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PART I : SECTION (I) — GENERAL

Government Notifications

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THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT, No. 36 OF 1987

RULES made by the Securities and Exchange Commission of Sri Lanka, under section 53 of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.

Chairperson
Securities and Exchange Commission of
Sri Lanka.

Colombo,
12th September, 2011.

Rules

1. (1) These Rules may be cited as the Unit Trust Code, 2011.

(2) The provisions of this Code shall apply to all Unit Trusts including Exchange Traded Funds in so far as such provisions are applicable to such trusts.

(3) The Commission may exempt persons from the application of any one or more of these rules, on an application made in that behalf or by way of directives which the Commission may, from time to time issue.

2. (1) A Unit Trust shall be managed by a managing company in accordance with the provisions of the Act, the provisions of this Code, Trust Deed, the last published Explanatory Memorandum of such managing company and the directives issued by the Commission from time to time.

(2) Subject to paragraph (1) of this rule, the managing company shall make decisions regarding the investment of the deposited property in order to secure the objectives of the Unit Trust.

(3) The Commission may require the managing company to maintain a minimum net capital during the period of its operation and it shall be the duty of such managing company to comply with same.

(4) The managing company shall obtain prior 'in principle' approval from the stock exchange(s) where units of such Unit Trusts are proposed to be listed.

3. (1) A managing company shall act only on behalf of its unit holders and Unit Trust in buying and selling securities and shall not buy or sell securities of any firm or company in which it has any equity interest without the prior written approval of the Commission.

(2) Unless approved by the Commission a managing company shall be prohibited from buying or selling any securities in its own name or having equity interest in any firm or company wholly or partly, overtly or covertly engaged in the business of dealing in securities.

4. A managing company shall at all times exercise reasonable care in the operations relating to the management of the Unit Trust and shall be responsible for any loss suffered by the Unit Trust or by unit holders as a result of any fraud, gross negligence or malfeasance of employees and directors.

5. Notwithstanding anything to the contrary in the Trust Deed and subject to the provisions of rule 6, the services of a managing company may be terminated by the trustee in writing with the approval of the Commission, upon the occurrence of any or more of the following events :-

- (a) if for good and sufficient reason, the trustee is of the opinion after a due inquiry by a person appointed by the trustee and acceptable to the Commission that a change in the managing company is desirable in the interest of unit holders ; or
- (b) if unit holders representing at least seventy-five per centum of the total units in issue (excluding those held by the managing company) deliver to the trustee or the Commission as the case may be a written request that the managing company be dismissed.

6. (1) The services of a managing company shall not be terminated until a new managing company, which has been licensed to operate a Unit Trust, has been appointed by the trustee and written notice of the termination and appointment of the new managing company has been sent to unit holders. The termination shall take effect at the same time as the new managing company takes office.

(2) A new managing company may, with effect from the date of its appointment change the name of the Unit Trust, at its discretion with the consent of the Commission and the trustee.

7. (1) Deposited property shall be held by the Trustee on behalf of the Unit Trust.

(2) The trustee shall take reasonable care to ensure that the Unit Trust is managed by the managing company in accordance with the provisions of the Act, these rules, the Trust Deed, managing company's last published Explanatory Memorandum and the directives issued by the Commission from time to time.

(3) The trustee shall carry out the instructions given from time to time by the managing company as to the investments of deposited property in accordance with the provisions of the Trust Deed and the directives issued by the Commission from time to time.

8. (1) A trustee may retire from the Unit Trust provided that such retirement complies with the Trust Deed and a new trustee who has been approved by the Commission is appointed simultaneously upon such retirement.

(2) The Commission may, where it is satisfied that any circumstance referred to in paragraphs (a), (b) or (c) of subsection (1) of section 31B of the Act is present, direct the retirement of the trustee, provided that a new trustee, who has been approved by the Commission, is appointed simultaneously upon such retirement.

(3) The retirement of a trustee shall take effect at the same time the new trustee takes office.

9. (1) A managing company may invest the deposited property in accordance with the provisions of this Code, the Trust Deed and the directives issued by the Commission from time to time.

