

**Appendix 10**

In this Appendix underlining indicates new text and striking through indicates deleted text.



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# The DFSA Rulebook

## Collective Investment Rules

(CIR)

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## **10 REQUIREMENTS SPECIFIC TO PUBLIC FUNDS**

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### **10.5 Investment and borrowing requirements for Public Funds**

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#### **Investment in Real Property**

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- 10.5.9**
- (1) The Fund Manager must ensure that the Valuer appointed under Rule 10.5.8 procures the proper valuation of all the property held within the Fund Property, on the basis of a full valuation with physical inspection including, where the property is or includes a building, an internal inspection at least once a year.
  - (2) For the purposes of (1), any inspection in relation to adjacent properties of a similar nature and value may be limited to that of only one such representative property.
  - (3) The Fund Manager must, subject to (4), ensure that the Valuer values the property, on the basis of a review of the last full valuation, at least every 6 12 months.
  - (4) If any event occurs which may on reasonable grounds have a material effect on the valuation of the relevant property the Fund Manager must consult with the Valuer with a view to arranging a fresh valuation before any Units in the Fund are issued or redeemed after the date of the event.
  - (5) The Fund Manager must require that any valuation by the Independent Valuer is on the basis of an 'open market value' as defined in the Constitution and Prospectus.

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## 13. ADDITIONAL REQUIREMENTS FOR SPECIALIST FUNDS

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### 13.4 Property Funds

#### Guidance

See Rule 3.1.7 for the definition of a Property Fund.

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#### Borrowing

- 13.4.5**
- (1) The Fund Manager of a Public Property Fund may borrow either directly or through its Special Purpose Vehicle for financing investment or operating purposes, but aggregate borrowings must not at any time exceed ~~50%~~ 65% of the gross asset value of the Fund.
  - (2) The Fund Manager of a Fund may pledge the Fund's assets to secure borrowings under (1).
  - (3) In the event that the borrowing limit under (1) is exceeded, the Fund Manager must inform the Trustee (if appointed), the Unitholders and the DFSA of the magnitude of the breach, the cause of the breach, and the proposed method of rectification. The Fund Manager must use its best endeavours to reduce as soon as reasonably possible the excess borrowings.
  - (4) All borrowings by the Fund must be conducted at arm's length.
  - (5) Borrowings by any Special Purpose Vehicles held by the Fund must be aggregated for the purpose of calculating borrowings of the Fund for the purposes of this Rule.

#### Guidance

The gross asset value of a Fund should be calculated as the total value of the Fund Property, based on the most recent valuation under Rule 8.4.1(1), but without making the deductions provided for in the other paragraphs of that Rule.

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## App 7 Content of a Public Fund Prospectus

### A7.1 Application

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**A7.1.4** A Prospectus is required to contain all the information an investor would reasonably require and expect to find in a Prospectus to be able to make an informed decision. CIR contains additional disclosure for Public Funds. This Table sets out the key mandatory disclosures required in a Public Fund Prospectus under the Law, CIR and IFR, including for specialist classes of Public Funds.

<b>Mandatory disclosure for all Public Funds</b>	
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<b>Additional mandatory disclosure for specialist classes of Public Funds</b>	
<b>1.</b>	<b>Islamic Fund</b>
...	.....
<b>6.</b>	<b>Money Market Fund</b>
6.1	<p>A prominent warning:</p> <ul style="list-style-type: none"> <li>(a) drawing to the attention of investors the different nature of a Unit in a Money Market Fund compared to a Deposit;</li> <li>(b) that the capital of an investment in a Money Market Fund is not guaranteed; and</li> <li>(c) that the value of Units in the Money Market Fund may fluctuate.</li> </ul>
<b>7.</b>	<b>Exchange Traded Fund (“ETF”)</b>
7.1	<p>A prominent warning:</p> <ul style="list-style-type: none"> <li><del>(a) drawing to the attention of investors the different nature of a Unit in a Money Market Fund compared to a Deposit;</del></li> <li><del>(b) that the capital of an investment in a Money Market Fund is not guaranteed; and</del></li> <li><del>(c) that the value of Units in the Money Market Fund may fluctuate.</del></li> </ul>
7.1 <del>2</del>	Disclosure of:

	<p>(a) the type of ETF and its characteristics;</p> <p>(b) the risks associated with the type of ETF;</p> <p>(c) the investment methodology and strategies the ETF proposes to adopt to track the referenced index or benchmark;</p> <p>(d) the relevant indices or other benchmark the ETF is designed to track, and the underlying components (including their liquidity) of the relevant index or benchmark;</p> <p>(e) relevant websites or sources of information provided by Price Information Providers, including the methodology, composition, components and value, and relative weightings, relating to the indices or benchmarks;</p> <p>(f) whether iNAV is made available by the relevant exchange and, if so, how this information can be accessed by investors;</p> <p>(g) how the referenced index or benchmark will be tracked and the risks for investors in terms of the exposure they have to the underlying index and any counterparty risk;</p> <p>(h) the key elements which may affect the ETF's ability to track fully the relevant index or benchmark, including, but not limited to, transaction costs, illiquid segments, and dividend re-investment;</p> <p>(i) in the case of a synthetic ETF using Derivatives to replicate the performance of an index or other benchmark:</p> <ul style="list-style-type: none"> <li>(i) whether the ETF uses a funded or unfunded model to replicate the performance of the specified index or benchmark;</li> <li>(ii) the counterparties to the Derivatives transactions and, where collateral is used, details relating to such collateral; and</li> <li>(iii) the risks associated with counterparty default and use of any collateral, and their impact on the ETF's performance and investor returns, and how such risks are to be mitigated;</li> </ul> <p>(j) if the ETF is required to have a diversified portfolio, how the ETF proposes to achieve diversification of investments through its investment strategy;</p> <p>(k) if available, information about the past performance of the ETF, measured through its realised tracking difference and annual tracking error information, on the anticipated level of tracking error during normal market conditions, and how this will be effectively minimised;</p> <p>(l) the exchange on which the ETF is admitted to trading;</p>
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	<p>(m) the Authorised Participant/s (AP) on the relevant exchange; and</p> <p>(n) the Price Information Provider (PIP) of the index or other benchmark which the ETF tracks and, if the PIP is a Related Party, a statement to that effect.</p>
7.23	<p>Sufficient information to enable investors to understand:</p> <p>(a) the ETF's cost structure, covering:</p> <ul style="list-style-type: none"> <li>(i) any performance fees of the Fund Manager, if applicable;</li> <li>(ii) its operational costs; and</li> <li>(iii) if applicable, costs of underlying transactions (such as swaps, brokerage commissions and additional costs associated with leverage or use of collateral, and the rebalancing of the portfolio costs); and</li> </ul> <p>(b) any revenue derived by the Fund Manager through the use of the ETF's portfolio assets, and how that revenue is distributed between the ETF and the Fund Manager.</p>

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