

**GLOSSARY
TO THE INVESTMENT SERVICES RULES FOR
RETAIL COLLECTIVE INVESTMENT SCHEMES**

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This Glossary should be read in conjunction with the Investment Services Rules for Retail Collective Investment Schemes issued by the MFSA.

A

“Act” or “ISA”	The Investment Services Act, 1994.
“Administrator”	A person appointed by the Scheme or its Manager responsible for the provision of administration services to the Scheme.
“Actively-managed UCITS ETF”	An actively managed UCITS ETF is a UCITS ETF, the manager of which has discretion over the composition of its portfolio, subject to the stated investment objectives and policies (as opposed to a UCITS ETF which tracks an index and does not have such discretion). An actively-managed UCITS ETF generally tries to outperform an index.
“Adviser”	See ‘Investment Adviser’
“Annual Income Allocation Date”	The date in any year stated in the most recently published full Prospectus of the Scheme as the date on or before which, in respect of each Annual Accounting Period, an allocation period is to be made.
“Annual Tracking Difference”	The difference between the annual return of the Index tracking UCITS and the annual return of the tracked index or benchmark.

B

“Bundled Package”	A package of products and/or services where each of the products or services offered is available separately and where the investors retains the choice to purchase each component of the package separately from the Scheme.
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C

“Capital Account”	An account relating to the capital property of the Scheme.
“Capital Property”	The Scheme Property, other than Income Property and any amount for the time being standing to the credit of the Distribution Account.
“Client”	Client means any natural or legal person, or any other undertaking including a UCITS to whom a management company provides a service of collective portfolio management or services pursuant to SLC 1.02 of the Investment Services Rules for Investment Services Providers.
“Collective Investment Scheme Licence”	Shall have the same meaning as that assigned to it by Article 2 of the Act.
“Collective Investment Scheme”	Shall have the same meaning as that assigned to it by Article 2 of the Act and shall include any Sub-Funds of such scheme.
“Commission Regulation (EU) No. 584/2010”	Commission Regulation (EU) No 583/2010 of 1st July, 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.
“Commission Regulation (EU) No. 584/2010”	Commission Regulation (EU) No 584/2010 of 1st July, 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and

investigations and the exchange of information between competent authorities.

“Compliance Officer” The person appointed by the Scheme or its Manager as applicable, responsible for ensuring compliance by the Scheme with its applicable Licence Conditions.

“Component Product” A separate product and/or service which constitute part of the bundled or tied package.

“Constitutional Documents” The documents constituting a Scheme: in the case of a Scheme set up as an investment company, its Memorandum and Articles of Association, statutory documents, or other instrument of incorporation; in the case of a Scheme set up as a limited partnership the Deed of Partnership or partnership agreement; in the case of a Scheme set up as a unit trust the Trust Deed and in the case of a Scheme set up as a common contractual fund the Fund Rules.

“Counterparty Risk” ‘Counterparty risk’ means the risk of loss for the UCITS resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction’s cash flow.

“Cross-selling Practice” Offering of an investment service together with another service or product as part of a package or as a condition for the same agreement or package.

“Custodian” The person appointed by the Scheme responsible for safekeeping of the assets of the Scheme and for carrying a monitoring function over the activities of the Manager.

D

“Distribution Account” The account to which the balance in the Income Account of the Scheme must be transferred as at the end of each annual accounting period.

“Distributor Fund” A Scheme which has as its main objective and/ or holds itself out as providing regular distributions of income in the form of dividends to its Unit holders.

E

“EEA State” Shall have the same meaning as that assigned to it in article 2 of the Act.

“EEA” European Economic Area

“Eligible Assets Directive” Directive 2007/16/EC of the Commission implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions.

“ESMA” European Securities and Markets Authority

“EU” European Union

“European Management Company” Shall have the same meaning as that assigned to it by Regulation 2 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011.

“European UCITS Scheme” Shall have the same meaning assigned to “European UCITS” by Regulation 2 of the Investment Services Act (Marketing of UCITS) Regulations, 2011.

F

“Feeder Fund” A Scheme which invests at least 85% of its assets in one Scheme or in one Sub-Fund of an Umbrella Scheme.

“Feeder UCITS” Feeder UCITS means a UCITS or sub-fund thereof which has been approved to invest at least eighty five per cent

of its assets in units of another UCITS or sub-fund thereof in terms of the UCITS Directive.

