



FINANCIAL SERVICES COMMISSION DISCUSSION PAPER: PROPOSED AMENDMENTS TO THE UNIT TRUST ACT AND REGULATIONS

1.00 Background

- 1.01 Investments in collective investment schemes ("CIS") in Jamaica are sold and regulated under two pieces of legislation administered by the Financial Services Commission ("FSC"), namely:
- the Unit Trust Act ("UTA") and
 - the Securities Act.
- 1.02 The UTA was passed by the Parliament in 1970. Some 23 years later the Securities Act was passed into law. Since 1998 a moratorium has been imposed on the registration of new unit trust schemes and products under the UTA.
- 1.03 The Securities Act was amended in 1996 whereby section 17A was inserted. Section 17A¹ of the amended Securities Act prohibits the issuance of invitations "to become a participant in a mutual fund unless under a scheme approved by the Commission in accordance with regulations under this Act." The Securities (Mutual Funds) Regulations ("MFR") were subsequently promulgated in 1999, the year following the imposition of the moratorium on new unit trust schemes and products.
- 1.04 It is evident from the foregoing that mutual funds were intended to be the primary CIS vehicle for the pooling of investor funds in Jamaica going forward. However, the establishment of local CIS in the form of mutual funds registered under the MFR has been effectively blocked in part by inconsistencies between certain provisions in the Companies Act and the operational requirements of mutual funds.
- 1.05 In addition, mutual funds in the form of companies are treated for tax purposes as an ordinary company which leads to additional tax burdens for investors who indirectly invest in securities via mutual funds rather than directly. Consequently, the tax treatment of mutual funds acts as a major

¹ Section 17A of the Securities Act was amended in 2001. The section now states as follows:

"(1) A company, whether incorporated in Jamaica or elsewhere, or any other person shall not in Jamaica issue or cause to be issued any invitation to any person to become a participant in a mutual fund unless under a scheme approved by the Commission in accordance with regulations made under this Act.

(2) In this section "mutual fund" means -

(a) any fund (other than a private trust fund or pension fund), scheme or arrangement-

(i) owned, controlled, supervised or operated by a person or by a body corporate, whether incorporated in Jamaica or elsewhere;

(ii) the proceeds, profits or income from which are pooled and are managed or invested or both directly or indirectly by the person or body corporate on behalf of persons investing in the fund; and

(iii) in which the investor has the right to dispose of his shares, stocks, securities or other property or to have them redeemed or repurchased by that person or body corporate, whether or not at fixed periods; or

(b) such other arrangements as the Minister may prescribe by order."

disincentive for the creation of local mutual funds. On the other hand, unit trusts are not treated in the same manner under Jamaica's existing tax law as the law provides measures to facilitate investment via unit trusts without imposing an additional tax burden.

- 1.06 Although significant effort has been made to address the issues stymieing the creation of local mutual funds, it has become apparent that these matters will not be resolved in the short term. The combined impact of the moratorium on unit trusts and the current inoperability of the MFR (in so far as local mutual funds are concerned) have had a negative effect on the development of Jamaica's domestic CIS sector. In view of the above the FSC has examined, as an interim measure, the possibility of lifting the moratorium on unit trusts while still remaining committed to addressing the issues affecting mutual funds in the shortest possible time.
- 1.07 In order to lift the moratorium, the FSC considers it necessary to impose additional requirements for unit trusts managers² to ensure that a similar level of protection that would have been afforded an investor if he/she were investing in a mutual fund registered under the MFR is secured for the investor when investing in a unit trustscheme.
- 1.08 The paper therefore sets out the proposed requirements which are intended to be introduced by way of guidelines and amendments to the Unit Trust Act ("UTA") and the Unit Trusts Regulations ("UTR"). The paper contains three (3) tables: the first table details changes to be implemented using guidelines initially, then subsequently incorporated into legislation; the second table details changes to be implemented only as guidelines; and the third table details changes to be implemented using legislative amendments.
- 1.09 We would appreciate receiving your comments on this discussion paper on or before the close of business on October 4, 2006. Comments may be submitted by electronic mail to securities@fscjamaica.org or be directed to George Roper, Senior Director, Securities at the following address:

