



# **CAPITAL MARKET AUTHORITY**

**SULTANATE OF OMAN**

## **REGULATION FOR INVESTMENT FUNDS**

**Issued pursuant to the Administrative  
Decision No. (10 /2004)**

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## CHAPTER ONE

### DEFINITIONS

#### Article (1)

The following words and expressions shall have the meanings as specified hereunder:

Investment Fund in the form of a public joint stock company:	is the investment fund with a fixed capital for the purposes of this regulation referred to as the Closed-end Fund which offers to issue and redeem its units regularly.
Investment Fund attached to Bank or Investment Company:	is the investment fund which changes its capital continuously because it issues and redeems its units daily. Hereinafter referred to as the Open-End Fund.
Units or Investment Units:	Units or Investment Units:
Founder (Organizer):	A juristic person who established the funds
Prospectus:	Referring to the authorized prospectus when the Fund's units were offered for public subscription in the Primary Market including all filed amendments thereto.
Front end load	Sales charges paid by investors or unitholders at the time of purchase of units issued by the fund. These charges are normally calculated as a percentage of net asset value. The front end load is normally used to compensate the distributors and other service providers, for the costs of sales, marketing and distribution. The front end load is not paid or charged to the fund itself.
Back end load	Sales charges paid by investors or unitholders at the time of redemption of units redeemed from the fund. These charges are normally calculated as a percentage of net asset value. The back end load is normally used to compensate the distributors and other service providers, for the costs of sales, marketing and distribution. The back end load is not paid or charged to the fund itself.
Net Asset Value (NAV)	The value of the investment units calculated according to International Financial Reporting Standards, and stated as net asset value in the audited financial statements of the fund; or calculated according to the method used to calculate net asset value in the audited financial statements of the fund.
Net Realisable Value (NRV)	The value of the investment units of a fund, calculated for the purpose of setting a fair redemption price, in those cases where the redemption price may differ from the net asset value. The net realisable value will normally be lower than the net asset value.
Simplified Prospectus	Referring to the summary of the prospectus and financial information of an open-end fund that offers

	to issue and redeem its units regularly and at least issued annually. The simplified prospectus includes the annual report which was sent to the unitholders, and was not required to publish it as a detached document.
Fund's Board	Is the Board of Directors which is in the form of a joint stock company and the Investors' Committee for funds attached to a bank or investment company that supervises and oversees the management and performance of the investment fund, and enters into contracts between the fund and its service providers, on behalf of the fund.
Investment Manager	A juristic person who manages the investment fund's portfolio of assets in according with a contract in return for a commission.
Service Provider	A juristic person who provides services to the fund or its investors or unitholders, by virtue of a contract with the fund. The term service provider includes: the investment manager, guarantor, custodian, transfer agent, administrator, external auditor, distributors, sub-custodians, and brokers who execute orders for the fund.
Custodian	Juristic person who keeps the assets of the fund in safekeeping in accordance with a contract in return for a commission.
Transfer Agent	Juristic person who maintains a register where the names of the fund's unitholders are entered, and transfers the ownership of units in accordance with a contract in return for a commission.
Distributor	A juristic person who markets units of the fund in accordance with a contract in return for a commission.
Guarantor	A juristic person who provides a capital guarantee to the unitholders of a fund in accordance with a contract in return for a commission.
Independent Member	A member of the Fund's Board may be considered to be an Independent Member if he/she is not a related party to the fund, and neither he/she nor any of his/her first degree relations have been 10% owners, directors or employees of the sponsor or any service provider to the fund, within the last 2 years.
Disinterested Member	A member of the Fund's Board may be considered to be disinterested with regard to a transaction or conduct, if he/she <ul style="list-style-type: none"> <li>1) Is not a party to the transaction or conduct; and</li> <li>2) Is not a related party to, the party to the transaction or conduct.</li> </ul>

#### Related Party

The following are considered to be related parties.

1. The Founder, natural persons managing the fund, investment manager or other service provider to the fund.
2. Any person who was a director or member of the Fund's Board in the last 12 months or founder or service provider or of the parent/subsidiaries/fellow subsidiaries of the fund sponsor or service provider.
3. Chief Executive Officer or any employee reporting directly to the board of the fund, founder or service provider.
4. Any person who holds or controls 10% or more of the voting power of the fund, founder or service provider or of the parent/subsidiaries/fellow subsidiaries of the fund, founder or service provider.
5. Any person who is an associate of any natural person as mentioned under 1, 2, 3 and 4 above. Associate shall include parents, sons, daughters, spouses and business entities wherein 25% or more of the voting power is controlled collectively or individually, or
6. Any person who is an associate of any juristic person as mentioned under 1, 2, 3 and 4 above. Associate shall include parent company, subsidiaries, fellow subsidiaries and business entities wherein the concerned juristic person controls 25% or more of the voting power. It shall also include companies whose majority of the directors acts as per the wishes of the concerned juristic person.

## CHAPTER TWO GENERAL RULES

### Article (2)

The investment fund shall be managed under the supervision and oversight of a fund's management that is elected by the unitholders or others in accordance with the fund's Articles of Association or the prospectus, duly authorized to transact, contract and litigate in the name and on behalf of the fund.

- Article (3) The members of the fund's management are fiduciaries who owe the fund and its unitholders a duty of loyalty. Members shall carry out their responsibilities in good faith, with due care and diligence, in the manner they reasonably believe to be in the best interests of the fund and its unitholders, and they shall avoid interest conflicts between them and fund's unitholders.
- Article (4) The founder of the fund shall prepare the Articles of Association. The Articles of Association shall define the rights of the unitholders and the fundamental legal characteristics of the fund. The Articles of Association and all amendments thereto must be filed with the CMA and made available to all unitholders and prospective investors.
- Article (5) The founder shall prepare the prospectus in accordance with annexure (1). The prospectus, with prior approval of CMA, may be amended by the Fund's management. The prospectus and all amendments to the prospectus must be filed with the CMA and made available to all unitholders and prospective investors.
- Article (6) The fund's management, founder and service providers, must provide the CMA with all requested information, documents, and data within the time period specified in the request. The CMA shall have the right to visit and inspect the offices and records of the fund, fund's management, founder and all service providers, at any time.
- Article (7) The fund's management shall review all contracts with the service providers, annually or more frequently. They shall have the right to renew or terminate these contracts, annually or more frequently.
- Article (8) The capital of the fund shall be divided into units with equal nominal value, of one Rial Omani. The capital shall be fully paid-up.
- Article (9) Where the fund wishes to increase its capital, it shall calculate the value of the issued unit in accordance with the net asset value or the net realizable value when allowed in the prospects and the Article of Association.
- Article (10) The investment fund's net asset value and, where allowed, net realisable value, shall be calculated and made available to unitholders, weekly, or at such frequency as the roles of disclosers of CMA may require.
- Article (11) The closed-end fund may increase or decrease its capital regularly according to the rules and regulation issued by CMA in this regard.
- Article (12) The open-end fund shall issue and redeem units daily, in accordance with this regulation.
- Article (13) The Board of a closed end fund shall apply to list its units in Muscat Securities Market (MSM) within one month from the registering date in CMA investment funds register.
- Article (14) Any number of unit holders who owns at least 5% of the Fund's units may request that the CMA require the fund's management to call a general meeting, to consider a resolution to suspend any decision taken by the fund's management or a general meeting if it is believed by the unitholders making the request that the decision

contradicts a law or regulation, or will cause damage to the fund or its unitholders, or is in favor of or against a certain category of unitholders, or has been taken in violation of the credibility and integrity obligations of the fund's management.

Article (15) The custodian shall not serve as, the investment manager. The investment manager or related party shall not serve as a member in the management of the fund or any other funds under its management.

Article (16) The Fund's Board shall call the constitutive general meeting within 30 days from the closing of the initial subscription. The invitation and the session of the constitutive general meeting shall be set in accordance with this regulation and the rules of the fund's Articles of Association.

The constitutive general meeting shall consider the following;

1. Reviewing the audited reports of the founder and the initial management of the fund which are related to the establishment of the fund and any related party transactions that require disclosure in accordance with Article (79) in this regulation.
2. Approving related party transactions which require approval in accordance with Article (108) in this regulation.
3. Reelecting the initial management of the fund or accepting its resignation or electing new management.
4. Approving the appointed external auditor.
5. Approving remuneration of the Board's members
6. Approving the Articles of Association.

