the contracted period unless the reasons and justifications are given to the Authority and its approval is obtained thereon.
- Article 2-19-3** The Fund's external Auditor shall not be the same Auditor for the Fund Manager.
- Article 2-20** **Vacancy of the Fund's Executive Committee members or any of the service providers**
- Article 2-20-1** In the event of a vacancy in any of the positions of the Fund's Executive Committee members, the Fund Manager should notify the Authority within a maximum of five Business Days. He shall also apply for the vacant position(s) within twenty Business Days as of the date of position vacancy.
- In any event, the Fund Manager must notify the Unit holders within a maximum of five Business Days as of the date of position vacancy and notify them within five Business Days as of the date of occupation.
- Article 2-20-2** Without prejudice to the provisions of Article (1-8) of this Module, the Fund Manager must notify the Unit holders within a maximum of five Business Days as of the date of the Authority's approval on replacing the manager, Custodian, or Investment Controller of the Fund.
- Article 2-20-3** In the event of a vacancy in the position of external Auditor or External Sharia Auditing Office for the Funds operating in accordance with sharia standards, the Fund Manager shall notify the Authority and the Unit holders of it within a maximum of five Business Days. He shall also appoint an alternative for the vacant position within a maximum of one month as of the date of occupation. He shall notify the Authority and the Unit holders within five Business Days of appointment.
- Article 2-20-4** Without prejudice to the provisions of Article (2-18-4) and Article (2-19-2) of this Chapter, in the event of the Authority's approval of the justifications of replacing the external Auditor or External Sharia Auditing Office for the Funds operating in accordance with sharia standards during the contracted period, the Fund Manager shall appoint an alternative of those vacant positions and notify the Authority and the Unit holders of it within a maximum of five Business Days as of the date of occupation.
- Article 2-20-5** Without prejudice to the provisions of Article (2-18-4) and Article (2-19-2) of this Chapter, in the event of the expiration of the contracted period with the external Auditor or External Sharia Auditing Office for the Funds operating in accordance with sharia standards, the Fund Manager shall appoint an alternative of those vacant positions and notify the Authority and the Unit holders of it within a maximum of five Business Days as of the date of occupation.

- Article 2-20-6** In the event of a vacancy or occupation of a Record Keeper or any of the service providers not mentioned in Article (2-11-1) of this Chapter, the Fund Manager shall notify the Authority and the Unit holders of it within a maximum of five Business Days as of the date of vacancy or occupation.
- Article 2-20-7** In any event, the Authority shall amend the information of the Fund in the Fund's register at the Authority upon the occurrence of any change of the information related to the Articles of Association, service providers, of Executive Committee of the Fund included in the register.
- Article 2-21** **Restrictions on Positions and Conflict of Interests**
- Article 2-21-1** Without prejudice to the responsibilities of the Fund Manager set forth in the provisions of Chapter Three (Conflict of Interests) of Module Eight (Conduct of Business) of these Bylaws, the Fund Manager employees, who are not Registered Persons as representatives of a Collective Investment Scheme manager, may occupy the position of a Member of a Board of Directors at a company whose Securities thereof are a part of the Fund's Assets managed by the Fund Manager.
- Employees of the Fund Manager registered as representatives of a Collective Investment Scheme manager, may not occupy the position of a Member of a Board of Directors at the companies mentioned in the preceding paragraph, unless the investment controls of certain types of Funds stated in Appendix 4 of this Module so permit or if the Fund follows a specific index set forth in its Articles of Association.
- Article 2-21-2** In the event where a Fund Manager appoints a Person as a representative of the Collective Investment Scheme manager and from those who are subject to the restriction set out in Article (21-2-1) of this Module, this Person shall be required to resign as Member of a Board of Directors from the company at which the Securities are a part of the assets of a Fund managed by the Fund Manager.
- Article 2-21-3** The Fund Manager shall consider the provisions of Chapter Three (Conflict of Interests) of Module Eight (Conduct of Business) of these Bylaws and take the necessary measures to avoid conflict of interests in his transactions on behalf of and for the interest of the Fund and the Unit holders.
- Article 2-21-4** Unless the Fund Manager previously discloses the expected cases of conflict of interest of the Fund, the Fund Manager's employees from the Registered Persons as representatives of a Collective Investment Scheme manager, or one of the Unit holders, he must immediately disclose his knowledge of any such cases or transactions to the Investment Controller and obtain his acknowledgment thereof.
- In any event, the Fund Manager shall notify the Unit holders and the Authority of any case of conflict of interest acknowledged by the Investment Controller in accordance with this Article within five Business Days as of the date of acknowledgement.
- Article 2-21-5** The Fund Manager or Unit holders may not participate in voting on matters related to the personal interests or if the interests thereof are in conflict with the Fund's interests.

**Article 2-22****Marketing and Selling Units****Scope of Application****Article 2-22-1**

The provisions of Articles (2-22-1) to (2-22-4) of this Module shall be applied on all the Promotions or Marketing of Public Funds that are Publicly Offered and licensed by the Authority in the State of Kuwait.

**Conditions to be provided in the Promotion or Marketing of a Fund****Article 2-22-2**

A Fund Manager shall abide by the provisions of the Financial Promotion stipulated in Chapter Seven of Module Eight (Conduct of Business) of these Bylaws. In addition, the Fund Manager shall, upon promoting for Funds, be obliged to the following:

1. Clarify that the promotion is prepared for promotional purposes.
2. State the name and the contact information of the Fund Manager.
3. The promotion shall include a commitment that no necessary information on the Fund has been omitted.
4. If the promotion includes a list of selected investments, the selection shall be conducted objectively and in a balanced manner and state the basis for this selection.
5. If the promotion includes information about the performance of the Fund or the Fund Manager, the promotion must meet the following requirements:
  - a. A statement on the Fund's total return after deducting all expenses. If the promotion includes a statement on the total return before deducting the expenses, these two statements must be included in the same degree of clarity in the promotion.
  - b. If the promotion included a comparison between the Fund's total return and the total return of an adequate index or another standard, such index or standard shall be for the same period and as specified in the Articles of Association. If the index or the other standard does not include all the elements of the total return, the elements that are not included and their effect must be stated in this comparison.
  - c. A statement of the total return for the last three financial consecutive years. If the period of Fund's return is less than three years, the return shall be stated since the year of incorporation. The performance may not be stated for a period less than one year.
  - d. Without prejudice to item (c) above, the quarterly return of the Funds whose term is more than one financial year may be stated.
  - e. Verify that any comparison that may be mentioned in the promotion between the Fund's performance and other activities are correct, fair and balanced, and that it does not oversee any material matter related to the comparison.
  - f. The information related to the performance shall form a fair presentation of the performance of the Fund or the Fund Manager and were not selected for exaggeration.
  - g. The information related to performance shall be based on verifiable information.
  - h. Disclose any information or exceptional circumstances (if any) that had an effect or may affect the Fund's performance.

6. If the promotion includes or indicates a recommendation concerning a Fund of a special nature, the promotion shall warn that the Fund may not be suitable for every Person receiving such promotion and that if any Person has doubts, then they shall refer to the advisor thereof.
7. If the Fund is described as suitable for an investor endeavoring in particular to gain income from the investment thereof, such investor shall be warned against that such Fund's income may change.
8. If a Financial Promotion contains an indication of past or future performance of a certain investment, a Licensed Person must include a warning in the promotion that the past performance is not a reliable indicator of future results.

#### Information Prohibited in the Financial Promotion of a Fund

##### Article 2-22-3

A Fund Manager shall be prohibited, when preparing the Financial Promotions, in mentioning any of the following information:

1. An expected future or potential prices for the Fund's Units.
2. To expect the total return or the investment performance of the Fund or its Unit holders, except in the following cases:
  - a. A Fund with guaranteed capital, provided that the promotion shall include a statement of the minimum guaranteed capital, details of the guarantor, and mechanism of the guarantee.
  - b. A Fund that guarantees minimum returns.
  - c. A Fund that aims to achieve a better performance than that of the key performance index.
3. Any statement about the profits attained by some Persons as a result of participation in the Fund or in other Funds managed by the same Fund Manager.

#### Controls for the Promotion of a Fund by Direct Communication

##### Article 2-22-4

In the event of a Promotion of a Fund by Direct Communication with a Client by any means, the Fund Manager shall abide by the following controls:

1. The recipient shall be a Client of the Fund Manager and shall expect to receive this kind of Financial Promotion.
2. Ensure that the caller on his behalf shall take in to account:
  - a. Disclosure of information in a clear, fair, and a non-misleading manner
  - b. Not to provide false, misleading or deceptive statement or apply inappropriate methods.
  - c. Clarify the purpose of the Financial Promotion of the Fund at the beginning of the call; and identify himself and the Fund Manager he represents.

**Controls of Promotional or Marketing Material of a Fund****Listing and Trading of Units****Article 2-23**

The Public Fund - that is licensed by the Authority to be incorporated - may be listed on the Exchange according to the rules set forth in Module Twelve (Listing Rules) of these Bylaws and the Exchange's rules.

Funds incorporated outside of the State of Kuwait - which are licensed by the Authority to market their Units in the State of Kuwait - may apply for listing on the Exchange according to the requirements and conditions specified by the Exchange's rules and regulations.

As an exception of Exchange Traded Funds, the investment controls of the Funds requesting their listing should not conflict with the investment controls of the Public Funds set out in this Module.

**Article 2-24****Valuation of Fund's Assets****Article 2-24-1**

A Fund Manager shall evaluate the Fund's Assets in accordance with provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.

**Article 2-24-2**

In the event a Fund's asset is appraised incorrectly or there is an error in calculating the price of a Unit, the person, who committed such error, shall indemnify the person who was harmed by such error.

The Fund Manager should also enclose in the quarterly reviewed financial statements or annual audited financial statements a report that indicates the appraisal and pricing errors committed within the period thereof.

**Article 2-24-3**

The Fund Manager may not rely on an evaluation report prepared more than three months prior to the purchase or sale of any Fund Asset.

**Article 2-24-4**

When a Fund Manager employs the services of an external party to evaluate the Fund's Assets, the external party shall be independent of the Fund Manager and Related Parties of the Fund.

**Registration of Units****Article 2-25**

The process of subscription or redemption of Units shall be reflected when conducting the first calculation of the net asset value for the Fund after the participation or redemption process.

Article 2-26	Valuation, Subscription, and Redemption
Article 2-26-1	The valuation, subscription, and redemption provisions set out in the following Articles shall apply to <u>Open-Ended Funds</u> only. The <u>Open-Ended Funds</u> are exempted from such provisions in the events in which the Articles of Association permits closure or suspension of participation or redemption.
Article 2-26-2	The <u>Open-Ended Funds</u> have specific <u>Dealing Days</u> in which the <u>Fund's Units</u> may be subscribed in or redeemed, and <u>Valuation Day(s)</u> on which the net asset value (NAV) of the <u>Fund</u> is calculated pursuant to the provisions of this Article.
Article 2-26-3	The <u>Fund's Assets</u> must be evaluated in accordance with the last day of the <u>Dealing Days</u> and no later than one <u>Business Day</u> after the deadline for submitting subscription and redemption applications.
Article 2-26-4	No subscription in the <u>Fund's Units</u> or redemption must take place except on the <u>Dealing Day</u> .  Executing subscription and redemption may be through modern communication means and the electronic websites without the need for the investor's personal attendance in the <u>Fund Manager's</u> headquarters and without prejudice to the investor's rights including his access to the <u>Fund's</u> Articles of Association.
Article 2-26-5	The <u>Fund Manager</u> must execute the subscription or redemption applications according to the valuation price (NAV) following the subscription or redemption applications. Subscription or redemption prices may include any other commissions, provided that they are stated in the <u>Fund's</u> Articles of Association.
Article 2-26-6	The valuation of the <u>Fund's Assets</u> may be within a maximum of three <u>Business Days</u> as of the <u>Dealing Day</u> in the event of not being able to appraise a substantial part of the <u>Fund's Assets</u> , provided that the the net asset value (NAV) of the <u>Fund's Assets</u> is calculated and appraised as on the <u>Valuation Day</u> determined in the Articles of Association.
Article 2-26-7	The <u>Fund Manager</u> shall pay to the <u>Unit</u> holder the redemption value within a maximum of six <u>Business Days</u> following the <u>Valuation Day</u> determined in the Articles of Association.

**Article 2-26-8**

The Fund Manager may postpone meeting any redemption application until the following Dealing Day or the following redemption date, in accordance with the Fund's Articles of Association in any of the following cases:

1. If the total redemption requests of Unit holders on any Dealing Day or redemption date are 10% or more of the Fund's Assets net value, provided that the manager is, in this event, committed to meeting the redemption requests less than 10% of the Fund's Assets net value and that all the redemption requests shall be taken into account on a pro-rata basis. The redemption requests that are more than 10% of the Fund's Assets net value are deferred to the next Dealing Day or redemption date.
2. If trading is suspended on the Exchange or regulated financial markets, in which trading in Securities or other assets owned by the Fund, or if trading is suspended on Securities that constitute a substantial value in the assets thereof.

**Article 2-26-9**

The Fund Manager may suspend the approval of subscribing in the Fund for the period he finds appropriate if it was for the interest of the Fund and the Unit holders.

**Article 2-26-10**

The Fund Manager may accept requests for early redemption and collect its fees from any Unit holder who requests to redeem his Units after subscription, provided that the Articles of Association stipulate the permissibility of early redemption, and specifying its period, conditions and the mechanism for calculating its fees.

The collected early redemption fees must be deducted from the redemption proceeds. They must be paid directly to the Fund and not others, and may not be paid to the Fund Manager.

**Term of the Fund****Article 2-27**

The Articles of Association shall include the term of the Fund. The Fund Manager may extend this period in accordance with the stipulations of the Articles of Association and after obtaining the approval of the Authority. If the extension is approved, the Fund Manager shall notify the Unit holders of such extension within a maximum period of ten Business Days.

**Transfer of Ownership****Article 2-28**

The ownership of the Fund Unit holder may be transferred through an application submitted by the Unit holder or the concerned parties to the Record Keeper in accordance with the rules of the Exchange or the provisions of the Over the Counter (OTC) Rulebook of the Exchange and the Fund's Articles of Association.

In all cases, the ownership of the Units of the Private Fund may only be transferred to a Professional Client, whether from the Unit holders or from others, with the exception of cases of transfer of ownership based on a court ruling or inheritance.

**Equality among Unitholders****Article 2-29**

The same terms and provisions shall be applied to all the Unit holders of the same category in the Fund.

**Article 2-30****Restrictions on Funds****Article 2-30-1**

Without prejudice to Article (1-7) of this Module, the Fund Manager may not buy any Securities issued thereby or by its Subsidiary Companies unless in accordance with the following conditions:

1. The Articles of Association of the Fund shall permit the Fund to invest its assets in Securities issued by the Fund Managing company, or any of its Subsidiaries.
2. Obtaining the approval of the Investment Controller before purchasing.
3. The total amount of securities invested by the Fund and all other Funds which are managed by the Fund Manager shall not exceed 10% of the total value of Securities issued by the Fund Manager, or any of its Subsidiary Companies. Funds that follow a certain index according to their Articles of Association are not included in this percentage.

**Article 2-30-2**

Without prejudice to Article (1-7) of this Module and if the Fund Manager undertakes the role of Subscription Agent (Selling) or the subscription manager of an Issuer, the Fund Manager may not buy the Securities subject of the subscription for this Issuer, while assuming such roles.

If the Fund Manager or any of its Subsidiary Companies commit to cover the Public Offer or Private Placement for a certain Security, the Security may not be offered for the benefit of the Fund during the commitment period.

Funds that follow a certain index according to their Articles of Association are excluded from the provisions of this Article.

<b>Article 2-30-3</b>	Without prejudice to the investment controls according to type of <u>Fund</u> and Articles of Association, the approval of the <u>Investment Controller</u> as well as the <u>Authority</u> shall be obtained upon purchasing, selling, or dealing in real estate investments in which the opposite party is one of the <u>Related Parties of the Fund</u> .
<b>Article 2-31</b>	<b>Investment Controls</b>
<b>Article 2-31-1</b>	The <u>Fund Manager</u> shall only keep cash or cash equivalents only when necessary in one of the following cases: <ol data-bbox="375 537 1489 638" style="list-style-type: none"><li>1. To meet redemption requests of <u>Units</u>.</li><li>2. Manage the <u>Fund</u> in a proficient manner according to the investment objectives and complementary purposes thereof.</li></ol> <p data-bbox="375 683 1489 750">In this regard, he shall exercise the <u>Care of a Prudent Person</u> in the interest of the <u>Fund</u> and the <u>Unit</u> holders.</p> <p data-bbox="375 772 1489 840">The provision of this Article shall not be applicable during the first year of issuing the final license to the <u>Fund</u>.</p>
<b>Article 2-31-2</b>	The investment and borrowing controls of each type of <u>Fund</u> set out in Appendix 4 of this Module shall be applicable.
<b>Article 2-31-3</b>	<b>Breaches of Investment and Borrowing Controls</b>
<b>Article 2-31-3</b>	In the event of a <u>Violation</u> or non-compliance with the investment and borrowing controls stipulated in these <u>Bylaws</u> or the <u>Fund's</u> Articles of Association, the following procedures shall be followed: <ol data-bbox="375 1131 1489 1624" style="list-style-type: none"><li>1. In the event of violation or non-compliance due to any error or negligence by the <u>Fund Manager</u>, or as a result of an event beyond the control of the <u>Fund Manager</u>, the <u>Fund Manager</u> shall notify the <u>Authority</u> immediately and take the necessary procedures and measures to correct the <u>Violation</u>.</li><li>2. In the event of not correcting the violation within five <u>Business Days</u>, the <u>Fund Manager</u> shall notify the <u>Authority</u> of the procedures and measures required to resolve the <u>Violation</u> and the period required for that and the <u>Authority</u> may minimize such period.</li><li>3. The <u>Fund Manager</u> shall notify the <u>Investment Controller</u> of all the cases referred to in paragraphs (1) and (2) of this Article. The <u>Fund Manager</u> must keep a permanent record of <u>Violations</u> and document the procedures undertaken and the period required for remedy.</li></ol> <p data-bbox="375 1668 1489 1736">In any event, the <u>Fund Manager</u> shall notify the <u>Authority</u> and the <u>Investment Controller</u> as soon as the correction is completed.</p>
<b>Article 2-32</b>	<b>Material Information for the Public</b>
<b>Article 2-32</b>	Taking into consideration Article (2-8-4) of this Module, the <u>Fund Manager</u> shall, whether the <u>Fund</u> is listed or not, publish monthly information of the <u>Fund</u> to the public through the <u>Exchange</u> within seven <u>Business Days</u> as of the end of each month in accordance with the form set out in the Appendix 5 of this Module.

**Article 2-33****Financial Statements****Article 2-33-1**

The Fund Manager must prepare quarterly financial statements to be reviewed by the external Auditor and provide a copy to the Exchange and to the Authority within a period not more than fifteen Business Days as of the end of the term.

**Article 2-33-2**

A Fund Manager shall prepare annual audited financial statements to be audited by the external Auditor and provide a copy to the Exchange and to the Authority within a period not more than forty-five days as of the end of the Fund's financial year.

**Article 2-33-3**

Taking into consideration Article (2-8-4) of this Module, the Exchange shall publish the financial statements it receives from a Fund Manager.

**Periodic Reports to Unit holders****Article 2-34**

Except for Funds that are listed on the Exchange, a Fund Manager shall provide quarterly reports to each Unit holder, unless the Articles of Association set forth a shorter period, within a maximum period of fifteen Business Days from the end of the period. The report shall include:

1. The net value of Fund's Unit assets.
2. The number of Fund's Units owned by a Unit holder and their net asset value.
3. A record of the movement in the account of each Unit holder including any paid distributions made after the last report presented to the Unit holders.
4. A statement of the fees, expenses, and costs payable on the Fund's Assets, provided that they are indicated in the Fund's currency.

**Article 2-35****Unitholders Assembly****Article 2-35-1**

Each Fund shall have a Unit holders assembly held at least once during the financial year of the Fund. Each participant shall be entitled to attend the assembly and vote on its resolutions. Each Unit holder shall have one vote for each investment Unit owned thereby.

The Unit holder's assembly may be held electronically in a manner that does not conflict with the provisions regulating the assembly in this Module, with the participation of the concerned parties by attending, and the Unit holders shall be enabled to express their opinion and vote on the topics presented at the meeting.

**Article 2-35-2**

The Unit holder assembly shall look into and decide on the following issues:

1. The report of the Fund Manager or the liquidator on the Fund's activity and its financial position for the Fund's financial year.
2. The external Auditor's report on the Fund's annual audited financial statements.
3. The annual audited financial statements of the Fund.
4. The External Sharia Auditing Office's report (for Funds licensed to operate in accordance with the provisions of sharia) for the Fund's financial year.
5. The Investment Controller's report for the Fund's financial year.
6. Amendments of the Articles of Association related to the acquired rights of Unit holders.
7. Appointment of a substitute Fund Manager.
8. Approval of the liquidation and selection of the Fund's liquidator and supervise the works thereof.
9. Appointment of a substitute liquidator.

- Article 2-35-3** The Unit holders assembly shall be held upon an invitation from the Fund Manager or the liquidator to consider the matters assigned to the assembly. The Fund Manager shall call for holding the meeting, based on a reasoned request by the Unit holders constituting a minimum of 10% of the Fund's issued capital or at the request of the Investment Controller or the Auditor. This shall be within twenty-one days from the date of receiving the request, unless an agreement is reached between the party responsible for calling for the assembly and the parties submitting the request for a later date of convening. The agenda shall be prepared by the entity calling for holding the meeting.
- Article 2-35-4** If the Fund Manager or the liquidator does not call to hold a Unitholders assembly, in the cases he must do, and if it is difficult to call for a meeting for any reason, the Authority may assign the Investment Controller or the Auditor, or whomever it finds fit to call for holding the assembly.
- Article 2-35-5** The invitation to attend the meeting of the Unit holders assembly shall include an agenda, time and place of holding the meeting, and shall be extended by one of the following methods:
1. Announcement at least ten Business Days prior to the date of holding the meeting in two local daily newspapers and the Exchange, to publish the announcement of the agenda, time and place of the assembly meeting.
  2. Registered mail letters to be sent to the Unit holders at least ten Business Days prior to the date of holding the meeting.
  3. Announcement via electronic or modern means of communication at least seven Business Days prior to the date of holding the meeting.
  4. Hand-deliver the invitation to the Unit holders or representatives thereof at least three Business Days prior to the date of holding the meeting and a photocopy of the invitation shall be notated as received.
- For the validity of announcement by the methods referred to in paragraphs (2), (3), and (4) of this Article, each participant shall have provided the Fund Manager or the liquidator or the entity keeping the register of the Unit holders with the data about the residence, email address, or fax number thereof and shall have agreed to be notified through such methods. The Fund's Articles of Association shall also set forth the announcement by those methods.
- Any change of a participant's information referred to in the previous paragraph shall not be approved unless the participant notifies the Fund Manager or the liquidator or the entity keeping the register of Unit holders of such change at least five Business Days prior to the announcement of the participant.

**Article 2-35-6**

The entity that called for the meeting of Unit holders shall serve notices with the agenda, time, and place of the Unit holders assembly meeting at least seven Business Days prior to the date of holding the meeting to all of the following, unless any of them are dispensed during the liquidation stage:

1. The Investment Controller.
2. The Record Keeper.
3. The Auditor, External Sharia Auditing Office, as applicable, if it is decided to present the financial statements to the Unit holders assembly.

The party that called for the Unit holders assembly shall also give notice to the Authority at least seven Business Days before the meeting, provided that the notification includes the following:

- a. Copy of the meeting invitation.
- b. Copy of the assembly's agenda.
- c. Copy of the announcements through newspapers, the Exchange or other announcement means specified in Article No. (2-35-5) of this Chapter.
- d. Copy of the service providers' notifications of the assembly's invitation.

**Article 2-35-7**

If the Authority is notified, absence of the representative thereof shall not result in the invalidity of the meeting of the Unit holders assembly. The meeting shall be invalid in the event of absence of anybody referred to in paragraphs (1), (2), and (3) of the previous Article, unless the services of any of them are dispensed with during the liquidation stage.

The meeting shall be invalid in case of the absence of the Fund Manager, unless the call for holding the meeting is extended by anybody other than the manager.

**Article 2-35-8**

The meeting of the Unit holders assembly shall be chaired by the entity calling for the meeting.

**Article 2-35-9**

Holding the meeting of the Unit holders assembly shall be invalid unless it is attended by Unit holders constituting 50% of the Fund's issued capital. If this quorum is not achieved, the assembly shall be called for another meeting of the same agenda to be held within a period not less than five Business Days and not more than thirty days as of the date of the first meeting. The second meeting shall be valid whatever the percentage of the capital owned by attendants is. A new call for the second meeting may be not extended, if the date thereof is identified in the call for the first meeting.

The resolutions shall be issued by the absolute majority represented in the meeting, excluding the resolutions related to amending the Fund's Articles of Association and related to the rights acquired by Unit holders or in the event of liquidation, as these resolutions shall be issued upon approval of the Unit holders owning 50% of the Fund's issued capital.

**Article 2-35-10**

The Unit holder's assembly may not discuss issues not listed in the agenda, unless they are urgent, and after preparing the agenda, and are revealed during the meeting or if the Authority, the Auditor, or Unit holders owning 5% of the Fund's issued capital so request, provided that these issues are related to the topics of the meeting. In the event that there is insufficient information related to some presented issues, the meeting shall be postponed for a period not more than ten Business Days, if the Unit holders owning 25% of the issued Fund capital so request. The postponed meeting shall be held without the need to take new procedures of invitation.

**Article 2-35-11**

Each Unit holder registered in the Funds register shall be entitled to attend the meeting of the Unit holders assembly in person or represented by a proxy. To be valid, the representation shall be in accordance with a special proxy or an authorization dedicated for that. Such proxy may be dedicated for attendance of one or more meeting of the Unit holders assembly. The proxy issued for a certain meeting shall be valid for attending the next meeting if it is postponed due to lack of quorum.

The proxy or authorization referred to in this Article shall contain the following information:

1. Name of the Unit holder according to an official document, or the name of the company or institution according to the information recorded in the commercial register.
2. Number of Units.
3. Number of civil ID or official document/commercial register for companies.
4. Name of the authorized representative according to an official document.
5. Name and capacity of the signatory of the proxy or authorization, provided that a copy of the proxy or authorization contract is attached in the event that the signatory is a proxy agent.
6. Date of issuing the proxy or authorization.

To accept the proxy or power of attorney, whether general or specific, it shall expressly stipulate the right of the proxy or authorization representative to attend the assemblies and vote on the items on their agenda, and it shall be issued for a specific meeting, provided that the original proxy or authorization is submitted.

**Article 2-35-12**

None of the Unit holders may vote for himself or for his representative in matters relating to his private interest, and any condition or decision to the contrary shall be null and void.

The party that called for the assembly shall neutralize the parties that have a special benefit or a case of conflict of interest in any decision that is discussed in the Unit holders assembly.

Provided that the entity responsible for keeping the record calculates the percentages to be neutralized.

**Appointment of a Substitute Manager****Article 2-35-13**

The Authority's representative, in the event of attending the meeting of the Unit holders assembly, shall prepare a report of the events and proceedings of the meeting. The report shall, in particular, include:

1. The meeting's quorum.
2. The validity of proxies
3. Any complaints provided by the Unit holders during the meeting.
4. Resolutions issued by the assembly.
5. Any Violation of the Law and these Bylaws that may have taken place during the meeting.

The Authority's representative shall not express any opinion in relation to any disagreement during the meeting.

**Article 2-35-14**

The Fund Manager or the party that called for the meeting, as the case may be, shall provide the Authority with a copy of the minutes of the assembly meeting, after it is signed by whoever chaired the meeting, and the service providers present at the meeting, within two weeks from the date of its convening, provided that the following shall be attached to the minutes:

1. Copy of the Unit holder record.
2. Copy of civil IDs or passports for attendees from Unit holders and service providers.
3. Copy of the proxy or authorization of the attendees from Unit holders and service providers.
4. Copy of the civil IDs or passports of proxies or authorizations representatives of Unit holders and service providers.
5. Copy of the signature authorization (bank or any official document) of the Unit holder who signed the attendance authorization.

**Article 2-35-15**

Decisions of the Unit holders assembly shall not be implemented without the approval of the Authority, and the Authority may object or dismiss any decision contained in the minutes of the meeting if it contradicts the Law, Bylaws, circulars and resolutions issued by the Authority or the Fund's Articles of Association or outside the powers of the entity concerned with the implementation of that decision.

The objection or dismissal shall be justified and notified to the party that called for the meeting within ten days from the date on which the Authority was provided with the minutes of the meeting. In this case, the decision is not considered enforceable, and the Authority may request that the matter be presented to a new Unit holders' assembly, if necessary.

**Article 2-35-16**

Each of the Unit holders registered in the Fund's register has the right to view the minutes of the Unit holders assemblies meeting or to obtain a copy of them from the party that called for the meeting, as the case may be.

**Ending of a Fund****Article 2-36**

The Fund shall end in the following events:

1. End of the period specified in the Articles of Association, unless it is renewed in accordance with the rules set out in the Articles of Association.
2. End of the purpose for which the Fund is incorporated for or in the event of the impossibility of achieving its goal.
3. Damage or use of all the Fund's Assets or most of them, so that other assets can't be invested feasibly.
4. At the request of the Fund Manager and by virtue of an approval issued by the assembly of Unit holders owning more than 50% of the Fund's capital has approved the winding up of the Fund before the end of its term.
5. A resolution issued by the Authority to cancel the Fund's license.
6. A court order is issued for the winding up and liquidation of the Fund.
7. The Fund Manager is exposed to a matter that hinders his ability to continue managing the Fund, such as liquidation, bankruptcy, or cancelation of his license unless a replacement manager is appointed for the Fund.

**Article 2-37****Liquidation****Article 2-37-1**

Once any of the events stipulated in Article (2-36) of this Module occurs, and upon the Authority's approval, the Fund shall be liquidated. Within the liquidation term it shall retain the corporate entity to the extent necessary to complete the liquidation. The phrase (under liquidation) shall be added to the Fund's name and written legibly in the correspondences issued by the entity conducting such liquidation. The Fund's liquidation must be Officially Announced.

