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# Mutual Fund Instructions

AMIR II Achievement of Market-Friendly Initiatives and Results

April 2006

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**JORDAN AMIR II**

Achievement of Market-Friendly Initiatives and Results

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Authors' Names: Mr. Steven Polansky, Ms. Nileema Pargaonker and  
Mr. Lawrence Kosciulek of National Association of  
Securities Dealers (NASD)

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## **Mutual Fund Instructions**

*Final Report*

*April 30, 2006*

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## **Data Page**

**Name of Component:** Financial Markets Development (FMD)

**Authors:** Mr. Steven Polansky, Ms. Nileema Pargaonker and  
Mr. Lawrence Kosciulek of National Association of  
Securities Dealers (NASD)

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- Performance Fee
- Total Expense Ratio
- Yield Quotation
- Sales Literature
- Annual Report
- Semi-Annual Report
- Rights of Shareholders

## **Abstract**

NASD was commissioned by the AMIR Program “to prepare new Mutual Fund Instructions to create the legal framework necessary for the further expansion and effective regulation of Jordan’s mutual fund industry.” In response to this request, NASD performed a comprehensive evaluation of the existing legal environment and developed Instructions to enhance the Jordan Securities Commission’s regulatory oversight of the mutual fund industry in Jordan. The Instructions address all aspects of mutual fund regulation, including the establishment and registration of mutual fund entities, the distribution of their shares, the conduct of their business, and the presentation of their financial performance. In addition, the Instructions provide for the rights of shareholders and the corporate governance requirements for registered mutual funds in Jordan. As part of the Instructions, NASD also developed a standardized format for a mutual fund prospectus to be used by a mutual fund entity when offering its shares to the public.

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## **Executive Summary**

NASD was commissioned by the AMIR Program to “prepare new Mutual Fund Instructions to create the legal framework necessary for the further expansion and effective regulation of Jordan’s mutual fund Industry.” In preparing the Instructions, NASD evaluated the existing legal structure, the size and structure of mutual funds currently established in the market, and the characteristics of the market intermediaries involved in their operation.

The Instructions drafted by NASD have been developed to implement the requirements for mutual funds found in The Securities Law No. (76) of the year 2002. Specifically, the Securities Law requires that each mutual fund be a separate corporate entity governed by a board of directors who are responsible for the administration and management of the mutual fund. These requirements represent a significant shift from earlier versions of the Securities Law and its corresponding Instructions that permitted mutual funds to be established as contractual investment vehicles or projects.

Intended to promote investor protection and market integrity, the Instructions incorporate internationally recognized best practices for mutual funds and reflect NASD’s own experience and expertise in the regulation of mutual funds and the market intermediaries who operate them. The proposed Instructions address all aspects of mutual fund regulation, including the establishment and registration of mutual fund entities, the distribution of their shares, the conduct of their business, and the presentation of their financial performance.

Under the proposed Instructions, all mutual funds seeking to distribute their shares to investors in Jordan must meet organizational requirements and register with the Jordan Securities Commission. When offering shares to the public, mutual funds must use a standard form of a mutual fund prospectus. In addition, the Instructions provide for the calculation of the net asset value of the mutual fund’s shares and outline the use of this net asset value when selling or redeeming the fund’s shares. Finally, all mutual funds are required to present their financial performance in the manner prescribed by the Instructions. These standardized formats are intended to assist investors in understanding the characteristics of any one mutual fund and allow them to compare its merits against those of other mutual funds offered in the market place.

The Instructions also address the management and administration of a mutual fund by its board of directors and the conduct of its business by its Investment Manager. They provide for the rights of the fund’s shareholders and the manner and method by which the fund must provide reports to them on its performance and operation. Finally, the Instructions impose limitations on the conduct of the mutual fund’s business by identifying prohibited trading practices and required standards of conduct for its Investment Managers and other service providers.

NASD has also identified additional issues raised by the proposed Instructions that the Jordan Securities Commission needs to address.

**Instructions for Mutual Funds for the Year 2006  
Issued Pursuant to the Temporary Securities Law No. 76 for the Year 2002**

<b>Article</b>	<b>Description</b>
<b>1</b>	These Instructions shall be known as the (Mutual Fund Instructions) and shall come into force as of _____
<b>2</b>	<p><b>General Definitions</b></p> <p>Unless otherwise defined herein, all terms shall have the meaning as defined in The Securities Law No. (76) for the year 2002.</p>
	<ul style="list-style-type: none"> <li>a. “Board of Directors” shall mean the Board of Directors of the registered mutual fund.</li> <li>b. “Material Information” shall mean any significant information that would affect a reasonable person’s decision to buy, hold, sell, or otherwise dispose of a security.</li> <li>c. “Net Asset Value” shall mean the value per share of a mutual fund as calculated by dividing the total assets of the fund less its liabilities by the total number of shares then outstanding.</li> <li>d. “Performance fee” shall mean any variable fee linked to the performance of the fund.</li> <li>e. “Prospectus” shall mean a formal written offer to sell mutual fund shares describing its history, background of managers, fund objectives, financial statements and other essential information.</li> <li>f. “Redemption” shall mean the process whereby investors in an open-end mutual fund may sell their shares back to the fund.</li> <li>g. “Sales Literature” shall mean all advertisements, promotional publications, pamphlets, circulars, form letters, or any other communications, electronic or otherwise, prepared for the purpose of marketing a mutual fund to any investor.</li> <li>h. “Subscription” shall mean the process whereby investors purchase shares in a mutual fund.</li> <li>i. “The Securities Law” shall mean The Securities Law No. (76) for the year 2002.</li> <li>j. “Total Expense Ratio” (TER) shall equal the ratio of the fund’s total operating costs to its average net assets.</li> <li>k. “Total Return” shall mean the sum of all fund earnings plus any changes in value of assets reduced by all expenses accrued during a specific measuring period.</li> <li>l. “Share” shall mean the basic unit of interest sold by mutual funds to prospective investors and held by its shareholders.</li> </ul>
<b>3</b>	<p><b>Classification of Mutual Funds</b></p> <p><b>a. Definition of Mutual Fund</b></p> <p>When used in these Instructions, “Mutual Fund” shall only mean those funds established and registered under, and operating in accordance with the provisions of the Securities Law, the regulations, instructions and decisions issued pursuant thereto, in</p>

	<p>order to invest in a portfolio of securities or other financial assets for the purpose of providing professional management of a collective investment on behalf of its shareholders. Entities satisfying the conditions identified in Article (94)(B) of the Securities Law shall not be deemed as Mutual Funds.</p> <p><b>b. Sub-classification of Mutual Funds</b></p> <p>In accordance with the provisions of Art. (96) of the Securities Law and for the purposes of these Instructions, mutual funds are further classified as open-end funds or closed-end funds, which are defined as follows:</p> <ol style="list-style-type: none"> <li>1. “Open-end funds” shall mean any mutual fund which, in accordance with Art. (97) of the Securities Law, has variable capital and can issue and is obligated to redeem its shares at current net asset value.</li> <li>2. “Closed-end fund” shall mean a mutual fund which, in accordance with Art. (98) of the Securities Law, has fixed capital and shares that may be issued by public offer or by private placement and may be traded on the Market.</li> </ol> <p><b>c. Other Types of Investment Companies</b></p> <p>The Commission may pursuant to Art. (8) of the Securities Law also permit and enact further instructions for the establishment and registration of additional forms of investment companies or equivalent collective investment schemes, as might be determined necessary by the Commission.</p>
<p>4</p>	<p><b>Establishment and Organization of Mutual Funds</b></p> <p><b>a. Requirements for the Establishment of Mutual Funds</b></p> <p>Every Mutual Fund seeking to register with the Commission shall be established in accordance with Art. (91)(A) of the Securities Law and organized in accordance with these Instructions.</p> <p><b>b. Requirements for the Organization of Mutual Funds</b></p> <p>Every Mutual Fund seeking to register with the Commission shall be organized in accordance with each of the provisions below:</p> <ol style="list-style-type: none"> <li>1. <i>Founders.</i> A mutual fund shall consist of at least two founders who shall subscribe for shares that can be listed on the stock exchange and may be</li> </ol>

negotiated and transferred in accordance with the provisions of the Securities Law and any other legislation in force. A founder may be either a natural person or a legal person. A licensed investment manager may act as founder for a new mutual fund.

2. *Name of Mutual Fund.*

- (a) The name of a mutual fund shall, if possible, be derived from and reflect the investment objectives of the fund. The name must not be misleading as to the investment objectives of the mutual fund. The mutual fund shall not be registered in the name of a natural person.
- (b) The name of the mutual fund shall immediately be followed by an identification of the Investment Manager. (For example, Growth Mutual Fund – as managed by ABC Investment Manager). The mutual fund shall use this format in all instances where the name of the mutual fund is presented including, but not limited to prospectuses, sales literature and advertising, logos, and other communications, electronic or otherwise.

3. *Term of the Mutual Fund.* The term of the mutual fund shall be indefinite.

4. *Board of Directors.* The Mutual Fund shall have an initial board of directors that has been appointed by the founders consisting of 3-13 members as prescribed by the By-Laws of the Mutual Fund who shall be natural persons. This Board of Directors shall comply at all times with the requirements of Art. (106)(A) of the Securities Law.

5. *Minimum Capital.* The Mutual Fund shall have a minimum capital of [Dinar amount] JD that shall be provided by the founders.

6. *Investment Manager.* The Board of Directors shall appoint, on behalf of the Mutual Fund and in accordance with Art. (95) of the Securities Law, the Investment Manager who shall manage the Mutual Fund.

7. *Investment Trustee.* The Mutual Fund, or the Investment Manager acting on behalf of the Mutual Fund, shall appoint an Investment Trustee.

*aws.* The Mutual Fund shall have a body of By-Laws that provide for the administration, management, and governance of the Mutual Fund by the Board of Directors.

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**Registration of Mutual Funds with the Commission****a. Requirement to Register a Mutual Fund**

Every mutual fund seeking to conduct activities or sell its shares to investors in Jordan shall be registered with the Commission in accordance with Art. (92) of the Securities Law and the requirements in these Instructions.

**b. Eligibility to Register with the Commission**

Only those mutual funds organized in accordance with Article 4. of these Instructions shall be eligible to register with the Commission.

**c. Requirements for the Registration of a Mutual Fund with the Commission**

A mutual fund who is eligible to register pursuant to provision b. above and seeking to register with the Commission shall provide the following information:

1. *Required information.* All mutual funds seeking to register with the Commission in accordance with the provisions of the Securities Law must provide the following information:

- (a) The sub-classification, (open-end or closed-end), within which the Mutual Fund proposes to operate;
- (b) A description of the management, organization, and structure of the Mutual Fund that demonstrates their compliance with the requirements of Art. 4 of these Instructions;
- (c) The name and contact information for the Investment Manager who will manage the Mutual Fund;
- (d) The investment objectives of the Mutual Fund and the principal investment strategies to achieve the investment objectives;
- (e) The investment risks an investor incurs when investing in the fund;
- (f) For entities who may have an operating history either in a foreign jurisdiction or who may be registering after a merger, a discussion and if required graphical display, of the historical risk and return information for the applicant;
- (g) Fee tables prepared in accordance with the format specified in Article 9. of these Instructions that specifies the fees and expenses including commissions, sales, charges, and other expenses incurred by the shareholder by holding part of the fund;
- (h) Instructions as to how investors may purchase, and where applicable, redeem shares;
- (i) The mutual fund's policy on dividends, distributions, and capital gains;
- (j) The tax consequence of investing in the mutual fund for

- shareholders;
- (k) All material information deemed necessary by the Commission regarding the mutual fund necessary to clarify its structure, operations, or procedures;
  - (l) All documentation relating to the mutual fund and its business including, but not limited to:
    - i. Formation Contract for the Mutual Fund
    - ii. Articles of Association and/or Memorandum of Association
    - iii. By-Laws of the Mutual Fund or any such corresponding documents;
    - iv. Investment Manager Contract(s);
    - v. Investment Trustee Contract(s);
    - vi. Third Party Contract(s);
    - vii. Custodian Agreement(s);
  - (m) All Other Material Agreements.

*2. Format of required information.* The information required in Article 5.c.1. above shall be provided to the Commission in the format presented in Annex I to these Instructions.

**d. Procedures for Registration of Mutual Funds**

*1. Application required.* In accordance with Art. (92)(A) of the Securities Law and these Instructions, every applicant shall submit an Application to register as a Mutual Fund with the Commission and include all information and documents in accordance with the provisions of the Securities Law and these Instructions. The Application shall conform to requirements outlined in Annex I to these Instructions.

*2. Application fee.* Every application for registration under Article 5. of these Instructions shall be accompanied by non-refundable application fee set by the Commission in the Jordan Securities Commission Fees Regulation for the Year 1999.