(2) Unless otherwise permitted by the Commission, a level of liquidity amounting to at least three *per centum* of the deposited property shall be maintained in cash or near cash to assure ease of redemption :

Provided however, the Commission may at its discretion increase or decrease the above limit.

(3) Whenever the total investment made by the managing company, exceeds any limit permitted by the provisions of this Code or Trust Deed or the directives issued by the Commission, the managing company shall immediately inform the Commission of such excess amount together with the reasons therefor, and further inform of the steps that will be taken to reduce such investment to the limits as specified. However, this excludes any breach of limits due to market fluctuations.

10. (1) Unless permitted by the Commission, a managing company shall not make the following investments :-

- (a) Investments in commodities, futures and options ;
- (b) Investments in real estate, other than investment in real estate investment companies or companies that have real estate investment activities ;
- (c) Investments for the purpose of gaining management control of a company in which the Unit Trust has purchased share capital ;
- (d) Investment in unlisted securities or foreign securities ;
- (e) Investment in any asset which involves the assumption of unlimited liability ;
- (f) Leverage by borrowing against securities or buying on margin except in relation to securities with fixed and determinable future maturity date and the percentage of such leverage will be determined with the approval of the Commission and stated in the Trust Deed provided that the maximum gearing a Unit Trust may have outstanding, does not exceed fifteen per centum of the deposited property or such other percentage as the Commission may from time to time determine ; and
- (g) Such other investments as may be designated from time to time by the Commission as being investments that are not to be undertaken by a managing company.

(2) The prohibition imposed by rule 10 (1) (a) in relation to investments in commodities shall not apply to Exchange Traded Funds tracking the price of gold or any other commodity approved by the Commission.

(3) Where specialization in investments in real estate investment companies is an objective of the Unit Trust, that fact shall be disclosed in the Explanatory Memorandum.

11. (1) Subject to the provisions of rule 12(1) the only payment to be made to the managing company by the trustee out of the deposited property by way of remuneration for services rendered, shall be a periodic fee in terms of the provisions in the Trust Deed including any taxes levies or duties imposed from time to time by the Government.

(2) The amount of such fees shall be calculated by the managing company as specified in the last published Explanatory Memorandum subject to the provisions of the Trust Deeds as the managing company's periodic fee.

(3) The managing company shall give the unit holders, not less than one month prior written notice or press notice of any increase in the managing company's annual charges, up to the maximum permitted level specified in the Trust Deed.

12. (1) Notwithstanding the provisions of rule 11, the following other expenses may be paid by the trustee out of the deposited property, provided that adequate disclosure of such expenses is provided to unit holders —

- (a) the cost of dealing in the deposited property ;
- (b) taxation and duties payable in respect of the deposited property or the issue of units ;
- (c) any costs incurred in the preparation or modification of the Trust Deed ;

- (d) any costs incurred in respect of meetings of unit holders ;
- (e) the fees of the Trustee ;
- (f) any expenses or disbursements of the Trustee, which are authorized by the Trust Deed to be paid out of the deposited property ;
- (g) the audit fees of the auditor and any expenses of the auditor ;
- (h) licensing fees imposed by the Commission ;
- (i) all direct and indirect taxes imposed by the Government from time to time that are required to be charged to the deposited property ;
- (j) legal expenses incurred in safeguarding the deposited property ;
- (k) in case of an Exchange Traded Fund tracking the price of gold or price of any other commodity approved by the Commission, recurring expenses incurred towards storage and handling of gold or such other commodity ;
- (l) listing fees in case of funds listed on a stock exchange licensed by the Commission ; and
- (m) any other fee approved by the Commission and specified in the Trust Deed.

(2) Commissions paid to agents, shall not be paid out of the deposited property.

13. Where the Unit Trust invests in units of any other Unit Trust, no increase in the front-end fee, managing company's annual fee or any other costs or charges borne by unit holders or by the deposited property shall result if the Unit Trusts in which the Unit Trust invests is a Unit Trust managed by the same managing company or by a connected person of the managing company.