The provisions set forth in the following articles shall be followed upon the Fund's liquidation, unless its Articles of Association otherwise state.

**Article 2-37-2**

All terms of debts due on the Fund shall be cancelled as of the date of Officially Announcing the Fund's dissolution and creditors shall be notified of the beginning of liquidation. The liquidator shall officially notify all creditors of such liquidation and request them to provide applications of debt payment thereto within forty-five days from the date of the Official Announcement of the Fund's dissolution is published. Creditors may be notified through announcement. In any event, the announcement or notification shall include a deadline for such creditors not less than fifteen Business Days to submit the applications thereof.

**Article 2-37-3**

When the Fund is terminated, the Fund Manager's power shall end. However, the manager shall manage such Fund until a liquidator is appointed and practices the powers thereof, provided that he does not accept any new subscription applications or enter into new investments in the fund.

The service providers of the Fund shall continue to provide the services thereof within the liquidation period, unless the liquidator decides, after the approval of the Authority, to stop the provision of the services, or replace them with other service providers, or combine some duties assigned to one service provider.

In all events, the external Auditor may not be dispensed with during the liquidation period.

**Article 2-37-4**

The Fund Manager or service providers may appoint a liquidator for the Fund. The liquidator may be appointed amongst the Licensed Persons to practice the activities of Collective Investment Schemes or Investment Portfolio Manager or Investment Controller or Custodian or Auditors registered at the Authority. In all events, the liquidator shall not be appointed without the approval by the Authority, taking into account not to combine the functions of the liquidator and the external Auditor.

The liquidator shall not proceed with the works thereof unless the appointment thereof is Officially Announced.

**Article 2-37-5**

The liquidator shall be appointed in accordance with a resolution issued by the Unit holders assembly, except in the event in which the Authority decides to appoint such liquidator in accordance with Article (1-12) of this Module.

In the event of selecting the liquidator by the Unit holder's Assembly, the Authority's approval must be obtained prior to the appointment.

In all events, the body selecting the liquidator shall specify the fees thereof and the liquidation term, provided that the Fund shall incur these fees.

**Article 2-37-6**

The liquidator may be replaced upon a resolution issued by the entity appointing the liquidator. In all events, the Authority may, at the request of the liquidator or any Unit holder or a Fund's creditor or on its own, issue a resolution of replacing the liquidator if it finds an acceptable reason for that.

Any resolution of the replacing of a liquidator shall include appointment of an alternative liquidator. The new liquidator shall not proceed with works thereof unless the resolution of appointment thereof as a liquidator is Officially Announced.

The previous liquidator shall cooperate fully in order to facilitate the smooth transfer of responsibilities to the alternative liquidator within sixty days of appointing the alternative liquidator, and the previous liquidator shall submit to the replacement liquidator all contracts related to the Fund, where applicable.

**Article 2-37-7**

The liquidator shall carry out all works required for the Fund's liquidation and shall be entitled to:

1. Comply with the Law, these Bylaws, circulars, resolutions, and instructions issued by the Authority.
2. Take all necessary measures immediately to correct any failure to fulfill its obligations stipulated in these Bylaws and any instructions issued by the Authority.
3. Represent the Fund before the courts and third parties.
4. Provide Care of a Prudent Person to maintain the Fund's Assets and rights.
5. Pay the Fund's debts.
6. Allocate amounts for disputed debts and obligations of the Fund.
7. Sell the Fund's Assets of real estate and movable assets in a public auction, tender, or any other method ensuring to have access to the highest price, unless the appointment resolution sets forth selling in a certain method.
8. Divide the Fund's net Assets amongst the Unit holders.
9. Provide all necessary information about the Fund to service providers to enable them to carry out their tasks effectively.
10. Provide a copy of the Fund's liquidator's report on the quarterly liquidation activities submitted to the Authority, the minutes of the Unit holders' assemblies meeting, or the financial statements to the Unit holders if they so request.
11. Keeping the books and documents related to the liquidation of the Fund for a period of five years from the date of canceling the registration of the Fund from the Authority's register.

The liquidator may not proceed with new works unless they are necessary for completing previous works. In addition, the liquidator may not sell the Fund's Assets in one batch; reconcile concerning the rights thereof; accept arbitration in the disputes related to liquidation works; or deal with Related Parties of the Fund or perform in kind distributions without the approval of the Unit holders assembly.

**Article 2-37-8**

Works conducted by the liquidator shall be valid in relation to the Fund, the Unit holders, or third parties, if they are required by liquidation works and within the limits of the powers thereof. If there are many liquidators, actions thereof shall not be binding to the Fund, unless the resolution is issued by the absolute majority and unless the resolution of appointment thereof otherwise states.

**Article 2-37-9**

The Fund Manager shall provide the Fund's accounts and hand over books, documents, and assets thereof to the liquidator within thirty days from the date of the decision to appoint the liquidator. In addition, the service providers shall provide the liquidator with any data or information related to the Fund. The liquidator shall inventory the Fund's Assets and shall identify the financial position thereof, including rights and obligations thereof. The liquidator may appoint/hire service providers in this regard. The liquidator shall keep books necessary to register the liquidation and shall provide the Authority within three months from the date on which the Fund was liquidated and the liquidator commenced his work - with the following:

1. The Fund's financial position report, provided that it is audited by the Fund's Auditor.
2. Record of Unit holders as on the date of the liquidation month.

In the event of replacing the Fund's liquidator, the obligations contained in this Article shall apply to each of the previous Fund's liquidator, the alternative liquidator and service providers, each according to his competence.

**Article 2-37-10**

The liquidator shall complete liquidation works in the period as specified in the decision of appointment thereof; so if the period is not specified, the Authority shall specify such period at the request of the stakeholders.

The period may be extended by a decision issued by the entity selecting the liquidator after reviewing the report thereof including the reasons that prevent completion of the liquidation on the specified period. The period may also be extended by a decision issued by the Authority at the request of the liquidator in the event that it is not possible to extend the period by the Authority that chose the liquidator. Any party with a relevant interest may require the Authority to shorten such period.

**Article 2-37-11**

Each Fund under liquidation shall have a Unit holders assembly. The liquidator of the Fund shall call the Unit holders assembly meeting to be held within the Fund's financial year, in order to discuss the financial data for the ended year, the Auditor's report, and the annual report of liquidation works and the approval. The liquidator may call the assembly meeting at any time to be held if the liquidation works so require.

**Article 2-37-12**

The liquidator shall collect the rights payable to the Fund by third parties or by the Fund Manager and deposit the collected amounts in a bank account for the Fund in the liquidation phase.

The liquidator shall pay the Fund's debts and set aside amounts necessary to pay the disputed debts. The Fund's debts shall be paid according to the following order:

1. The financial obligations resulting from the liquidation process.
2. All amounts payable to the service providers.
3. Priority debts according to their sequence.
4. Debts secured with collateral in kind within the limits of asset securing the debt.

The amounts of money remaining after payment of the said debts shall be paid to the ordinary creditors. If such remaining amounts are insufficient to pay all such debts, money shall be divided amongst them pro rata.

**Article 2-37-13**

The liquidator shall divide the remaining Fund's Assets to each participant in proportion to the number of Units in the Fund's capital, after paying his debts and obligations related to the liquidation work that are allocated for this purpose.

In all cases, it must be taken into account that no additional expenses are charged to the Fund, which will affect the share of some Unit holders without the rest.

**Article 2-37-14**

Upon completion of the liquidation of the Fund and the division of its assets, the liquidator shall submit to the Authority a final audited account and a certificate that there are no cases filed by or against the Fund issued by the competent authority, in addition to submitting a copy of the bank statement of zero.

The liquidator shall also present the audited final account to the Unit holders assembly, and the liquidation work ends with the approval of the final account from that assembly.

The liquidator shall request the Authority to Officially Announce the liquidation completion and cancelation of the Fund's entry from the Fund's register with the Authority after the liquidation is completed.

The completion of liquidation shall not be invoked against others except from the date of the Official Announcement.

<b>Article 2-37-15</b>	The liquidator shall provide the <u>Authority</u> with a quarterly report of liquidation works according to the form contained in Appendix No. (10) of this Module, in addition to submitting the audited periodical and annual audited financial statements and the <u>Auditor's</u> report for the <u>Fund</u> under liquidation within a maximum period of thirty days from the end of the period for which the report on the liquidation works and the financial statements is prepared. In addition, the <u>Authority</u> may require the liquidator to provide it with any information or reports when necessary.
<b>Article 2-37-16</b>	The liquidator shall be required to indemnify for the damages incurred by the <u>Fund</u> , <u>Unit</u> holders, or third parties in case the liquidator exceeds the limits of the powers thereof or as a result of faults committed thereby during the performance of the works thereof. In case of various liquidators, they shall be jointly liable.
<b>Article 2-38</b>	<b>Substitute Manager</b>
<b>Article 2-38-1</b>	<p>On selecting a substitute <u>Fund Manager</u>, the following conditions shall be considered:</p> <ol style="list-style-type: none"><li>1. The substitute manager shall be a <u>Licensed Person</u> by the <u>Authority</u> to work as a <u>Collective Investment Scheme</u> manager.</li><li>2. The substitute <u>Fund Manager</u> shall not be a manager of another <u>Fund</u>, which is similar in terms of goals, policies, activities and the category of investors targeted by such <u>Fund</u>, unless it is a <u>Close-Ended Fund</u> and has fulfilled its capital.</li><li>3. The substitute <u>Fund Manager</u> shall not have experienced default before due to mismanagement of any <u>Fund</u>.</li><li>4. The substitute <u>Fund Manager</u> shall be able to manage a new <u>Fund</u>, so that the position thereof when assuming the <u>Fund</u> management doesn't affect the interest of <u>Unit</u> holders.</li><li>5. The substitute manager shall undertake to abide by the <u>Fund's</u> Articles of Association.</li><li>6. Obtain the <u>Authority's</u> approval to appoint a substitute <u>Fund Manager</u> before holding the <u>Unit</u> holders assembly to obtain the approval of more than 50% of the <u>Fund's</u> capital for selection of the substitute manager. The <u>Authority</u> shall notify the applicant of the decision setting out the reasons thereof within thirty days as of the date it received the application.</li><li>7. Any other conditions decided by the <u>Authority</u>.</li></ol> <p>Each replacement decision shall include the appointment of substitute or who will safeguard the assets of the <u>Fund's Assets</u>. The substitute <u>Fund manager</u> shall not proceed with works thereof unless the <u>Authority</u> announces the resolutions of replacement and appointment thereof in the Official Gazette.</p>

**Article 2-38-2**

The Fund Manager shall cooperate fully in order to facilitate a smooth transfer of responsibilities to the substitute Fund Manager within sixty days of the appointment of the substitute manager, and the previous Fund Manager shall submit to the substitute manager all contracts related to the Fund, where applicable.

**Article 2-38-3**

In the event of an inability to appoint a substitute Fund Manager through the Unit holders assembly, the Authority is entitled to do what it deems appropriate to achieve the best interest of the Fund. The Authority may cancel the Fund's license and it shall be liquidated in accordance with the provisions set forth on this Chapter.

**Chapter Three****Contractual Collective Investment Schemes****Scope of Application****Article 3-1**

The provisions of this Chapter shall apply to Contractual Collective Investment Schemes licensed by the Authority and their managers.

**Article 3-2**

The Authority may permit the incorporation of Contractual Collective Investment Schemes that does not have a corporate entity, whose units are issued by a Special Purpose Vehicle Company licensed by the Authority.

**Article 3-3**

The Contractual Collective Investment Scheme is incorporated to invest funds owned by two or more Professional Clients, except for cases based on a court order or inheritance.

The purpose of such scheme is to enable the Clients participating in the scheme to participate in or gain the profits accrued by, acquisition, or ownership, or management or disposition of such assets.

**Article 3-4**

The Contractual Collective Investment Schemes must be managed by one of the Licensed Persons licensed to practice the Collective Investment Scheme Manager activity.

**Article 3-5**

Any contractual arrangements that the Authority decides to exclude from the scope of the Contractual Collective Investment Schemes shall not be included within the Contractual Collective Investment Schemes.

### Contractual Arrangements of the Scheme

#### Article 3-6

The Contractual Collective Investment Scheme is incorporated pursuant to a contract concluded between the Collective Investment Scheme Manager and the Clients participating for the purpose of owning units in the Special Purpose Vehicle Company, provided that the number of participants in the Scheme does not exceed 25 Professional Clients. The number of participants may be increased in the event of inheritance or based on a court order or any other special cases approved by the Authority.

#### Article 3-7

The Special Purpose Vehicle Company shall issue units of the Contractual Collective Investment Scheme in accordance with the provisions of the Law and this Chapter, Chapter Four (Special Purpose Vehicle Company which Issues Contractual Collective Investment Scheme Units) of this Module, and any other instructions or resolutions issued by the Authority from time to time.

### Form of Contractual Collective Investment Scheme

#### Article 3-8

A Contractual Collective Investment Scheme shall take one of the following forms:

1. Open-ended Contractual Collective Investment Scheme with a variable capital, whose capital increases with the issuance of new investment Units or decreases with the redemption of any of its Units during the period specified in the Contractual Collective Investment Scheme Contract.
2. Closed-ended Contractual Collective Investment Scheme with a limited capital, whose investment Units shall only be redeemed at the expiry of the term of the Scheme. Its capital may be increased or decreased according to the provisions of the Contractual Collective Investment Scheme Contract.

### Contractual Collective Investment Scheme Capital

#### Article 3-9

The Contractual Collective Investment Scheme's capital is divided into Units of equal value. The liability of the Unit holders in the Contractual Collective Investment Scheme is limited to the value of their participation in the capital. The value of Units shall be paid in cash upon subscription or participation. The value of Subscription may be paid in instalments if stated in the Contractual Collective Investment Scheme Contract. The value of Units may be paid in kind, provided that the contract states thereof; the assets in kind shall be set for appraisal in accordance with the provisions of appraisal of shares in kind referred to in Module Eleven (Dealing in Securities) of these Bylaws.

### Definition of Units

#### Article 3-10

An investment unit is an indivisible Security that represents a share in the Contractual Collective Investment Scheme's Assets directly authorizing its holders of all rights resulting therefrom.

If there is more than one owner of the Unit, they must choose one Person amongst them to represent them before the Scheme.

Non-Kuwaiti citizens may subscribe in or own investment Units.

### Subscription and Participation in Units

#### Article 3-11

Subscription or participation in the Contractual Collective Investment Scheme shall be through Private Placement addressed to a Professional Client only.

### Promoting or Selling of Units

#### Article 3-12

Financial Promotions for the Contractual Collective Investment Scheme shall only be permitted pursuant to the Financial Promotions controls stated in Chapter Seven of Module Eight (Conduct of Business) of these Bylaws. It shall be addressed only to a Professional Client, given that the means of marketing available for public shall not be used for the Contractual Collective Investment Scheme.

### Requirements for incorporating a Contractual Collective Investment Scheme

#### Article 3-13

Any Contractual Collective Investment Scheme shall be incorporated as follows:

1. The Licensed Person to practice Collective Investment Scheme Manager activity shall submit an application, to incorporate a Contractual Collective Investment Scheme to the Authority, according to the form set out in Appendix (6) of this Module, in addition to submitting an incorporation form of a Special Purpose Vehicle Company pursuant to Chapter Four (Special Purpose Vehicle Company which Issues Contractual Collective Investment Scheme Units) of this Module. It shall be exempted from submitting a Prospectus in Contractual Collective Investment Scheme Units and shall pay the prescribed fees.
2. The Authority may at any time, after it receives the application to incorporate a Contractual Collective Investment Scheme that meet the requirements in item (1) of this article, require additional documents or information that it considers necessary to decide on such application within the period specified by the Authority.
3. The Authority shall decide on the application to incorporate a Contractual Collective Investment Scheme after it receives the application including all of the information and documents set out in the above items (1) and (2) of this article within thirty Business Days.

4. In the event of rejecting the application, the decision of rejection shall set out the reasons thereof.
5. If the application is approved, the applicant shall be notified to pay the licensing fees within thirty days from the date of issuance of the approval. The applicant shall specify and notify the Authority of the start date of the subscription, provided that it is within six months of the Authority's approval of the incorporation application.
6. The Authority shall issue a temporary license for six months, during which the minimum capital stated in the Contractual Collective Investment Scheme Contract should be met. It is not permitted to practice any of the Scheme's activities based on the temporary license.
7. The applicant may end the subscription period at any time and consider the subscribed capital sufficient, provided that the target class that was invited to subscribe is notified before a period of no less than three Business Days from the new end date.

He may also submit an application to the Authority to extend the period of the temporary license, before the end of the original term of the license. The Authority may take appropriate measures – in each case separately – in a manner that achieves the interest of the Contractual Collective Investment Scheme.

8. If the temporary license term expires without meeting the requirements stipulated in this article, the temporary license shall be terminated, and the Collective Investment Scheme Manager shall return any money collected from the Clients and the returns achieved within a maximum period of ten Business Days from the date of the end of the temporary license, and shall notify the Authority in writing of the same.
9. The Authority shall issue the final license - at the request of the Licensed Person - once the requirements set out in this article are met.
10. The applicant shall fulfill the periods specified in this article, otherwise the application shall be considered null and void.

In all cases, the Authority shall, notify the applicant of its decisions referred to in this article, and publish its decisions related to the issuance of the license in the Official Gazette.

**Article 3-14**

The Authority shall keep a record of all licensed Contractual Collective Investment Schemes.

**Article 3-15**

**Contractual Collective Investment Scheme Contract**

**Article 3-15-1**

The Contractual Collective Investment Scheme shall be incorporated and regulated according to a contract prepared by the Collective Investment Scheme Manager without compromising the provisions of the Law and these Bylaws.

Article 3-15-2

The Contractual Collective Investment Scheme should include the following data and information as a minimum:

1. Contractual Collective Investment Scheme name.
2. Contractual Collective Investment Scheme form (open-ended or closed-ended).
3. Contractual Collective Investment Scheme term.
4. Currency of the Contractual Collective Investment Scheme.
5. Nature of the Contractual Collective Investment Scheme (Conventional or Conforms with Islamic Sharia).
6. Contractual Collective Investment Scheme capital and its payment method.
7. Number of Contractual Collective Investment Scheme investment Units and the nominal value of each Unit.
8. Investment objectives of the Contractual Collective Investment Scheme.
9. Field of investment of the Contractual Collective Investment Scheme.
10. Investment controls.
11. Investment risk.
12. Beginning and end of the financial year of the Contractual Collective Investment Scheme.
13. Information about the Special Purpose Vehicle Company which represents the Contractual Collective Investment Scheme, including its activities and its chosen permanent headquarters in which notifications, correspondence and announcements are made.
14. Collective Investment Scheme Manager's name, address, profile and fees.
15. Statement that the Collective Investment Scheme Manager is licensed by the Authority.
16. A Summary of the responsibilities of service providers, in addition to the provisions relevant to the termination of their service or replacing them.
17. Minimum and maximum subscription and redemption by the Collective Investment Scheme Manager (if any) and the Unit holders in the Contractual Collective Investment Scheme.
18. Method of subscription and redemption, and the extent to which the in kind subscription and redemption are permitted (if any).
19. Subscription and redemption periods (if any).
20. Method of transfer in ownership in the Contractual Collective Investment Scheme (if any).
21. Controls and limitations of borrowing (as applicable).
22. Detailed information about the rights and obligations of Units holders.

23. Provisions governing the Unit holders' assembly (if any).
24. Dealing Days in which applications for participation in the Contractual Collective Investment Scheme Units may be submitted or redeemed (if any).
25. Valuation Days on which the Scheme's net asset value (NAV) is calculated.
26. Statement regarding the criteria and method of valuating the Collective Investment Scheme Assets according to the controls and International Accounting Standards approved by the Authority, and provisions of appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.
27. Mechanism for calculating the net asset value of a Unit in Contractual Collective Investment Scheme.
28. Conditions regulating postponement or suspension of dealing in the Units (if any).
29. Procedures of distributing dividends (if any).
30. Procedures of submitting reports to the Units holders and the Authority, and methods and times of disclosure of information.
31. Mechanism of reviewing and deciding on the annual reports of the Scheme's manager and service providers.
32. Mechanism of discussing the financial statements for the ended year of the Scheme under liquidation and the external Auditor's report, the annual report of the liquidation, and the final account on the Scheme's liquidation and the division of its assets.
33. The extent to which the Collective Investment Scheme Manager may be replaced and the competent body for such replacement, in cases other than that assigned to the Authority.
34. The body that specializes in appointing a substitute Collective Investment Scheme Manager or to appoint a liquidator in cases other than that assigned to the Authority.
35. Provisions and requirements of terminating and liquidating the Contractual Collective Investment Scheme, without prejudice to the general provisions set forth in Article (3-41) and (3-42) of this Chapter.
36. Method of calculating and paying the fees of the service providers.
37. Method of obtaining approvals of amending the Contractual Collective Investment Scheme Contract or liquidation.
38. A table showing all fees, expenses, and costs, whether they are owed by Unit holders or the assets of the Collective Investment Scheme or its manager.
39. Procedures of any complaints provided by the Unit holders related to the Contractual Collective Investment Scheme.
40. Procedure of correspondence with the Unit holders.
41. Any other information required by the Authority.

**Article 3-15-3** The Contractual Collective Investment Scheme Contract, and any amendments thereof, must be written in Arabic and signed by the Professional Client, and provided free of charge upon request to any current participant or any Professional Client intending to subscribe or participate.

**Article 3-15-4** The Collective Investment Scheme Manager/Subscription Agent must not accept any subscription application before verifying that the applicant is a Professional Client. Any subscription application may be rejected if the Client delayed or fails to submit any required information or additional documents. It is prohibited to accept any subscription or participation application from any other Collective Investment Scheme.

#### **Declaration of Disclaimer**

**Article 3-16** The cover page of the Contractual Collective Investment Scheme Contract shall include a declaration of disclaimer. It shall be a prominent legible disclaimer written in bold font, and shall include the following information:

The Capital Markets Authority shall not bear any liability for the contents of this Contract. It does not give any confirmation of the truth and accuracy of its contents. It shall not bear any liability of any kind for any loss resulting from this Contract or from relying on any part thereof. The Capital Markets Authority does not give any recommendation whether it is a good investment or not. We advise investors to read and understand this Contract. If in doubt, please seek the advice of a Person licensed in accordance with the Law who is specialised in giving advice regarding the content of this contract before making an investment decision.

In no case shall the Authority's approval of any Contractual Collective Investment Scheme be considered as a positive assessment by the Authority of the economic, financial, legal or solvency risks of the Contractual Collective Investment Scheme, the Special Purpose Vehicle Company or the Collective Investment Scheme Manager, or as a recommendation to participate in the units of the Contractual Collective Investment Scheme.

This contract was prepared in accordance with the Law and Bylaws. It shall not be presented or distributed within the State of Kuwait except to "Professional Clients" only as defined in Module One - Glossary - in the Bylaws.

The (Collective Investment Scheme Manager) shall bear full responsibility resulting from the Contractual Collective Investment Scheme Contract and confirms that the contract includes all information relevant to the Contractual Collective Investment Scheme and the associated investment risks, which are material to the issuance of Units in the Scheme, and that the information contained therein are true and accurate in all respects and is not misleading in any way, and that the opinions contained therein are presented with credibility and integrity and there are no other facts that their omission lead making this whole contract or any of the information mentioned or opinions expressed therein is misleading in a substantive way.

**Article 3-17**

If any material change occurs during the subscription period in any of the information contained in the Contractual Collective Investment Scheme Contract approved by the Authority or if there is an error or discrepancy in such information, the Collective Investment Scheme Manager shall - before the closing of the subscription period - provide the Authority with a supplementary contract that includes the necessary amendments., The participants should be notified of such amendments after it is approved by the Authority and before the closing of the subscription period.

Any participant that has participated before being notified of the supplementary contract is entitled to withdraw the subscribed amount and the Collective Investment Scheme Manager shall refund the participant his amount thereto within a maximum of two Business Days as of the date of expressing its intention to recant.

**Amendment of the Contractual Collective Investment Scheme Contract**

**Article 3-18**

Without prejudice to the provisions of Article (1-9) of this Module, the following additional provisions shall be applied in the event of any amendment to the Contractual Collective Investment Scheme Contract:

1. The Collective Investment Scheme Manager shall notify the Unit holders of any amendment to the Contractual Collective Investment Scheme Contract within a period not exceeding five Business Days from the date of Authority's approval of the amendment.
2. No amendment to the Contractual Collective Investment Scheme Contract shall be implemented unless after approval by the Authority with immediate effect or on the date it specifies.

**Article 3-19**

**Contractual Collective Investment Scheme Unit Holders**

**Article 3-19-1**

The participating Unit holders are not entitled to manage the Contractual Collective Investment Scheme or the operations of the Collective Investment Scheme Manager.

**Article 3-19-2**

The creditors of the Unit holders, the Collective Investment Scheme Manager and the service providers may not seize the Collective Investment Scheme Assets. The creditors of the Unit holders may seize their debtor Units.

**Special Purpose Vehicle Company**

**Article 3-20**

The Collective Investment Scheme Manager shall establish the Special Purpose Vehicle Company and obtain a license from the Authority to issue the Units in the Contractual Collective Investment Scheme in accordance with the provisions of Chapter Four (Special Purpose Vehicle Company which Issues Contractual Collective Investment Scheme Units) of this Module. Special Purpose Vehicle Company may not issue Units for more than one Contractual Collective Investment Scheme.

**Article 3-21**

**Contractual Collective Investment Scheme Service Providers**

**Article 3-21-1**

Each Contractual Collective Investment Scheme must have the following service providers:

1. A Collective Investment Scheme Manager.
2. An Investment Controller.
3. A Custodian.
4. Record Keeper.
5. An external Auditor.
6. An External Sharia Auditing Office (for Contractual Collective Investment Schemes licensed to operate in accordance with the provisions of Islamic Sharia).

It shall be taken into consideration that the Investment Controller, the external Auditor, or the External Sharia Auditing Office may not be a Related Party with the Collective Investment Scheme Manager.

The Collective Investment Scheme Manager may appoint other service providers, in addition to the service providers referred to in this Article including the Investment Advisor, the Subscription Agent (selling), or any other entity as needed.

He may also seek the assistance of one of the persons licensed by another Regulatory Body to perform some of his tasks regarding the management of the Scheme's assets located outside the State of Kuwait, or to seek the assistance of any other parties to provide services for the Scheme outside the State of Kuwait, provided that those entities are subject to another Regulatory Body, and the contract with any of those entities to exempt the Scheme manager from his responsibilities or the damages resulting from this contract.

**Service Provider Fees**

**Article 3-21-2**

The Scheme shall incur the incorporation fees, Authority license fees, or any other fees imposed by the Authority.

No amount of Scheme assets may be paid in case the service provider is appointed to perform any of the tasks related to the tasks of the Scheme manager or in return for the Investment Advisor's fees.

**Article 3-22**

A service provider may not combine two or more functions set forth in Article (3- 21-1) of this Chapter to one Contractual Collective Investment Scheme. As an exception, it is permissible to combine in the following cases:

1. Between the duties of the Custodian, Record Keeper and Investment Controller for the Contractual Collective Investment Scheme.
2. Combining the duties of the Scheme manager, the Subscription Agent (selling) and the real estate management company.
3. Combining the duties of the Subscription Agent (selling), the Investment Advisor and the real estate management company.
4. Combining the duties of the Investment Advisor and the real estate management company.

Provided that the necessary measures and procedures are taken to separate the duties performed by the service provider, and to limit any conflict of interest cases that may arise during the performance of the duties.

Article 3-23

**Obligations of Service Providers of Contractual Collective Investment Scheme**

Service providers, whether natural Persons or corporate entities, shall comply with the following:

1. The service provider should have the adequate human resources, technical and financial abilities and capabilities to the sufficient extent to meet the commitments thereof.
2. Enter into a contract with the service provider which includes the rights and obligations of the parties thereto, in particular, the fees of the service provider, the bases of calculating it, dates of payment, the procedures to be taken at the termination of such contract, and procedures and implications resulting from the termination of the relationship with such service provider, except for the Scheme manager where the Scheme contract meets the requirements of this Item.
3. Assume Care of a Prudent Person when undertaking the responsibilities of a service provider, cooperate with the other service providers of the Scheme, take responsibility for any professional omission or negligence, or fraud committed by him during the performance of his work, and compensate every Person harmed as a result of an error committed by the service provider, provided that the Authority shall be notified within five Business Days once any of the events stipulated in this item occurs.
4. The service provider, except for the Collective Investment Scheme Manager, may not deal in the Contractual Collective Investment Scheme's Units for its interest or on anyone's behalf.
5. Comply with the Law, these Bylaws, circulars, decisions and instructions issued by the Authority, and the Contractual Collective Investment Scheme Contract.
6. Take all necessary measures to rectify any failure to comply with its obligations stipulated in the Contractual Collective Investment Scheme Contract and these Bylaws and any instructions issued by the Authority.
7. Access at any time to the records, books, documents and papers related to the Scheme in the possession of other service providers within the limits that fall within their jurisdiction and to enable them to perform their duties as required.
8. Not to exploit the assets of the Scheme for a private interest.

**Article 3-24**

Service Providers shall immediately notify the Authority within five Business Days of knowing about any information that may materially affect the interests of Unit holders in the Contractual Collective Investment Scheme, including but not limited to the following:

1. Any violation of the provisions of the Law or these Bylaws or the Contractual Collective Investment Scheme Contract or decisions and regulations issued by the Authority.
2. The inability of the Contractual Collective Investment Scheme to meet its financial obligations as they fall due.

**Article 3-25**

The terms of reference of the Contractual Collective Investment Scheme service providers shall extend in the performance of their functions to the transactions of the Special Purpose Vehicle Company and the assets owned under its name in the interest of the Scheme.

**Collective Investment Scheme Manager**

**Article 3-26**

The Contractual Collective Investment Scheme shall be managed by an Executive Team formed of two or more of the Collective Investment Scheme Manager's employees, who must be registered at the Authority as Representatives of Collective Investment Scheme Manager activity, provided that one of the employees should be at an Executive Position or Chief Executive Officer of the Collective Investment Scheme Manager. The Executive Team shall represent the Collective Investment Scheme Manager with the responsibilities and powers set forth in this Module.

