



**FUND MANAGEMENT  
RULES AND REGULATIONS 2019**

**ROYAL MONETARY AUTHORITY OF BHUTAN**

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These Rules & Regulations have been formulated and promulgated aiming to regulate establishment, offering and management of investment funds, other funds and associated activities in Bhutan. These Rules & Regulations are issued in pursuant to Sections 202 and 362(e) of the Financial Services Act of Bhutan 2011 and must be read in conjunction with the additional requirements stipulated under the Financial Services Act of Bhutan 2011.

### **Short title and commencement**

1. These Rules & Regulations shall be cited as the Fund Management Company Rules & Regulations 2019 and shall supersede the Investment Advisor and Management Company Regulations (IAMCR) 2014 from the date of the enforcement of the revised rules and regulations.
2. These Rules & Regulations shall come into operation on such date as may be specified by the Royal Monetary Authority of Bhutan through the public notification.

### **Interpretation & Amendments**

3. If any issue arises in the interpretation of the provisions of these Rules & Regulations, the matter shall be referred to the Authority, and the decision of the Authority thereon shall be final and binding.

### **Guiding Principles**

4. A fund management company's business shall be guided by the following principles;
  - i. Security – protecting investors by exercising due diligence in the investment process and by making informed decisions;
  - ii. Profitability – maximize returns from its investments;
  - iii. Liquidity – using risk management concepts such as diversification and asset-liability management; and
  - iv. Development- promoting the growth of the financial market through the development of CSIs, infrastructure, venture capital and other similar ventures.

## **PART I**

### **Licensing Requirements**

5. No person shall operate a Fund Management Company unless licensed by the Authority.
6. A person applying for a licence to operate a Fund Management Company shall be incorporated as a company and registered under the Companies Act of Bhutan 2016 and amendments thereof;

## Application for license

7. An application for a licence to conduct fund management business shall be made in writing to the Authority and shall contain the following documents along with a non-refundable application fee of Nu.50,000 in cash/draft/cheque in favour of the Authority:
  - i. Letter of Application (Annexure I);
  - ii. Application Form (Annexure II) ; and
  - iii. Fit & Proper Form (Annexure III, CGRR 2018).

## Grant of Licence

8. The Authority shall grant a licence to an applicant, only if the Authority, amongst other things, is satisfied that:
  - i. the applicant will conduct its business in an honest and transparent manner and with the professional skills appropriate to the nature, scope and scale of its proposed activities; and
  - ii. the applicant will conduct its business in a sound and prudent manner so as not to jeopardize performance of financial obligations.
9. Requirements which are pre-conditions for granting a licence shall be met at all times during on-going business operations of licensees.
10. After consideration of the documents and other assessment, the Authority, if satisfied, may issue an “In-principle Approval”. This approval shall be valid for a period of three months. During this period, the applicant shall take all necessary preliminary measures specified therein. The issue of “In-principle Approval” does not bind the Authority to issue a licence to conduct business.
11. An applicant in respect of which an “In-principle Approval” has been granted shall not commence business before the issue of a licence. Every advertisement, notice, etc. issued prior to the issue of the licence shall specify that it has not been issued a licence to operate its business.
12. A Fund Management Company shall commence business within three months of issuance of a licence.
13. A licence issued by the Authority to the applicant is non-transferable and shall be valid for a period of one year.

14. A Fund Management Company shall renew their license annually, pay an annual non-refundable renewal fee of Nu. 25,000 in cash/cheque/draft in favour of the Authority and shall be paid 15 days before the expiry of the licence.
15. To ensure compliance with the Act and regulations under it, the Authority and any of its officers shall be afforded prompt access to the premises of any licensee under these regulations and shall be entitled to examine any of its books, records and other documents.
16. A Fund Management Company licensed under these regulations shall be subject to inspection by the Authority and its officers without notice and may be subject, upon due notice, to investigation for cause.
17. The Fund Management Company shall not be considered as a financial institution.

### **Capital requirement**

18. A Fund Management Company shall have a minimum paid-up capital of Nu. 20 million.
19. The capital contribution shall be deposited with bank and will be verified by the Department of Financial Regulation and Supervision of the Authority.
20. The contribution shall not be funded through borrowings and must be from legitimate sources.