*3. Request for additional information.* The Commission may request additional information or clarification, as it deems necessary, to appropriately evaluate the application for registration.

*4. Conformance to requirements.* The Commission shall approve an application that is complete in all respects and complies with all required provisions of the Securities Law and these Instructions. Before rejecting any application not in compliance with the requirements, the Commission will provide the applicant an opportunity to remedy the areas of non-compliance within such time as specified by the Board.

5. *Decision of the Commission.* In accordance with the provisions of Art. (92) of the Securities Law and these Instructions, the Commission will issue a final decision approving or denying the registration application and the basis of such decision within thirty days from the date of the receipt of an application that contains all information required by the Commission.

6. *Issuance of the Certificate of Registration.* Upon issuance of the decision approving the registration of the Mutual Fund, the Commission in accordance with Art. (92)(C) of the Securities Law shall issue the Mutual Fund's Certificate of Registration.

7. *Withdrawn application.* The Commission shall consider an application to be withdrawn if the applicant has failed to submit all required information within six months of the original filing date.

**e. Failure to Register a Mutual Fund with the Commission**

It shall be regarded as a violation of the Securities Law and these Instructions for any legal person organized and established as a mutual fund or an equivalent collective investment scheme or vehicle to offer its shares for sale to investors in Jordan without registering the fund and its shares with the Commission.

**f. Merger and Reorganization of Registered Mutual Fund.**

Any merger of a registered mutual fund with another mutual fund shall only be conducted in accordance with the provisions of Part Eleven of the Companies Law No. (22) of 1997 as amended by the Temporary Law No. (40) for the year 2002 and as follows:

- (a) *Filing of documents with the Commission.* The registered mutual fund seeking to merge with another mutual fund shall file with the Commission a copy of all merger-related documents, applications, and statements filed with The Companies General Controller in accordance with the provisions of Part Eleven of the Companies Law No. (22) of 1997 as amended by the Temporary Law No. (40) for the year 2002.
- (b) *Registration of merged company with the Commission.* The newly merged mutual fund shall apply to register with the Commission in accordance with provisions in Article 5 a. of these Instructions.

**g. Deregistration of Mutual Fund by Commission**

A mutual fund that is undergoing either voluntary liquidation or compulsory liquidation must notify the Commission prior to carrying out such liquidation and apply to the Commission to deregister as a mutual fund.

	<p>1. <i>Application requirements.</i> The application must provide the following:</p> <ul style="list-style-type: none"> <li>(a) A formal request to deregister the fund;</li> <li>(b) The basis for liquidation and an identification of the liquidator;</li> <li>(c) A statement as to the plan of dissolution of the assets of the mutual fund;</li> <li>(d) A demonstration of compliance with the rules and regulations for liquidation of a public shareholding company as provided for in Part Thirteen of the Companies Law No. (22) of 1997 as amended by the Temporary Law No. (40) for the year 2002.</li> </ul> <p>2. <i>Review by the Commission.</i> The Commission will issue a decision granting or denying the mutual fund’s request to deregister its status as a mutual fund based on its review of the Application.</p> <p>3. <i>Oversight and supervision of the liquidation.</i> The Commission will oversee the liquidation and the activities of the liquidator to ensure that investor rights are protected.</p> <p>4. <i>Books and records requirement for deregistered funds.</i> Deregistered funds must maintain accounts and records specified in Article 14 of these Instructions for at least five years following deregistration.</p>
6	<p><b>Registration Requirements for the Shares of Mutual Funds Offered to the Public</b></p> <p><b>a. Filing Requirements for the Prospectus and other Offering Documents with the Commission</b></p> <p>All mutual funds must file with the Commission any prospectus, other offering documents, and any additional information requested by the Commission in accordance with Art. (34) and Art. (35) of the Securities Law. This filing shall be accompanied by a non-refundable fee as set by the Commission in The Jordan Securities Commission Fees Regulation for the Year 1999.</p> <p><b>b. Disclosure Requirements for Prospectus and other Offering Documents Used by Mutual Funds to Offer Shares to the Public</b></p> <p>Any prospectus for shares to be used by registered mutual funds to offer shares to prospective buyers and investors must follow the format and instructions set forth in the form in Annex II. **</p> <p>(**NOTE**We have recently received a translated copy of the Instructions for Issuance and Registration of Securities for the Year 2005. We have attempted to make Annex II consistent with these Instructions where applicable. We have also detailed additional information and data that is required to ensure that prospective investors receive comprehensive and complete information regarding their potential</p>

purchase of a mutual fund, the fund's structure, operation, and the unique risks inherent in this type of investment vehicle.)

**c. Declaration of "Effectiveness" by the Commission**

1. *Effectiveness.* In accordance with the Art. (39) of the Securities Law, the prospectus is deemed effective 30 days after its submission to the Commission, unless within this period, the Board declares the prospectus effective or rejected.
2. *Notification of comments.* The Commission shall notify the Investment Manager and the designated contact person of the Mutual Fund of its comments on the prospectus within two weeks of receiving it for review by the Commission.
3. *Date of submission.* For the purposes of Article 6.c.1. above, the date of submission of the prospectus to the Commission shall be considered the date by which all data, information, and attachments specified by the Law and these Instructions have been received in their entirety by the Commission.
4. *Transactions without an effective prospectus.* It shall be a violation of the Securities Law and these Instructions for any persons to effect any transactions in shares of a mutual fund prior to the date upon which the offering documents for such shares have been declared effective by the Commission pursuant to Art. (39) of the Securities Law thereunder.

**d. Requirements to Update Prospectus**

All mutual funds must amend and update their respective prospectuses pursuant to the provisions set forth below:

1. *Annually.* Every prospectus used by mutual funds must be updated annually on the anniversary date of the later of the following:
  - a. The initial declaration of effectiveness of the prospectus by the Commission; or
  - b. Any subsequent declaration of effectiveness by the Commission on any updated prospectus.
2. *Material Event.* If a material change occurs in the data in the prospectus or a new material event takes place, the fund must inform the Commission in accordance with the requirements of The Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards and prepare an appendix to the prospectus, which shall be approved by the Commission, prior to accepting any new subscriptions.

	<p style="text-align: center;">3. <i>Requirement to file updated prospectus with Commission.</i> Every updated prospectus must be filed with the Commission in accordance with Art. (34) of the Securities Law and be declared in effect pursuant to Art. (39) thereunder.</p> <p><b>e. Prospectus Delivery Requirement for the Purchase of Shares</b></p> <p>In accordance with Art. (34)(C) of the Securities Law the sale of shares of a mutual fund that are a part of a public offering is not legally binding unless the buyer first receives a copy of the effective prospectus.</p> <p><b>f. Requirement to Publish Prospectus to Existing Shareholders</b></p> <p>1. <i>Publication of prospectus.</i> The Investment Manager shall publicize within a reasonable time, in accordance with Art. (43)(C) of the Securities Law any updated prospectus or prospectus appendix.</p> <p>2. <i>Certification of publication.</i> The Investment Manager shall submit a statement to the Commission certifying that any amended or updated prospectus has been published in accordance with the requirements of provision (1) above. The statement shall contain the date of publication and manner or methods used to publicize the prospectus to existing shareholders and shall be submitted to the Commission within thirty (30) days of the date of publication.</p> <p><b>**NOTE**</b>We have recently received a translated copy of the Instructions on Issuance and Registration of Securities for the year 2005. We have attempted to modify provisions outlined above to make them consistent with these Instructions.</p>
7	<p><b>Conduct and Administration of Mutual Fund Business</b></p> <p><b>a. Exemptions from Diversification Requirements</b></p> <p>A mutual fund may request the Commission for an exemption from the requirements under Art. (102)(C) of the Securities Law. The Commission may, upon review of the particular facts and circumstances of the mutual fund, grant the exemption for new products, such as index funds, or other aspects of mutual fund development that do not adversely affect public or investor interests. The request shall be handled in accordance with the procedures outlined below.</p> <p>1. <i>Procedure for request for exemption.</i> All mutual funds seeking an exemption from the diversification requirements as provided for in Art. (102) of the Securities Law must file with the Commission an application for exemption under Art. (102)(C) that provides the following information or statements:</p>

- (a) An identification of the mutual fund seeking an exemption and a statement of its investment objectives and policy;
- (b) The specific provision of Art. (102)(B) from which the mutual fund is seeking an exemption;
- (c) A detailed statement explaining the facts and circumstances under which the mutual fund is unable to comply with the requirements in Article (102) of the Securities Law;
- (d) The length of time for which the exemption is being requested;
- (e) A proposed plan outlining the steps the mutual fund will take to reestablish compliance with the exempted provision and the date when compliance is expected to be achieved, if appropriate.

2. *Issuance of decision by Commission.* The Commission will, upon receipt and review of the application for exemption, issue a decision either granting or denying the exemption application within thirty (30) days of receipt of the application, and provide in such statement the basis on which the decision was made. Such statement will be made available to the public upon request.

3. *Disclosure requirements.* If the Commission grants the application for exemptive relief from the diversification requirements, the mutual fund must disclose this fact in all sales literature, prospectuses, and in its semi-annual and annual reports. The disclosure must describe the provisions of the Securities Law that will not be complied with, the basis for such non-compliance, and the additional risks to the Fund. The disclosure must also include a declaration on the front page of the document that contains the language in provision 4. below and directs the reader to the section of the document where the exemption is fully discussed.

4. *Front page declaration.* All sales literature, prospectuses, performance summaries, and reports must include the following literal text within a rectangle on the front page of the document:

“It is important that this should be read carefully by all investors.

This Mutual Fund does not comply with all of the principles and criteria for diversification of investments as required by The Securities Law No. (76) for the year 2002. As a result, an investor may face additional risks when investing in this Mutual Fund. Additional information about these risks is available at [Insert section name or page number].

Each investor should carefully scrutinize and examine this document in order to decide whether it is appropriate to invest in these shares, taking into consideration all the stated facts in the light of his own situation.”

	<p><b>b. Trading Practices</b></p> <p>1. <i>Transactions with the Investment Manager.</i> In accordance with the restrictions set out in Art. 102(B)(5), it shall be considered a violation of the Securities Law for any mutual fund to invest in securities issued by the Investment Manager of a mutual fund or by any company affiliated therewith.</p> <p>2. <i>Joint Transaction.</i> In accordance with the restrictions set forth Art. (106) (B) and Art. (103)(C), it shall be considered a violation of the Securities Law for any affiliated or interested person of a mutual fund (or any affiliated person of such a person), acting as a principal, to knowingly sell any security or other property to such a mutual fund unless the mutual fund is repurchasing its own shares or the mutual fund is purchasing shares as part of a public offering.</p> <p><b>**Note**</b> Further rules aimed at minimizing conflicts of interest between the fund and the Investment Manager have been covered in the Securities Law and the Financial Services Licensing and Registration Instructions for the year 2004 in the articles related to Investment Managers and the Investment Trustees.</p>
<p><b>8</b></p>	<p><b>Calculation of “Current Net Asset Value”</b></p> <p><b>a. Net Asset Value</b></p> <p>Net Asset Value shall mean the value per share or unit of a mutual fund as calculated by dividing the total assets of the fund less its liabilities by the total number of shares outstanding, as of a particular date.</p> <p><b>b. Computation of the Current Asset Values</b></p> <p>To compute a fund’s current net asset value, any securities or other asset categories held by a fund shall be valued in accordance with the accounting principles approved by the Commission.</p> <p><b>c. Frequency of Calculation of Current Net Asset Value</b></p> <p>Every mutual fund shall compute the Current Net Asset Value of the fund on the last business day of every week by 4 p.m. of that day.</p> <p><b>d. Publication Requirements of Net Asset Value to Shareholders</b></p> <p>The Current Net Asset Value shall be available to current shareholders and prospective investors upon request and publicized no later than 4:00 p.m. in daily newspapers on the first business day of every week.</p>