The constitutive meeting may amend the Articles of Association. This amendments may not be valid prior to obtaining approval from the CMA.

Article (17) The fund's management shall apply for registration in Investment funds register at the CMA within 30 days from the date of the constitutive general meeting. The fund shall not invest the fund's money before completing registration process.

Article (18) The prior approval of CMA is required in the following cases, the CMA has the right of objection within 10 days from the receiving date:

1. Any change, such as a merger, a division or a conversion, that results in the unitholders becoming unitholders in another investment fund, as well as the liquidation of the investment fund.
2. A change of the authority of the investment manager or a change in the shareholdings percentages of the shareholders who control the investment manager.
3. A change of the fund's Board or service provider or their addresses.
4. A change of the head office of the fund or its expected term or of its financial year.

Article (19) All contracts with the investment manager, custodian, sub-custodian and guarantor shall be filed with the CMA, which has the right to object to them.

Article (20) The CMA may issue a Code of Fund Governance describing additional governance, supervisory or other responsibilities of

the Fund's Board, independent members of the Fund's Board, the investment manager, or other service providers.

Article (21) The fund's Board, the investment manager, and the Compliance Officer for the investment manager are responsible for ensuring that the investment manager's systems of organization and supervision are reasonably adequate to ensure that the fund and the investment manager are in compliance with the laws, regulations and other legal requirements governing investment funds.

Article (22) The fund's Articles of Association shall specify the beginning and ending of the financial year for the fund as for the first financial year if the fund was established during the first half therefore its first financial year will end by the end of this year, but if the fund was established during the second half of the year therefore its first financial year will end by the end of the second year.

### CHAPTER THREE: ESTABLISHMENT OF THE INVESTMENT FUND

- Article (23) A company or Bank shall obtain a license from the CMA in order to exercise establishment of investment funds.
- Article (24) The founder shall submit a signed application for CMA in order to obtain approval for the establishment of the fund. The following documents shall be accompanied with the application, at a minimum:
1. Draft Articles of Association.
  2. Draft Prospectus, signed by the founder.
  3. Any other data deemed necessary by the CMA.
- Article (25) The CMA shall examine the documents mentioned above, if the documents were incomplete the applicant shall be notified to complete the same within 15 days from the date of submission. In all cases, the CMA shall issue a decision within 30 days from the date of completion of all information and data required by the CMA.
- Article (26) The founder shall complete the process of establishing the fund within three months from the date of final approval of the application by CMA, as otherwise the approval will be considered void.
- Article (27) The Articles of Association shall contain the following information, at minimum;
- The nature of the fund.
  - Its name.
  - Capital.
  - Legal status.
  - The funds currency.
  - Investment objectives.
  - Method of transfer, issuance and redemption of units.
  - Dissolution and liquidation of the fund.
  - Guidelines for calculating net asset value.
  - Guidelines for calculating net realisable value, if any.
  - Frequency of redemption, if any.
  - Limits on redemption, if any.
  - Limits on service providers fees and expenses.
  - Limits on sales charges which may be charged at the time of redemption or purchase.
  - Guidelines for valuing illiquid investments.
  - Rights of unitholders.
  - Functions and powers of the general meetings.
  - Notice and calls for meetings and adopting resolutions.
  - The functions and powers of the Fund's management, as required by Article (71) of this regulation.
- Article (28) The Articles of Association must be included as independent chapter in the prospectus. Where the Articles of Association is issued as a separate document, it must be referred to in the prospectus and included as attachment.
- Article (29) The founder may appoint the investment manager and other service providers in according with contracts, prior to the first meeting of the Fund's Board. Any contracts entered into directly on behalf of the fund, shall be reviewed and renewed, adopted through novation, or terminated, by the Fund's management, in the first meeting of the

Fund's management. The first meeting of the Fund's management shall take place prior to the public offer.

Article (30) On the establishment of the fund, the paid capital shall not be less than RO 2 million, and the founder's initial unit holding shall not be less than RO 100,000. The founder may not sell or redeem this holding two years before the date of closing of the initial subscription.

Article (31) The assets of the fund shall be registered in the name of the fund and shall not be entered into the accounts of the founder, custodian or any other service provider, and shall not be affected by, or subject to claims arising from, the liquidation or bankruptcy of the founder, custodian or any other service provider.

## CHAPTER FOUR: INVESTMENT RULES

Article (32) The investment of the fund shall not be less than 50% of the value of the fund's portfolio and the Executive President may exempt any fund from the mentioned percentage.

Article (33) An investment fund shall not:

1. Purchase securities of, or invest in investments offered by, a single company or issuer, other than the government of the Sultanate of Oman or other governments, if the value of the securities or investments of that company or issuer would form more than (15%) of the net asset value of the fund at the time of purchase. Such limitation shall not apply to a fund that invests in the index sample.
2. Purchase a security of an issuer, if, after the purchase, the fund would hold more than 10% of the voting securities of that issuer.
3. Purchase real estate.
4. Purchase a mortgage.
5. Purchase a security for the purpose of exercising control or management of the issuer of the security.
6. If the fund is an open end fund, purchase an illiquid asset if, immediately after the purchase more than 10% of the net assets of the fund, taken at market value at the time of purchase, would consist of illiquid assets.

"Illiquid asset" means an asset that may not be readily disposed of through market facilities on which public quotations are widely available, at an amount at least equal to the amount at which the asset is valued in calculating the net asset value, or a restricted security, the resale of which is prohibited for any reason.

7. If the fund is an open end fund, have invested, for an unbroken period of 30 days or more, more than 10% of its net assets, taken at market value, in illiquid assets.
8. Except in accordance with guidelines established by CMA, purchase or sell derivatives.
9. Purchase or sell a physical commodity, including precious metals.
10. Purchase units of another investment fund unless immediately after the purchase the holdings of the fund of the units of other investment funds shall not exceed (10%) of net market value of the fund assets.
11. Purchase securities of a company under liquidation or bankruptcy.
12. Subscribe securities offered by a joint stock company under formation which does not have any history of profitable operations, or subscribe shares as a founder in a joint stock company under formation, with the exception of privatisations.

13. Engage in the business of underwriting or marketing securities of any other issuer.

#### CHAPTER FIVE: BORROWING AND LENDING RULES

Article (34) An investment fund shall not:

1. Purchase securities on margin.
2. Sell securities short.
3. Lend money or securities. This restriction shall not apply so as to prevent the purchase of bonds.
4. Guarantee securities or obligations of another person.
5. Borrow money or provide for the encumbrance on its assets except in the two following situations:
  - a. The transaction is a temporary measure to accommodate requests for the redemption of units of the investment fund while the fund effects an orderly liquidation of its assets, and, after giving effect to the transaction, the outstanding amount of borrowing does not exceed (5%) of the net assets of the fund taken at market value at the time of borrowing.
  - b. The encumbrance secures a claim for the fees and expenses of any services providers for services rendered in that capacity.

## CHAPTER SIX: NET ASSET VALUE & NET REALISABLE VALUE

Article (35) Net asset value (NAV) shall be calculated and stated as net asset value (NAV) in the same way it was stated and calculated in the audited or unaudited financial statements of the fund.

Article (36) The fund may issue and/or redeem units at a net realisable value (NRV) which is different from net asset value, subject to the following conditions:

1. The guidelines for calculation of the net asset value and net realisable value are stated in the Articles of Association and the prospectus, or in accordance with a resolution of an extraordinary general meeting.
2. The unitholders must be informed in the Articles of Association and prospectus, and prior to the above mentioned special resolution, if the redemption of units at a net realisable value lower than net asset may benefit the unitholders who remain in the fund, at the expense of the unitholders who redeem their units.
3. Where units are redeemed at a net realisable value lower than net asset value, the discount from net asset value may not be more than 10%. This limitation does not apply to redemption at the time of liquidation of the fund.

Article (37) The front end load and back end load, which may be charged to investors at the time of issue or redemption, shall not enter into the calculation of net asset value or net realisable value.

Article (38) Each purchase or sale of securities made by the investment fund shall be reflected in the first calculation of net asset value after the date on which the transaction becomes binding. The issue or redemption of units of an investment fund shall be reflected in the first calculation of the net asset value of the fund made after the issue or redemption.