“Fee-Sharing Agreements”

Arrangements:

- (a) whereby a party remunerated either directly, or indirectly, out of the assets of a Scheme agrees to split its remuneration with another party; and
- (b) which result in that party meeting expenses through this feesharing agreement that should normally be met, either directly or indirectly, out of the Scheme’s assets.

These include:

- (i) fee-sharing agreements on transaction costs between a Scheme’s management company and a broker whereby the broker agrees to split with the management company the transaction fees paid by the Scheme to the broker for processing transactions for the Scheme; and
- (ii) fee-sharing agreements in Funds of Funds between a Scheme’s manager and another fund (or its Manager) whereby, if that Scheme invests in the fund, part of the fees charged to that Scheme (either directly subscription/ redemption fees or indirectly TER) because of this investment will be paid by the target funds (or its Manager) to the Scheme’s Manager.

“Full Prospectus”

Shall have the same meaning as that assigned to the word “Prospectus” by Article 2 of the Act.

“Fund of Funds”

A Scheme which invests predominantly in other schemes.

H

“Home Member State or EEA State”

Home Member State or EEA State means the Member State or EEA State in which the UCITS is authorised pursuant to Article 5 of the UCITS Directive

“Host Member State State” Host Member State or EEA State means the Member or EEA State or EEA State other than the Home Member State or EEA State in which the units of the UCITS are being marketed.



“Income Account” An account relating to the income property of a Scheme.

“Income Allocation Date” An Annual Income Allocation Date or an Interim Income Allocation Date.

“Income Property” All sums considered by the Scheme or by the management company, to be in the nature of income received or receivable for the account of and in respect of the property of the Scheme, but excluding any amount for the time being standing to the credit of the distribution account.

“Index-tracking leveraged index” A UCITS the strategy of which is to have a leveraged exposure to an index or exposure to a leveraged index.

“Index-tracking UCITS” A UCITS the strategy of which is to replicate or track the performance of an index or indices e.g. through synthetic or physical replication.

“Indicative Net Asset Value” A measure of the intraday value of the net asset value of a UCITS ETF based on the most up-to-date information. The Indicative Net Asset Value is not the value at which investors on the secondary market purchase and sell their units or shares.

“Interim Income Allocation Date” The date in any year stated in the most recently published full Prospectus of the Scheme as the date on or before which, in respect of each Interim Accounting Period, an allocation of income is to be made.

“Investment Advertisement”	Shall have the same meaning as that assigned to it by Article 2 of the Act.
“Investment Advertiser”	A person appointed by the Scheme or its Manager responsible for advising the Scheme or the Manager regarding the investment and re-investment of the assets of the Scheme.
“Investment Committee”	An internal committee of a Self-Managed Scheme appointed by the Board of Directors of the Scheme.
“Investment Services Licence Holder”	A person who holds an Investment Services Licence.
“Investment Services Licence”	Shall have the same meaning as that assigned to it by Article 2 of the Act.
“Investment Services Rules for Investment Services Providers”	Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act, 1994 applicable to Investment Services Licence Holders and equivalent authorised persons.
“Investment Services Rules for Professional Investor Funds”	Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act applicable to Professional Investor Funds.
“Investment Services Rules for Retail Collective Investment Schemes”	Investment Services Rules issued by the MFSA in terms of article 6 of the Investment Services Act, 1994 applicable to Retail Collective Investment Schemes. Schemes”
“Investment Services Rules for Recognised and Retail Collective Investment Schemes”	Investment Services Rules issued by the MFSA in terms of the Investment Services Act, 1994 applicable to Persons Recognised Private Collective Investment Schemes and Recognised Fund Administrators. Schemes”

K

“Key Investor Information Document” Shall also be referred to as KII and shall have the meaning assigned to it in section 6.2 of Part BII of the Investment Services Rules for Retail Collective Investment Schemes.

For the avoidance of doubt, a document drawn according to Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) shall not be captured by this definition.

L

“Licence Holder” Shall have the same meaning as that assigned to it by Article 2 of the Act.

“Liquidity Risk” “Liquidity risk” means the risk that a position in the UCITS portfolio cannot be sold, liquidated or closed at limited cost in an adequately short time frame and that the ability of the UCITS to comply at any time with SLC 12.6 of Part BII of the Investment Services Rules for Retail Collective Investment Schemes is thereby compromised.

