

## **Cambium Global Timberland Limited Corporate Governance Code**

As a Jersey incorporated company and under the AIM Rules for companies, it is not a requirement for the Company to comply with the UK Corporate Governance Code published by the Financial Reporting Council (the "FRC Code"). On 2 April 2012 the Jersey Financial Services Commission issued Codes of Practice for Certified Funds (the "CF Codes") pursuant to the Collective Investment Funds (Jersey) Law 1988. The Codes have been prepared and issued for the purpose of establishing sound principles and providing practical guidance in respect of any Jersey certified fund. The Company has considered the nine fundamental principles of the CF Codes (the "principles") and has adopted certain policies in order to comply with the regulation. Further details of the CF Codes can be found via the Jersey Financial Services Commission at:

<https://www.jerseyfsc.org/media/1659/certified-funds-code-21-march-2018.pdf>

The Board considers that it is appropriate to report against the principles of the CF Codes. Further details of the Company's compliance with the key principles of the CF Codes are provided below:

### **Principle 1: A Fund must conduct its business with integrity**

The Board is committed to the principle of strong corporate governance and conducts its affairs with integrity. The Board acts honestly, in good faith, and with a view to the best interest of the Company. At each meeting of the Company all applicable business interests are disclosed and reviewed. The Company conducts its business primarily through key third party service providers, all of whom are regulated financial services businesses in their respective jurisdictions. The Company acknowledges its responsibility to maintain adequate procedures to prevent acts of bribery, and to maintain adequate procedures in relation to conflicts of interest. The Company has considered the risks and aspects of the Company's business that might be improved to mitigate such risks. The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Company's financial statements are independently audited.

Clearly documented contractual arrangements are in place with the Company's key service providers which define the areas where the Board has delegated responsibility to them. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control. The Board, through its formally constituted Remuneration Committee, reviews the performance and remuneration of the Chairman, Board, Operations Manager and the performance and engagement of third party service providers, including the Company Secretary and Administrator. Directors retire by rotation at each Annual General Meeting. The experience, skills and effectiveness of each Director are also considered before the recommendation of their individual re-election. Details of the skills and experience of the Directors are disclosed in the biography section of section 4 of the Company's Annual Report.

### **Principle 2: A Fund must always act in the best interests of Unitholders**

The Company's affairs and business are conducted at all times in a manner the Board determines to be in the best interests of shareholders. The Board continually monitors the Company's strategy with the Operations Manager and the Broker to ensure the employment of appropriate strategies under prevailing market, political and economic conditions at any particular time, within the overall investment restrictions of the Company and the mandate set by shareholders.

To support the review of the strategy, the Board has focused at Board meetings on a review of individual investments and returns, country exposure, the overall portfolio performance and any associated matters. Additionally, a strong focus of attention is given to marketing, investor relations,

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risk management and compliance, and industry issues. These matters are discussed by the Board to clearly demonstrate the seriousness with which the Directors take their fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of their actions.

### **Principle 3: A Fund must organise and control its affairs effectively for the proper performance of its activities and be able to demonstrate the existence of adequate risk management systems**

The Board meets at least four times a year and between these formal meetings there is regular contact between the Board and the Operations Manager and with other key advisers. The normal course of day-to-day reporting from the Operations Manager is through the Chairman but the Operations Manager and the individual directors also have direct communication whenever any of them feels appropriate. All Directors are kept informed of matters affecting the Company's investments, commercial activities, financial controls and other matters that are relevant to the business of the Company. The Directors have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

All matters that should be brought to the Directors' attention are notified to them as such matters arise, and are set out in the agenda for the Company's next quarterly meeting, and all items are considered by the Board at such meeting. Focus is given to a review of the Company's investment performance, commercial activity, approval of financial statements, as well as associated matters such as investor relations, industry and market conditions, and the overall strategy of the Company. All Directors are able to request relevant financial and regulatory information from the Company's engaged parties and expect to receive such items within a timely manner. Additionally, each Director is required to inform the Board of any or actual conflict of interest prior to Board discussion.

The Board operates an Audit Committee, which comprises of all Directors. The Audit Committee operates within a defined terms of reference. The Audit Committee meets at least twice per year with the external auditor present and considers items including, but not limited to, annual and interim financial statements, internal control systems and procedures, accounting policies and Auditor effectiveness and independence.

The Company maintains a Risk and Control Matrix, where key risks to the Company are considered, monitored, and appropriate controls and mitigation solutions put into place. Further, the Company's key service providers report to the Board relating to business, regulatory or other risks facing the Company.