Article (39) The investment fund shall establish, in its Articles of Association and prospectus, the valuation methods for valuing unlisted securities or listed securities or other illiquid securities, that have not been traded during the preceding 20 working days. Valuation methods for illiquid securities shall be established for the calculations of net asset value and net realisable value.

## CHAPTER SEVEN: LISTING AND TRADING OF UNITS

Article (40) The investment units of listed funds, shall be listed and traded in the Market in accordance with the provisions of the Capital Market Law & its Executive Regulation, the decisions issued to enforce them and this regulation.

Article (41) Transfer of ownership of investment units that are sold or purchased in the Market shall be in accordance with the provision of the Capital Market Law. Approval of the fund's management for the same is not required.

Article (42) Transfer of ownership of investment units shall be evidenced by registering them at MDSRC.

Article (43): Registration of ownership shall be carried-out without any restrictions except in the following cases:

1. If the units were pledged or restricted.
2. If the ownership certificate were lost or damaged.
3. If the selling violates the rules and regulations related to ownership percentage of non-Omani nationals in securities.

## CHAPTER EIGHT: ISSUE AND REDEMPTION OF UNITS

Article (44) The provisions of this chapter shall apply only to the issue and redemption of units which are made outside the market.

Article (45) All orders for the purchase or redemption of units of investment funds shall be implemented at a price equal to the net asset value or net realisable value of the units next determined after the receipt by the fund of the order, and never at a price equal to any net asset value or net\_realisable value calculated before receipt of the purchase or redemption order.

However, the investment fund may provide that orders received after a specific time on any business day or on any day which is not a business day will for purpose of the foregoing be deemed to be received by the fund on the next business day following the day of actual receipt thereof.

Article (46) An investment fund shall be deemed to receive an order for purchase or redemption when the order is in fact received at the office of the juristic person designated in the prospectus or simplified prospectus.

Article (47) As soon as the net asset value or net realisable value is calculated, the investment fund or the person who has received the purchase or redemption order on behalf of the fund shall send a confirmation to the client, with the following information:

The nature of the transaction, the amount invested or redeemed the sale or redemption charge, the net asset value or net realisable value and the number of units purchased or redeemed, and the date of the transaction.

Article (48) The rate of sale charges (or front end load) shall be expressed as a percentage of the net amount invested and the rate of redemption charge (or back end load), as a percentage of the amount redeemed, wherever reference is made in a prospectus or financial statement or in any correspondences or sales communication regarding units sales.

Article (49) A distributor or other intermediary offering units of an investment fund, shall comply with the following rules:

1. All monies received for investment on behalf of the investment fund shall be separately accounted for and shall be deposited in a trust account, but may not be commingled with the assets of the intermediary or with the monies received by the intermediary with respect to the sale or redemption of securities from other investment funds.
2. The intermediary shall not use any of the monies referred to in paragraph 1 to finance its own or any other operation in any way.
3. All interest on the account referred to in paragraph 1 less any bank charges applicable thereto shall be paid to the investment fund no less frequently than monthly. The intermediary shall not be entitled under any circumstances to any interest earned on the trust account referred to in paragraph 1 above.

4. All monies received by the intermediary for the purchase of units of an investment fund shall be paid to the investment fund immediately and in any event no later than the third business day following the date of receipt.
5. The intermediary shall not transfer, lend, pledge units of an investment fund held for investors in safekeeping or under plans or otherwise except as expressly provided for in any written agreement between the intermediary and the investor setting out the terms on which the units are held and may be dealt with.

Article (50) Payment of the issue price of units of an investment fund to which a purchase order pertains shall be made by the investor or on his behalf immediately and in any event no later than the third business day after the issue price was determined.

Article (51) Unitholders of an investment fund shall be provided at least annually with a statement outlining the procedure to be followed to redeem units and specifying the documents to be furnished in connection with the redemption order. This statement shall be included in the prospectus and in the annual report and simplified prospectus that is provided to unitholders and prospective investors.

Article (52) An investment fund shall not pay redemption proceeds unless the fund has:

1. Received the certificate when the units to be redeemed are represented by a certificate or a confirmation from the MDSRC or other transfer agent.
2. Received a written redemption order, duly completed and executed, or, if permitted by the fund, Email, fax or electronic order.

Article (53) If an investment fund determines that its requirements for redemption have not been satisfied, the investment fund shall notify the unitholder giving the redemption order, by the end of the business day following the receipt of the incomplete redemption order, that its requirements have not been satisfied and shall specify procedures still to be followed or the documents still to be delivered by that unitholder.

Article (54) Payment of the redemption price of units to which a redemption order pertains, less any applicable charges, shall be made to the investor by the investment fund on or before the third business day after the date of calculation of the net asset value or net realisable value used in establishing the redemption price.

Article (55) An investment fund may not suspend or limit the right of unitholders to redemption of their units except:

1. For any period during which normal trading is suspended on any exchange on which are traded securities representing 51% or more of the value of the total assets of the investment fund.
2. In accordance with any prior limits or provisions clearly stated in the Articles of Association and prospectus, or approved in advance by a

resolution of a general meeting, which shall also amend the Articles of Association accordingly.

3. In exceptional circumstances where CMA has authorized such suspension in the interest of unitholders.

An investment fund that has suspended redemption shall, within a period of time before the end of a business day after the date of suspension, send a notice to CMA and publish it in two daily newspapers one of them must be English for two days.

CHAPTER NINE  
DISSOLUTION & LIQUIDATION OF THE FUND

Article (56) The fund's management may recommend to the general meeting, that the fund be dissolved or liquidated, for any reason, including the following:

1. Expiration of its term.
2. Accomplishment of its purpose, in accordance with what has been stated in the Articles of Association and prospectus.
3. Reduction in the value of net assets to below RO 500,000.
4. Reduction in the value of net assets to a level where expenses per unitholder are unduly high.
5. Request by the investment manager.

Article (57) The CMA may require the Fund's Board to call a general meeting in order to consider a resolution to dissolve the fund, if it was in the interest of the unitholders.

Article (58) The unitholders may at any time may require from the extraordinary general meeting to dissolve the fund.

Article (59) Liquidation of the assets should be done with due care and concern so as not to adversely affect the price. The liquidation method shall be approved by unitholders in a general meeting, and by the CMA.

Article (60) Where the decision to liquidate the fund is in accordance with Article (56) 1 and 2, the decision and method of liquidation must be approved by the unitholders in accordance with a general meeting resolution. Where the decision to liquidate the fund is in accordance with Article (56) 3, 4 and 5 or by request of the unitholders, the decision and method of liquidation must be approved by the unitholders in accordance with a resolution made by an extraordinary general meeting.

CHAPTER TEN  
SALES COMMUNICATIONS & CHARGES

Article (61) A sales communication or other disclosure concerning investment units sales shall be deemed misleading where it contains representations about past or future investment performance that are:

1. Overestimating the actual or hypothetical performance of the fund concerning income, gain, or growth of assets or the accomplished or expected results.
2. Representations about security of capital or expenses associated with particular investments or about possible future gains or income that are not justified under the circumstances.
3. Representations that imply that future gains or income may be inferred from or predicted based on the past performance of the fund.

Article (62) A sale communication or disclosure concerning investment units sales shall be deemed misleading where it contains representations about the characteristics of an investment fund if:

1. It indicates possible benefits connected with or resulting from services to be provided or methods of operation and leave out indications about risks or associated limitations regarding those services and methods of operation.
2. It exaggerates in descriptions of management skills or techniques, characteristics of the fund or an investment in units issued by such fund, services offered by the fund or its investment manager, or effects of government supervision.
3. It makes unwarranted or incompletely explained comparisons to other investment vehicles or indices.
4. It implies unwarranted inferences from the growth or performance of companies that do not present the same characteristics as the investment fund.

Article (63) A sales communication or other sales disclosure that compares the performance of one or more funds with a consumer price index, bond or other index, average, or any guaranteed investment certificate of deposit, real estate or any other investment of any kind or nature must:

1. Include all facts which, if disclosed, would effect or demolish the conclusions reasonably inferred from the comparison.
2. Present data for each subject of the comparison for the same period or periods.
3. Where differing types of investment are compared, explain clearly any relevant differences in guarantees, fluctuations of capital, income or total return, insurance, tax features and any other factor necessary to make the comparison fair and not misleading.
4. Where the performance of an index or average is compared, if appropriate in view of the nature of the comparison, describe the index or average, point out if there are material differences between the composition of or calculation of the performance of the index or average and the investment portfolio of the fund, including the receipt of dividends by the fund which are not included in the

index, and state any other factor necessary to make the comparison fair and not misleading.