Financial Services Commission
Securities Division
39 - 43 Barbados Avenue
Kingston 5
Jamaica

² One impact of the amendment of the Securities Act in 2001 was the removal in section 2(3) of an exemption from licensing as a securities dealer originally granted by the Act to persons "*acting in the capacity of manager or trustee under a unit trust scheme*". Consequently, the manager of a unit trust scheme must be licensed as a dealer under the Securities Act in order to legally carry out his investment management responsibilities in respect of the unit trust scheme.

2.00 Proposed Amendments

The proposed amendments to the provisions governing the operations of unit trusts are set out in the tables below along with the rationale for the proposed change.

TABLE 1

CHANGES TO BE IMPLEMENTED USING GUIDELINES INITIALLY, THEN SUBSEQUENTLY INCORPORATED INTO REGULATIONS OR LEGISLATION	
PROPOSED CHANGES	RATIONALE FOR CHANGE/COMMENTS
<p>1. Revised Eligibility and Minimum Capital Requirements for Trustees</p> <p>Include a provision which states that the persons eligible for appointment as trustees should be one of the following:-</p> <ul style="list-style-type: none"> o A company licensed under the Financial Institutions Act o A company licensed under the Banking Act o A company licensed under the Building Society Act o A company licensed under the Securities Act as a <ul style="list-style-type: none"> a) Central Securities Depository b) Securities Dealer c) Investment Advisor <p>These entities must have capital</p> <ul style="list-style-type: none"> I. in excess of \$200 million or II. in excess of \$100 million so long as <ul style="list-style-type: none"> a) the company substantially specializes in providing trusteeship/custodial services (that is to say at least 75% of its gross revenue is derived from such activities) and b) the company is able to demonstrate to the Commission that it possesses the required expertise and infrastructure to carry out trusteeship/custodial services. o A company which: <ul style="list-style-type: none"> 1. is able to satisfy the FSC 's criteria for Fit and Proper Status 2. meets the stipulated capital requirement of \$200 million. <p>NB. In addition all institutions must have adequate errors and omission insurance in place in order to qualify act as trustees or custodian.</p>	<p>This would help to ensure that trustees have adequate capital and that only persons with the requisite expertise who meet established fit and proper criteria are deemed eligible for providing this service.</p>

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<p>2. Minimum Duties and Responsibilities of Trustees/ Custodians A provision will be included which stipulates that the duties and responsibilities of the trustee should include:-</p> <p><i>a) Taking control of and ensuring safekeeping of the assets</i></p> <ul style="list-style-type: none"> - Assets forming part of the unit trust scheme shall be deposited with the trustee or its nominee for the purpose of providing safekeeping. - Assets forming part of the unit trust scheme shall be registered in the name of the trustee. An account number or other designation in the records of the trustee must show that the beneficial ownership of the asset is vested in the unit holders of the particular unit trust. <p><i>b) Preparation of review and compliance reports</i></p> <ul style="list-style-type: none"> - The trustees, where they function as custodians for a unit trust scheme shall on a periodic basis (at least twice per annum) ensure that a 100% physical verification of securities and other assets held by the unit trust scheme is conducted. At least one of these verification exercises should be conducted by an external auditor. - The trustees, where they function as custodians for the unit trust scheme shall require their auditors to provide a report to the regulator regarding the trustee's internal controls and operating procedures at least once per year. 	<p>These requirements specify minimum obligations which should be placed on the trustee and in so doing reinforces and supplements existing legislative provisions related to the obligations of a trustee as a fiduciary.</p> <p>These provisions will be similar to the requirements of mutual fund custodians as per the proposed amendments to the mutual fund regulations. They will be applicable where the trustees are acting as custodians for the fund.</p>
<p>3. Requirements for Management Companies Provisions to be included which stipulate that-</p> <p><i>(a) Management companies should have full power to deal with trust fund</i></p> <p>A copy of the audited accounts of the scheme must be sent by the management company to the trustee and the unit holders within six months after the end of the accounting period. These accounts should be accompanied by a report of the management company on the investment portfolio as well as the movements</p>	<p>This facilitates additional disclosure to investors and falls within the scope of the manager's duties.</p> <p>These provisions would also bring the current unit trust legislation in line with the Mutual Fund Regulations.</p>