Their signature or whom they authorize among them thereof shall be considered as the Collective Investment Scheme Manager's signature. The members will be jointly liable with the manager for any errors, negligence, or fraud in the management of the Scheme.

**Article 3-26-1**

The Scheme manager shall appoint a representative of the activity of a Collective Investment Scheme Manager - (Operations Officer) who works for the Executive Team and receives orders and implements them within the limits of the supporting operations. He also coordinates with the Investment Controller and provides him with all necessary information about the Scheme that enables him to evaluate shares or Units and perform his tasks efficiently and effectively, without having any discretionary power to make investment decisions regarding the Scheme management.

**Article 3-26-2**

The Collective Investment Scheme Manager is committed in particular to the following functions:

1. Represent the Contractual Collective Investment Scheme legally, and practice the rights and obligations associated with the Scheme in the interest of the Unit holders and on their behalf, and he - or whoever he delegates - has the right to sign on his behalf.
2. Manage the Collective Investment Scheme's Assets in a manner that achieves the investment objectives of the Contractual Collective Investment Scheme set forth in the Contractual Collective Investment Scheme Contract.
3. Manage the Special Purpose Vehicle Company which is established for issuing Units of the Contractual Collective Investment Scheme in accordance with the company's Articles of Association and the Contractual Collective Investment Scheme Contract.
4. Take all of the investment decisions and other decisions in a manner that achieves the interest(s) of the Contractual Collective Investment Scheme and its Unit holders, and ensure the equal treatment of the Unit holders.
5. Appoint the service providers of the Contractual Collective Investment Scheme and ensure that they perform their tasks.
6. Comply with all the provisions of the Contractual Collective Investment Scheme Contract and the Articles of Association of the Special Purpose Vehicle Company established for issuing Units of the Contractual Collective Investment Scheme.
7. Apply the appropriate policies and procedures to prevent or reduce wrongful practices, which may affect the stability of the market and its integrity.
8. Ensure the use of pricing models and appraisal methods that are fair, correct, and transparent for the Collective Investment Scheme Assets managed thereby for every Scheme managed. In the event that a Collective Investment Scheme Manager evaluates or assesses the impairment of any asset listed in its financial statements based on the requirements of the International Accounting Standards approved by the Authority, the manager shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these Bylaws.
9. Take appropriate measures to protect and safe keep the Collective Investment Scheme's Assets.

10. Maintain records of purchase and sale transactions which occur in the Contractual Collective Investment Scheme and according to its timing and chronological sequence.
11. Negotiate all borrowing arrangements (if any) in accordance with the limits set forth in the Contractual Collective Investment Scheme Contract and supervise the implementation of these arrangements.
12. Applying an appropriate accounting system to record the financial transactions of the Contractual Collective Investment Scheme.
13. Prepare semi-annual financial statements and annual financial statements of the Contractual Collective Investment Scheme.
14. Ensure an adequate system is in place for the settlement of transactions that have been entered into the accounting system with bank accounts and Securities accounts opened under the Contractual Collective Investment Scheme's name with the Custodian.
15. Provide sufficient liquidity for the Contractual Collective Investment Scheme to meet any obligations that may arise.
16. Not to expose the Contractual Collective Investment Scheme to any unnecessary investment risks in accordance with its policies and investment objectives.
17. Provide the necessary information of the Contractual Collective Investment Scheme to the service providers to the extent that enables them to perform their duties thereof efficiently and effectively.
18. Notify the Authority or Units holders immediately after the occurrence of material events that may affect their interests.
19. Segregation between the processes associated with Collective Investment Schemes if the manager is managing more than one Collective Investment Scheme.

**Article 3-26-3**

The Collective Investment Scheme Manager may employ a person licensed by a foreign Regulatory Body to carry out some of his duties on the Collective Investment Scheme Assets located outside of the State of Kuwait, provided that the Collective Investment Scheme Manager shall bear the fees of such licensed person from his own funds and it may not pay the fees from the Collective Investment Scheme Assets.

**Article 3-26-4**

The Authority may, at the request of one of the Contractual Collective Investment Scheme Unit holders or the creditors of the Special Purpose Vehicle Company, or on its own initiative, issue a decision replacing the Collective Investment Scheme Manager if it deems an acceptable justification for this, or who would safeguard the assets of the Scheme. The alternative Collective Investment Scheme manager shall only commence carrying out his work after the Authority publishes Official Announcements of the replacement and appointment decisions in the Official Gazette.

**Article 3-27**

**Investment Controller**

Each Contractual Collective Investment Scheme shall have an Investment Controller from the Licensed Persons, appointed by the Collective Investment Scheme Manager after obtaining the approval of the Authority, and the Investment Controller shall be committed to the following:

1. Ensure that the Collective Investment Scheme Manager complies with the Law, these Bylaws and the Authority's decisions and instructions, the Contractual Collective Investment Scheme Contract, and any other documents issued by the Collective Investment Scheme Manager.
2. To appraise the Units and calculate their net value in an independent and fair manner in accordance with the methods, periods and policies stated thereof in the Contractual Collective Investment Scheme Contract.
3. Notify the Scheme Manager and the Authority of all Unit pricing or evaluation errors that occurred during any period, within five Business Days of discovering the error.
4. Ensure that the Scheme Manager carries out his responsibilities in the interest of the Unit holders in accordance with the Contractual Collective Investment Scheme Contract and the provisions of these Bylaws, and that his funds are invested within the limits of the methods and policies specified in this contract.
5. Executing the Scheme Manager's instructions related to the scope of work of the Investment Controller.
6. Approve any transactions that involve a conflict of interest.
7. Meet at least twice annually with the Executive Team of the Scheme to review the Scheme compliance with the Law, these Bylaws, the Authority's decisions and instructions, the Contractual Collective Investment Scheme Contract, and any other documents issued by the Collective Investment Scheme Manager.
8. Notify the Authority in the event that the Collective Investment Scheme Manager fails to comply with the Law, these Bylaws, or the Contractual Collective Investment Scheme Contract within five Business Days of becoming aware thereof.
9. Preparing an annual report on the work of the Scheme that includes a record of violations and cases of non-compliance and violation of the investment and borrowing controls referred to in Article 3-35 of this Chapter, the procedures taken and the time period for correcting such violations.
10. Attending the Scheme Units holders assembly (if any).

**Article 3-28**

**Custodian**

**Article 3-28-1**

Each Contractual Collective Investment Scheme shall have a Custodian from the Licensed Persons, appointed by the Collective Investment Scheme Manager after obtaining the approval of the Authority. Such Custodian may appoint one or more sub-Custodian that is licensed or registered from another Regulatory Body to safe keep the assets outside of the State of Kuwait. Contracting with a sub-Custodian shall not exempt the principal Custodian from the responsibilities thereof.

**Article 3-28-2**

Subject to the provisions of Module Seven (Clients' Funds and Clients' Assets) of these Bylaws, the Custodian shall take the necessary measures to ensure the following:

1. Open and manage the necessary bank accounts, accounts with the Clearing Agency, accounts with Brokers, or any other accounts on behalf of the Special Purpose Vehicle Company in the interest of the Contractual Collective Investment Scheme.
2. Not to use the Collective Investment Scheme's Assets and any rights related to them except in accordance with the objectives set by the Contractual Collective Investment Scheme Contract, and not to exploit them for its benefit or for the benefit of other Clients or for the benefit of any other Collective Investment Schemes.
3. Develop appropriate records-keeping systems related to the Collective Investment Scheme's Assets.
4. Ensure that all the Collective Investment Scheme's Assets, except for the right to the usufruct (Intifa'a), are registered in the name of the Special Purpose Vehicle Company for the interest of the Contractual Collective Investment Scheme and ensure that all the legal arrangements necessary for the safeguarding of the rights of the Contractual Collective Investment Scheme and Unit holders are met in a legally enforceable manner where applicable.
5. Ensure that the right to the usufruct (Intifa'a) contract is transferred in the name of the Special Purpose Vehicle Company or in favor of the Contractual Collective Investment Scheme in a manner that does not conflict with the Scheme contract.
6. Collect and keep the dividends and any other distributions arising from the activities of the Contractual Collective Investment Scheme, and deposit them in a bank account in the name of the Special Purpose Vehicle Company on behalf of the Contractual Collective Investment Scheme.
7. Execute the instructions of the Collective Investment Scheme Manager, within the Custodian's scope of work.
8. Notify the Collective Investment Scheme Manager of any obligations on the Collective Investment Scheme's Assets and send any notifications received thereby to the Collective Investment Scheme Manager in the period specified for it.
9. Keep the Collective Investment Scheme's Assets in accounts independent from its own or third party accounts.
10. Prepare and keep the Unit holders Register, unless it is kept by the Record Keeper.

**Article 3-28-3**

A written consent shall be obtained from the Collective Investment Scheme Manager for all contracts concluded between the principal Custodian and the sub-Custodian.

- Article 3-28-4** All contracts concluded with the principal Custodian or the sub-Custodian shall regulate the following issues:
1. The requirements that enable the Contractual Collective Investment Scheme to exercise all the rights related to the assets kept by the Custodian.
  2. The requirements related to the place where the Collective Investment Scheme Assets are kept.
  3. The method used in safekeeping and protection of the Collective Investment Scheme's Assets.
  4. The level of professional diligence and responsibility of damage.
  5. Fees and the method of calculating them.

**Article 3-29** **Keeper of the Unit Holders Register**

**Article 3-29-1** The register of Scheme Unit holders shall be kept with a Clearing Agency or with a Custodian.

In the event of liquidation, the register of Unit holders may be kept with the liquidator of the Scheme in the event of termination the services of the record keeping entity.

Article No. (3-6-1) of Module Four (Securities Exchanges and Clearing Agencies) and Article No. (6-1) and Article No. (6-2) of Module Eleven (Dealing in Securities) of these Bylaws do not apply to the provisions of this article, provided that the fees of the entity that keeps the register shall be paid from the funds of the Scheme.

**Article 3-29-2** The Record Keeper must abide by the following:

1. Maintain a record showing the names of the Unit holders, their nationalities, their domicile, the number of Units owned by each of them, their type and the value paid for them, and any update made on the balance of the remaining Units and the Units that have been issued, redeemed, created or canceled, and provide the Investment Controller with a copy of this statement.
2. Carry out the tasks of transferring ownership in accordance with the provisions of the Contractual Collective Investment Scheme Contract and the Articles of Association of the Special Purpose Vehicle Company.
3. Attending Unit holders assemblies (if any) and declaring the quorum after verifying the validity of the identities and representations of the attendees.

**Article 3-30**

**Sharia Supervision**

**Article 3-30-1**

Contractual Collective Investment Scheme operating under the provisions of Islamic Sharia shall have Sharia supervisory controls to supervise all activities of the Contractual Collective Investment Scheme to ensure compliance with the Sharia Standards and the relevant resolutions of the Authority.

The Sharia Supervision shall consist of the following:

1. Internal Sharia Audit Unit.
2. External Sharia Auditing Office.

The Scheme manager may appoint a Sharia Supervisory Board to carry out the tasks stipulated in Module Five (Securities Activities and Registered Persons) of these Bylaws. It is not permissible to combine the functions of the Internal Sharia Audit Unit, the External Sharia Auditing Office, and the Sharia Supervisory Board.

**Article 3-30-2**

A Collective Investment Scheme Manager, who manages a Contractual Collective Investment Scheme that operates in accordance with the provisions of Islamic Sharia, shall be entitled to appoint the External Sharia Auditing Office, provided that this office is registered at the Authority.

**Article 3-30-3**

A Collective Investment Scheme Manager, operating in accordance with Islamic Sharia, may assign the Sharia Audit Officer thereof to carry out the tasks of the scheme's Internal Sharia Audit Unit.

If the Collective Investment Scheme Manager is not a Licensed Person to operate in accordance with the provisions of Islamic Sharia, he shall be entitled to appoint an External Sharia Auditing Office to carry out the functions of the scheme's Internal Sharia Audit Unit, provided that the Collective Investment Scheme Manager shall incur the charges thereof, and that office shall not carry out the external operations of the scheme's External Sharia Auditing Office.

**Article 3-30-4**

The External Sharia Auditing Office of the Contractual Collective Investment Scheme shall be appointed for one financial year renewable on an annual basis for a period not exceeding four consecutive financial years, unless the Scheme is in the process of liquidation, the same External Sharia Auditing Office may be re-appointed after a period not less than two consecutive financial years.

The Scheme manager may not replace External Sharia Auditing Office during the contracted period of work, except after giving reasons and justifications to the Authority and obtaining its approval in this regard.

**Article 3-30-5**

An Internal Sharia Audit Unit shall be responsible for verifying transactions for the Contractual Collective Investment Schemes and ensure the legitimacy of application by selectively examining some of the different daily transactions of the scheme; to ensure that the scheme's transactions are abiding by Sharia Standards and by the relevant resolutions of the Authority.

**Article 3-30-6**

The External Sharia Auditing Office report shall include the following:

1. Evaluation of the efficiency and effectiveness of Shariah risk procedures.
2. Assessment of the extent of the Scheme's compliance with Sharia Standards and the relevant decisions of the Capital Markets Authority.
3. Scope of work of the External Sharia Auditing Office to include activities, contracts and Securities transactions of the Scheme.
4. Statement of the reference used for the Sharia Standards of the Scheme in case they differ from the Sharia Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
5. Opinion on the Scheme's compliance with the provisions of Islamic Sharia according to the Shariah reference it follows, including Sharia violations in the activities, contracts or transactions of the Scheme - if any - whether in Securities transactions or their implementation.
6. The audit procedures that led to the results of its work mentioned in this report.
7. Evidence that he has reviewed the report of the Internal Sharia Audit Unit.
8. Signature of the external Sharia Auditor registered with the Authority.

The External Sharia Auditing Office shall issue semi-annual periodical Sharia review reports that include the results of follow-up and examination of the extent to which the Scheme adheres to the provisions and principles of Islamic Sharia in its transactions and activities and publishes them within the periodical disclosures of the Scheme that operates in accordance with the provisions of Islamic Sharia, with the need to present these reports to the Executive Team of the Scheme to clarify the information included in the reports.

The External Sharia Auditing Office shall also present its annual report to the Scheme Unit holders according to the mechanism specified for this in the Scheme contract and the attendance of the assemblies concerned with examining its report (if any).

**Article 3-31**

**External Audit**

**Article 3-31-1**

The Scheme manager shall appoint an external Auditor from among the persons registered with the Authority, provided that he is committed in particular to the following:

1. Review and audit the Scheme accounts in accordance with the international accounting standards approved by the Authority.
2. Prepare a report on the Scheme's periodical and annual financial statements audited for the Scheme.
3. Notify the Authority of, upon reviewing and auditing the accounts of the Scheme, the Scheme's manager's non-compliance with the Law, these Bylaws, or the Contractual Collective Investment Scheme Contract within five Business Days of his knowledge of that.
4. Attend the Unit holders assembly in which the audited financial statements are to be presented by the Auditor, presenting and discussing these statements and answering the related inquiries.

**Article 3-31-2**

The external Auditor of the Scheme is appointed for one financial year, renewable annually, and for a period not exceeding four consecutive financial years, unless the Scheme is in the process of liquidation. The same external Auditor may be reappointed after a break of no less than two consecutive financial years.

The Scheme manager may not replace the external Auditor during his contracted period of work, except after giving reasons and justifications to the Authority and obtaining the Authority's approval.

**Article 3-31-3**

The external Auditor of the Collective Investment Scheme may not be the same Auditor of the Collective Investment Scheme Manager.

**Article 3-32**

**Vacancy of the Position of a Member of the Executive Team or any of the Service Providers**

**Article 3-32-1**

In the event that the position of a member of the Executive Team of the Scheme becomes vacant, the Scheme manager shall notify the Authority of this within a maximum period of five Business Days, and he shall also submit an application to fill the vacant positions within a maximum period of twenty Business Days from the date of the vacancy of the position.

In all events, the Scheme manager shall notify Unit holders within a maximum period of ten Business Days of the vacancy of the position, and they shall be notified within five Business Days from the date of appointment.

**Article 3-32-2**

Without prejudice to the provisions of Article (1-8) of this Module, the Scheme manager shall notify the Unit holders within a maximum period of five Business Days from the date of the Authority's approval to replace the Scheme manager, Custodian or Investment Controller of the Scheme.

- Article 3-32-3** In the event of a vacancy in the position of the external Auditor or the External Sharia Auditing Office for the Schemes that operate in accordance with the provisions of Islamic Sharia, the Scheme manager shall notify the Authority and the Unit holders within a maximum period of five Business Days, and the Scheme manager shall appoint a replacement for the vacant position within a maximum of one month from the date of vacancy, and notify of the Authority and Unit holders within a maximum period of five Business Days from the date of appointment.
- Article 3-32-4** Without prejudice to the provisions of Article (3-30-4) and Article (3-31-2) of this Chapter, if the Authority approves of the justifications for replacing the external Auditor or the External Sharia Auditing Office for the Scheme that operate in accordance with the provisions of Islamic Sharia during the period of their contracted work. Accordingly, the Scheme manager shall appoint a replacement for those vacant positions and notify the Authority and Unit holders of that within a maximum period of five Business Days from the date of appointment.
- Article 3-32-5** Without prejudice to the provisions of Article (3-30-4) and Article (3-31-2) of this Chapter, in the event of the expiry of the contract period with the external Auditor or the External Sharia Auditing Office for the Scheme that operate in accordance with the provisions of Islamic Sharia, the Scheme manager shall appoint a replacement for those vacant positions and notify the Authority and Unit holders of this within a maximum period of five Business Days from the date of appointment.
- Article 3-32-6** In the event of a vacancy in the position or appointment of a Record Keeper or any of the service providers not referred to in Article (3-21-1) of this Chapter, the Scheme manager shall notify the Authority and the Unit holders of this within a maximum period of five Business Days from the date of the vacancy or appointment.
- Article 3-32-7** The Authority shall amend the Scheme information in the Authority's Schemes register when there is any change in the information related to the Contractual Collective Investment Scheme Contract, the service providers or the Scheme's Executive Team contained in the register.

**Article 3-33**

**Conflict of Interest**

**Article 3-33-1**

The Scheme Manager shall observe the provisions of Chapter Three (Conflict of Interest) of Module Eight (Conduct of Business) of these Bylaws, and shall take all necessary measures to avoid conflict of interests in dealing on behalf and in the interest of the Scheme and Unit holders.

**Article 3-33-2**

Unless the Scheme manager discloses - in advance - the cases of potential conflict of interest in the Scheme or to the employees of the Scheme manager that are registered as representatives of a Collective Investment Scheme Manager or one of the Unit holders, he shall immediately disclose his knowledge of any such cases or transactions to the Investment Controller and obtain his approval.

In all events, the Scheme manager shall notify the Unit holders and the Authority of any conflict of interest cases approved by the Investment Controller in accordance with this Article within five Business Days from the date of the approval.

**Article 3-33-3**

The Scheme manager or Unit holders may not participate in voting on the decisions related to the Scheme if there was a private benefit to them or in the event that there is a conflict of interest between the Scheme manager or Unit holders and the Scheme.

**Article 3-34**

**Restrictions on Contractual Collective Investment Scheme**

**Article 3-34-1**

Without prejudice to Article (1-7) of this Module, the Collective Investment Scheme Manager may not buy any Securities issued thereby or by its Subsidiary Companies for the Contractual Collective Investment Scheme unless in accordance with the following conditions:

1. The Contractual Collective Investment Scheme Contract shall permit the scheme to invest in Securities issued by the Collective Investment Scheme Manager, or any of its Subsidiary Companies.
2. Obtaining the approval of the Investment Controller before purchasing.
3. The total amount of Securities invested by the Contractual Collective Investment Scheme and all other Collective Investment Schemes which are managed by the Collective Investment Scheme Manager shall not exceed 10% of the total value of Securities issued by the Collective Investment Scheme Manager, or any of its Subsidiary Companies.

Collective Investment Schemes that follow a certain index according to the Contractual Collective Investment Scheme Contract are not included in this percentage.

**Article 3-34-2** Without prejudice to Article (1-7) of this Module and if the Collective Investment Scheme Manager undertakes the role of Subscription Agent (selling) or the subscription manager of an Issuer, the scheme manager may not buy any Securities subject of subscription of this Issuer, while assuming such roles.

If the Collective Investment Scheme Manager or any of its Subsidiary Companies commits to cover the Public Offer or Private Placement for a certain Security, the Security may not be offered for the benefit of the Contractual Collective Investment Scheme, while performing such role.

An exception to the provisions of this Article is the Contractual Collective Investment Scheme that follows a certain index according to their contract.

**Article 3-34-3** The contract shall include the term of the scheme, and the scheme manager may extend this period as stipulated in the contract and after obtaining the approval of the Authority. If the extension is approved, the scheme manager shall notify the Unit holders within a maximum period of ten Business Days.

#### **Breaches of Investment and Borrowing Controls**

**Article 3-35** In the event of non-compliance of the investment and borrowing controls stipulated in the Contractual Collective Investment Scheme Contract, the following procedures shall be followed:

1. In the event of non-compliance due to any mistake or negligence by the Collective Investment Scheme Manager or as result of an event beyond the control the Scheme manager, the Collective Investment Scheme Manager shall notify the Authority and the Investment Controller immediately and take the necessary procedures and corrective measures.
2. In the event of not amending the breach within five Business Days, the manager shall notify the Authority and the Investment Controller of the procedures and corrective measures and the required period to resolve it. The Authority may shorten this period.
3. The Collective Investment Scheme Manager shall notify the Investment Controller of all the cases referred to in paragraphs (1) and (2) of this Article, and keep a permanent record of the cases, and document the procedures undertaken and the period required to correct them.

In all events, the Scheme manager shall notify the Authority and the Investment Controller as soon as the correction is completed.

Article 3-36

**Valuation of Real Estate Assets**

The Collective Investment Scheme Manager shall comply with the following:

1. Valuate the real estate assets included in the consolidated financial statements based on an appraisal prepared in accordance with the requirements for appraisal of real estate assets set forth in Module Eleven (Dealing in Securities) of these Bylaws.
2. Manager of the Collective Investment Scheme shall, before buying or selling any real estate asset of the Scheme, adhere to the following:
  - a. That the purchase price of the real estate is not more than 5% above the rate of valuations obtained by the Scheme manager from the real estate valuers, and in the event that the Collective Investment Scheme Manager wishes to buy at a price higher than that, the approval of the unit holders who own more than 50% of the issued capital of the scheme must be obtained, provided that the vote of the Units owned by the seller and the parties related to the seller, if any, is neutralized.
  - b. That the real estate sale price is not less than the rate of valuations obtained by the Scheme manager from the real estate valuers. In the event that he intends to sell at a price lower than the average, the approval of the Unit holders who own more than 50% of the issued capital of the Scheme shall be obtained, provided that the vote of the Units owned by the buyer and the parties related to the buyer, if any, is neutralized.
  - c. Without prejudice to Item (a) and Item (b) above, the approval of the Investment Controller and the approval of the Authority shall be obtained when buying real estate from or selling real estate to the parties related to the Scheme.
3. The Collective Investment Scheme Manager may not rely on a valuation report that was prepared more than three months when buying or selling any Scheme's asset.

**Article 3-37**

**Pre-emptive Right of Unit holders in Contractual Collective Investment Scheme**

In the event of the intention to subscribe, redeem or transfer the ownership of the Units of the Contractual Collective Investment Scheme or increase the capital of the scheme, the Unit holders shall have the priority to purchase these Units. If multiple Unit holders are intending to increase their participation amount, the stake shall be divided among the participants on a pro rata basis.

The Contractual Collective Investment Scheme Contract may include any additional requirements regulating the acceptance of the subscriptions of new Professional Clients in accordance with what is provided for in this article.

The following is excluded from the cases of ownership transfer of Units in the Contractual Collective Investment Scheme:

1. Transfer of ownership as a result of inheritance or will.
2. Transfer of ownership pursuant to a court order.
3. Transfer of ownership to new Professional Clients according to extraordinary cases regulated by Contractual Collective Investment Scheme Contract.

**Article 3-38**

**Contractual Collective Investment Scheme Financial Statements**

The Collective Investment Scheme Manager shall prepare the financial statements of the Contractual Collective Investment Scheme to be reviewed or audited - as the case may be - by the external Auditor and provide such statements to the Authority and the Unit holders as follows:

1. Reviewed semi-annual financial statements, within a period not more than sixty days as of the end of the term.
2. Audited annual financial statements, within a period not more than ninety days as of the end of the financial year.

**Article 3-39**

**Periodic Reports to Unit holders**

A Collective Investment Scheme Manager shall provide a periodic report to each Unit holder on a semi-annual basis, unless the Contractual Collective Investment Scheme Contract set forth a shorter period, within a maximum period of fifteen Business Days from the end of the period. The report shall include in particular the following information:

1. The net value of the Collective Investment Scheme Unit.
2. The number of Units owned by a Unit holder and their net asset value.
3. A record of the movement in the account of each Unit holder including any paid distributions made after the last report presented to the Unit holders.
4. A statement of all fees, expenses and costs whether due to the Collective Investment Scheme Assets during the period, provided that it is mentioned in the currency of the Scheme.
5. The last annual report of the Investment Controller referred to in Article (3-27) of this Module.
6. The last annual report of the External Sharia Auditing Office (for Contractual Collective Investment Schemes licensed to operate in accordance with the provisions of Islamic Sharia).

**Article 3-40**

**Appointment of a Substitute Manager for the Contractual Collective Investment Scheme**

**Article 3-40-1**

On selecting a substitute manager for the Contractual Collective Investment Scheme, the following conditions shall be considered:

1. The substitute manager shall be a Licensed Person licensed to practice the Collective Investment Scheme Manager activity by the Authority.
2. The substitute Collective Investment Scheme Manager shall not be a manager of another Contractual Collective Investment Scheme, which is similar in terms of goals, policies, activities and the category of investors targeted by such scheme, unless it is a Close-Ended scheme and has fulfilled its capital.
3. The substitute Collective Investment Scheme Manager shall not have experienced default as a result of mismanagement of any Collective Investment Scheme.
4. The substitute Collective Investment Scheme Manager shall have the ability to manage a new Contractual Collective Investment Scheme, so that his position thereof when assuming the scheme management doesn't affect the interest of Unit holders.
5. The substitute manager shall undertake to abide by the Contractual Collective Investment Scheme Contract.
6. Obtain the Authority's approval to appoint a substitute Collective Investment Scheme Manager, to obtain the approval of more than 50% of the Scheme's capital to choose the substitute manager, and the Authority shall notify the applicant of its reasoned decision within thirty days from the date of receiving the application.
7. Any other conditions decided by the Authority.

Each replacement decision shall include a decision to appoint a substitute or who would safeguard the assets of the Scheme, and the substitute manager shall not begin to carry out his work until after the Authority publishes an Official Announcement of the replacement and appointment decisions in the Official Gazette.

**Article 3-40-2**

The Contractual Collective Investment Scheme Manager shall cooperate fully in order to facilitate a smooth transfer of responsibilities to the substitute Scheme manager within sixty days of the appointment of the substitute manager. The previous Scheme manager shall submit to the substitute manager all contracts related to the Scheme, where applicable.

**Article 3-40-3**

In the event of an inability to appoint a substitute Scheme manager through the approval of the Unit holders, the Authority may take what it deems appropriate in the interest of the Scheme.

The Authority is also entitled to revoke the Scheme's license and it shall be liquidated in accordance with the provisions set forth on this Chapter.

**Article 3-41**

**Ending of a Contractual Collective Investment Scheme**

**Article 3-41-1**

The Contractual Collective Investment Scheme shall end in the following events:

1. End of the period specified in the Contractual Collective Investment Scheme Contract, unless it is renewed in accordance with the rules set out in the contract.
2. End of the purpose or objective for which the Contractual Collective Investment Scheme is incorporated for or where it is impossible to achieve its objective.
3. Damage or loss of all the Collective Investment Scheme's Assets or most of them, so that the remaining assets cannot be invested feasibly.
4. At the request of the Collective Investment Scheme Manager or any of the Unit holders, and the approval of Unit holders owning more than 50% of the Contractual Collective Investment Scheme's capital on the winding up of the scheme before the end of its term.
5. A resolution issued by the Authority to revoke the Contractual Collective Investment Scheme's license.
6. A court order is issued for the winding up and liquidation of the Contractual Collective Investment Scheme.
7. The Scheme manager is exposed to something that hinders his ability to continue managing the Scheme, such as liquidation, bankruptcy, or revocation of his license, unless a substitute manager is appointed for the Scheme.

**Article 3-41-2**

The Collective Investment Scheme Manager shall obtain the approval of the Authority for the liquidation and appointment of the liquidator. It shall notify the service providers and the Unit holders of the liquidation decision upon receipt of the approval.

**Article 3-42**

**Liquidation of Contractual Collective Investment Scheme**

**Article 3-42-1**

Upon winding up, the Contractual Collective Investment Scheme shall be liquidated in accordance with the provisions of Article (3-41-1) of this Chapter, within the liquidation term and it must be Officially Announced.

The phrase (under liquidation) shall be added to the Contractual Collective Investment Scheme's name and written legibly in the correspondence issued by the entity conducting such liquidation.

**Article 3-42-2**

All terms of debts due on the Contractual Collective Investment Scheme shall be cancelled as of the date of Officially Announcing the scheme's dissolution and creditors shall be notified of the beginning of liquidation. The liquidator shall officially notify all creditors of such liquidation and request them to provide applications of debt payment thereto within forty-five days from the Official Announcement date of the dissolution of the Scheme. Creditors may be notified through announcement. In any event, the announcement or notification shall include a deadline for such creditors not less than fifteen Business Days to submit the applications thereof.

**Article 3-42-3** When the Contractual Collective Investment Scheme is terminated, the Collective Investment Scheme Manager's power shall end. However, the Collective Investment Scheme Manager shall manage the scheme to the benefit of Unit holders without starting new business unless they are necessary to complete previous work, until a liquidator is appointed and practices the powers thereof, provided that he shall not accept any new subscription applications or enter into new investments in the Scheme.

During the liquidation period, service providers shall continue to provide the services thereof within the liquidation period, unless the liquidator decides, after the approval of the Authority, to stop the provision of the services, or replace them with other service providers, or combine some duties assigned to one service provider.

