



COLLECTIVE INVESTMENT SCHEMES ACT 2008

COLLECTIVE INVESTMENT SCHEMES (SPECIALIST FUND) REGULATIONS 2010

INDEX

- 1 Title
 - 2 Commencement
 - 3 Interpretation
 - 4 Duties of the governing body
 - 5 Composition of the governing body
 - 6 Responsibilities of an Isle of Man member of the governing body where an overseas administrator is appointed
 - 7 Changes to the membership of the governing body
 - 8 The administrator
 - 9 Responsibilities of an administrator
 - 10 Asset management
 - 11 Investor certifications
 - 12 Offering document
 - 13 Application form
 - 14 Financial statements
 - 15 Audit of financial statements
 - 16 Distribution of financial statements
 - 17 Removal of, resignation of or failure to reappoint an auditor
 - 18 Revocation
 - 19 Transitional arrangements
- Schedule 1 - Meaning of specialist investor
Schedule 2 - Fund notifications
Schedule 3 - Annual compliance declaration
Schedule 4 - Statistical information
Schedule 5 - Specific matters to be contained in a specialist fund's offering document
Schedule 6 - Certifications to be contained in the specialist fund's application form



COLLECTIVE INVESTMENT SCHEMES ACT 2008

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Approved by Tynwald

2010

Coming into operation

2010

The Financial Supervision Commission, after consulting in accordance with section 24(13) of the Collective Investment Schemes Act 2008¹, makes these Regulations under section 24(1) of and Schedule 2 paragraph 4 to that Act.

1 Title

These Regulations are the Collective Investment Schemes (Specialist Fund) Regulations 2010.

2 Commencement

These Regulations come into operation on XXXXXX.

3 Interpretation

(1) In these Regulations —

"the Act" is the Collective Investment Schemes Act 2008;

"acceptable jurisdiction" means a jurisdiction accepted by the Commission as applying appropriate standards of regulation to overseas administrators of this type of fund;

"administrator" has the meaning given in the Act and means the person appointed in accordance with regulation 8;

"annual financial statements" are financial statements prepared in accordance with regulation 14;

"appropriate auditor" is a person that is qualified for appointment as auditor of a company under sections 14 to 14H of the Companies Act 1982², and —

¹ 2008 c.7

² 1982 c.2

- (a) has a permanent place of business on the Island;
- (b) is covered by Professional Indemnity insurance of at least £20 million;
- (c) is independent of the scheme, having regard to auditing standards and the code of ethics of the body of accountants of which he is a member;

“authorised person” has the meaning given in the Act;

“the Commission” means the Financial Supervision Commission;

“establishment capital” means the initial sum invested in the fund by the founders;

“founder” means the members of the governing body, the sponsor or any entity ultimately owned by the sponsor;

“functionary” includes the governing body, a member of the governing body and a person appointed under a contract to provide services to the fund, including (without limitation) an administrator, manager, custodian, asset manager, investment adviser, promoter or sponsor;

“generally accepted accounting principles or practice” has the same meaning as in section 3A of the Companies Act 1982;

“Isle of Man administrator” means an administrator appointed under regulation 8(a);

“launch date” means the date of publication of the fund’s initial offering document and, unless the contrary is proved, will be the date of that offering document;

“overseas administrator” means an administrator appointed under regulation 8(b);

“specialist investor” has the meaning given in Schedule 1;

“specialist fund” means a collective investment scheme constituted in accordance with these regulations and “fund” will be construed accordingly; and

“sponsor” means the person or persons responsible for arranging the establishment of the fund.

- (2) A reference to “US\$” is to United States Dollars and its equivalent in any other currency and a figure expressed in United States Dollars includes its equivalent value in that currency.