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<p>in the value of the portfolio.</p> <p>(b) <i>Power to sub- delegate</i> The management and administration of the unit trust scheme and all or any of the rights, privileges, powers, duties, trust and discretions vested in the management company may be delegated to any person approved by the trustee.</p> <p>If the trustees/management agreement provides for sub-delegation the FSC must be notified and the person must meet the Commission's fit and proper requirements.</p> <p>(c) <i>Removal/Retirement of Management Company</i> The management company shall be removed by notice in writing from the trustee if the management company goes into liquidation, becomes insolvent or enters into insolvency proceedings.</p> <p>The management company may be removed as provided in the trust deed.</p> <p>Upon retirement or dismissal of the management company the trustee must forthwith file a report with the Commission and appoint a new management company as soon as is practicable.</p> <p>The trust deed of an authorised unit trust scheme shall specify the conditions and the procedures to be followed with respect to the replacement of the management company or trustee under the scheme, and shall contain provisions to ensure the protection of unit holders in the event of any such replacement.</p>	<p>There is a need for transparency on this issue as it could have significant impact on the scheme if not properly managed.</p>
<p>4. Disclosures of Material Changes</p> <p>(a) <i>Definition of material change</i> A "Material Change" should be defined as follows:</p> <p>A change in the business, operations or affairs of the unit trust scheme that would be considered important by a reasonable investor in determining whether to purchase or continue</p>	<p>This provision will assist current and prospective investors in determining how material or significant changes to the fund have affected the overall level of risk</p>

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<p>to hold units of the unit trust scheme</p> <p>(b) <i>Disclosure requirements</i> Provisions to be included which stipulate that if a material change occurs in the affairs of the scheme, where they are aware of the change, the management company and /or the trustee shall:</p> <ul style="list-style-type: none"> o File a report with the Commission of such material change as soon as practicable thereafter, but not later than ten days of the date on which the change occurs. o Immediately notify the unit holders by way of a news release of the substance and nature of the event, even if the nature of the event is one which does not require unit holders to vote on an issue. o Where the event is one which the trust deed requires unit holders to vote on an issue, then a meeting of unit holders must be convened in accordance with the provisions in the trust deed. 	<p>associated with an investment in the fund.</p> <p>These provisions would also bring the current unit trust legislation in line with the Mutual Fund Regulations.</p>
<p>5. Expanded Compliance Reporting Requirements Provisions to be included which stipulate that-</p> <p>(a) <i>The basis for calculating Net Asset Value per unit</i> Net Asset Value means for a unit trust scheme as at a specific date, the fair value of the total assets of the scheme less the fair value of the total liabilities of the scheme as at that date, calculated in accordance with the accounting standards used in Jamaica. Requirements in respect of unit price calculations are:-</p> <ul style="list-style-type: none"> i) Each transaction of purchase or sale of a security shall be reflected in a calculation of the unit price no later than the first calculation on the first business day following the trade date. ii) Changes in the number of outstanding units of the registered unit trust scheme resulting from distributions and redemptions shall be reflected no later than in the first calculation on the first business day following such change. 	<p>This will ensure some consistency in the method of valuation of Net Asset Value per unit, and bring the unit trust legislation in line with the proposed amendments to the mutual fund regulations.</p>