## **PART II**

### **Duties and Responsibilities**

21. A Fund Management Company shall:
  - i. act in a fiduciary capacity, and fully disclose all conflicts of interest in writing, to its investors as and when they may arise;
  - ii. manage the investment portfolio and deal in securities and other investment of the Funds it has been contracted to manage;
  - iii. arrange for the custody and segregation of the assets of each Fund under its management, separately from its own assets by a depository which shall be a commercial bank;
  - iv. determine the valuation methodology for subscriptions and redemptions by applying “forward pricing” which shall be specified in the prospectus;
  - v. not directly or indirectly guarantee any return;

- vi. not grant loans out of or against fund's assets.
- vii. ensure that all fees to be charged to investors and the method of calculation of such fees are fair and prominently disclosed in the prospectus;
- viii. ensure that a proper system of internal audit is practiced in business and that the internal control systems are adequate;
- ix. ensure that a risk management functions commensurate to its business are adequate;
- x. administer the Funds under its management and arrange for the transfer of units transacted in such Funds;
- xi. ensure every fund it manages are subject to an annual auditing by an external auditor;
- xii. ensure that a qualified and dedicated compliance officer is appointed to carry out the compliance functions with existing laws, regulations and guidelines. The compliance officer shall act as the focal point of contact between the Authority and the Fund Management Company.
- xiii. ensure the fair and orderly allocation of purchases and sales of securities and other investments among Funds under its management by adopting written rules and procedures;
- xiv. ensure every funds under its management have a fund management committee with defined terms of reference;
- xv. ensure adequate protections are provided to investors;
- xvi. ensure that contract (subscription/redemption form) between itself and each investors are duly signed, as set out in Annexure IV.
- xvii. ensure to undergo an annual audit of its financial statements;
- xviii. ensure adequate disclosure are being made to its investors;
- xix. ensure that records and minutes of the board and fund management committee meetings are maintained;
- xx. ensure that the market for investments contemplated by it is sufficiently liquid to support the effective operation of open-end Investment Fund.
- xxi. not engage in criminal activities including fraud, money laundering and the financing of terrorism.

## **Board and Senior Management**

22. The Board and senior management of the Fund Management Company shall fulfil the “fit and proper” criteria as required under Corporate Governance Rules & Regulations 2018 and amendment thereof.
23. The Chief Executive Officer shall have a minimum of 10 years’ experience in the investment and finance related business.
24. The Board shall be responsible for the oversight of the fund management committee.

## **Segregation and Safekeeping of Assets**

25. Money held by a Fund Management Company on behalf of and for the benefit of the investors shall be kept in a bank account separate from the Fund Management Company’s own money, and be clearly designated as being held for the benefit of the investors.
26. Securities and other investments held by a Fund Management Company on behalf and for the benefit of investors shall be held separately from the Fund Management Company own securities and other investments in safe-keeping.
27. Notwithstanding anything to the contrary contained in the Bankruptcy Act, money held in a bank account clearly designated as being held on behalf of and for the benefit of investors, and securities and other investments held in safe-keeping in the name of investors, shall remain the property of the investors and shall not, in the event of a bankruptcy of any parties, be deemed the property of the Fund Management Company.

## **Control of Related Party Transactions**

28. A Fund Management Company shall not grant personal loans out of the funds to any of its officer or director or any related parties;
29. A Fund Management Company shall not participate in a related party transaction unless:
  - i. the transaction would be fair to the Investment Fund and its investors; and
  - ii. the transaction is carried out on an arm’s length basis.

## **Public Offering and Advertising of a Fund**

30. The Fund Management Company is required to seek approval from the Authority prior to raising every Fund.

31. A request for the permission to offer units to the public shall include:
- i. A prospectus in line with the requirements specified in Annexure V.
  - ii. Subscription form and redemption for open-end fund as specified in Annexure IV.
  - iii. The agreement with the securities exchange to list the units of a closed- end fund.
32. A Fund Management Company shall secure the written consent of the Authority prior to making any material change in the prospectus of an offering of units of a Fund.
33. No advertisement or promotional material for a Fund may be used unless the fund's prospectus has been approved by the Authority;
34. All promotional material used to promote a Fund must be honest and factual and not misleading or deceptive and must include information on risk and objectives of the investments.
35. A fund management company shall ensure that subscription/redemption form with the investors are duly signed, as set out in Annexure IV.