14. (1) The managing company shall not enter, on behalf of the Unit Trust, into an underwriting or sub-underwriting agreement without the prior written consent of the trustee and the Commission.

(2) An underwriting or sub-underwriting agreement entered into in accordance with paragraph (1) of this rule, shall in all cases provide that fees payable to the managing company under such agreement and all investments devolved pursuant to such agreement, shall form part of the deposited property of the Unit Trust.

15. (1) Any transaction between the Unit Trust and the managing company, or any connected person as principal may only be made with the prior written consent of the trustee. All such transactions shall be disclosed in the Unit Trust's annual report under rule 27.

(2) All transactions between the Unit Trust and an associate, joint venture, subsidiary or holding company of the managing company, shall be with the prior written consent of the trustee. All such transactions shall be disclosed in the Unit Trust's annual report under rule 27.

(3) For the purposes of this rule an associate means an enterprise in which the managing company has significant influence and which is neither a subsidiary nor a joint venture of the managing company. 'Significant influence' shall have the same meaning as assigned to it in the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, from time to time.

16. (1) A managing company shall not, directly or indirectly offer or sell units in a Unit Trust to the public, nor supply an application form to purchase such units to any person, unless a copy of the latest Explanatory Memorandum, which has been approved by the Commission, has been made available to prospective investors.

(2) The Explanatory Memorandum shall contain disclosures which are adequate in order to enable the investors to make informed investment decisions.

(3) In approving the Explanatory Memorandum the Commission may in the interest of investors require the Managing Company to carry out such modifications in the Explanatory Memorandum as it deems fit.

(4) Where units are proposed to be listed on a stock exchange(s) licensed by the Commission the Explanatory Memorandum shall contain a disclosure regarding the same.

(5) An advertisement issued or published pursuant to rule 18 is not deemed to be direct or indirect offer to the public under this rule.

17. (1) Subject to the approval of the Commission, it shall be the duty of the managing company to amend its Explanatory Memorandum either by the substitution of a completely new memorandum or by the addition or deletion of any information contained therein -

(a) upon the occurrence of any material change in the information stated therein ; or

(b) upon the arising of any significant new matter which should be stated therein.

(2) The date on which any amendment was made to an Explanatory Memorandum shall be prominently displayed.

(3) An amendment made to an Explanatory Memorandum shall be accompanied by -

(a) a declaration by the Trustee certifying that they have read and agreed with the representations contained therein ; and

(b) a declaration by the Board of Directors of the managing company in the following form :-

“This Explanatory Memorandum has been seen and approved by the Directors of the Managing Company and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable inquiries and to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement herein misleading.”

(4) Notwithstanding the provisions of paragraph (1) of this rule, an Explanatory Memorandum shall be reviewed by the managing company at least every two years and revised where material to take account of any change or any new matter.

18. (1) No advertisement shall be issued or published by the managing company on behalf of a Unit Trust, without the prior written approval of the Trustee. An approval granted under this rule may be varied or cancelled by the trustee or the Commission where it considers it fit and proper to do so.

(2) The managing company shall file with the Commission a copy of such advertisement five market days prior to the advertisement being made available to the public.

The Commission reserves the right to comment or stop any advertisement so filed from being published.

(3) No forecast of the Unit Trust's performance may be held out to the public or to unit holders and the publications of an achieved yield shall not be represented as a forecast of its future performance.

(4) For the purpose of these rules an Explanatory Memorandum shall not be deemed to be an advertisement.

(5) For the purpose of this rule an advertisement shall include a statement that —

- (a) the price of units and the income (where the Unit Trust pays a dividend) may fluctuate ;
 - (b) where achieved yield or current yield is quoted, figures shown are not indicative of future performance ; and
 - (c) (i) a copy of the Explanatory Memorandum, and
(ii) instructions if any on how to obtain a copy,
- may be obtained on a written request being made.

(6) The trustee shall approve an advertisement if it conforms to the advertising guidelines of the Commission and the directives issued by the Commission from time to time. The trustee shall file a report with the Commission regarding an approved advertisement as and when such approval is granted.