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<p><i>(b) Frequency of Calculation of Unit Prices</i></p> <ul style="list-style-type: none"> i) The unit price of a unit trust scheme shall be calculated at least once per day. ii) The unit price of a unit trust scheme shall be calculated in the currency of the scheme. iii) Unit Trust schemes should price their securities at 3p.m. eastern standard time. Orders received after 3p.m. receive the price determined at 3p.m. on the next business day. <p><i>(c) Definition of Trade Date</i> The "trade date" is the date that an entity commits itself to purchase or sell an asset. Trade date refers to:</p> <ul style="list-style-type: none"> i) The recognition of an asset to be received and the liability to pay for it on the trade date ii) De-recognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date. 	
<p>6. Return on Investment Calculation Our proposed provisions stipulate that:-</p> <ul style="list-style-type: none"> ▪ The management company of the unit trust scheme shall on a quarterly basis provide a report to the regulator giving full details of the method of calculation of the schemes return on investment. ▪ The management company of the unit trust schemes shall publish the return on investment in a widely circulated newspaper at least once per week. ▪ "Return on investment" means the amount earned on the capital invested by the investor expressed as an annual percentage after deduction of all charges and fees. 	<p>This will ensure adequate disclosure and enhance accountability.</p>
<p>7. Additional Disclosure Requirements</p>	

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<p>Our proposed provisions stipulate that:</p> <p><i>a) Financial Statements</i> The annual financial statements of a unit trust scheme shall set out the amounts of all fees, charges and expenses, if any, that have been charged to the scheme during the financial year.</p> <p>Unit trust schemes must state the following in a note to the financial statements:</p> <ul style="list-style-type: none"> (i) any adjustment for market appreciation or depreciation; (ii) other deductions for fees, loads and other charges, including an explanation of such deductions; (iii) the net assets due to the investors; (iv) disclose the unit prices as well as the method of calculation of unit prices; (v) disclose the method of valuation of assets in the portfolio; and (vi) details of related party transactions where an affiliate of a scheme purchases or sells units in the scheme which is equivalent to 5% or more of the value of the portfolio. <p><i>b) Quarterly un-audited statements</i> Every unit trust scheme shall before the expiry of forty- five days from the 31st March, 30th June, 30th September and the 31st December forward to the Commission a copy of the following documents:-</p> <ul style="list-style-type: none"> - a comparative balance sheet including changes from the previous period and - un-audited profit & loss account including changes from the previous period. <p>The un-audited financial statements should include the following:</p> <ul style="list-style-type: none"> (i) the adjustment for market appreciation or depreciation; (ii) other deductions for fees, loads and other charges, including an explanation of such deductions; (iii) the net assets due to the investors; (iv) disclose the unit prices as well as the 	<p>This will provide information to investors on the level of expenses paid by the fund. A certain level of detail within the financial statements is considered necessary to assist comparability and consistency of financial information.</p> <p>These changes will clarify the reporting requirements and align them with the requirements for mutual funds as per the proposed amendments.</p>

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<p>(v) method of calculation of unit prices and disclose the method of valuation of assets in the portfolio.</p> <p>c) <i>Annual Publication</i> A unit trust scheme shall before the expiry of one hundred and twenty (120) days be required to publish its audited financial statements in a widely circulated local newspaper.</p> <p>d) <i>Half Yearly Publication</i> A unit trust scheme shall before the expiry of sixty (60) days be required to publish its un-audited balance sheet and profit & loss in a widely circulated local newspaper.</p> <p>e) <i>Offering Circulars</i> Every unit trust scheme shall forward to the Commission a copy of the new offering circular at least 30 days prior to the expiration of the seven (7) month period for which it is valid.</p> <p>f) <i>Monthly investment portfolio statement</i> Every unit trust scheme shall forward to the Commission monthly within 15 days after the month end a copy of their investment portfolio.</p>	
<p>8. Diversification Requirements We propose to include provisions regarding diversification that stipulate the following</p> <p>i) A unit trust scheme shall not purchase a security or other assets of an issuer if immediately after the transaction, more than 10 percent of the net assets of the scheme, taken at market value at the time of the transaction, would be invested in the securities of that issuer.</p> <p>ii) The above provision would not apply, however, to a purchase of a government security which has received a rating from an international credit rating agency that is equal to or higher than the rating received by the sovereign debt of the Government of Jamaica.</p> <p>iii) Where a unit trust scheme acquires a security</p>	<p>These changes will align concentration requirements with the proposed requirements for mutual funds.</p>