### **Principle 4: A Fund must be transparent in its business arrangements with Unitholders**

The Board monitors the trading activity and shareholder profile on a regular basis and places importance on effective and transparent communication with shareholders. The Board and the Broker are accessible to shareholders and maintain an ongoing dialogue with major shareholders. The Company formally reports to shareholders twice a year, through the interim and annual reports, and periodic updates are issued to the market by way of stock exchange announcements. All shareholders have the opportunity to attend the Annual General Meeting of the Company, where a Director is present to meet with shareholders.

Current information is provided to shareholders on an ongoing basis through the Company's website: [www.cambium.je](http://www.cambium.je).

Shareholder sentiments can also be gauged by the careful monitoring of the premium or discount to published NAV at which the Company's shares are traded at in the market when compared to similar

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companies. The Board ensures that shareholders have sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.

#### **Principle 5: A Fund must maintain, and be able to demonstrate the existence of, both adequate financial resources and adequate insurance**

The Directors are responsible for preparing the financial statements in accordance with applicable laws and regulations. In preparing the financial statements, the Directors are required to assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

On 30 November 2012, the Independent Directors announced the outcome of the strategic review initiated in June 2012. The Directors proposed and recommended a change of investment policy with a view to implementing an orderly realisation of the Group's investments in a manner which maximises value for shareholders and returning surplus cash to shareholders over time through ad hoc returns of capital. This proposal was approved by shareholders at an Extraordinary General Meeting ("EGM") held on 22 February 2013. There is no set period for the realisation of the portfolio.

The Board will continue to consider appropriate offers for all the Company's assets, but believes that shareholders' interests are no longer best served by aiming to dispose of assets within any specific time-frame, or by actively seeking purchasers and incurring all the costs that involves. The Board has therefore moved forward with plans for harvesting while it continues to operate within the policy of an orderly realisation of assets.

As at the date of the financial statements for the year ended 30 April 2018, the Directors have no intention to instigate a winding-up of the Company, a course of action that would require the approval of shareholders. As a result, as at 30 April 2018, the assets and liabilities of the Company pertaining to the Jersey operations have not been classified as held for sale and its operations continue to be treated as continuing.

The Directors regularly review the Group's cash flow forecasts, which cover the period to 30 April 2021, and consider that the Group has sufficient resources available to pay its liabilities as they fall due.

The Board understands the importance of maintaining at all times effective and comprehensive insurance and as such maintains adequate insurance policies. Insurance policies held by the Company are reviewed and renewed on an annual basis.

#### **Principle 6: A Fund must deal with the Jersey Financial Services Commission and other authorities in Jersey in an open and cooperative manner**

The Board has engaged regulated financial services businesses as its key service providers, who ensure that the Company engages with the Jersey Financial Services Commission and all other authorities in an open and cooperative manner. The Board reviews the performance and service of its key service providers and clearly documented contractual arrangements are in place with these parties that define the areas where the Board has delegated responsibility to them. Whilst the Board has delegated responsibility, it retains ultimate accountability for the functions it delegates and is responsible for the systems of internal control, including the liaising of the Company with the Jersey Financial Services Commission and other authorities in Jersey and the UK.

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**Principle 7: A Fund must not make statements that are misleading, false or deceptive**

The Board, along with its AIM nominated adviser, carefully considers all Shareholder communications and announcements to ensure that all information is wholly accurate, clear and transparent. All information is disclosed in a timely manner in accordance with the stock exchange requirements for AIM companies.

**Principle 8: A Fund must at all times comply and be operated in accordance with any applicable Guide**

As a Jersey Listed Fund, the Company is required to comply at all times and be operated in accordance with the Jersey Listed Fund Guide. A copy of the Guide is appended to this document.

**Principle 9: A Fund must comply, where relevant, with the applicable sections of the Code of Practice for Alternative Investment Funds and AIF Services Businesses**

The Board considers that principle 9 is not applicable to the Company, as it is a Jersey-registered investment company, not an alternative investment fund.



Jersey Financial  
Services Commission

## **Schedule 3**

# **Jersey Listed Fund Guide**

Issued: 2 April 2012

Updated: 19 November 2012

## Objective

The purpose of this guide is to define a Listed Fund and to set out the characteristics that such a fund would usually be expected to have. An essential feature of a Listed Fund for the purposes of this guide is that it must be closed ended.