4 Duties of the governing body

- (1) The governing body of a fund is responsible for ensuring that —
 - (a) these Regulations are complied with;
 - (b) the fund’s offering document and relevant constitutional documents

comply with the Act and these Regulations;

- (c) the fund is and continues to be managed and operated in accordance with the fund's constitutional documents and offering document;
 - (d) the fund's offering document accurately sets out all material information which, at the date of the offering document, is known by the governing body (or which any member of the governing body would have obtained by making reasonable enquiries at that time) and which is relevant to making an informed judgement about the merits of investing in the fund;
 - (e) no offering document is issued to investors or potential investors unless, at the date it is issued to such persons, it is up to date in accordance with sub-paragraph (d);
 - (f) the administrator of the fund is notified of all material changes and provided with a copy of all amended offering documents without delay;
 - (g) investors in the fund are informed in a timely manner of material changes to the fund and the anticipated impact of such changes;
 - (h) within 2 months of the first anniversary of the launch of the fund and within 2 months of the fund's financial year-end thereafter, an annual compliance declaration in the form set out in Schedule 3 is signed by the governing body and submitted to the Commission; and
 - (i) the responsibilities imposed upon the administrator under regulation 9 are discharged.
- (2) The governing body must sign a statement of responsibility in the form set out in Schedule 2 Part A in relation to the initial, and any amended, offering documents. The governing body must submit the statement of responsibility to the Commission within 10 working days of the fund's launch date (in relation to the initial offering document) or of the issue of an amended offering document.

5 Composition of the governing body

- (1) With the exception of funds constituted as unit trusts, the fund's governing body must include at least one natural person who –
 - (a) holds that office in a non-executive capacity; and
 - (b) is independent of –
 - (i) the scheme's promoter; and
 - (ii) any body corporate that is a subsidiary of the scheme's promoter; or

- (iii) a subsidiary of any holding company of the scheme's promoter.
- (2) Under paragraph (1), where a fund has appointed an overseas administrator the governing body must include at least one Isle of Man resident individual who is an authorised person or whose services are provided to the fund as client of an authorised person.
- (3) The same individual can act under paragraphs (1) and (2).
- (4) Subject to paragraph (5), the governing body of a fund constituted as a unit trust must be a different person from the administrator and be —
 - (a) an authorised person;
 - (b) licensed to act as trustee of this type of scheme in an acceptable jurisdiction;
 - (c) a corporate trustee acting with an Isle of Man resident individual co-trustee; or
 - (d) a corporate trustee whose board includes a non executive who is an Isle of Man resident individual.
- (5) Where a fund constituted as a unit trust has appointed an overseas administrator the governing body must be an authorised person.

6 Responsibilities of an Isle of Man member of the governing body where an overseas administrator is appointed

Where a fund has an overseas administrator the natural person required under regulation 5(2) or the authorised person required under regulation 5(5) must notify the Commission without delay upon becoming aware that—

- (a) the governing body has not fulfilled its obligations under these Regulations; or
- (b) the requirements of regulation 9 have not been complied with.

7 Changes to the membership of the governing body

- (1) Where a member of the governing body is removed, resigns or is not reappointed at the end of their term of office, that member must notify the Commission without delay, stating the reasons for the change in the governing body's membership.
- (2) The notice in paragraph (1) can initially be made by any means however verbal notification must be followed up with written or electronic notification within 5 working days.

8 The administrator

The fund must have an administrator who —

- (a) is an authorised person; or
- (b) is licensed to act as administrator of this type of fund in an acceptable jurisdiction.

9 Responsibilities of an administrator

- (1) The administrator must notify the Commission —
 - (a) without delay —
 - (i) when it becomes aware that any of the requirements in regulations 10, 11, 12 and 13 have not been complied with;
 - (ii) when it becomes aware that a member of the governing body has been removed, resigned or not reappointed at the end of their term of office. The notification must be in writing and must state the reasons for the change in the governing body's membership; and
 - (iii) when it becomes aware that the fund's auditor has been removed, resigned or not been reappointed at the end of their term of office, of that fact;
 - (b) as soon as reasonably practicable after receiving an audit report that —
 - (i) has been qualified by the auditors; or
 - (ii) contains an emphasis of matter.

Notifications in accordance with sub-paragraphs (i) and (ii) must be accompanied by a copy of the audit report together with details of any remedial action that the governing body, manager or any other party intends to take;

- (c) within 10 working days where the fund's audited annual financial statements have not been distributed in accordance with regulation 16 of that fact, and every three months thereafter until they have been issued and distributed. Each notification must —
 - (i) give details of the issues giving rise to the delay;
 - (ii) contain a revised timetable for distribution of the audited annual financial statements; and
 - (iii) be signed by, or on behalf of, the administrator; and
 - (iv) be accompanied by a copy of any shareholder communication regarding the delay, and if no shareholder communication has been issued the reasons why a communication has not been issued.

