



EXTRAORDINARY

OFFICIAL GAZETTE

THE BAHAMAS

PUBLISHED BY AUTHORITY

NASSAU

16th November, 2005

MINISTRY OF FINANCE

S.I. No. 97 of 2005

THE INVESTMENT FUNDS ACT (Act No. 20 of 2003)

The Investment Funds (SMART Fund) Rules, 2005

In the exercise of powers conferred by section 5(3) of the Investment Funds Act, 2003 the Securities Commission of The Bahamas makes the following rules -

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| Citation. | 1. These rules may be cited as the Investment Funds (SMART Fund) Rules, 2005. |
| Interpretation. | 2. In these Rules-
“SFM 005” means SMART Fund Model SFM 005 as licensed under rule 3;
“financial institution” means a financial institution defined in regulation 2 of the Investment Funds Regulations, 2003;
“term sheet” means the offering document of a SMART Fund that complies with the offering document requirements as provided in Schedule 1. |
| S.I. No. 94 of 2003. | |
| Description of SFM 005. | 3. No fund shall be licensed to operate as a SFM 005 unless – |

- (a) the investment fund is limited to having no more than five (5) investors who hold equity interests in the fund;
- (b) each investor in the fund is a person to whom a professional fund may be offered;
- (c) the fund operates as a private investment vehicle; and
- (d) the fund has appointed an administrator, which administrator shall be a financial institution.

Parameters and Requirements of a SFM 005.

No. 20 of

2003.

S.I. No.

94 of

2003.

4. (1) Subject to paragraph (2), the Investment Funds Act and Investment Funds Regulations, 2003 shall apply to a fund operating as a SFM 005.

(2) A SFM 005 in relation to the items set out in column 1 of the table appearing in Schedule 1, shall comply with the provisions prescribed in Column 2 of that table.

SCHEDULE 1

<p>OFFERING DOCUMENT/TERM SHEET</p>	<p>A term sheet is not required. Where there is a term sheet it shall contain the following information:</p> <ul style="list-style-type: none"> i. Name of Fund ii. Date established iii. Structure of the Fund iv. Name and address of operators v. Nature of Equity Interests vi. Investment objective and policy vii. Dealing policy viii. Distribution policy ix. Name and address of all parties related to the fund; x. A statement that the financial statements of the fund shall be audited annually unless unanimously waived by the holders of the equity interests in the fund and that if there is such a waiver a performance report of the fund shall be filed with the Commission every six months for as long as the waiver is valid. xi. Fees and Expenses xii. Termination xiii. A statement that "the fund is licensed as a SFM 005 pursuant to the Investment Funds Act, 2003 operating as a fund which can not have more than five (5) holders of equity interests, which investors are persons to whom a professional fund may be offered".
<p>SUBSCRIPTION AGREEMENT</p>	<p>The Subscription Agreement of the fund shall contain confirmation that the investor in the fund agrees with and conforms with the regulatory requirements applicable to the SFM 005.</p>
<p>ADMINISTRATOR</p>	<p>The fund shall appoint an administrator which shall be a financial institution. Where the administrator appointed is a licensed unrestricted investment fund administrator it may license the fund provided it will be the administrator of the</p>

	<p>fund and will provide the principal office. Where the fund does not appoint a licensed investment fund administrator it shall not be regarded as a self-administered fund.</p>
<p>TRANSFER OF FUND ADMINISTRATION</p>	<ul style="list-style-type: none"> (i) Where the fund is licensed by the Commission as a SFM 005 it shall notify the Commission of its transfer from one administrator to another fourteen (14) days prior to the effective date of transfer. (ii) Where the fund is licensed by an unrestricted investment fund administrator as a SFM 005 it shall not transfer to a financial institution or a restricted investment fund administrator, unless prior to the transfer, the fund is licensed by the Commission. Where the fund transfers to another unrestricted investment fund administrator the fund shall not be required to be licensed by the Commission prior to its transfer PROVIDED that the unrestricted investment fund administrator to whom it transfers will license the fund and provide the fund's principal office.
<p>FINANCIAL REPORTING REQUIREMENTS</p>	<ul style="list-style-type: none"> (a) The financial statements of the fund shall be audited unless all of the holders of equity interests in the fund unanimously agree to waive the annual audit of the funds' financial statements; (b) Where the annual audit of the financial statements of the fund has been waived the fund shall file with the Commission within six months of the waiver, a performance report of the fund and shall file such a report every six months thereafter as long as the waiver exists; and (c) The administrator of the fund shall make the NAV reports available to

	investors upon request.
ANNUAL CERTIFICATION	The Operators of the fund no later than January 31 of each year shall certify to the Commission that the fund is qualified to operate as a SFM 005.

Made the 10th day of November, A.D., 2005.

Signed
CALVIN KNOWLES
The Securities Commission of The Bahamas
Chairman