9	<p><b>Presentation of Fees and Expenses of Mutual Fund</b></p> <p><b>a. Requirement to disclose all fees and expenses to the investor and the Mutual Fund</b></p> <p>All fees, expenses, charges, and levies paid by investors and assessed on the Fund's assets shall be disclosed to prospective investors and shareholders in the frequency and manner as provided for in Article 9.b. and 9.c. below.</p> <p><b>b. Format for disclosing fees and expenses to the fund in offering documents and sales literature</b></p> <ol style="list-style-type: none"><li>1. <i>Disclosure requirement for documents.</i> No offering document, prospectus, or any form of sales literature as outlined in these Instructions shall be used to offer shares of the mutual fund to prospective investors or current shareholders without providing appropriate fee and expense information in accordance with the requirements of Article 9.b.2. and 9.b.3. that follows.</li><li>2. <i>Standardized Fee Table</i><ol style="list-style-type: none"><li>(a) The presentation of fees and expenses must comply with the following:<ol style="list-style-type: none"><li>i. Reflect all the fees and expenses of the fund;</li><li>ii. Distinguish clearly the fees charged directly to the investor and the fees and expenses borne by the fund and deducted from its assets;</li><li>iii. Describe the fees and expenses paid on a historical basis;</li><li>iv. Include the Total Expense Ratio (TER).</li></ol></li><li>(b) All fees, expenses, charges, and levies assessed to the mutual fund's assets or otherwise charged to the investor shall be presented in offering documents, such as the prospectus, in accordance with the Standard Fee and Expenses Table as provided in Annex III to these Instructions. If such fee information is presented in sales literature used by the mutual fund, then the presentation of such information will also be in accordance with the Standard Fee and Expenses table.</li></ol></li><li>3. <i>Other formats.</i> Presentation of fees and expenses charged to the fund in a format other than that required in 9.b.2. above shall be submitted to the Commission with a statement as to the basis for such exception for the Commission's review and approval prior to its use in offering documents or sales literature.</li></ol> <p><b>c. Calculation of the Performance Fees</b></p> <p>If an Investment Manager receives a performance fee from the fund based on the value of its assets, this fee shall be calculated as the percentage increase in value of the average net asset value over each calendar quarter as compared to the average net asset value for the immediately preceding quarter. This fee shall accrue quarterly and be payable annually.</p>
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	<p><b>**NOTE**</b> <i>It is important to standardize the presentation of fees and expenses in order to allow investors to compare fees and expenses across funds.</i></p>
<p><b>10</b></p>	<p><b>Presentation of the Financial Performance of the Fund</b></p> <p><b>a. Requirement to Present Financial Performance of the Mutual Fund</b></p> <p>The mutual fund’s financial performance presented in its prospectus, offering documents, or annual or semi-annual reports must be presented in accordance with the provisions of Article 10.b. and 10.c. below.</p> <p><b>**NOTE**</b> <i>It is important to present financial performance data in a standardized format in order to enable the investor to compare performance across funds.</i></p> <p><b>b. Calculation of Performance Data</b></p> <p>Performance information included in the prospectus should be calculated in the following manner:</p> <ol style="list-style-type: none"> <li>1. <i>Average Annual Total Return Quotation.</i> For the 1-, 3-, and 5-year periods (or for the periods the Fund has been in operation), ended on the date of the most recent balance sheet (from the prospectus, annual or semiannual report) calculate the Fund’s average annual total return by finding the average annual compounded rates of return over the 1-, 3-, and 5-year periods (or for the periods of the Fund’s operations) that would equate the initial amount invested to the ending redeemable value, according to the following formula: <p style="text-align: center;"><math>P(1+T)^n = ERV</math></p> <p>Where:  P = a hypothetical initial payment of JD1,000  T = average annual total return  n = number of years  ERV = ending redeemable value of a hypothetical JD 1,000 payment made at the beginning of the 1-, 3-, or 5-year periods at the end of the 1-, 3-, or 5-year periods (or fractional portion)</p> </li> <li>2. <i>Instructions for calculation of Average Annual Total Return. Quotation.</i> The calculation of the average annual total return quotation must be done in accordance with the instructions provided in Annex IV to these Instructions.</li> <li>3. <i>Yield Quotation.</i> Based on a 30-day (or one month) period ended on the date of the most recent balance sheet (from the prospectus, annual or semiannual report) calculate the Fund’s yield by dividing the net investment income per share earned during the period by the maximum offering price</li> </ol>

	<p>per share on the last day of the period, according to the following formula:</p> $YIELD = 2[((a - b)/cd + 1)^n - 1]$ <p>Where:</p> <ul style="list-style-type: none"> <li>a = dividends and interest earned during the period.</li> <li>b = expenses accrued for the period (net of reimbursements).</li> <li>c = the average daily number of shares outstanding during the period that were entitled to receive dividends.</li> <li>n = 6</li> <li>d = the maximum offering price per share on the last day of the period.</li> </ul> <p>4. <i>Instructions to calculate Yield Quotation.</i> The calculation of the yield quotation must be done in accordance with the instructions provided in Annex IV to these Instructions.</p> <p><b>c. Calculation of Financial Performance by Alternative Methods</b></p> <ol style="list-style-type: none"> <li>1. <i>Approval for alternative methodology.</i> A mutual fund may use an alternative method to calculate and present financial performance of the fund only after submitting an application to the Commission that provides a statement as to the basis for such alternative calculation and receiving an approval from the Commission.</li> <li>2. <i>Disclosure requirements.</i> The presentation of financial performance information by the mutual fund in its offering documents, sales literature, or advertising materials, or periodic reporting pursuant to an alternative methodology must be accompanied by disclosure outlining the material aspects of the methodology used and a statement on the comparability of this performance with the methodology recommended by the Commission in provision (b) above.</li> </ol>
<p><b>11</b></p>	<p><b>Use of Sales Literature by Mutual Funds</b></p> <p><b>a. Definition of Sales Literature and Advertising</b></p> <p>For purposes of the Securities Law and these Instructions, sales literature shall mean all advertisements, promotional publications, pamphlets, circulars, form letters, or any other communications, electronic or otherwise, prepared for the purpose of marketing a mutual fund to any investor.</p> <p><b>b. Content Standard for Sales Literature</b></p> <p>All sales literature addressed to or intended for distribution to prospective investors,</p>

shall comply with the following standards:

1. *Disclosure of all material facts.* All sales literature and advertising shall be based on principles of fair dealing and should provide a sound basis for evaluating the facts in regard to the security being offered for sale. No material fact may be omitted, if the omission in light of the context of the material presented, would cause the communication to be misleading.
2. *Misleading statements.* In accordance with Art. (107)(B), and(D) of the Securities Law, no advertisements and sales literature may contain any false or misleading data regarding the nature of the fund's business, the success thereof, its financial condition, and future prospects. In determining whether a communication may be misleading, the mutual fund may consider the following factors:
  - (a) The overall context in which the statement has been made and the extent to which the statement presents a balanced treatment of risks and potential benefits.
  - (b) The audience to which the communication is directed and the modification or supplementation of the communication with additional information based on the needs of the target audience.
  - (c) The overall clarity of the communication and the degree to which complex information has been presented in easily understandable language and terms.
3. *Claims and opinions.* In accordance with Art. (107)(B) and (D) of the Securities Law, no sales literature or advertising shall contain promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions for which there is no reasonable basis, or forecasts of future events which are unwarranted, or which are not clearly labeled as forecasts.
4. *Comparisons.* In making a comparison in advertisements and sales literature, either directly or indirectly, the mutual fund must make certain that the purpose of the comparison is clear and must provide a fair and balanced presentation, including any material differences between the subjects of comparison. Such differences may include investment objectives and any other factors necessary to make such comparisons fair and not misleading.

**c. Presentation of Financial Information**

All sales literature addressed to or intended for distribution to prospective investors shall comply with the requirements for the presentation of financial performance as provided for by these Instructions in Article 10 above.

	<p><b>d. Approval of Use</b></p> <p>Each item of advertising and sales literature shall be signed by a principal of the firm and submitted to the Commission prior to its use for their approval.</p> <p><b>e. Recording Keeping Requirements for Sales Literature</b></p> <p>All sales literature used by a mutual fund or its affiliated persons must be retained by the fund in a separate file that includes the name(s) of the person(s) who prepared and/or approved their use for a minimum of five years from the date of last use in a separate file in accordance with Article 14 of these Instructions.</p> <p><b>**NOTE**</b> We understand that the JSC is currently in the process of drafting comprehensive books and records Instructions for licensed persons. This section may need to be amended or modified in the future in order to be consistent with these Instructions.</p>
<p><b>12</b></p>	<p><b>Management of the Mutual Fund</b></p> <p><b>a. By-Laws</b></p> <p>The financial, administrative, and accounting issues of a mutual fund shall be organized in accordance with the by-laws prepared by its Board of Directors. The by-laws shall specify in detail the duties, responsibilities and powers of the Board of Directors regarding the management and operation of the mutual fund.</p> <p><b>b. Board of Directors</b></p> <p>The oversight and management of the mutual fund shall be entrusted to the Board of Directors whose members shall not be less than three (3) and not more than thirteen(13) natural persons as stipulated by the Mutual Fund’s Articles of Association.</p> <p><b>c. Requirements for the Board of Directors</b></p> <p>The Board of Directors of every mutual fund shall operate in accordance with the following:</p> <ol style="list-style-type: none"> <li>1. <i>Initial Board of Directors.</i> The founders of the Mutual Fund shall appoint an initial Board of Directors at the time of their application to register as a mutual fund with the Commission. This initial Board of Directors shall operate in accordance with the following:             <ol style="list-style-type: none"> <li>(a) All appointments to such a Board shall meet all of the conditions and requirements for membership provided by these Instructions, the Securities Law, regulations, and decisions;</li> <li>(b) Every appointment of a member to initial Board shall state when such member shall stand for election by the General Assembly</li> </ol> </li> </ol>

	<p>at its annual meeting, and in no instance shall a member serve longer than four (4) years without being voted upon by the General Assembly;</p> <p>(c) The schedule for election for the initial Board of Directors shall comply with requirements in provision (7) of this Article;</p> <p>(d) The initial Board of Directors shall comply with all of the requirements for Board of Directors as provided for in the Securities Law, these Instructions, regulations, and decisions.</p> <p>2. <i>Conditions for membership.</i> The Articles of Association and the By-Laws for the Mutual Fund shall specify the conditions required to be satisfied for nomination for Board membership.</p> <p>3. <i>Minimum requirements.</i> Every mutual fund shall require that persons appointed to or nominated for membership of the Board are more than twenty-one years old and are not civil servants in the Government or an official public corporation.</p> <p>4. <i>Prohibited persons for Board membership.</i> Any person convicted of the following shall be barred from serving on the Board of a mutual fund:</p> <p>(a) Any felony or misdemeanor involving acts of bribery, embezzlement, theft, forgery, abuse of confidence, or false testimony;</p> <p>(c) Any crime against public manners and morals;</p> <p>(d) Any violation of the Securities Law;</p> <p>(c) Any act identified in Article (278) of The Companies Law No. 22 of 1997 as amended by the Temporary Law No. (40) for the year 2002; or</p> <p>(d) Any person who is incapacitated or has declared bankruptcy at the time of nomination.</p> <p>5. <i>Eligibility requirements.</i> Only those persons meeting all of the eligibility criteria and the minimum requirements specified in these Instructions and the Articles of Association of the Mutual Fund and its By-Laws shall be nominated for membership to the Board of Directors.</p> <p>6. <i>Compliance with restrictions on interested persons.</i> The membership of the Board of Directors shall comply at all times with the requirements of Art. (106) of the Securities Law.</p> <p>7. <i>Schedule for election.</i> One-fourth of the members of the Board of Directors shall stand for election by the shareholders at every annual General Assembly meeting.</p> <p>8. <i>Term of service.</i> Every elected member of the Board of Directors shall serve a term of four years from the date of their approval by a majority of shareholders</p>
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**d. Election of a Board of Directors' Chairman and Deputy Chairman**

1. *Chairman and Deputy Chairman.* The Board of Directors of the mutual fund shall elect a Chairman from amongst its members by means of a secret ballot with the approval of two-thirds of the Board members. The Chairman may be a full-time employee with the approval of two-thirds of the Board members. The Board of Directors shall in this case determine the powers and duties which he may expressly exercise and shall fix his due fees and bonuses, provided that he is not be a full-time chairman of the board of directors of another mutual fund or public shareholding company. The Board shall also elect a Deputy Chairman to assume the duties and responsibilities of the Chairman in his absence. The Chairman and the Deputy Chairman shall each be elected for a term of one year.
2. *Signatory for the mutual fund.* The Board of Directors shall also elect from amongst its members one or more member(s) who shall have the right to sign on behalf of the mutual fund severally or jointly in accordance with the powers delegated to them by the Board.
3. *Submission to the Commission.* The Board of Directors of the mutual fund shall provide the Commission with copies of its decisions related to the election of the Chairman, Deputy Chairman, and the authorized member(s) to sign on behalf of the mutual fund accompanied by a specimen of their signatures within seven days from the date of issuing the said decisions.

**e. Disclosure of Property Owned by Members of the Board of Directors**

1. *Disclosure.* Every member of the Board of Directors shall, at the time of nomination, disclose all holdings and interests in any mutual fund by the nominated member and/or their immediate families. Any change that may occur to the stated holdings must be disclosed to the Board within fifteen days from the date on which such change occurs.
2. *Submission to the Commission.* The Board of Directors shall present the Commission with copies of the disclosure statements provided by members of the Board of Directors within seven days from the date of their election to the Board or of any subsequent changes to their original disclosure.

**f. Resignation of a Board of Directors' Member**

Any member of the Board of Directors of a Mutual Fund may submit his resignation from the Board in writing. Such resignation shall take effect as of the date of its submission to the Board and may not be withdrawn.

