

**Republic of Serbia**

**L A W**

**ON OPEN-ENDED INVESTMENT FUNDS SUBJECT TO  
PUBLIC OFFERING**

(Republic of Serbia Official Gazette, No 73/2019)

*Please note that the translation may read differently from the original writing. It is provided for information purposes only.*

*The original Serbian text of the Law is binding in all respects.*

*Comments are more than welcome and can be addressed at [office@sec.gov.rs](mailto:office@sec.gov.rs)*

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**ON OPEN-ENDED INVESTMENT FUNDS SUBJECT TO  
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**I GENERAL PROVISIONS**

**Application**

**Article 1**

This Law shall regulate:

- 1) the organization and management of collective investment undertakings in transferable securities (open-ended investment funds subject to public offering);
- 2) the establishment, activities, and operations of management companies of open-ended investment funds subject to public offering;
- 3) the activities and duties of depositaries in the context of this Law;
- 4) the powers of the Securities Commission (hereinafter: the Commission);
- 5) supervision over the activities and operations of open-ended investment funds subject to public offering, management companies of open-ended investment funds subject to public offering, and depositaries;
- 6) other issues relevant for open-ended investment funds subject to public offering.

**Definitions of Terms**

**Article 2**

The following definitions shall apply for the purpose of this Law:

- 1) ‘management company of an open-ended investment fund subject to public offering’ (hereinafter: management company) means a legal person with a registered office in the Republic of Serbia (hereinafter: the Republic), the core business of which is the management of open-ended investment funds subject to public offering pursuant to the authorization of the Commission;
- 2) ‘investment fund’ means a collective investment undertaking raising capital and investing in different types of assets in compliance with a pre-determined investment policy with the

purpose of generating revenue for the benefit of investment unit holders, i.e. members of the investment fund and reducing investment risks;

3) ‘open-ended investment fund’ means a separate set of assets, without legal personality, organized and managed by a management company in its own name and on behalf of the members of the fund, in compliance with the provisions of this Law, prospectus, and rules of such fund. Investment units in the open-ended fund are redeemed, at the request of unit holders, directly or indirectly, out of the assets of the open-ended investment fund;

4) ‘an open-ended investment fund subject to public offering (undertaking for the collective investment in transferable securities - UCITS)’, (hereinafter referred to as UCITS fund) means an open-ended investment fund the sole object of which is the collective investment of capital, raised by public offering of the fund’s investment units, in transferable securities or in other liquid financial assets referred to in Article 42 of this Law, which operates in compliance with the principle of investment risk spreading, and the investment units of which, at the request of unit holders, are redeemed, directly or indirectly, out of the assets of the open-ended investment fund;

5) ‘public offering’ means any notice given in any form and or by any means addressed to all potential investors, which contains sufficient information about the terms of the offer and about the offered investment units on the basis of which an investor can decide to purchase such investment units;

6) ‘depository’ means a credit institution that provides depository services as defined in Article 98, paragraph [1] of this Law, and, in respect of the UCITS fund’s assets, acts only on the management company's orders that are in compliance with the law, the rules and prospectus of the UCITS fund;

7) ‘member of an investment fund’ (hereinafter: member), or investor, means a domestic or foreign natural or legal person in whose name investment units are registered and who by virtue of registration becomes investment unit holder;

8) ‘investment unit of a UCITS fund’ (hereinafter: investment unit) means a freely transferable dematerialized financial instrument representing a calculated proportionate share in the total net assets of a UCITS fund;

9) ‘prospectus of a UCITS fund’ (hereinafter: prospectus) means the basic document of a UCITS fund that provides complete and clear information for prospective investors to be able to make an informed judgment about the investment;

10) ‘key investor information’ (hereinafter: key information) means a brief document containing information about the essential characteristics of the UCITS fund, such as types of investments and possible risks, which are clearly identified as key and which enables the average investor to understand the types and significance of risks, with an assessment of the consequences of acquisition of investment units;

11) ‘member of management in a management company’ (hereafter: member of management) means a director, executive director, member of the executive board, or member of the supervisory board, within the meaning of the law governing companies;

12) ‘portfolio’ means the assets in which a UCITS fund invests in compliance with the provisions of this Law;

13) ‘Member State’ means a member state of the European Union (hereinafter: the EU) and the European Economic Area;

14) ‘third country’ means a state that is not a Member State in the context of point 13 of this paragraph;

15) ‘UCITS home state’ is the state in which the authorization for organizing or establishing the UCITS fund (hereinafter: the home state) has been issued.

The terms: ‘close links’, ‘financial instruments’, ‘money market instruments’, ‘transferable securities’, ‘qualifying holding’, ‘credit institutions’, ‘regulated market’, ‘multilateral trading facility’ (MTF), ‘OTC market’, ‘statutory disqualification’, ‘clearing’, ‘settlement’ and ‘inside information’ have the meanings as provided for in the law governing the capital market.

## **Prohibition of the Use of Term ‘Investment Fund’**

### **Article 3**

No legal person or sole trader may use the phrase ‘investment fund’, ‘open-ended investment fund subject to public offering’, ‘undertaking for the collective investment in transferable securities’ or ‘UCITS fund’ or phrases derived therefrom in their legal or trading name, or as the name of their product or service, unless such phrases are used pursuant to the provisions of this Law or the law governing alternative investment funds.

### **Exemptions**

### **Article 4**

This Law shall not apply to:

1) collective investment undertakings of a closed-ended type – closed-ended investment funds, and

2) collective investment undertakings that raise capital without promoting the sale of their units to the public – not publicly offered investment funds.

## **II MANAGEMENT COMPANY**

### **Form of Incorporation**

#### **Article 5**

A management company shall be a company with the registered office in the Republic the core activity of which is the organization and management of the collective investment undertakings in transferable securities/open-ended investment funds subject to public offering as authorized by the Commission, and it may also manage other collective investment undertakings pursuant to a special law, and for which they shall be subject to prudential supervision.

A management company shall be established as a two-tiered joint-stock company, which is not a public company in the context of the law governing the capital market.

Management companies shall be subject to the provisions of the law governing companies and provisions of the law governing the capital market, unless otherwise stipulated by this Law.

A management company may not be an offeree company, in the context of the law governing takeovers of joint-stock companies.

### **Activities of Management Companies**

#### **Article 6**

The core activity of a management company shall be organization and management of UCITS funds.

By way of derogation from paragraph [1] of this Article, management companies may manage other collective investment undertakings in compliance with a special law, and for which they shall be subject to prudential supervision.

The management of an UCITS fund shall comprise:

- 1) management of investments, i.e. asset management and risk management;
- 2) performing the following administrative functions and activities:
  - (1) legal and accounting services relating to the management of UCITS fund,
  - (2) customer inquiries,
  - (3) valuation and pricing (including tax returns),

- (4) regulatory compliance monitoring,
- (5) maintenance of a register of investment unit holders (hereinafter: register of investment units),
- (6) distribution of income,
- (7) issue and redemption of investment units,
- (8) contract settlement (including certificate dispatch),
- (9) record keeping;

3) marketing, i.e. offering and distribution of investment units.

In addition to managing a UCITS fund, management companies may be authorized by the Commission to perform the following non-core activities:

1) portfolio management on a discretionary and client-by-client basis in compliance with the law governing the capital market; or

2) non-core services:

- (1) investment advice concerning one or more financial instruments in compliance with the law governing the capital market, and
- (2) safekeeping and administration of investment units, i.e., units of collective investment undertakings.

Management companies may not be authorized to perform only the non-core activities stated in paragraph [4], nor authorized to provide non-core services referred to in paragraph [4], point 2) of this Article, unless they have been authorized to carry out activities referred to in paragraph [4], point 1) of this Article.

When a management company provides discretionary (client) portfolio management services in the context of the law governing the capital market, it shall not be permitted to invest the investor's portfolio in investment units of the open-ended fund it manages, unless it receives prior approval from the client.

A management company shall not perform any activities other than the activities listed in paragraphs [1], [2], and [3] of this Article.

A management company may organize and manage more than one investment fund.

Management companies shall comply with the provisions of the law governing the capital market regulating the rules of safe and sound business operation, use and disclosure of inside information.

The right to vote based on the shares constituting the assets of a UCITS fund shall be exercised by the person authorized by internal documents of the management company managing the UCITS fund.

## **Restriction of Operations**

### **Article 7**

Management companies may not hold equity interests or participate in the management of other legal persons, unless provided in this Law.

Management companies shall not acquire shares issued by a depositary.

Management companies shall not acquire shares in a legal person to which the depositary has delegated the functions referred to in Article 101 of this Law.

Management companies may acquire investment units issued in compliance with this Law and the law regulating alternative investment funds.

## **Initial Capital**

### **Article 8**

The cash portion of the initial capital of a management company shall be the dinar equivalent of no less than 125,000 (hundred and twenty five thousand) euros at the official middle exchange rate of the dinar to the euro determined by the National Bank of Serbia as at the date contribution is made.

The cash portion of the initial capital shall be paid in full into the interim account with a credit institution before submitting an application for authorization referred to in Article 11 of this Law.

During the operations of a management company, the cash portion of the initial capital may also be held in securities with maturity of up to one year, issued by the Republic or the National Bank of Serbia, in compliance with the regulations governing issues of short-term securities.

The capital of a management company must at all times be greater than or equal to the higher of:

1) the minimum amount of the initial capital referred to in paragraph [1] of this Article or, when there is an obligation to contribute own funds, the total amount of the initial capital and own funds referred to in paragraph [7] of this Article; or

2) one quarter of the fixed overheads of the management company from the previous financial year.

When the capital falls below the minimal threshold referred to in paragraph [4] of this Article, the Commission may set a period of time for the management company to remedy such deficiency or take a supervision measure in accordance with this Law.

The capital of a management company shall comprise the sum of initial capital and own funds in compliance with the capital restrictions referred to in paragraph [4] of this Article, less deductibles in compliance with the provisions of this Law and the bylaw of the Commission referred to in paragraph [10] of this Article.

When the value of the assets managed by the same management company exceeds the dinar equivalent of 250 million euros at the official middle exchange rate of the dinar to the euro determined by the National Bank of Serbia, the management company shall provide an additional amount of own funds equal to 0.02% of the amount by which the value of the portfolios exceeds the above amount, but the required total of the initial capital and own funds that the management company shall provide shall not exceed the dinar equivalent of 10 million euros at the official middle exchange rate of the dinar to the euro determined by the National Bank of Serbia.

The value of the assets referred to in paragraph [7] of this Article shall be deemed to include the value of the UCITS fund portfolios for which the management company has delegated asset management in compliance with this Law, as well as the value of the portfolio of other collective investment undertakings for which the management company has delegated asset management to a third party, but shall not include the value of UCITS fund portfolios that the management company is managing under delegation and the value of the portfolio of other collective investment undertakings that the management company is managing under delegation.

Upon application of a management company, the Commission may release the management company of the obligation to provide up to 50% of own funds referred to in paragraph [8] of this Article, provided that the management company benefits from a guarantee of the same amount given by a bank with a registered office in Serbia, by issuing an administrative decision in compliance with the bylaw of the Commission.

The Commission shall regulate in more detail:

1) items of fixed overheads;

2) manner and time limits for reporting to the Commission;



- 3) time limits for remedying the deficiencies referred to in paragraph [5] of this Article;
- 4) method of calculating capital adequacy of management companies;
- 5) the characteristics of the initial capital and own funds and the characteristics of the items constituting them, deductibles, and capital restrictions referred to in paragraph [4] of this Article;
- 6) additional capital requirements for a management company that, in addition to the activities of managing the UCITS fund, performs the activity of managing alternative investment funds.

## **Organizational and Technical Capacity**

### **Article 9**

A management company shall have at least one portfolio manager employed full-time on an indefinite-period (permanent) contract basis.

The management of a management company shall adopt decisions and other enactments defining the investment policy and the investment objectives of their investment funds, and portfolio managers shall implement such policy and objectives, make relevant decisions on respective investments and they shall be accountable for their work to the management of the company.

A management company shall meet the minimum requirements for organizational, staffing, and technical capacities, as prescribed by the Commission.

The provisions of the law governing the capital market shall apply mutatis mutandis to the granting and revocation of the portfolio manager license.

## **Use of Legal Name**

### **Article 10**

The legal name of a management company must include the words: 'društvo za upravljanje otvorenim investicionim fondom sa javnom ponudom' ['management company of a collective investment undertaking in transferable securities'] or the words: 'društvo za upravljanje UCITS fondom' ['UCITS fund management company'].

A legal person that has not been authorized to operate a management company may not use the name 'društvo za upravljanje otvorenim investicionim fondom sa javnom ponudom' ['management company of a collective investment undertaking in transferable securities'], 'društvo za upravljanje UCITS fondom' ['UCITS fund management company'], or other similar title in legal transactions.

## **Application for Authorization**

### **Article 11**

Any person intending to establish a management company shall submit an application for the authorization to operate a management company (hereinafter: authorization) to the Commission.

The application for authorization may also be submitted by an already established company.

Domestic and foreign natural or legal persons may establish a management company.

A domestic legal person with majority state-owned capital or another person with close links to it may not be founders of a management company.

By exception to paragraph 4 of this Article, credit institutions and insurance companies with majority state-owned capital may be founders of management companies.

A single domestic or foreign natural and legal person and persons with close links to it may not have a qualifying holding in more than one management company.

The persons acquiring a qualifying holding upon establishment or in the course of operating a management company must meet the conditions referred to in Article 12, paragraph [3], point 5) of this Law.

The application for authorization shall be accompanied by:

- 1) memorandum and articles of association of the management company;
- 2) evidence of payment of initial capital into an interim bank account;
- 3) evidence of origin of the initial capital;
- 4) business plan of the management company including the organizational structure of the management company, as well as a declaration of the management company as to how it intends to constantly meet the conditions of this Law;
- 5) a list of direct and indirect holders of qualifying holding indicating their first and last name and address, or an excerpt from the business register for legal persons, or a certified translation of the excerpt from the register for foreign legal persons, including the amounts of such holdings;
- 6) a list of persons that have close links with the management company with a description of such link;
- 7) evidence of organizational, human resource and technical capacity;

- 8) list and information on proposed members of management;
- 9) information on the remuneration policies pursuant to Article 31 of this Law, provided there is a requirement to establish remuneration policies;
- 10) information on the functions that the management company will delegate to third parties.

The lists referred to in paragraph 8, points 5), 6) and 8) of this Article shall contain the following information:

- 1) company name, address, registered office, registration number, and the tax number of the legal person or sole proprietor;
- 2) name and surname, permanent or temporary residence, citizen's unique personal identification number (CUPIN) for natural persons.

When the founders of a management company are credit institutions, insurance companies, other financial institutions, or persons controlled by them, in addition to the documentation referred to in paragraph [8] of this Article, the applicant shall submit to the Commission a report on the creditworthiness issued by a domestic or foreign authority in charge of the supervision of banks, insurance companies, and other financial institutions.

The Commission shall regulate in more detail the content of the application for authorization and the content of the required documentation referred to in paragraph 8 of this Article.

## **Authorization**

### **Article 12**

A management company may start to operate when it has obtained an authorization and is registered with the Company Register in compliance with Article 22 of this Law.

A management company shall not engage in any activity other than the activities referred to in Article 6 of this Law for which it has been authorized in compliance with this Law.

The Commission shall grant an authorization, once it has determined the validity of the application referred to in Article 11 of this Law and when it establishes that:

- 1) the conditions with respect to the form and the initial capital of the company are met;
- 2) the origin of the initial capital is clear and indisputable based on the evidence provided, in the context of the law governing prevention of money laundering and terrorism financing;
- 3) the conditions relating to the members of management, organizational, staffing, and technical capacity are met;

4) the structure of persons with close links does not prevent effective supervision of its operations;

5) on the basis of the information received, it can be concluded that the persons with qualifying holdings are fit and proper.

The Commission shall decide on the authorization within 60 days of submission of a complete application by an administrative decision, once it has determined that the conditions laid down by this Law are fulfilled and that adequate protection of interests of members is ensured.

When the Commission denies an application for authorization, it shall serve the applicant with the administrative decision denying the application for authorization with a written statement of reasons.

### **Change in Conditions under which Authorization was Granted**

#### **Article 13**

Management companies shall comply with the conditions under which the Commission granted the authorization, at all times.

Management companies shall notify the Commission of any material changes in the information and the conditions under which they were granted authorization, within 8 days of the occurrence of the material changes in the information and the conditions under which the authorization was granted.

