

UCITS fund

Legal framework:

Act No. 240/2013 Coll., on Management Companies and Investment Funds, particularly Articles 94 (1), 100 (1), 665 to 675.

Government Regulation No. 243/2013 Sb., on Investing of Investment Funds and on Efficient Portfolio Management Techniques, particularly Articles 2 to 44.

Act No. 256/2004 Sb., on Capital Market Undertakings, as amended, particularly Article 34.

Act No. 89/2012 Coll., Civil Code, particularly Article 126, with derogation pursuant to Articles 5 (3) and 203 (3) of the Act No. 240/2013 Coll.

Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Commercial Corporations Act), particularly Articles 8, 276 and 277, with derogation pursuant to Articles 157 (1), 159 (3) and 203 (1) of the Act No. 240/2013 Coll.

Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

Introduction:

Investment funds are divided in collective investment funds and qualified investors funds pursuant to the Act on Management Companies and Investment funds. Collective investment funds raise capital from the public and they are further divided in UCITS funds and non-UCITS funds.

UCITS fund means a collective investment fund, which complies with requirements laid down in Directive 2009/65/EC (UCITS IV Directive) and is registered in the relevant register maintained by the Czech National Bank.

UCITS fund may be structured as an open-ended common fund or as a limited company, issuing shares which carry the right of a shareholder to request their repurchase by the company (investment company with variable capital).

The manager of the UCITS fund shall be its administrator as well.

The fund rules and prospectus shall not be approved and amended without a prior approval of the Czech National Bank; otherwise such amendment is invalid.

The investment strategy of a UCITS fund cannot be altered, unless otherwise provided.

Articles 63 and 68 to 82 of the Act shall not apply to the performance of the UCITS fund's depositary functions before the end of the transposition period of the so called UCITS V Directive. This will be notified by the Ministry of Finance in Collection of Laws. Until then Articles 666 to 675 of the Act are followed.

| | | | |
|--------------------------------------|--|---|--|
| Manager | <ul style="list-style-type: none"> Investment fund with internal management Management company authorized pursuant to UCITS Directive (external manager) EU management company authorized by competent authority of another Member State pursuant to UCITS Directive (external manager) | Types of shares | Possible for shares and common fund units |
| | | Net asset value | At least 1,250,000 EUR within 6 months of the day of incorporation of the fund |
| | | Eligible investors | No restrictions |
| Administrator | Manager of this UCITS fund | Eligible investments | <ul style="list-style-type: none"> Only cash Capital calls are not permitted |
| Legal forms | <ul style="list-style-type: none"> Investment company with variable capital (SICAV) Open-ended common fund (FCP) | Issuance of bonds | Prohibited |
| Initial capital of the manager | <ul style="list-style-type: none"> At least 125,000 EUR for the management company pursuant to UCITS Directive or the EU management company authorized by competent authority of another Member State pursuant to UCITS Directive At least 300,000 EUR for the investment fund with internal management | Establishment and incorporation of a fund | <ul style="list-style-type: none"> Common fund is established by the agreement between founders and the manager on the content of the fund rules or by the adoption of the fund rules by the manager and it is incorporated by the registration in the register maintained by the Czech National Bank Investment company with variable capital is established by the instruments of incorporation or by the charter of incorporation and by the adoption of the articles of association and it is incorporated by the registration in the public (business) register |
| Initial capital of the administrator | The manager of UCITS fund is also its administrator, therefore see the above mentioned initial capital requirement for the manager | Public marketing | Investments in a UCITS fund may be marketed publicly provided that this fund is registered in the register maintained by the Czech National Bank |
| Depository | <p>During a transitional period, the following entities are eligible:</p> <ul style="list-style-type: none"> Bank having its registered office in the Czech Republic Foreign bank having its branch in the Czech Republic <p>After the date published in the notification of the Ministry of Finance in Collection of Laws (the end of transposition period of Directive amending Directive 2009/65/EC as regards depository functions, remuneration policies and sanctions, so called UCITS V Directive), provided that it is stated in the fund rules, also:</p> <ul style="list-style-type: none"> Investment firm or equivalent foreign entity having its registered office in another Member State and its branch in the Czech Republic, complying with the highest capital adequacy ratio | Calculation of value of units or shares | <ul style="list-style-type: none"> At least every 2 weeks Every working day, if a UCITS fund is a money market fund or a short-term money market fund |
| | | Valuation of assets and liabilities | Performed by the manager, a person appointed by the administrator or the depository. Assets and liabilities are valued at fair value in accordance with the international accounting standards. |
| Prime broker | <ul style="list-style-type: none"> Bank having its registered office in the Czech Republic Foreign bank having its registered office in the Member State Investment firm or equivalent foreign entity having its registered office in another Member State and complying with the highest capital adequacy ratio Foreign entity having its registered office in a non-EU state and subject to prudential requirements and supervision | Eligible assets | <ul style="list-style-type: none"> Transferable securities Money market instruments Securities and uncertificated securities issued by a collective investment fund or an equivalent foreign investment fund Bank deposits Financial derivatives Investment company may acquire movable or immovable property which is essential for the direct pursuit of its business |