- (2) The administrator must —
 - (a) satisfy itself that the fund's investors have certified they are specialist

investors and have made an initial investment of at least US\$100,000;

- (b) within 10 working days of –
 - (i) the fund's launch date, or
 - (ii) becoming aware of a material alteration to the fund's constitutional documents and/or offering document that would render any of the information in the last notification inaccurate, incomplete or misleading,

certify and submit a Schedule 2 Part B notification to the Commission; and
 - (c) supply the statistical information detailed in Schedule 4 to the Commission within 15 working days of a calendar quarter end;
- (3) Where the fund has an overseas administrator, it may discharge its duties under this regulation by ensuring that mechanisms are in place to meet the requirements of paragraphs (1) and (2), and by monitoring the operation of those mechanisms to ensure that the requirements are met.

10 Asset management

- (1) The fund must ensure that it receives relevant advisory or discretionary management services, whether directly or indirectly, in relation to the investment and re-investment of its assets.
- (2) Before making an appointment, and on an ongoing basis, the governing body must ensure that any proposed or appointed asset manager or investment adviser is suitable to act in that capacity.
- (3) In making the assessment in paragraph (2), the governing body must –
 - (a) take account of the regulatory status of the asset manager or investment adviser and of any person providing investment services to the asset manager or investment adviser; and
 - (b) consider any guidance issued by the Commission.

11 Investor certifications

- (1) The fund must—
 - (a) have a minimum initial subscription level of at least US\$100,000; and
 - (b) only accept investments from investors who have certified their status in the form set out in Schedule 6.
- (2) Paragraph (1) does not apply to establishment capital paid by the founders where such capital has been provided for the sole purpose of establishing the fund.

12 Offering document

- (1) The fund must have an offering document that —
 - (a) accurately sets out all material information which, at the date of the offering document, is known to the governing body (or which the governing body would have obtained by making reasonable enquiries) and which is relevant for the purpose of making an informed judgement about the merits of participating in the fund; and
 - (b) contains the matters set out in Schedule 5.
- (2) A revision of the offering document may take the form of a new offering document or of a supplement to the existing offering document; whichever method is chosen the date on which the revision was made must be prominently displayed in the document.

13 Application form

- (1) The fund's application form must contain the certifications set out in Schedule 6.
- (2) Before being accepted as an investor each applicant must complete the Part 1 certification and, if applicable, the relevant Part 2 certification.

14 Financial statements

- (1) The fund must ensure that financial statements are prepared annually in respect of each accounting period ending on its financial year-end date.
- (2) The fund's annual financial statements must be prepared in accordance with generally accepted accounting principles or practice.

15 Audit of financial statements

- (1) The fund must appoint an appropriate auditor.
- (2) The appropriate auditor must audit the fund's annual financial statements in accordance with internationally accepted auditing standards and practices and issue an audit report in relation to the audit.

16 Distribution of financial statements

The fund's audited annual financial statements must be distributed to investors no later than 6 months after the fund's financial year-end or within the timescales set out in the offering document if earlier.

17 Removal of, resignation of or failure to reappoint an auditor

Where the scheme's auditor, is removed, resigns or is not reappointed at the end of its term of office, the auditor must supply a signed statement direct to the Commission –

- (a) stating whether there are any circumstances connected with it ceasing to

- hold office which should be brought to the Commission's attention; and
- (b) providing full details of those circumstances which it considers should be brought to the Commission's attention.

18 Revocation

- (1) The Financial Supervision (Specialist Fund) (Exemption) Order 2007³ is revoked with effect from 12 months after these Regulations come into operation.
- (2) No specialist fund can be established under the Financial Supervision (Specialist Fund) (Exemption) Order 2007 from the date these Regulations come into operation.

19 Transitional arrangements

- (1) A fund which was a specialist fund under the Financial Supervision (Specialist Fund) (Exemption) Order 2007 at the date these Regulations come into effect will be a specialist fund under these Regulations and an investor who was a specialist investor under that Order continues to be a specialist investor under these Regulations.
- (2) A fund which qualifies under paragraph (1) –
- (a) has 12 months from the date of these Regulations to update its offering and constitutional documents and bring the fund into full compliance with these Regulations;
- (b) which is operating under the transitional arrangements set out in (a) must continue to comply with the requirements of the Financial Supervision (Specialist Fund) (Exemption) Regulations 2007 until it has updated its offering and constitutional documents at which time it must comply with these Regulations;
- (c) any fund which is not in compliance with these Regulations 12 months after these Regulations become effective will cease to be a specialist fund.