Within 30 days of receipt of the notification referred to in paragraph [2] of this Article, the Commission shall evaluate the materiality of the changes and, as required, inform the management company about any restrictions in the implementation of changes, further obligations of the management company in respect of those changes, or reject the proposed changes.

The Commission shall regulate in more detail what constitutes material changes, as well as the form and content of the notification within the meaning of paragraph [2] of this Article.

### **Extension of Scope of Authorization**

#### **Article 14**

Where, in addition to the service it has been authorized to provide pursuant to Article 12 of this Law, a management company intends to perform non-core activities referred to in Article 6, paragraph [4] of this Law, which it has not been authorized to perform, it shall make a prior application for extension of the scope of its authorization with the Commission.

The provisions of this Law governing the granting of authorization shall apply mutatis mutandis to the decision-making on the expansion of the scope of authorization.

The Commission shall regulate in more detail the content of the application and the documentation to accompany an application for the extension of the scope of authorization.

### **Acquisition of Qualifying Holding**

#### **Article 15**

When a new person intends to acquire a qualifying holding in a management company, it shall submit an application for approval to the Commission.

The provisions of the law governing the capital market shall apply mutatis mutandis to the acquisition of a qualifying holding in a management company.

A person who acquires a qualifying holding in contravention of the provisions of this Law or without the approval of the Commission shall have no voting rights attached to the shares so acquired and shall dispose of the acquired shares within six months.

The Commission shall define the conditions for determining the fit and proper criteria for the persons acquiring qualifying holdings.

### **Management of a Management Company**

#### **Article 16**

The provisions of the law governing companies shall apply mutatis mutandis to the bodies of management companies, unless otherwise provided in this Law.

The management of a management company shall be composed of at least two persons who manage business and represent the management company.

The members of management referred to in paragraph [2] of this Article shall jointly manage business and represent the management company, unless otherwise specified in the general enactments of the management company.

A person may be appointed a member of management of a company if this person:

- 1) holds a university degree, provided that the general manager and at least one half of members of management must have at least three years of professional experience acquired in securities related activities, in compliance with the Commission regulation;
- 2) was not a member of management or another executive officer in a company at the time when such company entered into bankruptcy proceedings, a decision on its compulsory

liquidation was made, or its authorization withdrawn, unless the Commission finds that this person did not contribute to it through negligence or incompetence;

3) is of good repute;

4) has a history of conduct which supports a reasonable conclusion that the person will perform the duties of member of management honestly and conscientiously;

5) meets the conditions for a member of management laid down in the law governing companies.

A member of management in a management company may not be the persons who:

1) is subject to statutory disqualifications within the meaning of the law governing the capital market;

2) is a member of management or an employee of another management company;

3) is a member of management or an employee in the depositary that has a contract with the management company;

4) is an official, appointed or designated person or a civil servant;

5) has close links with the persons referred to in points 1) and 2) of this paragraph.

The Commission shall regulate in more detail the conditions for members of management of management companies, referred to in paragraph [4] of this Article.

### **Approval for Appointment of Members of Management in a Management Company**

#### **Article 17**

The Commission shall decide on the approval for the appointment of the proposed management members of a management company on the grounds of evidence that the requirements stipulated by Article 16 of this Law are fulfilled, and when it assesses that the proposed members of the management are fit and proper persons.

When the Commission adopts an administrative decision granting authorization to a management company, it shall also approve the appointment of members of management in the management company by that same decision.

### **Withdrawal of Approval for Appointment of Members of Management in a Management Company**

#### **Article 18**

The Commission shall withdraw its approval for the appointment of a member of management in a management company when:

- 1) the person does not take up their duties within 6 months of the approval being granted;
- 2) it finds that the member of management no longer meets the conditions under which the approval was granted;
- 3) it finds that the decision was made by providing or making false, inaccurate or misleading information or by any other irregular means;
- 4) it finds that a conflict of interest exists with respect to the member of management due to which the member of management is unable to perform their own functions and duties;
- 5) the member of management has violated the prohibition of trading or executing transactions, or issuing orders for trading, based on inside information or in a manner likely to constitute market manipulation within the meaning of the law governing the capital market;
- 6) the member of management has committed a serious or repeated violation of the provisions of this or other laws, especially if jeopardizing the liquidity or capital requirement of the management company, or has repeated a violation twice within a period of three years;
- 7) the member of management has been deprived of contractual capacity by a final procedural decision;
- 8) the member of management has failed to ensure compliance or comply with an enforcement action/supervision measure imposed by the Commission;

The Commission may withdraw its approval for the member of management of a management company if:

- 1) the member of management has failed to provide appropriate organizational conditions referred to in Articles 30, 31, 32, and 34 of this Law;
- 2) the member of management does not regularly establish and evaluate the effectiveness of policies, measures, or internal procedures of the management company with regard to their compliance with the provisions of this Law, or take appropriate measures to remedy deficiencies or irregularities in the operation of the management company, or
- 3) in other cases when it finds that they have committed a material breach of this Law, the law governing the capital market or the Commission regulations.

A member of management shall cease to perform all functions in the management company as of the date the decision withdrawing approval for the appointment of the member of management is received.

A management company shall file a new application for approval of the appointment of a new member of management, no later than within 30 days from the date of delivery of the decision referred to in paragraph [3] of this Article.

## **Duties and Responsibilities of Management Companies, Members of Management, and Employees**

### **Article 19**

Management companies, members of management, procurators, and employees, or persons engaged on any other basis in a management company shall:

- 1) act conscientiously and honestly, in line with the rules of profession when performing their functions and their duties;
- 2) act in the best interest of UCITS fund and fund members, and protect the integrity of the capital market;
- 3) establish processes and effectively employ the resources needed for the proper performance of activities;
- 4) take all reasonable efforts to avoid conflicts of interest and, when they cannot be avoided, ensure that the UCITS fund and its members are treated fairly;
- 5) comply with the provisions of this Law and statutory instruments enacted pursuant to this Law so as to promote the best interests of UCITS funds, fund members, and uphold the integrity of the capital market.

## **Confidentiality**

### **Article 20**

Management companies, members of management, procurators, employees, or persons engaged on any other basis in a management company and related parties of such company shall keep as a business secret and not disclose the information about:

- 1) a UCITS fund or its management company that could be misleading with respect to the business operations of the company or the investment fund;
- 2) future activities and business plans of the management company, except in cases provided for in the Law;
- 3) balance and turnover in the accounts of a UCITS fund and its members;
- 4) other information of relevance for the business operations of a UCITS fund, obtained in the course of performing their functions in the management company.



Notwithstanding paragraph [1] of this Article, information may be disclosed and made available to third parties only in the course of supervision of compliance, pursuant to an order of a court or competent authority, or pursuant to the law.

## **Governing Instruments of a Management Company**

### **Article 21**

The governing instruments of a management company shall be: memorandum of association, articles of association, and other general enactments in compliance with the law governing companies.

The Commission shall grant prior approval to the governing instruments of management companies referred to in paragraph [1] of this Article.

## **Registration with the Company Register**

### **Article 22**

Management companies shall file an application for registration, within 30 days of receiving the administrative decision on authorization and on the approval of members of management in the management company in compliance with the law governing registration of businesses.

Management companies shall submit to the Commission their certificate of registration, the within eight days of receiving the administrative decision on registration.

## **Change of Legal Name and Registered Office**

### **Article 23**

Prior to filing an application for the registration of a changed legal name and registered office with the Company Register, management companies shall notify the Commission of the changes they are making.

The Commission's approval shall be required for the change to governing instruments of the management company resulting from the change of legal name.

## **Keeping Books of Accounts and Financial Statements**

### **Article 24**

The keeping of books of accounts and compiling and auditing financial statements of a management company and its UCITS fund shall be performed in compliance with the law governing accounting and auditing and the Commission bylaws.

Management companies shall present data in books of account and financial statements separately for each fund they manage.

Management companies shall keep their books of account and produce financial statements separately from those of UCITS fund they manage.

Management companies shall retain the documents and data referred to in paragraphs [1] and [2] of this Article recorded on the electronic media concerning members, in compliance with the laws governing accounting and auditing.

The Commission shall regulate in more detail the content of the information in the external audit report, chart of accounts, and financial statements of management companies and investment funds, list of audit companies that may perform audit referred to in paragraph [1] of this Article, and the criteria to be met by such audit company.

## **Reporting**

### **Article 25**

A management company shall make public and submit to the Commission:

- 1) annual financial statements for the company and investment funds it manages, with a report made by an external auditor, accompanied with an external audit report, by 30 April of the current year for the previous year;
- 2) half-yearly reports for each investment fund separately by 31 August of the current year for the previous half of the year.

In addition to the annual financial statements referred to in paragraph [1], point 1) of this Article the following information shall be made public and filed with the Commission:

- 1) assets and liabilities, in particular:

- (1) transferable securities;
- (2) bank balances,
- (3) other assets,
- (4) total assets,
- (5) liabilities,
- (6) net asset value of the investment fund,

- 2) the number of investment units;

- 3) individual values of investment units, as at the last business day in the period for which the report is submitted, i.e. the number of shares;

- 4) portfolio structure of the UCITS fund by type of transferable securities with the description on changes in the composition of the portfolio during the reference period;
- 5) changes in the UCITS fund's asset value in the reference period;
- 6) total net asset value and net asset value per unit, at the end of the year, for the previous three years of business operations, comparatively;
- 7) commitments, per transaction type, in the reference period within the meaning of Article 30 of this Law.
- 8) name and surname of the person referred to in Article 31 of this Law and other information concerning remuneration in compliance with the relevant Commission enactment.

The half-yearly reports referred to in paragraph [1], point 2) of this Article shall contain at least the information referred to in paragraph [2], points 1) through 4) of this Article.

The Commission shall regulate in more detail the method of making reports public and the contents of the reports referred to in this Article, and it may also prescribe the filing of other reports and time limits for their filing.

Management companies shall make the latest annual and half-yearly financial reports of their UCITS funds available to fund members free of charge at their request.

Fund members may inspect financial reports referred to in paragraph [1] of this Article at any time.

Financial reports referred to in paragraph [1] of this Article shall be available to fund members in the manner specified in the prospectus and key information.

Printed copies of the annual and half-yearly reports shall be delivered to fund members at their request and free of charge.

## **Delegation**

### **Article 26**

Management companies may delegate functions they are obligated to perform to third parties giving prior notification to the Commission.

By way of derogation from paragraph [1] of this Article, management companies shall obtain prior approval from the Commission when delegating investment management functions, that is, asset management and risk management.

The management company and the third party shall enter into a written contract on the delegation of functions.

The contract referred to in paragraph [3] of this Article must specify that the third party shall allow the Commission to perform supervision of delegated functions.

The Commission shall regulate in more detail the procedure for delegation of functions to third parties, as well as the content of the delegation contract referred to in paragraph [3] of this Article.

## **Requirements for Delegation**

### **Article 27**

Delegation of functions to delegates (third parties) shall be allowed only provided that the following conditions are met:

- 1) there are objective justifiable reasons in terms of more efficient conduct of business;
- 2) the delegate must dispose of sufficient resources to perform the delegated functions appropriately, reliably, and effectively;
- 3) the persons who effectively conduct the business of the delegate must be of sufficiently good repute and sufficiently experienced and qualified to perform the delegated functions;
- 4) the management company must not delegate functions to third parties to such an extent that it can no longer be considered a management company (a 'letter-box' entity);
- 5) the interests of the third party are not in conflict with the interests of the management company, UCITS fund, or its members;
- 6) the delegation must not prevent the effectiveness of supervision of the management company and the funds;
- 7) the delegation does not jeopardize the interests of fund members;
- 8) the UCITS fund prospectus must list the functions delegated to third parties and the relevant delegate or delegates;
- 9) the management company must ensure continuous supervision of the delegate in the performance of the delegated functions.

The management company must be able to demonstrate that the delegate is qualified and capable of undertaking the functions in question, that it was selected with all due care and that it is in a position to monitor effectively at any time the delegated activities, to give at any time further instructions to the delegate and to withdraw the delegation with immediate effect.

In the event of delegation, the liability of the management company for the performance of delegated functions shall not cease.

The mandate for asset management or risk management for an UCITS fund may be given only to the legal persons authorized for asset management by the competent authority and subject to supervision.

### **Article 28**

No delegation of portfolio management or risk management of a UCITS fund shall be conferred on:

- 1) the depositary or a delegate of the depositary; or
- 2) any other entity whose interests may conflict with those of the management company, UCITS fund, or fund members, unless such entity has functionally and hierarchically separated the performance of its portfolio management or risk management tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed.

### **Article 29**

When delegating functions to third parties, outsourcing services and other activities of relevance for the management company and UCITS fund it manages, the management company shall act professionally, with due care, and in the best interests of the fund members and of the UCITS fund it manages.

The management company shall develop and implement internal policies and procedures to ensure that it acts in compliance with paragraph [1] of this Article, provisions of this law, UCITS fund's rules and prospectus.

## **Risk Management**

### **Article 30**

A management company shall establish a comprehensive and effective system of managing the risks to the management company and to UCITS funds they manage, and it shall determine the acceptable level of risk.

As part of the risk management process, a management company shall determine the risk profile of the management company and UCITS fund it manages, contributions of individual positions to the overall risk profile of each UCITS fund, which particularly involves an accurate and independent assessment of value of derivative financial instruments traded on the OTC market.

A management company shall update its risk management strategy at least once a year, and as needed, when the operating conditions of the management company and investment policy of UCITS fund so require.

Management companies shall without delay notify the Commission of any material changes to its established risk management strategy, and any changes in risk exposure and capital adequacy of the management company.

Management companies shall, for each managed UCITS fund, notify the Commission of the types of derivative financial instruments in the portfolio of the UCITS fund, associated risks, and methodology applied to measure the risks associated with positions and transactions in such instruments.

Management companies shall develop separate risk management strategies for each sub-fund of the umbrella UCITS fund in compliance with Article 81 of this Law.

The Commission may regulate in more detail the conditions and manner of identification, measurement, and assessment of risks referred to in this Article, and management of such risks.

## **Remuneration Policy**

### **Article 31**

A management company shall establish and apply the remuneration policy and practice that is consistent with and promotes effective risk management and prevents risk-taking which is inconsistent with the risk profiles, operating rules, or prospectuses of the UCITS fund it manages, or undermine the obligation of the management company to act in the best interests of the UCITS fund.

Remuneration policies and practices shall include fixed and variable components of salaries and discretionary pension benefits.

The remuneration policy shall apply to the following categories of employees:

- 1) members of management and heads of organizational units,
- 2) risk-takers;
- 3) staff engaged in control functions,
- 4) any employee in the same remuneration bracket as heads of organizational units and risk takers, whose professional activities have a material impact on the risk profiles of the management company and/or of UCITS fund it manages.

The remuneration policy shall also apply to employees of third parties to which the management company has delegated functions pursuant to Article 26 of this Law, whose professional activities have material impact on the risk profiles of the UCITS funds that the management company manages.

Remuneration policy requirements need not apply to the third parties, where such third parties are subject to equally effective regulatory requirements with respect to remuneration policies.

The Commission shall regulate in more detail the remuneration policy requirements and the manner and measures for the implementation of remuneration policy that management companies shall undertake when establishing and applying the remuneration policies laid down in this Article.

### **Dealing with Complaints/Grievance Redress**

#### **Article 32**

Management companies shall establish appropriate and effective grievance redress procedures with regard members of the fund it manages so that no restrictions be placed on the exercise of rights of fund members.

Management companies shall establish appropriate procedures that ensure information on grievance redress arrangements for fund members are also available to investors.

Management companies shall maintain documentation regarding all grievances and measures taken in response to them in the manner and for periods of time provided for by the Commission enactment.

### **Disputes between Management Companies and Fund Members**

#### **Article 33**

Any dispute between a management company and members of the funds it manages shall be resolved in court or out-of-court proceedings.

### **Information on Management Company Website**

#### **Article 34**

A management company shall have an up-to-date website where it shall publish the following information:

- 1) general information about the management company (legal name, form of incorporation, registered office, number of authorization issued by the Commission, date of incorporation and registration with the company register, information on initial capital, founders i.e. shareholders);
- 2) general information about members of management of the management company (names and short resumes);
- 3) list of activities/services the management company is authorized to provide;

- 4) general information about the depositary of the UCITS fund;
- 5) list of UCITS funds managed by the management company, indicating the types of UCITS funds;
- 6) prospectus, key investor information, and operating rules of any UCITS fund it manages;
- 7) list of delegated functions indicating the third parties delegates;
- 8) summary table of risks related to the management company and the UCITS fund, indicating the impact of each risk on the management company and the UCITS fund;
- 9) price of investment units in the UCITS funds it manages;
- 10) all notices in connection with the UCITS funds and other information as provided for by this Law;
- 11) annual financial reports of the management company;
- 12) annual and half-yearly financial reports of the UCITS funds it manages.