In all cases, applications for necessary certificate and consents should be accompanied by a completed application form, a copy of which can be found at:

[http://www.jerseyfsc.org/funds\\_securities\\_issues/forms/index.asp](http://www.jerseyfsc.org/funds_securities_issues/forms/index.asp)

A Listed Fund meeting the criteria set out in this guide may be established using a streamlined authorisation process, as described in Section 3 of this guide. The *JFSC* aims to authorise Listed Funds within 3 working days of receipt of an application provided the requirements set out in this guide are complied with. If a Listed Fund does not meet such requirements, variances and approval may be sought from the *JFSC* on a case-by-case basis, however in such cases it may not be possible to authorise the fund within the stated time frame.

## Glossary of Terms

The following table provides a glossary of terms used in this guide:

Applicable Rules	has the meaning to be assigned to it in any <i>Codes of Practice</i> .
Application Form	means the application form which can be found on <a href="http://www.jerseyfsc.org/funds_securities_issues/forms/index.asp">http://www.jerseyfsc.org/funds_securities_issues/forms/index.asp</a>
Associate	means, in relation to a company, any company which is a subsidiary or a holding body of that company or a subsidiary of any such holding body and any individual, partnership or other unincorporated association or firm which has direct or indirect control of that company and any company which is directly or indirectly controlled by any such individual, partnership or other unincorporated association, or firm and, in relation to an individual, partnership or other unincorporated association, means any company directly or indirectly controlled by that individual, partnership or other unincorporated association. For these purposes, 'holding body' and 'subsidiary' shall have the meanings set out in the Companies (Jersey) Law 1991, as amended.
CFPO	means the Collective Investment Funds (Certified Funds - Prospectuses) (Jersey) Order 2012, as amended.
Closed-ended Fund	means a fund which is not open for redemptions at the option of holders of securities.
Codes of Practice	means such Codes of Practice for Certified Funds and Fund Services Business as may from time to time be issued by the <i>JFSC</i> and be in force pursuant to Article 15 of the <i>Law</i> and Article 19 of the Financial Services (Jersey) Law 1998, as amended.
collective investment fund	has the same meaning as in Article 3 of the <i>Law</i> .
Constitutive Documents	means the principal documents constituting the Listed Fund, which may include: <ul style="list-style-type: none"> <li>› the memorandum and articles of association;</li> <li>› the fund rules;</li> <li>› the administration agreement;</li> <li>› the investment management agreement;</li> <li>› the investment advisory agreement;</li> <li>› the management agreement, if applicable; and</li> <li>› where the fund has a custodian in Jersey, the agreement appointing such a custodian.</li> </ul>
fund service provider	has the same meaning as in Article 1 of the <i>Law</i> .

Holder of Securities	means a person registered as the holder of securities in a Listed Fund.
incorporated cell company	has the meaning set out in the Companies (Jersey) Law 1991, as amended.
Investment Manager	includes an investment adviser and may be the <i>Manager</i> if no separate investment manager is to be appointed <sup>10</sup> .
IOSCO	means the International Organisation of Securities Commissions.
JFSC	means the Jersey Financial Services Commission.
Law	means the Collective Investment Funds (Jersey) Law 1988, as amended from time to time.
Manager	means any <i>fund service provider</i> to whom the board of directors has delegated overall responsibility for the executive management of the fund.
OECD	means the Organisation for Economic Co-operation and Development.
Offer Document	means any prospectus or other offering document offering <i>securities</i> in a Listed Fund for subscription, sale or exchange and includes any listing document.
principal person	has the meaning set out in the <i>Law</i> .
pProtected cell company	has the meaning set out in the Companies (Jersey) Law 1991, as amended.
Recognised Stock Exchange or Market	means an exchange or market listed in Appendix 1, as amended from time to time.
securities	refers to those securities issued by the Listed Fund representing the rights of holders with regard to the assets of the Listed Fund and which are Units within the meaning of the <i>Law</i> .
Umbrella	in relation to a structure or a fund means there is more than one class of redeemable shares or Units and where the assets are held as a single pool.

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<sup>10</sup> In a fund of funds, the investment managers of the underlying funds will not be considered *Investment Managers* for the purpose of this guide.



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# Section 1

## 1 The Structure of the Fund

### The Fund

- 1.1 A Listed Fund is a *collective investment fund* that falls within Article 3 of the *Law* and is incorporated as a company in Jersey<sup>11</sup>. It will be issued with a certificate under the *Law*.
- 1.2 A Listed Fund must:
- 1.2.1 have a listing on a *Recognised Stock Exchange or Market*<sup>12</sup>; and
  - 1.2.2 be a *Closed-ended Fund*.
- 1.3 The board of directors of the fund company is ultimately responsible for the management and control of the Listed Fund in accordance with and subject to the *Constitutive Documents* and applicable law and this ultimate responsibility cannot be delegated.
- 1.4 At least two Jersey resident directors with appropriate experience must be appointed to the board of the fund company.
- 1.5 A majority of the directors of the board of the fund company (including the chairman) must be independent. It will be a matter for the board to determine whether a director meets the independence requirements established by the listing authority of the exchange or market where the fund company is listed, and whether there are relationships or circumstances (including financial dependence on a director's relationships with the *Manager* or *Investment Manager* of the fund) which are likely to affect, or could appear to affect, the director's judgement<sup>13</sup>. As a minimum condition of independence, the director should not be a past (within the last five years) or present employee of the *Manager* or *Investment Manager* or any of their *Associates* even if permitted by the relevant listing authority.