**g. Loss of Membership in the Board of Directors**

The Chairman of the Board of Directors of a Mutual Fund or any member thereof shall lose his Board membership if he is absent for more than four consecutive meetings of the Board of Directors without a reason acceptable to the Board, or if he is absent from the meetings of the Board of Directors for six consecutive months even if there is a reasonable basis for his absence. The Commission shall be informed of the decision of the Board of Directors taken in accordance with the provisions of this article.

**h. Right of the General Assembly to Dismiss the Chairman and Members of the Board of Directors**

The General Assembly of the Mutual Fund shall have the right to dismiss the Chairman of the Board of Directors or any of its members. This right shall be exercised in accordance with the following:

1. *Request from shareholders.* Shareholders representing at least 30% of the shares of the Mutual Fund must submit a signed dismissal request to the Board of Directors with a copy to the Commission;
2. *Extraordinary meeting.* The Board of Directors shall invite the General Assembly to hold an extraordinary meeting within ten (10) days from the date of submission of the dismissal request and shall hold the meeting within thirty (30) days from the date of submission of the dismissal request;
3. *Meeting at the request of the Commission.* If the Board fails to invite the General Assembly to a meeting, the Commission shall do so at the expense of the Mutual Fund;
4. *Review by General Assembly.* The General Assembly shall discuss the dismissal request of any member and may listen to his statements either verbally or in writing, after which the shareholders will vote on the request by secret ballot.
5. *Election of Replacement.* If the General Assembly decides to dismiss the said member of the Board of Directors then it shall elect his replacement in accordance with the requirements stipulated in these Instructions, the Securities Law, regulations and decisions.

**i. Vacancy on the Board of Directors**

1. *Provisional member.* If the office of any member of the Board of Directors becomes vacant, for whatever reason, the Board of Directors shall promptly elect a temporary member from individuals who meet the conditions and requirements for membership to fill the vacancy. This membership shall be provisional until it has been presented to the shareholders at the next General Assembly for their approval of the provisional member. If the next General Assembly does not approve the provisional member, his membership is terminated.

2. *Election of member.* If the next General Assembly does not approve the provisional membership as required in provision i.1. above, the General Assembly shall then elect a member in accordance with the Securities Law and these Instructions.
3. *Maximum number of vacancies.* No more than one-third of the Board of Directors shall be provisional members of the Board at any time. Thereafter, the Chairman shall convene an extraordinary General Assembly to elect the new Board of Directors.

**j. Duties of the Board of Directors**

The Board of Directors of a mutual fund shall, on the behalf of shareholders, be responsible for overseeing the operation of the mutual fund, the activities of the Investment Manager, Investment Trustee and any other service provider to the Fund, and for monitoring the management and operation of the fund for conflicts of interest.

Their responsibilities shall include, but are not limited to the following:

1. *Chairman of the Board.* The Board of Directors shall determine the powers and duties of the Chairman that he may expressly exercise and shall establish his compensation and bonus.
2. *Engagement of an Investment Manager.* The Board of Directors shall in accordance with Art. (95)(A) of the Securities Law appoint, subject to approval by the General Assembly, and supervise an Investment Manager to manage the Mutual Fund's portfolio.
3. *Audit Committee.* The Board of Directors shall in accordance with Art. (15) of the Instructions of Issuing Companies Disclosure, Accounting Standards establish an Audit Committee to perform the functions and responsibilities outlined in such Instructions.
4. *Code of Ethics.* The Board of Directors shall establish and approve a Code of Ethics for the Mutual Fund.
5. *Proxy voting policies.* The Board of Directors shall establish and approve the policies and procedures relating to the voting of proxies in connection with portfolio securities.
6. *Compliance procedures.* The Board of Directors shall establish and approve written compliance procedures and policies of the mutual fund and each service provider to the fund. Such polices and procedures must be reasonably designed to prevent violation of the Securities Law and any other relevant legislation in force.

7. *Custody and Service Contracts.* The Board of Directors shall review and approve custody and service provider arrangements.

8. *Valuation and net asset value calculation.* The Board of Directors is responsible for the proper valuation of the assets of the mutual fund. To do so, the Board must:

- (a) Develop a valuation policy for the assets of the mutual fund;
- (b) Specify the time when the mutual fund must calculate its net asset value;
- (c) Maintain oversight and on-going supervision over the valuation of the assets of the mutual fund if the implementation of the valuation policy and process has been delegated to the Investment Manager.

9. *Financial reports.* The Board of Directors shall in accordance with the Securities Law, these Instructions, and the Instructions on Companies Disclosure, Accounting and Auditing Standards prepare all financial reports of the Mutual Fund, including an annual and semi-annual report.

**k. Liability of the Chairman and the Board of Directors**

1. *Liability of the Mutual Fund against third parties.* The Board of Directors of a Mutual Fund shall be endowed with the powers as set forth in the Mutual Fund's Articles of Association. Actions and deeds conducted and exercised by the Board of Directors shall be binding on the Mutual Fund against third parties dealing with the Mutual Fund.

2. *Right of recourse for the Mutual Fund.* The Mutual Fund shall have the right of recourse on the Board of Directors to claim any compensation resultant of damage from the actions of the Board of Directors.

3. *Violation of By-Laws.* The Chairman and the members of the Board of Directors are responsible to the Mutual Fund, shareholders and others for every violation committed by any or all of members of the laws and regulations in force and the Articles of Association and for any error in the management of the Mutual Fund. The consent of the General Assembly for absolving the Board from its responsibility shall not prevent legal recourse against the Chairman and the Board of Directors.

4. *Default and Negligence.* The Chairman and the members of the Board of Directors shall be jointly and severally liable to shareholders for any default or negligence in the management of the Mutual Fund.

**l. Responsibilities of the Chairman of the Board of Directors**

The Chairman of the Board of Directors shall represent the Mutual Fund before others and before all authorities including the competent juridical authorities. The Chairman shall also be responsible for the following:

1. The exercise of all powers accorded to him in accordance with the provisions of the Securities law, these Instructions, regulations, decisions, the By-Laws of the Mutual Fund, and any other powers granted to him by the Board of Directors.
2. Implementation of the decisions of the Board of Directors in cooperation with the Investment Manager of the Mutual Fund or other service provider to the Fund.

**m. Duties of the Board of Directors Secretary**

The Board of Directors shall appoint from amongst its members the secretary of the Board and shall determine his remuneration. The secretary shall have the following duties: arranging the Board meetings, preparing the agenda, and recording the minutes of the Board's meetings and decisions in a special register and on consecutive pages having serial numbers. The Board's Chairman and members who attended the meetings shall sign the said register and each page shall be stamped with the mutual fund seal.

**n. The Board of Directors Meetings**

The Board of Directors of a Mutual Fund shall hold meetings at least six times during the fiscal year of the fund provided that not more than two months lapse before holding a Board meeting. The Commission shall receive a copy of the invitation of each such meeting.

1. *Meeting by Invitation.* The Board of Directors shall meet at the written invitation from the Chairman.
2. *Meeting at request of Board members.* The Board of Directors shall meet upon a written request of at least one-quarter of the Board's members submitted to the Chairman. The request to the Chairman shall state the basis for the request. Upon receipt of the request, the Chairman shall have seven days to invite the Board for a meeting and if he fails to do so, the members who submitted the request shall have the right to invite the Board to meet.

3. *Required attendance.* The Board of Directors shall hold its meetings in the presence of the absolute majority of the Board's members at the headquarters of the Mutual Fund, or in any other place if such meeting cannot be held at the headquarters.

4. *Requirements for voting.* Voting on decisions before the Board may only be done by members in person. Voting by proxy or by any other indirect manner shall not be permitted.

5. *Decisions of the Board.* The decisions of the Board of Directors shall be adopted by a majority of the members present at the meetings and in the event the vote does not have a majority, the Chairman shall have the casting vote.

**o. Prohibitions on the Board of Directors and the Chairman of a Mutual Fund**

1. *Disclosure of proprietary information.* The Board of Directors of a Mutual Fund, the Chairman, all employees, if any, and all service providers of a Mutual Fund are prohibited from disclosing any information or data of a confidential nature acquired while in their official capacity in the Mutual Fund, or as a result of undertaking any business on behalf of the Fund unless the disclosure of such information is done in accordance with the requirements of the Securities Law, these Instructions, regulations, or decisions.

2. *Dealing with Mutual Fund shares.* With respect to the shares of the Mutual Fund, the Board of Directors of a Mutual Fund, the Chairman, and all employees, if any, of the Fund are prohibited from the following:

- (a) Dealing directly or indirectly in the shares of the Mutual Fund on the basis of non-public information which may have been acquired by any one of them in their position in or work for the Fund; or
- (b) Revealing information to persons with the intent of affecting prices of the shares of the Mutual Fund.

3. *Loans to the Board of Directors.* A Mutual Fund is prohibited from advancing loans of any kind to the Chairman or any of the members of the Board of Directors or their immediate families.

**p. Notification to the Commission of a Serious Loss to the Mutual Fund**

The Chairman of the Board of Directors, any member of the Board, the Investment Manager, Investment Trustee, or auditor shall notify the Commission of the following:

	<ol style="list-style-type: none"> <li>1. <i>Rights of Shareholders.</i> The Commission shall be notified at the occurrence of any financial or administrative disorder that affects the rights of the shareholders of the Mutual Fund.</li> <li>2. <i>Misconduct of the Board.</i> The Commission shall be notified if the Board of Directors, any of its members, or the Chairman exploit their powers and position in any manner for their or another’s personal gain.</li> </ol>
<p><b>13</b></p>	<p><b>Administration of a Mutual Fund during Transfer of Investment Manager</b></p> <p><b>a. Notification Requirements</b></p> <ol style="list-style-type: none"> <li>1. <i>Notification to the Commission.</i> The Board of Directors must notify the Commission in writing within seven days when it has appointed a new Investment Manager that has been approved by shareholders in accordance with Art. (103) of the Securities Law and Article 16.b.6. of these Instructions.</li> <li>2. <i>Notification to shareholders and investors.</i> The Board of Directors must notify shareholders and investors within seven days of the approval of a new Investment Manager by the General Assembly. This notification must be provided in accordance with the following:             <ol style="list-style-type: none"> <li>(a) <i>Special notification.</i> The Board of Directors shall send every shareholder a special notification through the mail disclosing the change in Investment Manager of the Mutual Fund. The notification will identify the firm that will act as the new Investment Manager and provide information on the key personnel who will be managing the Fund, details of its operating history, the date on which the new Investment Manager will assume its responsibilities for the Fund, and a statement identifying other mutual funds for which the firm acts either as Investment Manager or Investment Trustee.</li> <li>(b) <i>Publication of change.</i> The Board shall also publicize the change on its website, if applicable, and in two daily newspapers.</li> </ol> </li> </ol> <p><b>b. Disclosure Requirements for Mutual Fund Documents</b></p> <p>All Mutual Fund documents, including but not limited to, sales literature, advertising, prospectuses, reports, summaries, websites, and any other document, electronic or otherwise, must disclose the change in Investment Manager of the Fund. The disclosure must also include a declaration on the front page of the</p>

document that contains the language in provision 1. below and directs the reader to the section of the document where the change in Investment Manager is fully discussed. This disclosure shall be done in accordance with the following:

1. *Front-page declaration.* All sales literature, prospectuses, performance summaries, and reports must include the following literal text within a rectangle on the front page of the document:

“It is important that this should be read carefully by all investors.

A new Investment Manager-[Name of firm] has been appointed and approved for this Mutual Fund. This change in management of the Fund shall be effective from [insert date]. Additional information about these changes is available at [Insert section name or page number].

Each investor should carefully scrutinize and examine this document in order to decide whether it is appropriate to invest in these shares, taking into consideration all the stated facts in the light of his own situation.”

2. *Update Prospectus.* The Board of Directors must update the prospectus in accordance with the requirements of The Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards and prepare an appendix to the prospectus, which shall be approved by the Commission.

**c. Management of Shareholder Information**

The current Investment Manager shall transfer all shareholder account information, that includes, but is not limited to name and contact information, to the Investment Trustee at least seven business days prior to the effective date of the contractual arrangement with the new Investment Manager. This shareholder account information shall be managed in accordance with the following:

1. *Confidential treatment.* The Investment Trustee shall be responsible for treating the shareholder account information developed by the previous Investment Manager as confidential information and shall not release this information to the new Investment Manager or any third party.
2. *Communications.* The Investment Trustee shall, at the direction of the new Investment Manager, be responsible for all required communication, including, but not limited to, reports and account statements, with those shareholders whose account information was transferred to the Investment Trustee by the previous Investment Manager. The Investment Trustee may not, however, provide these shareholders with any marketing, sales, or advertising materials for any other mutual funds, products, or services offered by the new Investment Manager.