MADE XXXXXXXXXXXX 2010

Commissioner

³ SD807/07

Chief Executive

Draft - Appendix B

Regulation 3(1)

SCHEDULE 1

Meaning of specialist investor

A specialist investor is a person or body who has certified that they are sufficiently experienced to understand the risks associated with an investment in a specialist fund, who invests an initial amount of at least US\$100,000 and that, at the time of the initial investment in that fund falls into one of the following categories –

- (a) a person, body corporate, partnership, trust or other unincorporated association whose ordinary business or professional activity includes acquiring, underwriting, managing, holding or disposing of investments, whether as principal or agent, or giving advice about investments;
- (b) any director or partner of, or consultant to, a person referred to in paragraph (a);
- (c) a functionary to, or an associate of, a functionary to a specialist fund;
- (d) an employee, director or shareholder of, or consultant to a person in (c), who is acquiring the investment as part of his remuneration or an incentive arrangement or by way of co-investment;
- (e) a trustee of a family trust settled by or for the benefit of, one or more persons referred to in paragraphs (c) or (d);
- (f) a trustee or operator of any employment benefit or executive incentive scheme, or trust established for the benefit of persons referred to in paragraphs (c) or (d), or their dependants;
- (g) a government, local authority, public authority or supra-national body in the Isle of Man or elsewhere;
- (h) a company, partnership, trust or other association of persons –
 - (i) which has (or which is a wholly-owned subsidiary of a body corporate which has) assets of at least US\$1,000,000 available for investment; or
 - (ii) every member, partner or beneficiary of which falls within the definition of specialist investor; or
- (i) an individual with a net worth, or joint net worth with their spouse, greater than US\$1,000,000 excluding their principal place of residence.

Regulation 4(2)

SCHEDULE 2

Fund Notification

Part A Responsibility statement by the specialist fund's governing body

To the Isle of Man Financial Supervision Commission

Name of fund _____ ("the fund")

1. We confirm that the fund's offering document dated _____ complies with the Collective Investment Schemes (Specialist Fund) Regulations 2010 and accurately sets out all material information necessary to enable prospective investors to make an informed investment decision. We jointly and severally accept responsibility for the offering document.
2. We acknowledge that it is the responsibility of the governing body to ensure that
 - a. no offering document is issued to investors or potential investors unless, at the date it is issued to such persons, it is up to date in respect of any material changes to the fund or its circumstances;
 - b. the administrator and investors in the fund are informed in a timely manner of all material changes to the fund;
 - c. the fund is and continues to be managed and operated in accordance with the fund's constitutional documents and offering document;
 - d. each person named in the offering document as being responsible for a function has consented to the inclusion of its name and to the description of the function;
 - e. the fund will only be promoted to specialist investors.

Signed for and on behalf of the fund's governing body.

Signed

Date

Signed

Date

Name

Name

Position

Position

Regulation 9(2)(b)

Part B Specialist fund notification and alteration form

<p>To be submitted to the Commission within 10 working days of launch/alteration</p> <p>Date submitted _____ Year end date _____ Notification/alteration _____</p> <p>Full name of fund _____ (“the fund”)</p> <p>NB The name of the fund must not be misleading or undesirable * If this notification is an update notification, clearly indicate changes from previous version(s). Please continue on a separate sheet as necessary when answering each question.</p>																							
A	Standing information																						
1	<p>Legal structure of the specialist fund <i>(delete as appropriate)</i></p> <table border="1"> <tr> <td>i) Company</td> <td>ii) Trust</td> <td>iii) Limited Partnership</td> </tr> <tr> <td>Company number _____</td> <td></td> <td></td> </tr> <tr> <td colspan="3">Registered office _____</td> </tr> <tr> <td colspan="3">_____</td> </tr> <tr> <td colspan="3">Place of business _____</td> </tr> <tr> <td colspan="3">_____</td> </tr> </table> <p>For schemes which are companies under the Companies Act 2006</p> <p>Name of the registered agent _____</p> <p>The registered agent must hold a Financial Services Licence permitting class 4 regulated activities.</p>	i) Company	ii) Trust	iii) Limited Partnership	Company number _____			Registered office _____			_____			Place of business _____			_____						
i) Company	ii) Trust	iii) Limited Partnership																					
Company number _____																							
Registered office _____																							