**Article 3-42-4** The Collective Investment Scheme Manager may be appointed as a liquidator. The liquidator may be appointed amongst the Licensed Persons to practice the activity of Collective Investment Scheme Managers, or Investment Portfolio manager, or an Investment Controller or a Custodian, or Auditors registered at the Authority. In all events, the liquidator shall not be appointed without the Authority's approval, taking into account not to combine the functions of the liquidator and the external Auditor.

The liquidator shall not commence his duties thereof unless the appointment thereof is Officially Announced.

**Article 3-42-5** The liquidator shall be appointed after obtaining the Unit holders approval, except in the event in which the Authority decides to appoint such liquidator in accordance with Article (1-12) of this Module.

In the event of selecting the liquidator by the Unit holders, the Authority's approval must be obtained prior to the appointment.

In all events, the body selecting the liquidator shall specify the fees thereof and the liquidation term, provided that the Contractual Collective Investment Scheme shall incur these fees.

**Article 3-42-6** The liquidator may be replaced upon a resolution issued by the body who appointed the liquidator. In all events, the Authority may, at the request of any Unit holder or a Contractual Collective Investment Scheme's creditor or on its own, issue a resolution of replacement of the liquidator if it finds an acceptable reason for that.

Any resolution of replacement of a liquidator shall include appointment of an alternative liquidator or who would safeguard the assets of the scheme. The new liquidator shall not commence his duties thereof unless the Authority publishes an Official Announcement regarding the resolutions of replacement and appointment thereof in the official Gazette.

The liquidator shall also cooperate fully in order to facilitate the smooth transfer of responsibilities to the replacement liquidator within sixty days of the appointment of the replacement liquidator, and the previous liquidator shall submit to the replacement liquidator all contracts related to the scheme, where applicable.

**Article 3-42-7**

The liquidator shall carry out all duties required for the Contractual Collective Investment Scheme's liquidation in accordance with the provisions of this Chapter, he may, in particular, perform the following:

1. Comply with the Law, these Bylaws, circulars, decisions, and instructions issued by the Authority.
2. Immediately take all necessary actions to correct any failure to fulfill its obligations under these Bylaws and any instructions issued by the Authority.
3. Represent the Contractual Collective Investment Scheme before the courts and third parties.
4. Provide Care of a Prudent Person to maintain the Collective Investment Scheme's Assets and rights.
5. Pay the Contractual Collective Investment Scheme's debts.
6. Allocate amounts for disputed debts and Contractual Collective Investment Scheme's obligations.
7. Sell the Collective Investment Scheme's Assets of real estate and movable assets in a public auction, tender, or any other method ensuring the highest price, unless the appointment resolution sets forth selling in a certain method.
8. Divide and distribute the liquidation proceeds amongst the Unit holders.
9. Provide all necessary information regarding the Scheme to service providers to enable them to carry out their tasks effectively.
10. Provide a copy of the Scheme liquidator's report on the semi-annual liquidation work submitted to the Authority, the minutes of the Unit holders' assemblies meeting, or the financial statements to the Unit holders if they so request.
11. Keep books and documents related to the liquidation of the Scheme for a period of five years from the date of canceling the registration of the Scheme from the Authority's register.

The liquidator shall not proceed with new works unless they are necessary for completing previous works. In addition, the liquidator may not sell the Collective Investment Scheme's Assets in one batch; reconcile concerning the rights thereof; accept arbitration in the disputes related to liquidation works; or deal with parties of relevance without the approval of the Unit holders owning more than 50% of the Contractual Collective Investment Scheme's capital.

**Article 3-42-8**

The Collective Investment Scheme Manager shall provide the Contractual Collective Investment Scheme's accounts and hand over books, documents and assets thereof to the liquidator within thirty days from the date of publishing the decision to appoint the liquidator. In addition, the service providers shall provide the liquidator with any data or information related to the scheme. The liquidator shall inventory the Collective Investment Scheme's Assets and shall identify the financial position thereof, including rights and obligations thereof. The liquidator may seek the help of service providers in this regard. The liquidator shall keep books necessary to register the liquidation and notify the Authority, within three months as of proceeding with the duties thereof the following:

1. Report of the financial position of the Scheme, provided that it is audited by the Scheme's Auditor.
2. Record of Unit holders as on the date of publishing the liquidation decision.

In the event of replacing the Scheme's liquidator, the obligations contained in this Article shall apply to each of the Scheme's liquidator, the alternative liquidator and service providers, each according to his competence.

**Article 3-42-9**

The liquidator shall collect the rights payable to the Contractual Collective Investment Scheme by third parties or by the scheme manager and deposit the collected amounts in a bank account for the scheme in the liquidation phase.

The liquidator shall pay the scheme's debts and set aside amounts necessary to pay the disputed debts. The scheme's debts shall be paid according to the following order:

1. The financial obligations resulting from the liquidation process.
2. All amounts payable to the service providers.
3. Priority debts according to their sequence.
4. Debts secured with collateral in kind within the limits of asset securing the debt.

The amounts of money remaining after payment of the said debts shall be paid to the ordinary creditors. If such remaining amounts are insufficient to pay all such debts, money shall be divided amongst them pro rata.

**Article 3-42-10**

The liquidator shall divide the remaining Collective Investment Scheme Assets and distribute the liquidation proceeds to each participant in proportion to the number of his Units thereof in the scheme's capital, after payment of debts and obligations related to the liquidations works that have been allocated for this purpose.

In all events, it shall be considered that no additional expenses are charged to the Scheme, which will affect the share of some Unit holders without the rest.

- Article 3-42-11** The liquidator shall provide the Unit holders with a semi-annual report in accordance with the financial year of the Contractual Collective Investment Scheme within a maximum period of sixty days from the end of the period. The report shall include the results of the liquidation proceedings, the payments distributed to the Unit holders, any assets in the scheme that have not been liquidated and the reason for not liquidating them, and a list of cases filed by or against the Scheme. The Authority may request the liquidator to provide it with any information or reports whenever it deems it necessary.
- Article 3-42-12** The liquidator shall complete liquidation works in the period as specified according to Article (3-42-5) of this Chapter. The period may be extended by a decision issued by the body that selected the liquidator after reviewing the report thereof including the reasons that prevent completion of the liquidation on the specified period. The period may be extended by a decision issued by the Authority at the request of the liquidator in the event that it is not possible to extend the period by the entity that chose the liquidator. Any party with a relevant interest may request the Authority to shorten such period.
- Article 3-42-13** Upon completion of the liquidation of the Scheme and the division of its assets, the liquidator shall provide the Authority and the Unit holders with a final account. It will also provide the Authority with a certificate of the cases filed by or against the Scheme issued by the competent authority, in addition to submitting a copy of the zero bank account statement. The liquidator shall request the Authority to Officially Announce the liquidation completion and cancellation of the registration of the Contractual Collective Investment Scheme in the Authority register after the liquidation is completed. The termination of the liquidation shall not be invoked against third parties before the date of the Official Announcement.
- Article 3-42-14** The liquidator shall be required to indemnify for the damages incurred by the Contractual Collective Investment Scheme or Unit holders, or third parties in case the liquidator exceeds the limits of the powers thereof or as a result of faults committed thereby during the performance of the duties thereof.
- Article 3-43** The Authority may exempt the Contractual Collective Investment Scheme from certain provisions contained in Article (3-42) of this Chapter if the Contractual Collective Investment Scheme Contract contains special provisions for liquidation of the scheme.

## Chapter Four

### A Special Purpose Vehicle that issues Units of Contractual Collective Investment Schemes

#### Scope of Application

##### Article 4-1

The provisions of this Chapter shall apply to the Special Purpose Vehicle Company referred to in item (9) of article (5) of the Law that issues Units of Contractual Collective Investment Scheme only.

##### Article 4-2

#### The Incorporation of the Special Purpose Vehicle Company

##### Article 4-2-1

Special Purpose Vehicle Company that issues Units of a Contractual Collective Investment Scheme shall not be incorporated or carry out any activities unless it obtains a license by the Authority. The company shall exercise its activities after the annotation in the commercial register at the Ministry at the time of licensing by the Authority without the need to obtain a commercial license in accordance with Law No. (111) of 2013 regarding the Licensing of Commercial Stores.

##### Article 4-2-2

A Special Purpose Vehicle Company shall be incorporated by the Licensed Person who performs the activity of Collective Investment Scheme Manager. The founder may issue new Units in the Contractual Collective Investment Scheme capital for Unit holders, so that the partners of the Special Purpose Vehicle Company are the participants in the Contractual Collective Investment Scheme, and the Contractual Collective Investment Scheme Units are registered in the names of the participants of the scheme.

##### Article 4-2-3

A Special Purpose Vehicle Company shall be incorporated in accordance with the following procedures:

1. The incorporation application shall be submitted to the Authority in accordance with the form set out in Appendix (7) of this Module, accompanied by all the documents and information stated in this form, and the fees as determined shall be paid.
2. The Authority may at any time, after it receives the incorporation according to the requirements in item (1) of this article, require additional documents or information that it considers as necessary to decide on such application. If the applicant does not submit the required information and document within the period specified by the Authority, the application shall be considered as void.
3. The Authority shall decide on the incorporation application after it receives the application including all the information and documents set out in items (1) and (2) of this article, within thirty Business Days.

<b>Article 4-2-4</b>	If the incorporation application is approved, the <u>Authority</u> shall notify the founder of the approval for the establishment of the <u>Special Purpose Vehicle Company</u> , calling for the founder to sign the company Articles of Association before a competent official of the <u>Authority</u> , and provide the <u>Authority</u> with proof of payment of the minimum capital within a period of no more than one week from the date of issuing the approval.
<b>Article 4-2-5</b>	<p>The <u>Authority</u> shall issue a license for the company following the payment of the fees set, place a copy of the company Articles of Association in the company's file at the <u>Authority</u> and shall be exempt from publishing its Articles of Association or any amendment thereof in the Official Gazette.</p> <p>In the event that an incorporation application is rejected, the determination shall be justified.</p>
<b>Article 4-3</b>	<b>Objectives of a Special Purpose Vehicle Company that issues Contractual Collective Investment Units.</b>
<b>Article 4-3-1</b>	The objective of a <u>Special Purpose Vehicle Company</u> is limited to the issuance of <u>Units of one Contractual Collective Investment Scheme</u> as shown in the company's Articles of Association, and it is prohibited from exercising any other objectives even if similar to its objectives.
<b>Article 4-3-2</b>	<p>A <u>Special Purpose Vehicle Company</u> may exercise one or more of the following activities:</p> <ol style="list-style-type: none"> <li>1. Owning or acquiring the <u>Collective Investment Scheme Assets</u> on behalf of the <u>Contractual Collective Investment Scheme</u>.</li> <li>2. Any supporting activities complementary to those mentioned in this article.</li> <li>3. Any other activity approved by the <u>Authority</u>.</li> </ol>
	<b>Term of a Special Purpose Vehicle Company</b>
<b>Article 4-4</b>	The term of a <u>Special Purpose Vehicle Company</u> shall not be less than the term of a <u>Contractual Collective Investment Scheme</u> .
<b>Article 4-5</b>	The phrase (Special Purpose Vehicle Company) shall be added to the name of a <u>Special Purpose Vehicle Company</u> , in all papers, prints and communications carried out by the company.

**Article 4-6****The Articles of Association of a Special Purpose Vehicle Company****Article 4-6-1**

The Articles of Association of a Special Purpose Vehicle Company shall be issued in writing, and shall not be required to be issued as an official document. This provision shall apply to any amendment thereof.

**Article 4-6-2**

The Articles of Association of Special Purpose Vehicle Company shall be issued in accordance with the form set out in Appendix (8) of this Module.

The founder of the company may not omit obligatory information required in the said form.

Beyond the obligatory required information mentioned, the founder may abide by the provisions of the form either wholly or partially or add other conditions which do not conflict with the obligatory provisions stipulated in this Module.

**Article 4-6-3**

The Articles of Association of a Special Purpose Vehicle Company may not be amended, unless it is approved by the Authority.

**Article 4-7**

The Authority shall keep a record of all licensed Special Purpose Vehicle Companies.

**Article 4-8****Exemptions****Article 4-8-1**

A Special Purpose Vehicle Company shall be exempted from submitting the Company's Memorandum of Association.

**Article 4-8-2**

A Special Purpose Vehicle Company shall be exempted from the requirement of having a fixed headquarters, provided that it has a permanent domicile in which notifications, correspondence and announcements shall be made. The domicile shall not be changed unless it has been registered at the Authority's register.

**Article 4-8-3**

The company shall not have employees working for it, and it shall not have a file with the Ministry of Social Affairs and Labor for the purpose of recruiting foreign workers.

**Article 4-8-4**

Except for the duties set out in this Chapter, a Special Purpose Vehicle Company shall be exempted from the duties imposed on Licensed Persons by the Authority.

**Article 4-8-5**

A Special Purpose Vehicle Company shall be exempted from appointing a Board of Directors or a Supervisory Board, in accordance with the procedures and form stipulated in the Companies Law.

<b>Article 4-8-6</b>	A <u>Special Purpose Vehicle Company</u> shall be exempt from holding the ordinary or extraordinary general assembly meeting, in accordance with the procedures and form stipulated in the <u>Companies Law</u> .
<b>Article 4-8-7</b>	A <u>Special Purpose Vehicle Company</u> shall be exempted from the obligation to deduct an annual percentage of profits to form reserves in accordance with the provisions of Article (118) of the Decree of Law No. (1) of 2016 on the Promulgation of the <u>Companies Law</u> .
<b>Article 4-9</b>	<b>Company Form, Legal Entity and Capital</b>
<b>Article 4-9-1</b>	A <u>Special Purpose Vehicle Company</u> shall take the form of a limited liability company.
<b>Article 4-9-2</b>	The company shall be a corporate entity as of the date of issuing the license by the <u>Authority</u> .
<b>Article 4-9-3</b>	The minimum capital of a <u>Special Purpose Vehicle Company</u> shall be 100 Kuwaiti Dinars. The capital of the company upon incorporation does not need to be sufficient to achieve its objectives, or to the total value of Securities issued.
<b>Article 4-9-4</b>	There shall not be a minimum requirement of capital shares of the company for Kuwaiti partners.
<b>Article 4-10</b>	<b>Company Management</b>
<b>Article 4-10-1</b>	The management of a <u>Special Purpose Vehicle Company</u> incorporated with the objective of issuing <u>Units of Contractual Collective Investment Schemes</u> shall be limited to the <u>Licensed Person</u> managing the scheme, according to the Articles of Association of the company and the <u>Contractual Collective Investment Scheme Contract</u> .
<b>Article 4-10-2</b>	<p>A <u>Special Purpose Vehicle Company</u> shall not be liable for the tasks and actions carried out by its managers in its name and for its account if such tasks and actions do not fall within the objectives for which the company was established.</p> <p>In this case, the managers of the company shall be liable for any damages that may be incurred by the company or third parties as a result of these tasks and actions.</p>
<b>Article 4-10-3</b>	The management of <u>Special Purpose Vehicle Company</u> shall take measures that would assess the company's current and future liabilities and in such a manner that it will be able to meet these obligations when due.

- Article 4-10-4** The management of the Special Purpose Vehicle Company may not hold the company liable for any obligations, except within the limits of those obligations arising from the issuance of Units of the Contractual Collective Investment Scheme.
- Article 4-10-5** The Authority may, at the request of one of the holders of the Contractual Collective Investment Scheme Units or the creditors of the Special Purpose Vehicle Company or on its own initiative, issue a decision to dismiss the management of the company if it deems it acceptable. Any decision of dismissal must include a decision to appoint a replacement or who would safeguard the assets of the scheme. The new management of the company shall not commence their business until the Authority publishes an Official Announcement of the decisions of dismissal and appointment in the Official Gazette.
- Article 4-11** A Special Purpose Vehicle Company may not be transformed from one legal form to another, and may not be subject to a merger with other companies or divide the company, even if it is under liquidation.
- Article 4-12** The authority of the service providers of the Contractual Collective Investment Scheme is extended to performing their duties on the transaction of the Special Purpose Vehicle Company and the assets it owns on behalf of the scheme.
- Article 4-13** A Special Purpose Vehicle Company shall be subject to the procedures of auditing and inspection in force at the Authority.
- A Special Purpose Vehicle Company's Dissolution and Liquidation**
- Article 4-14** The company shall dissolve by the force of law once the liquidation procedures of the Contractual Collective Investment Scheme commence, in accordance with the provisions of Chapter Three (Contractual Collective Investment Schemes) of this Module. During the liquidation period, the company shall retain the corporate entity to the extent necessary to complete the liquidation.
- The liquidator must submit to the Ministry a request to cancel the company's registration from the commercial register after the liquidation is completed and provide the Authority with evidence of the company's cancellation.

## Chapter Five

### Marketing a Collective Investment Scheme Incorporated Outside the State of Kuwait

#### Scope of Application

##### Article 5-1

The provisions of this chapter shall apply to the Collective Investment Schemes incorporated outside the State of Kuwait and marketed in the state of Kuwait.

The provisions of this Chapter do not apply to institutional marketing processes regulated in accordance with the provisions of Attachment (4) (Institutional Marketing of the Collective Investment Scheme Units Incorporated Outside the State of Kuwait) of Appendix 1 “Marketing the Collective Investment Scheme Units Incorporated Outside the State of Kuwait” of this Module.

##### Article 5-2

#### The License of the Authority

##### Article 5-2-1

Marketing in the State of Kuwait for a Collective Investment Scheme incorporated out of it shall not take place except after the Authority issues its marketing license. This is limited to Licensed Persons to practice the activity of a Collective Investment Scheme Manager, Subscription Agent (selling) or Investment Advisor.

##### Article 5-2-2

Marketing operations that are made by unlicensed persons to market in the State of Kuwait through direct or indirect contact by using public means of announcement that are available to the public or through the electronic platforms, branches of Subsidiary or Associate Companies, agreements, alliances, contractual or legal relations, entities, or structures in any form are prohibited unless prior permission is granted from the Authority in accordance with the requirements of Article (5-4) of this Chapter.

##### Article 5-3

#### The Nature of a Collective Investment Scheme and its Manger

##### Article 5-3-1

The Collective Investment Scheme incorporated out of the State of Kuwait stands for any entity or structure with the purpose of collecting money to enable two Clients or more to participate in this scheme, or gain the profits accrued by acquisition, or ownership, or management or disposition of the scheme’s assets, for example investment Funds, Contractual or Structural Collective Investment Schemes, or companies of all kinds, including Special Purpose Vehicle Companies.

The Authority studies the requests and cases of marketing the Securities incorporated outside the State of Kuwait to decide which shall be included as a Collective Investment Scheme.

##### Article 5-3-2

The Collective Investment Scheme and its manager, or the companies or entities composing it, shall be incorporated pursuant to the laws and regulations in the country of origin in accordance with a document issued by the relevant entity and approved by the Ministry of Foreign Affairs of Kuwait.

Article 5-4

**The Requirements of Marketing a Collective Investment Scheme Incorporated outside the State of Kuwait**

Article 5-4-1

The marketing permission is obtained according to the following steps:

1. Submit an application, for marketing a Collective Investment Scheme incorporated outside the State of Kuwait, according to Appendix 1 of this Module, and the aforementioned application should be enclosed with the complete documents and information set out in this Appendix and the required fees must be paid.
2. The Authority may at any time, after it receives the application to market according to the requirements in item (1) of this Article, require additional documents or information that it considers as necessary to decide on such application.
3. According to a submitted request, the Authority may allow the Marketer, during the time of fulfilling the Authority's requirements, to communicate with the potential Professional Clients to discuss their intentions to invest in the scheme to be marketed. This includes phone calls, correspondences, and meetings, without advertising through the media available for the public. Complete transparency shall be complied towards the Clients, and no cash or non-cash amounts shall be charged, or obtain the final commitment from the Clients to subscribe to the scheme until the marketing license is obtained from the Authority.
4. The applicant must submit the required information and documents to the Authority within three months from the date of its request.
5. The Authority shall decide on an application to market a Collective Investment Scheme established outside the State of Kuwait after receiving the application, complete with all the information and documents set forth in this Article, within thirty Business Days.
6. In the event of the preliminary approval on marketing, the applicant shall be notified to pay the prescribed fees within one month from the date of issuing the approval.
7. In the event that the application is rejected, the decision shall be reasoned.
8. The Authority shall issue the final license after the completion of the requirements mentioned in this Article. The Marketer should not accept any subscription request until this license is obtained.
9. The applicant must fulfill the periods specified in this Article, otherwise the application shall be considered as void.

In all cases, the Authority shall, notify the applicant of its decisions referred to in this Article, and publish its decisions related to the issuance of the license in the Official Gazette.

<b>Article 5-4-2</b>	The <u>Authority</u> shall keep a record of all <u>Collective Investment Schemes</u> incorporated outside the State of Kuwait that are licensed by the <u>Authority</u> for marketing.
<b>Article 5-5</b>	<b>Subscription in a Collective Investment Scheme established outside the State of Kuwait that will be marketed in the State of Kuwait</b>
<b>Article 5-5-1</b>	The <u>Units</u> of a <u>Collective Investment Scheme</u> in the State of Kuwait should be offered for <u>Private Placement</u> and marketed to <u>Professional Clients</u> only.
<b>Article 5-5-2</b>	The <u>Marketer</u> of a <u>Collective Investment Scheme</u> incorporated outside the State of Kuwait has the right to receive the subscription requests in the State of Kuwait and may appoint <u>Subscription Agents (Selling)</u> after obtaining the <u>Authority's</u> approval.
<b>Article 5-6</b>	<b>Offer Document for the Collective Investment Scheme (Prospectus) in the State of Kuwait</b>
	The offer document of a <u>Collective Investment Scheme</u> (Prospectus) should be written in Arabic and contain the following information:
	<ol style="list-style-type: none"><li>1. Name of the <u>Collective Investment Scheme</u> in Arabic.</li><li>2. Name of the <u>Collective Investment Scheme</u> in English.</li><li>3. Country of origin (the country in which the <u>Collective Investment Scheme</u> was incorporated).</li><li>4. Regulatory authority (the entity which the <u>Collective Investment Scheme</u> is subject to its laws thereof).</li><li>5. Scheme manager (The Person responsible for managing the investments of the <u>Collective Investment Scheme</u> in accordance with the terms and provisions of the <u>Collective Investment Scheme</u>).</li><li>6. <u>Unit</u> components (if any).</li><li>7. Names of the companies including the <u>Unit</u> (if any) in Arabic.</li><li>8. Names of the companies including the <u>Unit</u> (if any) in English.</li><li>9. The nominal value of the <u>Unit</u> / <u>Share</u> /Stake.</li><li>10. Price of the <u>Unit</u> / <u>Share</u> /Stake to be marketed inside Kuwait.</li><li>11. Commission for Subscription/ participation.</li><li>12. <u>Collective Investment Scheme</u> capital.</li></ol>

13. The maximum limit for borrowing (if any).
14. Collective Investment Scheme type.
15. Collective Investment Scheme form.
16. Collective Investment Scheme term.
17. Collective Investment Scheme currency.
18. Investment objectives.
19. A summary about the investment (if the investment is pre-determined).
20. Periods of calculating the price of Unit /Share /Stake (NAV) (if any)
21. Periods for Subscription and Redemption (if any).
22. Basis and method of distribution of dividends.
23. Periods for preparing and issuing the financial statements and the mean to access them.
24. Disclosures and periodic reports of the Unit holders and the means to access them.
25. Redemption commission (if any).
26. Any fees or expenses or charges whether payable by the Unitholders or the scheme.
27. Investment restrictions and risks.
28. The historical performance of the Collective Investment Scheme (if any).
29. Cases of conflict of interests (if any).
30. Procedures of the complaints submitted against the Marketer or the Collective Investment Scheme Manager.
31. Any other information reasonably known or shall be known by the Scheme Manager or the Marketer, and may be, reasonably, requested by Unitholders, or that are likely to be included in the Prospectus upon which the investment decision will be taken.

32. The mechanism or mean of the Unitholders' knowledge of any material events related to the scheme, such as the following events:
- Any substantial changes related to the information received in the Prospectus or Articles of Association (if any).
  - Any decisions related to the liquidation of the Collective Investment Scheme.
  - Any legal proceedings that have been taken by the Collective Investment Scheme against a third party, or have been taken by a third party against the Collective Investment Scheme, in a manner that may eventually affect the activity of the Collective Investment Scheme or the financial position thereof.
33. A statement stating that the Collective Investment Scheme shall not carry out any activities inside the State of Kuwait that may result in funding third parties, and that the subscriber had been informed with all the risks that he may encounter during investment in the Collective Investment Scheme, the tax status of the Collective Investment Scheme under the tax legislations at the country of origin, the effect of such status on the investments thereof in the Collective Investment Scheme as well as the returns to be achieved from such Scheme.
34. A statement stating that the procedures for transferring ownership stipulated in the Prospectus within the State of Kuwait will not conflict with the provisions of Article (5-10) (Transferring the Ownership of Collective Investment Scheme Units) of this Chapter.
35. A statement stating that the approval of the Authority on the marketing of the Collective Investment Scheme inside the State of Kuwait doesn't mean a recommendation to buy or invest in the Collective Investment Scheme. Such approval is only related with the ability of the Marketer to market the Shares and Units of the Collective Investment Scheme, and that the Authority shall not be held liable for the default of any of the competent parties of the Collective Investment Scheme in carrying out the tasks and duties thereof, and shall not be responsible for the accuracy and safety of the information set out in the Prospectus, however, such responsibility shall be held by all the parties listed in the Prospectus in accordance with the roles and duties of each.
36. Any other information requested by the Authority.

Article 5-7

**Obligations of a Marketer of a Collective Investment Scheme Incorporated Outside the State of Kuwait**

A Marketer of a Collective Investment Scheme incorporated outside the State of Kuwait shall comply with the following:

1. Assume Care of a Prudent Person when undertaking the responsibilities and compensate every Person harmed as a result of an error committed by the marketing tasks mentioned in this Article.
2. Not exceeding the share approved for marketing by the Authority unless approved by the Authority to increase the share before the expiration of the license term and the payment of the prescribed fees.
3. Provide the participant with evidence of participation in the Collective Investment Scheme upon participation, and evidence of his ownership in the scheme to enable him to exercise all of the rights associated with his ownership.
4. Develop and maintain a record of the Unit holders for which he marketed in the State of Kuwait.
5. The Marketer shall notify the Authority of any material events that may affect the Collective Investment Scheme or the rights of the Unit holders – in the event of availability or knowledge of it.
6. Dealing with the complaints against the Marketer submitted by the Unit holders who were marketed for in the State of Kuwait by the Marketer and ensuring the corrective measures taken as soon as possible.
7. Providing the appropriate method to deliver the breaches submitted against the manager of a Foreign Collective Investment Scheme by the Unit holders who were marketed for in the State of Kuwait and seeking to deliver it to the relevant entity as soon as possible.
8. Submitting a report of the results of marketing a Collective Investment Scheme incorporated outside the State of Kuwait within fifteen Business Days from the expiration date of the license certificate or after having finished the marketing processes (if sooner) in accordance with the form attached to Annex (2) of Appendix (1) of this Module.
9. Submitting any other information or documents required by the Authority.

These obligations shall apply on the Marketer even if the marketing license provided by the Authority is expired, until he submits to the Authority proof of the exit of all Unit holders who were marketed for in the State of Kuwait.

**Article 5-8**

**Marketing a Collective Investment Scheme in the State of Kuwait**

Marketing a Collective Investment Scheme incorporated outside the State of Kuwait is only permitted according to the conditions of the Financial Promotion stipulated in Chapter Seven of Module Eight (Conduct of Business) of these Bylaws, especially prohibition in the use of any public media in advertising for the Collective Investment Scheme, in particular using the advertisements, articles, or any methods to address the public, publishing in newspapers or magazines or press news, or transmitting through visual, audible or readable media means or social network means, and not to hold introductory seminars or meetings with prospective investors unless they were only addressed to the relevant parties in the private subscription and after obtaining the marketing permission from the Authority.

**Article 5-9**

**The Unit Holders' Register**

The Marketer shall keep an updated register for the holders of the Collective Investment Scheme Units that he marketed for in the State of Kuwait including the following information:

1. For individuals: Names of the Units' owners, their addresses, identity cards or passports, and the number of Units for each as well as the value of Units.
2. For Companies: Names of companies, nationality, address of headquarters, numbers of commercial register and the number of Units of each company, value of Units and the Persons authorized to access the company's account and data.
3. Date of registration of the name of person or company in the register and the movement on the accounts thereof, if such movement has been carried out by the Marketer.
4. Any other information related with the Units' owners.

Article 5-10

**Transferring the Ownership of Collective Investment Scheme Units**

Without prejudice to the provisions regulating the Collective Investment Scheme marketed in the State of Kuwait, the Marketer may transfer the ownership of the Scheme's Units to Clients in the State of Kuwait during or after the expiration of the license term upon a justified request by the Client or the concerned parties, provided that the Marketer shall be responsible for verifying the applicability of one of the following cases:

1. Restructuring the assets of the Unit holder.
2. Cases of mortgage or seizure that do not conflict with the provisions regulating them.
3. Transferring ownership to Relatives up to the second degree.
4. Cases of transfer of ownership based on an enforceable court judgment.
5. Cases of transfer of ownership based on inheritance or will.

In all cases, the Marketer shall notify the Authority within fifteen Business Days of completing the transfer of ownership attached with a report that includes both parties of the transfer, number of Units and their value, and reasons of transferring the ownership. The Marketer is prohibited from using the transfer of ownership to market the scheme's Units on new subscribers after the expiration of the marketing permission issued by the Authority.

**DISCLAIMER:**

This “translation” of the Bylaws of the Capital Markets Authority from Arabic into English is provided solely for reference. No translation can exactly reflect every aspect of an original text and accordingly this “translation” may be used for guidance but not for legal purposes. Only the Arabic original shall be considered for legal proceedings and legal actions before the competent courts of jurisdiction and in any arbitration mechanism agreed upon by contracting parties to any transaction made under the Law and the Bylaws thereof. The Capital Markets Authority shall not be responsible for any mistake, error and/or misinterpretation made or given by any party based on that party’s interpretation of the Law and the Bylaws whether arising from a reading of the Arabic text or, specifically in the context of this document, the English “translation”. The original Arabic versions, as approved and accordingly published by the Authority, shall constitute the only source of the provisions and regulations of the Law and its Bylaws.