Article (64) Whenever a written sales communication or disclosure includes a rate of return or a mathematical table illustrating the potential effect of a compound rate, such sale communication must contain a statement to the effect that such rate of return or mathematical table is used only for the purpose of illustrating the effects of the compound growth rate and is not intended to reflect future values of the units or anticipated returns.

Article (65) A written sales communication must bear the name of the person or entity which prepared the sales communication, must indicate the date of the first publication, except in the case of advertising. The communication may bear the name of the intermediary distributing it.

Article (66) The costs of the formation of the investment fund, application processing fee, and any other pre-establishment costs may be borne by the fund, except if it was clearly stated in the prospectus.

Article (67) With the exception of the pre-establishment costs described in Article (66), the investment fund shall not at any time directly or indirectly bear expenses for sales, marketing or distribution of units. These expenses may be charged directly to the investor, in any of the following ways:

1. The initial sales charges deducted from the investor's payments for units, also known as the front end load.
2. Sales charges at the time of redemption, deducted from the amounts the investor receives for his units, also known as the back end load.
3. Brokerage commissions, for the purchase or sale of units on the market.
4. As part of the spread between bid and offer earned by a market maker, if any.

Article (68) The investment fund shall not offer contractual plans for investors obligating them to invest periodically in the fund unless:

1. Sale charges may not be increased beyond the limits stated in the original prospectus, at the time of the initial public offer.
2. The investor in the plan shall have the right to cancel the plan at any time without bearing additional expenses.

CHAPTER ELEVEN  
FUND'S MANAGEMENT

- Article (69) The investment fund established in the form of a company shall be managed under the supervision of a Board of Directors. Whereas the Investment Fund attached to a bank or investment company shall be managed under the supervision of an Investors' Committee.
- Article (70) Members of the Fund's management are jointly and severally liable before fund investors and the CMA, to supervise and oversee the investment manager and other service providers, and safeguard the best interests of the fund and its unitholders, in accordance with provisions of the Capital Market Law & its Executive Regulation, the circulations and decisions issued in this regard as well as this regulation.
- Article (71) The Articles of Association shall prescribe the functions and powers of the Fund's management members either from unitholders or others , method of election or removal or replacement, number of units required to be pledged against committee membership, method of call for meeting, quorum of meetings, method of voting and quorum for decision making, taking into consideration the following rules:
1. All members shall be elected when the constitutive and annual general meeting of unitholders was hold. Elections shall be by confidential ballot. Each unitholder shall have a number of votes equivalent to the units he holds. The unitholder may give all his votes to one candidate or distribute them among various candidates.
  2. The number of the Fund's management members shall not be less than three members nor exceed seven members.
  3. Any member appointed outside of an annual general meeting shall stand for election at the next annual general meeting.
  4. A majority of the members shall be independent members.
  5. The quorum for a meeting of the Fund's management shall be not less than three members, of which a majority must always be independent members.
  6. The Fund's management member shall not take part in the final discussion, or vote on, a contract or other transaction, unless he is disinterested with regard to the contract or other transaction, as defined in Article (1) of this regulation, with the exception of discussion and votes on nomination and appointment of members.
  7. Management decisions shall be taken by not less than a majority of the members, except where one or more members have an interest in the decision. In this case, the decision shall be taken by not less than a majority of the disinterested members, as defined in Article (1) of this regulation.
  8. Where a member of the funds management abstain from voting on any resolution and had objection, he shall record this objection in

the minutes of the fund's management meeting or in the minutes of the general meeting.

9. The Fund's management shall meet at least 4 times in a year with a maximum time gap of 4 months between any two consecutive meetings, to review the performance of the fund and the performance of the service providers.

Article (72) The candidate for nomination or appointment shall meet the following conditions:

1. Shall be of good conduct and sound reputation.
2. Shall not be convicted of felony or misdemeanor in an offence involving indecency or dishonesty, or in an offence provided for in corporate or trade laws or declared bankrupt unless rehabilitated.

The candidate shall provide also an affidavit stating the number of units held, if a unitholder and a curriculum vitae that describes his educational qualifications, work experience, and other qualifications which recommend him for the Fund's management election to be made available to unitholders before his election.

Article (73) Vacancies arising between elections, may be filled by appointment, by no less than the majority agreement of the other members or independent members of the Fund's management.

Article (74) Wherever an appointment is made, or a candidate is nominated, the persons making the appointment or nomination shall make reasonable efforts to ensure that the person appointed or nominated is a person of merit, integrity, independent judgment, and high ethical standards, with knowledge and experience in legal and financial matters, sufficient to carry out his responsibilities under this regulation.

Article (75) The Board of CMA, for investors' protection, may at any time take a resolution to remove any or all members of the Fund's management.

Article (76) The unitholders may remove any or all members of the Fund's management, by ordinary resolution in a general meeting. However, the election for vacancies shall not be valid unless the election has been included as an item on the agenda.

Article (77) The Fund's management shall ensure that the unitholders provided with copies of the prospectus, resolutions of the general meetings, quarter and annual financial statements, reports of the fund's performance, all contracts made on behalf of the fund, and any other documents or information to which the unitholder is entitled under the terms of the prospectus or the Articles of Association, and this regulation or CMA requirements.

Article (78) The Fund's management may be required by the CMA or the unitholders by an ordinary resolution in general meeting, to form an Audit committee. A majority or all of the members of the Audit committee shall be independent members.

Article (79) Transactions with related parties must be approved by the Fund's management and disclosed to unitholders as required in this regulation and any instructions issued by the CMA in this regard.

Article (80) The Fund's management shall carry out their oversight and supervision responsibilities. From this context, the Fund's management may assign or request the auditor, the compliance officer of the investment manager or other service provider, or any other sufficiently qualified professionals, to assist them in carrying out their oversight responsibilities over the following:

1. The investment performance of the fund, in comparison with comparable funds or other benchmarks, and taking into consideration its investment objectives, strategies, outcomes and risks, as stated in the prospectus.
2. The investment manager's policies for monitoring and controlling risks.
3. The compliance of the fund with the terms of the prospectus and Articles of Association.
4. The compliance of the fund with other legal requirements.
5. The performance of the investment manager and other service providers.
6. Whether the fees and other expenses charged to the fund are reasonable and correct, and in accordance with the terms of the prospectus and Articles of Association.
7. Whether the charges to the unitholders and investors, including any front end and back end loads, are in accordance with the terms of the prospectus and Articles of Association.
8. Whether the guidelines used for calculation of net asset value, and for calculation of net realisable value are fair and reasonably correct.
9. The qualifications, functions and independence of the external auditor for the fund.
10. The adequacy of the fund's systems for safekeeping of assets, and internal accounting controls.
11. The adequacy of the investment manager's systems and controls, for ensuring legal and ethical compliance, and ensuring the investment manager acts in the best interest of the fund and its unitholders.
12. The qualifications and functions of the compliance officers for the investment manager and custodian.
13. Identification of conflicts of interest. The adequacy of measures taken to ensure that conflicts of interest are resolved in the best interest of the funds and its unitholders. The adequacy of segregation of functions, where a single company acts as more than one service provider to the fund.

14. Review of the independence and fiduciary responsibilities of the members of the Funds' management. Identification of any conflicts of interest. Identification and review of all transactions by or involving the members of the Funds' management which involve a potential conflict of interest, for instance the ownership and trading of securities. Ensure the members of the Funds' management act properly and in the best interest of the fund and its unitholders.
15. Identification, review and disclosure of all material transactions with related parties, and transactions required to be approved by the Fund's management and disclosed to unitholders as required by Article (79) in this regulation. Whether these transactions are in the best interest of the fund and its unitholders.
16. The annual report, financial statements, and all other disclosures to the public, unitholders, and prospective investors, to ensure that these disclosures are fair, not misleading and timely complete.

## CHAPTER TWELVE GENERAL MEETINGS

Article (81) The general meeting is the higher authority of the Fund and comprises all unitholders of the Fund.