Wherever feasible, the management company shall disclose every legal and business event in connection with the management company and the UCITS fund it manages, where such events could affect the operations of the UCITS fund.

Management companies shall promptly notify the Commission of any legal or business event referred to in Paragraph [2] of this Article.

As part of its supervisory measures, the Commission may order a management company to disclose particular information on its website.

### III UCITS FUND

#### **Definition**

#### **Article 35**

A UCITS fund means an open-ended investment fund without legal personality, organized by a management company, the assets of which are managed by the management company in its own name, and on behalf of fund members, in compliance with this Law.

A UCITS fund shall be organized with the sole objective of collective investment of capital raised through public offering into transferable securities or in other liquid financial assets in compliance with this Law, based on the rules of risk spreading, as well as on the principle of redemption of investment units at the request of fund members from the assets of the fund.



The minimum capital required for commencement of operations of a UCITS fund shall not be less than the dinar equivalent of 200,000 (two hundred thousand) euros at the official middle exchange rate of the dinar to the euro determined by the National Bank of Serbia on the date of payment, and shall be paid into the account of a depositary within the time limit referred to in the public invitation, which may not be longer than three months from the date of the public invitation to purchase investment units.

In the case of failure to raise capital in the amount and within the time limits referred to in paragraph [3] of this Article, the depositary shall return the raised funds in the currency in which they were paid within eight days.

A UCITS fund shall maintain the value of assets in the amount referred to in paragraph [3] of this Article during its operations.

If the value of a UCITS fund's assets does not comply with paragraph [5] of this Article during six consecutive months, the UCITS fund must be merged with another UCITS fund or dissolved.

A UCITS fund's assets shall be owned by fund members.

### **UCITS Fund Name**

#### **Article 36**

A UCITS fund shall have a name which may not be in contradiction with the selected investment objective of the investment fund.

The UCITS fund name shall contain the designation 'otvoreni investicioni fond sa javnom ponudom' ['undertaking for collective investment in transferable securities'] or: 'UCITS fond' ['UCITS fund'].

### **Investing in UCITS Funds**

#### **Article 37**

Domestic and foreign legal and natural persons may invest in UCITS funds, in compliance with the provisions of this Law.

Investment units may be purchased by making payment in dinars and in foreign currency.

The Commission shall regulate in more detail the conditions for the purchase of investment units by payment in foreign currency.

### **Application for Authorization to Organize and Manage a UCITS Fund**

#### **Article 38**

Any management company intending to organize a UCITS fund shall submit to the Commission an application for authorization to organize and manage a UCITS fund (hereinafter: authorization for organization).

The application for authorization shall be accompanied by:

- 1) draft UCITS fund rules, prospectus, and key information;
- 2) contract with a depositary;
- 3) name and surname and the number of authorization of the portfolio manager.

The Commission may request other documentation and information relevant for the operation of a UCITS fund.

### **Authorization to Organize and Manage a UCITS Fund**

#### **Article 39**

The Commission shall issue an administrative decision on the application referred to in Article 38, paragraph [1] of this Law, within 30 days of the date of receipt of complete documentation prescribed by this Law and the Commission bylaws.

If the Commission finds that the application referred to in Article 38, paragraph [1] is incomplete or irregular, it shall allow additional time to supplement it or eliminate irregularities.

The authorization for organization may not be issued in the absence of a favorable decision on the application for authorization of a management company.

When granting the authorization for organization, the Commission shall decide on the approval of the content of the UCITS fund rules, prospectus, and key information.

UCITS funds may be organized for a limited or unlimited period of time.

The Commission shall regulate in more detail the content of the application, procedure and conditions for authorizing organization of UCITS funds.

The Commission shall grant the authorization when it finds, taking into account the proposed investment objective, size, and others essential characteristics of the investment fund, that the management company meets the conditions laid down by this Law.

The Commission shall issue an administrative decision granting or denying the application referred to in Article 38, paragraph [1] of this Law with a written statement of reasons.

## **Organization of UCITS Funds**

### **Article 40**

The Commission shall register a UCITS fund in the UCITS Fund Register when the following conditions are met:

- 1) the Commission has issued the authorization for organization of the UCITS fund;
- 2) the management company has submitted evidence of raised capital in the minimum amount referred to in Article 35, paragraph [3] of this Law in the account with the depositary.

A UCITS fund shall be deemed organized on the date of entry in the UCITS Fund Register maintained by the Commission.

If a UCITS fund is not organized within four months from the date of the authorization for organization, the authorization shall expire, and the Commission shall issue an administrative decision declaring the expiry of the authorization in question.

## **Investment Objective and Investment Policy**

### **Article 41**

The types of UCITS funds, conditions for categorization by UCITS fund type, and the possibilities to change the UCITS fund type shall be regulated in more detail by the Commission.

Management companies shall implement investment policies of UCITS funds, which comprise:

- 1) the method of implementing the investment objective and the manner of managing risks;
- 2) the maximum and minimum portion of UCITS fund's assets that may be invested in particular securities;
- 3) the highest level of assets that may be held in the UCITS fund's cash account;
- 4) the method of changing investment policy.

Sub-funds of an umbrella UCITS fund under Article 80 of this Law shall have separate investment objectives and investment policies.

## **Investment of UCITS Fund's Assets**

### **Article 42**

A management company managing a UCITS fund shall ensure an appropriate degree of diversification of investment risk taking into account the investment policy and investment objectives of the UCITS fund stated in the prospectus.

The assets of a UCITS fund may be invested in:

1) transferable securities or money-market instruments;

(1) admitted to or traded on a regulated market or a multilateral trading facility (MTF) in the Republic and/or Member State, and

(2) admitted to official listing on a stock exchange in a third country or traded on another regulated market in a third country which operates regularly and is recognized and open to the public, provided that such investment is provided for in the UCITS fund prospectus;

2) recently issued transferable securities in the Republic, provided that:

(1) the terms of issue include a commitment that the issuer will file an application for admission to an official listing on a stock exchange or another regulated market which operates regularly and is recognized and open to the public,

(2) such an investment is provided for in the prospectus, and

(3) the admission takes place within a year of issue.

3) Investment units of UCITS funds or other investment funds organized or established with the sole object of collective investment of capital raised by public offer in transferable securities or in other liquid financial assets based on the rules of risk-spreading and the principle of redemption of investment units, provided that:

(1) such investment funds have been authorized by the Commission, or the competent authority of a Member State, or the competent authority of a third country where cooperation with the Commission is ensured, and which are subject to equivalent supervision as prescribed by this Law,

(2) the level of protection for members of other investment funds is equal to the level of protection provided for members of a UCITS fund, and in particular with respect to asset segregation, borrowing, lending, and uncovered sales of transferable securities and money-market instruments,

(3) the operations of these investment funds are reported in annual and half-yearly reports to enable an assessment of the assets and liabilities, income and operations during the reporting period, and

(4) the prospectus, rules of the UCITS fund or other investment fund the acquisition of whose investment units is contemplated provide that maximum 10% of its assets may be invested in investment units of other UCITS funds or other investment funds;

4) deposits at credit institutions which are available on demand and maturing in no more than 12 months, provided that the credit institution has its registered office in the Republic or another Member State or, if the credit institution has its registered office in a third country, provided that it is subject to supervision considered by the Commission as equivalent to that laid down in this Law;

5) derivative financial instruments traded on a regulated market referred to in point 1) of this paragraph, or derivative financial instruments traded outside the regulated markets (hereinafter: OTC derivatives) provided:

(1) the underlying of the derivative consists of instruments covered by items 1) through 4) of this paragraph, financial indices, interest rates, foreign exchange rates, or currencies in which the UCITS fund may invest in compliance with its investment objectives stated in the UCITS fund prospectus,

(2) the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories authorized by the Commission or by another competent authority in the Republic, and

(3) OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the UCITS fund's initiative;

6) money-market instruments not traded on a regulated market, referred to in point 1) of this paragraph, if the issue or issuer is regulated for the purpose of protecting investors and savings, provided that they are:

(1) issued or guaranteed by the Republic, the National Bank of Serbia, autonomous province, local self-government unit in the Republic, other Member State or a local or regional self-government unit or the central bank of another Member State, the European Central Bank, EU, or the European Investment Bank, a third country or, in the case of a federal state, one of the members that make up the federation, or a public international body to which one or more Member States belong, in compliance with regulations,

(2) issued by a company whose the securities are traded on regulated markets referred to point 1) of this paragraph, or

- (3) issued or guaranteed by an entity subject to prudential supervision or an entity that is subject to supervision rules that are at least as stringent as those laid down in this Law.

A UCITS fund may have additional liquid assets held in cash in an account in the Republic.

Up to 10% of UCITS fund's assets may be invested in transferable securities or money-market instruments other than those referred to in paragraph [2] of this Article.

Assets of a UCITS fund may not be invested in precious metals or certificates of deposit representing them.

The Commission shall regulate in more detail the permitted investments of a UCITS fund, markets considered regulated, institutions that are considered counterparties referred to in paragraph [2], point 5 (2) of this Article.

### **Restrictions on Investment of Assets of a UCITS Fund**

#### **Article 43**

The following limits shall apply to the investments of UCITS fund's assets:

- 1) up to 10% of UCITS fund's assets may be invested in transferable securities and money-market instruments of a single issuer, provided that the total value of the individual investments in transferable securities and money-market instruments of a single issuer exceeding 5% of the fund assets shall not exceed 40% of the total value of the UCITS fund's assets;
- 2) up to 20% of UCITS fund's assets may be invested in cash deposits made in a single bank or a credit institution;
- 3) up to 10% of UCITS fund's assets may be invested in derivative financial instruments traded on an OTC market, when the counterparty is a bank or a credit institution, or up to 5% of the UCITS fund's assets, when the counterparty is another legal person;
- 4) The 40% limit referred to in point 1) of this paragraph shall not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision and belonging to the categories authorized by the Commission or another competent authority in the Republic.

Notwithstanding the individual limits laid down in paragraph [1] of this Article, a UCITS fund shall not combine:

- 1) investments in transferable securities or money-market instruments issued by a single body,

2) deposits made with that body or

3) exposures arising from OTC derivative transactions undertaken with that body,

in a way that would lead to the investment of more than 20% of assets in a single body.

By way of derogation from the limits referred to in paragraph [1], point 1) of this Article, a maximum of 35% of the UCITS fund's assets may be invested in transferable securities or money-market instruments issued or guaranteed by the Republic, the National Bank of Serbia, autonomous province, local self-government unit in the Republic, another Member State, or local and regional self-government unit of a Member State, third country, or a public international body to which one or more Member States belong, in compliance with regulations.

By way of derogation from the limits referred to in paragraph [1] point 1) of this Article, a maximum of 25% of assets may be invested in bonds issued by credit institutions with a registered office in the Republic or a Member State which are subject to supervision in compliance with the law, for the purpose of protecting investors in such bonds. Sums deriving from the issue of such bonds must be invested in compliance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used primarily for the reimbursement of the principal and payment of the accrued interest from such bonds. If more than 5% of UCITS fund's assets invested in such bonds are issued by a single issuer, the total value of such investments making up more than 5% of the fund assets shall not exceed 80% of the value of the UCITS fund's assets.

The transferable securities and money-market instruments of a single issuer referred to in paragraphs [3] and [4] of this Article shall not be taken into account when calculating the limit of 40% referred to in paragraph [1], point 1) of this Article.

Notwithstanding the individual limits laid down in paragraphs [1] through [5] of this Article, a UCITS fund shall not combine the investments in:

1) transferable securities or money-market instruments issued by a single body,

2) deposits made with that body and

3) derivative financial instruments made with such body, including OTC derivative financial instruments,

in a way that would lead to the combined investment of assets under paragraph [1] through [5] exceeding 35% of the UCITS fund's assets.

Companies that are affiliated undertakings for the purposes of consolidated financial statements in compliance with the law governing accounting shall be considered a single body for the purposes of calculating the limits contained in this Article.

No more than 20% of the value of a UCITS fund's assets may be invested in transferable securities and money-market instruments whose issuers are affiliated undertakings referred to in paragraph [7] of this Article.

No more than 20% of the UCITS fund's assets may be invested in a single UCITS fund or another investment fund referred to in Article 42, paragraph [2], point 3) of this Law.

The total value of investment in investment funds which are not UCITS funds referred to in Article 42, paragraph [2], point 3) of this Law may not exceed 30% of the UCITS fund.

Investing in derivative financial instruments shall be allowed exclusively for hedging purposes and only if exposure of a UCITS fund does not exceed its net asset value.

A management company shall not acquire significant control over the issuer when acquiring voting shares with respect to all UCITS funds it manages.

The assets of a UCITS fund may not be invested in securities and other financial instruments issued by the management company and its related parties.

Management companies may not take short positions with the assets of the UCITS fund, and may not carry out uncovered sales.

The Commission shall regulate in more detail the conditions and method of investing in the financial instruments referred to in this Article, and may prescribe additional criteria for the investment of UCITS fund's assets.

#### **Article 44**

By way of derogation from the limits referred to in Article 43 of this Law, the Commission may authorize UCITS funds to invest in compliance with principle of risk-spreading up to 100% of their assets in different transferable securities and money-market instruments issued or guaranteed by, the Republic, the National Bank of Serbia, autonomous province or local self-government unit in the Republic, EU Member State, local and regional self-government unit of a Member State, third country or public international body to which one or more Member States belong, in compliance with regulations, provided that:

1) investors in such UCITS fund have protection equivalent to that of investors in the UCITS fund whose assets are invested in compliance with the limits laid down in Article 43 of this Law;



2) UCITS fund' assets comprise securities from at least six different securities issues, but securities from any single issue shall not account for more than 30% of the UCITS fund' assets;

3) the UCITS fund rules, prospectus and advertising materials of the UCITS fund contain a clear prominent statement that the UCITS fund has been authorized to invest in compliance with this Article, and that the issuers referred to in this paragraph in whose securities they intend to invest or have invested more than 35% of the UCITS fund's assets are clearly stated.

#### **Article 45**

UCITS funds must comply with the investment limits referred to in Article 43 and 44 of this Law within six months of organization.

Management companies shall invest UCITS funds' assets in compliance with the investment limits laid down in this Law, the Commission bylaw, and the UCITS prospectus.

In the event of a deviation from the investment limits referred to in this Laws and UCITS fund prospectus, due to the circumstances that the management company could not have foreseen or for reasons beyond its control, the management company shall immediately notify the Commission and harmonize the structure of the UCITS fund's assets with the investment limits, within three month from the of the date of deviation.

The Commission may extend the time period referred in paragraph [3] of this Article in case of market disturbances or in other circumstances and on grounds of criteria set by the Commission's regulation.

In the event of deviation from investment limits other than in the cases provided for in this Article, the Commission, upon becoming aware of such facts, shall immediately undertake supervision measures in compliance with this Law.

#### **Restrictions on Use of UCITS Fund's Assets**

#### **Article 46**

UCITS fund's assets shall be kept segregated from the assets of the management company and assets of the depositary.

UCITS fund's assets may not be subject to lien, included in the liquidation or bankruptcy estate of the management company, or depositary, nor subject to enforced collection of a liability towards the management company or the depositary.

UCITS fund's assets shall not be used to grant loans or act as guarantors on behalf of third parties.

## **Valuation of UCITS Fund's Assets**

### **Article 47**

The value of UCITS fund's assets shall be the sum of values of financial instruments from the fund's portfolio, its cash deposits with credit institutions, and other assets.

The value of UCITS fund's assets shall be calculated at market value.

The value of assets less the value of liabilities of a UCITS fund shall constitute the net asset value of such UCITS fund.

Management companies shall carry out the valuation of total assets and total liabilities for each UCITS fund they manage.

The net asset value of a UCITS fund shall be calculated by the management company and provided to the depositary of the UCITS fund.

Depositaries shall check and verify the calculated net asset values of UCITS funds.

Depositaries shall maintain their own records and properly keep the documents related to the asset value calculation checks referred to in paragraph [6] of this Article.