19. A managing company in issuing or selling any unit of a Unit Trust shall not directly or indirectly represent or imply in any manner that —

- (a) such units have been sponsored, recommended or approved by the Commission ; or
- (b) the contents of any Memorandum or advertisements issued by such managing company have been guaranteed by the Commission.

20. (1) Issue and redemption prices shall be calculated daily on the basis of the Unit Trust's net asset value, divided by the number of units outstanding. Such prices may be adjusted by fees and charges made to the managing company.

(2) Where the Commission permits the Unit Trust to purchase securities, which are not listed on a licensed stock exchange, the valuation of such securities shall be determined on a regular basis by the managing company.

(3) An issue price which a managing company quotes or publishes, shall be the maximum price payable on purchase of units inclusive of any front end fees and the redemption price shall be the minimum net price after exit fees if any, receivable upon redemption of units. There shall be no further charges to be paid by the unit holder, apart from stamp duty or other taxes.

(4) The latest available offer and redemption prices of a Unit Trust shall be published, in at least one leading Sri Lankan daily newspaper or on the web site of the managing company. If the net asset value of a unit trust is published it may be stated that this price excludes the front-end fee or exit fee if any.

21. The maximum interval between the receipt of a properly documented request for redemption of units and the payment of the redemption money to the unit holder, shall not exceed one calendar month from the dealing day on which, the request was received. Where, for any exceptional reason, it is not feasible or desirable to make payment of the redemption money within one calendar month, the Commission shall be notified forthwith of it giving reasons for determining why such payment should not be made within one calendar month.

22. (1) Where a Unit Trust deals at a known price, and based on information available, the price exceeds or falls short of the current value of the underlying assets by more than five per centum, the managing company shall defer dealing and calculate a new price as soon as possible.

(2) A change in the method of dealing may only be made —

- (a) in exceptional circumstances, having regard to the interests of unit holders ; and
- (b) if the possibility of a change and the circumstances in which it can be made, have been fully disclosed in the Explanatory Memorandum.

(3) Where in terms of paragraph (2) of this rule, a managing company seeking to carry out a change in the method of dealing, can do so only with the written approval of the trustee and after giving one month's notice in writing to the unit holders and the Commission.

(4) A unit holder not satisfied with the change in the method of dealing referred to in paragraph (3) above shall be entitled to exit the Unit Trust without any exit fee being paid to the managing company.

23. (1) Suspension of dealing may be provided for only in exceptional circumstances, having regard to the interest of unit holders, and with the written consent of the Commission and the trustee.

(2) The managing company shall immediately notify the Commission, and provide reasons therefore, if it believes that there is a serious danger that redemption of units is about to cease or be suspended. Once a decision is reached to suspend redemption of units and the Commission and the trustee have so consented, the fact that dealing is suspended shall be published at least once a month during the period of suspension, in the newspaper in which the Unit Trust's prices are normally published.

(3) Where redemption requests on any dealing day exceed ten per centum of the total number of units in issue, redemption requests in excess of the ten per centum may be deferred to the next dealing day, provided the Commission is notified in writing of such deferral.

(4) Where a unit holder wishes to redeem units which amount to three per centum or more of the net asset value of the Unit Trust, the unit holder shall give at least fourteen days written notice to the managing company which shall forthwith notify such fact to the trustee.

24. (1) Subject to paragraph (3) of this rule, a managing company may, by notice in writing to the trustee, cancel units.

(2) Any notice issued to the trustee under this rule, shall state the number of units to be cancelled and the amount payable to the managing company in respect thereof.

(3) Prior to giving notice of cancellation under paragraph (1) of this rule, the managing company shall ensure that the deposited property includes, or will include, cash, sufficient to pay the amount payable to the managing company upon such cancellation.

(4) Upon the cancellation of units the managing company shall be entitled to receive out of the deposited property, an amount per unit equal to the value of the deposited property as of the close of business on the date of issue of such notice, divided by the number of units then in issue and deemed to be in issue, after deducting such sum as the managing company considers as representing the appropriate allowance for duties and charges in relation to the realization of the deposited property.

