

**ALBERT II  
BY THE GRACE OF GOD  
SOVEREIGN PRINCE OF MONACO**

*Have sanctioned and sanction the following Act, which the National Council adopted at its session on 4 September 2007.*

**CHAPTER I  
MUTUAL FUNDS**

Section I  
Formation of mutual funds

**§ I - Definition**

ARTICLE 1

A mutual fund is a pool of transferable securities, financial futures and deposits in common ownership; it may also include other items under conditions set by Sovereign Order.

Mutual funds do not have legal personality and are not governed by the provisions of the Civil Code relating to undivided co-ownership or by company law.

Mutual funds must be constituted by two legal entities under conditions determined by Sovereign Order.

One of the founders shall be a company authorised to engage in collective management, the other shall be the credit institution that is the sole depository of the fund's assets.

**§ II – Authorisation procedure**

ARTICLE 2

The constitution of a mutual fund is conditional on obtaining prior authorisation from the Financial Activities Supervisory Commission instituted at Article 10 of Act 1.338 of 7 September 2007, otherwise it shall be void.

A notice that authorisation has been given shall be published in the *Journal de Monaco*.

ARTICLE 3

To obtain authorisation of the fund, the founders must take appropriate steps to ensure the security of transactions.

The credit institution which intends to act as depositary must also offer sufficient guarantees with regard to its organisation and technical and financial resources.

#### ARTICLE 4

To obtain authorisation of the fund, the founders must also draw up a full prospectus, including the fund's by-laws, and a simplified prospectus containing mandatory items of information determined by Sovereign Order.

Within three months of receiving a complete application for authorisation, the Financial Activities Supervisory Commission shall inform the companies concerned of its decision with regard to the application. The time limit does not apply to funds whose by-laws provide for participation to be restricted to certain specific individuals or legal entities.

The by-laws may provide for participation in the fund to be restricted to certain specific individuals or legal entities. In such case:

- 1) they may institute measures concerning the identity of unitholders, state that transfers of units must take place through the management company and provide for units to be automatically reimbursed at current market value if, by transfer for valuable consideration or free of charge in any way whatsoever, they become the property of an individual or legal entity not included in one of the relevant categories;
- 2) they may provide for an exception to the notification rules laid down by law and the regulations;
- 3) the authorisation referred to at Article 2 shall be issued within eight working days.

#### ARTICLE 5

Any change to a material element of the full prospectus shall be subject to the prior authorisation of the Financial Activities Supervisory Commission, published in the *Journal de Monaco*, otherwise it shall be void.

Such changes, if they are approved and with the exception of those set forth at Article 24, shall take effect only three months after they have been notified to unitholders or their agents. However, the Financial Activities Supervisory Commission may grant exceptions provided that the changes to the full prospectus do not entail any material change to the rules applicable to units already subscribed.

With regard to the funds referred to in the second paragraph of the preceding Article, and by way of an exception to the preceding paragraph, such changes shall take effect as soon as they have been agreed by all the investors concerned.

### **§ III – Full and simplified prospectus**

#### ARTICLE 6

The management company must draw up a prospectus as mentioned at Article 4 for each of the mutual funds it manages.

The full prospectus must contain the necessary information to allow investors to judge the proposed investment in full knowledge of the facts, especially the inherent risks. Such items of information shall be defined by ministerial order.

The full prospectus must be contained in a written document or recorded on a durable medium.

The essential elements of the full prospectus must be kept up to date.

The full prospectus and any changes made to it must be provided to the Financial Activities Supervisory Commission.

The simplified prospectus must be provided to subscribers free of charge before the contract is concluded; the full prospectus shall be provided to unitholders free of charge upon request.

Any advertising that includes an invitation to purchase units of mutual funds must mention the existence of the full prospectus and the places where members of the public can obtain it or the way in which they can have access to it.

#### **§ IV – Composition of the assets of a mutual fund**

##### ARTICLE 7

The minimum amount of the assets that the founders must contribute when the mutual fund is constituted shall be determined by ministerial order.

Contributions in kind when the fund is constituted shall be valued in accordance with the fund's by-laws under the control of the statutory auditor provided for at Article 29, who shall draw up a report on the subject.

##### ARTICLE 8

Without prejudice to the provisions of Article 1, the conditions for allocating the assets in a mutual fund may be determined by Sovereign Order.

#### Section II Operation of mutual funds

#### **§ I – Units of mutual funds**

##### ARTICLE 9

A unit of a mutual fund corresponds to a fraction of the fund's assets.

Units may be admitted to trading on a regulated market that is recognised, operates on a regular basis and is open to the public.

A mutual fund may contain different classes of units under conditions laid down in its by-laws.

##### ARTICLE 10

The number of units shall increase by subscription of new units and decrease as a result of the redemption of previously subscribed units.