If the depositary, while checking the calculated net asset value of a UCITS fund's assets, finds any inaccuracy and/or irregularity, it shall notify the management company and the Commission thereof in writing, without delay.

The net asset value of a UCITS fund shall be determined every business day and published on the website of the management company.

The Commission shall regulate in more detail the method of calculating the market value of assets, calculating the net asset value of UCITS fund, and prices of investment units.

## **Investment Units**

### **Article 48**

An investment unit means a calculated proportionate share in the total net assets of a UCITS fund conferring on the acquirer of the investment unit the following rights:

- 1) the right to a proportionate share of income;
- 2) the right to disposal of investment units;
- 3) the right to redemption;

- 4) the right to a proportionate part of UCITS fund' assets in the case of dissolution;
- 5) other rights in compliance with this Law.

Investment units shall confer the same rights on fund members.

A management company may not issue, in addition to investment units, any other types of financial instruments that carry rights to any part of the UCITS fund's assets.

A management company shall maintain a register of investment units and record any change in their disposal.

Entry into the register referred to in paragraph [4] of this Article shall produce legal effect towards third parties from the date of registration.

The Commission shall regulate in more detail the organization and maintenance of the investment unit register, as well as the disclosure of data from the register.

## **Investment Unit Pricing**

### **Article 49**

At the time of the initial offer of investment units, the issue price shall be determined by the management company and stated in the prospectus.

Investment units shall be allocated to investors on the day of successful completion of the initial offer of investment units, at issue price.

Following the initial offer, the price of investment units shall be calculated by the management company and it shall be equal to the quotient of the net asset value of the UCITS fund's assets and the total number of investment units.

The value or price of investment units shall be determined each business day and published on the website of the management company.

The depositary shall check and verify the calculated price of the investment unit.

Investment units may not be issued or purchased at a price other than the determined price of the investment units.

## **Initial Offer of Investment Units**

### **Article 50**

Initial offer of investment units may commence only after the publication of the prospectus in compliance with Article 62, paragraph [4] of this Law and may not last longer than 3 months from the starting day of initial offer.

During the initial offer, monies received shall be held in the UCITS fund account with the depositary.

Investing of the monies raised may only begin after the UCITS fund has been registered.

Investors shall not have the right to withdraw the monies paid for the duration of the initial offer of investment units.

Upon completion of the initial offer of investment units, the management company shall notify the Commission about the outcome the initial offer and apply for entry in the UCITS fund register.

### **Issue of Investment Units**

#### **Article 51**

The investment units offered to the public shall be issued only upon payment of monies in compliance with Article 37, paragraph [2] of this Law, into the account of the UCITS fund, opened in accordance with Article 50 paragraph [2] of this Law.

### **Acquisition of Investment Units**

#### **Article 52**

Investment units and rights represented by investment units shall be acquired upon entry into the investment unit register referred to in Article 48 paragraph [4] of this Law.

In the case of original acquisition of investment units, it shall be deemed that the investment contract is concluded when the investor submits a complete application to the management company to purchase investment units and pays the amount indicated in the application, and the management company does not refuse to conclude the contract within five days of the application date.

After the conclusion of the investment contract, the management company shall enter the investor into the register of investment units, without delay.

Purchase of investment units in original acquisitions can only be made in cash.

In the case of original acquisition, the price of investment unit shall comprise the net asset value of the UCITS fund per investment unit on the day of payment, plus the purchase fee charged by the management company, if any.

When providing sale related services, directly or indirectly, the management company shall provide key information to interested parties free of charge before they acquire the status of fund members.

A management company may refuse to enter into an investment contract, if:

- 1) entering into the contract and accepting the investor's bid would cause damage to other investors, expose the UCITS fund to the risk of illiquidity or insolvency or prevent the achievement of the UCITS fund's investment objective and implementation of investment policy;
- 2) the relationship between the management company and the investor is seriously compromised, or in the case of litigation or other proceedings, unscrupulous behavior of the investor or potential investor, and the like.

A management company shall refuse to enter into an investment contract, if:

- 1) the acquirer of investment units does not meet the conditions for an investor in the UCITS fund under the provisions of this Law and the prospectus;
- 2) there are reasonable grounds to believe that money laundering or financing of terrorism, within the meaning of the relevant regulations, has occurred or been attempted or is likely to occur.

A management company shall notify the investor of its refusal to enter into the investment contract.

When investment units have been acquired, the management company shall issue a certificate of acquisition to the fund member.

## **Disposal of Investment Units**

### **Article 53**

Holders of investment units shall have the right to dispose of their investment units by transferring or pledging them on the basis of proper documentation that constitutes legal grounds for such disposal.

A management company maintaining the investment unit register may prescribe and publish a form for registering the disposal of investment units.

If all the elements required for the disposal of an investment unit cannot be unambiguously established from the documentation which constitutes legal grounds for disposal, the holder of the investment unit shall, at the invitation of the management company maintaining the register, complete and submit the form referred to in paragraph [2] of this Article.

A management company shall refuse registration if:

- 1) all the elements required for the disposal of the investment unit cannot be unambiguously established from the documentation constituting the legal grounds for disposal or the completed form referred to in paragraph 2 of this Article;
- 2) the acquirer of investment units does not meet the conditions for investors in the UCITS fund under the provisions of this Law and the prospectus;
- 3) the acquirer of investment units is acquiring or has acquired such investment units contrary to the permitted manner of acquiring investment units in the UCITS fund laid down in the provisions of this Law and the prospectus;
- 4) doing so would constitute disposal of investment units smaller in size than the smallest unit envisaged by the prospectus, or where doing so would infringe provisions governing the smallest number of investment units in the UCITS fund.

The documentation submitted for disposal of an investment unit in an UCITS fund may be withdrawn provided it is jointly withdrawn by the holder of the investment unit, acquirer of the investment unit and the third party on whose behalf the investment unit is pledged.

A certificate of acquisition or disposal of an investment unit shall be issued to the investor on the next business day following the date of entry into the investment unit register.

The Commission shall regulate:

- 1) which documentation constitutes legal grounds for disposal referred to in paragraph [1] of this Article;
- 2) the content of the certificate of acquisition or disposal of investment units and the conditions for its issuance.

### **Pledges over Investment Units**

#### **Article 54**

Only a single pledge over an investment unit may be registered.

If there are any pledges over the investment units in favor of a third party, the investment unit may be disposed of only with the consent of the party in whose favor the pledge was made.

Disposal of investment units in contravention of the provisions this Article shall be null and void.

## **Redemption of Investment Units**

### **Article 55**

A UCITS fund shall redeem investment units in the manner specified in the prospectus, no later than five business days of the date of request for redemption of investment units submitted by a fund member.

The redemption price for investment units shall consist of the net asset value of the UCITS fund per investment unit on the day of the request referred to in paragraph [1] of this Article, less the redemption fee if the management company charges it in compliance with the fund's prospectus.

## **Suspension of Issue and Redemption of Investment Units**

### **Article 56**

A management company may instruct the depositary to suspend the issue and redemption of investment units to protect the interests of fund members when due to extraordinary circumstances it is not possible to calculate the net asset value of the fund.

The management company may instruct the depositary to suspend the issue and redemption of investment units to protect the interests of fund members when the requests for the redemption of investment units amount to more than 10% of the asset value of the fund in a single day.

The depositary shall suspend the issue and redemption of investment units and immediately notify the Commission thereof.

If the management company receives a request for the issue of investment units during the suspension of issue and redemption of investment units, it shall refuse to enter into the investment contract.

The Commission may request the management company to submit documentation and information necessary to assess the justifiability of the suspension.

If the Commission finds that the suspension of issue and redemption of investment units jeopardizes the interests of fund members, it shall order the depositary to discontinue the temporary suspension of the issue and redemption of investment units and notify the management company thereof.

The Commission may order suspension of issue and redemption of investment units, if it finds that the conditions referred to in this Article and the bylaw have been met.

The Commission shall regulate in detail the conditions and procedure for suspension of issue and redemption of investment units.

## **Borrowing**

### **Article 57**

A management company may borrow in its own name and on behalf of a UCITS fund, with a repayment period of no more than 360 days, exclusively for the purpose of maintaining the required level of liquidity of the UCITS fund, by concluding:

- 1) a loan agreement or
- 2) a repurchase agreement with other investment funds and credit institutions the subject matter of which may also be shares.

The total borrowing referred to in paragraph [1] of this Article shall not exceed 10% of the UCITS fund's assets.

Taking out loans from abroad on behalf of the UCITS fund shall be subject to the law governing foreign exchange operations.

## **Determining UCITS Fund Return**

### **Article 58**

A management company shall publish the returns of its UCITS fund, twice a year, on June 30 and December 31 of the current year.

The return shall be calculated for the last 12 months to the date of publication, i.e. cumulatively for a period of five years and from the beginning of operations.

The return shall be calculated as net return, that is, after deduction of fees and costs.

By way of derogation from paragraph [1] of this Article, the return of investment shall not be published during the whole first year of operations.

The return shall be published on the website of the management company.

The Commission shall regulate in more detail the methods for calculation of UCITS fund returns, including the rounding principles.

## **Distribution of UCITS Fund Income**

### **Article 59**

A UCITS fund shall earn income from interest, dividends, and realized capital gains.



A management company must indicate the manner of income distribution in the prospectus.

Income may be distributed in cash only.

## **Rules, Prospectus and Key Information of UCITS Funds**

### **Article 60**

UCITS funds shall have rules, prospectuses, and key information, which the management companies shall compile specifically for each UCITS fund they manage.

A prospectus must contain all the information on the basis of which investors can make an informed judgment of the proposed investment and, in particular, of the risks associated therewith.

The prospectus shall include, independent of the instruments invested in, a clear and easily comprehensible explanation of the fund's risk profile.

The prospectus shall at least contain the information on the UCITS fund, management company and depositary in compliance with a special bylaw of the Commission.

UCITS fund rules shall be annexed to the prospectus and form an integral part thereof.

By way of derogation from paragraph [5] of this Article, UCITS fund rules need not be attached to the prospectus where the prospectus specifies that the UCITS fund rules will be delivered to the investors at their request, or specifies a place where the UCITS fund rules will be available for inspection.

When joining a UCITS fund, a person joining the fund shall sign a statement declaring they fully understand the prospectus, as well as the fees charged, their type and manner of collection.

Key information must be true, clear and unambiguous, and correspond to the content of the prospectus.

Key information must enable the average investor to understand the nature and significance of risks, and assess the consequences of the acquisition of investment units in the UCITS fund.

A management company shall make public the updated prospectus, key information, and rules for each UCITS fund which it manages on its website.

Fund members may at any time inspect the prospectus and key information.

The prospectus and key information shall be provided to fund members on a durable medium, i.e. in print, on request and free of charge.

## **Content of the Prospectus and Key Information**

### **Article 61**

A prospectus must contain information about the UCITS fund, information about the management company, and information about the depository.

The information about a UCITS fund must contain:

- 1) name and type of the UCITS fund;
- 2) date of organization of the UCITS fund and the duration of the UCITS fund, in the case it is organized for a limited period of time;
- 3) place and time where the prospectus, UCITS fund rules, key information, annual and half-yearly reports, and additional information on the UCITS fund can be obtained;
- 4) the minimum amount of capital required for organizing UCITS fund and actions that will be taken if the minimum prescribed amount is not raised;
- 5) information about the tax regulations applicable to the UCITS fund, if they are relevant to fund members, and details of whether the deductions are made from income or capital gains paid by UCITS fund to fund members;
- 6) the main characteristics of investment units, and in particular: the nature of the rights represented by the investment units and the rights arising from the investment units;
- 7) circumstances in which the decision on winding-up of the UCITS fund may be made and the procedure for winding-up the UCITS fund;
- 8) procedures and conditions of issue of investment units, the minimum amount of individual investments in the UCITS fund, the manner of subscription or issue of investment units, the initial price of investment units, the lowest number of investment units, procedures and conditions of investment unit offer, manner and conditions of repurchase and redemption of investment units, and the circumstances in which issue or redemption may be suspended;
- 9) date of accounting calculations and information on the method and frequency of payment of income or profit of the UCITS fund to fund members, if it is distributed;
- 10) information about the auditor and other providers of services of the UCITS fund;
- 11) indication of a regulated market or another trading facility where investment units are listed or admitted to trading, if applicable;
- 12) description of the investment objectives of the UCITS fund and the manner of achieving them, with reference to the investment policy;

- 13) the risks associated with investments and structure of the UCITS fund, with an overview of their impact and the manner of risk management;
- 14) conditions for borrowing on behalf of the UCITS fund;
- 15) manner, amount and calculation of fees and costs of management and operation that may be charged to fund members or the UCITS fund, and whether the management company may fully or partly waive subscription and redemption fees that a fund member pays or whether it may allow a partial refund of the management fee;
- 16) declaration to the effect that the UCITS fund has been authorized by the Commission in compliance with Article 44 of this Law;
- 17) type of assets in which the UCITS fund may invest, stating investment limits;
- 18) the current structure of the UCITS fund's assets, as follows:
  - (1) percentage share of securities by type of security, name and registered address of the issuer, and the name and registered address of the market in which those securities are traded, when such securities account for more than 5% of the total value of UCITS fund's assets,
  - (2) percentage share of cash deposits by name and registered address of the credit institution in which cash is deposited, when the deposits in such credit institution account for more than 5% of the total value of the UCITS fund's assets;
  - (3) percentage share of investment units and name of the UCITS fund or other investment funds that meet the conditions laid down in Article 42, paragraph [2], point 3) of this Law, when such investment units account for more than 5% of the total value of the UCITS fund's assets;
- 19) if investing in derivative financial instruments is allowed, in which case it shall include a statement indicating whether those operations may be carried out for the purpose of hedging or with the aim of accomplishing the investment objectives, and stating the effect of such investment on the risk profile of the UCITS fund;
- 20) where a UCITS invests principally in any category of assets referred to in Article 42 of this Law, other than transferable securities or money-market instruments, a statement drawing attention to such investment policy;
- 21) when the price of an investment unit has high volatility due to the composition of the portfolio of UCITS fund or asset management techniques, a statement drawing attention to that characteristic;
- 22) rules for valuation of assets and the manner and time of calculating the net asset value;

- 23) time and manner of distribution of the UCITS fund's income, if it is distributed;
- 24) the time, method and frequency of calculating the issue or redemption price of investment units, manner, place and frequency of price publication, information concerning the amount and frequency of payment of allowed fees and costs of issue or redemption of investment units;
- 25) the manner of informing fund members about changes in investment policy, general documents of the management company, prospectus, UCITS fund rules, key information, and amount of fees;
- 26) historic returns of the UCITS fund, if applicable, and the profile of the typical investors the UCITS fund is intended for;
- 27) cases in which a management company may refuse to conclude an investment agreement with an investor;
- 28) the date of issuance of the prospectus and the latest update of information in the prospectus;
- 29) the duration of the financial year.

Information about a management company shall include:

- 1) general information about the management company, legal name and headquarters, number of authorization decision issued by the Commission, date of establishment and duration if limited, number and date of registration with the company register;
- 2) if the management company also manages other UCITS funds, the list of such UCITS funds;
- 3) information (names and short resumes) about members of management in the management company, including the details of their main activities outside the management company, if they are of significance for the management company;
- 4) amount of initial capital, with an indication of capital paid-up;
- 5) general information about the portfolio manager of the UCITS fund;
- 6) information on the remuneration policy;
- 7) list of delegated functions and persons to whom the functions are delegated (delegates);
- 8) the time and place where governing instruments and financial statements of the management company may be inspected;

9) information (legal name, i.e. names and percentages of holdings) about shareholders with qualifying holdings, with an indication of date when the approval for the acquisition of such qualifying holdings has been granted;

10) information about the external auditor.

Information concerning a depositary must include:

1) the name and registered office of the depositary, number of the decision granting authorization for carrying out depositary functions, a description of its functions, and potential conflicts of interest that may arise;

2) a description of the functions referred to in Article 101, paragraph [1] of this Law that the depositary has delegated to other credit institutions, and the list of such credit institutions, and potential conflicts of interest that may arise from the delegation.

Key information shall include:

1) identification of the UCITS fund, management company and their competent authorities;

2) a brief description of the investment policy and investment objectives of the UCITS fund;

3) presentation of past returns of the UCITS fund;

4) a description of the risks associated with investing in a particular UCITS fund, including appropriate guidance and warnings relating to investment risks;

5) costs and other charges that are paid at the expense of the UCITS fund or investors;

6) specific information on where and how to obtain additional information concerning the investment policy, including but not limited to the information on where and how to obtain the prospectus, annual and half-yearly reports of the UCITS fund, free of charge;

7) a statement to the effect that the details of the remuneration policy are available on the management company website, and the information that a hard copy of the remuneration policy will be delivered to the investor on request free of charge.