## **Appendix 1**

### **Marketing the Collective Investment Scheme Units Incorporated Outside the State of Kuwait**

**Attachment (1)**  
**Application for the Marketing of Collective Investment Scheme Units**  
**Incorporated Outside the State of Kuwait**

Date:

## Application for the Marketing of Collective Investment Scheme Units Incorporated Outside the State of Kuwait Contents

The Licensed Persons wishing to market in the State of Kuwait a Collective Investment Scheme incorporated outside the State of Kuwait inside the State of Kuwait shall fill out this form and submit it to the Capital Markets Authority.

Section 1	Details of the Collective Investment Scheme
Section 2	List of the Documents Required upon Submission of the Application
Section 3	Declaration and Undertaking Issued to the Capital Market Authority

### 1- Details of the Collective Investment Scheme

Name of the applicant for marketing of the Collective Investment Scheme Units inside the State of Kuwait ❖	(Name of Licensed Person by the Authority who will market Collective Investment Scheme Units inside the State of Kuwait)
Name of Collective Investment Scheme (in Arabic)	(The Scheme's name in Arabic according to the certificate of incorporating Collective Investment Scheme in the country of origin)
Name of Collective Investment Scheme (in English)	(The Scheme's name in English according to the certificate of incorporating Collective Investment Scheme in the country of origin)
Country of Origin	(The country at which the Collective Investment Scheme has been incorporated)
Registered regulator/ regulatory authority/ supervisory authority	(The authority which the Collective Investment Scheme is subject to the laws thereof)
The Scheme's Manager	(A person responsible for managing the investments of the Collective Investment Scheme according to the terms and provisions of the Collective Investment Scheme, in accordance with a certificate issued from the country of origin, along with statement of the supervisory authority it subjects to)
Entity that incorporated the Collective Investment Scheme	Name:
	Nationality:
	Legal Status:
	Address of Head Quarters:
	Telephone:      Email:      Web Site:
Currency of the Scheme	
Form of the Scheme	(Open - Closed)
Nature of the Scheme	(Conventional - Sharia Compliant)

Collective Investment Scheme Type	(Investment in Securities/Investment in Money Market/ Real Estate Investment / Investment in Funds/ Investment in Debt Instruments/ Investment in private equity/  Any other type.....)		
Price of the Unit inside the State of Kuwait	(The price to be offered for investors inside the State of Kuwait)		
Maximum limit for the Units to be marketed inside the State of Kuwait	(According to segment: Owns voting right – Does not own a voting right – others)		
Maximum limit for the total value offered inside the state of Kuwait	(In Kuwaiti Dinars or according to the currency of the Scheme)		
Name of Marketer	Name of entity: (Name of the Licensed Person by the Authority who will market the Collective Investment Scheme Units inside the State of Kuwait)		
	Number of the Authority’s license:		
	Address of HQ:		
	Telephone:		
	Name of Liaison officer with the Authority:	Website	Email
	Name: (name of the Subscription Agent (selling) licensed by the Authority and assigned by the Marketer to market the Collective Investment Scheme Units inside the State of Kuwait)		
Subscription Agents (selling) of the Collective Investment Scheme inside the State of Kuwait (if any)	Number of the Authority’s license:		
	Address of HQ:		
	Telephone:		
	Name of Liaison officer with the Authority:	Website	Email

2.List of the Documents upon submission of Application				
S.N	Document	Enclosed	N/A	Remarks
1	Certificate of establishment, license or registration of the Collective Investment Scheme Manager issued by the country of origin and approved by Ministry of Foreign Affairs of the State of Kuwait.	<input type="radio"/>	<input type="radio"/>	
2	Certificate of establishing the Collective Investment Scheme or the companies comprising it issued by the country of origin and approved by Ministry of Foreign Affairs of the State of Kuwait.	<input type="radio"/>	<input type="radio"/>	
3	The signed agreement between the Collective Investment Scheme representative and the entity applying for marketing of the Collective Investment Scheme Units inside the State of Kuwait and approved by Ministry of Foreign Affairs of the State of Kuwait.  Note: The mentioned document may not be required for submission if the entity applying for marketing is the representative of the Scheme, or if the company representing the Collective Investment Scheme is fully owned by the entity applying for marketing (provided that a proof of ownership shall be submitted to the Authority).	<input type="radio"/>	<input type="radio"/>	
4	Copy of the draft agreement concluded between the entity applying for marketing of the Collective Investment Scheme Units inside the State of Kuwait and the local Subscription Agent (selling).	<input type="radio"/>	<input type="radio"/>	
5	The document of offering the Collective Investment Scheme (Prospectus) addressed to the clients of State of Kuwait according to Attachment (3) Application Form for the Prospectus of Collective Investment Scheme Incorporated Outside the State of Kuwait of this Appendix.	<input type="radio"/>	<input type="radio"/>	
6	The Collective Investment Scheme structure.	<input type="radio"/>	<input type="radio"/>	
7	Articles of Association or Memorandum of Association of the Collective Investment Scheme or of the companies comprising the Collective Investment Scheme structure issued by the country of origin and approved by Ministry of Foreign Affairs of the State of Kuwait.	<input type="radio"/>	<input type="radio"/>	
8	Copy of the payment receipt of the application fees.	<input type="radio"/>	<input type="radio"/>	

### 3. Declaration and Undertaking Issued to the Capital Market Authority

I hereby, in my capacity as the Chairman (or the deputy thereof, with a copy of deputation, if any), undertake to ..... (Applicant) that ..... (name of the Collective Investment Scheme) which Units are planned to be marketed through our company, has been incorporated in accordance with the Laws and conditions applied in the country of incorporation, and I hereby undertake to:

1. I have reviewed Law No. 7 of 2010, its Executive Bylaws and their amendments as well as the resolutions and circulars issued by the Authority.	<input type="checkbox"/> Yes
2. A due diligence review was undertaken of the Scheme to be marketed in the State of Kuwait and its manager by the Marketer of the Scheme prior to submitting to the Authority application for marketing the Collective Investment Scheme Units incorporated outside the State of Kuwait.	<input type="checkbox"/> Yes
3. The Prospectus prepared for investors inside the State of Kuwait which was submitted to the Authority and the information and documents provided in the application (including all appendices and attachments) are complete, clear, correct, not misleading, and do not include any deficiency that may affect the content of such information. In addition, none of its provisions conflict with the main items included in the offer document/Prospectus of a Collective Investment Scheme.	<input type="checkbox"/> Yes
4. I declare to disclose to the subscriber prior to subscription that the approval of the Authority on the marketing of the Collective Investment Scheme inside the State of Kuwait does not mean a recommendation to buy or invest in the Collective Investment Scheme. Such approval is only related with the ability of the marketing entity to market the Shares and Units of the Collective Investment Scheme, and that the Authority shall not be held liable for the default of any of the competent parties of the Collective Investment Scheme in carrying out the tasks and duties thereof, and shall not be responsible for the accuracy and safety of the information set out in the Prospectus, and the signature thereof shall be affixed to prove that.	<input type="checkbox"/> Yes
5. The Collective Investment Scheme shall not carry out any activities inside the State of Kuwait which may result in funding third parties.	<input type="checkbox"/> Yes
6. I am aware of the Capital Market Authority's right to take any punitive or disciplinary action against any Person who provides incorrect or misleading information in this application.	<input type="checkbox"/> Yes
7. I declare my approval that Capital Market Authority shall use and disclose any information I have provided or will provide in the future for the purposes of carrying out its duties.	<input type="checkbox"/> Yes
8. I shall abide by the provisions of Law No. 7 of 2010 and the Executive Bylaws thereof as well as to the regulations, resolutions, instructions, or any circulars related to marketing the Collective Investment Schemes inside the State of Kuwait.	<input type="checkbox"/> Yes
9. I undertake to pay any fees for licensing or any other fees as prescribed by the Authority in accordance with the resolutions issued in this regard.	<input type="checkbox"/> Yes
10. I undertake to provide any information or documents at the request of the Authority	<input type="checkbox"/> Yes

This is a declaration and undertaking from me

Name: ✦

Capacity: ✦

Date: ✦

Signature: ✦

Stamp: ✦

**Attachment (2)**  
**Application for the Report of the Results of Marketing the Collective  
Investment Scheme Units Incorporated Outside the State of Kuwait**

Date:

## Application for the Report of the Results of Marketing the Collective Investment Scheme Units Incorporated Outside the State of Kuwait

The Marketer shall submit a report of the results of marketing the Unites of a Collective Investment Scheme incorporated outside the State of Kuwait within fifteen Business Days from the expiration date of the marketing license or after having finished the marketing processes (if sooner) to the Collective Investment Schemes Department at the Capital Markets Authority.

Report Date	
Name of the Collective Investment Scheme	
Name of the Marketer	
Name of the Subscription Agent (Selling) (if any)	
The start date of the license	
The expiration date of the license	
Maximum limit for the Units/Shares/ Stakes licensed for marketing inside the State of Kuwait	
Number of Units / Shares/ Stakes that were marketed inside the State of Kuwait during the license term	
The total amount that was marketed during the license term (according to the Scheme's currency)	
Number subscribers during the license term through the Marketer or the Subscription Agent (selling) inside the State of Kuwait.	
Number of clients that were marketed for inside the State of Kuwait and remain in the Scheme after its expiration as on the date of this report.	

Expiration date of Collective Investment Scheme term	
--	--

I hereby declare that the information in this application is complete, accurate and correct. I also declare that I am aware of the Capital Markets Authority's right to take any punitive or disciplinary action against any Person who provides incorrect or misleading information in this report. I also undertake to comply with the obligations stipulated in Article (5-7) of this Module towards the clients that were marketed for inside the State of Kuwait and remain in the Scheme after its expiration until I submit to the Authority an evidence of exiting the Unit holders who I marketed for in the State of Kuwait.

Name: ❖

Capacity: ❖

Date: ❖

Signature: ❖

Stamp: ❖

**Attachment (3)**  
**Application Form for the Prospectus of Collective Investment Scheme**  
**Incorporated Outside the State of Kuwait**

Licensed persons wishing to market a Collective Investment Scheme incorporated outside the State of Kuwait inside the State of Kuwait shall fill out this form and submit it to the Capital Markets Authority. The Authority may add or exempt any part of this prospectus as required by the application under consideration.

Date: [00/00/0000]

## [ Name of the Collective Investment Scheme Incorporated Outside the State of Kuwait]

### Private Prospectus

<b>Name of the Scheme Manager</b>	[Name of the Licensed Person, registered, subject, or regulated by a regulatory body in the country of origin who will manage the investments of the Collective Investment Scheme in accordance with the terms and conditions of the scheme]
<b>Name of Marketer</b>	[Name of the Licensed Person by the Authority who will market the units of the Collective Investment Scheme in the State of Kuwait]
<b>Name of the Subscription Agent (selling) (If any)</b>	[Name of the Subscription Agent (Selling) licensed by the Authority and appointed by the Marketer to market the units of the Collective Investment Scheme in the State of Kuwait]
<b>Period of Subscription</b>	[To be determined after obtaining a license from the Authority]

Name of Marketer:

Address of Marketer:

Declaration of Disclaimer:

The Authority's approval of marketing:

[Name of the Collective Investment Scheme incorporated outside the State of Kuwait] does not mean a recommendation to buy or invest in the Collective Investment Scheme. Such approval is only related to the ability of the Marketer to market the Shares and Units of the Collective Investment Scheme, and that the Authority shall not be held liable for the default of any of the competent parties of the Collective Investment Scheme in carrying out the tasks and duties thereof. Such responsibility shall be held by all the parties listed in the Prospectus in accordance with the roles and duties of each.

Date: [00/00/0000]

## Declaration and Undertaking

We, [Name of Marketer Who Will Market Units of the Collective Investment Scheme in the State of Kuwait], as the marketer of [Name of Collective Investment Scheme Incorporated Outside the State of Kuwait], declare that the scheme to be marketed in the State of Kuwait and its manager have undergone due diligence by the marketer prior to submitting the application to the Authority to market units of a collective investment scheme established outside the State of Kuwait. We further confirm to the Authority the following:

- The prospectus prepared for investors in the State of Kuwait, which was submitted to the Authority, and the information and documents submitted with the application are complete, clear, accurate, and not misleading, and contain no deficiencies that could affect the content of that information, in addition to none of its provisions conflicting with the basic terms contained in the offering document/prospectus of the collective investment scheme.
- Sufficient information will be provided to unit holders in the State of Kuwait regarding the Collective Investment Scheme to be marketed in the State of Kuwait to allow them to make an informed investment decision, and that this information is complete, clear, accurate, and not misleading.
- We will provide unit holders in the State of Kuwait who subscribe to the scheme with all data, reports, disclosures, material information, and any future amendments to this prospectus as soon as they are issued.
- We acknowledge that the Authority's approval to market the scheme in the State of Kuwait does not necessarily guarantee the soundness of the investment, but rather signifies that the application has met the licensing requirements for marketing within the State of Kuwait.
- In the case of direct ownership and registration of units in the investor's name:

[We confirm that unit holders in the State of Kuwait will directly have all rights arising from ownership of the scheme's units].

- In the case of indirect ownership and registration of units in the marketer's name,

[The marketer of the Collective Investment Scheme undertakes to exercise all rights associated with unit holders in [the name of the Collective Investment Scheme] full and with due diligence, and in accordance with the prospectus.]

**The Collective Investment Scheme Marketer**

- **Summary of Scheme Details:**

Name of the Scheme (in Arabic)	The scheme's name in Arabic as stated in the Collective Investment Scheme's incorporation certificate issued in the country of origin.
Name of the Scheme (in English)	The scheme's name in English as stated in the Collective Investment Scheme's incorporation certificate issued in the country of origin.
Regulatory Authority	The regulatory authority that approved the registration or licensing of the scheme, or to which the Collective Investment Scheme is subject.
Date of Scheme Incorporation	00/00/0000
Term of the Scheme	The scheme's term, specifying a start and end date, with conditions for extension as applicable.
Currency of the Scheme	
Scheme Form	Open/ Closed
Scheme Nature	Conventional/ Conforms with Islamic Sharia Standards
Scheme Type	Securities Investment/Money Market Investment/Real Estate Investment/Fund Investment/Debt Instrument Investment/Private Equity/ Any Other Type.....
The Price of the Unit in the State of Kuwait	The price at the initial offering or the last unit valuation price.
Minimum limit for the Subscription	
Subscription Fees	
Management Fees	
Incentive Fees	
Risk Level	

# of Section	Name of Section	Page # of Prospectus	Page # in the primary document of the scheme (where applicable)
1.0	Preamble		
2.0	Definitions		
3.0	Information about the scheme		
4.0	Information of the Collective Investment Scheme Manager		
5.0	Information about the Collective Investment Scheme Unit		
6.0	Investment Policy, Objectives of the Scheme, Investment Restrictions and Risks		
7.0	Dealing in the Scheme's Unit		
8.0	Valuation of Collective Investment Scheme Assets		
9.0	Fees and charges		
10.0	Disclosures and periodic reports for unit holders in the State of Kuwait		
11.0	Unit holder's rights in the state of Kuwait		
12.0	Collective Investment Scheme Marketer Obligations		
13.0	Other information		
14.0	Any other data requested by the Authority		



### **3.0 Section Three: Information of the Scheme**

3.1 Name of the Scheme: [Scheme's name in Arabic and English as stated in the Collective Investment Scheme's incorporation certificate issued in the country of origin]

3.2 Country of Origin: [Name of the country where the scheme was incorporated]

3.3 Registered Regulator/Supervisory Authority/Regulatory Authority: [The entity which the Collective Investment Scheme is subject to the laws thereof]

3.4 Licensing/Registration Nature: [Licensed Collective Investment Scheme/Registered Collective Investment scheme/Other]

3.5 Legal Status of the Scheme: [Fund/Limited Liability Company/Special Purpose Vehicle/Other/and whether the scheme is an independent corporate entity]

3.6 Scheme Establishment Date: [00/00/0000]

3.7 Scheme Form: [Open or Closed]

3.8 Scheme Type: [Investment in securities/Investment in money markets/Investment in real estate/Investment in funds/Investment in debt instruments/Private equity/Other]

3.9 Scheme Classification: [Public or Private]

3.10 Currency of the Scheme: [According to the main currency of the scheme, with a statement of local exchange rates and procedures for subscription, registration, redemption, or liquidation, as applicable]

3.11 Scheme Capital: [Number of units and total value in the scheme's currency]

3.12 Scheme Nature: [Conventional/Conforms with Islamic Sharia Standards]

3.13 Scheme Term: [Defining the scheme term, with a specific start and end date, and specifying the conditions for extending the duration, as applicable]

3.14 Historical Performance of the Collective Investment Scheme: [If available/If applicable]

### **4.0 Section Four: Information of the Collective Investment Scheme Manager**

4.1 Name of Scheme Manager: [The person managing the investments of the Collective Investment Scheme according to the terms and conditions of the Collective Investment Scheme, as per the certificate issued in the country of origin, and a statement of the regulatory authority to which they are subject]

4.2 Registration or License Number: [If available/If applicable]

4.3 Country of Incorporation of the Scheme Manager:

4.4 Date of Incorporation of the Scheme Manager: [00/00/0000]

4.5 Address of the Scheme Manager:

4.6 Website:

4.7 Contact Information:

4.8 Names of the Scheme Manager's Board Members or Other Management Officers and a Brief Curriculum Vitae of Each:

Name of Board Member	Curriculum Vitae
1.	o
2.	o
3.	o

4.9 Description of the Roles to be Performed by Board Members and Their Remuneration [If Any]:

4.10 Details of the Scheme Manager's Equity Shares in the Company:

4.11 Percentage of the Manager's Participation in the Scheme Capital: [If Applicable]

4.12 Cases of Conflicts of Interest and the Policies and Procedures for Dealing with them: [If Any/If Applicable]

4.13 Statement of Any Outsourcing of the Scheme Manager's Roles to an External or Independent Party: [If Any/If Applicable]

#### **5.0 Section Five: Information of the Collective Investment Scheme Unit: [A scheme Unit may be a Unit/Share/stake or any other form]**

5.1 Nominal Value of the Unit: [If Any/If Applicable]

5.2 Number of Units: [Total Number of Units in the Scheme]

5.3 Legal Form of the Unit: [Unit/Share/Stake/Other]

5.4 Names of companies that comprise the unit: [If Any/If applicable] [In Arabic and English]

5.5 Components of the unit: [If Any/ If applicable]

5.6 Features/Categories of the unit: [If Any/ If applicable]

5.7 Unit offering price in the State of Kuwait:

5.8 Maximum number of units to be marketed within Kuwait: [By category]

5.9 Maximum total value offered in Kuwait: [In Kuwaiti Dinars or the scheme's currency]

## **6.0 Section Six: Investment Policy, Objectives of the Scheme, Restrictions, and Risks**

6.1 Investment Objectives of the Collective Investment Scheme:

6.2 Investment Summary: [A description of the type or types of assets or investments the scheme will invest in, if the investment is pre-determined and where applicable]

6.3 Investment Policy, Restrictions, and Controls: [A summary of the policies, strategies, and concentration ratios in specific assets or geographic areas that the scheme will pursue to achieve its objectives]

6.4 Investment Risks: [Risk factors affecting the scheme's performance that must be disclosed, noting that investing in the scheme does not guarantee profit or no loss.]

6.5 A statement confirming that the subscriber has been informed of all risks they may face when investing in the Collective Investment Scheme, the tax status of the Collective Investment Scheme under the tax legislation of the country in which it is incorporated, and the impact on their investments in the Collective Investment Scheme and the returns achieved.]

6.6 Maximum borrowing as a percentage of net asset value: [If Any/If applicable]

6.7 Basis and method of distribution of dividends: [If Any/If applicable]

## **7.0 Section Seven: Dealings on Scheme Units**

7.1 Method of Subscription, Registration, and Redemption of Scheme Units: [If Any/If applicable]

7.2 Subscription and Redemption Terms: [If Any/If applicable] [Must include a start and end date and be specified in Kuwait local time]

7.3 Minimum/Maximum Subscription and Redemption by the Scheme Manager and Unit Holders: [If Any/If applicable]

7.4 Cases and Terms in which payment delay or suspension of unit redemption may be applied and the maximum time period for unit redemption after delay and suspension: [If Any/If applicable]

7.5 Transfer of Ownership Cases: [With a statement confirming that the procedures for transferring ownership within the State of Kuwait will not conflict with the provisions of Article (5-10) of Chapter Five (Marketing a Collective Investment Scheme Incorporated Outside the State of Kuwait) of Module Thirteen of the Executive Bylaws of Law No. 7 of 2010 and their amendments]

## **8.0 Section Eight: Valuation of Assets of a Collective Investment Scheme**

8.1 Dates, Mechanism, and Method for Valuing Each Scheme Asset: [If Any/If applicable]

8.2 Dates and Method for Calculating (NAV): [If Any/If applicable]

8.3 Procedures to be taken in case of errors in valuation and calculation of the unit price, and the compensation mechanism, if applicable:

## **9.0 Section Nine: Fees and Charges**

9.1 All fees, expenses, or charges, whether due from Unit holders or the scheme:

[A table showing the value of all fees, expenses, charges, and commissions related to the scheme's operations, the method of calculating the fees and paying service providers, whether due from Unit holders, from the scheme's assets, or paid by the scheme manager, the mechanism for its amendments, and the mechanism for notifying Unit holders of such amendment. The circumstances under which the scheme manager or marketer has the right to waive their fees should also be specified.]

## **10.0 Section Ten: Periodic Disclosures and Reports to Unit Holders in the State of Kuwait**

10.1 Periods of Preparation and Issuance of Financial Statements, Method of Access, and How to Obtain Copies: [The start and end dates of the scheme's financial year and their dates of issuance, with a statement that the financial statements will be available to all Unit holders free of charge.]

10.2 Periodic Reports to Unit Holders, Dates of Issuance, Method of Access, and How to Obtain Copies:

10.3 Mechanism or Method for Unit Holders to Be Notified of Any Material Events Related to the Scheme: [Including, but not limited to:

- Material events related to the scheme in general.
- Any changes related to the information contained in the prospectus (if any).
- Any decisions related to the liquidation of the Collective Investment Scheme.
- Any legal action taken by the Collective Investment Scheme against a third party, or by a third party against the Collective Investment Scheme, that in the end will evidently affect the activities or financial position of the Collective Investment Scheme.]

## **11.0 Section Eleven: Rights and Responsibilities of Unit Holders in the State of Kuwait**

11.1 A statement that, except for the loss of the value of the Units or part thereof, the Unit holder shall not be liable for the debts and obligations of the scheme, unless otherwise stipulated by the laws applicable in the country of origin. In such cases, a statement must be provided specifying the circumstances under which Unit holders may be liable in this manner, and this information must be disclosed to the Unit holders and obtained with their signature acknowledging full disclosure before investing in the scheme.

11.2 Method of Registering Unit Holders' Ownership:

In the case of direct ownership and registration of Units in the investor's name, the following shall be stated:

The Unit holder's ownership will be registered directly in their name in the shares of [the company/shares of the investment companies comprising the investment unit].

In the case of indirect ownership and registration of Units in the name of the Marketer, the following shall be stated:

Subscription to the Collective Investment Scheme shall be in the name of the scheme Marketer (name of scheme Marketer) on behalf of the Unit holders. The Collective Investment Scheme Marketer shall exercise all rights associated with the Unit holders in [name of Collective Investment Scheme] full and with due diligence, and in accordance with the prospectus.

11.3 Procedures for Complaints Submitted to the Marketer or Scheme Manager: [Including the following information as a minimum]:

- [An undertaking from (name of scheme Marketer) to forward Unit holders' complaints to the Collective Investment Scheme manager or other parties associated with the scheme or the entity to which the scheme is subject, as directed by the Unit holders in the scheme.]
- Method of submitting the complaint: In person/Email/Letter/Any other method.
- Identifying the entity against which the complaint is filed: the Collective Investment Scheme Marketer / the Collective Investment Scheme manager / the regulatory authority in the country of origin of the Collective Investment Scheme.
- The scheme Marketer shall provide the investor with proof that the entity against which the complaint is filed has received the submitted complaint.
- Specifying a timeframe for notifying the Client of the response of the entity which the complaint is filed against.
- If the entity regulating the Collective Investment Scheme in the country of origin does not accept the complaints submitted by investors in the scheme, this must be clearly and explicitly stated in the prospectus.

## **12.0 Section Twelve: Obligations of the Collective Investment Scheme Marketer**

12.1 Summary of the Responsibilities and Obligations of the Collective Investment Scheme Marketer towards Unit Holders and the Authority: [According to the minimum requirements of the Executive Bylaws]

## **13.0 Section Thirteen: Other Information**

13.1 Any other information known or reasonably should be known by the scheme manager or Marketer, which Unit holders may reasonably request, or which is expected to be included in the prospectus and upon which the investment decision will be based.

## **14.0 Section Fourteen: Any other data requested by the Authority**

**Attachment (4)**  
**Institutional Marketing of the Collective Investment Scheme Units**  
**Incorporated Outside the State of Kuwait**

### **First: General Provisions**

1. Institutional marketing of Collective Investment Scheme incorporated outside the State of Kuwait means marketing, offering, arranging, or coordinating the participation in one or more investment funds or other Collective Investment Schemes incorporated outside the State of Kuwait only for Professional Client by Nature, according to the definition set forth in Module One (Glossary) of these Bylaws. Portfolios of Licensed Person are not included in this category unless managed directly by Professional Client by Nature.
2. The Licensed Person shall submit an application to the Authority prior to carrying out processes of institutional marketing of Collective Investment Scheme incorporated outside the State of Kuwait. This is limited to Licensed Persons to practice the activity of Collective Investment Scheme Manager, Subscription Agent (selling) or Investment Advisor.
3. The Authority shall register the Collective Investment Schemes incorporated outside the State of Kuwait that will undergo institutional marketing inside the State of Kuwait. It shall issue the marketing permission after receiving the application complete with all the information and documents set out in this Appendix and after payment of the prescribed fee thereof within ten Business Days and shall announce the permission in the Official Gazette. The Marketer may carry out his tasks after the announcement of the permission.
4. The Authority may reject the application for institutional marketing permission in the event of not meeting any of the basic conditions of granting the permission.
5. The Authority may keep record of all Collective Investment Schemes incorporated outside the State of Kuwait after granting permission for institutional marketing by the Authority.
6. The Authority may cancel the marketing permission and delete the registered Collective Investment Schemes if it was proven that any of the conditions or undertakings of granting the permission were not met, or if it is to protect the interest of the participants in the scheme, or if this would influence its national or public interest or violate the legislation applicable in the Authority.

### **Second: Notification Requirements**

The applicant shall notify the Authority of his wish for institutional marketing, provided that the applicational shall include the following:

1. Basic information and Prospectuses of the Collective Investment Schemes that will undergo institutional marketing inside the State of Kuwait.
2. Regulatory authority (the authority which the Collective Investment Scheme is subject to the laws thereof) and a proof of incorporation, registration, or subjection to supervisory authority in the country of origin.
3. Target group of institutional marketing, provided that it shall one or all categories of Professional Client by Nature, according to the definition set forth in Module One (Glossary) of these Bylaws. Portfolios of Licensed Person may not be included in this category unless managed directly by Professional Client by Nature.

**Third: Undertakings**

The applicant shall undertake the following upon submission of the institutional marketing application:

1. Undertake to assume Care of a Prudent Person in the limits of responsibilities thereof as a marketing entity and to provide the Client with all adequate information and documentation according to which the investment decision of any Collective Investment Scheme will be taken. I also undertake to be responsible for any default, professional negligence, or fraud that may occur while carrying out his tasks, and compensate every Person harmed as a result of an error committed thereby, provided that the Authority shall be notified within ten Business Days once any of the events stipulated in this item occurs.
2. Undertake to inform the subscriber that the Prospectus submitted to the Authority and the information and documents provided in the application (including all appendices and attachments) are complete, clear, correct, not misleading, and do not include any deficiency that may affect the content of such information, and that the Authority has not reviewed any of the provisions set for in the Prospectus or relied on in granting in the marketing permission.
3. Undertake to inform the subscriber of all the risks that may encounter during investment in the Collective Investment Scheme, the tax status of the Collective Investment Scheme under the tax legislations at the country of origin, and the effect of such status on the investments thereof in the Collective Investment Scheme as well as the returns to be achieved from such Scheme.
4. Undertake to inform the subscriber that the Authority's permission for institutional marketing of a Collective Investment Scheme inside the State of Kuwait is not a recommendation of purchase or investment in a Collective Investment Scheme; however, it refers to the ability and appropriateness of the Marketer to market the stakes or Units of a Collective Investment Scheme, and that the Authority is not responsible for the default of any party concerned with the Collective Investment Scheme in carrying out the tasks and responsibilities thereof, while that responsibility is of all other parties according to the roles and tasks of each party.
5. Undertake to ensure that the Collective Investment Scheme shall not carry out any activities inside the State of Kuwait which may result in funding third parties.
6. Undertake to notify the Authority and the Clients immediately after the occurrence and knowledge of material events or information that may expose the interests of the Clients' assets to risks.
7. Undertake to submit to the Authority a report of the effective results of marketing a Collective Investment Scheme incorporated outside the state of Kuwait within fifteen Business Days from the expiration date of the institutional marketing permission or in the event of completing the marketing processes before that (if sooner).

**Appendix 2**  
**Application for the Incorporation of a Local Fund**

Date:

## Application for the Incorporation of a Local Fund Contents

The Licensed Persons wishing to incorporate a local Fund in the State of Kuwait shall fill out this form and submit it to the Capital Markets Authority.

Section 1	Fund Information
Section 2	Fund Manager Information
Section 3	Main Liaison Officers at the Fund Manger
Section 4	Custodian
Section 5	Investment Controller
Section 6	External Auditor
Section 7	External Sharia Auditing Office
Section 8	Internal Sharia Audit Unit
Section 9	Investment Advisor
Section 10	Subscription Agent (Selling)
Section 11	Record Keeper
Section 12	List of the Documents Required upon Submission of the Application
Section 13	Declaration and Undertaking Issued to the Capital Market Authority

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**1. Fund Information**

Name of Fund (in Arabic): ❖

Name of Fund (in English): ❖

Fund Classification: ❖

Public Offer  Private Placement

Targeted Segment: ❖

Fund's Capital: ❖

Fund's Currency: ❖

Form of Fund: ❖

Closed  Open

Conventional  Conforms with Islamic Sharia

Fund's Type: ❖

Equity Investment Fund       Money Market Fund       Real Estate Fund  
 Fund of Funds       Debt Instrument Fund       Private Property Fund  
 Real Estate Income-Generating Fund (Traded)       Hedge Fund       Venture Capital Fund  
 Other .....