| Investment limits | Global | Counterparty | Concentration | Mergers, acquisitions and alike | <ul style="list-style-type: none">• Authorization by the Czech National Bank is required• Merger of a non-UCITS fund and a UCITS fund into a UCITS fund, merger of two UCITS funds into a UCITS fund, and also merger of a UCITS fund and an equivalent foreign investment fund are allowed• Acquisition of a non-UCITS fund by a UCITS fund, acquisition of UCITS funds, and also acquisition of a UCITS fund and an equivalent foreign investment fund are allowed• Conversion of a common fund into an investment company with variable capital is allowed• Transfer of assets to shareholders of the fund and legal form change is not allowed• For the conversion of a sub-fund the provisions of the Act providing for the conversion of a common fund shall apply <i>mutatis mutandis</i> |
|--|--|---------------------------|------------------------------|---------------------------------|---|
| Transferable securities | 100 % (40 %) | 5 % (10 %) | 10 % (significant influence) | | |
| Money market instruments | 100 % (40 %) | 5 % (10 %) | 10 % | | |
| Shares in collective investment funds | 100 % (30 % ¹⁾) | 20 % | 25 % | | |
| Financial derivatives | 100 % ²⁾ (20 % ³⁾) | 5 % (10 % ⁴⁾) | -- | | |
| Bank deposits ⁵⁾ | 100 % | 20 % | -- | | |
| Efficient portfolio management techniques | <ul style="list-style-type: none">• Repurchase transactions, reverse repurchase transactions, securities lending transactions and securities borrowing transactions• Financial derivatives | | | Dissolution with liquidation | <ul style="list-style-type: none">• For dissolution with liquidation of an investment fund with legal personality the provisions of the Act providing for dissolution with liquidation of a management company shall apply <i>mutatis mutandis</i>. The liquidator is appointed and dismissed by the Czech National Bank or by the court, in the case of dissolution by the court. The liquidator shall be registered in the register maintained by the Czech National Bank.• Dissolution with liquidation of a common fund: the manager sells assets and pays off liabilities. The administrator ensures the redemption of units and shares. |
| Master-feeder structures | The fund may be both master and feeder | | | | |
| Fund rules and prospectus | <ul style="list-style-type: none">• Includes investment policy, description of risks associated with investment in the fund and other information necessary for investors to be able make an informed judgement of investment• Fund rules and its changes are subject to the approval by the Czech National Bank, for some changes such approval is not required | | | | |
| Disclosure of information to investors prior to their investment | <ul style="list-style-type: none">• Information about the manager, the administrator, the prime broker, the auditor and the depositary and the depositary contract• Investment policy• Current value of capital• Information about leverage• Past performance• Conditions for the issuance and the repurchase of shares and units | | | | |

¹⁾ In case of units or shares issued by non-UCITS funds or equivalent investment funds.

²⁾ If the global exposure is calculated by using the commitment approach.

³⁾ If the global exposure is calculated pursuant to the absolute VaR approach. In case of calculation pursuant to the relative VaR approach, the maximum shall be double the VaR of the reference portfolio.

⁴⁾ If the counterparty is a person referred to in Article 72 (2) of the Act.

⁵⁾ Claims for the payment of cash from an account in Czech or foreign currency on one of the persons referred to in Article 72 (2) of the Act.

¹⁾ In case of units or shares issued by non-UCITS funds or equivalent investment funds.

²⁾ If the global exposure is calculated by using the commitment approach.

³⁾ If the global exposure is calculated pursuant to the absolute VaR approach. In case of calculation pursuant to the relative VaR approach, the maximum shall be double the VaR of the reference portfolio.

⁴⁾ If the counterparty is a person referred to in Article 72 (2) of the Act.

⁵⁾ Claims for the payment of cash from an account in Czech or foreign currency on one of the persons referred to in Article 72 (2) of the Act.