### **Obligation to Publish a Prospectus and Liability for Damage**

#### **Article 62**

A public offer of investment units in the Republic is permitted only if a prospectus is published before the offer.

A prospectus may be published only after it is approved by the Commission at the time of issuance of authorization, in compliance with Article 39 of this Law.

The Commission shall not be accountable for the authenticity and completeness of the information contained in an approved prospectus.

A management company shall publish the prospectus on its website after the authorization is issued but before the initial offer of investment units starts.

The text of the prospectus and key information shall not contain information that is inaccurate, or misleading with respect to the value of UCITS fund's assets, value of investment units, and other facts concerning the operations of the UCITS fund.

The management company of the UCITS fund shall be liable for the damages caused by raising capital on the basis of the prospectus and key information which contain the information referred to in paragraph [5] of this Article. Other persons shall be jointly and severally liable under the conditions laid down in the law on contracts, and who participated in preparation of the prospectus and the summary, if they knew or by the nature of their job should have known that the information was flawed.

The Commission shall regulate in more detail the content and standardized format of the prospectus and key information, the text warning the investors of the major risks of investment, as well as the prospectus of the feeder UCITS fund.

### **Changes to Prospectus and Key Information**

#### **Article 63**

When significant changes occur, due to which the information in the prospectus and key information no longer corresponds to the actual situation, the management company shall submit to the Commission an amended prospectus and/or key information in order to obtain an approval thereto, within eight days of the date of occurrence of such circumstances.

The Commission shall decide on the approval of the prospectus and key information by an administrative decision within 15 days of receipt of complete documentation, having established that the conditions specified in the Law are met and that the prospectus provides clear information about the risks associated with the investment of fund's assets.

The Commission shall regulate in more detail what constitutes significant changes referred to in paragraph [1] of this Article and the conditions for changing the prospectus and key information.

### **UCITS Fund Rules**

#### **Article 64**

UCITS fund rules shall regulate:

- 1) functions performed by the management company, conditions and manner of their performance, and information on the functions delegated to a third party;
- 2) mutual relations between the management company, UCITS fund, depositary, and fund members;
- 3) the manner and conditions under which the members of management and employees of the management company may invest their capital in the UCITS fund;
- 4) administrative and accounting procedures;
- 5) control and safety measures for data processing and storage;
- 6) internal control system;
- 7) procedures for the prevention of conflicts of interest and measures preventing the management company from using UCITS fund's assets for its own account;
- 8) measures preventing abuse of inside information;
- 9) other issues of relevance for the operation of the management company.

The Commission shall decide on approval of the amendments to UCITS fund rules by adoption of a decision, when it finds that they are not in contravention of the law or interests of UCITS fund members, within 15 days from the day of receipt of a complete application.

The Commission shall regulate in more detail the content of UCITS fund rules.

After the decision referred to in paragraph [2] of this Article is issued, the management company shall publish the information on amending UCITS fund rules, and the amended UCITS fund rules without delay.

### **Notifying Fund Members**

#### **Article 65**

Management companies shall notify all fund members of amendments to UCITS fund rules, prospectus, and key information, in compliance with Article 60, paragraph [10] of this Law, at least 15 days before the start of their application.

### **Fees**

#### **Article 66**

The prospectus shall list all the fees paid by fund members and out of the assets of a UCITS fund.

Management companies may charge fund members subscription and redemption fees, a registration of pledge fee, and the transfer of title fee.

The fees collected from fund members and the fees and associated expenses paid to the management companies for managing the assets of a UCITS fund shall be overseen by the depositary of the UCITS fund.

The following may be charged to the assets of a UCITS fund:

- 1) fees and related costs payable to the management company of the UCITS fund;
- 2) costs of purchase and sale of securities;
- 3) fees and costs payable to the depositary;
- 4) external audit costs;
- 5) other costs in accordance with the Commission bylaw.

Other costs shall be borne by the management company.

The Commission shall regulate the conditions for collection, the amount and method of calculating fees and costs referred to in this Article.

### **Information Provided to UCITS Fund Members**

#### **Article 67**

Management companies shall maintain records on the number of investment units held by each fund member.

Management companies shall send each fund member a notification with the status as at 31 December of the previous year containing:

- 1) the number of investment units held by the fund member and their individual value;
- 2) total amount of fees with collection dates in the period reported;
- 3) information on pledges, if any.

At the request of a fund member, the management company shall deliver the notification referred to in paragraph [2] of this Article within eight days of the date the request is submitted.



## **Advertising**

### **Article 68**

A management company may advertise the UCITS fund under its management when soliciting membership in its UCITS fund, by publishing advertisements, by proffering public invitations and promotional materials, or in some other manner.

Advertisement and invitation texts must be clear, unambiguous, accurate and in line with the content of the prospectus and key information, and must not contain any inaccurate or misleading information about the conditions of investment in and operations of a UCITS fund.

Promotional materials must contain the information where and how the prospectus and key information is made available to fund members.

Comparative advertising shall be allowed only if specific, objective, truthful and complete.

When making comparisons with other funds, a management company must provide a clear picture on the UCITS fund it advertises and other investment funds.

The Commission shall demand withdrawal of the advertisement if it finds that it contains incorrect information or information which might be misleading within the meaning of paragraph 2 of this Article.

The Commission shall regulate in more detail the marketing of UCITS funds and standardized advertising text.

## **Distribution**

### **Article 69**

A management company may provide sales services, directly or through distributors, only on the basis of a concluded contract.

The sale services shall be deemed to comprise the provision of information on the modalities and manner of investments in UCITS funds, dissemination of prospectus and intermediation in purchase and sale of investment units.

Distributors may be credit institutions and broker-dealer companies, as well as others person in compliance with the Commission enactment.

Management companies shall notify the Commission of any concluded contract referred to in paragraph [1] of this Article.

Management companies shall also be accountable for the actions of and damages caused by the distributors in the course of providing sales services.

## **Voluntary Transfer of UCIT Fund Management**

### **Article 70**

A management company may transfer the management of a UCITS fund to another management company by written contract, with a prior approval from the Commission

The management company to which management has been transferred shall assume all the rights and obligations of the management company making the transfer.

The management company shall notify fund members of the transfer two months prior to the transfer of management referred to in paragraph [1] of this Article.

The Commission shall regulate in more detail the conditions and manner of transferring the management of UCITS funds, the rights and obligations of the transferring company, the transferee company, fund members, and the depositary.

## **UCITS Funds Status Changes**

### **Article 71**

Two or more UCITS funds may merge by formation or by acquisition.

In a merger by formation, two or more UCITS funds (merging funds), cease to exist without dissolution, transferring all of their assets and liabilities to the newly formed UCITS fund (receiving fund), in exchange for the issue of investment units of the receiving UCITS fund to the members of the merging funds.

In a merger of UCITS funds by acquisition, one or more UCITS funds (merging funds), cease to exist without dissolution, transferring all of their assets and liabilities to another existing UCITS fund (receiving fund) in exchange for the issue of investment units of the receiving fund to the members of the merging funds terminated through acquisition.

Status changes may involve several merging funds and only one receiving fund.

If in the course of exchange of investment units in the merging fund for investment units in the receiving fund, the members of the merging fund are entitled to cash payments, such cash payments may not exceed 10% of the value of their investment units in the merging fund.

The prior approval by the Commission for the UCITS fund's status changes shall be required.

The management company shall notify the fund members of the intended status change two months prior to such status change.

After receiving the notification referred to in paragraph 6 of this Article the members of funds being merged by formation or acquisition shall have the right to the redemption of investment units or their conversion into units of another fund managed by the same management company, free of charge.

After the implementation of the status change, the net asset value of the receiving fund must be at least equal to the net asset value of the merging fund prior to the implementation of the status change.

The Commission shall regulate in more detail the procedure for mergers of UCITS funds by formation or acquisition.

### **Conditions for Dissolution of a UCITS Fund**

#### **Article 72**

Fund members shall not have the right to demand dissolution of a UCITS fund.

A UCITS fund shall be dissolved in case of:

- 1) voluntary termination of business activity of the management company, if management of the UCITS fund has not been transferred to another management company;
- 2) depositary ceasing operations as a depositary, and the management company not acting in compliance with Article 114 paragraph [3] of this Law;
- 3) revocation of authorization from the management company, or management company entering into insolvency or liquidation proceedings, when the management of the UCITS fund has not been transferred to another management company in compliance with the provisions of this Law, or when the management company is no longer able to manage the UCITS fund;
- 4) the Commission ordering the management of the management company to dissolve the UCITS fund;
- 5) upon expiry of the time limit to which the UCITS fund is organized, if it is organized for a limited period of time;
- 6) in other cases provided for in this Law and the UCITS prospectus.

Any costs related to the dissolution of a UCITS fund and redemption of investment units shall be borne by the management company when a UCITS fund is dissolved in the cases under points 1) through 4) of paragraph [2] of this Article, and when that is not possible, they shall be borne by the UCITS fund.

The fees and other costs referred to in paragraph [3] of this Article shall be charged to the UCITS fund, if the fund is dissolved due to the expiry of the time limit, when it was established for a limited period of time.

The Commission shall regulate in more detail the dissolution of UCITS funds.

### **Legal Consequences of UCITS Fund's Dissolution**

#### **Article 73**

Any new issue or redemption of investment units after the adoption of the decisions on dissolution shall be prohibited.

In dissolving a UCITS fund, the person charged with dissolving the UCITS fund shall act in the best interests of its members and ensure that the dissolution is completed within a reasonable period of time, and shall in doing so first cash the UCITS fund assets by sale of assets, then settle the liabilities of the UCITS fund that became due before the date of adoption of the decision to dissolve the UCITS fund, followed by any other liabilities of the UCITS fund that did not become due before the date of adoption of the decision to dissolve the UCITS fund which arose out of transactions connected with the management of its assets.

The residual net assets of the UCITS fund remaining after the liabilities referred to in Para. [2] of this Article have been met shall be distributed to the members in proportion to their investment units in the UCITS fund.

### **Revocation of Management Company Authorization and Compulsory Transfer of Management**

#### **Article 74**

Management companies shall cease managing UCITS funds if their authorization is revoked by the Commission's decision.

In the case referred to in paragraph [1] of this Article, the depositary with which the management company had a contract shall carry out only the urgent activities related to the management of UCITS funds until the appointment of a new management company, but no longer than three months.

The urgent activities referred to in paragraph [2] of this Article involve the activities that should be carried out to avoid damage to the UCITS fund.

Immediately following the revocation of authorization of the management company the depositary shall stop the sale (issue) and redemption of investment units and immediately notify fund members, until the appointment of the new management company.

Upon revocation of authorization of a management company, the Commission shall immediately announce the public call for the appointment of a new management company and decide on such appointment within two months.

In the case of an unsuccessful public call referred to in paragraph [5] of this Article, the Commission shall issue a decision on dissolving the UCITS fund.

The Commission shall regulate in more detail the requirements for the selection of the best bid referred to in paragraph [5] of this Article.

#### **Decision on Dissolution of a UCITS Fund in the Case Management Company Authorization is Revoked**

##### **Article 75**

Upon receipt of the decision on dissolution of a UCITS fund referred to in Article 74, paragraph [6] of this Law, the depositary shall notify the public and the fund members thereof by publication on its website, cash the fund's assets in the best interest of members and make payments to members no later than within six months of the decision on dissolution.

The depositary shall submit to the Commission a report on the dissolution of the UCITS fund based on which the Commission shall remove such fund from the Register of UCITS Funds.

#### **Dissolution of a UCITS Fund Organized for a Limited Period of Time**

##### **Article 76**

When a UCITS Fund is organized for a limited period of time, at the expiry of the period for which the UCITS fund was organized, the management company shall carry out the dissolution process, realization of assets, and make payments to fund members in compliance with the prospectus.

Within six months of the expiry of the period for which the UCITS fund was established, the management company shall file a report on dissolution of the fund to the Commission, on the basis of which the Commission shall remove such fund from the Register of UCITS Funds.

### **IV. SPECIAL FORMS OF UCITS**

#### **Umbrella UCITS Funds and Sub-Funds**

##### **Article 77**

A management company may organize an umbrella UCITS fund consisting of two or more sub-funds that differ in one or more specific characteristics.

The umbrella UCITS fund shall not have legal personality.

The management company may determine various amounts of subscription and redemption fees, management fees, and other costs for each sub-fund. Investors shall not be charged subscription or redemption fees when switching between sub-funds.

Each sub-fund shall be deemed a separate UCITS fund for the purposes of obligations from this Law.

A sub-fund may be a feeder fund within the meaning of Article 85, paragraph [2] of this Law.

Sub-funds may be merged within the meaning of Article 71 of this Law.

### **Organizing Umbrella UCITS Fund**

#### **Article 78**

A management company shall obtain authorization from the Commission for the organization of an umbrella UCITS fund, as well as for the organization of each sub-fund of the umbrella UCITS fund.

Following the organization of an umbrella UCITS fund, the management company may subsequently, subject to the authorization of the Commission, organize new sub-funds it will group under the umbrella UCITS fund, and shall in doing so comply with the provision of Article 80, paragraph [3] of this Law.

A management company that manages at least two UCITS funds may organize an umbrella UCITS fund by converting the existing UCITS funds into sub-funds and grouping them under an umbrella UCITS fund.

Applications for organization of umbrella UCITS funds and sub-funds shall be subject, mutatis mutandis, to the provisions of this Law governing the organization of UCITS funds.

### **Name of Umbrella UCITS Fund and Sub-Funds**

#### **Article 79**

The name of an umbrella UCITS fund must contain the phrase ‘krovni UCITS fund’ [‘umbrella UCITS fund’].

The name of a sub-fund must contain the name of the umbrella UCITS fund without the phrase ‘umbrella UCITS fund’ and a name clearly distinguishing that sub-fund from other sub-funds of the umbrella UCITS fund.

## **Documents of Umbrella UCITS Fund and Sub-Funds**

### **Article 80**

The management company shall adopt the rules of the umbrella UCITS fund and draw up a prospectus of the umbrella UCITS fund. No separate rules shall be adopted for sub-funds of an umbrella UCITS fund, nor shall separate prospectuses be prepared; rather, the specific characteristics of each sub-fund shall be determined by the rules and prospectus of the umbrella UCITS fund.

For each sub-fund, the management company shall adopt key information, in compliance with Article 85, paragraph [3], point 2) of this Law.

The rules and the prospectus of the umbrella UCITS fund must clearly indicate which provisions refer to all sub-funds of the umbrella UCITS fund, and which refer only to individual sub-funds.

In addition to the information required under Article 64 of this Law, the rules of the umbrella UCITS fund must clearly indicate that the fund is an umbrella UCITS fund.

Where the management company organizes additional sub-funds after the organization of an umbrella UCITS fund, it shall accordingly amend the rules and prospectus of the umbrella UCITS fund.

## **Assets and Investments of Sub-Funds**

### **Article 81**

The assets of one sub-fund shall be kept separately from those of other sub-funds.

Liabilities or receivables arising out of transactions on behalf of one sub-fund shall be settled exclusively using the assets of that sub-fund and credited to the assets of that sub-fund.

Each sub-fund of an umbrella UCITS fund shall be subject to the provisions of this Law and bylaws adopted on the basis of this Law governing permitted investments and investment limits.

A management company shall develop separate risk management strategies for each sub-fund of the umbrella UCITS fund.

A management company may consolidate established risk management arrangements for individual sub-funds into a single process of managing risks of the umbrella UCITS fund, pursuant to the Commission approval, and only indicate risk management considerations specific to a particular sub-fund.

## **Depository Functions and Asset Segregation**

### **Article 82**

A management company shall enter into a depository contract with a depository on behalf of the umbrella UCITS fund and all its sub-funds.

Pursuant to the depository contract for the umbrella UCITS fund, the depository shall perform depository functions for each individual sub-fund.

The management company and the depository shall ensure the segregation of assets of each individual sub-fund.

The assets of one sub-fund shall be kept and maintained separately from those belonging to other sub-funds of the umbrella UCITS fund, the management company, and the depository.