Fund's Investment Goals: ❖

Targeted Segment: ❖

Nature of Scheme: ❖

Conventional  Conforms with Sharia

Name of Applicant: ❖

Tel. Number: ❖

Mobile Number: ❖

Email: ❖

Website: ❖

2. Fund Manager Information		
Name: ❖	Authority's License Number: ❖	Auditor of the Fund's Manager: ❖
<input type="text"/>	<input type="text"/>	<input type="text"/>
Company's Legal Entity: ❖	Address of HD: ❖	
<input type="checkbox"/> Public <input type="checkbox"/> Closed <input type="checkbox"/> Conventional <input type="checkbox"/> Islamic Sharia <span style="padding-left: 100px;">Compliant</span>	<input type="text"/>	
Members of the Fund's Executive Committee:		
1.		
2.		
3. Main Liaison officers at the Fund Manager		
Name of First Liaison officer: ❖		
<input type="text"/>		
Job Title: ❖	Department: ❖	Mobile No: ❖
<input type="text"/>	<input type="text"/>	<input type="text"/>
Website: ❖	Tel.: ❖	Email: ❖
<input type="text"/>	<input type="text"/>	<input type="text"/>
Name of Second Liaison officer: ❖		
<input type="text"/>		
Job Title: ❖	Department: ❖	Mobile No: ❖
<input type="text"/>	<input type="text"/>	<input type="text"/>
Website: ❖	Tel.: ❖	Email: ❖
<input type="text"/>	<input type="text"/>	<input type="text"/>

**4. Custodian**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**5. Investment Controller**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**6. External Auditor**

Name of Auditor: ❖

Name of Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's Registration Number: ❖

Tel.: ❖

Email: ❖

**7. External Sharia Auditing Office**

(to be filled out if the Funds are operating in accordance with Islamic Sharia)

Name of Entity:

Name of Liaison officer:

Job Title:

Department:

Mobile No:

Authority's Registration Number:

Tel.:

Email:

**8. Internal Sharia Audit Unit**

(to be filled out if the company is a conventional Fund Manager and would like to incorporate a Fund in accordance with the provisions of Islamic Sharia)

Name of the Internal Sharia Audit Responsible Person / Name of Entity:

Authority's Registration Number:

Tel.:

Email:

**9. Investment Advisor**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**10. Subscription Agent (Selling)**

(To be filled out if there is a Subscription Agent (Selling))

Name of Liaison officer:

Name of Entity:

Job Title:

Department:

Mobile No:

Authority's License Number:

Tel.:

Email:

**11. Record Keeper**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

12. List of the Document upon submission of Application					
S.N	Document	Enclosed	N/A	Auditing Status (Capital Market Authority only)	Remarks
1	Fund's Draft Prospectus	<input type="checkbox"/>	<input type="checkbox"/>		
2	Fund's Draft Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>		
3	Custodian Draft Agreement	<input type="checkbox"/>	<input type="checkbox"/>		
4	Investment Controller Draft Agreement	<input type="checkbox"/>	<input type="checkbox"/>		
5	External Auditor Draft Agreement	<input type="checkbox"/>	<input type="checkbox"/>		
6	External Sharia Auditing Office Draft Agreement (for the Funds operating in accordance with Islamic Sharia)	<input type="checkbox"/>	<input type="checkbox"/>		
7	Internal Sharia Audit Unit Draft Agreement (in case the company is a conventional Fund Manager and wants to incorporate a Fund operating in accordance with Islamic Sharia)	<input type="checkbox"/>	<input type="checkbox"/>		
8	Record Keeper Draft Agreement (unless the Custodian is the Record Keeper)	<input type="checkbox"/>	<input type="checkbox"/>		
9	Any other draft agreements entered into with the Fund Service Providers	<input type="checkbox"/>	<input type="checkbox"/>		
10	Subscription/ Participation Form	<input type="checkbox"/>	<input type="checkbox"/>		
11	Redemption form for the open-ended Fund	<input type="checkbox"/>	<input type="checkbox"/>		
12	A Statement of the Applicant's previous experience in managing assets of others	<input type="checkbox"/>	<input type="checkbox"/>		
13	Copy of the payment receipt of the Fund's incorporation application fees	<input type="checkbox"/>	<input type="checkbox"/>		
14	Soft copies of all the documents mentioned above, provided that the documents of items (1), (2), (10), and (11) of this list are to be attached in (Word) format.	<input type="checkbox"/>	<input type="checkbox"/>		

### 13. Declaration and Undertaking Issued to the Capital Market Authority

I, the undersigned, declare to:

1. The information in this application (including all Appendices and enclosures) is complete, accurate and correct. I also declare that I've reviewed Law No. 7 of 2010, its Executive Regulations and the amendments thereof as well as the instructions and resolutions that are issued from the Authority and the amendments thereof.	<input type="checkbox"/> Yes
2. I am aware of the Capital Market Authority's right to take any punitive or disciplinary action against any Person who provides incorrect or misleading information in the application of incorporation.	<input type="checkbox"/> Yes
3. I undertake to inform the Authority in writing once any change in any provided information or data has occurred or carried out under this application.	<input type="checkbox"/> Yes
4. I declare my approval that Capital Market Authority shall use and disclose any information I provided or I will provide in the future in this application for the purposes of carrying out the duties thereof.	<input type="checkbox"/> Yes
5. I shall abide to the provisions of Law No. 7 of 2010 and the Executive Bylaws, and their amendments thereof, regulations, decisions, instructions and circulars issued by the Capital Markets Authority, and to comply with the Scheme during the specified period set by the Authority.	<input type="checkbox"/> Yes
6. I undertake to pay out any fees for licensing or renewing the license for the Fund or any other fees as prescribed by the Authority and in accordance with the resolutions issued thereby in this regards.	<input type="checkbox"/> Yes
7. I pledge that I have presented the draft Articles of Association to all service providers and none of them have any comments on matters relating to their scope of work.	<input type="checkbox"/> Yes
8. I undertake to provide the Authority with copies of the final agreements signed with the service providers, provided that the financial years stipulated in these agreements are updated according to the date of registration of the Fund in the Authority's register.	<input type="checkbox"/> Yes
<b>In Case of Private Subscription Fund</b>	
9. I undertake not to use any of the means of public announcement in advertising the Fund, and in particular not to use the advertisements, articles or any methods to address the public such as publishing in newspapers, magazines or press news, transmitting through visual, audible or readable media means, and not to hold introductory seminars or meetings with prospective investors unless these qualified invited investors are known and previously defined.	<input type="checkbox"/> Yes
This is a declaration and undertaking from me	

Name: ❖

Capacity: ❖

Date: ❖

Signature: ❖

Stamp: ❖

**Appendix 3**  
**Prospectus**

### Form and Contents of Prospectus

The Prospectus of each Fund shall include all the necessary information that helps investors to take the right sensible decision with respect to the proposed investment. The following data shall, at the minimum, be fulfilled as per the sequence shown in this Appendix:

#### Firstly: Prospectus Cover Page

1. Name of Fund
2. Type of Fund
3. Fund Classification (Public / Private)
4. Capital of Fund
5. Form of the Fund (open-ended/ closed-ended)
6. Name of Fund Manager
7. Subscription Period
8. A prominent legible warning written in bold font and framed as follows:

With regards to the contents of this Prospectus, we advise investors to read and understand this Prospectus. If in doubt, please seek the advice of a Person licensed in accordance with the Law who is specialised in giving advice on making an investment decision to participate in the Fund.

#### Secondly: First Page inside the Prospectus

The first page which comes after the cover page shall include the following:

1. A prominent legible disclaimer written in bold font and framed as follows:

The Capital Market Authority has approved the incorporation of the Fund and offering of its Units. The Authority shall not bear any liability for the contents of this Prospectus. It does not give any confirmation of the accuracy or completion of its contents. It shall not bear any liability whatsoever for any loss resulting from this Prospectus or from relying on any part thereof. The Capital Market Authority does not give any recommendation whether it is a good investment or not.

2. In case of Private Subscription Fund, a statement as follows:

This Prospectus is issued to subscribe in a Fund's Unit through Private Subscription. It may not be displayed or distributed inside the State of Kuwait except to Professional Clients in the State of Kuwait.

3. In case of Funds operating in accordance with the provisions of Islamic Sharia, a statement shall be added as follows:

The [name of Fund) has been approved as a Fund's licensed to operate in accordance with the provisions of the Islamic Sharia by an External Sharia Auditing Office appointed by the Fund.

4. A statement regarding "Fund Manager's duties" on the inner cover page is framed as follows:

This Prospectus was prepared by the Fund Manager who is fully liable for the truth and accuracy of the information provided for therein. The Fund Manager confirms that it does not contain any untrue or misleading information nor inadvertently omits other facts that would render any statement in the Prospectus false or misleading.

5. A statement on the Authority's approval on this Prospectus is issued as follows:  
The Prospectus is accepted by Capital Market Authority on / / .

**Thirdly: List of Contents**

The Fund Manager shall add a list of contents comprising the addresses, and Subsidiary addresses for each section included in the Prospectus along with the page number corresponding to each section.

**Fourthly: Preamble**

A statement that, both the Prospectus and Regulations have been created as per the Law of the Capital Market Authority, and have been adopted by Capital Market Authority.

**Fifthly: Definitions:**

In case there are terms that require clarification, the Fund Manager shall add a special section for the clarifying definitions.

### **Sixthly: Fund's Information**

1. Name of Fund.
2. Form of Fund: (open-ended/ closed-ended).
3. Type of Fund: Determine the type of Fund as per the nature of its business.
4. Fund Classification: (Public/ Private Subscription).
5. Targeted Segment.
6. Currency of Fund.
7. Capital and the payment Scheme of the Fund
8. Fund Objective
9. The Fund, sector, or indicator's followed investment scope (if any).
10. Fund's investment controls
11. Risk of investing in the Fund, including:
  - a. The main risks related to investment, including the potential risks that the Fund can be exposed to, and any circumstances that are reasonably likely to affect the net of the value of the Fund's Assets and the returns thereof.
  - b. A clear statement showing the following to the investors:
    1. The potential risks of losing money upon the investment in the Fund.
    2. Investment in the Fund is not considered as a deposit of money at a bank which provides guarantee, sale, or otherwise related to the Fund.
12. The nominal value of the investment Unit
13. The term of the Fund
14. The minimum and maximum of participation and redemption by the Fund Manager and Unitholders.
15. Conflict of interest policy or any potential and/or actual conflict of interests.

## **Seventhly: Details of Service Provider**

### **Fund Manager**

1. Name of the Fund Manager.
2. Statement that the Fund Manager is licensed from the Capital Market Authority.
3. Fund Manager registered address and headquarters address, in addition to the contact information and any web address enclosing any information on either the Fund or its manager.
4. Profile on the Fund Manager and the date of incorporation.
5. Members of the Fund Board of Directors and a brief profile of their CVs.
6. Statement on the main obligations of the Fund Manager.
7. Any business, or other interests of the Fund Manager which are of material importance, or can come into conflict with the Fund business.

### **Custodian**

1. Name of the Custodian.
2. Statement that the Custodian is licensed from the Capital Markets Authority.
3. Custodian's registered address and work address.
4. Profile of the Custodian and date of incorporation.

### **Investment Controller**

1. Name of the Investment Controller.
2. Statement that the Investment Controller is licensed from the Capital Markets Authority.
3. Investment Controller's registered address and work address.
4. A profile of the Investment Controller and date of incorporation.

### **External Auditor**

1. Name of the Auditor.
2. Statement that the External Auditor is registered at the Capital Markets Authority.
3. Auditor's registered address and work address.

**External Sharia Auditing Office (for the Funds operating in accordance with the provisions of Sharia)**

1. Name of the External Sharia Auditing Office.
2. Statement that the Office is registered at the Capital Markets Authority.
3. External Sharia Auditing Office registered address and work address.
4. Profile of the External Sharia Auditing Office and date of incorporation

**Investment Advisor (if any)**

1. Name of the Investment Advisor.
2. Statement that the Investment Advisor is registered at the Capital Markets Authority.
3. Investment Advisor's registered address and work address.
4. Profile of the Investment Advisor and date of incorporation

**Any other parties with whom contracts are concluded and information about them.**

**Eighth: Working Scheme**

**A. Subscription and Allotment**

This Prospectus shall, at the minimum, include the following information on the procedures of Subscription and allotment:

1. Name and address of the entity in charge of receiving the Subscription payments and the mechanism of paying Subscription monies (no participation shall, in terms of liquid cash money in the Fund, be accepted).
2. Subscription period, indicating the opening and closing date of Subscription.
3. A statement that the payments subscribers have paid and the returns they have achieved will be refunded in the event that the minimum capital is not covered, within a period not exceeding 10 Business Days from the end of the subscription period.
4. Procedures of allotment and the refund of the payments for which no corresponding Units are allocated, are subject to the following:
  - In case the Subscription exceeds the Fund's Capital, the Units shall be distributed amongst the subscribers on a pro rata basis after distributing the minimum Subscription on all subscribers.
  - The date for allocating the Units shall be no more than 10 business days from the date of closing the Subscription.
  - The payments exceeding the amount of Subscriber's allotment shall be refunded within 10 business days as of the date of allotment. No interests on the same shall be payable.
5. Any other data with respect to Subscription and allotment.

### **B. Subscription**

The following statement for:

1. Dealing Days on which the participation of Fund's Units takes place, and the deadline for submitting the participation requests.
2. The minimum subscription amount.
3. Subscription fees (if any).

### **C. Redemption**

The following statement for:

1. Dealing Days on which the Units of Fund are redeemed, and the deadline for submitting the redemption requests.
2. The minimum redemption amount.
3. Conditions of early redemption and method of calculating its fees (if any).
4. Redemption fees (if any).
5. Period of paying the redemption value.

### **Ninth: Appraisal and Pricing**

1. The days of appraisal on which the Fund net asset value (NAV) is calculated.
2. The mechanism for valuation of Fund's Assets as per the International Accounting Conditions and Standards adopted by Authority.
3. The method of calculating the price of the net unit value for the purposes of subscription and redemption.
4. Details on how to review the net unit value.

### **Tenth: Unitholders Register**

1. Name of the Record Keeper.
2. A statement of the information that shall be kept in the Unitholder register.
3. A statement showing that the Unitholders are responsible for updating their information.

### **Eleventh: Dividend's Policy**

A statement related to the policy of distributing dividends, and how distributions are paid whenever this applies.

### **Twelfth: Fees, Expenses and Charges**

A table showing all fees, expenses and charges, related to the Fund's operations and the method of calculating and paying service providers fees, and whether they are payable by the Unitholders, or from the Fund's Assets or paid by the Fund Manager.

### **Thirteenth: Accounting and Reporting**

1. Fund's financial year
2. Financial statements:
  - a. The periods for submitting the financial statements and the locations for posting the same.
  - b. A clarification on the availability of Fund's financial statements audited at request for free, and how the Unitholders have a copy of the same.
3. Periodic reports for the Unitholders
4. A description for the periodic reports with which the Unitholders will be provided and the periods of reporting, and how to submit such reports to the Unitholders.
5. Periodic information presented to the public (for the public Fund only)

### **Fourteenth: Other Information**

Any other information reasonably known or shall be known by the Fund Manager, and may be, reasonably, requested by the current or potential Unitholders or their advisors, or that are likely to be included in the Prospectus upon which the investment decision will be taken.

**Appendix 4**  
Investment Controls of Each Type of Fund

**Attachment (1)**  
**Investment Controls for Securities Investment Funds**

### **Investment Controls for Securities Investment Funds**

The Securities Investment Fund is an investment Fund that aims to invest in listed Securities traded in various sectors in the regulated markets and the fields of investment related to Securities that are specified in the Articles of Association.

Securities Investment Funds which are offered through a Public Offer are subject to the following terms and conditions:

1. Not to own more than 10% of all types of Securities of one issuer.
2. A Fund may not borrow or enter into transactions which may result in contractual financial commitments more than 15% of its net asset value.
3. Without prejudice to Article (1) above, the Fund may invest up to 15% as a maximum of its net asset value in any bonds and/or sukuk issued by the Gulf Cooperation Council (GCC) or issued under the guarantee thereof at the time of investment, provided that the Articles of Association so provides.
4. The Fund may invest 25% maximum of its net assets value in other unlisted Funds that are licensed by the Authority or subject to another Regulatory Body in accordance with the following:
  - a. The Articles of Association shall state such investment and the type of Fund.
  - b. The investment Funds are not managed by the same Fund Manager.
  - c. The investments made in one Fund may not exceed 15% from the net asset value of the Fund.
  - d. The investments made in Private Funds may not exceed 10% from the net asset value of the Fund.
  - e. The investments made in Funds managed by one manager may not exceed 15% from the net asset value of the Fund.
  - f. The investments made in Funds not identical to the type of this Fund may not exceed 10% from its net asset value.

5. The Fund's investments in listed Securities represented by shares, debt instruments, or listed Funds issued by a single issuer shall not exceed 15% of the Fund's net asset value, except for the following:
  1. A Fund, whose Articles of Association provide for investment in Securities of listed companies on Kuwait Stock Exchange or on any other organized stock exchange, or the Fund whose Articles of Association provide for investment in a specific field or sector or index of listed Securities, may not exceed 5 % more than the Securities market value to the total market value, or specific field, sector, or index.

As for the Fund, whose Articles of Association provide to invest in a certain field or sector or a specific index of listed Securities, the Articles of Association of the Fund shall set forth the standards to specify that field or sector or index and the Fund Manager shall keep a register for all the listed Securities that meet such standards. The Authority shall be notified on a quarterly basis with the market value of all Securities to the total market value of that field or sector or index within fifteen Business Days from the end of that period.
  2. In the event that the excess resulted from an increase in the price of the same listed Security, the Fund may keep the Security if it did not exceed 20% of the Fund's net asset value.
6. The Investment Fund may not invest more than 10% of its net asset value in unlisted companies.
7. A Fund that follows a published index shall invest its net asset value in all the listed Securities included in such index and according to the relative weight of each Security therein.
8. The Fund may not invest more than 10% of its net asset value in financial derivatives contracts and options.

**Attachment (2)**  
**Investment Controls of Private Equity Funds**

### **Investment Controls of Private Property Funds**

A Private Equity Fund is an investment Fund that aims to invest in unlisted companies or private projects, or companies expected to be listed, or companies that aim to expand in various fields.

Private Equity Funds are among Private Funds offered through a Private Placement and the Authority reviews the terms and conditions for the application of incorporation of each Fund solely, which shall include the ratios, controls and restrictions on the investment and borrowing of the Fund, provided that the Fund fulfils the requirements of Law, these Bylaws, as well as the decisions and terms of the Regulatory Bodies except for the requirements which the Authority decides to exempt the Fund from.

Notwithstanding the provision of Article (2-21-1) of Chapter Two of this Module, the Fund Manager's employees, who are registered Persons as representatives of the Collective Investment Scheme manager, may serve as a Member of a Board of Directors at a company whose Securities form part of the Fund's assets that is managed by the Fund Manager.

**Attachment (3)**  
**Investment Controls of Money Market Funds**

### Investment Controls of Money Market Funds

A Money Market Fund is an investment Fund whose main objective is to invest in money market instruments to ensure low risks and high liquidity and for the Fund to continue its activity as stated in the Articles of Association.

Public Money Market Investment Funds are subject to the following terms and conditions:

1. The Fund shall not borrow or enter into transactions that may give rise to liabilities, when contracting for more than 15% of its total assets.
2. The Fund may invest in any Sukuk and/or Bonds issued by the governments of the Gulf Cooperation Council (GCC) or guaranteed by them.
3. The Fund, at the time of investment, may invest up to 15% as a maximum of its net asset value in any Bonds or Sukuk whose credit rating is not less than (Investment Grade) as rated by one of the recognized international rating agencies or any local rating agencies licensed by the Authority. In the event that the credit rating drops below that, the approval of the Authority shall be obtained. Such percentage may include debt instruments of initial rating or anticipated rating or those rated according to instrument source at subscription.
4. The Fund must invest the assets thereof in instruments that ensures high-liquidity for the Fund with taking the following into consideration:
  - a. The weighted average maturity is calculated according to the following equation:  $(\sum_{i=1}^n x_i a_i)$   
Where:  
x= percentage of investment.  
a= maturity term (days) for money market instruments or the liquidity period of debt instruments and investment Funds.  
n= total number of Fund's investments in all instruments.
  - b. The maximum period of any investment in the fund shall not exceed 397 days, except for investments that can be easily liquidated within five Business Days.
  - c. The maximum limit of the weighted average maturity of the total fund investments shall not exceed 180 days.
5. Without prejudice to Item (4) above, the Fund may invest a maximum of 25% of the net asset value in other money market Funds and/or Debt Instrument Funds and/or Money Markets ETFs licensed by the Authority or subject to a Foreign Regulatory Body in accordance with the following:
  - a. The Articles of Association shall state such investment and type of Fund.
  - b. Investment Funds shall not be managed by the same Fund Manager.
  - c. Investments made in one Fund shall not exceed 15% from the net asset value of the Fund.
  - d. Investments made in Private Funds shall not exceed 10% from the net asset value of the Fund.
  - e. Investments made in Funds managed by one manager shall not exceed 10% from the net asset value of the Fund.

6. The Fund may not own more than 10% of money market instruments from the same issuer, except for money market instruments issued from the governments of the GCC or issued under the guarantee thereof.
7. The fund investments in Money Market instruments issued by one issuer shall not exceed 15% of the fund's net asset value at the time of investment, except for the Money Market instruments issued or guaranteed by GCC governments, as deposits or their equivalents at the Islamic banks.
8. Investment of the fund assets in deposits or their equivalents at the Islamic banks with one entity shall not exceed 25% of the fund's net asset value. The Authority may approve an exception as deemed appropriate on a case-by-case basis based on a request submitted by the fund manager including reasons and validations for exceeding this percentage in the interest of the fund and Unit holders.
9. The Fund may not invest in assets other than the investment stipulated in these controls such as the Shares of listed and unlisted companies as well as real estate.
10. Assets, that may be owned by the Fund due to the following, shall be exempt from Item (9) above:
  - a. Settlement amongst a group of creditors and issuer who defaults in payment.
  - b. Practicing the implicit right thereof in the transferable instruments.

Provided that the Fund Manager shall immediately notify the Authority within ten Business Days and get its approval on the mechanism of dealing with those assets.

11. The Fund Manager may discontinue redemption of the Fund's Units and liquidate the fund if the net unit value is less than the par value, after getting the approval of the Authority.
12. Investment of the fund assets in debt instruments issued by one Issuer shall not exceed 10% from the net asset value of the Fund at the time of investment, except the debt instruments issued by the governments of the Gulf Cooperation Council or guaranteed by them.
13. The Fund may invest a maximum of 10% of its net asset value at the time of investment in financial derivatives contracts and options for the purpose of hedging.

In all cases, the Fund Manager must follow a prudent risk management method and investment policy that aims to achieve an appropriate return on investment, and adhere to allocation of investment ratios in a balanced manner to provide for the risks and protection of the unit holders' rights.

**Attachment (4)**  
**Investment Controls of Debt Instruments Funds**

### Investment Controls of the Debt Instruments Funds

The debt instrument Fund is an investment Fund whose main objective is to invest in medium and long-term debt instruments issued by governments, governmental companies or semi government, institutions and private companies or any other entity approved by the Authority, and regulated by Regulatory Bodies and rated by one of the recognized credit rating agencies, or the local rating agencies licensed by the Authority, in a manner that ensures ongoing operation of the Fund as set out in the Articles of Association.

The debt instrument Fund which are offered through a Public Offer are subject to the following terms and conditions:

1. The Fund shall not borrow or enter into transactions that may give rise to liabilities when contracting for more than 15% of its total assets.
2. The Fund may invest 35% as a maximum limit of its net asset value at the time of investment in the debt instruments rated below Investment Grade and/or unrated assets by the international rating agencies or local rating agencies which are licensed by the Authority and/or debt instruments of initial rating or anticipated rating or those rated according to instrument source at subscription provided that the single security shall not exceed 10% of the net asset value of the fund at the time of investment.
3. The Fund shall not own more than 10% of the debt instruments issued by a single issuer, except for the debt instruments issued or guaranteed by GCC governments.
4. The Fund's investment in debt instruments issued by a single issuer should not exceed 20% of the Fund's net asset value at the initial time of the investment and 30% of the fund's net asset value after the investment time, except for the debt instruments that are issued or guaranteed by GCC governments.
5. The Fund's investment in a debt instrument should not exceed 15% of the fund's net asset value at the initial time of investment and 20% of the fund's net asset value after the time of investment, except for the debt instruments that are issued or guaranteed by GCC governments.
6. The Fund may invest 25% as a maximum limit of its net asset value in other Fund's which are licensed by the Authority or by a Foreign Regulatory Bodies in accordance with the following:
  - a. The Articles of Association shall state such investment and Fund type.
  - b. Investment Funds are not managed by the same Fund Manager.
  - c. The investments made in one Fund may not exceed 15% from its net asset value.
  - d. The investments made in Private Funds may not exceed 10% from the net asset value of the fund.
  - e. The investments made in Funds managed by one manager may not exceed 10% from the net asset value of the fund.
  - f. The investments made in Funds not identical to the type of this Fund may not exceed 10% from its net asset value.

7. The Fund may invest a maximum of 10% of its net asset value in (Tier 2) Bonds/Sukuk whose rating is not less than Investment Grade issued by the international rating agencies or local rating agencies which are licensed by the Authority, provided that it is issued by a Kuwaiti bank that is subject to the supervision of the Central Bank of Kuwait.
8. The Fund may not invest in assets other than the investment instruments stipulated in these controls, such as the Shares of listed and unlisted companies as well as real estates.
9. Listed debt instruments or assets, that may be owned by the Fund as a result of the following, shall be exempted from Item (8) above:
  - a. Settlement amongst a group of creditors and debt instruments issuer who defaults in payment
  - b. Practicing the implicit right thereof in the transferable debt instruments.

Provided that the Fund Manager shall immediately notify the Authority within ten Business Days and get its approval on the mechanism of dealing with those assets.

10. The Fund may invest maximum of 10% of its net asset value at the time of investment in financial derivatives contracts and options for the purpose of hedging.

**Attachment (5)**  
**Investment Controls of the Real Estate Funds**

### Investment Controls of Real Estate Funds

Real Estate Fund is an investment Fund that aims to invest the Fund's money in real estate purposes. Real Estate Funds which are offered in Public Offer are subject to the following terms and conditions:

#### First: Rules for Real Estate Funds

1. The Fund may not invest more than 10% of its net asset value in Listed Securities represented by shares or debt instruments or listed Funds, provided that the Fund's Articles of Association so provides.
2. The Fund may invest a maximum 25% of its net asset value in other Funds licensed by the Authority or subject to another Regulatory Body in accordance with the following:
  - a. The Articles of Association shall state such investment and Fund type.
  - b. Investment Funds are not managed by the same Fund Manager.
  - c. The investments made in one Fund may not exceed 15% from its net asset value.
  - d. Investments made in Private Funds may not exceed 10% from the net asset value of the fund.
  - e. Investments made in Funds managed by one manager may not exceed 10% from the net asset value of the Fund.
  - f. The investments made in Funds not identical to the type of this Fund may not exceed 10% from its net asset value
3. The Fund investments may not exceed, directly or indirectly, 30% of the Fund's net assets value in a single real estate at the time of investment. The following cases are exempt from implementing this Item:
  - a. The Fund that aims to invest in real estate/s determined in the prospectus upon establishment.
  - b. The Fund that includes a real estate that values more than ten million Kuwaiti Dinars at the time of investment.
  - c. Closed-ended Fund whose Articles of Association include determined positioning percentages for investment in a single real estate other than the percentages determined in this Item.
  - d. The Fund that obtained the approval of the Unit holders who own more than 50% of the issued capital of the Fund to invest in a single real estate in another percentage.
  - e. Real estates under development.

The provision of Item (3) above applies only if one or more properties are offered as an in-kind share in the Fund.

4. The Fund may not borrow or enter into transactions which may result in contractual financial commitments more than 50% of its net asset value whether directly or indirectly, provided that the borrowing shall not exceed 10% of the Fund's net assets value to cover redemption requests.
5. The Fund Manager shall disclose any indirect debts on the Investment Portfolios or the companies in which the Fund invested for the purpose of possessing real estates.

6. The Fund Manager, when buying or selling a real estate, shall comply with the following:
  - a. The purchasing price of real estate shall not exceed 5% of the average of appraisals received by the Fund Manager from the property evaluators. If the Fund wants to buy with a higher price than the average of the appraisals, the approval of the Unitholders owning more than 50% of the Fund's issued capital shall be first obtained, provided that the votes of the seller and the Related Parties, if any, shall be neutralized.
  - b. The selling price of real estate to a Related Party of the Fund shall not be less than the average of appraisals received by the Fund Manager from the property evaluators. If the Fund wants to sell with a price less than the average of the appraisals, the approval of the Unitholders owning more than 50% of the Fund's issued capital shall be first obtained, provided that the votes of the buyer and the Related parties, if any, shall be neutralized.

The provision of Item (6) above applies only if one or more properties are offered as an in kind share in the Fund.

7. Without prejudice to the provision of Item (3) in the First Article, the Fund may incorporate or take part in the incorporation of a company or companies for the purpose of possessing real estate inside and outside the state of Kuwait, provided that the percentage owned by the Fund shall not be less than 51% of the company and shall have control over its management.

#### **Second: Requirements for the Real Estate Funds Assets**

1. All real estate properties of the Fund shall be under possession under a title deed issued from a competent governmental body.
2. Real Estate properties must be evaluated at the time of purchase
3. In the event of purchase, the real estate shall be registered under the name of the Fund, where applicable; or provide the title deed that proves the Fund's ownership of the real estate in a manner that protects the rights of the Unitholders.
4. In the event that the real estate is directly owned by the Fund, the real estate must be wholly owned by the Fund, or the Fund shall have a separate share therein.

#### **Third: Valuation**

The Fund Manager shall evaluate the real estate assets of the Fund in accordance with the requirements of Article (2-24) of these Bylaws, exercising the Care of a Prudent Person in the best interest of the Fund and Unit holders.