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<p>of an issuer other than as a result of a purchase, and the acquisition results in the unit trust scheme exceeding the limits described above, the unit trust scheme shall not purchase any additional securities issued by that issuer whilst the relevant limits are exceeded.</p> <p>iv) The Commission may, on application in writing in that behalf, permit a unit trust to be operated as a non-diversified scheme. Where the Commission grants this permission, it shall require the unit trust scheme to be described in such a manner that will identify the actual portfolio mix.</p>	
<p>9. Registration Requirements Proposed enhancements to the existing registration requirements for unit trustschemes are as follows:</p> <p>(a) Enhanceregulation 3 (2) (d) Unit Trust (Registration of Schemes) Regulations with an explanation that certificates refer to:</p> <p style="padding-left: 40px;">A statement signed by the directors of the management company and trustees that to the best of their knowledge; the trustees and management company will be operated independently of each other.</p> <p>(b) Enhance regulation 3 (2) to include the following:</p> <p style="padding-left: 40px;">An application for registration of a unit trust scheme shall be made to the Commission in the form prescribed as Form UT and shall be accompanied by the prescribed non-refundable application fee along with the following documents/information :</p> <ul style="list-style-type: none"> ○ Audited financial statements of the unit trust scheme for a financial year ended within the 12 months immediately preceding the date the application was submitted. ○ Copies of the offering circular and other marketing documents which the applicant or agent will use to market or 	<p>This requirement will ensure consistent registration requirements for all Collective Investment Schemes in Jamaica.</p>

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<p>advertise the unit trust scheme and its investment products to prospective investors.</p> <ul style="list-style-type: none"> ○ Copies of documents of incorporation for the management company and the trustee. ○ Names of distribution agents and copies of any written contracts which will govern the dealers acting as agents for the unit trust scheme. ○ Application forms and other contractual documents to be signed by investors in the scheme. ○ Résumés of directors and officers of the management company and the trustee. ○ Copies of the trust deed ○ Police reports for the directors and officers of the management company and the trustee. ○ List of persons authorized to sign on behalf of the unit trust scheme ○ Certificate from the management company's compliance officer that there was full compliance with the registration requirements. ○ One (1) written character reference for every officer [as defined in section 2 of the Securities Act] of the management company and the trustee. ○ Completed fit and proper questionnaires for every director and officer of the management company and the trustee. ○ Financial statements of the management company and the trustee for a financial year ended within the 12 months immediately preceding the 	

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<p style="text-align: center;">date the application was submitted.</p> <ul style="list-style-type: none"> ○ The scheme's latest un-audited annual and any subsequent half-yearly reports (for existing funds). ○ A business plan covering a period of at least three (3) years. 	
<p>10. Additional Offering Circular Requirements</p> <p>We propose to enhance the schedule to the Unit Trust (Books and Documents) Regulations to include the following additional requirements:-</p> <p>The following items should be disclosed in the unit trusts offering circular:</p> <p>(a) <i>FSC Disclaimer</i> An FSC disclaimer such as the one outlined below should be included on the front cover of the offering circular.</p> <p style="padding-left: 40px;"><i>"The Financial Services Commission does not pass upon the accuracy or adequacy of the information contained in the Offering Circular. Any such representation is a criminal offence."</i></p> <p>(b) <i>Effective Period</i> The offering circular must have an effective period. A statement should be made that once the effective period has expired the circular cannot be used as the basis for marketing the product.</p> <p>(c) <i>Risk</i> The risk factors or other investment considerations associated with investing in a unit trust should also be included in the offering circular.</p> <p>(d) <i>The Unit Trust Scheme</i> Amend item 1 of the schedule to include the following:</p> <ul style="list-style-type: none"> ● Country or territory of establishment; ● Address of management company's registered office, if the management company is a subsidiary, the 	<p>This requirement will enhance the disclosure requirements of the offering circular, and provide similar information to the mutual fund prospectus.</p>