Subscription of units entails acceptance of the by-laws.

At any time, subscriptions shall be received and units redeemed at the next net asset value per

unit, plus or minus, as the case may be, the expenses and fees set by the fund's by-laws. The net asset value per unit shall be determined and published at regular intervals set by Sovereign Order.

Units must be redeemed at the holder's request for cash only.

By way of an exception to the provisions of the preceding paragraph, the management company may temporarily suspend a fund's redemption of its units or issuance of new units when exceptional circumstances and the interest of unitholders so require, after the Financial Activities Supervisory Commission has been informed and under conditions laid down by the fund's by-laws.

Other cases and conditions in which the fund's by-laws can provide as necessary for the issuance of units to be temporarily or definitively halted shall be determined by ministerial order.

#### ARTICLE 11

Subscriptions to units shall be exempt from all registration fees. Redemptions of units and the apportionment of assets between unitholders shall be exempt from all distribution fees.

Transfers of units free of charge should be declared to the tax authorities (*Direction des Services Fiscaux*), stating the name of the fund and the number of units and their surrender value at the date of donation or death. It is not necessary to list all the securities included in the fund and their market price.

#### ARTICLE 12

Unitholders and their heirs, assigns or creditors may not cause the partition of a mutual fund during its lifetime by distributing the sums, instruments and other assets in the fund between them. Any provision to the contrary shall be deemed null and void.

#### ARTICLE 13

Unitholders shall be liable for the fund's debts only in the amount of the fund's assets and in proportion to their share of them.

The security of the fund's creditors shall extend to the assets in common ownership and to the amount of subscriptions not paid up.

#### ARTICLE 14

In all cases where company and securities law requires indication of the surname, forenames and domicile of the security holder, and for all transactions carried out on the co-owners' behalf, the name of the mutual fund may validly replace that of all the co-owners.

### **§ II – Management and custody of mutual funds**

#### ARTICLE 15

Mutual funds shall be managed and their assets kept in accordance with the provisions of this Act and its implementing regulations and with the fund's own by-laws.

#### ARTICLE 16

The management company and the depositary must act independently of each other for the sole

benefit of subscribers.

#### ARTICLE 17

The management company shall act on the unitholders' behalf. It shall represent them with regard to third parties and may take part in court proceedings to defend or assert their rights or interests.

It may, on the fund's behalf, only carry out those operations that are necessary for the fund's management.

#### ARTICLE 18

Should the management company cease operations, it shall be replaced by another management company meeting the conditions set forth at Article 3 and appointed by the depositary.

Such appointment shall be subject to the approval of the Financial Activities Supervisory Commission.

The depositary shall immediately either notify unitholders or their agents of the change of management company by registered letter with acknowledgment of receipt or publish a notice to that effect in the *Journal de Monaco*.

#### ARTICLE 19

Under conditions determined by Sovereign Order, the depositary shall have custody of the fund's assets and ensure that the management company's decisions are lawful.

Should the depositary cease operations, it shall be replaced by another depositary chosen from among legal entities meeting the conditions set forth at Article 3 and appointed by the management company.

Such appointment shall be subject to the approval of the Financial Activities Supervisory Commission.

The change of depositary shall be either immediately notified to unitholders or their agents by registered letter with acknowledgment of receipt or published in the *Journal de Monaco*.

#### ARTICLE 20

The management company and the depositary may be held jointly liable, where relevant, with regard to unitholders for breaches of the laws and regulations governing mutual funds, breaches of the fund's own by-laws and other culpable breaches of contract.

#### ARTICLE 21

A court hearing an action for damages against the management company or depositary may, at the request of any unitholder, order the management company or depositary to cease the activities provided for by this Act when they have their registered office in the Principality and, when they do not, to cease the said activities in the Principality.

At the request of the depositary, who must first inform the statutory auditor provided for at Article 29, it may also order the management company's senior managers to cease their duties.

When it orders the senior managers of the management company to cease their duties or the management company or the depositary to cease their activities, the court shall appoint a provisional administrator either until new managers of the management company have been

appointed or until the management company has been liquidated if such appointment should appear impossible, or until the management company or depositary has been replaced pursuant to the provisions of Articles 18 and 19.

#### ARTICLE 22

Creditors whose status as such results from the custody or management of assets in a mutual fund shall have right of action solely in respect of such assets.

Personal creditors of the management company or depositary may not seek payment of their claims from the assets in the fund.

### **§ III – Transactions carried out by mutual funds**

#### ARTICLE 23

The transactions that a mutual fund may carry out shall be detailed in a Sovereign Order. Such transactions must not under any circumstances cause a fund to deviate from its investment objectives as described in its full prospectus.

#### ARTICLE 24

Mergers and demergers shall be subject to the approval of the Financial Activities Supervisory Commission under conditions determined by Sovereign Order.

