

## PART IV

Terms and conditions to be complied with for the purposes of the grant of a licence to a managing company to operate a unit trust and a renewal of such license, are :-

- (a) that the trustee and the managing company of the unit trust are separate persons;
- (b) that the trustee is not a connected person of the managing company;
- (c) that the managing company is a company formed and registered under the Companies Act, No. 17 of 1982 and includes a company duly incorporated outside Sri Lanka, or formed in pursuance of any statute of any foreign country, Royal Charter, Letters Patent;
- (d) that the managing company has the necessary professional experience and is financially sound;
- (e) that the Directors of the managing company are fit and proper persons;
- (f) that an explanatory memorandum has been prepared by the managing company and approved by the Commission;
- (g) that the trustee has been approved by the Commission;
- (h) that the trust deed between the managing company and trustee creating the trust has been approved by the Commission;
- (i) that the trust deed-
  - (i) sets out the restrictions on the investment of trust property;
  - (ii) sets out the responsibilities of the trustee;
  - (iii) provides that unit holders shall not be required to make any further payment or assume any further liability, except in circumstances, if any, set out in such trust deed;
  - (iv) sets out the method of calculating the offer and redemption prices of units;
  - (v) sets out the circumstances in which the redemption of units can be

- suspended;
- (vi) provides for the maintenance of a register of unit holders;
  - (vii) contains provisions requiring the trustee, the managing company and their connected persons to disclose their interest, whenever any business in which they have a material interest is being discussed at any meeting of the trust;
  - (viii) provides for the appointment as auditors of the unit trust of persons having the qualifications specified by rules of the Commission and empowers the Commission to require the retirement of such auditors when they cease to possess such qualifications;
  - (ix) prohibits the trustee from retiring until a new trustee is appointed;
  - (x) prohibits the managing company from entering into any underwriting or sub-underwriting contract on behalf of the trust, except with the approval of the trustee and the Commission;
  - (xi) prohibits the making or granting of loans out of the trust property, except with the consent of the trustee;
  - (xii) provides for the approval in writing of the trustee, for any transaction between the managing company or any connected person of the managing company and the trust;
  - (xiii) provides that the consideration paid in respect of any duly created units (less any charges that the managing company is entitled to retain) shall become subject to the trust immediately on receipt of such consideration by the trustee;
  - (xiv) provides that a certificate in respect of units shall be delivered to a third party only on the trustee being satisfied that the consideration paid for such units (less any charges that may be retained by the managing company) has been, or will be, vested in the trustee;
  - (xv) specifies the minimum initial investment in units permitted, which amount shall be subject to the approval of the Commission;
  - (xvi) specifies the maximum initial charge which can be levied on the purchase of units, which charge shall be subject to the approval of the Commission;

- (xvii) provides for a deposit of security by the trustee, guaranteeing against loss due to his misconduct or negligence, where required by the Commission; and
- (xviii) contains such other information as the Commission may, from time to time, determine by rules made for that purpose.