	<p>3. <i>Violation.</i> It shall be considered a violation of these Instructions for the new Investment Manager to provide shareholders developed by the previous Investment Manager with any marketing materials, solicitation materials, or advertising materials for any other mutual fund, product, or service.</p>
<p>14</p>	<p><b>Code of Conduct for Mutual Funds and Investment Managers and Investment Trustees</b></p> <p>Conduct of Business</p> <p><b>a. Investment Manager</b></p> <p>The investment manager shall conduct its business activities in accordance with the terms and arrangements outlined in the agreement between itself and the mutual fund’s Board of Directors, and in accordance with the Securities Law and Art. (25) – (28) of the Financial Services Licensing and Registration Instructions for the year 2004.</p> <p><b>b. Investment Trustee</b></p> <p>The investment trustee shall conduct its business activities in accordance with the terms and arrangements as outlined in the agreement between itself and the investment manager and the Board of Directors of the mutual fund, and in accordance with the Securities Law and Articles (22) – (25) of the Financial Services Licensing and Registration Instructions for the year 2004.</p> <p><b>**NOTE**</b> We do not have a copy in English of the final version of the Financial Services Licensing and Registration Instructions for the year 2004 and therefore the references to specific articles may have to be revised.</p> <p><b>c. Requirements for the Sale and Repurchase of the Shares of an Open-End Mutual Fund</b></p> <ol style="list-style-type: none"> <li>1. <i>Sales and repurchases of shares of open-end funds.</i> All sales and repurchases of shares of open-end mutual funds shall only be made in accordance with Art. (97) of the Securities Law and the manner and frequency provided in the provisions below.</li> <li>2. <i>Frequency of subscription.</i> All mutual funds shall allow investors to subscribe or redeem fund shares at a frequency of at least once in a business week.</li> <li>3. <i>Processing of transaction.</i> All subscriptions or redemptions for fund shares must be processed by 4 p.m. on the last business day of the week.</li> </ol>

4. *Pricing of newly subscribed or redeemed shares.* All subscriptions for or redemptions of fund shares processed in accordance with provision (3) above will be priced at the next current net asset value computed by the fund.
5. *Settlement of the purchase of shares.* All purchases or redemptions of shares conducted in accordance with the provisions above shall be settled in no more than five business days following the computation of the next net asset value.

**d. Repurchases of Shares for a Closed-End Fund**

1. *Restrictions on repurchases of closed end funds.* Repurchases of shares of a closed-end fund by the fund shall only be done in the same manner and in accordance with the requirements and restrictions imposed on the repurchase of shares of other publicly-traded companies, unless an exemption is granted by the Commission.
2. *Application for exemption.* A closed-end fund seeking exemption from the repurchasing rules referred to in provision (1) above must apply to the Commission. The application must demonstrate special and unusual circumstances and provide a basis for the request. The application must also outline a plan for the exempted repurchase of shares and a time frame in which it will execute the proposed plan.

**e. Requirements for the Conversion of a Closed-End Fund to an Open-End Fund**

1. *Application to the Commission.* Those closed-end funds seeking to convert their fund classification from closed-end fund to open-end in accordance with the provisions of Art. (96)(B) of the Securities Law may do so only after submitting an application to the Commission for their review and approval. The Commission shall issue its decision approving or denying the application within thirty (30) days after its receipt. This application must meet with the requirements outlined in the provisions of Article 12.e.2. to Article 12.e.4 below:
2. *Plan for conversion.* The application to the Commission to convert the fund's classification must contain a detailed plan outlining the steps for the conversion, the expected time frame within which it will be executed, and the basis for such conversion.
3. *Shareholder voting for conversion.* The application shall also include a statement on whether the mutual fund has adhered to the requirements of provisions governing the management of the mutual fund as outlined in these Instructions which require that shareholders of the mutual fund have approved the change in company structure.

	<p>4. <i>Oversight and supervision.</i> The Commission will exercise oversight and supervision to ensure that the mutual fund implements the approved Plan for Conversion and that investors' interests are protected.</p> <p>5. <i>Registration and disclosure.</i> Every mutual fund that so converts shall be required to register with the Commission under the new classification. It shall also be subject to all of the applicable provisions and requirements of the Securities Law, and all relevant instructions. Additionally, it shall disclose such change in company structure in the fund's offering documents, advertising and sales literature, and annual and semi-annual reports.</p>
<p><b>15</b></p>	<p><b>Reporting Requirements for Mutual Funds</b></p> <p><b>a. Annual Report</b></p> <p>Every mutual fund shall, in accordance with Article (43) of the Securities Law and the Instructions for Disclosure, Accounting, Auditing Standards of Issuing Companies, file an annual report, including financial statements certified by the auditor, within 90 days of the end of the fiscal year in which the registration of the mutual fund became effective and for each fiscal year thereafter that contains the information requested below.</p> <ol style="list-style-type: none"> <li>1. <i>The Board of Director's Report.</i> The Fund's Board of Directors' Report shall comply with the requirements outlined in Instructions for Disclosure, Accounting, Auditing Standards of Issuing Companies and shall also include:             <ol style="list-style-type: none"> <li>(a) The Fund's capital for the preceding five years or from the date of its establishment, whichever is less;</li> <li>(b) An analysis of the Fund's financial status and the results of its activities during the fiscal year;</li> <li>(c) An identification of all providers of services to the mutual fund.</li> </ol> </li> <li>2. <i>Audited Financial Statements.</i> The Fund's annual audited financial statements benchmarked against the previous year, and which shall include:             <ol style="list-style-type: none"> <li>(a) Net Asset Value of the Fund;</li> <li>(b) Monthly sales and repurchases of the mutual fund's shares;</li> <li>(c) Identification of all fees imposed on shareholders;</li> <li>(d) A statement on the holdings of the fund in each type of investment category and a reconciliation of these holdings with the stated investment objectives and practices of the fund.</li> </ol> </li> </ol>

3. *Auditors' Report.* The auditors' report on the Fund's annual financial statements, which includes an affirmation that the audit procedures are consistent with the international auditing standards in accordance with Art (16) of the Instructions of Issuing Companies Disclosure, Accounting, and Auditing Standards.
4. *Investment Manager Declaration.* A declaration from the Fund's Investment Manger that, according to his knowledge and belief, there are no substantial matters pending that would materially impact the Fund's continuity during the next fiscal year.
5. *Exemptions.* The Board of Directors' Report of a mutual fund shall be exempt from Art. (B)(2) and Art. (B)(6) of the Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards.

**b. Semi-Annual Report**

1. *Requirement to file.* Every mutual fund shall, in accordance with Article (43) of the Securities Law and the Instructions for Disclosure, Accounting, Auditing Standards of Issuing Companies, file with the Commission a semi-annual report reviewed by its auditors not more than thirty (30) days after the close of its bi-annual fiscal year.
2. *Content for report.* The Fund's un-audited financial statements benchmarked with the previous six-month time periods, and which shall include:
  - (a) Net Asset Value of the Fund;
  - (b) Monthly sales and repurchases of the mutual fund's shares;
  - (c) Identification of all fees imposed on shareholders;
  - (d) A statement on the holdings of the fund in each type of investment categories and a reconciliation of these holdings with the stated investment objectives and practices of the fund.
3. A declaration from the Fund's Investment Manager that, according to his knowledge and belief, there are no substantial matters pending that would materially impact the Company's continuity during the next six-month time-period.

**c. Presentation of Financial Performance in Reports**

All presentations of the financial performance of the fund in the reports required in Article 13.a. and Article 13.b. shall only be done in accordance with the provisions in Article 10. of these Instructions.

	<p><b>d. Filing of Reports with Shareholders</b></p> <p>Mutual funds shall publicize their reports in the local daily newspaper, or by means of written or electronic mailings addressed to each shareholder in accordance with the provisions of Art. (43)(C) of the Securities Law.</p>
<p><b>16</b></p>	<p><b>Accounts and Records</b></p> <ul style="list-style-type: none"> <li>a. In accordance with the provisions of Art. (15) of the Securities Law, and Art (29) and Art. (74) of the Financial Services Licensing and Registration Instructions for the year 2004, the Investment Manager, on behalf of the mutual fund, shall keep and maintain proper books of accounts, records, and documents for the fund so as to explain any transaction and to disclose at any point in time a true and fair view of the financial position of the fund.</li> <li>b. The Fund must also maintain all organizational documents (e.g. Articles of Incorporation, By-Laws), regulatory filings, and all office records related to the mutual fund.</li> <li>c. The Fund must disclose to the Commission the location of these accounts, records, and documents. All accounts and records for registered mutual funds must be maintained in Jordan or the mutual fund must reimburse all travel expenses incurred by the Commission inspectors traveling to inspect the funds.</li> <li>d. All books, records, or documents produced by a Fund shall be maintained for a period no less than five (5) years, and for the first three (3) years, be maintained in a readily accessible form and location.</li> <li>e. The books and records mentioned in Article 14 of these Instructions may be maintained either physically or electronically. In all cases the Fund must ensure that:             <ul style="list-style-type: none"> <li>1. Adequate, appropriate and preventive measures are taken against the risk of falsification of information and to ensure the safety thereof.</li> <li>2. The information and data shall be available accurately and clearly within a reasonable time to any person entitled to examine the records or have access thereto.</li> </ul> </li> </ul>

	<p style="text-align: center;">3. All electronic versions of sales literature must be stored in a format that cannot be erased, modified, or amended in any manner.</p> <p><b>**NOTE**</b> We understand that the books and records requirements for regulated entities will be defined in a forthcoming instruction. This section may need to be modified or amended so as to be consistent with the requirements of those forthcoming instructions.</p>
<p><b>17</b></p>	<p><b>Rights of Shareholders of Mutual Funds</b></p> <p>The rights of shareholders of mutual funds shall be in accordance with those rights enumerated in The Securities Law, these Instructions, regulations, and decisions.</p> <p><b>a. Requirements for an Ordinary Meeting of the General Assembly</b></p> <p>The General Assembly of a mutual fund shall hold at least one ordinary meeting per year inside the Kingdom in accordance with the following:</p> <ol style="list-style-type: none"> <li>1. The date shall be set by the Board in agreement with the Commission and shall be held within the four months following the end of the fiscal year of the mutual fund;</li> <li>2. The Board of Directors shall direct an invitation to each shareholder to attend the General Assembly to be sent via ordinary mail at least fourteen days prior to the date for the meeting. The invitations may be delivered to the shareholder by hand against a signature of receipt;</li> <li>3. The agenda of the General Assembly meeting and the mutual fund Board of Directors report, its annual balance sheet and final accounts, in addition to the auditors' report and the explanatory statements shall be enclosed with the invitation;</li> <li>4. The Board of Directors shall announce the date set for the General Assembly in two local daily newspapers, at least once, within the period of fourteen days prior to the date of the meeting;</li> <li>5. The Board of Directors must announce the date set for the General Assembly once on radio or television within the period of three days prior to the date of the meeting.</li> <li>6. Shareholders representing more than one-half of the Mutual Fund's subscribed shares must be in attendance at the ordinary meetings of the General Assembly to constitute a legal quorum.</li> <li>7. If such a quorum is not present after one hour from the time set for the meeting, the chairman of the Board of Directors shall do the following:</li> </ol>

- (a) Direct an invitation to the General Assembly to hold another meeting within ten days from the date of the first meeting;
- (b) Publish the invitation to the meeting in at least two local daily newspapers at least three days prior to the date set for the meeting;
- (c) The subsequent meeting shall be considered legal regardless of the shares represented therein.

**b. The Powers of the General Assembly in its Ordinary Meeting and its Agenda**

The powers of the General Assembly of a mutual fund shall include all powers necessary for considering, discussing and taking the appropriate decisions on all mutual fund related issues, including the following:

1. Report of the Board of Directors on the activities of the mutual fund, during the year, along with its future plans;
2. Report of the mutual fund auditors on the balance sheet of the mutual fund, other final accounts and financial status and position;
3. Annual balance sheet, the profits and loss account and deciding upon the dividends that the Board of Directors proposes to distribute, including the reserves and allocations, in accordance with the Articles of Association of the mutual fund may stipulate;
4. Election of the members of the Board of Directors;
5. Election of the mutual fund auditors for the next fiscal year, and deciding on their remuneration or authorizing the Board of Directors to do the same;
6. Approval of the contract with the Investment Manager and its remuneration;
7. Borrowing by the mutual fund;
8. Any material changes to the investment objectives of the mutual fund;
9. Any other matter stipulated by the Board of Directors in the meeting's agenda;
10. Any other matter which the General Assembly proposes to include in the agenda, and are within the work scope of the General Assembly, provided that such a proposal is approved by the shareholders representing not less than 10% of the shares represented in the meeting.