Place of business _____																							

2	<p>Membership of the governing body of the specialist fund</p> <table border="1"> <tr> <td>i) Name _____</td> <td>ii) Name _____</td> </tr> <tr> <td>Address _____</td> <td>Address _____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>Date of birth _____</td> <td>Date of birth _____</td> </tr> <tr> <td>Is this person an independent non executive member? <i>Yes/No</i></td> <td>Is this person an independent non executive member? <i>Yes/No</i></td> </tr> <tr> <td>Isle of Man resident? <i>Yes/No</i></td> <td>Isle of Man resident? <i>Yes/No</i></td> </tr> <tr> <td>Relevant qualifications and experience</td> <td>Relevant qualifications and experience</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> </table>	i) Name _____	ii) Name _____	Address _____	Address _____	_____	_____	_____	_____	Date of birth _____	Date of birth _____	Is this person an independent non executive member? <i>Yes/No</i>	Is this person an independent non executive member? <i>Yes/No</i>	Isle of Man resident? <i>Yes/No</i>	Isle of Man resident? <i>Yes/No</i>	Relevant qualifications and experience	Relevant qualifications and experience	_____	_____	_____	_____	_____	_____
i) Name _____	ii) Name _____																						
Address _____	Address _____																						
_____	_____																						
_____	_____																						
Date of birth _____	Date of birth _____																						
Is this person an independent non executive member? <i>Yes/No</i>	Is this person an independent non executive member? <i>Yes/No</i>																						
Isle of Man resident? <i>Yes/No</i>	Isle of Man resident? <i>Yes/No</i>																						
Relevant qualifications and experience	Relevant qualifications and experience																						
_____	_____																						
_____	_____																						
_____	_____																						

	<p>iii) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications and experience _____ _____ _____</p>	<p>iv) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications and experience _____ _____ _____</p>
<p>2</p>	<p><u>Membership of the governing body of the specialist fund</u></p>	
	<p>i) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications _____ _____ _____</p> <p>iii) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications _____ _____ _____</p>	<p>ii) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications _____ _____ _____</p> <p>iv) Name _____ Address _____ _____ _____ Date of birth _____ Is this person an independent non executive member? <i>Yes/No</i> Isle of Man resident? <i>Yes/No</i> Relevant qualifications _____ _____ _____</p>
<p>3</p>	<p><u>Administrator of the specialist fund</u></p>	

Name _____ Address _____ _____ _____ Regulated by _____ Licence category _____ Reference no. _____	<i>(if an overseas administrator is appointed)</i> IOM member of the governing body required by regulations 5(2) & 5(5) of the Regulations Name _____ Licenceholder* _____ Licence category _____ * if member provided by a licenceholder
4	<u>Custody arrangements</u> Please describe the fund's custody arrangements including (i) the name(s) and address(es) of the parties involved and (ii) the name of the regulator and licence category/reference number of regulated entities involved (as appropriate). _____ _____ _____ _____ Name _____ Address _____ Regulated by _____ Licence category _____ Reference no. _____
5	<u>Asset management arrangements</u> Please describe the fund's asset management/advisory arrangements including (i) the name(s) and address(es) of the parties involved and (ii) the name of the regulator and licence category/reference number of regulated entities involved (as appropriate). _____ _____ _____ _____ Name _____ Address _____ Regulated by _____ Licence category _____ Reference no. _____
6	<u>Promoter/Sponsor</u> Name _____ Address _____ _____ Regulated by _____ Licence Category _____ Reference no. _____