### **Valuation of Investment Fund Assets**

36. The NAV method shall be applied for valuation of a Fund and shall be approved by the Authority in accordance with the Fund's prospectus.
37. The net asset value of Investment Funds shall be calculated at regular intervals.
38. Net asset value (NAV) shall be calculated using the following formula:

$$\text{NAV} = \frac{\text{Fund assets} - \text{Fund liabilities}}{\text{Numbers of units outstanding}}$$

39. Pricing for Listed Equities as per the last traded price, for non - listed equities as per fair value and debt instruments at par value plus return accrued as on date of redemption.

### **Issue and Redemption of Units of Open-End Investment Funds**

40. Every open-end Investment Fund shall establish a fair, efficient, consistent and transparent

system for effecting the issue and redemption of units. Such system shall include:

- i. a procedure for subscription and redemption with the investors;
- ii. issuance of written confirmations of subscription ;and
- iii. issue of receipt and disbursements of money, including relevant documents.

41. After an initial public offering of an open–end Investment Fund, subscription and redemptions shall be calculated by applying “forward pricing” (i.e., person applying to subscribe or redeem units shall be priced at the Net Asset Value (NAV) computed on the next date).

42. An open-end Investment Fund may not suspend redemptions without the advance written consent of the Authority.

### **Investments Conditions and Restrictions**

43. All Funds shall state investment strategy in the prospectus.

44. A Fund Management Company shall be subjected to the following conditions:

- i. The maximum investment of a fund in any single company shall not exceed 25 percent of the fund’s total assets. This limitation shall not apply to a Venture Capital Fund.
- ii. The maximum aggregated investments of a fund in all related companies shall not exceed 25 percent of the fund’s total assets.

### **Maintenance of Books and Periodic Reports.**

45. A Fund Management Company shall:

- i. prepare its accounts in accordance with the Bhutanese Accounting Standards, shall appoint auditor empanelled by the Royal Audit Authority to audit its accounts, and shall file its audited financial statements with the Authority within 90 days of the end of its financial year.
- ii. maintain and submit to the Authority an adequate and appropriate disaster recovery and business continuity plan indicating its procedures to assure the preservation of its records and provide for the continuation of its operations in emergency circumstances;
- iii. maintain records required by this Section for a period of at least ten years; and
- iv. keep any other records as may be required by the Authority.

46. A Fund Management Company shall submit the information to the Authority as per the templates prescribed by the Authority within 30 days of the end of every quarter and shall also disclose information to the investors. The information shall include but not limited to the following:

- i. Balance Sheet;
- ii. Profit and Loss accounts;
- iii. Statement of investment portfolio;
- iv. Total net asset value of funds/ investors;
- v. Total amount of fee received;
- vi. Total number of units outstanding;
- vii. Total amount received from subscription;
- viii. Total amount of redemption;
- ix. Total numbers of units traded during the quarter;
- x. Related party transactions; and
- xi. Total numbers of units redeemed during the quarter.

### **Fees and Charges**

47. A Fund Management Company shall charge fees for its services, which must be fair, reasonable and transparent and the method of calculation of such fees prominently disclosed in the prospectus.

### **Cancellation and Suspension of Licenses**

48. The Authority may, with or without notice to the Fund Management Company can suspend or cancel the licence. An order of cancellation or suspension of a license shall be published in the media.

### **Venture Capital Fund**

49. Venture capital Fund Management shall meet the following requirements:

- i. Fund Eligibility –A Venture Capital Fund may only manage funds that meet the following criteria:
  - a. Invest in early stage start-up businesses that has been in operation less than two years at the time of investment and not listed in the Royal Securities Exchange of Bhutan Limited (RSEBL);
  - b. The funds must not be continuously available for subscription, and must not be redeemable at the discretion of the investor;
  - c. The funds are offered to retail investors, High Net worth Individuals “an individual having liquid financial assets worth Nu. 1 million and skills to understand equity

- investment and taking risk to invest in new start-up companies” and/or institutional investors; and
- d. The Venture Capital Fund cannot invest in listed securities or initial public offerings.