**c. Requirements for an Extraordinary Meeting of the General Assembly**

The General Assembly of a mutual fund shall hold an extraordinary meeting inside the Kingdom upon the invitation of the Board of Directors, or upon a written request submitted to the Board from shareholders holding not less than one-quarter of the mutual fund's subscribed shares, or upon a written request submitted by the mutual fund's auditors, or the Commission. The extraordinary meeting shall be held in accordance with the following:

1. The Board of Directors shall issue an invitation to the General Assembly within fifteen days of receiving a request for an extraordinary meeting from the shareholders, mutual fund auditors, or the Commission and shall hold the meeting within forty-five (45) days of receiving the request. .
2. If the Board of Directors fails to respond to the request or issue such invitation required in (1) above, the Commission shall invite the General Assembly at the expense of the mutual fund;
3. The invitation for the extraordinary meeting shall include the issues to be presented and discussed. All amendments to the Mutual Fund's documents shall be included if they are the subject of the meeting;
4. Shareholders representing no less than two-thirds of the mutual fund's subscribed shares are required to constitute a legal quorum for the extraordinary meeting;
5. If such a quorum is not present after one hour from the time set for the meeting, the chairman of the Board of Directors shall do the following:
  - (a) Direct an invitation to the General Assembly to hold another meeting within ten days from the date of the first meeting;
  - (b) Publish the invitation to the meeting in at least two local daily newspapers at least three days prior to the date set for the meeting;
  - (c) Shareholders representing at least 40% of the mutual fund's subscribed shares are required to constitute a legal quorum for the second meeting.
  - (d) If a legal quorum is not present then the meeting shall be cancelled.

**d. Powers of the General Assembly in its Extraordinary Meetings**

1. Issues. The General Assembly of the a mutual fund shall, at its extraordinary meeting, discuss, consider and take appropriate decisions regarding the following:
  - (a) Amending the Mutual Fund's Article and Memorandum of Association;
  - (b) Reorganization of the mutual fund;
  - (c) Merger with another mutual fund;
  - (d) Liquidation and dissolution of the Mutual Fund;
  - (e) Dismissal of the Board of Directors, its chairman or one of its members;
  - (f) Any issues that fall within its powers at ordinary meetings.
2. Voting. All decisions at an extraordinary meeting of the General Assembly shall be approved by a majority of 75% of the total shares represented in the meeting.

**e. General Rules for the Meeting of the General Assembly**

The By-Laws of the mutual fund shall provide the rules for meetings of the General Assembly. They shall include, but not be limited to, the following:

1. *Role of the Chairman.* The Chairman of the Board of Directors, or in the event of the Chairman's absence, the Deputy Chairman, shall preside over the ordinary meeting of the General Assembly.
2. *Shareholder participation.* Every shareholder as of three days prior to the date set for any meeting of the General Assembly shall have the right to participate in discussing issues presented at the meeting, and to vote on the decisions adopted by the Assembly regarding these issues in accordance with the number of shares he represents.
3. *Participation by Regulators.* The Board of Directors shall invite the Commission, the Mutual Fund auditors to the meeting of the General Assembly at least fifteen days prior to the date set for the meeting's convention. The invitation shall include the agenda for the meeting and all data and enclosures as those sent to shareholders.
4. *Proxy voting.* A shareholder in a mutual fund shall have the right to give a proxy to another shareholder to attend any meeting of the mutual fund's General Assembly. Such proxy shall be considered the legal presence of the original shareholder at the meetings of the General Assembly, even if the appointed representative is not a shareholder in the Mutual Fund. Such proxy must comply with the following:
  - (a) Be submitted in a form prepared by the Mutual Fund for such purpose with the approval of the Commission and is notarized by an authorized person or entity;
  - (b) Deposited with the Mutual Fund at least three days before the date set for the meeting of the General Assembly;
  - (c) Remain valid for the attendance of the representative of any other meeting to which the General Assembly is postponed;
5. *Supervision of voting.* The chairman shall appoint at least two supervisors to collect and sort the votes.
6. *Minutes of the Meetings of the General Assembly.* The chairman of the meeting shall appoint a clerk to record the minutes of the meetings of the General Assembly, and the decision taken therein.

	<p>(a) The minutes for the meeting shall include the meeting’s legal quorum; the issues presented at the meeting; the number of votes supporting and opposing each decision(s) and any other votes requested by shareholders to be recorded in the minutes;</p> <p>(b) The minutes of the meeting shall be signed by the chairman of the meeting, the representative of the Commission, and the Secretary and shall be documented in a special register prepared by the Mutual Fund for this purpose;</p> <p>(c) The Board of Directors shall send a signed copy of the minutes to the Commission within ten days from the date of holding the meeting of the General Assembly.</p> <p>(d) The Commission may give certified copies of the minutes of the meeting of the General Assembly to any shareholder against the required fees set in accordance with the provisions of the Law.</p> <p><b>6. General Assembly Decisions.</b> All decisions issued by the General Assembly at any of its meeting convened with a legal quorum shall be binding upon the Board of Directors, and all shareholders, regardless of whether they attended said meeting or not, provided that these decisions have been adopted in accordance with the provisions of these Instructions and all relevant regulation in force.</p> <p><b>7. Right of Court.</b> The Court of First Instance in whose jurisdiction the headquarters of the Mutual Fund is domiciled shall have the jurisdiction to look into and settle any case that may be presented for the purpose of contesting the legality of any of the meetings of the General Assembly, or contesting the decisions issued at any one of these meetings. Such contestation shall not halt the implementation of any decision of the General Assembly unless the Court decides otherwise. Such a case shall not be entertained three months from the date of the meeting.</p>
<p><b>18</b></p>	<p><b>Authority of Commission to Monitor and Supervise Mutual Funds</b></p> <p><i>Right to Monitor, Supervise, and Inspect.</i> In accordance with provisions of Article (15) and (17) of the Securities Law every investment manager, investment trustee, and registered mutual fund shall be subject to monitoring and supervision by the Commission, which has full legal powers to inspect, investigate, and prosecute violations of the Securities Law and all relevant Instructions.</p>

## Annex I

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### Form A

#### Jordan Securities Commission Application to Register Mutual Fund

Please provide the following information regarding the applicant. Please be advised of the following:

- “Applicant” shall mean the entity applying to register as a Mutual Fund with the Jordan Securities Commission.
  - Applicant must submit a completed application form together with appropriate supporting documentation to the Jordan Securities Commission.
  - A non-refundable fee of JD must accompany this application.
  - The Jordan Securities Commission may reject any application that is incomplete.
  - Additional information may be provided in separate attachments to the application.
  - The application must be signed by a competent person having authority to do so and all signatures must be original.
  - Any changes to the information initially supplied in the following sections (1, 2, 3, 4, 5, 6, 9, 13, 14, 15, 16) after the approval of the registration of the Applicant must be filed with the Commission within 30 business days of the change.
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#### **1. Name of Applicant.**

*Provide the name of the Applicant seeking to register with the Jordan Securities Commission. This name shall correspond directly to the name found on the Formation Contract and Articles of Association.*

#### **2. Address and Contact Information for the Applicant**

*Provide the official address and contact information for the Applicant.*

#### **3. Appointed Contact Person for the Applicant.**

*Provide the name and contact information of an individual designated by the Board of Directors of the Applicant who will serve as the official contact person for all correspondence for the Applicant and its business.*

**4. Classification of Applicant.**

*Provide a statement as whether the Applicant seeks to register as an open-end or closed-end mutual fund with the Jordan Securities Commission.*

**5. Date and Place of the execution of the Formation Contract.**

*Provide a statement on the date and place where the Formation Contract was executed and the manner in which it was notarized that includes all of the contact information for the authorized notary.*

**6. Date and Place of the execution of the Memorandum and the Articles of Association.**

*Provide a statement on the date and place where the Memorandum and the Articles of Association were executed and the manner in which they were notarized that includes all of the contact information for the authorized notary.*

**7. Name and Address of Investment Manager.**

*Provide the name and address of the entity that was appointed by the Board of Directors to act as the Investment Manager for the Mutual Fund.*

**8. Name and Address of Investment Trustee.**

*Provide the name and the address of the Investment Trustee engaged by the Applicant or the Investment Manager.*

**9. Capital Structure.**

*Provide a statement, supplemented with supporting documentation, certifying that the minimum capital required to register as a Mutual Fund with the Commission has been met.*

**10. Description of the Organizational Structure of the Applicant.**

*Please provide the following:*

- (i) An identification of all members of the Board of Directors and a statement on their biographical information;*
- (ii) A statement outlining how all of the requirements of Art. 4 of these Instructions and the requirements for members of the Board of Directors have been complied with; and,*
- (iii) An identification of all third parties that will perform or render services to the Applicant.*

**11. Description of Internal Supervisory Controls of the Applicant.**

*Please provide a detailed statement identifying any and all internal supervisory committees that the Applicant will have and the responsibilities of each such committees.*

**12. Condensed Financial Information. (\*\*)**

*\*\* This section is applicable for those entities that have previously registered in a foreign jurisdiction, are converting from a closed-end fund to an open-end fund, or are registering after a merger of two previously established mutual funds.*

**13. Documentation of the License(s) of the Investment Manager.**

*Please provide a detailed statement on the current licenses of the Investment Manager and the dates such licenses were issued.*

**14. Identities of Key Personnel of the Investment Manager, and a description of their experience, qualifications, and registrations.**

*Please provide:*

- (i) The names of the key personnel of the Investment Manager who will be responsible for implementing investment objectives of the Applicant and managing its operations;*
- (ii) Their current licenses and registrations, the dates such licenses or registrations were issued; and,*
- (iii) A biographical statement outlining their work experience and other qualifications.*

**15. Identities of Key Personnel of Investment Trustee, and a description of their experience, qualifications, and registrations.**

*Please provide:*

- (i) The names of the key personnel of the Investment Trustee who will be performing oversight on the conduct and administration of the Applicant;*
- (ii) Their current licenses and registrations and the dates such licenses or registrations were issued; and,*
- (iii) A biographical statement outlining their work experience and other qualifications.*

**16. Names and address of the Applicant's primary Legal Counsel, whether internal or external.**

*Please provide the names and contact information for all legal counsel retained by the Applicant.*

**17. Names and address of the Applicant's Auditors.**

*Please provide the names and address of the Auditors engaged by the Applicant and documentation to demonstrate that such Auditors meet the requirements outlined by the Commission in the Instructions of Issuing Companies Disclosure, Accounting and Auditing Standards and other applicable regulation, instructions, and decisions.*

***Attachment A***

**Please attach the following documents to the application.**

- 1. Executed and Notarized copy of the Formation Contract for the Mutual Fund.**
- 2. Executed and Notarized copy of the Memorandum of Association or Articles of Association.**
- 3. By-Laws of the Fund or any other such corresponding documents.**

- 4. Prospectus to be used for the registration and sale of shares to the public.**
- 5. Executed copy of the agreement with the Investment Manager.**
- 6. Executed copy of the agreement with the Investment Trustee.**
- 7. Copy of all agreements entered into by entities providing services to the mutual fund. This shall include law firms, accounts, auditors, custodians or any other service provider.**
- 8. All other material agreements**

## **Annex II**

### **Requirements for the Registration of Securities of a Mutual Fund Issuance Prospectus**

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**Part IV.      Signatures**

**Part V.       Auditor's Certificate**

**Part VI.      Legal Advisor's Certificate**

**General Instructions:**

**Please provide the requested information in the format specified below. Please be advised of the following:**

- A non-refundable fee of JD must accompany this application.
- The Jordan Securities Commission may reject any prospectus that is incomplete.
- The prospectus must be signed by competent persons having the authority to do so and all signatures must be original.

**General Notes:**

This form shall be used for the purposes of submitting an application for the registration of securities of a mutual fund pursuant to the Securities Law No. (76) for the Year 2002, and no other form shall be used for this purpose.

All persons shall prepare a prospectus and submit it to the Securities Commission prior to performing a public offer. The prospectus shall include the required information and data. The Commission may require any additional information that helps the investor to make his decision with respect to the purchase of the securities being issued by the mutual fund.

The requirements of this form are intended to promote effective communication between the Fund and prospective investors. A Fund's prospectus should clearly disclose the fundamental characteristics and investment risks of the Fund, using concise, straightforward, and easy to understand language. The prospectus should emphasize the Fund's overall investment approach and strategy.

The disclosure requirements in this form are intended to elicit information for an average or typical investor who may not be sophisticated in legal or financial matters. The prospectus should help investors to evaluate the risks of an investment and to decide whether to invest in a Fund by providing a balanced disclosure of both positive and negative factors. Disclosure in the prospectus should be designed to assist an investor in comparing and contrasting the Fund with other funds.

Therefore, the prospectus shall present the required information in a clear, accurate, and understandable way, without containing irrelevant or inappropriate information, and without repeating the information in more than one place in the prospectus unless this is expressly required. In instances where repetition of information is necessary, a reference to the previously mentioned information without further detail will be sufficient.