Article (82) The unitholder shall have the right to attend general meeting and shall have one vote against each units held by him and may give a written proxy to another person to attend the meeting and vote on its resolutions. The unitholder may revoke such proxy at any time. However, the representative need not be a unitholder unless it was stated in the Articles of Association.

Article (83) The Fund's management may convene the General Meetings at any time and such meeting shall be convened whenever required by the Capital Market Law, its Executive Regulation and decisions issued for them and this regulation, or when a resolution issued by the CMA in this regard or upon request of one or more unitholders who represent at least 10% of the capital of the fund.

If the Fund's management fails to convene the General Meeting, the external auditors shall do so. The call to attend the meeting shall not be valid unless it accompanied by the agenda and approved by the CMA.

Calling for General Meeting shall be made through:

1. Prominent advertising in widely circulated daily newspapers. The advertisement shall be published at least in two newspapers, one at least in English, and for two consecutive days. The advertisement shall state the date, time, place, and a summary of the agenda.
2. Written invitation to each unitholder to be mailed by ordinary mail including a proxy form, the agenda, and related memos and documents.
3. Where the agenda includes the election of members of the Fund's management, this information shall include curriculum vitae provided by each candidate describing his educational qualifications, work experience, a declaration stating that he was not convicted of felony or misdemeanor in an offence involving indecency or dishonesty, or declared bankrupt unless rehabilitated and whether he intends to run as an independent member.
4. For a meeting of unitholders of an investment fund called to consider any subject in accordance with Article (90), the information to be provided to unitholders must include a description of the changes proposed to be made and, in the case of a matter referred to in paragraph 1 of Article (90), the effect that the change would have had on the management expense ratio of the fund had the change been in force throughout the investment fund's last financial year, and the date of the proposed implementation of the change.

Article (84) The CMA shall be notified of the date of the general meeting, and it shall delegate an observer to attend the meeting and supervise its proceedings and to ensure that the resolutions adopted are in accordance with the provisions of the Capital Market Law & its Executive Regulation the decisions issued to enforce them and this regulation. The minutes of the general meetings shall be deposited with the CMA, signed by the secretary and approved by the chairman of the meeting, the auditors and the legal advisor, within 15 days from the date of convening the meeting. The CMA shall review the agenda prior to approval and may object on any of its contents.

Article (85) The Fund's management shall establish the agenda of the general meeting; if the meeting is convened by the external auditors, the agenda shall then be established by them. The Fund's management or the external auditors shall list on the agenda any statement of information provided by one or more unitholders who represent 10% or more of the capital of the fund, or any other unitholders, however, prior approval from the CMA is required. The statement shall be submitted two weeks before the invitation for the meeting are sent.

The general meeting shall consider only the matters included in the agenda. However, in exceptional cases, the general meeting may consider an urgent and unexpected matter which arises during the meeting subject to a resolution adopted by the general meeting by not less than half of the votes of the present members.

Article (86) The shareholders and proxies representing all the shares of the company may hold a general meeting without regard to the rules stipulated for such meeting, the meeting so held may deliberate on all matters which are within the authority of the general meeting to decide.

Article (87) The ordinary general meeting may consider and decide all matters which are not, under this regulation or by the fund's Articles of Association, reserved for decision by the Fund's management or by an extraordinary general meeting.

Article (87) The annual general meeting shall be held each year within (60) days of the end of the fund's financial year. Other ordinary general meetings shall be held when required by the Capital Market Law & its Executive Regulation the decisions issued to enforce them and this regulation or the Fund's Articles of Association or when need arises to hold such meetings.

The agenda of the annual general meeting shall include;

1. Election or removal of the members of the Fund's management and specifying their remuneration.
2. Appointing or removing the external auditor and setting their fees.
3. Review the reports provided by the Fund's management, the investment manager and the external auditor regarding the fund's management, new contracts entered into, and any related party transactions required to be disclosed in accordance with Article (79) of this regulation.
4. Approval of any related party transactions required to be approved by Article (108).
5. Approve the distribution of dividends.

Article (89) The resolutions of the ordinary general meeting shall not be valid unless the meeting is attended by unitholders or their proxies, representing at least half of the capital of the fund, higher percentage may be provided in the Articles of Association. If such quorum is not established, a second meeting shall be called to discuss the same agenda. The second ordinary general meeting shall be notified to unitholders in the same manner as the first meeting, at least one week prior to the date set for the second meeting.

Article (90) The extraordinary general meeting shall be convened to consider and decide all matters which such meeting is specifically authorized to settle in accordance with this regulation or the fund's Articles of Association.

The extraordinary general meeting shall decide on the following;

1. A change in any contract or the entering into any new contract as a result of which the basis of the calculation of the fees or expenses that are charged to the investment fund is changed in a way that could result in an increase in charges to the fund, or an increase in sales charges charged to the unitholder at the time of redemption.
2. A change in the fundamental investment objectives of the investment fund.
3. Any change in the frequency of calculating net asset value or net realisable value.

4. Any decrease in the frequency of regularly scheduled opportunities for redemption, or decrease in redemption limits, except as provided for under Article (55).
5. Any change, such as a merger, a division or a conversion, that results in the unitholders becoming unitholders in another investment fund.
6. Removal and appointment of the investment manager.
7. Any amendment to the Articles of Association.

Article (91) Resolution of the extraordinary general meeting shall not be valid unless the meeting is attended by unitholders or proxies representing at least 60% of the capital of the fund. Higher percentage may be set in the fund's Articles of Association.

Where such quorum is not established in the first meeting, a second meeting shall be called to discuss the same agenda. The second meeting shall be notified to unitholders in the same manner as the first meeting, at least a week prior to the date set for the second meeting. The resolutions of the second general meeting shall be valid if unitholders or proxies who represent at least half of the capital of the fund attended the meeting, the meeting shall be convened within 6 weeks from the date of the first meeting.

The resolutions of the extraordinary general meeting shall not be valid, unless approved by, at least, one or more unitholders representing half of the fund's capital, if the Articles of Association of the fund did not provide higher percentage.

Article (92) The General Meetings shall be chaired by the Chairman of the Fund's management or his deputy. If the general meeting was convened by the external auditors pursuant to Article (83), they shall appoint the chairman of the meeting, the general meeting shall appoint a secretary to be responsible for preparing the Minutes of Meeting indicating the proposed resolutions and the voting result during the meeting. Every unitholder shall have the right to inspect this minutes.

Article (93) The Chairman shall set the voting system, except in case of electing fund's management, it shall be in secret voting.

Article (94) The agenda shall be approved by the legal advisor prior to submitting it to the CMA.

Article (95) Any 5% of the unitholders, have the right to contract with the transfer agent in order to contact other unitholders through a mailing to unitholders, carried out by the transfer agent. The fees charged by the transfer agent for this service may not be unreasonable.

## CHAPTER THIRTEEN SERVICE PROVIDERS

- Article (96) Distributors to the public within Oman must be licensed by CMA, for brokerage or another activity under which the licensed company is authorized to market securities. A distributor may also receive and process orders and funds.
- Article (97) Where a single company acts as more than one service provider, there must be adequate segregation of functions and staff to ensure that the service provider can avoid or properly resolve conflicts of interest and carry out each service with due care and diligence, in the best interests of the fund and its unitholders.
- Article (98) Where a fund founder or investment manager or related party to the fund sponsor or investment manager, is also the guarantor, there must be a separate contract between the fund and the company acting as guarantor. This contract may place investment covenants or restrictions on the fund, as a condition of offering the guarantee. These covenants or restrictions must be disclosed in the prospectus.
- Article (99) The service provider shall have sufficient equipment and human and financial resources to carry out its responsibilities properly.

