



COLLECTIVE INVESTMENT SCHEMESⁱ

Regulation 6, 21 and the Second and third Schedule of the Capital Markets (Collective Investment Scheme Regulations) 2023

(NOTE: This list is not intended to be exhaustive. The board of directors of the scheme or the fund manager or trustee, as the case may be are obliged to disclose any information which may be necessary for investors to make an informed judgment).

1. DOCUMENTS IN SUPPORT OF THE APPLICATION

	Required Documents
1	Information Memorandum
2	Trust Deed/Partnership Deed/Articles of Association
3	Particulars of the Promoter
4	Management Agreement
5	Custody Agreement
6	Rules of the Scheme
7	Affidavit
8	Audited reports for the preceding 3 years of the proposed fund manager
9	Audited reports for the preceding 3 years of the proposed trustee
10	Audited reports for the preceding 3 years of the proposed custodian
11	An application fee of Kshs. 10,000.

2. PARTICULARS OF INFORMATION MEMORANDUM – COLLECTIVE INVESTMENT SCHEME

Para.	Requirement	Met: Y, N or N/A	Comments
1	Prominent statement Prominent statement on the period for which the information memorandum is valid.		

2	<p>Disclaimer</p> <p>The following statement shall be contained on the front cover of the information memorandum:</p> <p>“Permission has been granted by the Capital Markets Authority to offer to the public the securities which are the subject of this issue. As a matter of policy, the Authority assumes no responsibility for the correctness of any statements or opinions made or reports contained in this information memorandum”.</p>		
3.	<p>The Collective Investment Scheme</p> <p>State</p>		
	a) the name of the collective investment scheme;		
	(b) legal form of the collective investment scheme		
	(c) duration of the collective investment scheme i.e unlimited or limited and when it may terminate		
	(d) that the participants are not liable for the debts of the collective investment scheme		
	(e) particulars of registration of the collective investment scheme;		
	(f) the official address of its head office and its branch office		
	(g) the address of service of documents if its different from (f)		
	(h) the date of the licence granted by the Authority to operate as a collective investment scheme		
	(i) the base currency for the collective investment scheme; and		
	(j) the circumstances in which the collective investment scheme may be wound up under the rules of the collective investment scheme and a summary of the procedure for, and the rights of the holders under, such a winding up		
4.	<p>Investment Objectives and Policy</p>		
	Give sufficient information to enable a shareholder to ascertain-		
	a) the investment objectives (e.g. capital growth or income) of the collective investment scheme or of each sub-fund of an umbrella scheme		
	b) the collective investment scheme’s investment policy for achieving investment objectives referred to under (a) including the general nature of the portfolio and any intended specialisation (e.g. economic sector, geographical area or type of investment), and		
	(c) the extent (if any) to which the policy under (b) does not envisage remaining fully invested at all times		
	(d) any restrictions in the range of transferable securities in which investment may be made, including restrictions in the extent to which the collective investment scheme may invest in any category of investment, indicating (where appropriate) where the restrictions are tighter than those imposed by the Regulations		
	2) Where all or part of the remuneration of the fund manager is to be treated as a capital charge, it must be made clear that the investment objectives of the collective investment scheme are to treat the generation of income as a		