The Securities Commission shall bear no responsibility for the quality or future performance of the investment in the offered shares, nor shall it bear responsibility for the correctness of the information included in this form.

The prospectus must be printed in a unified script, provided the font size shall not be less than (12) and all the pages shall be numbered.

All attachments to the prospectus, such as, the auditor's certificate, legal advisor's certificate ...etc., must be original or certified true copies, printed on letterheads of the party issuing the letter and dated.

The prospectus shall be prepared in accordance with the information presented in the order specified in this form, and all the headlines or subtitles shall be in bold script.

The Issuer shall provide the Commission with the prospectus completed according to the instructions for filing prospectuses that follow.

**Part I.**            *Information to Identify the Mutual Fund on the Cover Page*

*The cover page of the prospectus shall include the following information:*

**Share Prospectus Pursuant to the Securities Law No. (76) for the Year 2002**  
..... **Mutual Fund Company as managed by .....**

**Address of the Mutual Fund .....**

**Effective date of the prospectus ..... according to the Commission's decision. ....**

**Name and Address of Investment Manager:**

**Name and Address of Investment Trustee:**

**Part II.**            **Important Declaration on Cover Page**

**This item includes the following literal text, which shall be placed within a rectangle on the inside of the cover page.**

It is important that all investors should read this carefully.

The main purpose of preparing this prospectus is to provide all the information that assists an investor to make the appropriate decision regarding investment in the offered shares.

The Investment Manager and the Mutual Fund shall bear the full responsibility for the information included in this prospectus and they must attest to the fact that there is no other information the omission of which leads to rendering the information misleading.

Every investor should carefully scrutinize and examine this prospectus in order to decide whether it is appropriate to invest in the shares being offered, taking into consideration all the stated facts and his own situation.

The Securities Commission shall bear no responsibility for the failure to include in the prospectus any necessary and important information or data or for including therein false or inaccurate information or data, as this is the responsibility of the party that prepares the prospectus.

**Part III. Information required in the share prospectus**

*The following information must be included in the shares prospectus.*

**Item 1. Prospectus Summary**

A. An item at the top of the page indicating literally the following text:

(Mutual Fund Shares Issuance Prospectus).

(The Mutual Fund's name, Prospectus Summary).

B. A prospectus summary should be included within the first three pages of the prospectus in summary or table format. The summary should be brief and is not required to contain nor should it contain, all of the detailed information in the prospectus. The summary shall include, but is not limited to, the following items:

- (a) An identification of the Fund and its classification;
- (b) Investment objectives of the Fund;
- (c) Principal investment strategies of the Fund;
- (d) Principal risks of investing in the Fund;
- (e) Dividend payment policy;
- (f) Description of units or shares offered by the Fund;
- (g) Methods for subscription for shares in the Fund;
- (h) Procedures used to price the Fund's shares;
- (i) Fee Table prepared in accordance with Art. (9) of these Instructions that identifies all fees paid directly from purchasers' investment amounts, all operating expenses charged to the fund as calculated on a percentage of the average net assets;
- (j) Redemption of shares by shareholders;
- (k) Information on the Investment Manager of the Fund;
- (l) Information on the Investment Trustee of the Fund;
- (m) Taxes that will be applied to the mutual fund and its shareholders by the Jordan Income and Sales Tax Department;
- (n) Information on the Auditor of the Fund;
- (o) Information on the type and frequency of periodic reports of the Fund, i.e. annual and semi-annual reports.

**Item 2. Information about the Mutual Fund**

This item shall include the following information:

A. The Mutual Funds's name shall be included at the top of the page.

B. Description of the Fund and its operating history that includes:

- (a) *Fund organization.* A statement on the date and form of organization of the Fund and the jurisdiction in which the fund is organized.
- (b) *Classification.* A statement on the classification of the fund as a mutual fund and whether the fund has been organized as an open-end fund or a closed-end fund.

**Item 3. Investment Objectives, Principal Investment Strategies, Related Risks**

This item shall provide a discussion of the investment objectives, principal investment strategies, and related risks of the Fund

- A. *Investment Objectives of the Fund.* A statement on the fund's investment objectives and the method of the utilization of the proceeds.
- B. *Implementation of Investment Objectives.*
  - (a) A description of how the Fund intends to achieve its investment objective, including an identification of all policies, practices or techniques to be used by the fund to achieve its investment objectives. Included within this discussion shall be statement as to whether the Fund will concentrate investments in a particular industry or group of industries and whether it will borrow money, in accordance with Article (102) (B) of the Securities Law, and if so, the purpose of such borrowing.
  - (b) A statement in general terms of how the fund's investment manager determines which securities to buy and sell, all restrictions on the Fund's investments, and if applicable, whether the fund emphasizes value or growth in its investment decisions.
  - (c) For closed-end mutual funds, a statement of the net amount expected from this offering and the proportional allocation these net proceeds among the different investment objectives of the Fund.
- C. *Risks.* A statement disclosing the principal risks of investing in the Fund, including the risks to which the Fund's portfolio as a whole is expected to be subject, and the circumstances reasonably likely to adversely affect the Fund's net asset value, yield, or total return.

**Item 4. Standardized Fee Table**

This item will disclose the fees and expenses charged to prospective investors and shareholders when they purchase shares of the mutual fund.

A. Fee Table

The fees and expenses of the fund must be prepared in accordance with Art. (9) of the Instructions and in the format presented in Annex III to these Instructions.

B. Description of Fees

This section shall provide a detailed statement on each category and type of fee or expense charged either directly to the shareholders or to the Fund.

**Item 5. Subscription and Repurchase of Shares of a Mutual Fund**

This item shall include the subscription conditions, procedures and the method that shall be used by the investors to subscribe to the Fund's shares and, the method by which shareholders may resell their shares to the Fund.

A. Information on the Purchase of Fund Shares.

- (a) *Distribution arrangements.* A statement on the manner and method by which shares will be offered to the public that identifies all legal persons responsible for distributing shares to the public and additional statements on the roles and responsibilities of each in the distribution arrangements.
- (b) *Procedures for purchase.* A statement describing the procedures for purchasing fund shares, including any minimum initial or subsequent investment requirements.
- (c) *Distribution fees.* A statement on all fees, including subscription fees, applied to the purchases of fund shares.
- (d) *Material information.* A statement on all material information regarding fees and the manner and method of their application to the purchase of fund shares.
- (e) *Requirements for subscription form.* The application for subscription shall have as attachments thereto a copy of the mutual fund prospectus, which shall be given to each subscriber, provided the application for subscription shall include the following text:

*I acknowledge that all the above-mentioned information is correct and I accept to subscribe in the above-mentioned mutual fund.*

*Furthermore, I acknowledge that I have been provided with a copy of the prospectus and have reviewed and studied thoroughly all the content of the said documents and understood them. Consequently, I have decided to subscribe in the issued shares.*

*However, I do not waive my rights to claim from the company any damages caused by adding any incorrect or insufficient information in the prospectus or by omitting any information, from the prospectus, which may affect my acceptance to subscribe in such shares.*

*Further, I acknowledge your right to reject my subscription application in case you could not collect the subscription amount.*

Any application that fulfills all the conditions and is signed properly shall constitute an obligatory and irrevocable offer from the subscriber.

- (f) Information stating that after the initial offering closed-end fund shares can be purchased on the Market, if applicable.

**B. Information on the redemption of open-end fund shares where applicable to a mutual fund**

- (a) *Procedures for redemption of Fund shares.* A statement describing the procedures for redeeming the fund's shares that includes any restrictions on redemptions.
- (b) *Fees for redemption of shares.* A statement disclosing any charges on redemptions and how these charges will be assessed and any conditions under which they will be waived.
- (c) *Material information.* A statement on all material information regarding fees and the manner and method of their application to the redemption of fund shares.

**C. Information on the sale of closed-end funds.**

A statement that closed-end fund shares can be sold on the Market

**Item 6. Pricing of Shares of the Mutual Fund**

This item shall include information on the pricing of Fund shares. It shall provide a statement describing the procedures for pricing the fund's shares that includes the following:

- A. *Basis of pricing and its calculation.* For an open-end mutual fund, a statement that the price of a unit or share of the fund is based on the fund's current net asset value and an explanation on how this shall be calculated. For a closed-end fund, the prospectus shall provide a statement that the price will be determined by the Market.
- B. *Valuation methodology.* An explanation of the valuation procedure(s) that the fund uses in determining the current net asset value and public offering price of its shares in accordance with the accounting principles approved by the Commission.
- C. *Frequency of pricing.* A statement that the current net asset value for a mutual fund shall be computed no later than by 4 p.m. on the last business day of every week.
- D. *Manner of publication.* A statement that the current net asset value shall be available to current shareholders and prospective investors upon request and publicized in daily newspapers by no later than 4:00 p.m. on the last business day of every week.

**Item 7. Organization of the Fund**

This item shall provide detailed statements on the organization of the Fund, its board of directors, and its operating history.

- A. Organization of the fund.
  - (a) A statement identifying all parties and entities involved in the operation and management of the fund and their responsibilities to the fund.
  - (b) All the matters indicated hereunder or any other matters of interest to the investor shall be presented in this item:
    - 1. Statement of any court cases decided in favor of or against the mutual fund or which are still pending at court during the past five years;
    - 2. Statement of whether there are any financial lawsuits filed against the mutual fund which are suspended, pending in courts, or to which the mutual fund is a party;

3. Any claims or attachments by the Sales Tax, Income Tax or any other department, and any mortgages upon the mutual fund's assets.

B. Board of Directors. A summary of the most important duties and responsibilities of the board of directors as stipulated in the Company's articles of association shall be set forth, and the benefits and allowances which will be granted to the members of the board of directors shall be disclosed. Provide the following for each director:

- (a) Name, age, their nationalities and chosen addresses for notifications and communications;
- (b) Expertise and qualifications of the director on the Board of a mutual fund;
- (c) Position(s) held with the fund, term of office and length of time served;
- (d) Principal occupation(s) during past 5 years;
- (e) Other directorships held by director;
- (f) Value of shares held in the fund by the director and their relatives (spouse and minor children);
- (g) Statement on whether such director will receive compensation from the fund, and if so, the aggregate compensation from the fund;
- (h) Statement on whether such director is an "interested person" of the fund in accordance with Art. (106)(B) of the Securities Law and if so, the nature of this relationship;
- (i) Statement of any court cases decided in favor of or against the director or which are still pending at court during the past five years;
- (j) Statement of whether there are any financial lawsuits filed against the director which are suspended, pending in courts or to which the director is a party.

**Item 8. Management of the Fund---Investment Manager**

This item shall provide information on the investment manager of the fund. This information shall provide:

- A. The name and address of the investment manager of the fund and information on the investment manager's experience as an investment manager and the advisory and management services it provides to the fund;
- B. The compensation to be paid to the investment manager of the fund as follows:
  - (a) If the investment manager's fee is based on a percentage of the average net assets, the prospectus must state the aggregate fee paid to the investment manager for the most recent fiscal year as a percentage of the average net assets for that year. If the fund has not operated for a full fiscal year, the prospectus must state what the investment manager's fee is as a percentage of average net assets;
  - (b) If the investment manager's fee is not based on a percentage of average net assets, the prospectus must disclose the basis of the investment manager's compensation;
  - (c) A statement on whether such investment manager is an "interested person" of the fund in accordance with Art. (106)(B) of the Securities Law and if so, the nature of this relationship;
  - (d) Statement of any court cases decided in favor of or against the investment manager or which are still pending at court during the past five years;
  - (e) Statement of whether there are any financial lawsuits filed against the investment manager which are suspended, pending in courts or to which the investment manager is a party.
- C. A statement on whether the investment manager also provides investment management and advisory services to any other mutual fund and, if applicable, all material information with respect to the services provided to that fund and whether such obligations create any conflicts of interests in providing services to the subject fund.

**Item 9. Management of the Fund---Investment Trustee**

- A. The name and address of the investment trustee of the fund;
- B. Information on its experiences as an investment manager or investment trustee;
- C. A description of the advisory and/or oversight services it provides to the fund;

- D. The aggregate compensation to be paid to the investment trustee and the basis on which it is to be paid.

**Item 10. Control Persons and Other Principal Shareholders of the Fund**

This item shall provide information on the principal shareholders of the fund.

- A. *Identification of control persons.* A statement with the name and address of each legal or natural person who is a control person, as defined in Art. (2) of the Securities Law, of the fund or is a holder of more than 5% of the fund's shares.
- B. *Management ownership.* A statement on the total ownership of all officers and directors of the fund in graphical or tabular format.

**Item 11. Other Persons**

This item shall provide a statement identifying all other legal or natural persons who provide services to the fund including all legal advisors, auditors, and accountants, and a detailed statement describing the nature of their relationship with the fund, the services they provide, the aggregate compensation they are paid, and the basis on which such compensation is determined.