(5) The entitlement of a managing company to require cancellation of any unit shall be suspended, during any period where the rights of holders to redeem units are suspended under rule 23.

25. (1) The managing company shall maintain or cause to be maintained an updated register of the unit holders.

(2) The register shall be maintained in a legible form or in a manner capable of being produced in a legible form.

(3) There shall be entered into the register —

- (a) the name and address of its unit holders ;
- (b) the number of units (including fractions of a unit) held by each unit holder ;
- (c) the date on which the unit holder was registered in the register in respect of the units standing in the unit holder's name ; and
- (d) the number of units (including fractions of a unit) for the time being in issue.

(4) The managing company shall take all reasonable steps and exercise due diligence to ensure, that the information contained in the register is at all times complete and up to date.

(5) The register shall be conclusive evidence of the persons respectively entitled to the units entered therein. The managing company shall be deemed to hold all units, which are in issue, if no person is entered into the register, as the holder thereof.

(6) The managing company shall notify the Commission in writing of the address where the register is kept.

26. (1) A unit holder shall be entitled to transfer units held by such unit holder by a legally accepted instrument of transfer, which entitlement is entered into the register.

(2) Every instrument of transfer of units, shall be signed by or on behalf of the unit holder transferring the units (or in the case of a company, by the seal of the company or signed by one of its authorized officers) and unless the transferee is the managing company, the transferor shall be deemed to remain the holder, until the name of the transferee to whom the units were transferred has been entered into the register.

(3) The executor or administrator or person holding a certificate of heirship of a deceased unit holder, shall be the only person recognized by the managing company, as having any title or any interests in units held by such deceased unit holder unless otherwise nominated by the unit holder.

27. (1) The managing company shall be responsible for keeping the Unit Trust's accounts and preparing and publishing the Unit Trust's reports. Not less than two reports shall be published in respect of each financial year.

(2) Subject to the Commission's approval under rule 28, annual reports and audited financial statements shall be published and distributed by the managing company to unit holders entered in the registrar, within three months of the end of the Unit Trust's financial year and interim reports shall be published in at least one leading Sri Lankan news paper and/or distributed to unit holders within three months of the period they cover. An interim report for the first half-yearly accounting period need not be prepared in relation to such period, if such period is less than six months. The reports shall be signed by two directors of the managing company.

(3) The reports shall contain statements showing the assets and the liabilities of the Unit Trust, and further show the value of each asset in terms of Sri Lankan rupees and as a percentage of the deposited property. Unquoted assets of all types shall be so described, and the value and source of valuation of each quoted asset shall be shown. If free negotiability of any asset is restricted by statutory or contractual requirements, this shall be clearly stated, and where the Unit Trust has any contingent liabilities at the accounting date, the total contingent liability under each main heading shall also be disclosed.

(4) The annual report shall also contain :

- (a) the audited revenue accounts of the Unit Trust with the auditors certificate ;
- (b) a reference to the number of units of the Unit Trust redeemed by the managing company and not encashed ;
- (c) a list of transactions required to be disclosed under rule 15 ;
- (d) any other information that the Commission may, from time to time, require to be included in an annual report.

(5) The managing company shall at least once in every year send to its unit holders who have elected to reinvest dividends into additional units, a written statement disclosing the amount of dividends reinvested on their behalf and that, upon written request, a current copy of the Explanatory Memorandum shall be sent to them.

28. (1) All reports produced by or for the Unit Trust shall be approved by the Commission and the trustee prior to dissemination to unit holders. The managing company shall file such reports with the Commission and the trustee for review and comment not less than two weeks prior to distribution.

(2) The managing company shall supply to the Commission, upon request, all information relevant to the Unit Trust's financial reports and accounts and such other information and reports as the Commission may, from time to time, request.

(3) The managing company shall file with the Commission and the trustee a copy of its annual report and audited financial statements within three months of the end of its financial year.

(4) The managing company shall file with the Commission and the trustee a copy of the Unit Trust's annual report and audited financial statements within three months of the end of the Unit Trust's financial year.