SECTION ONE  
INVESTMENT MANAGER

- Article (100) A company must be licensed by the CMA in order to serve as the investment manager of an investment fund,
- Article (102) The company which serves as investment manager shall be prohibited from receiving funds or units from investors of the fund, on behalf of the fund, unless it does so as the founder prior to establishment of the fund, or in accordance with the terms of a separate service provider contract.
- Article (103) The intermediary company which intends to serve as investment manager of an investment fund, shall provide to the CMA and the Fund's management, before the conclusion of the contract at minimum, the following information and these information shall be confirmed the time when the company intends to renew the contract:
1. Audited financial statements for the last two years before the date of the application, if any.
  2. The distribution of capital, with an identification of shareholders directly or indirectly owning 5% or more of the capital.
  3. Organizational chart.
  4. Number and qualifications of the personnel.
  5. Description of the equipment and other material resources used.
  6. Curriculum vitas of the Chairman of the fund's management, the general managers, Compliance Officer, and other key management personnel.
  7. Curriculum vitas of the natural persons who will research and manage the fund's portfolio and the criteria for selection of those persons.
  8. Detailed description of the assumed functions of the investment manager.
  9. Detailed description of the services to be provided by the company to the fund, commissions, method of calculation and any other charges. Method and payment dates of such commissions and charges.
  10. Description of criteria used for the selection of brokers to be entrusted with the execution of orders.
  11. Description of measures taken to ensure provision of high quality services; identify, prevent or resolve conflicts of interest; prevent advance knowledge of portfolio transactions; prevent use of insider information; and ensure that the interests of the fund and its unitholders will always take precedence over the interests of the investment manager.
- Article (103) Where the investment manager intends to also act as broker, distributor, or as some other category of service provider, a description of the segregation of staff and functions, Chinese Walls, and other systems and procedures for ensuring that the interests of the fund and its unitholders will be adequately protected.

Article (104) CMA shall decide on the application referred to in Article (102) above, within 30 days from the date all the requirements are met.

Article (105) The investment manager shall record all purchase and sale transactions made in favor of the fund, and the time of the transactions. The investment manager shall have an accounting system to itemize, trace and check all entries relating to the portfolio of the fund and to reconcile them with securities or cash accounts opened in the name of the fund by the custodian.

Article (106) The investment manager shall be bound by the following rules:

1. The investment manager shall maintain resources in personnel and equipment adequate for the nature and development of its activities, which shall not be less than the resources described at the time of the CMA approval to act as investment manager for the fund.
2. Fund executions must be based on prior orders. Where the manager carries out the management of more than one investment fund, and full execution may not be possible, purchase and sell orders shall be allocated between the various funds before the transmission. Permanent rules should be defined in advance for possible market imbalance or block transactions. In the absence of rules, executions are allocated on a pro rata basis.
3. The investment manager shall make all his investment and other decisions in the best interests of the fund and its unitholders, including the selection of brokers.

Article (107) A natural person responsible for management of the portfolio of a fund shall not accept outside compensation or a position as a board member, except with the approval of the Fund's Board.

Article (108) The investment manager or broker, acting for the fund, may not knowingly do the following:

1. Purchase or obtain a security or other investment from, or sell a security or other investment to, a related party to the fund as defined in Article (1); or
2. Make an investment in securities of an issuer, except in securities issued or guaranteed by the Government of the Sultanate of Oman, where the investment manager has acted as issue manager or underwriter in the distribution of securities of that issue in the course of the last 60 days; or
3. Make an investment in securities of an issuer which is a related party to the fund as defined in Article (1), or where a partner, board member, director or employee of the investment manager is a director or manager of that issuer;

Unless the transaction has received the prior approval, or if prior approval is not reasonable and practical, the ratification, of a majority of the disinterested members of the Fund's management. The transaction must be specifically disclosed in the next quarterly and annual financial statements, and must be approved in the next constitutive or annual general meeting.

## SECTION TWO CUSTODIAN

Article (109) Only licensed commercial banks shall provide custodial services to investment funds in the Sultanate.

Article (110)

1. The assets of an investment fund shall be held under the custodianship of one custodian, having its head office in the Sultanate of Oman. Assets shall be kept in the Sultanate of Oman, except where it is appropriate to keep them outside Oman to facilitate transactions outside Oman. In the latter case, the custodian may appoint a sub-custodian to hold assets outside Oman.
2. The contract between the custodian and sub-custodian shall contain provisions that enable the fund to enforce its rights over the assets held with the sub-custodian. The contract with the sub-custodian shall not relieve the custodian of any liability.
3. All contracts with a sub-custodian require the written approval of the Fund's. The contracts shall provide for the safekeeping of assets on terms consistent with the contract with the custodian and provide the CMA with a copy of the contract with the sub-custodian.

Article (111) All contracts with the custodian or sub-custodian shall provide for matters relating to:

1. The requirements concerning the location of holding assets of the fund.
2. The method of holding assets.
3. The standard of care and responsibility for loss.
4. Review and compliance reports.
5. Fees, the method of calculation, timing and method of payment.

Article (112) No contract with a custodian or sub-custodian shall provide for the creation of any encumbrance on the assets of the fund except for the claim for payment of the fees and charges of the custodian or sub-custodian for acting in that capacity.

Article (113 ) No contract with a custodian or sub-custodian shall contain a provision that would require the payment of a fee or expenses to the custodian or sub-custodian for the transfer of the ownership of assets belonging to the fund.

Article (114) The assets of the fund shall be registered in the name of the custodian or a sub-custodian of the assets or any of their respective nominees, with an account number or other designation in the records of the custodian or sub-custodian or the applicable nominee to establish that the ownership of the assets is vested in the fund.

Article (115) The custodian or sub-custodian may arrange for the deposit of the assets of the fund with, and their delivery to, a depository or clearing agency that is authorized to operate a book-based system, provided that the records of either the participant in the book-based system or the custodian or sub-custodian or their respective

nominee establish that the ownership of the assets is vested in the investment fund.

Article (116) The custodian or sub-custodian shall exercise, in carrying out their duties, at least the same degree of care as they exercise with respect to their own property of a similar kind. The custodian and each sub-custodian shall assume the entire responsibility for loss of fund assets as a result of the negligence or wrongful act of their respective employees, directors or managers.

Article (117) The custodian shall, on a periodical basis not less frequently than annually, review the contract with the custodian and the sub-custodian to determine if they are in compliance with this regulation and take appropriate steps to ensure such compliance. The custodian shall, not more than 60 days after the end of each financial year of the investment fund, advise the investment fund in writing of the names and addresses of all sub-custodians and state whether each satisfies the requirements of this regulation. A copy of the above report shall be delivered to CMA within 30 days after the filing of the annual financial statements of the investment fund with CMA.

SECTION THREE  
TRANSFER AGENT

- Article (118) The Fund's management by virtue of a written contract may appoint a transfer agent for safekeeping of the unitholders' register and transfer of the ownership of units.
- Article (119) The transfer agent may also offer the services of dispatching notices of sale and purchase of units to investors in the fund, communicating with unitholders and investors, or other duties assigned by the Fund's management.
- Article (120) The contract with the transfer agent shall clearly show all the services to be provided to the fund and the fees to be charged against such services, the method of calculation of such fees, the method and timing of payment.
- Article (121) The transfer agent shall have sufficient equipment and financial and personnel resources adequate to discharge his responsibilities.
- Article (122) The transfer agent may be the MDSRC or a company licensed by the CMA, and approved by the CMA to act as transfer agent for the issue and redemption of units by the fund.

SECTION FOUR  
EXTERNAL AUDITORS

- Article (123) The Fund's management shall nominate a qualified and licensed person and approved by the Ministry of Commerce and Industry to the general meeting to be appointed as external auditor, to audit the accounts of the fund.
- Article (124) The external auditors who audit the financial statements of the investment fund shall have sufficient experience in the audit of the accounts of investment funds.
- Article (125) The external auditor for the fund may not also serve as the auditors for the investment manager.
- Article (126) Fraud detected or suspected by the external auditor shall be reported to the Fund's management. However, if the fraud is material, he shall report the fraud to respective regulators of the fund.
- Article (127) The external auditors shall be appointed for one financial year. The same auditors shall not be appointed as external auditors for more than 3 consecutive financial years. After completion of three consecutive terms, same external auditors will be eligible for reappointment as external auditors only after a cooling off period of 2 years.
- Article (128) The external auditors shall not be allowed to provide non-audit services, which might affect their independence.

## CHAPTER FORTEEN DISCLOSURE

Article (129) The prospectuses, financial statements and all other disclosures to the public, unitholders and prospective investors must be fair, straightforward, reasonably complete, and should not intentionally or unintentionally mislead investors.

Information may be considered to be incorrect or misleading if it makes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Article (130) The contents and format of the prospectus of the investment fund shall be in accordance with the form attached as Appendix 1 to this regulation. The contents and format of the financial statements are detailed in Appendix 2. The Executive President of the CMA may amend Appendices 1 or 2, if it is deemed necessary.