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<p>address of the parent company;</p> <ul style="list-style-type: none"> • Date the trust was established; • If the management company is also the management company for another scheme, the name of that scheme, its investment objectives and the fact that the management company is also the manager and operator of the scheme; • Whether the scheme has been registered by the Commission. <p>(e) <i>The Trustee</i> Amend item 2 of the schedule to include:</p> <ul style="list-style-type: none"> • Nature of corporate form; • Country or territory of incorporation; • If a subsidiary, name of ultimate holding company; • Address of registered office; • Description of principal business activity; • Whether or not it is a licensed financial institution in Jamaica. <p>(f) <i>Investment Advisor</i> If the management company employs the services of a licensed investment adviser who manages any of the property of the scheme and provides advice in relation to the scheme, then the following must be stated:</p> <ul style="list-style-type: none"> ▪ Name ▪ Address ▪ Whether or not the Commission has been notified that the advisor has been contracted to act in this capacity <p>e) <i>Auditor and Registrar</i> Amend item 4 of schedule to include:</p> <ul style="list-style-type: none"> • Address of auditor • Name and address of registrar <p>f) <i>Investment Policy</i> Extend the requirements for the scheme's investment policy (item 7 of schedule) to include:</p>	

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<p>held in the investment portfolio of the scheme should be included in the offering circular.</p> <p>(k) <i>Other</i> A disclosure similar to that outlined below should be included in the circular.</p> <p><i>"Unit Trusts own different types of investments depending on their investment objectives. The value of these investments may change from day to day, reflecting changes in interest rates, economic conditions and company news. As a result, the value of the scheme's units may go up or down and the value of your investment in the scheme may be more or less when you redeem it than when you purchased it"</i></p> <p>(l) <i>Valuation of the Scheme</i> The offering circular should also state whether the investment portfolio is being carried at fair value. If the market value of an asset is not being used, then the method of valuation should be clearly stated.</p> <p>The frequency of valuation must also be stated. This includes what time of day the assets will be regularly valued for the purpose of determining prices at which the securities in the scheme may be issued and redeemed by the management company.</p> <p>(m) <i>Fees and Charges</i> Include a disclosure detailing all types of fees levied on the scheme, including:</p> <ul style="list-style-type: none"> • Preliminary Charge • Periodic Charge • Charge on Redemption • Other charges and Expenses <p>The disclosure should indicate clearly whether these charges are borne directly by the investor or indirectly (i.e. the</p>	<p>The investment portfolio discloses the current investments in the scheme.</p> <p>The investor will be aware of all relevant fees being charged on his investments.</p>

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<p>charge is borne by the scheme).</p> <p>(n) <i>Past Performance</i> The offering circular should include a statement advising that past performance of the scheme should not be taken as an indication of future performance.</p> <p>A graph showing in chronological order, the annual total returns of the scheme for at least each of the last 5 years, or such period since the scheme has been in existence (if shorter).</p> <p>(o) <i>Conflict of Interest</i> Ensure that where there are conflicts of interest this is properly disclosed</p> <p>(p) <i>Plain Language</i> Offering circulars should be written in clear and concise language to ensure that the investing public understands the contents of the document.</p>	<p>The investor will be aware of any potential conflicts of interests</p> <p>Information must be disclosed in a manner that is easily understood by the average investor.</p>