They shall in all cases be restricted to funds of the same type and concern the same category of unitholders as indicated by the fund's by-laws.

#### ARTICLE 25

The rules governing the use to which income from assets contained in a mutual fund may be put shall be determined by Sovereign Order.

#### ARTICLE 26

The conditions under which a mutual fund may make temporary acquisitions and sales of securities and borrow cash shall be determined by Sovereign Order.

### **§ IV – Annual and half-year reports**

#### ARTICLE 27

At the end of each year, the management company shall draw up an annual report for each fund it manages; to that end, it shall draw up an inventory of assets and liabilities, certified by the depositary, a balance sheet, an income statement and notes to the financial statements, under terms and conditions determined by Sovereign Order, and where relevant shall determine the amount of income and the date at which it is distributed.

These documents shall be audited by the statutory auditor referred to at Article 29, who shall certify that they are fairly presented before they are published, made available to unitholders and

transmitted to the Financial Activities Supervisory Commission.

The certificate issued by the statutory auditor and his reserves, if any, shall be reproduced in each annual report.

The documents referred to in the first paragraph shall be published, made available to unitholders and transmitted to the Financial Activities Supervisory Commission within three months of the end of the financial year.

#### ARTICLE 28

Within six weeks of the end of the first half of the financial year, the management company shall draw up a half-year report for each of the funds it manages under terms and conditions determined by Sovereign Order. To that end it shall draw up an inventory of assets, certified by the depositary.

These documents shall be audited by the statutory auditor referred to at Article 29, who shall certify that they are fairly presented before they are published, made available to unitholders and transmitted to the Financial Activities Supervisory Commission.

The documents referred to in the first paragraph shall be published, made available to unitholders and transmitted to the Financial Activities Supervisory Commission within two months of the end of the first half of the financial year.

### **§ V – Statutory auditors**

#### ARTICLE 29

The management company shall appoint, for five financial years, the statutory auditor of the mutual fund from among the chartered accountants in the list of members of the Order provided for at Article 20 (3) of Act 1.231 of 12 July 2000.

The appointment and reappointment of the statutory auditor shall be subject to the approval of the Financial Activities Supervisory Commission.

The statutory auditor is required to inform the Financial Activities Supervisory Commission of any irregularities that may come to his attention.

An alternate auditor shall be appointed under the conditions set forth in the first two paragraphs of this Article to replace the statutory auditor if he is unable to perform his assignment.

In the event of misconduct the statutory auditor may, at the request of the Financial Activities Supervisory Commission, the management company, the depositary or a unitholder, be relieved of his duties by the Court of First Instance ruling in accordance with the provisions of Article 850, paragraph 3 of the Code of Civil Procedure.

If that is the case, the management company shall appoint another statutory auditor under the conditions set forth in the first two paragraphs.

### **§ VI – Classification of mutual funds**

#### ARTICLE 30

A classification of mutual funds may be defined by Sovereign Order. Membership of a class within such a classification must be mentioned in the mutual fund's full or simplified prospectus.

## **§ VII – Dissolution of mutual funds**

### **ARTICLE 31**

A mutual fund shall be dissolved when all its units have been redeemed or on expiry of the term for which it was constituted, where such term has been stipulated, or when a final decision to revoke the fund's authorisation has been issued.

The depositary or, where relevant, the management company shall act as liquidator; failing that, the President of the Court of First Instance shall appoint a liquidator at the request of any interested party.

Liquidation operations shall be subject to the approval of the Financial Activities Supervisory Commission.

### **Section 3 Rules relating to umbrella funds**

### **ARTICLE 32**

A mutual fund may contain two or more subfunds if its by-laws so permit. A class of units shall be issued for each subfund, representing the assets of the fund allocated to it.

Subfunds may be merged or demerged under the conditions set forth at Article 24.

The terms and conditions for implementing this provision shall be determined by Sovereign Order.

By way of an exception to Article 1929 of the Civil Code, and except where otherwise provided in the mutual fund's full prospectus, the assets in a given subfund correspond only to the liabilities, commitments and obligations and benefit only the claims relating to that subfund.

## **CHAPTER II INVESTMENT FUNDS**

### **ARTICLE 33**

Investment funds are financial or non-financial assets held in co-ownership.

Subscription to units of investment funds may be limited in certain cases to restricted classes of investors, defined by Sovereign Order.

A minimum initial investment amount may be determined by Sovereign Order.

### **ARTICLE 34**

The provisions of Chapter I apply to investment funds, with the exception of Article 1, paragraph 1, Article 8 and Article 10, paragraphs 2 and 3.

However, certain specific investment funds may also derogate from the provisions of Article 2, Article 4, paragraph 1 and Article 24 under conditions determined by Sovereign Order.