	higher priority than capital growth or as the case may be, to place equal emphasis on the generation of income and on capital growth and that (in either case) this may accordingly constrain capital growth		
	3) List any individual eligible securities markets through which the collective investment scheme may invest or deal		
	4) State the extent (as a percentage of the total) to which the collective investment scheme intends to invest its assets in any one security or sector and whether or not it has done		
	5) State the policy in relation to the exercise of borrowing powers by the collective investment scheme		
	6) In the case of a collective investment scheme, which may invest in other collective investment schemes state the extent to which the collective investment scheme portfolio may be invested in the participatory interests of collective investment schemes, which are managed by the fund manager or by an associate of the fund manager		
5	Distributions State-		
	a) that 1 January to 31 December each year shall be the collective investment scheme's annual accounting period		
	b) if there are interim accounting periods, what they are and the policy in relation to interim distributions (whether interim distribution will be made and if so, the policy on smoothing of income distributions within an annual accounting period);		
	c) the date or dates in each year on or before which payment or accumulation of income is to be made or take place		
	d) if applicable, the policy on payment of income equalisation		
	e) how distributable income is determined, and		
	f) if applicable, that unclaimed distributions may be forfeited and summarise the relevant provisions of the instrument of incorporation;		
6	The characteristics of participatory interests in the collective investment scheme State- (a) where there is more than one class of participatory interests in issue or available for issue, the names of such classes, the rights attached to each class in so far as they vary from the rights attached to other classes; (b) how participants may exercise their voting rights and what these are, and (c) Method is for conversion between participatory interests of different classes; (d) in what circumstances, if any, a mandatory redemption, cancellation or conversion of participatory interests from one class to another may be required.		
6.	The characteristics of participatory interests in the collective investment scheme State-		

	a) where there is more than one class of participatory interests in issue or available for issue, the names of such classes, the rights attached to each class in so far as they vary from the rights attached to other classes		
	b) how participants may exercise their voting rights and what these are		
	c) Method is for conversion between participatory interests of different classes		
	d) in what circumstances, if any, a mandatory redemption, cancellation or conversion of participatory interests from one class to another may be required		
7.	The Fund Manager State the following particulars of the fund manager		
	a) name;		
	b) the nature of corporate form;		
	c) the date of incorporation;		
	d) the address of registered office		
	e) the address of head office if different from (d);		
	f) if it is a subsidiary, the name and place of incorporation of ultimate holding company;		
	g) the amount of issued share capital and how much of it is paid up;		
	h) the date of Authority's to operate as fund manager		
	i) whether the fund manager is in any capacity in relation to any other regulated collective investment schemes and if so the names of the schemes and the nature of the capacity in relation to those schemes;		
	j) a summary of the material provisions of the contract between the collective investment scheme and the fund manager which may be relevant to the holders including provisions relating to terminations, compensation on termination and indemnity		
8	Directors of an investment company State-		
	a) the names and positions of the directors in the collective investment scheme;		
	b) the main business activities of each of the directors (other than those connected with the business of the collective investment scheme);		
	c) the manner, amount and calculation of the remuneration of directors;		
	d) in summary form, the main terms of each contract of service between the collective investment scheme and a director;		
	e) if the director is a body corporate in a group of which any other corporate director of the collective investment scheme is a member, a statement of that fact		
9	The Trustee State the following particulars on the trustee-		
	a) date and place of its incorporation;		
	b) if it is a subsidiary, the name of its ultimate holding company and the date and place of its incorporation;		
	c) the address of its registered office		

	d) the address of its head office if that is different from (a) and (d);		
	e) a description of its principal business activity.		
	f) a summary of the material provisions of the contract between the fund manager and the trustee, which may be relevant to participants including provisions relating to the remuneration of the trustee or custodian, if applicable		
10	The Custodian State the following particulars on the custodian-		
	a) date and place of its incorporation;		
	b) if it is a subsidiary, the name of its ultimate holding company and the date and place of its incorporation;		
	c) the address of its registered office		
	d) the address of its head office if that is different from (c);		
	e) a description of its principal business activity.		
	f) a summary of the material provisions of the contract between the fund manager and the custodian, which may be relevant to participants including provisions relating to the remuneration of the custodian, if applicable		
	g) date and place of its incorporation;		
10.	The Auditor State the name and address of the auditor of the collective investment scheme		
11	The Register of Participants State the address in Kenya where the register of the holders is kept and can be inspected by the holders.		
12	Payments to the Fund Manager State the payments that may be made to the fund manager out of the collective investment scheme portfolio whether by way of remuneration for its services or reimbursement of expenses. For each category of remuneration, specify -		
	a) the current amounts of such remuneration;		
	b) how it will be calculated and accrue and when it will be paid;		
	c) notice to be given to holders of the fund manager's intention to introduce a new category of remuneration for its services or to increase any amount currently charged, particulars of that increase and when it will take place		
	(d) whether all or part of the remuneration is to be treated as a capital charge: (i) that fact (ii) the actual or maximum amount of the charge which may be so treated (iii) if notice has been given to shareholders of an intention to propose an increase in the maximum amount of that charge at a meeting of holders, particulars of that proposal		
13	Other Payments out of the Collective Investment Scheme Portfolio Provide details of		