7	Appropriate auditor Name _____ Address _____ _____	Accountancy body of which the appropriate auditor is a member or a member firm _____
8	Conflicts of interest - Please attach details of any interrelationships between the parties in 1 to 7 above which could result in perceived or actual conflicts of interest.	
B	Offering document and application form	
	Does the offering document contain:	
9	The definition of specialist investor required by Schedule 5 paragraph 1 to the Regulations?	YES/NO*
10	The description of the arrangements for the management and custody of the assets of the fund, required by Schedule 5 paragraph 2 to the Regulations?	YES/NO*
11	The statements required by Schedule 5 paragraph 3 (a) to (c) to the Regulations?	YES/NO*
12	The risk warning required by Schedule 5 paragraph 4 to the Regulations?	YES/NO*
	Does the application form contain:	
13	The certifications in accordance with Schedule 6 to the Regulations?	YES/NO*
C	Other information	
14	Minimum subscription level	
15	Minimum fund NAV threshold for launch (<i>not applicable for updates</i>)	
16	Frequency of dealing days	
17	Frequency of valuations (<i>In most cases it is expected that fund valuations would normally be at least quarterly</i>)	
18	Can investors redeem their holdings prior to any material changes (to their rights or to fees, etc) being implemented?	YES/NO*
19	Please attach details of - <ul style="list-style-type: none"> • the fund's investment objective and policy • the proposed types of investments • any investment restrictions/parameters and • the permitted level of borrowing/gearing • the level of fees levied on the fund 	
20	Will assets be held in subsidiaries? (<i>If yes attach brief details of the structure</i>)	YES/NO*
21	Distribution channels - <i>Please detail how the fund will be distributed.</i> _____ _____ _____ _____	

22	Is the fund listed/ intended to be listed on a stock exchange? <i>If yes please attach details</i>	YES/NO*
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*** If the answer to questions 9-12 or 18 is no or the answer to questions 20 or 22 is yes please provide further details.**

Certification by the fund’s administrator

We confirm, to the best of our knowledge and belief, the accuracy of the statements in this Part B notification.

_____ Signed	_____ Date	_____ Signed	_____ Date
_____ Name	_____	_____ Name	_____
_____ Position	_____	_____ Position	_____
_____ Company	_____	_____ Company	_____

Draft - Appendix B

Regulation 4(1)(h)

SCHEDULE 3

Annual compliance declaration

To be submitted within 2 month's of the fund's financial year-end.

To the Isle of Man Financial Supervision Commission

Name of fund _____ ("the fund")

For the period from: _____ to: _____

The period covered by this declaration must correspond with the fund's financial year.

We confirm that at all times during the period covered by this declaration —

1. the fund has complied with the requirements of the Collective Investment Schemes Act 2008 and the Collective Investment Schemes (Specialist Fund) Regulations 2010;
2. the fund has been managed and operated in accordance with the fund's constitutional documents and offering document; and
3. no offering document was issued to investors or potential investors unless, at the date it was issued to such persons, it accurately set out all material information to enable an informed investment decision to be made by investors and was up to date in respect of any material changes to the fund or its circumstances since launch; and
4. the administrator and investors in the fund have been informed in a timely manner of all material changes to the fund.

Any areas of non-compliance, and any other information that we consider should be brought to the Commission's attention in relation to the operation of the fund, have been detailed on a separate sheet (*such sheet must be attached to this notification*).

Signed for and on behalf of the fund's governing body.

Signed

Date

Signed

Date

Name

Name

Position

Position

Regulation 9(2)(c)

SCHEDULE 4

Statistical information

The following information must be supplied to the Commission within 15 working days of the end of each calendar quarter*

1. Name of fund:
2. Type of fund:
3. Domicile of fund:
4. Asset category of fund:
5. Legal constitution of fund (e.g. OEIC, Unit Trust):
6. Total assets of fund (before deducting liabilities) (US\$'000):
7. Net asset value of fund (US\$'000):
8. Date of valuation:
9. Total value of subscriptions (US\$'000) for the quarter:
10. Total value of redemptions (US\$'000) for the quarter:
11. Number of unit holders:
12. Approximate % distribution of unit holders (IOM/UK/Other EC/Rest of the world):

** N.B If there has been any material alteration to the constitutional documents and/or offering document of the fund within the meaning of regulation 9(2)(b) a notification in the form set out in Schedule 2 Part B must also be submitted.*