Article (131) An investment fund shall file with Capital Market Authority and at the same time make available to unitholders:

1. Quarterly financial statements, within 30 days from the end of each quarter.
2. Half yearly audited financial statements, within 45 days from the end of the half year.
3. Annual audited financial statements, within 60 days from the end of the financial year.

Article (132) The annual audited financial statement including the external auditors report shall be sent to the unitholders within 60 days from the end of the financial year. These reports shall be made completely available to the unitholders.

Article (133) The second quarter's financial statements may be included within the fund's half-yearly accounts. The fourth quarter's financial statements may be included within the fund's annual financial statements. When quarterly financial statements are included in audited financial statements, the time limits for the audited financial statements apply to these quarterly financial statements. The annual audited financial statement must disclose and explain all significant variations between the annual and quarterly financial statements.

Article (134) Whenever reasonable prior estimates of audited or unaudited results, or material events which will substantially affect these results, net asset value, net realisable value or traded price of the units, are known to the Fund's management or investment manager, the fund should release these estimates or information about these events to the public in a fair and timely manner, such as through a simultaneous Arabic & English press release to all local newspapers.

Such disclosure of material information to the public should be honest, straightforward, and reasonably complete. It should neither exaggerate nor underestimate the effect of the events disclosed. In the absence of such

disclosure, the Fund's Board and investment manager should ensure that this information is kept confidential, and that no insider trades on the basis of this confidential information, or passes it on to others who trade on the basis of the information.

Article (135) The fund must provide directly, or send by mail, a complete copy of any financial statement or other document required to be disclosed or made available to unitholders, to any registered or beneficial unitholder, in either Arabic or English, as requested, within 7 days of receipt of the request.

Article (136 ) The fund must publish the complete Balance Sheet and Income Statement, identical to those filed with CMA, in one Arabic daily paper (in Arabic) and one English daily paper (in English), on or before the deadline for submitting the financial statements to the CMA and MSM.

Article (137) This publication should state that: "The complete financial statement and accompanying reports will be delivered to any unitholder or other interested party who requests them, in either Arabic or English, as requested, within 7 days of receipt of the request." The address to which the request should be submitted must follow this statement. A copy of this publication must be filed with CMA, within one day of the date of publication.

Article (138) The auditor's report for all audited financial statements must include the following:

1. The responsibility of the Fund's management and the investment manager for the financial statements;
2. A statement about the financial statements' compliance with the International Financial Reporting Standards promulgated by the International Accounting Standards Council;
3. A statement about the financial statements' compliance with CMA's disclosure requirements;
4. Any qualifications to the accounts and the effect of these qualifications on the financial results and net asset value of the fund.

Article (139) All investment funds shall publish an annual report to unitholders, within 60 days from the end of the financial year. The annual report shall include the annual financial statements, and additional information required by this regulation.

Article (140) The open end funds or closed end funds which regularly offers and redeems its units, shall issue a simplified prospectus at least annually. The simplified prospectus shall include the annual report sent to unitholders and need not be published as a separate document.

Article (141) Financial statements shall be prepared in accordance with the:

1. Statutes of Oman;
2. International Financial Reporting Standards promulgated by the International Accounting Standards Council; and
3. Global Investment Performance Standards (GIPS) promulgated by the Association for Investment Management and Research; and

4. Minimum or additional disclosure requirements stated in this regulation or its Appendix 2 or published through a Circular, by the CMA
5. In case of conflict between these, statutes shall prevail over the rest and International Financial Reporting Standards shall prevail over GIPS and the minimum or additional disclosure requirements.

Article (142) Financial statements shall always include:

1. Income Statement (Profit and Loss accounts)
2. Balance Sheet
3. Statement of changes in equity
4. Cash flow statement
5. Statements of portfolio assets and transactions
6. Reasonably complete descriptions of transactions during the period with the related parties, which are required to be disclosed in accordance with Article (79) of this Regulations.

Article (143 ) Financial statements shall always include, or be accompanied by a report including,

1. The contents of Appendix 2.
2. A short description of the activities of the fund during the period.
3. Any significant changes in accounting principles, investment strategy, portfolio composition, risk profile, capital structure, members of the Fund's management, investment manager or other major service providers.
4. A list of the founder, investment manager, custodian, transfer agent, chairman of the Fund's management, and any major service providers, with their respective addresses and contact details.
5. A list of the members of the Fund's management, identifying the independent members, and the contact details for contacting the Fund's management.
6. A reference to additional information about the fund contained in the prospectus and Articles of Association and amendments thereto, with information about how to obtain copies of these and other documents required to be made available to unitholders.

Article (144) The annual report and simplified prospectus shall also include:

1. The legal status of the fund, reference to laws and regulations governing the fund, and other fundamental information about the fund.
2. A brief description of the rights of unitholders, including rights to redemption, if any, and any limits thereto.
3. The information required by Article (51) of this regulation.
4. A clear summary of all charges and expenses which may be charged to the fund or its unitholders or prospective investors.
5. A description of any ordinary and special resolutions, passed during the financial year or period covered by the report.
6. Any amendments to the Articles of Association or prospectus made during the financial year or period covered by the report.
7. For each member of the Fund's management, remuneration and sitting fees, number of meetings attended, and a description of any special responsibilities taken on, or special qualifications, which justify a higher rate of remuneration.
8. A report on Fund governance.

Article (145) All investment funds shall disclose to the public, included with the issued documents, the bench mark used by the fund that is adequate to the investment policy of the fund.

CHAPTER FIFTEEN  
FEES

- Article (146) The investment fund shall pay to the CMA the prospects approval fees of (0.0005) of the fund's capital accounted on the basis of remaining months of a year.
- Article (147) The fund shall pay annually to the CMA listing fee of (0.0005) of the fund's issued capital allocated on a pro rata basis of the remaining months of a year and consider part of the month as complete month.
- Article (147) The fund shall initially pay to the CMA prior to registering in the CMA a registration fee of (0.0003) of the fund's issued capital (paid once in the life time of the fund). The fee shall not be less than one thousand and five hundred Omani Rials and shall exceed twenty five thousand Omani Rials accounted on pro rata basis of the remaining months of a year, and consider part of the month as a complete month.
- Article (149) The fund shall pay to the CMA annual subscription of one thousand and five hundred Omani Rials.
- Article (150) The fund shall pay to the CMA five Omani Rials fee for issuing each facsimile of the minutes of the general meeting.
- Article (151) The CMA shall issue a certificate of registration for issuing fee of five Omani Rials for each certificate.

CHAPTER SIXTEEN  
TRANSITIONAL PROVISIONS

- Article (152) This regulation applies for all investment funds established in Oman and offer its units for the public. Any or all of this regulation shall apply also for funds which not established in the Sultanate and wishes to offer its units for public subscription.
- Article (153) This regulation shall apply for all investment funds established under the Capital Market Authority Law and offered its units for public subscription. These investment funds shall not be subjected to the Commercial Companies Laws and Regulation.
- Article (154) All investment funds already established in Oman and publicly offered at the time of the adoption of this regulation shall make the necessary amendments in accordance with the provisions of this regulation within a period not exceeding six months from the date this regulation comes into force. However, if the funds failed to make the appropriate amendments, or these amendments will effect the fund and its unitholders the CMA may exempt the fund from one or more articles of this regulation if deemed appropriate.

1- Indicate the date of approval by CMA.

2- Contents and appendices if any.

3- Important notice.

All investors are requested to read the following notice carefully.

The aim of this prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the securities offered.

The prospectus includes all material information and does not contain any misleading information or omit any material information.

The Fund's management, investment manager, the founder, and issue undertaker are responsible for the provision of this material information and confirm that no material information has been omitted, the omission of which would render this prospectus misleading.

Please note that investments in investment funds are not guaranteed (except to the extent expressly stated in the prospectus); the value of the investment units change frequently and past performances may or may not be repeated. All investors should examine and carefully review the prospectus in order to decide whether it would be appropriate to invest in the securities offered by taking into consideration all the information contained in this prospectus in the context.

CMA assumes no responsibility for the accuracy and adequacy of the statements and information included in this prospectus nor shall it have any liability for any damage or loss resulting from relying upon or using any part of the same by any person.