	a) any liability of the collective investment scheme to reimburse costs incurred by any of its directors, its custodian or any third party;		
	b) any remuneration payable by the collective investment scheme to any third party;		
	c) the types of other charges and expenses that may be taken out of the collective investment scheme portfolio		
14	Movable and immovable property Give an estimate of any expenses likely to be incurred by the collective investment scheme in respect of movable and immovable property in which the collective investment scheme has an interest.		
15.	Sale and redemption of participatory interests State-		
	a) the dealing days and times in the dealing day on which the fund manager will be available to receive requests for the issue and redemption of shares;		
	b) the procedures for effecting the sale and redemption of participatory interests and the settlement of transactions;		
	c) whether certificates will be issued in respect of registered shares;		
	d) the steps required to be taken by a holder in redeeming participatory interests before he can receive the proceeds;		
	e) the circumstances in which the redemption of participatory interests may be suspended;		
	f) the days and time on which recalculation of the price will commence;		
	g) the amounts of the following minima (if they apply) for each type of share in the collective investment scheme – (i) the minimum number of participatory interests which any one person may hold; (ii) the minimum value of participatory interests which any one person may hold; (iii) the minimum number of participatory interests which may be the subject of any one transaction of participatory interests or redemption, (iv) the minimum value of participatory interests which may be subject of any one transaction of sale or redemption		
	h) the circumstances in which the fund manager may arrange for, and the procedure for, a cancellation of shares;		
	i) where the most recent price will be published and how often the prices will be published the time period for the custodian to pay the repurchase price of the participatory interests to the holder.		
16	Valuation of the collective investment scheme portfolio State- (a) how frequently and at what time of the day the collective investment scheme portfolio will be valued for the purpose of determining the price at which participatory interests in the collective investment		

	<p>scheme may be purchased from or redeemed by the fund manager and a description of any circumstances in which the collective investment scheme portfolio may be specially valued;</p> <p>(b) the basis on which the collective investment scheme portfolio will be valued; and</p> <p>(c) how the price of the participatory interests of each class will be determined.</p>		
16.	Valuation of the collective investment scheme portfolio State-		
	a) how frequently and at what time of the day the collective investment scheme portfolio will be valued for the purpose of determining the price at which participatory interests in the collective investment scheme may be purchased from or redeemed by the fund manager and a description of any circumstances in which the collective investment scheme portfolio may be specially valued;		
	b) the basis on which the collective investment scheme portfolio will be valued; and		
	c) how the price of the participatory interests of each class will be determined		
17	Dilution levy State where applicable:- (a) what is meant by dilution and by dilution levy; (b) the fund manager's policy on imposing a dilution levy.		
18	Initial charge If the fund manager makes a preliminary charge state-		
	a) the current amount or rate of the initial charge; and		
	b) if notice has been given to holders of the fund manager's intention to introduce an initial charge or to increase the rate or amount currently charged, particulars of that introduction or increase and when it will take effect.		
19	Redemption charge Where the fund manager may make a redemption charge, state-		
	a) the amount of that charge, or if it is a variable, the rate or method of arriving at it;		
	b) if the amount or rate or method has been changed, that the details of any previous amount or rate or method may be obtained from the fund manager on request;		
	c) if notice has been given to holders of the fund manager's intention to introduce a redemption charge or to propose a change in the rate or amount or method which is adverse to the holders, particulars of that proposal;		
	d) how the order in which participatory interests acquired at different times by a holder shall be determined insofar as necessary for the purposes of the imposition of the redemption charge		
20.	Disclosure of any other fees and charges		