### Investment Manager

- 1.6 The *Investment Manager* should be of good standing and in particular should:
- 1.6.1 have had no disciplinary sanctions imposed on it by any supervisory authority or professional body in the previous five years;
  - 1.6.2 have no convictions for any offence under the legislation of any country relating to the conduct of financial service business or involving fraud or dishonesty or be the parent, subsidiary or an associated company of any company which has such a conviction;

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<sup>11</sup> The *Commission* will consider including other types of investment vehicle such as limited partnerships and unit trusts in a revised version of this guide.

<sup>12</sup> The list of Recognised Stock Exchanges or Markets is given in Appendix 1. It will be a condition of the certificate issued by the *Commission* that the fund is approved for admission to a Recognised Stock Exchange or Market prior to its launch.

<sup>13</sup> Where the rules of the exchange or market are silent on the matter of directors and independence, the directors should have regard to the principles set out in paragraph 1.5.

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- 1.6.3 be able to pay its debts as they fall due;
  - 1.6.4 be established in an *OECD* state or jurisdiction or any other state or jurisdiction with which the *JFSC* has entered into a Memorandum of Understanding (or equivalent) on investment business and *collective investment funds*<sup>14</sup>;
  - 1.6.5 be regulated in that state or jurisdiction in relation to managing or advising on funds, subject to paragraph 1.6.6;
  - 1.6.6 where it is proposed that the *Investment Manager* should act in relation to a property fund, or other type of fund in relation to which the activity of the investment manager is not a regulated activity in its home state or jurisdiction, and the requirement in paragraph 1.6.5 is not otherwise met by the *Investment Manager*, be either:
    - 1.6.6.1 a subsidiary of a company that is regulated in relation to managing or advising on investors' funds in its home state or jurisdiction;
    - 1.6.6.2 a listed company with a minimum market capitalisation of at least US\$500 million (or its currency equivalent) or a subsidiary of a company with such capitalisation;
    - 1.6.6.3 a company or partnership with a trading record of at least five years, or whose *principal persons*, who form its span of control, can demonstrate relevant business experience for this period or possess relevant professional qualifications; or
    - 1.6.6.4 in any other case, be granted approval to act in relation to the Listed Fund by the *JFSC*, provided that the other requirements in paragraphs 1.6 and 1.7 are met;
  - 1.6.7 subject to paragraph 1.6.6.3, possess relevant experience in relation to managing or advising on investors' funds using similar strategies to those to be adopted by the Listed Fund; and
  - 1.6.8 satisfy the *JFSC's* general principles of corporate governance in relation to the span of control over a business as set out in Appendix 2, meeting the four-eyes principle if the *Investment Manager* cannot handle client monies, and the six-eyes principle if it can handle such monies.
- 1.7 In addition, no *principal person* of the *Investment Manager* shall:
- 1.7.1 have had any disciplinary sanctions imposed on him by any supervisory authority or professional body in the previous five years; or
  - 1.7.2 have been convicted for any offence under the legislation of any country relating to the conduct of financial services business or involving fraud or dishonesty.
- 1.8 As part of the application process for establishing a Listed Fund, the *Investment Manager* should confirm in writing to the *JFSC* that it satisfies the requirements set out in paragraphs 1.6 and 1.7, and provide documentary evidence in relation to the requirements at

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<sup>14</sup> A list of the *OECD* member states and those countries with which the *Commission* has entered into a Memorandum of Understanding (either on a bilateral basis or through the *IOSCO* Multilateral Memorandum of Understanding) covering investment business and collective investment funds may be obtained on the *Commission's* website, [www.jerseyfsc.org](http://www.jerseyfsc.org), from the International Co-operation section.

paragraphs 1.6.4 and 1.6.5 (and if applicable paragraph 1.6.6). In addition, the administrator or *Manager* (as applicable) appointed in accordance with paragraph 1.11 must counter-sign such confirmation, stating that it has carried out its own general due diligence on the *Investment Manager* and has no reason to believe that the statement of the *Investment Manager* is incorrect<sup>15</sup>.