50. Admission & Ongoing Requirements – needs to hold a Fund Management Company licence. All Venture Capital Fund should meet the following requirements at all times:

- i. Fit and Proper – Satisfy RMA that Senior Management and Board fulfils Corporate Governance Rules and Regulation 2018 Fit and Proper test;
- ii. License – Businesses shall have a business license issued by the Department of Trade, Ministry of Economic Affairs.
- iii. Conflicts of interests – Avoid any conflicts of interest and, where such conflicts arise, ensure that they are resolved fairly and equitably;
- iv. Periodic Returns – Submit periodic regulatory returns on Asset under Management, investor types and numbers, fund types.

### Consumer Protection

51. A Fund Management Company shall ensure that the process are in place to deal with investor complain in a fair, timely and effective manner.

### Regulatory intervention

52. Non-compliance to these rules & regulations shall lead to imposition of appropriate penalty as per Section 171 of FSA 2011.

### Definitions

In these regulations, the following terms shall have the meanings indicated unless the content clearly indicates otherwise.

- i. **“Applicant”** means the Promoter(s) of the proposed Fund Management Company.
- ii. **“Auditor”** shall mean an auditor empanelled with the Royal Audit Authority.
- iii. **“Authority”** means Royal Monetary Authority of Bhutan established under the Royal Monetary Authority Act of Bhutan 2010.
- iv. **“Companies Act”** means the Companies Act of Bhutan 2016 and amendments thereof.
- v. **“Bankruptcy Act”** means the Bankruptcy Act of the Kingdom of Bhutan, 1999 and any amendments thereto
- vi. **“Fund”** includes investment fund, venture capital fund and any other funds.

- vii. **“Investment Fund”** shall mean as per the definition given in the Financial Services Act 2011.
- viii. **“Investors”** includes individual investors, institutional investors and foreign investors.
- ix. **“Open-End Fund”** means an Investment Fund with transferrable shares subject to regular redemption by the company allowing frequent or continuous redemption of the units issued by it.
- x. **“Closed-end Fund”** means an Investment Fund with units being the transferrable shares issued by the company and not subject to regular redemption by the company.
- xi. **“Venture Capital Fund”** means a private pooled investment from institutions, or high net worth individuals or corporate for providing equity seed capital to start up a new venture to young or emerging companies primarily involved in new products or new technology through undertakings that have not been publicly listed.
- xii. **“Person”** shall mean a natural or a juridical person.
- xiii. **“Securities”** shall mean: as per the definition given in the Financial Services Act 2011.
- xiv. **“Unit”** means investor’s interest in the investment fund and shall represent percentage part of the investment fund.
- xv. **“Related party”**: means any person with the ability to control or exercise significant influence over such company in making business decisions, which includes:
  - a. An employee of such company with authority, or substantial influence over the decision, to enter a transaction by such company;
  - b. A control person of such company;
  - c. Specifically in connection with a transaction of an Investment Fund, “related party” includes any employee, officer, director, or significant owner of such Investment Fund, its Management Company, and/or any affiliate.
- xvi. **“Related-party transaction”** means a transaction between a company and a related party or affiliate, or a person whose relationship with such company is such, as to provide reasonable suspicion that such person, in exercising his influence over the transaction, would place other interests ahead of those of the company.
- xvii. **“Securities exchange”** means the Royal Securities Exchange of Bhutan Ltd. (RSEBL) or such other person in the business of operating an organized forum or marketplace (including an electronic marketplace) for transactions in securities that is licensed by

the Authority as a securities exchange.

## ANNEXURE I

The Hon'ble Governor,  
Royal Monetary Authority of Bhutan,  
Thimphu.

Date:

### **Sub: Application to establish a Fund Management Company in Bhutan**

Hon'ble Dasho,

I/We would like to offer services of the type that are regulated by the Fund Management Rules & Regulations, 2019, and hereby would like to request for a licence to do so in pursuant to Chapter 18 of the Financial Services Act of Bhutan 2011.

I/We confirm and declare that all applications made by us/me are in full compliance with the Fund Management Rules & Regulations 2019 and amendment thereof made by the Authority.

I/We further confirm and declare that I/we are satisfied to the best of our knowledge, information and belief that there is no information or statement nor is there any omission which would make our application false or misleading.

I/We undertake to provide to Authority such information and documents as the Authority may reasonably require in relation to the application. This application is made by the undersigned authorized person of (\_\_\_\_\_) in pursuant to the authority granted to by written resolution of promoters passed on (\_\_\_\_\_).