TABLE 2

CHANGES TO BE IMPLEMENTED USING GUIDELINES ONLY	
PROPOSED CHANGES	RATIONALE FOR CHANGE/COMMENTS
<p>1. Minimum Duties and Responsibilities of Trustees A provision will be included which stipulates that the duties and responsibilities of the trustee should include:-</p> <p>a) <i>Duty of efficient management</i> Trustees will be expected to</p> <ul style="list-style-type: none"> • Become acquainted with the terms of the trust deed; and • Ensure proper structures and procedures are in place for the smooth operation of the unit trust. <p>b) <i>Acting impartially</i></p> <ul style="list-style-type: none"> - Trustees must act in the best interest of the unit holders. - Trustees must not profit from their position as trustee except for any fees paid for their service. - Trustees must not sell to or purchase assets from the trust fund for their own account or for the account of persons associated with them unless the transactions are conducted at arms length. - Trustees should take steps to reduce the possibility of situations where their own personal interest may conflict with their duties to the unit holders. 	<p>These requirements specify minimum obligations which should be placed on the trustee and in so doing reinforces and supplements existing legislative provisions related to the obligations of a trustee as a fiduciary.</p>

TABLE 3

CHANGES TO BE IMPLEMENTED BY AMENDING THE REGULATIONS AND LEGISLATION	
PROPOSED CHANGES	RATIONALE FOR CHANGE/COMMENTS
<p>1. Application, Registration and Renewal Fees Proposed amendments to the Unit Trusts (Registration of Schemes) Regulations ("UTR") are outlined below:-</p> <p>(a) <i>Application fee for registration of Unit Trust Scheme (non-refundable)</i> Amend regulation 3 (1) of the UTR to reflect that an application for registration of any scheme should be accompanied by a non-refundable application fee of J\$50,000.</p> <p>(b) <i>Registration Fee</i> Amend regulation 3 (2) of the UTR to stipulate that a unit trust scheme which is registered pursuant to Regulation 3 (1) shall upon the receipt of notification of registration status, pay to the Commission, a registration fee of J\$100,000.</p> <p>(c) <i>Annual Fee</i> The UTR should also be amended to require each scheme within 30 days of the anniversary of its registration to pay an annual fee of J\$100,000.00.</p>	<p>Currently, there are no requirements for the payment of application fees. The proposed fees will more adequately reflect the cost of regulating the industry, and make the fee structure comparable with the mutual funds.</p> <p>In addition Unit Trust managers pay dealers fees based on the value of the assets under management.</p>
<p>2. Accountant General Receipt Remove the words "Accountant General" from regulation 8 (4) of the Unit Trusts (Books and Documents) Regulations ("UBR") and replace it with the Financial Services Commission.</p>	<p>All payments should now be made to the FSC.</p>
<p>3. Reference to Accountant General Replace the words Accountant General with the words Financial Services Commission in the Unit trust regulations wherever it appears.</p>	<p>All payments should now be made to the FSC.</p>
<p>4. Issuing Contract Notes and Statements in lieu of Certificates We propose to amend the provisions which require the unit trust to issue certificates. (Item 2 of the schedule to the Unit Trust Act) & (Regulation 4 – Books & Document regulations)</p> <p>The proposed amendment will stipulate that if a unit trust scheme does not issue certificates then a contract note should be issued as well as a statement should be sent to each investor at the end of each month in which the investor has effected a</p>	<p>This will facilitate the modernization of the unit trust system by using a book -based system.</p>

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<p>transaction.</p> <p>Where the investor has not effected a transaction during a calendar year, but holds units in the scheme on a continuing basis, the management company shall, at the end of the year, forward a statement of account to the investor showing the balance and the details of units held as at December 31st.</p>	
<p>5. Removal of References to Salesmen It is proposed that any references to salesmen in the Unit Trust Act and Regulations be removed, and a provision requiring that only persons registered as "dealer's representatives" under the Securities Act be deemed eligible to sell units in an approved unit trust scheme.</p>	<p>This will ensure that dealer's representatives provide this type of service and remove the salesman function which is now redundant.</p>
<p>6. Definition of Securities Amend the definition of securities in the Unit Trust Act to conform with the definition in the Securities Act.</p>	
<p>7. Inspection of Documents Enhance Part IIIA (Accounts and Audit) Section 18A (4) of the Unit Trust Act to facilitate that all reports submitted to the Commission may be made available for inspection by any person upon payment of a prescribed fee.</p>	