- 1.9 In the event that the *Investment Manager* does not fulfil these criteria (for example, a global institution may have committed a number of regulatory breaches in different jurisdictions) prior clearance should be sought from the *JFSC*. An *Investment Manager* that has previously been granted consent to establish a Listed Fund may, in satisfaction of the requirement set out at paragraph 1.8, confirm in writing to the *JFSC* that there have been no material changes to the information most recently provided to the *JFSC* in that regard.
- 1.10 Where the administrator or *Manager* (as applicable) become aware of any other issue, in addition to those mentioned in paragraphs 1.6 and 1.7, which might cast doubt on the good standing of the *Investment Manager* (or any of its *principal persons*), they should bring the matter to the attention of the *JFSC*. Relevant issues might for example include knowledge that the *Investment Manager* (or any of its *principal persons*) has been the subject of a formal investigation by a supervisory authority or professional body, even if this did not result in a disciplinary sanction.

**Note:**

- 1 *If a distributor of a Listed Fund is not the Investment Manager or one of its Associates and it falls within one of the following definitions, the provisions of paragraphs 1.6 – 1.10 inclusive (with the exception of paragraph 1.6.7) shall apply to the distributor as if it were an Investment Manager:*
- a. *The distributor is the driving force behind the Listed Fund such that, if the distributor were to withdraw from the proposal, the Listed Fund would not go ahead. Evidence of this would be, for example, the name of the Listed Fund being linked with the distributor.*
  - b. *The majority of investors going into the Listed Fund are put into the fund by the distributor or its agents.*

## Administration/Management

- 1.11 Every Listed Fund shall appoint an administrator and/or a *Manager* which has at least two Jersey resident directors with appropriate experience together with staff and a physical presence in the Island.
- 1.12 Unless alternative arrangements are put in place by the board of directors of the fund company, the duties of the administrator or *Manager* (as applicable) shall include the responsibility for monitoring the *Investment Manager* set out in paragraphs 1.14 and 1.15. Where such alternative arrangements are to be put in place, the *JFSC* should be approached in advance on a case by case basis.

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<sup>15</sup> In the *Commission's* view, it is implicit that an administrator's or *Manager's* due diligence enquiries can only extend to sources of enquiry available to it, and not to those beyond it.

## Section 1: The Structure of the Fund

- 1.13 Any outsourcing by the administrator or *Manager* (as applicable) must comply with the *JFSC's* policy on outsourcing as may be updated from time to time.

### Monitoring of the Investment Manager

- 1.14 The responsibility of the administrator or *Manager* (as applicable) in relation to the actions of the *Investment Manager* shall be to take reasonable measures to satisfy itself that such actions do not breach the investment and borrowing restrictions applicable to the Listed Fund as set out in the *Offer Document* and the *Constitutive Documents*, and to promptly notify the board of directors of the fund company of any concerns it has in that regard so that appropriate action may be taken.
- 1.15 The administrator or *Manager* (as applicable) must maintain in Jersey sufficient records (in electronic or documentary form) to enable it to fulfil its monitoring functions, and should be able to obtain other relevant records on demand.

### Review by the Board of Directors of the Fund Company

- 1.16 In addition to the monitoring function in paragraphs 1.14 and 1.15, the board of directors of the fund company must undertake regular reviews of the investment strategy and risk profile of the fund and the investment performance of the *Investment Manager*. In addition, the board shall regularly consider associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and general industry issues.

### Custody Arrangements

- 1.17 Every Listed Fund must have adequate arrangements for the safe custody of the property of the fund including, if applicable, prime brokerage arrangements. Such arrangements shall be fully disclosed in the *Offer Document*.
- 1.18 Where a hedge fund appoints a prime broker, the prime broker must be part of a group with a minimum credit rating of A1/P1 or long term equivalent. Prior clearance will be required for any prime broker with a rating below this level.

### The Name of the Fund

- 1.19 The name of the Listed Fund must not be undesirable or misleading. If the name of the Listed Fund indicates a particular objective, geographic region or market, this should be reflected in its investment policy and in the manner in which the Listed Fund maintains the majority of its non-cash assets.

### The Auditor

- 1.20 An auditor must be appointed for a Listed Fund.
- 1.21 The auditor must have the same qualifications as are required under the Companies (Jersey) Law 1991, as amended.
- 1.22 The audited accounts must be filed with the *JFSC* within seven months of the end of the Listed Fund's financial year.

### Fund service providers

- 1.23 Any Jersey entity acting as a *fund service provider* to a Listed Fund must be registered under the Financial Services (Jersey) Law 1998, as amended, to conduct fund services business and be managed and operated in accordance with any applicable *Codes of Practice*.