In addition to the exceptions referred to in the preceding paragraph, venture capital funds may derogate from the provisions of Article 5, Article 6, Article 18, paragraph 2, Article 19, paragraph 3, Article 27, Article 28, Article 31, paragraph 3 and Article 39.

#### ARTICLE 35

The terms and conditions for subscribing and redeeming units and for suspending subscription and redemption shall be determined by Sovereign Order.

#### ARTICLE 36

The intervals at which the net asset value per unit is calculated and the conditions of publication shall be determined by Sovereign Order.

#### ARTICLE 37

Without prejudice to the provisions of Articles 27 and 28, the Financial Activities Supervisory Commission may require investment funds to draw up interim reports.

Without prejudice to the provisions of Articles 4, 5 and 23, the fund management company must submit an investment programme with the application for authorisation; the contents of the programme and the conditions for monitoring it shall be determined by Sovereign Order.

#### ARTICLE 38

The conditions for allocating the assets of investment funds and the conditions in which such funds may make temporary acquisitions and sales of securities and borrow cash shall be determined by Sovereign Order.

### **CHAPTER III ADMINISTRATIVE SANCTIONS**

#### ARTICLE 39

The Financial Activities Supervisory Commission may revoke the authorisation of a mutual fund or investment fund if it breaches the provisions of this Act and its implementing regulations or if there is a risk for the protection of savings, under the conditions set forth at Articles 35 to 39 of Act 1.338 of 7 September 2007.

The decision ordering revocation of the authorisation shall be published in the *Journal de Monaco*.

### **CHAPTER IV CRIMINAL PENALTIES**

#### ARTICLE 40

The de jure or de facto senior managers of a mutual fund or investment fund that has not obtained the authorisation referred to at Article 2 or that continues its activities despite revocation of its authorisation shall be liable to six months' to two years' imprisonment and the fine set forth at Article 26.4 of the Penal Code, the maximum amount of which may be increased tenfold, or to one only of those two penalties.

#### ARTICLE 41

Senior managers of a management company who issue instructions contrary to the laws or regulations governing mutual funds and investment funds or to the fund's own by-laws and senior managers of a depositary who carry out such instructions shall be liable to three months' to one year's imprisonment and the fine provided for at Article 26.4 of the Criminal Code or one only of those two penalties.

#### ARTICLE 42

Senior managers of a management company who fail to organise the appointment of the statutory auditor provided for at Article 29 shall be liable to six months' to two years' imprisonment and the fine provided for at Article 26.3 of the Criminal Code or one only of those two penalties.

#### ARTICLE 43

Senior managers of a management company who fail to draw up the documents provided for by the laws or regulations under the conditions and within the time limits set by them shall be liable to the fine set forth at Article 26.3 of the Penal Code.

#### ARTICLE 44

Senior managers of a management company who fail to make the documents provided for by the laws and regulations available to unitholders within the time limit set by the laws and regulations shall be liable to the fine provided for at Article 26.2 of the Criminal Code

#### ARTICLE 45

A statutory auditor who knowingly provides or confirms misleading information about the situation of a mutual fund or investment fund which he is responsible for auditing or who fails to disclose any criminal acts that come to his attention to the Financial Activities Supervisory Commission shall be liable to the penalties set forth at Article 41.

#### ARTICLE 46

A court hearing proceedings relating to infringements provided for by this Act involving the senior managers of a management company or depositary of a mutual fund or investment fund may consult the Financial Activities Supervisory Commission at any stage of the proceedings.

#### ARTICLE 47

The senior managers of a management company or depositary who are the subject of a final conviction for a criminal offence under this section shall automatically cease their functions and may not take them up again.

Where a conviction becomes final, the criminal court shall appoint a temporary administrator until new managers have been appointed or the management company or depositary has been

liquidated if the appointment of new managers appears impossible.

## **CHAPTER V FINAL PROVISIONS**

### ARTICLE 48

Mutual funds authorised at the date on which this Act is published are exempt from applying for authorisation as set forth at Article 2.

The founders must comply with the provisions of this Act by providing the Financial Activities Supervisory Commission, within one year of publication of this Act, with a declaration, the content and requisite items of which shall be defined by ministerial order.

If the founders have not received any written observations from the Financial Activities Supervisory Commission within sixty days of filing the declaration referred to in the preceding paragraph, the mutual fund shall be deemed to have been authorised.

### ARTICLE 49

Act 1.130 of 8 January 1990 as amended and all provisions contrary to this Act are repealed.

In all legislative and regulatory texts in force, references to the provisions of Act 1.130 of 8 January 1998 shall be replaced, where appropriate, by references to the provisions of this Act.

This Act is promulgated and shall be executed as a law of the State.

Done in Our Palace at Monaco on the seventh of September two thousand and seven.

ALBERT

By the Prince,  
The Secretary of State:  
R. NOVELLA.