For, and on behalf of, the proposed company, Yours faithfully,

Name:  
Address:  
Tel No:  
Email:

Encl. Documents pertaining to the application including the resolution signed by all the promoters.

**ANNEXURE II**  
**APPLICATION FORM**

(Please ensure that this form is properly completed. In case of any clarifications, please feel free to call or visit the Department of Financial Regulation and Supervision, Royal Monetary Authority).

In accordance to the Financial Services Act of Bhutan 2011, an application form must be submitted by the applicant to the Authority for a licence to conduct Fund Management business in Bhutan.

NAME OF THE APPLICANT: \_\_\_\_\_

ADDRESS : \_\_\_\_\_

CONTACT ADDRESS : \_\_\_\_\_

CONTACT NO : \_\_\_\_\_

E-mail : \_\_\_\_\_

1. Instructions for completing this form:

- a. Before completing this application form, applicants shall carefully study and understand the Fund Management Company Rules & Regulations 2019 and amendment thereof, if any.
- b. Applicants shall submit to the Authority a duly completed application form together with all appropriate supporting documents.
- c. An application for a licence will be considered only if it is complete in all respects.
- d. Applicants shall sign the application form.
- e. Information which must be supplied in greater detail may be given on separate sheets attached to the application form.

2. Particulars of the Applicant:

- a. Name of the Applicant:

\_\_\_\_\_

- b. Address - Principal Place of business / Registered Office.

\_\_\_\_\_

c. Post Box Number: \_\_\_\_\_ Telephone No: \_\_\_\_\_

d. E-mail: \_\_\_\_\_ Fax No: \_\_\_\_\_

e. Address for Correspondence:

\_\_\_\_\_

3. Capital Structure of the proposed Company:

a. Amount of Authorized Capital : \_\_\_\_\_

b. Amount of Issued Capital : \_\_\_\_\_

c. Amount of Paid-up Capital : \_\_\_\_\_

4. Shareholding pattern

a. List of major shareholders (holding 10% and above of applicant directly or along with others)

\_\_\_\_\_

b. Shareholding as on: \_\_\_\_\_

<b>Name of shareholder</b>	<b>No. of shares held</b>	<b>% of total paid up capital of the company</b>

c. Three years' audited accounts of the company, if applicable.

\_\_\_\_\_

5. Organizational Structure

a. Status of the Applicant ( e.g. individual, limited company-Private or Public):

---

**b. Date and Place of Incorporation:**

Day            Month            Year            Place

\_\_\_\_\_

- c. Please attach a copy of draft Articles of Incorporation (final Articles of Incorporation to be submitted upon incorporation of the Company with the Registrar of Companies).

**6. Business Information**

- a. Submit a business plan/feasibility report for a period of 3 years to be submitted along with the organisational chart showing functional responsibilities.
- b. Particulars relating to the significant owners, directors, principal officer of the company.
- c. Any other information considered relevant to the nature of services rendered by the applicant.
- d. Details of infrastructure such as office space, equipment and manpower available with the applicant after the issuance of “In-Principle Approval” (IPA).
- e. Declaration should be provided by the person nominated as the applicant’s and all directors of the proposed Fund Management a declaring they were not associated with a company as a director or officer whose registration as Fund Management Company was suspended or cancelled or refused by the Authority.

## DECLARATION

I, the undersigned, do hereby solemnly declare that the above information given in this application form and other documents submitted on behalf of the proposed (Fund Management Company) are true, complete and correct to the best of my knowledge and belief.

Should the Authority discover any inconsistencies in the information provided, I hereby agree to fully abide by the penalties as specified under Section 138 of the Financial Services Act of Bhutan 2011. Further, I pledge that if granted a license to conduct the business, the proposed Fund Management company will not violate any laws and regulation of the Authority.

Name:  
Citizenship ID No:  
(Please attest copy)

Signature (Affix Legal Stamp):

Date:

Witness:  
Name:  
Citizenship ID No:  
(Please attest copy)  
Occupation:

Signature:

### ANNEXURE III

#### FIT AND PROPER DECLARATION FORM

The purpose of the Fit and Proper Test is to determine whether the candidate would be fit for appointment as a Board of Director or CEO of a regulated entity. Upon fulfilment of the Fit and Proper Test, the RMA shall issue a **NO OBJECTION** letter indicating that it has no objection to the appointment of the candidate and shall not mean that RMA approves the appointment.