### Borrowing and Gearing

- 1.24 There are no restrictions imposed upon the level of borrowing or gearing adopted by a Listed Fund, provided that the approach to borrowing or gearing is clearly disclosed in the *Offer Document*. If the fund is permitted to borrow money in excess of 200% of the net asset value of the fund, full details of the manner in which the risk posed by such borrowing is to be managed must be set out in the *Application Form* submitted to the *JFSC*. In such a case, the *JFSC* reserves the right to undertake additional scrutiny.

## Section 2

### 2 The Offer Document of the Fund

#### General

- 2.1 The *Offer Document* must comply with the requirements set out in the *CFPO* and confirmation of this should be provided in the *Application Form*. In addition to the specific requirements stated in the *CFPO*, Article 18 of the schedule of the *CFPO* provides that the *Offer Document* must contain any other material information that investors would reasonably require to enable investors to make an informed judgement about: (i) the merits of participating in the Listed Fund; and (ii) the nature and levels of the risks accepted by making such a purchase. The *JFSC* considers the following additional information to be material:
- 2.1.1 the structure of the Listed Fund, including brief particulars of all documents constituting the Listed Fund and details of how to obtain complete copies of such documents;
  - 2.1.2 the *fund service providers* to the Listed Fund, including details such as their registered office, place and date of incorporation, details of share capital and the manner in which *fund service providers* may be appointed and replaced;
  - 2.1.3 biographical and other relevant information of directors, including current employment and relevant experience, other directorships, including of fund companies managed by the same *Manager* or *Investment Manager*, current or past employment or other material connections with the *Manager* or *Investment Manager*, length of service, qualifications and significant shareholdings;
  - 2.1.4 the identity of the independent directors (including the Chairman) determined in accordance with paragraph 1.5 and, if relevant, the reasons why the board has determined a director to be independent notwithstanding factors that might appear to impair that status;
  - 2.1.5 the policies and procedures for the appointment and replacement of directors (including the Chairman);
  - 2.1.6 the manner in which the board of directors will operate, including how it will review the investment strategy and the risk profile of the fund and its investment performance, delegate or allocate operational responsibilities to the various *fund service providers*, including particularly the *Manager*, *Investment Manager* or administrator, and will exercise oversight of the way in which these responsibilities are fulfilled;
  - 2.1.7 the structure, composition and summary terms of reference of board committees;
  - 2.1.8 any conflicts of interest that may exist in relation to the Listed Fund;
  - 2.1.9 the investment objective and investment management strategies to be employed by the Listed Fund (including the Listed Fund's approach to borrowing and gearing), and any investment or borrowing restrictions applicable to the Listed Fund;



- 2.1.10 the manner in which changes likely to have a material effect on investors may be made to the Listed Fund, noting that any changes that would be contrary to the terms of this guide or contrary to any of the *JFSC's* published policies applicable to Listed Funds will require the prior consent of the *JFSC*;
  - 2.1.11 the basis upon which dealing on the secondary market is to take place, including the expected level of activity;
  - 2.1.12 the basis upon which any subsequent offerings in the Listed Fund may be made;
  - 2.1.13 the basis upon which the value of the assets of the Listed Fund is to be calculated;
  - 2.1.14 the manner in which *securities* of the Listed Fund are to be created, issued and paid for;
  - 2.1.15 the manner in which votes to be held by *Holders of Securities* will be conducted, and the manner in which meetings of *Holders of Securities* are to be convened and managed generally;
  - 2.1.16 the fees, charges and expenses payable from the property of the Listed Fund;
  - 2.1.17 the address at which the most recent audited annual report and accounts of the Listed Fund may be inspected;
  - 2.1.18 the manner in which any voting rights in underlying assets held by the Listed Fund will be exercised;
  - 2.1.19 the safe custody arrangements for the property of the Listed Fund including disclosure, if applicable, of prime broker arrangements;
  - 2.1.20 in the case of *Umbrella* structures, details of the “ring-fencing” of assets within sub-funds, or, if there is no such arrangement, a statement to the effect that “in the event of the Listed Fund being unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to such sub-fund, the excess liabilities may be met out of the assets attributable to the other sub-funds” and an explanation of the manner in which such liabilities may be apportioned; and
  - 2.1.21 statements to the effect that:
    - “Further information in relation to the regulatory treatment of Listed Funds domiciled in Jersey may be found on the website of the Jersey Financial Services Commission at [www.jerseyfsc.org](http://www.jerseyfsc.org).
    - “The directors of the company have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of fact or of opinion. The directors accept responsibility accordingly.”
- 2.2 Nothing in any of the *Constitutive Documents* of a Listed Fund may exclude the jurisdiction of the courts of Jersey to entertain an action concerning the Listed Fund.
- 2.3 In the event that an *Offer Document* is issued in a language other than English, a copy of an English language version of the document must be lodged with the *JFSC*. A statement shall be included in both the original *Offer Document* and the translation stating which version will take precedence in the event of a dispute.
- 2.4 Any variations from the requirements imposed by the *CFPO* must be set out in the *Application Form*.