## **Termination**

### **Article 83**

An umbrella UCITS fund shall terminate where:

- 1) at least two sub-funds are no longer grouped under the umbrella UCITS fund; and/or
- 2) all sub-funds of the umbrella UCITS fund are grouped under another umbrella UCITS fund.

An umbrella UCITS fund or sub-fund shall be dissolved, in addition to the grounds for dissolution laid down in Article 72, paragraph [2] of this Law, when an event occurs that is specified in the prospectus as grounds for dissolution of the sub-fund or umbrella UCITS fund.

## **Master and Feeder UCITS Funds**

### **Article 84**

Master UCITS fund means a UCITS fund or its sub-fund which:

- 1) has at least one feeder UCITS fund among its investment unit holders;
- 2) is not a feeder UCITS fund itself; and
- 3) whose management company does not invest assets into the investment units of feeder UCITS funds.

Feeder UCITS fund means a UCITS fund or its sub-fund whose management company has obtained prior approval of the Commission to invest, by way of derogation from the limits



laid down in this Law, at least 85% of its assets in the investment units of another UCITS fund or its sub-fund (master UCITS fund), by way of which it becomes an investment unit holder in the master UCITS fund.

The management company of the feeder UCITS fund may hold up to 15% of assets of the feeder UCITS fund in one or more of the following:

- 1) ancillary liquid assets in compliance with Article 42, paragraph [3] of this Law;
- 2) derivative financial instruments that may be used only for hedging purposes.

The management company of a feeder UCITS fund shall calculate the total exposure of the feeder UCITS fund related to derivative financial instruments by combining the direct exposure of the feeder UCITS fund referred to in paragraph [3], point 2) of this Article with:

- 1) the actual exposure of the master UCITS fund to derivative financial instruments in proportion to the feeder UCITS fund's investment into the master UCITS fund; or
- 2) the potential maximum global exposure of the master UCITS fund to derivative financial instruments provided for in the prospectus of the master UCITS fund in proportion to the feeder UCITS fund's investment into the master UCITS fund.

By exception, when a master UCITS fund has at least two feeder UCITS funds as investment unit holders, the management company of the master UCITS fund may decide not to offer the investment units in the master UCITS to the public.

## **Article 85**

A UCITS fund may become a feeder UCITS fund, and the management company of the feeder UCITS fund may then invest in the master UCITS fund in compliance with Article 84, paragraph [2] of this Law, only with the prior approval of the Commission.

A feeder UCITS fund may be created by organizing a new UCITS fund in the form of a feeder UCITS fund or by transforming an existing UCITS fund into a feeder UCITS fund.

The application for the investment into the master UCITS fund submitted to the Commission by the management company, shall be accompanied with the following documents:

- 1) the rules of the feeder and master UCITS funds;
- 2) the prospectus and key information of the master and feeder UCITS funds drawn up in compliance with the Commission's bylaw;
- 3) the contract concluded between the management company of the master UCITS fund and the management company of the feeder UCITS fund or internal business rules when the master and feeder UCITS funds are managed the same management company;

4) as necessary, the information that is provided to the unit-holders referred to in Article 89, paragraph [1];

5) if the master and feeder UCITS funds have different depositaries, an agreement on the information sharing between their depositaries;

6) if the master and feeder UCITS fund have different auditors, an agreement on the information sharing between their auditors.

Within 15 business days of filing of the application with complete documentation, the Commission shall decide on the approval referred to in paragraph [1] of this Article and notify the management company of the feeder UCITS fund if its investment in the master UCITS fund has been approved.

The Commission shall decide on the approval to the management company of the feeder UCITS fund to invest in the master UCITS fund if the management company of the feeder UCITS fund, depositary and auditor of the feeder UCITS fund, and the management company of the master UCITS fund meet all the conditions laid down in this Law.

If the Republic is not the master UCITS home state, the management company of the feeder UCITS fund shall provide the Commission with a certificate from the competent authority of the master UCITS fund's management company to the effect that the master UCITS fund meets the conditions laid down in Article 84 of this Law.

## **Common Provisions for Master and Feeder UCITS Funds**

### **Article 86**

The management company of the master UCITS fund shall provide the management company of the feeder UCITS fund with all the documents and information necessary for meeting the requirements laid down in this Law.

For this purpose, the management company of the feeder UCITS fund shall enter into an agreement with the management company of the master UCITS fund.

The management company of the feeder UCITS fund may not invest in the investment units of the master UCITS fund above the limit under Article 43, paragraph [9] of this Law before the agreement referred to in paragraph [2] of this Article enters into force.

The agreement referred to in paragraph [2] of this Article shall be available to all investment unit holders, on request and free of charge.

If the master and feeder UCITS funds are managed by the same management company, the agreement may be replaced by the internal business rules that ensure compliance with the requirements laid down in paragraph [1] of this Article.

The management companies of master and feeder UCITS funds shall take appropriate measures to coordinate the timing of calculation and publication of the prices of their investment units, to prevent the possibility of market arbitrage.

If the management company of the master UCITS fund suspends repurchase, redemption, or subscription of investment units of the master UCITS fund, either on its own initiative or at the request of the Commission, each of the management companies of its feeder UCITS funds shall have the right to suspend repurchase, redemption, or subscription of investment units of feeder UCITS funds within the same period of time as the management company of the master UCITS fund.

If a master UCITS fund has been dissolved, the feeder UCITS fund must also be dissolved, unless the Commission grants the management company of the feeder UCITS fund approval for:

- 1) investing at least 85% of the assets of the feeder UCITS fund into investment units of another master UCITS fund; or
- 2) amending the prospectus of the UCITS fund to enable the conversion of the feeder UCITS fund into a UCITS fund which is not a feeder UCITS fund.

The procedure of dissolving a master UCITS fund may be carried out upon expiry of three months from the moment when the management company of the master UCITS fund notifies all its investment unit holders, the competent authority of the home state, and the Commission about the decision on dissolution.

If a master UCITS fund is merged by formation or acquisition with another UCITS fund, the feeder UCITS fund shall be dissolved, unless the Commission grants the approval to the management company of the feeder UCITS fund to:

- 1) continue to be a feeder UCITS fund of the master UCITS fund or another UCITS fund resulting from the merger by formation or acquisition of the master UCITS fund;
- 2) invest at least 85% of feeder UCITS fund's assets in the investment units of another master UCITS fund not resulting from the merger by formation or acquisition; or
- 3) amend the prospectus of the feeder UCITS fund to convert the feeder UCITS fund to an UCITS fund that is not a feeder UCITS fund.

No merger by formation or acquisition of the master UCITS fund shall become effective unless the management company of the master UCITS fund has provided all investment unit holders, competent authority of the home state, and the Commission with the information laid down in the Commission bylaw not later than 60 days before the proposed effective date of the merger by formation or acquisition.

The management company of the master UCITS fund shall enable the feeder UCITS fund to repurchase or redeem all investment units in the master UCITS fund before the merger by formation or acquisition of the master UCITS fund becomes effective, unless the Commission grants the approval to the management company of the feeder UCITS fund in compliance with paragraph [10], point 1) of this Article.

The Commission shall regulate in more detail, by its bylaws, the following:

- 1) the content of the agreement or internal business rules referred to in paragraphs 2 and 5 of this Article;
- 2) which measures referred to in paragraph [6] of this Article are deemed appropriate;
- 3) the procedure for dissolution, merger by formation or acquisition of a master UCITS fund;
- 4) the procedure for obtaining the Commission's approval referred to in paragraphs [8] and [10] of this Article;
- 5) mandatory information and advertising content of the feeder UCITS fund.

## **Depositories**

### **Article 87**

If master and feeder UCITS funds have different depositaries, such depositaries shall enter into an information-sharing agreement to ensure that both depositaries fulfill their obligations.

The management company of the feeder UCITS fund shall not invest in units of the master UCITS fund until the agreement referred to in paragraph [1] of this Article comes into force.

When complying with the requirements laid down in this Law, the depositary of the master or feeder UCITS fund shall not be found in breach of the rules relating to data protection and disclosure provided for in the agreement or law.

The management company of the feeder UCITS fund shall provide the depositary of the feeder UCITS fund with all the information about the master UCITS fund that is necessary for the fulfillment of the duties of the depositary of the feeder UCITS fund.

The depositary of the master UCITS fund shall immediately inform the Commission, competent authorities of the home state of the master UCITS fund, feeder UCITS fund or, if needed, the management company and depositary of the feeder UCITS fund, about any irregularities it detects with regard to the master UCITS fund, which are deemed to have a negative impact on the feeder UCITS fund.

The Commission shall regulate in more detail:

- 1) the information to be included in the agreement referred to in paragraph [1] of this Article;
- 2) irregularities referred to in paragraph [5] of this Article deemed to have a negative impact on the feeder UCITS fund.

## **Auditors**

### **Article 88**

If master and feeder UCITS funds have different auditors such auditors shall enter into and information-sharing agreement to ensure that both depositaries fulfill their obligations.

The management company of the feeder UCITS fund shall not invest in units of the master UCITS fund until the agreement referred to in paragraph [1] of this Article comes into force.

In its audit report, the auditor of the feeder UCITS fund shall take into account the audit report of the master UCITS fund. If the feeder and master UCITS funds have different accounting years, the auditor of the master UCITS fund shall prepare a separate report on the closing date of the report of the feeder UCITS fund.

The auditor of the feeder UCITS fund shall, in particular, report on any irregularities revealed in the audit report of the master UCITS fund and on their impact on the feeder UCITS fund.

When complying with the requirements laid down in this Law, the auditor of the master or feeder UCITS fund shall not be found in breach of the rules relating to data protection and disclosure provided for in the agreement or law.

The Commission shall regulate in more detail the content of the agreement referred to in paragraph [1] of this Article.

## **Conversion of Existing UCITS Fund into Feeder UCITS Fund and Change of Master UCITS Fund**

### **Article 89**

The management company of a UCITS fund authorized by the Commission to invest in a master UCITS fund, or to change the master UCITS fund in which it invests shall, no later than 30 days before the date specified in point 3) of this paragraph, provide the holders of investment units of such UCITS fund the following information:

- 1) a statement that the Commission or the competent authority of the home state of the feeder UCITS fund approved the investment of the feeder UCITS fund in units of such master UCITS fund;
- 2) key information concerning the feeder and the master UCITS funds;

3) the date when the management company of the feeder UCITS fund is to start investing in the master UCITS fund or, if it has already invested therein, the date when its investment will exceed the limit applicable under Article 43, paragraph [9] of this Law;

4) a statement that the investment unit holders have the right to request the repurchase or redemption of their investment units within 30 days without any fees other than those retained by the management company of the UCITS fund to cover the costs of disinvestment.

The right referred to in paragraph [1], point 4) of this Article shall become effective from the moment the management company of the feeder UCITS fund provides the information referred to in that paragraph.

The Commission shall regulate in more detail:

1) the form and the manner in which to provide the information referred to in paragraph [1] of this Article; or

2) the procedure for valuing and auditing a contribution in kind, and the role of the depositary of the feeder UCITS fund in the case the feeder UCITS fund transfers all or parts of its assets to the master UCITS fund in exchange for investment units.

## **Article 90**

The management company of the feeder UCITS fund shall monitor the operations of the master UCITS fund.

In performing the obligation referred to in paragraph [1] of this article, the management company of the feeder UCITS fund may rely on the information and documents received from the management company of the master UCITS fund, depositary and auditor, unless there is reason to doubt their accuracy.

Where, in connection with an investment in the investment units of the master UCITS fund, the management company of the feeder UCITS fund or any person acting on behalf of either the feeder UCITS or the management company of the feeder UCITS fund receives a distribution fee, commission, or other monetary benefit, such fee, commission, or other monetary benefit shall be paid into the assets of the feeder UCITS fund.

## **Article 91**

The management company of the master UCITS fund shall immediately inform the Commission which feeder UCITS fund invests in its investment units.

If a feeder UCITS fund is organized or established in another state, the Commission, as a competent authority of the master UCITS home state, may notify competent authorities of the feeder UCITS home state of such investment.

The management company of the master UCITS fund shall not charge the feeder UCITS fund any subscription and redemption fees.

## **Article 92**

If both the master and feeder UCITS funds are organized in the Republic, the Commission shall immediately inform the management company of the feeder UCITS fund of any decision, measure, identified non-compliance with the provisions of this Law with regard to the master UCITS fund or its management company, depositary, or auditor.

If the master and feeder UCITS funds are from different home states, the Commission, as the competent authority of the master UCITS home state, may notify the competent authorities of the feeder UCITS home state of any decision, measure, identified non-compliance with the provisions of this Law with regard to the master UCITS fund or its management company, depositary, or auditor, as applicable.

Upon receipt of the notification referred to in paragraph [2] of this Article, the competent authorities of the feeder UCITS home state shall inform the management company of the feeder UCITS fund without delay.

## **V. DEPOSITARY**

### **Persons Authorized to Act as Depositary**

## **Article 93**

In the Republic, a depositary may be a credit institution having its registered office in the Republic and authorized by the Commission to act as depositary.

A management company shall select a depositary for each UCITS fund it manages in compliance with the provisions of this Law and enter with it into a written contract for the provision of depositary services, in compliance with this Law.

A UCITS fund may have only one depositary.

The depositary must permanently meet all organizational requirements and conditions necessary for acting as depositary pursuant to the provisions of this Law.

The Commission shall decide on prior approval to the appointment of the UCITS fund depositary manager, who must have appropriate experience and be of sufficiently good repute.

The general manager of the depositary shall be the person in charge of managing the operations of the organizational unit performing the depositary functions within the credit institution.

To avoid conflicts of interest between the depositary, management company and/or UCITS fund and/or fund member, no person may act as both a management company and a depositary.

A depositary may not have close links with a management company.

The Commission shall regulate in more detail the conditions for carrying out the activities of a depositary.

## **Application for Authorization**

### **Article 94**

A credit institution intending to perform depositary functions for a UCITS fund shall submit an application for authorization to perform depositary functions to the Commission.

The Commission shall specify the content of the application for authorization to perform depositary functions.

The following shall be enclosed with the application referred to in paragraph 1 of this Article:

- 1) evidence that the credit institution is a member of the Central Securities Depository and Clearing House;
- 2) depositary operating rules;
- 3) evidence that the credit institution has a separate organizational unit for performing depositary functions;
- 4) evidence that the credit institution fulfills the conditions concerning staffing and organizational capacities for performing depositary functions;
- 5) evidence that the credit institution fulfills the condition concerning technical capacity for performing depositary functions, and that it has the appropriate IT system for performing such function;
- 6) decision on the appointment of the manager;
- 7) other documentation as requested by the Commission.

The Commission shall regulate in more detail the conditions concerning the staffing, organizational and technical capacities for performing depositary functions.



The Commission shall, within 30 days from the date of receipt of a complete application, decide on the authorization to perform depositary functions by an administrative decision, if it finds that the conditions laid down in the law and the Commission's bylaw referred to in paragraph [4] of this Article are met.

The Commission shall regulate in more detail the procedure for obtaining the authorization to perform depositary functions.

The Commission shall maintain a register of issued depositary authorizations.

A legal person that has been denied the authorization to perform depositary functions under this law may not use the name 'depositary' or any other similar name in legal transactions.

### **Depositary operating rules**

#### **Article 95**

A depositary shall adopt the business rules concerning the performance of depositary functions, to be approved by the Commission.

The rules referred to in paragraph [1] of this Article shall particularly determine:

- 1) the types of depositary functions performed by the depositary;
- 2) the manner of treatment of the financial instruments and cash of the UCITS fund;
- 3) rights and obligations of the depositary and the management company.

The Commission shall regulate in more detail the content and method of publication of the rules referred to in paragraph [1] of this Article.

### **Contract with a Depositary**

#### **Article 96**

A management company shall conclude a separate depositary services contract with the depositary for each UCITS fund.

By the contract referred to in paragraph [1] of this Article the depositary shall undertake to perform its functions in compliance with Article 98 paragraph [1] of this Law, and the management company shall undertake to pay the depositary fee.

The contract shall, inter alia, regulate the flow of information required by the depositary to perform its functions for the UCITS fund.

A management company shall provide the Commission with a copy of the concluded contract referred to in paragraph [1] of this Article, and any subsequent amendments thereto.

The Commission shall regulate in more detail the content of the contract referred to in paragraph [1] of this Article.

### **Article 97**

When a management company from the Republic manages a UCITS fund from another state, the depositary may be from the home state or from the Republic.