(5) The trustee shall file with the Commission a copy of its annual report and the audited financial statements within four months of the end of its financial year. Such report shall be open to public inspection at the trustee's registered office.

29. (1) A managing company shall maintain and preserve for a period of five years accounts, books and other documents forming the basis for financial statements and reports required to be filed with the Commission under rule 28 and as are necessary to enable it to otherwise comply with this Code and to demonstrate at any time that such compliance has been achieved.

(2) A managing company shall keep a daily record of units, which have been acquired and/or held by it or disposed of, and the balance of any acquisitions, holdings and/or dispositions. The managing company shall make such daily record available for inspection by the trustee at all times during ordinary office hours, and supply the trustee with a copy of the record or any part of it on request free of charge.

30. A trustee shall maintain and preserve for a period of five years the following accounts on behalf of the Unit Trust :

- (a) an "Income account" - where all income received by the trustee shall be accounted into an income account and held therein, pending capitalisation or distribution in accordance with the Trust Deed; and
- (b) a "Distribution account" - to which, in the event a distribution is made pursuant to the Trust Deed, an appropriate amount out of the deposited property shall be transferred into a distribution account, by the Trustee.

31. All accounts, books and records required to be maintained and preserved under rules 29 and 30 shall be subject at any time to examination by the Commission. In connection therewith, the managing company shall allow the examination of its directors, officers and other employees in the course of an inspection, and extend full cooperation in this behalf. The managing company shall furnish to the Commission, within a reasonable period of time, copies of or extracts of records, which the Commission may require.

32. (1) The trustee shall, appoint an auditor for the Unit Trust with the approval of the Commission. The Commission may however withdraw its approval at any time.

(2) The auditor of the Unit Trust shall not have been during the previous two years, the auditor of the managing company or trustee as the case may be.

(3) The audit fees of the auditor shall be determined by the managing company with the approval of the trustee.

(4) The trustee shall cause the auditor to audit the Unit Trust's accounts. The auditor shall prepare a report to be distributed to unit holders, stating that the accounts have been audited in accordance with approved auditing standards, and disclosing whether or not in the auditor's opinion they give a true and fair view of the financial position of the Unit Trust.

33. A trustee's written request for approval of the Commission of any amendment to be made to a Trust Deed, shall contain the following information :

- (a) the nature of the alteration;
- (b) whether, in the trustee's opinion, such alteration -
 - (i) is necessary to make it possible for the trustee to act in compliance with fiscal or other statutory or official requirements;
 - (ii) materially prejudices the interests of unit holders;
 - (iii) releases the trustee, managing company or any other person associated with the Unit Trust from any liability to unit holders;
 - (iv) increases the costs and charges payable from the deposited property; or
 - (v) is necessary to correct a manifest error.

34. The managing company shall make available a copy of the Trust Deed, and any supplementary deed, for inspection free of charge to any member of the public at all times during normal office hours at its place of business and make available copies of such documents upon the payment of a reasonable fee.

35. (1) The Unit Trust shall be dissolved pursuant to the Trust Deed and the trustee shall proceed to wind up the Unit Trust in accordance with this rule.

(2) The trustee shall, as soon as practicable, after the Unit Trust is dissolved, realize the deposited property of the Unit Trust and, after paying therefrom all liabilities properly payable and retaining provision for the cost of such dissolution, distribute the proceeds of that realization to unit holders and the managing company (upon production by the unit holder or the managing company of evidence as to his or its entitlement thereto) proportionately to their respective interests in the Unit Trust.

(3) Any unclaimed net proceeds or other cash held by the trustee after the expiration of twelve months from the date on which the same becomes payable shall be paid by the trustee to the Public Trustee subject to the right of the trustee to retain therefrom any expenses incurred by the Trustee in making such payment.

(4) The Commission in consultation with the trustee and the managing company may direct the trustee to wind up the Unit Trust if the value of the deposited property falls below an operationally viable level and refund the funds collected during the period of offer subject to provisions in the last published Explanatory Memorandum in accordance with this rule.