## Investment Warning

- 2.5 All Listed Funds must contain an investment warning in a prominent position in the *Offer Document* in substantially the following terms:

“This fund has been established in Jersey as a listed fund under a fast-track authorisation process. It is suitable therefore only for professional or experienced investors, or those who have taken appropriate professional advice.

Regulatory requirements which may be deemed necessary for the protection of retail or inexperienced investors, do not apply to listed funds. By investing in this fund you will be deemed to be acknowledging that you are a professional or experienced investor, or have taken appropriate professional advice, and accept the reduced requirements accordingly.

You are wholly responsible for ensuring that all aspects of this fund are acceptable to you. Investment in listed funds may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless you fully understand and accept the nature of this fund and the potential risks inherent in this fund you should not invest in this fund.”

## Ongoing Requirements

- 2.6 All material changes to information provided to the *JFSC* in connection with a Listed Fund shall be notified to the *JFSC* as soon as possible and in any event within 28 days of such change taking place.
- 2.7 The *JFSC* must be informed immediately if a Listed Fund is refused permission to be listed on a *Recognised Stock Exchange or Market*, or if such permission is revoked or if there is any other material event such as a suspension of trading in the *securities* of the Listed Fund or any investigation into the Listed Fund or any of its *fund service providers*.
- 2.8 Any change to a Listed Fund that would not meet the criteria set out in this guide or that would breach any certificate condition applicable to that Listed Fund will require the prior consent of a duly authorised officer of the *JFSC*.

## Section 3

### 3 Authorisation of the Fund

- 3.1 In order to authorise a Listed Fund, the *JFSC* must receive a completed copy of the *Application Form*.
- 3.2 The administrator or *Manager* (as applicable) shall:
- 3.2.1 complete and sign a copy of the *Application Form*;
  - 3.2.2 arrange for such form to be countersigned on behalf of the board of the fund company; and
  - 3.2.3 forward a copy of the completed *Application Form* and the stated supporting documentation to the *JFSC*.
- 3.3 Upon receipt of a completed *Application Form*, the *JFSC* will take steps to authorise the Listed Fund and/or its *fund service providers* as the case requires.
- 3.4 Applications will normally be processed within three working days except in cases where variances are being sought. In the event that the *Application Form* states that the Listed Fund complies with the terms of this guide, or that any deviation from the terms of this guide has previously been agreed in writing by a duly authorised officer of the *JFSC*, the *JFSC* will authorise the Listed Fund in reliance upon the *Application Form*. In other cases the *JFSC* will discuss with the applicant those deviations that have not been previously agreed, however in those cases it may not be possible to meet the stated time frame.
- 3.5 The relevant certificate application forms and fees shall be submitted at the time the application is made and prior to the issue of any certificate and other consents.
- 3.6 For an *Umbrella Fund*, an *incorporated cell company*, or a *protected cell company* which has already been granted a certificate under the *Law*, a sub-fund, incorporated cell or protected cell certificate application and fee will need to be submitted for each additional sub-fund, incorporated cell or protected cell that is added prior to an amended certificate being issued. In the case of an *incorporated cell company*, the incorporated cell certificate application form is to be used.

# Appendix 1

## 1 Recognised Stock Exchanges or Markets

1.1 The list of Stock Exchanges or Markets recognised by the *JFSC* for the purposes of the Listed Fund Guide will be based on the following criteria:

1.1.1 Stock Exchanges of EU Countries and members of the European Free Trade Association who have ratified the European Economic Area Agreement (Iceland, Liechtenstein and Norway);

1.1.2 Stock Exchanges recognised by the UK Financial Services Authority as:

1.1.2.1 Recognised Investment Exchanges:

[London Stock Exchange plc.](#)

1.1.2.2 Recognised Overseas Investment Exchanges:

[National Association of Securities Dealers Automated Quotations; and](#)  
[The Swiss Stock Exchange.](#)

or;

1.1.2.3 Designated Investment Exchanges (includes The International Stock Exchange, previously called the Channel Islands Stock Exchange):