M

“Maltese Management Company” Shall have the same meaning as that assigned to it by Regulation 2 of the Investment Services Act (UCITS Management Company Passport) Regulations, 2011.

“Maltese Non UCITS Scheme” An open ended or closed ended retail Scheme formed in accordance with or existing under the laws of Malta. A Maltese Non UCITS Scheme is subject to the requirements outlined in Part B I of these Rules.

“Management Body” This means the governing body of a Scheme or the body appointed in accordance with Maltese law which is empowered to set the strategy, objectives and overall

direction of the Scheme, and which oversees and monitors management decision-making, and includes the persons who effectively direct the business of the Scheme, including the Board of Directors.

“Manager”

A person appointed by the Scheme responsible for the management of the assets of the Scheme.

“Market Risk”

‘Market risk’ means the risk of loss for the UCITS resulting from fluctuation in the market value of positions in the UCITS’ portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer’s credit worthiness.

“Master UCITS”

A “master UCITS” means UCITS which:

- a) has, among its unit-holders, at least one feeder UCITS;
- b) is not itself a feeder UCITS; and
- c) does not hold units of a feeder UCITS.

“Member State”

Shall have the same meaning as that assigned to it by Regulation 2 Investment Services Act (Marketing of UCITS) Regulations, 2011.

“MiFID”

Directive 2004/39/EC of the European Parliament and of the Council of the 21st April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.

“MFSA”

The Malta Financial Services Authority.

“Money Laundering Officer” or

“MLRO”

The person appointed by the Scheme in terms of **Reporting Regulation 15** of the Prevention of Money Laundering and Funding of Terrorism Regulations.

“Money Market Fund Regulation”

Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds.

“Money Market

Financial instruments normally dealt in on the money market which are liquid; have a value which can be accurately determined at any time and which:

- a. are admitted to trading or dealt in on a regulated market in accordance with SLC 4.1(i) to (iii) of Part BII of the Investment Services Rules for Retail Collective Investment Schemes; or
- b. are not admitted to trading.

The reference to money market instruments as “instruments normally dealt in on the money market” shall be understood as a reference to financial instruments which fulfil one of the following criteria:

- i. they have a maturity at issuance of up to and including 397 days; or
- ii. they have a residual maturity of up to and including 397 days;
- iii. or they undergo regular yield adjustments in line with money market conditions at least every 397 days;
- iv. or their risk profile, including credit and interest rate risks, corresponds to that of financial instruments which have a maturity as referred to in points (i) or (ii), (v)
- v. or are subject to a yield adjustment as referred to in point (iii).

The reference to Money Market Instruments as instruments which are “liquid” shall be understood as a reference to financial instruments which can be sold at limited cost in an adequately short time frame, taking into

account the obligation of the Scheme to repurchase or redeem its Units at the request of any Unit holder.

The reference to Money Market Instruments as instruments which “have a value which can be accurately determined at any time” shall be understood as a reference to financial instruments for which accurate and reliable valuations systems, which fulfil the following criteria, are available:

- i. they enable the Scheme or its Manager or Administrator on its behalf to calculate a net asset value in accordance with the value at which the financial instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- ii. they are based either on market data or on valuation models including systems based on amortised cost.

The criteria of “liquid” and “have a value which can be accurately determined at any time” referred to above shall be presumed fulfilled in the case of financial instruments which are normally dealt in on the money market, or dealt in on, a regulated market in accordance with SC 4.1 (i) to (iii) of Part BII of these Rules, unless there is information available to the Scheme or its Manager that would lead to a

different determination.

N

“Non Sophisticated UCITS”

A Maltese UCITS Scheme which uses simple Financial Derivative Instruments (e.g. plain vanilla options or futures) for non-complex hedging or investment strategies.

O

“Operational Risk” ‘Operational risk’ means the risk of loss for the UCITS resulting from inadequate internal processes and failures in relation to people and systems of the management company or from external events, and includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the UCITS.

“Overseas Based Non Scheme” An open ended or closed ended Scheme formed in **UCITS** accordance with or existing under the laws of a jurisdiction other than Malta which is not harmonised in accordance with the EU UCITS Directive.

P

“Personal Questionnaire” or “PQ” Schedule E to Part A of the Investment Services Rules for Retail Collective Investment Schemes

“PRIIPs” The term “PRIIPs” shall have the same meaning as defined in Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), as amended from time to time.