36. (1) A managing company may manage the securities portfolios of persons other than a Unit Trust (third party portfolios) provided that the managing company obtains a certificate of registration from the Commission as a market intermediary under the category of "investment manager" under section 19A of the Act.

(2) The managing company shall manage such third party portfolios in accordance with the rules applicable to investment, managers as stipulated by the Commission.

(3) The managing company shall ensure that managing third party portfolios are not in conflict with the Unit Trusts managed by such managing company.

37. No statement made in an Explanatory Memorandum, advertisement, report or in announcements to unit holders, the public, the press or other communication media, may be attributed to any person, unless such person has given consent in writing for such statement to be attributed to such person, in the context in which it appears.

38. The duties of the managing companies and Trustees imposed upon them by the provisions of the Act, provisions of this Code and directives issued by the Commission are in addition to and not in derogation of the duties which are otherwise imposed on them by any other law.

39. Any person who contravenes the provisions of this Code or any directives issued by the Commission, shall unless such person has been exempted from the applicability of any rule under paragraph (3) of rule 1, be guilty of an offence under the Act.

40. In this Code unless the context otherwise requires :—

“Act” means the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987;

“advertisement” means an invitation appearing in any media inviting persons directly or indirectly to subscribe to or purchase units in a Unit Trust;

“Commission” means the Securities and Exchange Commission of Sri Lanka established by the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987;

“connected person” shall have the same meaning as in the Act;

“dealing day” means a day in which subscription for units and redemption of units can be effected;

“deposited property” means all the assets for the time being held or deemed to be held by the trustee on behalf of the Unit Trust and subject to the provisions of the Trust Deed, but does not include any amount for the time being standing to the credit of the distribution account;

“distribution account” means an account which has been set up by the trustee to hold income for distribution to unit holders;

“exit fees” means the portion of proceeds received by the managing company equivalent to the difference between the redemption price and the proceeds from the sale of a unit, which is paid to the unit holder;

“Explanatory Memorandum” means the document containing information of a Unit Trust inviting members of the public to subscribe to or purchase units in the Unit Trusts;

“extraordinary resolution” means any resolution which may only be passed by seventy five *per centum* or more of the votes of those present (in person or by proxy) and voting at a duly convened meeting of unit holders;

“Exchange Traded Fund” means a Unit Trust which tracks an index or price of gold or any other commodity approved by the Commission units of which are listed on a stock exchange and can be bought/sold at prices, which shall reflect or approximately reflect the net asset value of such Unit Trust;

“front end fee” means the difference between the issue price and the portion of the proceeds from the sale of a unit which is received by the managing company;

“Index fund” means a Unit Trust that invests in securities in the same proportion as an index of securities approved by the Commission.

“issue price” means the sum the managing company would require to be paid over to it for inclusion in the deposited property in return for issuing one unit or fraction of a unit;

“managing company” means the managing company licensed to operate a Unit Trust under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987;

“near cash” means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash;

“net asset value” means net asset value of a Unit Trust calculated in the manner described in the Explanatory Memorandum, Trust Deed and directives issued by the Commission, from time to time.;

“Public Trustee” means the officer appointed as Public Trustee under the Public Trustee Ordinance (Chapter 88);

“redeemable security” means any security under the terms of which the holder, upon its presentation to the Unit Trust or to any person designated by the Unit Trust, is entitled to receive approximately the proportionate share of the deposited property, or the cash equivalent thereof;

“redemption” means the purchase of units from a unit holder by the managing company as principal and “redeem” and “redemption price” shall be construed accordingly;

“share capital” means ordinary share which carry voting rights;

“trustee” shall have the same meaning as in the Act;

“unit” means an undivided share in the assets of a Unit Trust held by a unit holder;

“unit holder” means a person from time to time being registered by a Unit Trust as the holder of a unit or units of such trust.

41. These Rules which specify the Unit Trust Code, shall *mutatis mutandis* apply to Exchange Traded Funds, where appropriate, unless expressly exempted as provided for in these Rules.

42. The Rules cited as the Unit Trust Code, 2004, and published in *Gazette Extraordinary* No. 1326/6 of February 6, 2004, are hereby rescinded.

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