Following this warning, provide a table of content and a summary of that information included in the body of the prospectus which in the opinion of the issuer would be most likely to influence the decision of the investor.

Introduction.

- The objectives of establishing the fund
- Risk factors

Terms & Definitions

- The fund
- Issued capital
- Minimum issue
- Units available for subscription
- Units
- Subscription price
- Initial subscription period
- Net asset value
- Net realizable value
- Term of the fund
- Options to extend the term

- Investment fund's management
- Managing company
- Local Custodian
- Global custodian
- Sub custodians
- International Investment adviser
- Management Agreement
- External auditors
- The guarantor, if any.
- Guarantee agreement
- Investment regulation
- Governing law
- Legal adviser
- Business day
- Issue day
- Redemption day
- Valuation day
- Trading day
- Index
- Local investment advisor
- Resumption of issue of units
- Foreign ownership
- Currency of the fund
- Bankers to the issue
- Minimum subscription
- Maximum subscription (if any)
- Market capitalization
- Article of association
- Fund's financial year
- Closing date
- Investment management guidelines
- Investment policy & restriction
- MSM
- CMA
- Capital Market Law
- Offering notice
- Register & transfer agent
- Unit certificates
- Redemption
- Front end load
- Back end load

#### Chapter one:

Presentation of the investment or establishment of the fund:

- Name of the fund
- Address
- The legal form of the fund
- Nominal Value
- Initial Issue Price
- Minimum Subscription of Issue
- Capital guaranteed if any (Capital description of guarantee method and mechanism)
- Listing and trading
- Issue and Redemption
- Front end load of invested money ratio
- Back end load of invested money ratio

- Unit holder's rights
- Recommencement of issue of units
- Terms of the fund
- Unit holder certificates
- Nature of the fund and units
- Omani tax status

### Chapter Two:

#### Investment Strategy

- Investment Strategy that will be adopted to achieve the objectives.
- Asset allocation.
- Dividend Policy.
- Risk Factors
- Description of the standard index
- Leverage ratio
- Short selling

#### Investment Policy

- Investment policy that will be adopted to achieve the objectives.
- Investment restrictions.

### Chapter Three:

#### The investment fund's management and service providers

##### 1- The investment fund's management:

- Responsibilities of the fund's management
- Chairman & members of the fund's management
  - Full name
  - Nationality
  - Qualification and experience
  - Functions in the investment fund, with date of appointment or duration of term.
  - Principal occupation outside the company.

##### 2-Rules for Proceedings of the fund's management:

- Number of members.
- Powers and duties of the fund's management.
- Procedures of the fund's management meetings.
- Appointment of members.
- Alternate Members.
- Qualifications of Members.
- Disqualification of members.
- Meetings

##### 3- Remuneration of members.

##### 4-The managing company (sponsor)

- Name of the management company
- Paid up capital and unitholders rights.
- Address and principle office.
- The principal activities.
- Role of managing company

- Key personnel of the managing company.
- Other funds of managing company and its performance.

5-Investment Manager :

- Name of the management company
- Paid up capital and unit equity.
- Address and principle office.
- The principle activities.
- The board of directors.
- Key personnel.
- Other funds of Investment Manager.
- External auditors.
- Duties and responsibilities of the investment manager in the fund
- Contracts that gives responsibilities to a third party, if any
- Circumstances under which the management agreement may be terminated.

6- Name of the company responsible for the marketing of securities of the fund and details on the contractual arrangements with this company.

7- Auditors

8- The Bankers.

9- Custodian

- Duties and responsibilities of the custodian in the fund
- Contracts that gives responsibilities to a third party, if any.

10- Sub- Custodian

- Duties and responsibilities of the sub-custodian in the fund
- Contracts that gives responsibilities to a third party, if any.

11- Custodianship agreement.

12- Transfer agent

- Duties and responsibilities of the transfer agent in the fund
- Contracts that gives responsibilities to a third party, if any.

13- Distributors

- Duties and responsibilities of the distributors in the fund
- Contracts that gives responsibilities to a third party, if any.

14- Legal adviser

15- The international investment adviser

16- Key personnel of the international & local investment adviser.

17- Role of international & local Investment advisor

Chapter Four:

Terms of subscription

- Eligibility
- Number of units offered
- Minimum size of subscription
- Maximum size of subscription
- Subscription period
- Identification of investor –Identity card/Passport
- Method of subscription
- Refusal of subscription
- Basis of allotment
- Refund of Excess subscription Money
- Refund of refused applications

### Chapter Five:

#### Unit ownership

- Unit holder rights
- Reports to unit holders
- Records of unit holders
- Transfer of units
- Meetings of unit holders
- Voting right
- Profits
- Limit of unit holders liability
- Ownership of assets

### Chapter Six:

#### Units:

- Issuing of units.
- Redemption of units
- Receiving and transferring money between investors and the fund
- Calculation of Net Asset Value
- Calculation of Realizable Value
- Publication of Net Asset Value

### Chapter Seven:

#### Accounts & Accounting policies

- Accounts & Accounting policies-General.
- Accounts and their financial implications.
- Accounting policy to be followed
- Reports and Accounts.

### Chapter Eight:

#### Expenses and costs of the fund

- Expenses / cost of issue
- Remuneration and sitting fees of the members of the fund's management
- Taxation.

### Chapter Nine:

#### The legal frame work

### Chapter Ten:

#### Important Names and addressee:

- The founder
- Investment Manager
- External Auditors
- The Bankers
- The Custodian
- Transfer agent
- Legal adviser
- The international investment adviser
- The local investment adviser

### Chapter Eleven:

#### Authorized signatories

- The fund's management.

- Managing company (founder).
- Issue manager.
- Legal adviser.

## APPENDIX 2 FINANCIAL STATEMENTS

1. In additions to the statutory disclosure requirements and the requirements of International Financial Reporting Standards, the Income Statement, (or Profit and Loss account, as the case may be), shall disclose separately the following items:
  - a. Dividend income; interest income; any revenue head (item) which is not less than five percent of the total income or revenue;
  - b. Realized investment gains or losses; Unrealized investment gains or losses;
  - c. Fees and expenses to the account of the investment manager, custodian, and other service providers;
  - d. Fund's management total remuneration including sitting fees;
  - e. Legal fees and auditors fees;
  - f. Any expenditure item which is not less than five percent of total expenditure;
  - g. Taxation cost, if any;
  - h. Net profit or loss;
  - i. Dividend per unit.
  
2. In additions to the statutory disclosure requirements and the requirements of International Financial Reporting Standards, the Balance Sheet, shall disclose separately the following items:
  - a. Intangible assets, if any;
  - b. Fixed assets other than investments in securities, if any;
  - c. Investment in securities;
  - d. Assets (receivables) and/or liabilities (payables) in respect of securities purchased or sold
  - e. Assets (receivables) and/or liabilities (payables) in respect of fund units issued (or sold) or redeemed (or repurchased) by the fund.
  - f. Any other asset which is not less than five percent of the total assets;
  - g. Bank loans and overdrafts, if any, with details of their security in the notes;
  - h. Any other liability which is not less than five percent of the total liabilities;
  - i. Unit capital, and reserves, if any;
  - j. Net Assets and the Net Asset Value (NAV) per outstanding unit.

3. Statements on portfolio assets and transactions, shall disclose the following items:
  - a. Fund's portfolio allocation based on national and international investments, with sub classification based on type of security and sector;
  - b. Investment Objective, Investment Strategy and Risk Profile of the fund's portfolio;
  - c. The details (identity of the scrip, value of the investment, its percentage of the net assets) for the top ten holdings in the portfolio as on the date of the Balance Sheet;
  - d. The details (identity of the scrip, value of the investment) for the top five purchases and sales during the period;
  - e. Performance data for the fund for the period and the comparative performance of the bench mark for the fund;
  - f. Net asset value as on the date of the Balance Sheet and significant ratios (Simple return, Expense ratio, Brokerage expense ratio, Portfolio turnover rate, Liability ratio, etc.);
  - g. Fund Per-Unit Table.
  
4. The notes to financial statements, shall disclose the following items:
  - a. Identity of all unit-holders who own more than 10% of the fund's units.
  - b. Transactions with related parties required to be disclosed.
  
5. Disclosures in reasonable accordance with those included in the CMA Proforma for Investment Funds, subject to the above, and any amendments thereto.