The appointment of a depositary from another state by the management company from the Republic shall be subject to the following conditions:

- 1) appropriate co-operation and exchange of information arrangements are in place between the Commission and the competent authorities of the other Member State where the management company intends to trade in investment units and the competent authorities of the depositary;
- 2) the depositary is subject to effective prudential regulation, including minimum capital requirements which have the same effect as the EU law;
- 3) the other country in which the depositary is established is not listed as a high-risk country and territory by the Financial Action Task Force (FATF);
- 4) the other country in which the depositary is established has signed a treaty with the Republic which fully complies with the standards laid down in Article 26 of the OECD Model Tax Convention on Income and on Capital and ensures efficient exchange of information in tax matters including any multilateral tax treaties;
- 5) the contract between the management company and the depositary must contain provisions on the depositary's liability to the UCITS fund or members of such fund.

### **Functions of a Depositary**

### **Article 98**

A depositary shall perform the following functions for a UCITS fund:

- 1) oversight and control functions;
- 2) cash flow monitoring;
- 3) safe-keeping functions.

A depositary may perform the functions for several UCITS funds, provided that it maintains separate asset accounts for each fund.

The Commission shall regulate in more detail the frequency, method and standardized form of providing information to the Commission by the depositary, and the manner of reconciliation in the cases of any differences between the net asset values of the fund referred to in Article 99, point 2) of this Law calculated by the management company and by the depositary, or the calculated return of the fund referred to in Article 99, point 4) of this Law calculated by the management company and by the depositary.

## **Oversight and Control Functions**

### **Article 99**

Depending on the type of assets in which the UCITS fund invests, the depositary for the UCITS fund shall perform the following control functions:

- 1) ensure that the sale, issue, repurchase, redemption and cancellation of units of the UCITS fund are carried out in compliance with this law and the prospectus;
- 2) ensure that the net value of the UCITS fund's assets and the price of investment units is calculated in compliance with this law and the prospectus;
- 3) carry out the instructions of the management company concerning the transactions with financial instruments and other assets constituting the UCITS fund portfolio, provided they are not in contravention of this law and the UCITS fund rules;
- 4) verify the calculation of the UCITS fund returns;
- 5) undertake actions to ensure that any income arising from the transaction with UCITS fund's assets is remitted to the UCITS within the usual time limits;
- 6) ensure that the income of the UCITS fund is applied in compliance with this Law and the prospectus;
- 7) ensure that the assets of the UCITS fund are invested in compliance with the objectives laid down in the prospectus;
- 8) reporting to the Commission and the management company of the results of verification of calculation of the net asset value of the UCITS fund;
- 9) notifying the Commission of any material or grave breaches of this Law and the depositary contract by the management company.

## **Cash Flow Monitoring**

### **Article 100**

A depositary shall ensure that the cash flows of the UCITS fund are effectively monitored, and, primarily, that all fund member payments made for the purposes of issuing investment units of the UCITS fund have been effected, and that all cash of the UCITS fund has been booked in cash accounts that are opened in the name of the management company on behalf of the UCITS fund, or in the name of the depositary on behalf of the UCITS fund.

The cash accounts referred to in paragraph [1] of this Article shall be maintained in compliance with the principles of protection of client's assets laid down in the law governing the capital market, in the part that regulates the principles of safe and sound business operations as well as maintenance of cash accounts.

## **Safekeeping of Assets**

### **Article 101**

The depositary shall safe-keep UCITS fund's assets in the following manner:

1) for financial instruments that can be held in custody, the depositary shall:

- (1) register all financial instruments that can be registered in a financial instruments account opened in the depositary's books and all materialized financial instruments that can be physically delivered to the depositary;
- (2) ensure that all financial instruments that can be registered in a financial instruments account are maintained within segregated accounts opened in the name of the UCITS fund or in the name of the management company acting on behalf of the UCITS fund, so that they can be clearly identified, at any time, as belonging to the UCITS fund;
- (3) maintain all financial instrument accounts in compliance with the principles of protection of client's assets laid down in the law governing the capital market in the part that regulates the principles of safe and sound business operations as well as maintenance of financial instrument accounts.

2) for the other assets of the UCITS fund, the depositary shall:

- (1) check and verify that the UCITS fund or the management company acting on behalf of the UCITS holds ownership, based on the information or documents provided to the depositary by the management company or based on the information from publicly available registers and records and other external sources where available, and

(2) keep its record of such assets up-to-date.

The depositary shall regularly provide the management company with a complete list of assets of the UCITS fund for which it performs the depositary function or, as appropriate, allow the management company uninterrupted access to the positions of the UCITS fund opened with the depositary.

The depositary shall inform the management company about any key events that occur with the issuers of securities and other financial instruments related to the UCITS fund's assets entrusted to it for safe-keeping, and shall execute orders of the management company in response to such key events.

### **Segregation of Depositary and Management Company Operations and and Managing Assets of a UCITS Fund**

#### **Article 102**

In performing their functions and duties provided for in this Law, the depositary and the management company shall act with due professional care, honestly, fairly, independently and solely in the interest of the UCITS fund and its members.

A depositary shall not perform other activities with regard to the UCITS fund that may create conflicts of interest between the UCITS fund, its members, or the management company and the depositary, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and unless the potential conflicts of interest are effectively identified, managed, monitored and disclosed to the members of the fund.

The person who manages depositary functions, employees and other persons engaged in any other way in the depositary shall not be engaged in any way in the management company.

Members of management, employees and other persons engaged in any other way in the management company shall not be engaged in any way in the depositary.

The assets of a UCITS fund shall be kept in custody and maintained by the depositary in such a way that the assets of the UCITS fund can, at all times, be clearly segregated from the assets of the depositary or the assets of other clients of the depositary.

Assets of the UCITS fund held in custody by the depositary in the name of a UCITS fund or in the name of the management company acting on behalf of the UCITS fund shall not be the property of the depositary and shall not be deemed as assets of the depositary; such assets shall not enter the liquidation or insolvency estate of the depositary and may not be used for the payment of sums owed by the depositary to third parties.

In the event of revocation of the credit institution's operating license or authorization to perform depositary functions, or entry into insolvency or liquidation proceedings by the credit institutions, the management company shall immediately terminate its depositary services contract and conclude a contract with a new depositary and notify the Commission thereof.

A depositary whose operating license or authorization to provide depositary functions has been withdrawn or that is the subject of insolvency or liquidation proceedings shall immediately transfer assets of the UCITS fund to the depositary appointed by the management company by a contract.

If the management company fails to comply with paragraph [7] of this Article, the Commission shall issue an administrative decision appointing a new depositary.

The Commission shall order the management company to change the depositary where the operations of the depositary have materially threatened the interests of fund members.

In the event of insolvency of the credit institution that acts as a depositary or another credit institution to which the depositary has delegated the safe-keeping functions, the assets of the UCITS fund held in custody by the depositary shall not enter the insolvency estate of the credit institution referred to in this paragraph, nor may be enforced against in collection of any claims owed by the credit institutions referred to in this paragraph.

### **Delegation of Depositary Functions**

#### **Article 103**

A depositary may delegate to another credit institution only the safekeeping of assets function referred to in Article 101, paragraph [1] of this Law provided the following conditions are met:

- 1) the tasks are not delegated with the intention of avoiding the obligations and requirements of this Law;
- 2) there is an objective reason for the delegation and its purpose is to enhance the efficiency of the functions;
- 3) the depositary must demonstrate that it has exercised due diligence in the selection of the third party;
- 4) the depositary must at all times be able to exercise all due diligence and efficiency in the ongoing monitoring of the performance of the delegated functions;
- 5) the depositary can demonstrate that the third party meets the following conditions at all times during the effectiveness of the delegation contract:

- (1) the third party has the internal structure and the expertise that are adequate and proportionate to the nature and complexity of the assets of the UCITS fund entrusted to it for safekeeping;
- (2) for the delegation of depositary functions, the third party must be subject to:
  - prudential supervision and regulation under the provisions of applicable law (including the capital adequacy requirements) aligned to the relevant EU legislation;
  - regular periodic independent external audit to ensure and verify that the financial instruments entrusted to it for safe-keeping are in its possession and/or subject to its supervision,
- (3) the third party segregates the assets of the depositary's clients from its own assets and from the assets of the depositary in such a way that they can at any time be clearly identified as belonging to clients of a particular depositary;
- (4) the third party takes any and all actions necessary to ensure that in the event of insolvency of the third party the assets of the UCITS fund entrusted to the safe-keeping of the third party do not enter the insolvency and/or liquidation estate of the third party, and
- 5) the third party complies with the obligations and prohibitions set out in Articles 101 and 102 of this Law.

The depositary shall be liable to the management company and members of the fund for the selection of the third party.

#### **Article 104**

A depositary must obtain prior approval from the Commission for delegation of functions to other credit institutions.

A depositary that has delegated the functions referred to in Article 101, paragraph [1] of this Law to another credit institution shall submit to the Commission:

- 1) a notice of the contract entered into with another credit institution and
- 2) a list of all credit institutions with which it has entered into delegation contracts, at the latest by 31 March of each year.

The depositary shall submit the list referred to in Paragraph [2]2) of this Article to the management company, which shall publish it immediately on its website.

The Commission shall regulate in more detail the conditions and procedure for granting approval for delegation of functions to another credit institution.

### **Article 105**

When a depositary has delegated the functions referred to in Article 101 paragraph [1] of this Law to another credit institution, the prospectus shall, in the section concerning the depositary, contain the description of all the functions that the depositary has delegated to other credit institutions, a list of all other credit institutions with which the depositary has concluded a delegation contract, as well as potential conflicts of interest that may arise from such delegation.

### **Liability of Depositary**

### **Article 106**

The depositary shall be liable to the management company and members of the fund, for any loss caused by the depositary or another credit institution to which it delegated the function of safekeeping of assets referred to in Article 101, paragraph [1], of this Law.

In the event of a loss of financial instruments or cash entrusted to it for safekeeping, the depositary shall return a financial instrument of the same type or the corresponding amount of cash to the UCITS assets without delay.

The depositary shall not be liable for the loss of assets entrusted to it for safekeeping, if it can prove that the loss is a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

The depositary shall also be liable to the management company and members of the fund for any other damage incurred by them as a result of the failure of the depositary to properly perform the depositary functions laid down in this Law and the secondary legislation adopted pursuant to this Law.

Investment unit holders in the UCITS fund may invoke the liability of the depositary directly or indirectly through the management company provided that this does not lead to a duplication of redress or to unequal treatment of the investment unit holders.

### **Article 107**

The liability of the depositary referred to in Article 106, paragraphs [1] through [4] of this Law shall not be affected by any delegation of the functions to other credit institutions in compliance with Article 103, paragraph [1] of this Law.

The liability of the depositary referred to in Article 106, paragraph [1] of this Law shall not be excluded or limited by contract.



Any contract that contravenes paragraph [2] this Article shall be null and void.

### **Reporting by Depositary on Issues Relevant for Supervision**

#### **Article 108**

The depositary shall make available to the Commission, on request, all disclosures and information relevant for its supervision of the performance of the depositary functions for the UCITS fund.

Where, in performing its duties and obligations pursuant to this Law, a depositary discovers irregularities and/or violations of the law resulting from the actions of the management company that constitute violations of the duties of the management company laid down in this Law, the rules of the UCITS fund, or the prospectus, the depositary shall immediately notify the Commission thereof in writing.

The depositary shall make available and submit any and all information about the UCITS fund to the Commission, certified auditors, and other persons authorized to perform supervision.

The Commission shall regulate in more detail the manner and time limits for reporting the irregularities referred to in paragraph [2] of this Article.

### **Compliance Audit of Depositary**

#### **Article 109**

An auditor of a credit institution shall submit an abstract from the financial audit report of the credit institution from the last year concerning the depositary's compliance with its obligations by 30 April of the current year.

If the Commission finds that no compliance audit of the depositary has been performed, or that the compliance audit report has not been prepared in compliance with this Law, regulations governing accounting and auditing, professional auditing standards, or if it finds through its supervision of the depositary or otherwise, that the compliance audit of the depositary and the compliance audit report are not based on true and objective facts, it may reject the compliance audit report and instruct the depositary to have a different auditor perform such audit at the expense of the depositary. In this case, the Commission may make public its rejection of the depositary compliance report and the reasons for such rejection.

The Commission shall regulate in more detail the scope and content of the auditor's report on the depositary's compliance with its obligations referred to in paragraph 1 of this Article.

## **Confidentiality**

### **Article 110**

The depositary shall treat as confidential any and all information available to it, that concern the members of the fund, their investment units, and incoming and outgoing payments, pursuant to the provisions of this Law and the law governing banks i.e. credit institutions.

Members of management, employees and persons engaged otherwise in the credit institution that performs depositary functions shall be bound by the obligation of professional secrecy with respect to the information about the balance and transactions in the securities accounts of UCITS funds and other information that they obtain in relation to the depositary function, and shall not disclose it to third parties or use it or allow third parties to use it.

By exception to paragraph 2 of this Article, the information referred to in the paragraph may be disclosed and made available to third parties, only:

- 1) pursuant to a written authorization by the management company;
- 2) in the course of compliance audits by an authorized person of the Commission;
- 3) pursuant to an order of a court or another competent authority.

### **Substitution of Depositary due to Termination of Depositary Functions**

#### **Article 111**

A depositary intending to cease to perform the functions of depositary of a UCITS fund shall notify thereof the Commission and the management company managing the UCITS fund for which it performs depositary functions at the latest three months before ceasing to carry out these functions.

In the event referred to in paragraph [1] of this Article, the management company shall conclude a contract with a different depositary and notify the Commission thereof prior to the expiry of the period referred to in paragraph [1] of this Article.

If the management company fails to conclude a contract with a new depositary in compliance with paragraph [2] of this Article, the current depositary may continue providing depositary services for a further 60 days running from the planned date of termination of depositary functions.

Where, within the additional period of 60 days referred to in paragraph [3] of this Article, a contract with a new depositary is not entered into, the UCITS funds for which the depositary carried out the functions of depositary must be dissolved pursuant to the provisions of this Law.

## **Substitution of Depositary by Management Company**

### **Article 112**

A management company may replace a depositary, of which it shall notify the depositary whose contract it is terminating 3 months prior to the contract termination.

A depositary previously carrying out the functions of depositary must, within 3 days of receiving notice from the management company of the termination or repudiation of its contract on carrying out the depositary functions, inform the Commission whether, to the best of its knowledge, there are any unresolved infringements of this Law or other regulations.

The management company shall conclude a contract with a new depositary prior to the expiry of the time period referred to in paragraph [1] of this Article.

The management company shall notify the Commission within the time period referred to in paragraph [1] of this Article about the contract termination and reasons for termination, the choice for a new depositary and the conclusion of a contract with it.

### **Article 113**

On the date specified in the contract for the performance of depositary functions concluded with a new depositary as the date the new depositary will commence performing its functions, the previous depositary shall transfer all assets of the UCITS fund for safe-keeping and administration to the new depositary with which the management company has concluded a contract on performing of depositary functions.

The previous depositary must surrender to the new depositary all books of account, records, and any and all other documents and materials relevant to the operations of the UCITS fund for which it had previously carried out the functions of depositary, either in hard copy or in an electronic format, depending on how the information was originally recorded.

### **Article 114**

The Commission shall adopt a decision repealing its authorization granted to the depositary to perform depositary functions in the event that:

1) the credit institution enters into liquidation or insolvency proceedings of a credit institution; or

2) the operating license of the credit institution is revoked by the competent authority that issued the license.

The Commission shall issue an administrative decision revoking the issued authorization to perform depositary functions in the following cases:

- 1) in the event that the approval was obtained by providing or making false, inaccurate, or misleading information or statements or by any other irregular means;
- 2) in the event that the depositary no longer meets the conditions under which it was granted authorization;
- 3) where it determines that the depositary does not perform its duties in compliance with the obligations it has undertaken and/or the provisions of this Law;
- 4) where there is reason to suspect the ability of the depositary to perform its duties in connection with the obligations it has undertaken and/or the provisions of this Law in an orderly, timely, and appropriate fashion;
- 5) the depositary has seriously and/or systematically breached the provisions of this Law or the UCITS fund rules or the prospectus;
- 6) where there are justified reasons to suspect that the management company and the depositary are colluding against the interests of the investors in the UCITS fund.

In the event that the management company fails to appoint a new depositary within the time limit stipulated in the Commission bylaw, the UCITS fund for which the depositary performed depositary functions must be dissolved, in compliance with the provisions of this Law.