American Stock Exchange

Australian Stock Exchange

Bermuda Stock Exchange

Bolsa Mexicana de Valores

Bourse de Montreal Inc

Chicago Stock Exchange

Hong Kong Exchanges and Clearing Limited

The International Stock Exchange (previously called the Channel Islands Stock Exchange)

Johannesburg Stock Exchange

Korea Stock Exchange

New York Stock Exchange

New Zealand Stock Exchange

Osaka Securities Exchange

Pacific Exchange

Philadelphia Stock Exchange

Singapore Exchange

Tokyo Stock Exchange

Toronto Stock Exchange

1.1.3 Any other Stock Exchange or Market recognised by the *JFSC* (whether nominated by Jersey Finance Limited or otherwise) for the purposes of this guide.

1.1.3.1 the following markets are recognised:

Alternative Investment Market (AIM)

Mauritius Stock Exchange (Official Market)<sup>16</sup>

Specialist Fund Market

1.2 For the purposes of paragraph 1.1.1, the relevant Stock Exchanges are as follows:

<b>Country</b>	<b>Stock Exchange</b>
Austria:	Wiener Bourse
Belgium:	Euronext
Bulgaria	Bulgarian Stock Exchange
Cyprus:	Cyprus Stock Exchange
Czech Republic:	Prague Stock Exchange
Denmark:	Copenhagen Stock Exchange
Estonia	Tallin Stock Exchange
Finland:	Helsinki Stock Exchange
France:	Euronext
Germany:	Deutsche Bourse
Greece:	Athens Stock Exchange
Hungary:	Budapest Stock Exchange
Iceland:	Iceland Stock Exchange
Ireland:	Irish Stock Exchange
Italy:	Borsa Italiana
Latvia:	Riga Stock Exchange
Lithuania:	National Stock Exchange of Lithuania
Luxembourg:	Bourse de Luxembourg
Malta:	Malta Stock Exchange
Netherlands:	Euronext
Norway:	Oslo Bors

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<sup>16</sup> Added 5 April 2017

Appendix 1: Recognised Stock Exchanges or Markets

<b>Country</b>	<b>Stock Exchange</b>
Poland:	Warsaw Stock Exchange
Portugal:	Lisbon Stock Exchange
Romania:	Bucharest Stock Exchange
Slovakia:	Bratislava Stock Exchange
Slovenia:	Ljubljana Stock Exchange, Inc
Spain:	Bolsas y Mercados Espanoles
Sweden:	Stockholmborsen
United Kingdom:	London Stock Exchange

## Appendix 2

### 2 Span of Control Requirements

- 2.1 This appendix expands on the general principles of corporate governance in relation to “span of control” as referred to at paragraph 1.6.8.
- 2.2 All *Investment Managers* are advised to read the following and to discuss the contents with their Jersey legal adviser in order to ensure that they satisfy the principle.
- 2.3 In the context of the *Investment Manager*, the principle requires that the *Investment Manager* be able to demonstrate that its business is actively managed by two or three skilled, experienced individuals: two persons if the *Investment Manager* cannot handle client monies, three if it can.
- 2.4 The “four eyes” or “six eyes” are the *principal persons* of the business, who must be able to exercise executive power on behalf of the *Investment Manager*. These individuals must be actively involved in the day-to-day management of the business and able to exercise executive powers on behalf of the *Investment Manager*. Normally, such persons will be directors of the *Investment Manager*.
- 2.5 They must be able to demonstrate independence, competence, experience and integrity and be able to effectively exercise management control over the *Investment Manager*. Together, the persons providing the “four or six eyes” should be able to demonstrate a balance of appropriate qualifications, skills and experience. As part of the independence requirement care must be taken where members of the same family are *principal persons* of the *Investment Manager*.**
- 2.6 Although the individuals making up the span of control do not need to be involved in the day-to-day execution of the *Investment Manager’s* policy, they should have day-to-day involvement in general management as well as knowledge of and influence upon the way in which the company’s strategy is being implemented through day-to-day policy.
- 2.7 The *JFSC* acknowledges there may be exceptional circumstances for allowing some degree of relaxation of the principles outlined above. Each request for a relaxation will be considered on its merits and on a case-by-case basis, however, it must be borne in mind that requests of this nature will not be granted lightly and that, once granted, are not to be treated as setting a precedent notwithstanding any similarity of circumstances. Furthermore, consideration of such requests may increase the time taken to process an application.
- 2.8 With respect to 2.5, where close family are eligible to form part of the span of control only one member may be counted. In this respect close family comprises spouses (including co-habitees), civil partners, children, dependants, parents, brothers, and sisters.