**Fourth: Submitting the Report to the Unitholders**

As an exception from Article (2-34) of this Module, the unlisted Fund Manager shall submit a periodical report to the Unitholders semiannually, unless the Articles of Association states a shorter period, and within a maximum period of fifteen Business Days from the end of the period, this report, in particular, shall include the information stipulated in Article (2-34) of this Module.

**Attachment (6)**  
**Investment Controls of the Fund of Funds**

### **Investment Controls of the Fund of Funds**

The Fund of Funds is an investment Fund that aims for investment in other Funds licensed by the Authority or subject to another Regulatory Body.

The Fund of Funds which is offered through a Public Offer is subject to the following terms and conditions:

1. The Fund may not borrow or enter into transactions which may result in contractual financial commitments more than 15% of its net asset value.
2. The Fund of Funds shall not invest in Funds unlicensed by the Authority or not subject to another Regulatory Body.
3. The Fund of Funds shall invest in at least three Funds, provided that the investment in each Fund shall be not less than 5% of the net asset value of the Fund of Funds. This percentage does not apply to the investment of Fund of Funds in any other Fund thereafter.
4. The investment of the Fund of Funds in another investment Fund shall not exceed 50% of the net asset value of the Fund of Funds.
5. The investments made in Private Funds may not exceed 15% from the net asset value of the Fund.
6. The investments made in Funds managed by one manager may not exceed 50% from the net asset value of the Fund.
7. The Fund of Funds shall be prohibited to invest in another Fund of Funds.
8. The Fund of Funds shall be prohibited to invest in other Funds managed by the Fund of Funds Manager.
9. The Fund of Funds may invest not more than 10% of its net asset value in listed Securities, namely Shares or debt instruments. Listed Funds and traded index Funds are not included in this percentage.

**Attachment (7)**  
**Investment Controls of Real Estate Income-Generating Fund (Traded)**

### Investment Controls of Real Estate Income-Generating Fund (Traded)

The Real Estate Income-Generating Fund (Traded) is a close-ended Fund, listed in the Exchange. It aims to invest the Fund's money in Real Estate Income-Generating Funds Assets.

The provisions of the Funds provided for in this Module shall apply to the Real Estate Income-generating Fund (Traded) unless otherwise specified in this attachment and in a manner consistent with its nature and objectives, and subject to the following terms and conditions:

#### **First: The rules of subscription increase for Real Estate Income-Generating Fund (Traded)**

1. Real Estate Income-Generating Funds (Traded) shall be offered for public subscription at the time of incorporation. In all cases, the subscription shall result in the fulfillment of the requirements of listing in the Exchange. In the event of not meeting the listing requirement, the Fund Manager shall refund the funds to the subscribers in accordance with the provisions of the Prospectus.
2. The real estate subject of the fund's investment or the right to the usufruct (Intifa'a) over real estate and its valuations must be specified in the Fund's prospectus.
3. It is permissible in the Real Estate Income-Generating Fund (Traded), participation in an in kind share is according to the following conditions:
  - a. The asset provided as an in kind share shall meet the conditions stipulated in this Appendix.
  - b. The prospectus shall include the property, its valuations, and the purchase or the right to the usufruct (Intifa'a) price in accordance with the contract in Item 5 (First) of this Appendix.
  - c. The capital of the Fund may be increased by means of in kind shares in accordance with the same conditions stipulated in this Item, except Item (b). The increase shall be allocated to the owner of the in-kind shares. The Pre-emptive Right shall not be applied to subscription of old Unitholders
4. The Fund Manager shall complete the procedures for listing in the Exchange within ninety days from the date of obtaining the final license to incorporate the Fund from the Authority. The Authority may, if it deems it necessary, extend this period for an additional period of up to thirty days upon a reasoned request by the Fund Manager. The Fund Manager shall be liable for disciplinary action in the event of a delay in completing the listing procedures unless the delay is due to unforeseen circumstances.
5. Upon submitting the application for incorporation, the Fund Manager shall provide the Authority with a binding contract for the sale of the real estate subject to investment to the Fund or a contract arranging the right to the usufruct the asset (Intifa'a) or transfer of ownership as specified in the terms and conditions of the Fund's Articles of Association.
6. The capital of the Real Estate Income-generating Fund (Traded) may not be reduced.

**Second: Rules of Investment in Real Estate Income-Generating Fund (Traded)**

1. The Fund invests mainly in developed real estates that generate income periodically for a period of not less than six months and may generate periodic income in accordance with these controls. The Fund Manager may not invest in lands.
2. The Fund Manager shall distribute 90% of the operations' revenues to the Unit holders on an annual basis, unless the Articles of Association provide for a shorter period.
3. The Fund may invest 25% as a maximum of its net asset value in Money Market Funds and/or Real Estate Income-Generating Funds (Traded) and/or Securities Investment Funds licensed by the Authority or subject to another Regulatory Body, and must comply with the following :
  - a. The Fund's Articles of Association shall state that investment as well as the type of Fund.
  - b. The investments made in one Fund may not exceed 15% of the net asset value of the Fund.
  - c. None of the said Funds shall not be managed by the same Fund Manager.
  - d. The investments made in Funds managed by one manager may not exceed 15% from the net asset value of the Fund.
  - e. The investments made in Private Funds may not exceed 10% of the net asset value of the Fund.
4. The Fund investments may not exceed, directly or indirectly, 30% of the Fund's net asset value in a local real estate at the time of investment. The following cases are exempt from implementing this Item:
  - a. The Fund that aims to invest in real estate/s determined in the prospectus upon establishment.
  - b. The Fund that includes a real estate that values more than ten million Kuwaiti Dinars at the time of investment.
  - c. The Fund that obtained the approval of the Unit holders who own more than 50% of the issued capital of the Fund to invest in a single real estate in another percentage.

The provision of Item (4) applies only if one or more properties are offered as an in kind share in the Fund.

5. The Fund may not borrow or enter into transactions which may result in contractual financial commitments more than 50% of its net asset value whether directly or indirectly.
6. The Fund may invest in real estate outside the State of Kuwait, provided that the Fund investments in those real estate shall not exceed, directly or indirectly, 25% of the Fund's net assets value at the time of investment.

7. In the event that the property is directly owned by the Fund, the property must be wholly owned by the Fund or the Fund shall have a separate share therein. In the event the investment in the property is an arrangement of the right to the usufruct (Intifa'a), such rights shall include the entire property or a separate share therein.
8. The Fund may incorporate or take part in the incorporation of companies for possessing real estate, provided that the percentage owned by the Fund shall not be less than 51% of such company and shall have control over its management. The property to be invested in is required to have a minimum of six operating months.
9. The term of the Fund shall not be less than 10 years, and may be renewed in accordance with the Fund's Articles of Association.
10. The Fund Manager, when investing in real estate, shall observe the following:
  - a. The purchase price or obtaining the right to the usufruct (Intifa'a) for it shall not exceed 5% above the average of valuations that the Fund Manager has received from the real estate valuers. In the event it wishes to invest at a price higher than the average of the valuations, the approval of the Unit holders who own more than 50% of the issued Fund's capital shall be obtained, provided that the votes of the Units owned by the seller or assignor of the right to the usufruct (Intifa'a) and the Unit holders of parties relevant to the seller or assignor of the right to the usufruct (Intifa'a) if any, shall be neutralized.
  - b. The sale price of the property or the waiver of the right to the usufruct (Intifa'a) shall not be less than the average of valuations that the Fund Manager received from the real estate valuers. In the event of an intention to sell or waiver at a price lower than the average of the valuations, the approval of the Unit holders who own more than 50% of the issued capital of the Fund shall be obtained, provided that the votes of the Units owned by the buyer or assignor and the Unit holders of parties relevant to the buyer or assignor, if any, shall be neutralized.

The provision of Item (10) above applies if one or more properties are offered as an in kind share in the Fund.

**Third: The requirements of the assets of the Real Estate Income-Generating Fund (Traded)**

1. Without prejudice to the provisions included in this Attachment, the Real Estate Income-Generating Fund (Traded) may invest right to the usufruct (Intifa'a) inside the State of Kuwait, whether they were governmental or through signing usufruct contracts with individuals or private companies. All the properties of the Fund shall be owned pursuant to a deed of title issued by the designated governmental authority.
2. All Fund properties must have been valued at the time of the investment.
3. In the event of a purchase, the property shall be registered in the name of the Fund or the company that it establishes for this purpose where applicable; or submit the title deed that proves the Fund's ownership of the real estate in a manner that protects the rights of the Unitholders.

In the event of obtaining the right to the usufruct (Intifa'a), this must be done under a written contract in accordance with the provisions of the relevant laws.

4. The Fund Manager shall ensure that the real estate subject of investment meets the following conditions:
  - a. Generate periodic income for a period not less than six months, and commensurate with the feasibility of investing in them.
  - b. Have a good historical record or there is a promising prospect that the Fund will have a good income level from the revenues generated from the property.
  - c. Having economic feasibility in accordance with market studies.
  - d. Free of any attachment, mortgage, or privilege rights, except for mortgage rights restricted to the property as a result of the facilities or loans received by the Fund.
5. The Fund Manager shall, in the event of obtaining the right to the government usufruct (Intifa'a) of a property favor of the Fund or in favor of a company established by him, ascertain the approval of the designated authorities to transfer the usufruct contract in the name of the Fund.
6. The Fund Manager may insure at one or more insurance companies for all the properties invested in, in full value and the risk of loss of rent at the occurrence of the incident covered by the insurance.

**Fourth: Regulatory requirements for the Real Estate Income-Generating Fund (Traded)**

1. Where the purpose of the Real Estate Income-Generating Fund (Traded) is to invest in a single property, it is necessary to obtain the approval of the Unit holders' assembly at the time of selling or waiver of the right to the usufruct (Intifa'a) of the sole property that the Fund invests in. The Articles of Association of the Real Estate Income-Generating Fund (Traded) may include restrictions regarding the Fund Manager's freedom to dispose of the properties owned by the Fund or the companies it establishes.
2. The Fund Manager may appoint one or more real estate companies whose purposes permit managing real estate properties in order for it to manage the properties of the Fund. The Fund Manager must ensure that the company has the necessary expertise in the field of property management, which is responsible for all aspects of real estate management, including but not limited to the management, maintenance, rental, collection of rent and other management matters.
3. The Fund Manager may appoint one or more Market Maker licensed to practice the activity of Market Maker, provided that they shall be registered at the Exchange and the Authority must be notified prior to practicing the activity over the Fund's Units.
4. All notices of Unit holders applicable to the Fund Manager towards the Unit holders, and stipulated in Chapter Two of this Module, shall be replaced with disclosures by the Fund Manager in the disclosure system in force at the Exchange in accordance with the terms specified for each notice, to the extent that it does not conflict with the nature of the Real Estate Income-Generating Fund (Traded).
5. In the event of delisting the Real Estate Income-Generating Fund (Traded) from listing in the Exchange, it must be liquidated in accordance with the procedures adopted in these Bylaws, unless the Unit holders assembly approves by a majority of more than 50% of the issued capital of the fund to continue as a real estate Fund, provided that the Fund is compatible with the provisions of these Bylaws. In the event of the expiration of the Fund in accordance with the conditions set forth in Chapter Two of this Module, the Fund shall be considered delisted and shall be liquidated in accordance with the Bylaws and Articles of Association of the Fund.

6. The real estate Fund may be converted into a Real Estate Income-Generating Fund (Traded) according to the following conditions:
  - a. Amend the Fund's Articles of Association in accordance with the requirements and controls of investment in the Real Estate Income-Generating Fund (Traded).
  - b. The requirements of listing in the Exchange shall be met, and if the real estate Fund is a close-ended Fund, it may offer part of its Units for subscription in order to meet the listing conditions and requirements.
  - c. The Fund shall be in compliance with the conditions, controls and rules of the Real Estate Income-Generating Fund (Traded) provided for in this Attachment.
7. The Authority may grant the real estate Fund a period to meet the requirements for conversion to a Real Estate Income-Generating Fund (Traded). The Authority may extend this period whenever it deems it necessary.
8. Once the Real Estate Fund is converted into a Real Estate Income-Generating Fund (Traded) it becomes subject to the provisions of this Attachment and the Exchange rules.

**Fifth: Valuation**

1. The Fund Manager shall evaluate the real estate assets of the Fund, in accordance with the requirements of Article (2-24) of these Bylaws, exercising the Care of a Prudent Person in the best interest of the Fund and Unit holders.

2. The Fund Manager shall reference the following equation to evaluate the cash generated from operating activities:

Cash generated from operating activities = Net Income + (Depreciation, Amortization + Loss from Selling Fund Assets) - (Profit from Selling Fund Assets + Interest/Deposit Earnings) - Maintenance, Property Development and Evacuation Provisions.

3. The Fund Manager shall determine the maintenance, real estate development, and evacuation provisions at a reasonable rate, with explanations provided in case the allocated amount exceeds 10% of the total operating revenue of the Fund.

**Attachment (8)**  
**Investment Controls of Hedge Funds**

### Investment Controls of Hedge Funds

A Hedge Fund is a private investment Fund that follows an advanced investment policy. Its Articles of Association aims to invest in securities and other assets except real estate, using a set of advanced investment tools such as financial derivatives, futures, options, leverage, short selling and other tools in order to reach revenues higher than the average market return.

#### **The Hedge Fund is subject to the following terms and conditions:**

1. The Hedge Fund Manager or members of the Executive Committee must have sufficient experience in establishing and managing investment Funds.
2. The Articles of Association define the areas of the Fund's investment and set the ratios, controls and restrictions on investing in the assets that are in line with the Fund's objective.
3. The Articles of Association determines the assets that can be invested in according to the Fund's investment fields and the mechanism for evaluating those assets, subject to the approval of the Authority.
4. As an exception from Article (2-34) of this Module, the Fund Manager shall submit a quarterly report to the Unitholders, unless the Articles of Association states a shorter period, and within a maximum period of fifteen Business Days from the end of the period, this report shall, in particular, include the following information:
  - a. The number of Fund Units owned by the Unit holder and their net value.
  - b. A record of each Unit holder's account movement, including any distributions paid after the last report made to the Unit holder.
  - c. Net asset value of the Fund's Units.
  - d. The conflict of interest policy or any potential and/or actual conflict of interest.
  - e. A periodical report that includes the main risk associated with investing in the Fund during the period.
  - f. Methods of periodical appraisal and valuation adopted.
  - g. Interim fees and its calculation mechanism.
  - h. Financial obligations during the period and exposure rate of assets.

In the event that any of the information set forth in this item is not available, the Fund Manager shall include in the report the reasons and justifications for the lack of information and the measures taken to provide the information within a reasonable period.

The Fund Manager must also submit a copy of this report excluding Items (a-b) to the Authority during the same period specified in this item.

5. The Articles of Association of the Hedge Fund must include the criteria that the Fund Manager will seek to achieve a revenue that exceeds, and if this standard is a specific indicator, it must be prepared by an entity independent from the Fund Manager. In the event that the expected revenue is not achieved during the financial year, the Fund Manager shall provide an explanation of the reasons for not achieving the expected revenue and the risk resulting from that within the periodic reports stipulated in the previous item.
6. The Fund Manager shall notify the Unit Holders and the Authority of any material information that may affect their interests as soon as it occurs.

In all events, the Fund Manager shall follow a risk management system and a prudent investment hedging policy aimed at achieving a proper investment return, taking into account the distribution of investment ratios in a balanced manner in anticipation of risk and taking into account the rights and protection of Unit Holders.

**Attachment (9)**  
**Investment Controls of Venture Capital Funds**

### Investment Controls of Venture Capital Funds

A Venture Capital Fund is an investment Fund that aims to invest in companies or projects that have a moderately high degree of risk, such as new companies or projects, or distressed companies, or companies that aim to expand or invest in the field of modern technologies, or companies with new or innovative ideas in technology.

**The Venture Capital Fund is subject to the following conditions and controls:**

1. The Fund shall be a Private Fund and take the form of a Closed- Ended Fund.
2. The Articles of Association defines the areas of the Fund's investment and set the ratios, controls and restrictions on investments and borrowing in line with the Fund's objective.
3. The Fund Manager shall exercise the care of a prudent person and ensure the economic feasibility of the investment, conduct the necessary studies and due diligence checks, and conduct an independent financial assessment before entering into any investment for the Fund. The Fund Manager may not rely on an assessment report that has been prepared for more than three months when entering or withdrawing an investment.
4. Without prejudice to item (3) above, the Fund Manager shall take the due diligence to register the ownership of the Fund or prove ownership in the invested assets in accordance with the laws and regulations in force in the investment country.
5. The Fund may establish or contribute to the establishment of companies for the purpose of investing in assets in accordance with its investment objective, whether inside or outside the State of Kuwait.
6. The Fund Manager may delegate a natural or legal entity with the necessary practical experience in the target field to manage one of the fund's assets, and such delegation shall not dismiss the Fund Manager of his responsibilities.
7. As an exception to the provision of Article (2-21-1) of Chapter Two of this Module, the employees of the Fund Manager who are registered as representatives of a Collective Investment Scheme Manager may occupy the membership of the Board of Directors of a company whose Securities form part of the assets of a Fund Managed by the Fund Manager.
8. Without prejudice to item (7) above, the Fund Manager shall have a clear and written policy for the policies and cases of conflict of interest within the scope of the business carried out by the Fund, and it must be included in accordance with the latest update of it in the Fund's Articles of Association.
9. The Fund may invest a maximum 20% of its net asset value in other Securities.

10. Excluding the provisions stipulated in item (9) above, the shares that the Fund may own as a result of a company's listing which is owned by the Fund, or in the event of any of those listed companies withdrawing from the regulated markets, or in cases of settlement or reconciliation over assets. In all events, the Authority shall be notified immediately to take action.
11. The Fund may invest a maximum of 25% of its net asset value in other investment Funds licensed by the Authority or subject to another Regulatory Body, in accordance with the following:
  - a. The Articles of Association shall state such investment and fund type.
  - b. The investment Funds are not managed by the same Fund Manager.
  - c. The investments made in one Fund may not exceed 15% of the net asset value of the Fund.
  - d. The investments made in Funds managed by one manager may not exceed 15% from the net asset value of the Fund.
  - e. The investments made in Funds not identical to the type of this Fund may not exceed 10% from the net asset value of the Fund.

**Attachment (10)**  
**Investment Controls for Sustainable Funds**

### Investment Controls for Sustainable Funds

The Sustainable Fund is a fund that aims to follow an investment method that adopts one or more of the environmental, social, or governance factors. The Sustainable Fund is also considered a responsible fund, as sustainable and responsible investments have the same meaning.

#### The Sustainable Fund is subject to the following conditions and controls:

1. The Fund shall comply with one of the international or local Sustainability principles or objectives, for example and without limitation: Principles for Responsible Investment (PRI), United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), and the pillars of Kuwait's National Development Plan 2035.
2. The Fund's Articles of Association shall include at least one of the environmental, social, and governance Sustainability factors that will be adopted by the Fund, provided that none of the sustainability factors negatively impacts another.
3. The Fund's investments may focus on a specific factor within the main factors of sustainability (environmental, social, and governance).
4. The Fund's Articles of Association shall include one of the recognized sustainable investment strategies that will be followed by the Fund, according to the following:
  - a. Negative/exclusionary screening: excluding the companies, sectors, or countries that are related to the activities that do not comply with the international standards relevant to the environmental, social, and governance factors of the fund's components.
  - b. Positive/best-in-class screening: investing in the companies, sectors, and projects that outperform their counterparts in the environmental, social, and governance measures, or the companies that have a more rapid development in this field, or the companies that address environmental, social, or governance challenges.
  - c. ESG integration: incorporating environmental, social, and governance factors in the investment analysis and the process of selecting the Fund's investment.
  - d. Impact investing: an investment that aims to achieve a specific social or environmental impact or achieve social or environmental solutions that are measurable.  
  
In addition to other investment strategies that are based on the adoption of Sustainability factors.
5. The periodic report of the Unit holders mentioned in Article (2-34) of this Module shall include evidence of compliance of the Fund's investments with the Fund's strategy of sustainable investment.
6. All Sustainable Funds, according to their type, shall comply with the controls of each type of Fund included in this Appendix.

**Attachment (11)**  
**Investment Controls of Multi-Asset Funds**

### Investment Controls for Multi Asset Funds

A Multi-Asset Fund is an investment Fund with the main objective of investing the Fund's money to achieve various investment objectives through distributing them in different Securities, real estate assets, money market instruments or otherwise specified by the Bylaws by several types of assets for diversified and sound risk management and to maximize the revenues related to investment in the one-type asset.

Multi Asset Funds are subject to the following terms and conditions:

#### **First: General Controls**

1. The Fund's Articles of Association shall state the types of assets that support its investment objectives and determine the minimum and maximum limits for each type of asset in the Fund, provided that the maximum limit for any single asset type does not exceed 60% of the Fund's net asset value.
2. The Fund may not own more than 10% of all securities issued from the same issuer, except for money instruments or debt instruments issued from the governments of the GCC or issued under the guarantee thereof.
3. No borrowing or entering into transactions which may result in contractual financial commitments more than 15% of its net asset value
4. The Fund may not invest more than 10% of its net asset value in financial derivatives contracts and options.

#### **Second: Investment Controls in Securities**

Taking into consideration Item (1) of First of this attachment, the fund may invest in listed Securities traded in various sectors in the regulated markets and the fields of investment related to Securities that are specified in the Articles of Association, in accordance with following:

1. The Fund's investments in listed Securities represented by shares, debt instruments, or listed Funds issued by a single issuer shall not exceed 10% of the Fund's net asset value, except for the following:
  - a. A Fund, whose types include investment in Securities of listed companies on Kuwait Stock Exchange or on any other organized stock exchange, or a Fund, whose Articles of Association provide to invest in a certain field or sector or a specific index of listed Securities, may not exceed 5% of that market value to the total market value of that field, sector or specific index. In regard to a Fund, whose Articles of Association provide to invest in a certain field or sector or a specific index of listed Securities the Articles of Association of the Fund shall set forth the standards to specify the investment field, sector or index and the Fund Manager shall keep a register for all the listed Securities that meet such standards. The Authority shall be notified on a quarterly basis with the market value of all Securities to the total market value of that field within fifteen Business Days from the end of that period.
  - b. If the excess is due to an increase in the price of the same listed security itself, the fund may keep the security, provided that it does not exceed 15% of the Fund's net asset value.
2. In regard to a Fund whose types include investment in shares of unlisted companies, the share of any single unlisted company shall not exceed 5% of the Fund's net asset value.

**Third: Investment Controls in Money Markets**

Taking into consideration Item (1) of First of this attachment, the fund may invest in in money market instruments to ensure low risks and high liquidity and for the Fund to continue its activity as stated in the Articles of Association, in accordance with following:

1. The Fund may invest in a maximum of 20% of the net asset value of any Bonds and Sukuk whose credit rating is not less than (Investment Grade) as rated by one of the recognized international rating agencies or any local rating agencies licensed by the Authority. In the event that the credit rating drops below that, the approval of the Authority shall be obtained. This percentage may also include debt instruments with an initial rating, projected rating, or rating in accordance with the instrument's issuer upon subscription.

2. The Fund must invest the assets thereof in money market instruments, in a manner that ensures high-liquidity for the Fund with taking the following into consideration:

a. The weighted average maturity is calculated according to the following equation:  $(\sum_{i=1}^n x_i a_i)$   
Where:

x= percentage of investment.

a= maturity term (days).

n= total number of Fund's investments in money market instruments.

b. The maximum period of any investment in the fund shall not exceed 397 days, except for investments that can be easily liquidated within five Business Days.

c. The maximum limit of the weighted average maturity of the total fund investments shall not exceed 180 days.

3. The fund investments in Money Market instruments issued by one issuer shall not exceed 10% of the fund's net asset value, except for the Money Market instruments issued or guaranteed by GCC governments, as deposits or their equivalents at the Islamic banks.

4. Investment of the fund assets in deposits or their equivalents at the Islamic banks with one entity shall not exceed 25% of the fund's net asset value. The Authority may approve an exception as deemed appropriate on a case-by-case basis based on a request submitted by the fund manager including reasons and validations for exceeding this percentage in the interest of the fund and Unit holders.

**Fourth: Investment Controls in Debt Instruments**

Taking into consideration Item (1) of First of this attachment, the fund may invest in medium and long-term debt instruments, in a manner that ensures ongoing operation of the Fund as set out in the Articles of Association, in accordance with following:

1. The Fund may invest 20% as a maximum limit of its net asset value in the debt instruments rated below (Investment Grade) and/or unrated assets by the international rating agencies or local rating agencies which are licensed by the Authority, and/or debt instruments with an initial rating, projected rating, or rating in accordance with the instrument's issuer upon subscription.
2. The Fund shall not own more than 10% of the debt instruments issued by a single issuer, except for the debt instruments issued or guaranteed by GCC governments.
3. The Fund's investment in debt instruments issued by a single issuer should not exceed 10% of the Fund's net asset value, except for the debt instruments that are issued or guaranteed by GCC governments.
4. The Fund's investment should not exceed 10% of the fund's net asset value of any Bonds and Sukuk of the second segment of the supporting capital Tier 2 whose credit rating is not less than (Investment Grade) as rated by one of the recognized international rating agencies or any local rating agencies licensed by the Authority, provided that it shall be issued from one of the banks or the Kuwaiti banks subject to the central bank's supervision.
5. Without prejudice to the items in Fourth of this attachment, the prescribed limits may be exceeded by 5% of the Fund's net asset value after the investment period without any breach to the Articles of Association or guidelines by the Authority.

**Fifth: Investment Controls in Real Estate Assets**

Taking into consideration Item (1) of First of this attachment, the fund may invest the Fund's money in real estate purposes, in accordance with the following:

1. The Fund investments may not exceed, directly or indirectly, 30% of the Fund's net assets value in a single real estate at time of investment, with the exemption of the following cases from implementing this item:
  - a. The Fund that aims to invest in a specific Property(s) as specified in the prospectus upon incorporation.
  - b. The Fund that contains a specific asset of at least KD 10 million at the time of investment.
  - c. The closed Fund, provided that its bylaws include specific position percentages to invest in a single property, other than the percentage specified in this item.
  - d. The Fund that obtains approval from unit holders owning more than 50% of the Fund's issued capital to invest in a single property other than this percentage.
  - e. Properties under development with a condition that the articles of association includes the specific percentage of investment in the real estate under development apart from the percentage specified in this Item.

2. Without prejudice to the provisions of the previous Item, the Fund may incorporate or take part in the incorporation of companies for possessing real estate in the state of Kuwait, provided that the percentage owned by the Fund shall not be less than 51% of such company and shall have control over its management.
3. The Fund Manager shall disclose any indirect debts on the Investment Portfolios or the companies in which the Fund invested for the purpose of possessing real estates.
4. In addition to the borrowing limits stipulated in Item No. (3) of First in this attachment, the Fund may include in its types of investments in real estate borrowing or entering into transactions which may result in financial commitments not exceeding 25% of its net asset value, directly or indirectly upon contracting, to the investment in real estate only.
5. The Fund Manager, when buying or selling a real estate, shall comply with the following:
  - a. The purchasing price of real estate shall not exceed 5% of the average of appraisals received by the Fund Manager from the property evaluators. If the Fund wants to buy with a higher price than the average of the appraisals, the approval of the Unitholders owning more than 50% of the Fund's issued capital shall be first obtained, provided that the votes of the seller and the Related Parties, if any, shall be neutralized.
  - b. The selling price of real estate to a Related Party of the Fund shall not be less than the average of appraisals received by the Fund Manager from the property evaluators. If the Fund wants to sell with a price less than the average of the appraisals, the approval of the Unitholders owning more than 50% of the Fund's issued capital shall be first obtained, provided that the votes of the buyer and the Related parties, if any, shall be neutralized.
6. All real estate properties of the Fund shall be under possession under a title deed issued from a competent governmental body.
7. All real estate properties of the Fund which are under project shall be approved by virtue of an official statement from the official governmental body to be set for planning or construction.
8. Real Estate properties must be evaluated at the time of purchase.
9. All real estate properties must be clear of any legal or judicial conflicts and submit proof from the official governmental body.
10. Register the real estate under the name of the Fund, where applicable; or provide the title deed that proves the Fund's ownership of the real estate in a manner that protects the rights of the Unitholders.
11. If the Fund directly owns the property, it must be wholly owned by the Fund or the Fund must hold a specific share thereof.

**Sixth: Investment Controls in Other Funds**

Taking into consideration Item (1) of First of this attachment, the fund may invest in other Funds unlisted licensed by the Authority or subject to another supervisory entity, in accordance with the following:

1. The Articles of Association shall state such investment and Fund type.
2. Investment Funds are not managed by the same Fund Manager.
3. Investments made in a single Fund may not exceed 15% from the net asset value of the fund.
4. Investments made in a Private Funds may not exceed 10% from the net asset value of the fund.
5. Investments made in Funds managed by one manager may not exceed 15% from the net asset value of the Fund.

In all cases, the Fund Manager must follow a prudent risk management method and investment policy that aims to achieve an appropriate return on investment, and adhere to allocation of investment ratios in a balanced manner to provide for the risks and protection of the unit holders' rights.