The Commission shall regulate in more detail the actions of the management company and the depositary in the cases referred to in paragraphs [1] and [2] of this Article.

## **VI. SUPERVISION**

### **Competence of the Commission**

#### **Article 115**

The Commission shall supervise the application of this Law, issue implementing legislation under this Law for which it is authorized, and maintain a Register of Management Companies, a Register of UCITS Funds and a Register of Depositary Authorizations.

The Commission shall exercise supervision:

- 1) on an ongoing basis, by analysis of reports that management companies and depositaries are required to submit to the Commission, and
- 2) directly (on-site).

The Commission shall regulate in more detail the content and manner of keeping the registers referred to in paragraph [1] of this Article, in which all the data necessary for full identification shall be entered.

In the performance of its competencies, the Commission shall issue administrative decisions which are final.

Administrative decisions referred to in paragraph [4] of this Article can be contested by initiating an administrative dispute.

## **Supervision of Operations**

### **Article 116**

The Commission shall supervise the operations of management companies and UCITS funds, and the performance of services by depositaries (hereinafter: supervised entities), to the extent envisaged by this Law.

The Commission shall carry out on-site supervision of the operations of the management companies and UCITS funds, and the provision of depositary services on the premises of the management company and depositary and/or on the premises of the Commission.

The Commission shall ex officio carry out supervision of the persons providing services and performing activities of a management company or depositary without authorization.

An authorized person of the Commission may perform the following in the course of on-site supervision:

- 1) examine general documents, books of account, statement of accounts and others documents and data of the management company, UCITS fund and depositary, and make copies of the documents;
- 2) request information about individual issue of relevance for the operations of the management company, UCITS fund and depositary.

A report shall be compiled on the conducted on-site supervision.

The Commission shall regulate in more detail the conditions and manner of performing supervision, as well as the criteria and procedure for imposing and enforcing measures and sanctions applied by the Commission.

## **Supervision Measures**

### **Article 117**

If the Commission finds violations of the law or irregularities in operations when supervising a management company, UCITS fund, and a depositary, it shall order the management company and the depositary to remedy the established irregularities by an administrative decision within the time limit not exceeding 60 days if the date of receipt of such decision.

In addition to the decision referred to in paragraph [1] of this Article, the Commission may take one or more measures:

- 1) pronounce a public censure;
- 2) withdraw approval of appointment of member of management in the management company, or manager of the depositary;
- 3) revoke the authorization of the management company or the authorization to perform depositary function of the depositary and that of a natural person.

In addition to the supervision measures referred to in paragraph [2] of this Article, the Commission may take the following measures against management companies:

- 1) issue a cease and desist order for any act that is in contravention of the provisions of this Law;
- 2) issue a written reprimand in compliance with the provisions of the law governing the capital market;
- 3) order the management company to increase capital to the appropriate level provided for in this Law;
- 4) temporarily prohibit the management company to:
  - (1) issue and redeem investment units and the sale of investment units,
  - (2) dispose of UCITS fund' assets,
  - (3) perform certain or all authorized activities;
- 5) order dissolution of a UCITS fund or merger with another UCITS fund;
- 6) order to transfer the management of UCITS fund to another management company within the time limit set by the Commission;
- 7) order improvement of risk management policies and processes;
- 8) impose other measures it deems necessary for conducting the business operations in compliance with the provisions of this Law, the law governing the capital market and its implementing legislation.

The measures referred to in paragraph [3] of this Article shall apply mutatis mutandis to the depositary.

In the decision referred to in Para. [1] of this Article, the Commission shall set a time limit for compliance with measures referred to in this Article, as well as a time limit for reporting such compliance to the Commission.

If in the exercise of its competences, the Commission finds that there are legal persons that perform the activities of management company, but are not authorized or registered pursuant to this Law, it shall ban them from performing the functions which, under this Law, shall be performed by management companies, and undertake other measures in compliance with the law.

Independently of the other measures imposed under this Article, the Commission may impose a fine on the supervised entity, and a member of management which shall not be less than 1% or higher than 5% of the minimum capital, i.e. the supervised entity's capital, according to the last financial statement, i.e. it cannot be lower than one salary or higher than the total of twelve salaries the member of management has received in the period of 12 months preceding the day of adoption of the decision.

Where the Commission considers there are indications of a criminal offense, commercial/economic offense, or misdemeanor, it shall bring appropriate charges with the relevant competent authority, i.e. it shall refer a request for charges against the person to the authority responsible for investigating and prosecuting criminal offenses, commercial offenses or misdemeanors.

### **Revocation of Management Company Authorization**

#### **Article 118**

The Commission shall revoke the management company authorization by an administrative decision if:

- 1) it does not make an application for registration, pursuant to the law governing the registration of companies, within 30 days of being granted the authorization;
- 2) if it does not make use of the authorization within 12 months, expressly renounces the authorization, or if it has ceased to carry out the business activity provided for in this Law, for more than six months;
- 3) it has obtained the authorization through false statements;
- 4) it no longer meets the conditions for obtaining the authorization laid down in this Law;

- 5) it seriously infringes the provisions of this Law, the law governing the capital market, and the law governing prevention of money laundering and terrorism financing;
- 6) it fails to act in compliance with the issued order, even after the undertaken measures stipulated in Article 117, paragraphs [1] and [3] of this Law;
- 7) when it submits a notification to the Commission stating its intention to cease pursuing the business activity and an application for the striking-off the Register of Management Companies;
- 8) due to the initiation of bankruptcy or liquidation proceedings.

In the case of revocation of the authorization referred to in paragraph [1] of this Article, the Commission shall perform supervision over the operations of the management company.

The Commission shall regulate in more detail the time limits and documentation required for performing supervision and revocation of authorizations referred to in paragraph [1] of this Article.

### **Publication of Imposed Measures and Sanctions**

#### **Article 119**

The Commission may inform the public about the measures imposed for breaches of the provisions of this Law by publishing them on its website after having first notified the person against whom the measure was imposed.

Before informing the public of the measures referred to in paragraph [1] imposed against a depositary having its registered office in the Republic, the Commission shall consult the National Bank of Serbia.

The Commission shall make public the information about the type and nature of the violations of the provisions of this Law, and it shall regulate in more detail the method used for publication of such information in a bylaw.

The decisions published pursuant to this Article shall remain publicly available on the website of the Commission for at least five years from the date of their initial publication.



## VII FOREIGN MANAGEMENT COMPANIES AND INVESTMENT FUNDS

### Article 120

Foreign management companies and UCITS funds which intend to raise capital in the Republic shall register and operate in compliance with this Law.

## VIII PENAL PROVISIONS

### 1. Criminal offenses

#### *Publication of False Information about UCITS Fund*

### Article 121

Whoever publishes false information on financial position of the UCITS fund or other untrue facts relevant for making an investment decisions in UCITS fund rules, prospectus, key information, annual or half-yearly report, or publishes incomplete information about such facts, with the intent to deceive investors, shall be punished with a fine or imprisonment of up to one year.

Where the action referred to in paragraph [1] of this Article has resulted in financial gain or damage to other persons amounting to over 1,500,000 dinars, the perpetrator shall be punished by both a term of imprisonment of up to three years and a fine.

#### *Unauthorized Performance of Activities of Management Company and Depositary*

### Article 122

Whoever performs the activity of a management company or the activity of a depositary without authorization with the intent of procuring financial gain for themselves or another, shall be punished by a fine or a term of imprisonment of up to one year.

Where the action referred to in paragraph [1] of this Article has resulted in financial gain or damage to other persons amounting to over 1,500,000 dinars, the perpetrator shall be punished by both a term of imprisonment of up to three years and a fine.

### 2. Economic/Commercial Offenses

### Article 123

A management company shall be fined 500,000 to 3,000,000 dinars for an economic offense if it:

- 1) provides services in contravention of the provisions of Article 6 of this Law;

- 2) holds an equity interest or participating in the management of other legal persons in contravention of the provisions of Article 7 of this Law;
- 3) delegates management functions, i.e. portfolio management and risk management functions without prior approval of the Commission referred to in Article 26, paragraph [2] of this Law;
- 4) does not comply with investment limits referred to in Articles 43 and 44 of this Law;
- 5) disposes of UCITS fund's assets in contravention of Article 46 of this Law;
- 6) fails to determine the value of the UCITS fund's assets or the price of an investment unit in compliance with Articles 47 and 49 of this Law;
- 7) fails to maintain a register of investment units in compliance with Article 48, paragraph [4] of this Law;
- 8) fails to submit amended prospectus or key information to the Commission for approval in compliance with Article 63, paragraph [1] of this Law;
- 9) fails to notify the fund members of the amendments to the UCITS fund rules, prospectus or key information in compliance with Article 65 of this Law;
- 10) calculates fees in contravention of Article 66 of this Law;
- 11) delegates management functions, without prior approval of the Commission referred to in Article 70, paragraph [1] of this Law;
- 12) acts contrary to the prohibition of the issuance or redemption of investment units after the decision on dissolution is made as referred to in Article 73, paragraph [1] of this Law;
- 13) prevents effective supervision by authorized persons of the Commission in compliance with the provision of Article 116 of this Law.

The responsible officer of the management company shall be punished for an economic offense by a fine of between 50,000 and 200,000 dinars for the actions referred to in paragraph [1] of this Article.

#### **Article 124**

A fine of between 500,000 and 3,000,000 dinars as penalty for a commercial/economic offense shall be imposed against a depositary that:

- 1) fails to return the funds collected in compliance with Article 35, paragraph [4] of this Law;
- 2) acts contrary to the prohibition of the issuance or redemption of investment units after the decision on dissolution is made as referred to in Article 73, paragraph [1] of this Law;

- 3) in the event of revocation of management company authorization and dissolution of UCITS fund, fails to take actions laid down in the provisions of Articles 74 and 75 of this Law;
- 4) fails to comply with the obligations referred to in Article 99 of this Law;
- 5) disposes of the funds of the UCITS fund in compliance with Article 100 of this Law;
- 6) fails to handle the assets of the UCITS fund in compliance with Article 101, paragraph [1] and 102, paragraph [5] of this Law;
- 7) delegates the depositary functions to a third party without prior approval of the Commission referred to in Article 104 paragraph [1] of this Law.

The responsible officer of the depositary shall be punished for an economic offense by a fine of between 50,000 and 200,000 dinars for the actions referred to in paragraph [1] of this Article.

### **Article 125**

A legal person that fails to dispose of shares in compliance with Article 15 paragraph [3] of this Law shall be punished for an economic offense with a fine from 500,000 to 3,000,000 dinars.

The responsible officer of the legal person shall be punished for economic offense with a fine of 50,000 and 200,000 dinars for the actions referred to in paragraph [1] of this Article.

## **3. Misdemeanors**

### **Article 126**

A management company shall be punished for a misdemeanor with a fine from 300,000 to 2,000,000 dinars if it:

- 1) fails to notify the Commission of any material changes in the information and the conditions under which they were granted authorization in compliance with Article 13, paragraph [2] of this Law;
- 2) appoints as member of management a person who does not meet the conditions referred to in Article 16 of this Law;
- 3) fails to obtain approval in compliance with Article 21, paragraph [2] of this Law;
- 4) fails to maintain separate books of account, compile financial statements and submit reports to the Commission in compliance with Article 24 and 25 of this Law;

- 5) fails to notify the Commission on the delegation of functions referred to in Article 26, paragraph [1] of this Law;
- 6) fail to establish a comprehensive and efficient risk management system in compliance with Article 30 paragraph [1] of this Law;
- 7) pursues a remuneration policy in contravention of the provisions of Article 31 of this Law, as well as the prospectus and key information of the UCITS fund managed by the management company;
- 8) fails to publish information on the website in compliance with Article 34, paragraph [1] of this Law;
- 9) in respect of the UCITS fund's investment policy, fails to act in compliance with Article 41 of this Law;
- 10) when redeeming investment units, fails to act in compliance with Article 55 of this Law;
- 11) fails to act in compliance with Article 56 this Law;
- 12) fails to present for signature the statement referred to in Article 60, paragraph 7 of this Law to persons purchasing investment units joining a UCITS fund;
- 13) fails to submit to the Commission the amended prospectus for approval when significant changes occur, in compliance with Article 63 paragraph [1] of this Law;
- 14) fails to notify fund members on the transfer of UCITS fund management rights within the prescribe time limit referred to in Article 70 paragraph [3] of this Law;
- 15) fails to provide the Commission with a copy of the concluded contract and its subsequent amendments within the meaning of Article 96 paragraph [4] of this Law;
- 16) fails to comply with Article 102 paragraph [7] of this Law.

The responsible officer of the management company shall be punished for a misdemeanor with a fine of between 10,000 and 150,000 dinars for the actions referred to in paragraph [1] of this Article.

### **Article 127**

A fine of between 300,000 and 2,000,000 dinars as penalty for a misdemeanor shall be imposed against a depositary that:

- 1) renders a decision appointing a depositary manager without the approval of the Commission in contravention of Article 93, paragraph [5] of this Law;

- 2) fails to obtain the Commission's approval for business rules concerning the performance of depositary functions in compliance with Article 95, paragraph [1] of this Law;
- 3) delegates depositary functions in contravention of the provisions of Article 103, paragraph [1] of this Law;
- 4) fails to act in compliance with Article 108 of this Law regarding the notification of issues relevant for supervision;
- 5) fails to inform the Commission and management company in compliance with Article 111 paragraph [1] of this Law;
- 6) fails to notify the Commission in compliance with Article 112, paragraph [2] of this Law.

A fine of between 10,000 and 150,000 dinars shall also be imposed against the responsible officer of the depositary concerned as penalty for a misdemeanor referred to in paragraph [1] of this Article.

#### **Article 128**

A legal person shall be punished for a misdemeanor with a fine from 300,000 to 2,000,000 dinars if it:

- 1) uses the term 'investment fund', 'undertaking for the collective investment in transferable securities' or 'UCITS fund' or phrases derived therefrom in contravention of the provisions of Article 3 of this Law;
- 2) uses the term 'društvo za upravljanje otvorenim investicionim fondom sa javnom ponudom' ['management company of a collective investment undertaking in transferable securities'] or the words: 'društvo za upravljanje UCITS fondom' ['UCITS fund management company'] or another similar name in violation of Article 10, paragraph [2] of this Law.

The responsible officer of the legal person shall be punished for an economic offense for the actions referred to in paragraph [1] of this Article with a fine of 10,000 to 150,000 dinars.

A sole trader shall be punished for a misdemeanor with a fine of 10,000 to 150,000 dinars for the actions referred to in paragraph [1] of this Article.

#### **Article 129**

A natural person shall be punished for a misdemeanor with a fine of 5,000 to 150,000 dinars for the offense:

- 1) under Article 123, paragraph [1], point 13) of this Law;
- 2) referred to in Article 125, paragraph [1] of this Law.

## **IX TRANSITIONAL AND FINAL PROVISIONS**

### **Article 130**

Management companies that manage open-ended investment funds in compliance with the Law on Investment Funds ("Official Gazette of the Republic of Serbia", No 46/06, 51/09, 31/11 and 115/2014), shall harmonize their operations and general documents, i.e. the operation of the funds they manage, with the provisions of this Law within nine months from the day of entry into force of this Law.

### **Article 131**

Credit institutions authorized by the Commission to perform the activities of a custody bank in compliance with the Law on Investment Funds (Official Gazette of RS, No 46/06, 51/09, 31/11 and 115/2014) shall proceed to perform depositary functions in compliance with this Law and the bylaws adopted pursuant to this Law.

Credit institutions referred to in paragraph [1] of this Article shall harmonize their operations and general documents with the provisions of this Law, within nine months from the date of entry into force of this Law.

### **Article 132**

Implementing legislation under this Law shall be adopted within six months from the day of entry into force of this Law.

### **Article 133**

Procedures that have not been completed by the date of this Law becoming applicable will be completed pursuant to the provisions of the Law on Investment Funds (Official Gazette of the Republic of Serbia, No 46/06, 51/09, 31/11 and 115/2014).

### **Article 134**

On the date this Law becomes applicable, the Law on Investment Funds (Official Gazette of the Republic of Serbia, No 46/06, 51/09, 31/11 and 115/14) shall cease to apply.

### **Article 135**

Article 16, paragraphs [2] and [3] of this Law shall become applicable as of the date of accession of the Republic of Serbia to the EU.

### **Article 136**

This Law shall enter into force on the eighth day following the date of its publication in the Official Gazette of the Republic of Serbia, and shall become effective upon the expiry of six months of its entry into force.