The onus to establish that he/she is a fit and proper person shall rest on the nominee concerned rather than for RMA to show otherwise.

The candidate nominated as the Board of Director or candidate selected for the post of CEO of a regulated entity shall complete the following information:

#### 1. Personal Details

i. Name: \_\_\_\_\_ Title: \_\_\_\_\_

ii. Date of Birth: \_\_\_\_\_

iii. CID No./Passport No. (Non-Bhutanese): \_\_\_\_\_

iv. Present Address: \_\_\_\_\_

v. Contacts:

Telephone No: \_\_\_\_\_ Mobile No: \_\_\_\_\_

Email: \_\_\_\_\_

vi. Details of Spouse (if married):

Name: \_\_\_\_\_

CID No./Passport No. (Non-Bhutanese): \_\_\_\_\_

#### 2. Employment History

Organization/Business from the most recent employment)	(start recent	Position Held	From	To


**3. Education**

University/Institute	Major field of study	Degree/Certificate	Year of completion

**4. Past Directorship Experience**

Institutions	Position	From (dd/mm/yy)	To (dd/mm/yy)

**5. Expertise and experience (please list the expertise or the experience that can bring value to the entity concerned as a board director/CEO).**

.....

.....

.....

.....

**6. Category of appointment (please tick the relevant box):**

Non-Executive Director
  CEO

Independent Director

**7. Purpose of appointment (please tick the relevant box)**

Initial appointment
  Reappointment

- i. If you are nominated for reappointment in the same regulated entity, have you completed minimum cooling period of one year? Yes\_\_\_No\_\_\_

- ii. If you have previously served as a Board Director in another regulated entity, have you completed minimum cooling period of six months? Yes\_\_\_\_\_No\_\_\_\_\_
- iii. Have you attended at least two-thirds of the total board meetings held in a financial year if you had served previously as a board director in same or another regulated entity?  
Yes No

**8. Are you currently serving as Board Director in other companies Yes \_\_\_\_\_No \_\_\_\_\_**

If you have selected **Yes** above, please list the

entity/company:

- i. ....
- ii. ....
- iii. ....

**9. Are you an employee of another regulated entity of the RMA? Yes \_\_\_\_\_No \_\_\_\_\_**

**10. Is any family member a related party as defined in Prudential Regulations to the concerned entity? Yes \_\_\_\_\_No \_\_\_\_\_**

**11. Is there any of your associate (partner, employee, director) in the Board of the regulated entity where you are nominated? Yes\_\_ No\_\_\_\_**

**12. Are you employed in any professional capacity, or have business connections with the concerned regulated entity? Yes \_\_\_\_\_No\_\_**

**13. Do you have NPL against your name for the past one year ? Yes\_\_\_\_ No  
(please attached a copy of CIB report)**

**14. Confirmation of independence (to be completed only by an applicant nominated as an independent director)**

- i. Do you own shares exceeding 2% of the total shareholding in the regulated entity concerned? Yes\_\_\_\_\_No\_\_\_\_\_
- ii. Does your spouse own shares exceeding 2% of the total shareholding in the regulated entity concerned? Yes\_\_\_\_\_No\_\_\_\_\_

- iii. Do you have loan in your name exceeding 1% of the capital fund in the regulated entity concerned? Yes\_\_\_\_No\_\_\_\_\_
- iv. Are you employed by a company that has shareholding in that regulated entity or vice-versa? Yes\_\_\_\_No\_\_\_\_\_
- v. Are you employed by the regulated entity concerned? Yes\_\_\_\_No\_\_\_\_\_
- vi. Do you have members of your family in the senior management position in the regulated entity concerned? Yes\_\_\_No\_\_\_
- vii. Are you affiliated with a significant customer or supplier of the regulated entity concerned or related parties? Yes\_\_\_\_No\_\_\_\_\_
- viii. Are you affiliated with a non-profit organization that receives significant funding from the regulated entity concerned? Yes\_\_\_\_No\_\_\_\_\_
- ix. Have you previously served as an independent director of regulated entity concerned? Yes\_\_\_\_No\_\_\_\_\_

**15. Declaration of business interests (to be completed by all nominees)**

Please provide the list of business interests you own.