“Professional Investor A special class of collective investment schemes which fall within the provisions of the Act and are subject to the Investment Services Rules for Professional Investor Funds. Presently there are three classes of Professional Investor Funds as follows:

- a. PIFs promoted to Experienced Investors (or Experienced Investor Funds);
- b. PIFs promoted to Qualifying Investors (or Qualifying Investor Funds); and
- c. PIFs promoted to Extraordinary Investors (or Extraordinary Investor Funds).

Q

“Qualifying Money Market Fund”

A collective investment undertaking authorised under the UCITS Directive or which is subject to supervision and, if applicable authorised by an authority under the national law of an EU Member State, and which satisfies the following conditions:

- a. its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investor’s initial capital plus earnings;
- b. it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;
- c. it must provide liquidity through the same day or next day settlement.

For the purposes of point (b) above, a Money Market Instrument shall be considered of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument. An instrument that is not rated by any competent rating agency shall not be considered of high quality.

For the purposes of the paragraph above, a rating agency shall be considered to be competent if it issues credit ratings in respect of Money Market Funds regularly and on a professional basis and is an eligible ECAI within the meaning of Article 81(1) of Directive 2006/48/EC. Recasting Directive 2000/12/EEC of the 20th March 2000

relating to the taking up and pursuit of the business of credit institutions.

“Qualifying

A person who has a qualifying shareholding. **Shareholder”**

**“Qualifying
Shareholding”**

Shall have the same meaning as that assigned to it by Article 2 of the Act.

R

**“Rebalancing of the
Portfolio”**

This means a significant modification of the composition of the portfolio of the UCITS Scheme.

**“Recognised Fund
Administrator” or
“Recognised
Administrator”**

A person who is in possession of a recognition to act as an administrator of a collective investment scheme, in or from Malta, in terms of article 9A of the Act.

**“Recognised Private
Collective Investment
Scheme”**

A Scheme in possession of a recognition to act as a Private Collective Investment Scheme in terms of the Investment Services Act (Recognition of Private Collective Investment Schemes) Regulations, 2002.

“Regulated Market”

A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its nondiscretionary rules - in a way which results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly in accordance with the provisions of Title III of the MIFID.

“Relevant Institution”

A credit institution which falls under one of the following categories:

- a. a credit institution authorized in an EEA State (EEA);

- b. a credit institution authorized within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States); and
- c. a credit institution authorized in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

**“Retail Collective Investment Scheme”
“Retail CIS”**

A Collective Investment Scheme which does not qualify a Professional Investor Fund which is subject to the Investment Services Rules for Retail Collective Investment Schemes.

S

“Scheme”

See “Collective Investment Scheme”.

**“Security” or
“Securities”**

Shall have the same meaning as that assigned to the word “security” by Article 2 of the Companies Act, 1995 and shall include Transferable Securities and Money Market Instruments as defined herein.

“Self-Managed Scheme”

A Scheme which has not appointed a Manager as its designated investment manager responsible for the management of its assets.

“Senior Management”

This means natural persons who exercise executive functions within the Scheme and who are responsible, and accountable to the Management Body, for the day-to-day management of the Scheme.

“Side Letter”

A letter or agreement entered into by the Scheme or its Manager on its behalf, with one or more investors, with the purpose of agreeing particular terms relating to redemption conditions, fees or other matters relevant to an investor’s investment in the Scheme.

“Standard Licence Conditions” or “SLC”

Standard Licence Conditions are the conditions which apply to a collective investment scheme licence holder and which are contained in Part B of these Rules.

The Standard Licence Conditions for Maltese Non UCITS Schemes are set out in Part B I of these Rules and in Part BII as regards Maltese UCITS Schemes.

“Soft Commissions”

Any economic benefit, other than clearing and execution services, that an asset manager receives in connection with the Scheme’s payment of commissions on transactions that involve the Scheme’s portfolio of securities. Soft commissions are typically obtained from, or through, the executing broker.

“Sophisticated counteract UCITS”

A Maltese UCITS Scheme which does not qualify as a Non Sophisticated UCITS.

“Sub-Funds”

The distinct class or classes of Units constituting that Sub Fund in an Umbrella Fund to which are allocated assets and liabilities distinct from other assets and liabilities allocated to other sub-funds in the same Umbrella Scheme.

“Sub-Manager”

A person generally appointed by the Manager of the Scheme responsible for the day to day management of part or all of the portfolio of the Scheme.