Regulation 12

SCHEDULE 5

Specific matters to be contained in a specialist fund's offering document –

1. The definition of specialist investor in a prominent position, as set out in Schedule 1.
2. A description of arrangements for –
 - (a) the management of the fund's assets; and
 - (b) custody of the fund's assets including the extent to which any underlying investments, including any assets held within special purpose vehicles, are not held or controlled by an appointed custodian.
3. Statements that the fund –
 - (a) will only accept initial investment amounts from investors which are not less than a specified minimum (which is at least US\$100,000);
 - (b) will only accept applications to invest in the fund or effect a transfer of an interest in the fund from specialist investors who have signed the certification(s) required by regulation 13; and
 - (c) must issue audited annual financial statements to investors within six months from the end of each financial period of the fund, or within the timescales prescribed in the offering document (if earlier).
4. The following risk warning in a prominent position —

"[This fund] is a specialist fund which is not subject to any form of authorisation or approval in the Isle of Man. The fund is only suitable for "specialist investors" as defined in the Collective Investment Schemes (Specialist Fund) Regulations 2010.

Investors are not protected by statutory compensation arrangements and the Isle of Man Financial Supervision Commission ("the Commission") does not vouch for the financial soundness of the fund or for the accuracy of statements made or opinions expressed about it.

Requirements which may be deemed necessary to protect retail or non-specialist investors do not apply to specialist funds. By signing the declaration at [] you confirm you are a "specialist investor" and accept the reduced requirements, or absence of requirements, accordingly.

You are wholly responsible for ensuring that [this fund] is acceptable to you. Investment in specialist funds may involve special risks that could lead to a loss of all or a substantial portion of the investment. Unless you fully understand and accept the nature of [this fund] and the potential risks inherent in [this fund] you should not invest in [this fund].

If you are investing on behalf of someone else, the Commission expects you to be satisfied that person is a specialist investor who understands the risks associated with this type of investment.

If you are a life assurance company investing assets within your long-term business fund, the Commission expects that relevant policyholders have had the opportunity to read the fund's offering document and as such to have information about risks associated with an investment this fund."

Draft - Appendix B

Regulation 13

SCHEDULE 6

Certifications to be contained in the specialist fund's application form

Part 1 Certification - This certification is to be completed by all applicants. The investor confirmations (a) to (d) apply to all applicants. The investor confirmation (e) applies to all applicants except those who are signing a Part 2 certification.

"I/we confirm that —

- (a) I am/we are a specialist investor as defined on page [] of the offering document of [name of fund] dated []; and
- (b) I am/we are sufficiently experienced to understand the features and risks associated with an unauthorised and unapproved fund of this type; and
- (c) I/we have read and fully understood the offering document, including in particular the information on the risks associated with the fund (contained on pages [X – X] of the offering document), before deciding to invest in the fund; and
- (d) I/we confirm that, where appropriate, I/we have taken independent advice on the suitability of this investment within my/our overall investment portfolio; and
- (e) I/we personally accept all the risks associated with this investment and particularly that my/our investment in the [name of fund] involves risks that could result in a loss of a significant proportion or all of the sum invested.

[Signed] [Dated]".

Part 2 Certification –

- (1) The following certification is to be completed by any investor who is investing on behalf of another person.

"I/We confirm that I am/we are investing in the specialist fund on behalf of another person/ other persons and have certification(s) signed by such person to show that each such person/persons is a specialist investor and understands and accepts the risks associated with this type of investment.

[Signed] [Dated]".

- (2) The following certification is to be completed by an investor who is a life assurance company investing assets comprised within its long term business fund where the [XYZ fund] has been selected by the policyholder of a particular policy as the basis for determining the benefit of that policy (as appropriate).

"We confirm that we are investing assets comprised within our long term business

fund and—

- (a) we have procedures and controls in place to obtain client declarations from our policyholders which include confirmation from the policy holder to the effect that —
 - (i) the policyholder has the opportunity to read the offering documents for funds of this nature, where they wish to do so, and as such has information about and accepts the levels of risks associated with this type of investment; and
 - (ii) the policyholder, where necessary, meets the minimum criteria of a class of investor in a fund of this nature;
- (b) we confirm no investment in this type of fund is made without a client declaration being obtained from relevant policyholders.

[Signed]

[Dated]”

Draft - Appendix B

Explanatory Note
(This note is not part of these Regulations)

These Regulations set out the requirements for a type of international collective investment scheme which is available only to specialist investors, known as the specialist fund. These Regulations define a specialist investor for the purposes of these Regulations and require certain disclosures to be made in the fund's documentation.

Draft - Appendix B