- i. ....
- ii.....
- iii .....

**16. Declaration of Honesty, Integrity and Reputation**

- i. Have you been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license registration or other authorization is required by law in any jurisdiction? Yes No
- ii. Have you been issued a prohibition order under any Act administered by the Authority or has been prohibited from operating in any jurisdiction by any financial services regulatory authority? Yes No
- iii. Have you been censured, disciplined, suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes No
- iv. Have you been the subject of any complaint made reasonably and in good faith, in the determination of the Authority, relating to activities that are regulated by authority or under any law in any jurisdiction? Yes No

- v. Have you been the subject of any proceedings of a disciplinary or criminal nature or has been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction? Yes No
- vi. Have you been convicted of any offence, or is being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction? Yes No
- vii. Have you had any judgment associated with a finding of fraud, misrepresentation dishonesty entered against the relevant person in any civil proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction? Yes No
- viii. Have you accepted civil liability for fraud or misrepresentation under any law in any jurisdiction?  
Yes \_\_\_ No \_\_\_
- ix. Have you had any civil penalty enforcement action taken against it or him by Authority or any other regulatory authority under any law in any jurisdiction? Yes \_\_\_\_\_ No \_\_\_
- x. Have you contravened or abetted another person in breach of any laws or regulations whether in Bhutan or elsewhere? Yes\_ No\_\_
- xi. Have you been the subject of any investigations or disciplinary proceedings or been issued a warning or reprimand by Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_\_ No\_\_\_\_\_
- xii. Have you been refused a fidelity or surety bond, whether in Bhutan or elsewhere? Yes\_ No\_\_\_\_\_
- xiii. Have you demonstrated an unwillingness to comply with any legal or regulatory requirement or to uphold any professional standard, whether in Bhutan or elsewhere? Yes No\_\_\_\_\_
- xiv. Have you been untruthful or provided false or misleading information to Authority or been uncooperative in any dealings with the Authority or any other regulatory authority in any jurisdiction? Yes\_\_\_\_\_ No\_\_\_\_\_
- xv. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been censured, disciplined, prosecuted or convicted of a criminal offence, or been the subject of any disciplinary or criminal investigation or proceeding, in Bhutan or elsewhere, in relation to any matter that took place while the person was a director, partner, Significant owner or concerned in the management of the business? Yes No\_\_\_
- xvi. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been suspended or refused membership or registration

by the Authority, any other regulatory authority, an operator of market or clearing facility, any government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_\_ No\_\_\_\_\_

xvii. Have you been a director, partner, significant owner or concerned in the management of a business that has gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the candidate was a director, partner, significant owner or concerned in the management of the business, whether in Bhutan or elsewhere?  
Yes\_\_\_ No\_\_\_\_\_

xviii. Have you been dismissed or asked to resign from: (i) office ;( ii) employment ;( iii) a position of trust; or, (iv) a fiduciary appointment or similar position, whether in Bhutan or elsewhere?  
Yes\_\_\_ No\_\_\_

xix. Have you been disqualified from acting as a director or disqualified from acting in managerial capacity whether in Bhutan or elsewhere? Yes\_\_\_\_\_ No\_\_\_\_\_

xx. Have you been an officer found liable for an offence committed by a body corporate because of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Bhutan or elsewhere? Yes\_\_\_\_\_ No \_\_\_\_\_

## DECLARATION

I hereby solemnly declare and certify:

1. That I am cognizant it is an offence specified under Section 138 of the Financial Services Act of Bhutan 2011 to provide false or misleading information to the Royal Monetary Authority;
2. That the information given in the form above is complete and accurate to the best of my knowledge, ability and belief and nothing material has been concealed therefrom;
3. That I undertake that as long as I continue to be a Director/CEO, I shall notify the Royal Monetary Authority of any material change in the information; and
4. That I pledge that as long as I continue to be a Director/CEO of the company, I shall not violate any by-laws and laws of the country.

Signed .....

**(Affix legal Stamp)**

Name .....

Date .....