“Supervisory Function”

‘Supervisory function’ means the relevant persons or body or bodies responsible for the supervision of its senior management and for the assessment and periodical review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with the obligations under the UCITS Directive.

“Sustainability Risk”

‘Sustainability Risk’ means sustainability risk as defined in Article 2, point (22), of Regulation (EU) 2019/2088 of the European Parliament and of the Council.

“Sustainability Factors”

‘Sustainability Factors’ means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088 of the European Parliament and of the Council.

“Synthetic Risk and Reward Indicators”

‘Synthetic risk and reward indicators’ means synthetic indicators within the meaning of Article 8 of Commission Regulation 583/2010.

T

“Terms of Reference”

A document approved by the Board of Directors of a Self Managed Scheme which regulates the proceedings of the Investment Committee of the Scheme. The Terms of Reference ordinarily includes clauses which cover the following areas:

- (a) Composition of the Investment Committee (including the minimum and maximum number of members)
- (b) Appointment of the members of the investment committee (this section would appoint the members of the Investment Committee and list the names of the members)
- (c) Frequency of Meetings
- (d) Quorum
- (e) Role of the Investment Committee
- (f) Record Keeping
- (g) Minutes of the meetings of the Committee
- (h) Delegation of day to day management to one or more portfolio managers.
- (i) Appointment of Investment Committee members and Portfolio Managers subject to MFSA approval
- (j) Responsibilities of Portfolio Managers
- (k) Votes of members of the Investment Committee
- (l) Management of Conflicts of Interest

(m) Resignation of members of the Investment Committee

(n) Procedure for amendments to the Terms of Reference

“Third Country”

A country which is not an EU or EEA Member State.

“Tied Package”

A package of products and/or services where at least one of the products or services offered in the package is not available separately to the investor from the Scheme.

“Tracking Error”

The volatility of the difference between the return of the Index tracking UCITS and the return of the index or indices tracked.

“Transferable Securities”

Shares in companies and other securities equivalent to shares in companies (“shares”); bonds and other forms of securitized debt (“debt securities”); any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, excluding the techniques and instruments referred to in Article 51 of the UCITS Directive.

Transferable securities shall be taken to include the following:

(a) Units in closed-ended funds constituted as investment companies or as unit trusts which fulfil the following criteria:

- i. they fulfil the criteria set out in para. above applicable to transferable securities;
- ii. they are subject to corporate governance mechanisms applied to companies;
- iii. where asset management activity is carried out by another entity on behalf of the closed-ended fund, that entity is subject to national regulation for the purpose of investor protection;

(b) Units of closed-ended funds constituted under the law of contract which fulfil the following criteria

- i. they fulfil the criteria set out in SLC 4.4 of Part B II of these Rules;
 - ii. they are subject to corporate governance mechanisms equivalent to those applied to companies as referred to in point (a)(i);
 - iii. they are managed by an entity which is subject to national regulation for the purpose of investor protection;
- (c) financial instruments which fulfil the following criteria;
- i. they fulfil the criteria set out in SLC 4.4 of Part B II of these Rules;
 - ii. they are backed by, or linked to the performance of other assets, which may differ from those referred to in SLC 4.1 of Part B II of these Rules.

"Trustee"

See "Custodian".

U

"UCITS Directive"

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) and includes any implementing measures that have been or may be issued thereunder.

"UCITS"

A collective investment scheme, falling within the scope of and authorised in terms of the UCITS Directive.

"UCITS ETF"

A UCITS ETF is a UCITS at least one unit or share class of which is traded throughout the day on at least one regulated market or Multilateral Trading Facility with at least one market maker which takes action to ensure that the stock exchange value of its units or shares does not significantly vary from its net asset value and where applicable its Indicative Net Asset Value.

“Umbrella Fund”	A Collective Investment Scheme which may in terms of its constitutional documents issue classes of shares or Units which constitute Sub-Funds.
“Umbrella Scheme”	See “Umbrella Fund”.
“Unit Holder”	This term applies to a holder of a Unit, i.e. a shareholder/ member in the case of a Scheme set up as an investment company, a participant in the case of a Scheme set up as a common contractual fund, a Unit holder in the case of a Scheme set up as a unit trust and a partner/ member in the case of a Scheme set up as a limited partnership.
“Unit”	Shall have the same meaning as that assigned to it by Article 2 of the Act.

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