**Item 12. Financial Performance of the Fund**

This item shall provide information on the financial performance of the fund with a statement providing financial information in accordance with the provisions for presentation of financial performance as outlined in Art. (10) and Annex III of the Mutual Fund Instructions.

**Item 13. Distributions and Dividends**

This item will provide a statement describing the fund's policy with respect to the timing and payment of dividends and other distributions, including any options that shareholders may have as to the receipt of these dividends and distributions.

**Item 14. Rights of Shareholders of the Fund**

This item will provide a statement identifying the rights that shareholders will have with respect to the management and operation of the fund and the obligations of the investment manager and the investment trustee to provide shareholders with periodic information on the Fund's activities and performance.

This section shall enumerate the activities or actions of the fund that require shareholder approval in accordance with the Companies Law No. (22) of 1997 as amended by the Temporary Law No. 40 of 2002 and these Instructions.

**Item 15. On-going Reports of the Fund**

This item will provide a statement on the on-going reporting requirements the fund shall have to its shareholders and provide the details on when such reports will be issued.

A. Annual Reports

The mutual fund will disclose when and how the annual reports will be prepared by the mutual fund and made available to its shareholders. This section will state that independent auditors retained by the fund's management will audit such annual reports. In addition, this section will provide information on how the fund shall publicize its report to its shareholders and how shareholders may obtain a copy of the latest report.

B. Semi-Annual Reports.

This section must disclose when the mutual fund will prepare the semi-annual reports and make them available to its shareholders. This section will state that such semi-annual reports will be reviewed by the auditors, but not be audited by independent auditors retained by the fund's management. In addition, this section will provide information on how the fund shall publicize its reports to its shareholders and how shareholders may obtain a copy of the latest report.

**Item 16. Taxation of the Fund and Its Shareholders**

This item will provide a statement describing how the Fund is taxed and the tax consequences to shareholders because of purchasing, holding, or selling the fund's shares.

**Item 17. Records and Accounts of the Fund**

This item will provide a statement describing where the records and accounts of the mutual fund shall be held and provide the contact person for any questions or concerns regarding such records.

**Part IV. Signatures**

We the undersigned acknowledge our full responsibility for the correctness, accuracy and completeness of the information in this prospectus and we underline the absence of any other data or information the omission of which might lead to rendering the information misleading, or the omission of which might affect the investor's decision to buy or not to buy the offered securities.

We further attest to our commitment to provide the potential investor with this prospectus before accepting his subscription for the offered securities, and to provide the Securities Commission with any data or information that might develop after submitting this prospectus to the Securities Commission or after it is made effective by the Board of Commissioners.

Investment Manager	Investment Trustee	Chairman, Board of Directors (or Chairman, Executive Board)
Name: Signature:	Name: Signature:	Name: Signature:
Members of Board of Directors/Name and Signature		

**Part V. Auditor’s Certificate**

In our capacity as the auditors of .....Mutual Fund, we acknowledge that the annual and/or semi-annual financial statements attached to this prospectus have been audited (or reviewed in the case of semi-annual reports) by us according to the auditing standards approved by the Securities Commission, and that we have no knowledge of any information that would affect the correctness, accuracy and completeness of the information in this prospectus.

**Name** **Seal and Signature**

**Part VI. Legal Advisor**

***Subject: Offer or Registration of Shares***

The offer of ..... Mutual fund is in conformity with the provisions of the Companies Law, Securities Commission Law and the Company’s articles of association, and all the procedures taken are in conformity with the law.

There are no legal claims for or against the Mutual Fund pending in courts.

**Name** **Seal and Signature**

**End of Form**

**Annex III**

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**Format for the Standardized Presentation of Fees and Expenses**

**This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.**

**A. Shareholder Fees** (fees paid directly from your investment)

Maximum Subscription Fee (Sales Charge) Imposed on Purchases (as a percentage of offering price) \_\_\_\_\_%

Maximum Deferred Subscription Fee, if applicable, (as a percentage of offering price) \_\_\_\_\_%

Maximum Sales Charge Imposed on Reinvested Dividends and other Distributions, if applicable, (as a percentage of offering price) \_\_\_\_\_%

Redemption Fee (as a percentage of amount redeemed, if applicable) \_\_\_\_\_%

**B. Annual Fund Operating Expenses** (expenses that are deducted from Fund assets)

Management, including Investment Manager Fee (as a percentage of the average net assets) \_\_\_\_\_%

Performance Fees (as a percentage of the average net assets) \_\_\_\_\_%

Other Expenses (as a percentage of the average net assets) \_\_\_\_\_%

\_\_\_\_\_ %

\_\_\_\_\_ %

\_\_\_\_\_ %

**Total Expense Ratio (TER)<sup>1</sup>** \_\_\_\_\_%

**C. Performance Fee (as a percentage of net assets)** \_\_\_\_\_%

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<sup>1</sup> Annual fund operating expenses as a percentage of average net assets.

## Annex IV

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### **Instructions for Calculation of Average Annual Total Return Quotation required in Article 10.b.1. of these Instructions.**

1. Assume the maximum sales/subscription fee (or other charges deducted from payments) is deducted from the initial \$1,000 payment.
2. Assume all distributions by the Fund are reinvested at the price stated in the prospectus (including any sales fee imposed upon reinvestment of dividends) on the reinvestment dates during the period.
3. Include all recurring fees that are charged to all shareholder accounts.
4. Determine the ending redeemable value by assuming a complete redemption at the end of the 1-, 3-, or 5-year periods and the deduction of all nonrecurring charges deducted at the end of each period. If shareholders are assessed a deferred sales charge, assume the maximum deferred sales load is deducted at the times, in the amounts, and under the terms disclosed in the prospectus.
5. State the average annual total return quotation to the nearest hundredth of one percent.
6. Total return information in the prospectus need only be current to the end of the Fund's most recent fiscal year.

### **Instructions to Calculate Yield Quotation required in Article 10.b.2. of these Instructions**

1. Calculate the yield to maturity of each obligation held by the Fund based on the market value of the obligation (including actual accrued interest) at the close of business on the last business day of each month or, with respect to obligations purchased during the month, the purchase price (plus actual accrued interest).
2. Divide the yield to maturity by 360 and multiply the quotient by the market value of the obligation (including actual accrued interest) to determine the interest income on the obligation for each day of the subsequent month that the obligation is in the portfolio. Assume that each month has 30 days.
3. Total the interest earned on all debt obligations and all dividends accrued on all equity securities during the 30-day (or one month) period. Although the period for calculating interest earned is based on calendar months, a 30-day yield may be

calculated by aggregating the daily interest on the portfolio from portions of 2 months. In addition, a Fund may recalculate daily interest income on the portfolio more than once a month.

4. Solely for the purpose of calculating yield, recognize dividend income by accruing  $1/360$  of the stated dividend rate of the security each day that the security is in the portfolio.

**\*\*Note\*\*** The importance of standardizing financial performance cannot be emphasized and different countries have adopted different formulas. The formulas noted above derive in part from Rule 8b-16 of the Investment Company Act of 1940 of the United States Securities and Exchange Commission and Form N-1A used for registration of shares for investment companies.

## **Supplemental Issues Regarding the Proposed Mutual Fund Instructions**

1. Creation and establishment of the mutual fund as a legal person under the Securities Law

The proposed Instructions assume that the JSC can approve and authorize, under the authority of the Securities Law (the “Law”), the creation and establishment of a legal entity (“mutual fund entity”) with all of the characteristics and attributes of a corporate mutual fund as required by Art. (91) and other relevant provisions of the Securities Law. The Commission staff has stated, on a preliminary basis, that the creation of such legal persons is possible pursuant to the legislative authority of the Law. Additional research and review of the Securities Law and other legislation in force is required, however, to confirm that such legal persons can, in fact, be created and established under the legislative authority of the Law and that the Commission is acting properly within the parameters of its regulatory powers when approving and authorizing such entities. The Commission must ensure that the exercise of this authority cannot be challenged in the Jordanian legal/court system.

2. Jurisdictional issues with companies authorized by the Companies General Controller and the Companies Supervision Directorate associated with the Ministry of Industry and Trade

Companies engaging in commercial activities in Jordan are subject to The Companies Law No. (22) of 1997 as amended by the Temporary Law No. (40) of 2002 (“Companies Law”). The Companies Law requires that the formation and registration of all companies in the Kingdom be performed in accordance with its provisions and views such companies as Jordanian corporate entities (“Jordanian companies”).

The Instructions propose the creation of a separate, but substantially similar, category of corporate, legal persons by the Commission under the Securities Law. These mutual fund entities will engage in business with and enter into legally binding contracts with third party, Jordanian companies that have been authorized by the Companies General Controller (“Controller”), the regulator charged with implementing the Companies Law. Additional research is required to understand the legal implications, if any, of the business relationships the mutual fund entity may have with Jordanian companies, the applicability of the Companies Law to their contracts and other agreements, and the method and manner in which the Controller will seek to assert its jurisdiction over these relationships and agreements.

3. Interaction with other laws, regulations, and regulatory authorities in Jordan

As corporate entities engaging in commercial enterprise in Jordan, mutual funds created under the Securities Law may be subject to a number of administrative and regulatory authorities and their laws. Additional research is needed to understand the implications of these laws for the mutual fund entity and the conduct of its business. Areas that must be examined include, but are not limited to, the following:

- a. Taxation -- The tax status of the mutual fund entity and the tax structure that it will be subject to under the tax laws and codes of Jordan.
  - b. Commercial Code -- The application of the Commercial Code, including any Contract Law, and its provisions to the commercial activities of the mutual fund entity.
  - c. Civil Code – The application of the Civil Code of Jordan and its provisions to the legal status of the mutual fund entity, its management, and its commercial activities.
  - d. Bankruptcy – The Companies Law provides for the orderly liquidation of public shareholding companies and the protection of shareholder assets during the liquidation process. Additional research and review of Jordanian civil law, contract law, and other relevant legislation and regulation is required to understand which laws will apply to the mutual fund entity in the event of its liquidation or bankruptcy and the protections that shareholders and their assets will have during the liquidation process.
  - e. Judicial Treatment – Additional research and review of Jordanian law is required to understand whether the judicial system in Jordan will raise issues regarding the legal status of the mutual fund entity and its ability to engage in commercial activity with third parties.
4. Liability of the mutual fund entity, its management, and other service providers to third parties

The provisions of the Companies Law clearly outline the level of liability that a public shareholding company has to third parties and its shareholders for actions taken by its management and Board of Directors. In addition, the Companies Law also provides for the personal liability that members of the Board of Directors may have to third parties for actions taken by the public shareholding company in the conduct of its business. Additional research and review of the Securities Law, Civil Law, and the Commercial Code of Jordan is required to understand the liability of the mutual fund entity and its management to third parties for actions undertaken in the conduct of its business.

5. Corporate governance of the mutual fund entity

The provisions of the Companies Law provide for the corporate governance of public shareholding companies. These provisions establish the responsibilities of the Board of Directors to the shareholders and clearly outline the rights that shareholders have with respect to the operation and management of the company.

In response to the Commission's request, the proposed Instructions also include provisions regarding the corporate governance of mutual fund entities and provide for shareholder rights in the mutual fund's operation and management. These provisions are intended to parallel those found in the Companies Law. Additional research and review of the relevant legislation and regulations of Jordanian law, however, is required to ensure that the requirements for corporate governance of the mutual fund entity and the rights of its shareholders at least meet the minimum standards of Jordanian law.

#### 6. Recommended next steps

NASD recommends that for the next round of consultations on the draft Instructions, the Commission request written comments from industry. These written comments provide for formal, considered input as well as a written record the Commission can draw upon when developing its final Instructions and when presenting those Instructions to the Industry. A formal comment process such as this allows market intermediaries and other affected entities to participate in the regulatory process and, based on NASD's experience, promotes long-term support of the final regulation by market participants.

#### 7. Areas for industry input

Industry input should be welcomed regarding all topics covered by the Instruction; however, certain areas are particularly ripe for commentary, these include provisions that directly affect the day-to-day operation of the fund, for example,

- the feasibility of requiring a weekly NAV calculation (Article 8.c.);
- the proposed timing of the NAV calculation, redemption, and NAV publication (Articles 4.c.3, 8.c., and 8.d.);
- the required time frame for disclosing a change in Investment Managers to the fund in all offering documents, sales literature and advertising, and other communications (Article 13.b.);
- the standards for the calculation and presentation of financial performance. Please be advised that calculation and presentation of financial performance should be standardized across the industry. Input from the industry may be useful in determining what standards or formulas are most appropriate for the Jordanian mutual fund market (Articles 9 and 10); and
- guidelines for a model code of ethics for mutual funds (Article 12.j.4).