**Appendix 5**  
Form of Monthly Information

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**1. Main Information**

Date of monthly information	
Name of Fund	
Name of Fund Manager	
Type of Fund	(Investment in Securities, Money market, Real Estate, Debt Instruments, Fund of Funds, Real Estate Income-Generating Fund (Traded))
Nature of Fund	(Conventional/in compliance with Sharia)
Form of Fund	(open, close)
Name of Fund's Executive Committee Members	
Fund's Currency:	
Fund Investment goals	
Name of Index	(if any)
Type of Index	(Indexed/ benchmark/ Performance) (if any)
Date of Fund Incorporation	
Term of Fund	
Current Fund's Capital	(number of Units)
Net Value of Fund's Assets	
Net value of Fund's Unit	
Minimum limit of subscription and redemption by Fund's Unit holders	
Maximum limit of subscription and redemption by Fund's Unit holders	
Time for Participation and Redemption	(if any)
Subscription fees	(if any)
Redemption fees	(if any)
Early Redemption fees	(if any)

## 2. Fund Components

Largest five components of the Fund (as a percentage of the Fund's Net Asset Value)	1.	Percentage (%)
	2.	Percentage (%)
	3.	Percentage (%)
	4.	Percentage (%)
	5.	Percentage (%)

## 3. Fund Return

Monthly return	Percentage (%)
Return of the latest quarter	Percentage (%)
Year to Date return	Percentage (%)
Return of the previous financial year	Percentage (%)
Return since Inception	Percentage (%)

## 4. Fund Distributions

Monthly distributions	(if any)
Distributions of the latest quarter	(if any)
Distributions of the previous financial year	(if any)
Distributions since incorporation	(if any)

**5. Fund Service Providers**

External Auditor	
Custodian	
Investment Controller	
External Sharia Auditing Office	(For Funds operating in accordance with Sharia)
Record Keeper	
Subscription Agent (Selling)	(if any)
Investment Advisor	(if any)
Other service providers	(if any)

**6. Contact Information**

Name of Liaison officer	
Telephone	
Email	
Website of Fund Manager	
Address of Fund Manager	

**Appendix 6**  
**Application Form for the Incorporation of a Contractual Collective  
Investment Scheme**

Date:

## Application Form for the Incorporation of a Contractual Collective Investment Scheme

### Contents

Licensed Persons intending to establish a Contractual Collective Investment Scheme in the State of Kuwait shall fill out this form and submit it to the Capital Markets Authority.

Section 1	Information of the Contractual Collective Investment Scheme
Section 2	Information of the Special Purpose Vehicle Company
Section 3	Information of Contractual Collective Investment Scheme Manager
Section 4	Main Liaison officers for the Scheme Manager
Section 5	Custodian
Section 6	Investment Controller
Section 7	External Auditor
Section 8	External Sharia Auditing Office
Section 9	Internal Sharia Audit Unit

Section 10	Investment Advisor
Section 11	Subscription Agent (Selling)
Section 12	Record Keeper
Section 13	List of the Documents Required upon Submission of the Application
Section 14	Declaration and Undertaking Issued to the Capital Markets Authority

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**1. Information of the Contractual Collective Investment Scheme**

Name of Contractual Collective Investment Scheme (in Arabic):  
(The name must be close to the name of the SPV) ❖

Name of Contractual Collective Investment Scheme (in English): ❖

Form of Scheme: ❖

Open-ended     Closed-ended

Scheme's Capital: ❖

Scheme's Currency: ❖

Scheme's Investment Goals: ❖

Targeted Segment:

Nature of Scheme: ❖

Conventional  
 Conforms with Islamic Sharia

Mobile Number: ❖

Tel. Number: ❖

Name of Applicant: ❖

Website: ❖

Email: ❖

**2. Information of the Special Purpose Vehicle Company (SVP)**

Name of the SVP: ❖

Entity place of incorporation /domicile in which notifications ,correspondences and announcements shall be made❖

Company objectives❖

Company term❖

**3. Details of the Contractual Collective Investment Scheme Manager**

Name: ❖

Authority's License  
Number: ❖Auditor of the Scheme's  
Manager: ❖

Headquarters Address: ❖

Company's Legal Entity: ❖

 Public     Closed  
 Conventional  
 Islamic Sharia Compliant

Members of the Scheme's Executive Team:❖

1.
2.

**4. Main Liaison officers for the Scheme Manager**

Name of First Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Website: ❖

Tel.: ❖

Email: ❖

Name of Second Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Website: ❖

Tel.: ❖

Email: ❖

**5. Custodian**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**6. Investment Controller**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**7. External Auditor**

Name of External Auditor: ❖

Name of Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Registration Number at the Authority: ❖

Tel.: ❖

Email: ❖

**8. External Sharia Auditing Office**

(to be filled out if the Contractual Collective Investment Schemes are operating in accordance with Islamic Sharia)

Name of Entity:

Name of Liaison officer:

Job Title of Liaison officer:

Department:

Mobile No:

Registration Number at the Authority:

Tel.:

Email:

**9. Internal Sharia Audit Unit**

(to be filled out if the company is a conventional Collective Investment Scheme Manager and would like to incorporate a Contractual Collective Investment Scheme in accordance the provisions of Islamic Sharia)

Name of the Internal Sharia Audit Officer or Name of Entity:

Registration Number at the Authority:

Tel.:

Email:

**10. Investment Advisor**

(To be filled out if there is an Investment Controller)

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

**11. Subscription Agent (Selling)**

(To be filled out if there is a Subscription Agent (Selling))

Name of Liaison officer:

Name of Entity:

Job Title:

Department:

Mobile No:

Authority's License Number:

Tel.:

Email:

**12. Record Keeper**

Name of Liaison officer: ❖

Name of Entity: ❖

Job Title: ❖

Department: ❖

Mobile No: ❖

Authority's License Number: ❖

Tel.: ❖

Email: ❖

13. List of the Documents Required upon Submission of the Application				
#	Document	Enclosed	N/A	Remarks
1	Contractual Collective Investment Scheme's contract draft	<input type="radio"/>	<input type="radio"/>	
2	Special Purpose Vehicle Company's Articles of Association Draft	<input type="radio"/>	<input type="radio"/>	
3	Custodian Agreement Draft	<input type="radio"/>	<input type="radio"/>	
4	Investment Controller Agreement Draft	<input type="radio"/>	<input type="radio"/>	
5	External Auditor Agreement Draft	<input type="radio"/>	<input type="radio"/>	
6	External Sharia Auditing Office Agreement Draft (for the Contractual Collective Investment Schemes operating in accordance with Islamic Sharia)	<input type="radio"/>	<input type="radio"/>	
7	Internal Sharia Audit Unit Agreement Draft (in the event the company is a conventional Collective Investment Scheme Manager and wants to incorporate a Contractual Collective Investment Scheme operating in accordance with Islamic Sharia)	<input type="radio"/>	<input type="radio"/>	
8	Draft Record Keeper Agreement (unless the Custodian is the Record Keeper)	<input type="radio"/>	<input type="radio"/>	
9	Any other draft agreements entered into with the Scheme Service Providers	<input type="radio"/>	<input type="radio"/>	
10	Subscription / Participation Form	<input type="radio"/>	<input type="radio"/>	
11	Redemption form for the open-ended Fund	<input type="radio"/>	<input type="radio"/>	
12	A Statement of the Applicant's previous experience in managing the assets of others	<input type="radio"/>	<input type="radio"/>	

13	Copy of the payment receipt of the Scheme's incorporation application fees	<input type="radio"/>	<input type="radio"/>	
14	Soft copies of all the documents mentioned above, provided that the documents of items (1), (2), (10), and (11) of this list are to be attached in (Word) format.	<input type="radio"/>	<input type="radio"/>	

#### 14. Declaration and Undertaking Issued to the Capital Markets Authority

I, the undersigned, declare to:

1. The information in this application (including all Appendices and enclosures) is complete, accurate and correct. I also declare that I have reviewed Law No. 7 of 2010, its Executive Bylaws and the amendments thereof as well as the instructions and resolutions that are issued from the Authority and the amendments thereof.	<input type="checkbox"/> Yes
2. I am aware of the Capital Markets Authority's right to take any punitive or disciplinary action against any Person who provides incorrect or misleading information in the application of incorporation.	<input type="checkbox"/> Yes
3. I undertake to inform the Authority in writing once any change in any provided information or data has occurred or carried out under this application.	<input type="checkbox"/> Yes
4. I declare my approval that Capital Markets Authority shall use and review any information I provided, or I will provide in the future in this application for the purposes of carrying out the duties thereof.	<input type="checkbox"/> Yes
5. I shall abide to the provisions of Law No. 7 of 2010 and the Executive Bylaws, and their amendments thereof, regulations, decisions, instructions and regularizing situations' circulars issued by the Capital Markets Authority, and to comply the Scheme during the specified period set by the Authority.	<input type="checkbox"/> Yes
6. I undertake to pay out any fees for licensing or renewing the license for the Scheme or any other fees as specified by the Authority and in accordance with the resolutions issued thereby in this regards.	<input type="checkbox"/> Yes
7. I undertake not to use any of the means of public announcement in advertising the Scheme, and in particular not to use the advertisements, articles or any methods to address the public such as publishing in newspapers, magazines or press news, transmitting through visual, audible or readable media means, and not to hold introductory seminars or meetings with prospective investors unless these qualified invited investors are known and previously defined.	<input type="checkbox"/> Yes
8. I pledge that I have presented the draft Articles of Association to all service providers and none of them have any comments on matters relating to their scope of work.	<input type="checkbox"/> Yes
9. I undertake to provide the Authority with copies of the final agreements signed with the service providers, provided that the financial years stipulated in these agreements are updated according to the date of registration of the Contractual Collective Investment Scheme in the Authority's register.	<input type="checkbox"/> Yes

#### This is a declaration and undertaking from me

Name: ❖

Capacity: ❖

Date: ❖




Signature: ❖

Stamp: ❖

## **Appendix 7**

### **Application for the Incorporation of a Special Purpose Vehicle Company that Issues Contractual Collective Investment Scheme Units**

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**1. Company Information**

Company Name (in Arabic): ❖

Company Name (in English): ❖

Company objectives: ❖

Name of Contractual Collective Investment Scheme that issues Units:

(Name of the Contractual Collective Investment Scheme)

Capital in Kuwaiti Dinar: ❖

Company's Activities: ❖

Chosen domicile in which notifications ,correspondences and announcements shall be made:❖

### 2. Details of Founder Company

Name of Company: ❖

Registration number at the Authority: ❖

Auditor: ❖

Headquarters Address: ❖

Company's Legal Entity: ❖

- Public     Closed  
 Conventional  
 Islamic Sharia Compliant

Preliminary capital subscribed by the Founder company: ❖

### 3. Main Liaison Officers at the Founder Company

Name of First Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No.: ❖

Fax: ❖

Telephone No.: ❖

Email Address: ❖

Name of Second Liaison officer: ❖

Job Title: ❖

Department: ❖

Mobile No.: ❖

Fax: ❖

Telephone No.: ❖

Email Address: ❖

4. List of the documents required upon submission of the application					
S.N	Document	Enclosed	N/A	Auditing Status (Capital Markets Authority only)	Remarks
1	Draft of Articles of Association of the Special Purpose Vehicle Company	<input type="radio"/>	<input type="radio"/>		
2	Soft copy of the Draft of Articles of Association of the Special Purpose Vehicle Company	<input type="radio"/>	<input type="radio"/>		
3	Payment receipt of the application fees for the Incorporation of a Special Purpose Vehicle Company	<input type="radio"/>	<input type="radio"/>		

**Applicant**

Date ...../...../.....

Signature


Stamp

**Application Reviewer  
(Capital Markets Authority only)**

Date ...../...../.....

Signature


Stamp

### 5. Declaration and Undertaking Issued to the Capital Markets Authority

I, the undersigned, declare to:

1. The information in this application (including all Appendices and enclosures) is complete, accurate and correct. I also declare that I have reviewed Law No. 7 of 2010, its Executive Bylaws and the amendments thereof as well as the instructions and resolutions that are issued from the Authority and the amendments thereof.	<input type="checkbox"/> Yes
2. I am aware of the Capital Markets Authority's right to take any punitive or disciplinary action against any Person who provides incorrect or misleading information in the application of incorporation.	<input type="checkbox"/> Yes
3. I undertake to notify the Authority in writing once any change has occurred or been carried out related to any information or data provided under this application.	<input type="checkbox"/> Yes
4. I declare my approval that Capital Markets Authority shall use and disclose any information I provided or I will provide in the future in this application for the purposes of carrying out the duties thereof.	<input type="checkbox"/> Yes
5. I shall abide to the provisions of Law No. 7 of 2010 and the Executive Bylaws thereof and regulations, decisions, instructions and circulars issued by the Capital Markets Authority and to comply the Company during the specified period set by the Authority.	<input type="checkbox"/> Yes
6. I undertake to pay out any fees for licensing or renewing the license for the Company or any other fees as specified by the Authority and in accordance with the resolutions issued thereby in this regards.	<input type="checkbox"/> Yes

### This is a declaration and undertaking from me

Name: ❖

Capacity: ❖

Date: ❖




Signature: ❖

Stamp: ❖

## **Appendix 8**

### **Application Draft for the Articles of Association of a Special Purpose Company that Issues Contractual Collective Investment Scheme Units**

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**Articles of Association**  
**The company (-----)**  
**Special Purpose Vehicle Company**

It is on the day (-----) corresponding to (--- / --- / -----) in the State of Kuwait

I have ..... (the competent officer at the Capital Markets Authority - State of Kuwait)

In the presence of the two witnesses:

1. Name: ..... Nationality: ..... Civil number: .....

2. Name: ..... Nationality: ..... Civil number: .....

Witnesses with all the required legal qualities, having attended:

The Company name: .....

A person licensed to practice the activity of a Collective Investment Scheme Manager registered in the State of Kuwait under Commercial Registration No. .... represented by Mr. / ..... and his nationality: ..... and carries a Civil ID No.: ..... under the power of attorney issued by the company No.: ..... Date: ..... (Referred to for the purposes of these articles as ‘the Founder’).

The participants acknowledge their legal capacity to act and contract and agree on the following:

The Founder shall establish a Special Purpose Vehicle Company (limited liability) in accordance with the provisions and rules prescribed for its establishment as stipulated in the articles of Law No. 7 of 2010 and its Executive Bylaws and their amendments. He also acknowledges his commitment to all the rules set for the establishment of the company in accordance with the provisions of the following articles:

**Article (1)**

The company shall be a corporate entity as of the date of issuing the license by the Authority.

**Article (2)**

The name of the company (-----) and its chosen domicile (-----), a Special Purpose Vehicle Company, and the phrase (Special Purpose Vehicle Company) shall be added to the name of the company in all papers, publications and correspondence carried out by the company.

**Article (3)**

(Optional text in case of existence of company headquarters)

The company's headquarters is located in the State of Kuwait and its address is (-----).

**Article (4)**

A Special Purpose Vehicle Company that issues securities may not be incorporated or carry out the activity unless it obtains a license from the Authority. The company shall carry out its business after the annotation in the commercial register at the Ministry at the time of licensing by the Authority without the need to issue a commercial license in accordance with Law No. (111) of 2013 regarding the Licensing of Commercial Stores.

**Article (5)**

The objectives of a Special Purpose Vehicle Company shall be limited to those objectives related to the issuance of Units of a single Contractual Collective Investment Scheme called (.....) as set out in these articles, and such company is prohibited from exercising any other objectives even if similar to its objectives.

The Company may exercise one or more of the following activities:

1. Owning or acquiring the Collective Investment Scheme assets on behalf of the Contractual Collective Investment Scheme.
2. Any supporting activities complementary to those mentioned in this Article.
3. Any other activity approved by the Authority.

**Article (6)**

The term of the company is (-----) (provided that it is not less than the term of the Contractual Collective Investment Scheme).

**Article (7)**

The company's financial year starts on the first (-----) and ends on (-----), except for the first fiscal year starting from the date of the company's registration in the Capital Markets Authority's register and ending at the end of the following financial year.

The authority of the service providers of the Contractual Collective Investment Scheme is extended to performing their duties on the transaction of the Special Purpose Vehicle Company and the assets it owns on behalf of the scheme.

### **Article (8)**

The preliminary capital subscribed by the incorporated company shall be KD (-----) with (-----) shares with a nominal value of KD (-----). There shall not be a minimum requirement of capital shares of the company for Kuwaiti partners.

### **Article (9)**

The shares of the company shall be registered in the name of the Founder and, in the event of issuance of additional shares, they shall be registered on behalf of the participants in the Contractual Collective Investment Scheme.

### **Article (10)**

The expenses, instalments, wages and costs which the company has committed to perform due to its incorporation are the amount of KD (-----) according to the statement attached to the original copy of these Articles of Association which shall be deducted from the general expenses account.

### **Article (11)**

#### **Exemptions**

- A Special Purpose Vehicle Company shall be exempted from submitting the Company's Memorandum of Association.
- A Special Purpose Vehicle Company shall be exempted from the requirement of having a fixed headquarters, provided that it has a permanent domicile in which notifications, correspondence and announcements shall be made. The domicile shall not be changed unless it has been registered at the Authority's register.
- The company shall not have employees working for it, and it shall not have a file with the Ministry of Social Affairs and Labor for the purpose of recruiting foreign workers.
- Except for the duties set out in Chapter Four of Module Thirteen (Collective Investment Schemes) of the Executive Bylaws of Law No. 7 of 2010 and their amendments, a Special Purpose Vehicle Company shall be exempted from the duties imposed on Licensed Persons by the Authority.
- A Special Purpose Vehicle Company shall be exempted from appointing a board of directors or a supervisory board in accordance with the procedures and form stipulated in the Companies Law.
- A Special Purpose Vehicle Company shall be exempted from holding the ordinary or extraordinary general assembly meeting in accordance with the procedures and form stipulated in the Companies Law, and shall be replaced by the written approval of the partners for the decisions.
- A Special Purpose Vehicle Company shall be exempted from the obligation to deduct an annual percentage of profits to form reserves in accordance with the provisions of Article (118) of Decree Law No. 1 of 2016 on the Promulgation of the Companies Law.
- The company shall be exempted from the obligation to publish these articles or any amendment thereto in the Official Gazette.

**Article (12)**

The Founder and the Executive Team of the Contractual Collective Investment Scheme shall be the managers of the company.

**Article (13)**

The company shall not be liable for the tasks and actions carried out by its managers in its name and for its account if such tasks and actions do not fall within the objectives for which the company was established.

In this case, the managers of the company shall be liable for any damages that may be incurred by the company or third parties as a result of these tasks and actions.

**Article (14)**

The Company's management shall take measures that would assess the company's current and future liabilities and in such a manner that it will be able to meet these obligations when due.

**Article (15)**

The management of the company may not hold the company liable for any obligations, except within the limits of those obligations arising from the issuance of units of the Contractual Collective Investment Scheme.

**Article (16)**

The Authority may, at the request of one of the holders of the Contractual Collective Investment Scheme Units or the creditors of the Special Purpose Vehicle Company or on its own initiative, issue a decision to dismiss the management of the company if it deems it acceptable. Any decision of dismissal must include a decision to appoint a replacement or who would safeguard the assets of the scheme. The new management of the company shall not commence their business until the Authority publishes the decisions of dismissal and appointment in the Official Gazette.

**Article (17)**

The Founder, or his representative, shall represent the company before the judiciary and third parties and has the right to sign on its behalf and to exercise the rights and obligations associated with the Contractual Collective Investment Scheme for the interest of and on behalf of the Unit holders.

**Article (18)**

The company may not be transformed from one legal form to another, and may not be subject to a merger with other companies or divide the company, even if it is under liquidation.

**Article (19)**

In the event of bankruptcy of a shareholder or the entity that manages the company or the imposition of the custody or his liquidation, his shares shall not be included in the funds of bankruptcy or liquidation or custody.

**Article (20)**

The company may not resort to public subscription to increase its capital and may borrow in accordance with the provisions of the Contractual Collective Investment Scheme Contract.

**Article (21)**

The company shall be subject to the procedures of auditing and inspection in force at the Authority.

**Article (22)**

The company shall dissolve by the force of law once the liquidation procedures of the Contractual Collective Investment Scheme is terminated, in accordance with the provisions of Chapter Three of Module Thirteen (Collective Investment Schemes) of the Executive Bylaws of Law No. 7 of 2010 and their amendments.

**Article (23)**

These articles may not be amended except after approval by the Authority.

**Article (24)**

The special provisions of Chapter Four (Special Purpose Vehicle Company that Issues Contractual Collective Investment Scheme Units) of Module Thirteen (Collective Investment Schemes) of the Executive Bylaws of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments are applicable on the company.

**Article (25)**

The records and documents related to the company shall be kept for a period of five years from the date of dissolution of the company with the liquidator of the Contractual Collective Investment Scheme.

**Article (26)**

These articles were issued in two copies and was signed after it was read by the contract board. The Founder received the original and a copy of it to work accordingly. A copy of the company's file was deposited with the competent department of the Capital Markets Authority.

The Units holders of the Contractual Collective Investment Scheme have the right to obtain a duplicate of the original free of charge.

Competent Officer at the CMA:

Name:

Signature:

Founder:

Name:

Signature:

First witness:

Name:

Signature:

Second witness:

Name:

Signature:

## **Appendix 9**

### **Application Form for Renewal of a Collective Investment Scheme**

Date:

## Application Form for Renewal of a Collective Investment Scheme Contents

Collective investment Scheme Managers intending to renew the license term for a locally established Collective Investment Scheme shall fill out this form and submit it to the Licensing and Registration Department at the Capital Markets Authority.

Section 1	Instructions
Section 2	Information of the Collective Investment Scheme
Section 3	List of the Documents Required upon Submission of the Application
Section 4	Declaration and Undertaking Issued to the Capital Markets Authority

-

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**1. Instructions**

- This form is submitted after paying the prescribed fees according to the Fees Schedule and three months prior to the license expiry date in accordance with the Executive Bylaws of Law No. 7 of 2010 and their amendments.
- The renewal application shall be decided upon within one month from the date of receipt of the application, fulfilling all the requirements and documents required for approval of the license renewal.
- The Collective Investment Scheme Manager may resort to the Arbitration Rules at the Authority to settle disputes related to the license.
- The applicant must send any inquiries regarding filling out this form or related matters to the Capital Markets Authority.

**2. Information of the Collective Investment Scheme**

Name of the Collective Investment Scheme Manager	
Address of the Collective Investment Scheme Manager	
Name of the Collective Investment Scheme	
Name of the Special Purpose Vehicle Company (if any)	
Date of the Establishment of the Collective Investment Scheme	
End Date of the Collective Investment Scheme	
License Number of the Collective investment Scheme	
License Issue Date	
License End Date	

Custodian of the Collective Investment Scheme	
Liaison Officer Details	Name:  Job title:  Tel. Number:  Mobile Number:  Email Address:

3.List of Documents Required upon Submission of the Application				
#	Document	Attached	N/A	Remarks
1	Copy of the fee payment receipt	<input type="radio"/>	<input type="radio"/>	
2	Copy of the license certificate	<input type="radio"/>	<input type="radio"/>	
3	Acknowledgment according to the attached form - Appendix	<input type="radio"/>	<input type="radio"/>	

**4.Declaration and Undertaking Issued to the Capital Markets Authority**

I, the undersigned, hereby declare that no changes have been made to the information and documents pertaining to granting the license, as submitted to the Authority, and undertake to report any changes that might occur in this regard and to provide the Authority with copies of such modified information and documents.

Name: ❖

Capacity: ❖

Date: ❖




Signature: ❖

Stamp: ❖

**Appendix 10**  
Quarterly Report on Liquidation

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

Name of Fund	
Name of Liquidator	
For the Financial Period Ending on	
End Date of Liquidation Term	

<b>1.Statement on the Fund Investments During the Period of the Report</b>						
#	Name of Investment	Type of Investment	Investment at the Beginning of the Period in Kuwaiti Dinars	Investment at the End of the Period in Kuwaiti Dinars	Measures Taken to Liquidate the Investment	If the liquidation is not possible, kindly state the reasons  (More details may be provided, if any, in a separate attachment)

2.Record of the Unit Holders						
#	Name of Unit Holder	Percentage	Number of Owned Units	Value of Owned Units	Value of Financial Distributions During the Period (if any)	In the event of non-distribution, kindly state the reasons. (More details may be provided, if any, in a separate attachment)

3.Sale of Assets							
#	Name of Asset	Date of Sale	Value of Sale	Was the asset sold at once with other assets?	Was the approval of the unit holders obtained for the sale at once?	Was the asset sold to a related party?	Was the approval of the unit holders obtained for the sale to a related party?

<b>4.Arrangement of the Payment of the Fund's Obligations</b>		
<b>Date</b>	<b>Type of Obligation</b>	<b>Value of Obligation (KWD)</b>

<b>5.Statement of the Cases Filed by or against the Fund and their Current Legal Status</b>			
<b>#</b>	<b>Case</b>	<b>Filed by or against the Fund</b>	<b>Legal Status</b>

6.Names of the Fund's Service Providers that have not been Dispensed with	
Name	Type of Service

---

7.Fund Liquidators Fees (if any)			
Fees	Amount/Percentage	Date of Collection	Remarks
Deducted			
Annual			
Quarterly			
Percentage			

**Appendix 11**  
**Detailed Subscription Statement**

**NOTE:**

All forms referenced in the “translation” of the Bylaws are for reference purposes only. Forms to be submitted to the Authority are to be in Arabic language only.

**Model Contents of Detailed Subscription Statement**

This model is to be used when offering an increase in the capital of a listed Fund for subscription. The Fund Manager shall ensure that this document includes the necessary information to help investors make an informed and well-considered decision regarding the proposed investment. The following data shall be included at a minimum as per the sequence provided in this model:

**First: Cover Page:**

1. Name of Fund.
2. Name of Fund Manager.
3. Subscription Period.
4. A prominent legible warning written in bold font and framed as follows:

**With regard to the contents of this document, we advise investors to read and understand this document. If in doubt, please seek the advice of a Person licensed in accordance with the Law who specializes in giving advice on making an investment decision to participate in the Fund.**

**Second: First Page after the Cover Page**

The first page which comes after the cover page shall include the following:

1. A prominent legible disclaimer written in bold font and framed as follows:

**The Capital Market Authority has approved the incorporation of the Fund and offering of its Units. The Authority shall not bear any liability for the contents of this document. It does not give any confirmation of the accuracy or completion of its contents. It shall not bear any liability whatsoever for any loss resulting from this document or from relying on any part thereof. The Capital Market Authority does not give any recommendation whether it is a good investment or not.**

2. In case of Funds that operate in accordance with the provisions of Islamic Sharia, a statement shall be added as follows:

The [name of Fund) has been approved as a Fund licensed to operate in accordance with the provisions of the Islamic Sharia by an External Sharia Auditing Office appointed by the Fund.

3. A statement regarding “Fund Manager’s duties” on the inner cover page is framed as follows:

**This document was prepared by the Fund Manager who is fully liable for the truth and accuracy of the information provided for therein. The Fund Manager confirms that it does not contain any untrue or misleading information nor inadvertently omits other facts that would render any statement in the document false or misleading.**

4. A statement on the Authority’s approval on the detailed subscription statement as follows:

This detailed subscription statement is accepted by the Capital Markets Authority on \_\_/\_\_/\_\_.

### **Third: Preamble**

A statement indicating that the detailed subscription statement has been prepared as per the Law of the Capital Markets Authority and these Bylaws and has been approved by the Capital Markets Authority.

### **Fourth: Definitions**

In case there are terms that require clarification, the Fund Manager shall add a special section for the clarifying definitions.

### **Fifth: Overview of the Fund (including at minimum the data below)**

1. Name of the Fund.
2. Incorporation date.
3. Type of the Fund: Determine the type of Fund as per the nature of its business.
4. Objective of the Fund.
5. Capital and the payment method of the Fund.
6. Name and profile of the Fund Manager, including a statement that the Fund Manager is licensed by the Capital Markets Authority, its address and any website containing information on either the Fund or its manager.
7. Names of the Fund’s administrative board members.
8. Name of the Custodian and a statement that the Custodian is licensed by the Capital Markets Authority.
9. Name of the Investment Controller and a statement that the Investment Controller is licensed by the Capital Markets Authority.
10. Name of the External Auditor and a statement that the External Auditor is registered with the Capital Markets Authority.
11. Name of the External Sharia Auditing Office and a statement that the Office is registered with the Capital Markets Authority (if applicable).

12. Name of the real estate managing company (if applicable).
13. Name of Investment Advisor and a statement that the Investment Advisor is licensed by the Capital Markets Authority (if applicable).
14. Any other contracted parties and information about them (if applicable).
15. A table detailing all fees, expenses, and charges, associated with the Fund's operations, including the method of calculation and payment for service providers' fees, whether payable by the Unit holders, from the Fund's Assets, or by the Fund Manager.

#### **Sixth: Financial Summary and Historical Financial Statements of the Fund**

- a. Summary of the current investments of the Fund.
- b. Summary of the financial statements of the Fund, including comparative figures for the last three financial years. The audited annual financial statements for the last three financial years shall also be attached. If the Fund's term is less than three financial years, the summary shall be provided for the elapsed financial years of the Fund.
- c. Summary of distributions, and in case there are no distributions made by the Fund, a statement to that effect.
- d. Summary of historical closing prices and trading values in the Exchange.

#### **Seventh: Investment Risks in the Fund, including:**

- a. The main risks associated with investing in the Fund, including risks that the Fund may face and any circumstances reasonably likely to affect the Fund's net asset value and returns.
- b. A prominent statement informing investors of the following:
  - The potential risk of losing money when investing in the Fund.
  - That investing in the Fund is not equivalent to a bank deposit guaranteed by a bank or involves the bank in any manner.

#### **Eighth: Capital Increase**

- a. Purpose of the capital increase.
- b. Details of the investment opportunity, if predetermined.
- c. If the investment opportunity involves real estate, the real estate shall be specified, as well as its valuations and purchase or right to the usufruct (Intifa'a) price.

**Ninth: Procedures of Subscription, Allotment, and Pre-Emptive Rights, including, at a minimum:**

1. Name and address of the entity responsible for receiving the subscription payments and the mechanism for paying subscription amounts (cash payments to the fund are not allowed).
2. Subscription fees or share premium (if any).
3. The period of exercising Pre-Emptive Rights and the associated timeline.
4. Procedures and period of waiver of the Pre-Emptive Rights and the associated timeline.
5. Subscription period, indicating the opening and closing date of subscription.
6. A statement that sums paid by subscribers, along with any returns, will be refunded in the event that the minimum capital increase is not covered, within a period not exceeding 10 Business Days from the end of the subscription period.
7. Allotment procedures and the refund of amounts not allocated to Units, ensuring the following:
  - a. In case the subscription exceeds the targeted Fund's increased capital, the Units shall be distributed amongst the subscribers on a pro rata basis after distributing the minimum subscription to all subscribers.
  - b. The date for allocating the Units shall not be more than 10 Business Days from the date of closing the subscription.
  - c. The payments exceeding the amount of subscriber's allotment shall be refunded within 10 Business Days as of the date of allotment. No interest on the same shall be payable.
8. Any other data with respect to subscription, allotment, and Pre-Emptive Rights.

**Tenth: Other information**

Any other information reasonably known or shall be known by the Fund Manager, that may be – reasonably – requested by the current or potential Unit holders or their advisors, or that are likely to be included in the detailed subscription statement upon which the investment decision will be taken.