**ANNEXURE IV**

**SUBSCRIPTION/REDEMPTION FORM**

1. Name/Address of the Fund

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2. Name/Address of the Fund Management Company

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3. Terms & Conditions of the Investment Fund

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4. Acknowledgement of Terms & Conditions by the Investor (not applicable in case of Redemption)

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5. Name & Address of the Investor

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6. CID No. (if in case the investor is individual), and Company, Registration No. ( in case of Corporate entities)

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7. Subscription/Redemption Date

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8. Amount of Subscription/Redemption

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9. Mode of Payment/Receipt

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10. Contract Date

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11. Place of Subscription/Redemption

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12. Signature (Subscriber/Redeemer)

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13. Signature of the employee (who accepted the Subscription/Redemption)

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## **ANNEXURE V**

### **PROSPECTUS**

*Every Fund Management Company offering must include at least the following information in their Prospectus presented in a way that is easy for investors to understand and which shall provide the basis for an informed investment decision. Please present information in the sequence and using the Item Titles set out below.*

#### **1. GENERAL:**

- a. Name and Type of the Fund.
- b. Addresses of the head offices of the Fund Management Company and any web site address.
- c. State the name and address auditor
- d. Commencement date for accepting subscriptions.
- e. Date of the terms and conditions issued or last updated.
- f. State the minimum amount of investment in the Fund, if any.

#### **2. FUND OBJECTIVES:**

Describe the investment objectives and goals of the Fund.

#### **3. PRINCIPAL INVESTMENT STRATEGIES:**

Summarize the principal investment strategies the Fund will employ to achieve its investment objectives, including:

- a. The type or types of securities in which the Fund will principally invest;
- b. Any policy of the Fund to concentrate investment in the securities of issuers/Public listed companies;

#### **4. FUND MANAGEMENT:**

- a. State the name of the Board of the Fund Management Company who will act as the Fund Management Committee.

#### **5. RISKS:**

- a. Summarize the principal risks of investing in the Fund

#### **6. FEES AND EXPENSES:**

- a. Disclose each type of fee and expense payable by the unit holder or out of the assets

of the Fund both in absolute terms and as a percent of net assets.

7. PERFORMANCE.

- a. Any track record of the performance of Fund.

8. MANAGEMENT COMPANY:

- a. Provide the name, address and E-Mail address of the Fund Management Company;
- b. Identify all other business activities and financial interests of the directors of the Management Company that conflict or could potentially conflict with those of the Investment Fund;

9. DEPOSITARY:

State the name, address and E-mail address of the depositary of the Fund.

10. ASSET ALLOCATION.

Anticipated Asset allocation of the Fund in different type of securities.

11. ANNUAL AUDITED FINANCIAL STATEMENTS:

State that the Fund Management Company's annual audited financial statements are available, without charge, upon request. For a new Fund state that the Fund's first audited financial statements will be available as at the Fund's year-end.

12. INITIAL OFFERS:

If the Investment Fund specifies a minimum amount and prices that must be raised through investor contributions before it may be launched, that minimum amount must be stated.

13. SUBSCRIPTION AND REDEMPTION PROCEDURES FOR OPEN-END FUNDS:

- a. State the days and intervals on which units of the Fund will be sold and redeemed; the deadline on any day for the submission of instructions for purchases or redemptions of units; the maximum period of time that may elapse between subscription and investment and any other applicable restrictions.
- b. State the procedures for submitting instructions to purchase or redeem units; the maximum period of time between redemption and payment to a shareholder of the proceeds of redemption, and any other applicable restrictions.

14. VALUATION OF THE ASSETS OF THE FUND:

- a. Describe how the value of the assets of the Fund is to be determined, including the roles of its Fund Management Company; its depositary and the Investment Fund's directors;

b. State where and how frequently the price of Fund units will be published.

15. DISCLOSURE TO INVESTORS:

Describe those periodic reports that will be provided to investors and the annual financial statements of the Fund.

16. CHANGES TO TERMS AND CONDITIONS:

Describe the procedures to change the investment objectives, strategies and/or key service providers of the Fund.

17. CONSUMER PROTECTION:

Describe the procedure for making and dealing with complaints.

## STATUTORY DECLARATION

We hereby declare that all the relevant provisions of the Fund Management Company Rules & Regulations, 2019 and the related laws and regulations of the Authority have been complied with. Also, no statement made in a prospectus is contrary to the provisions of the Fund Management Company Rules & Regulations, 2019.

Place:

Dated:

Signature of Fund Management Company's Chief  
Executive Officer

Signatures of Director(s)