	Disclose all the fees and charges that relates the Collective investment scheme;		
	a) a description of the fees and charges		
	b) how the fees and charges are calculated		
	c) when the fees and charges are levied.		
21	General information State-		
	a) when annual and half yearly reports will be published;		
	b) the address at which copies of incorporation documents, any amending instrument and most recent annual and half yearly reports may be inspected and from which copies may be obtained		
22	Umbrella collective investment scheme (a) State, in the case of an umbrella collective investment scheme-		
	I. whether or not a shareholder is entitled to exchange participatory interests in one sub-fund for participatory interests in any other sub-fund;		
	II. whether or not an exchange of participatory interests in one sub fund for participatory interests in any other sub-fund is treated as a redemption and a sale and will be subject to taxation on capital gains or withholding tax as the case may be;		
	III. subject to (i) and (ii), that in no circumstances will a participant who participatory interests in one sub-fund for participatory interests in any other sub fund be given a right by law to withdraw from or cancel that transaction;		
	IV. what charges, if any, may be made on exchanging participatory interest in one sub-fund for participatory interests in another sub-fund;		
	V. the policy for allocating between sub-funds any assets of, or costs, charges and expenses payable out of the collective investment scheme portfolio, which are not attributable to any particular sub fund;		
	VI. in respect of each sub fund, the currency in which the deposited collective investment scheme portfolio allocated to it will be valued and the price of participatory interests calculated and payments made, if this currency is not the base currency of the umbrella collective investment scheme; and		
	VII. if there are participatory interests in respect of less than two sub funds in issue the effect of Regulation 81		
	b) In the application of this Schedule to an umbrella scheme, information required		
	I. shall state in relation to each sub fund where the information for any sub fund differs from that for any other;		

	II. shall state for the collective scheme as a whole but only where the information is relevant to the collective investment scheme as a whole;		
	III. shall contain a statement to the effect that the sub funds of an umbrella scheme are not 'ring fenced' and the event of an umbrella scheme being unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to such sub-fund, the excess liabilities may have to be met out of the assets attributable to other sub-funds		
23	<p>Marketing outside Kenya* <i>(List other countries in which marketing and selling of collective investment participatory interests will occur)</i></p> <p>An information memorandum which is prepared for the purpose of marketing participatory interests in states outside Kenya shall state the following -</p> <p>(a) that all formalities and requirements of such country have been fulfilled;</p> <p>(b) what special arrangements have been made-</p> <p>.</p>		
	(i) for paying in that country amounts distributable to holders residing in that country;		
	(ii) for redeeming in that country the participatory interests of holders resident in that country;		
	(iii) for inspecting and obtaining copies in that country of the instrument of incorporation and the amendments thereto, of the information memorandum and of the annual and half yearly reports, and		
	(iv) for making public the prices of participatory interests of each class.		
	(v) how the collective investment scheme will publish in that country the following information		
	(vi) that annual and half yearly reports are available for inspection;		
	(vii) that a distribution has been declared;		
	(viii) that amendments have been made to the incorporation documents,		
	(ix) that the information memorandum has been revised or that changes have been made to the arrangements under paragraph (a)		
	The information memorandum will state that the participatory interests are to be marketed in that country		
24.	<p>Disclosure of risks</p> <p>The information memorandum shall disclose all the risks associated in investing in the collective investment scheme and how the risks have been mitigated</p>		
25	<p>Additional information</p> <p>State any other material information which is within the knowledge of the fund manager or which the fund manager would have obtained by making of reasonable inquiries-</p> <p>(a) which investors and their advisers would reasonably require and reasonably expect to find in an information memorandum to enable</p>		

	<p>them to make an informed judgement about the merits of investing in the collective investment scheme and the extent and characteristics of the risks accepted by so participating;</p> <p>(b) in the case of an investment company information on whether there is a minimum subscription value which must be raised during the limited offer period.</p>		
<p>26.</p>	<p>Composition of funds.</p> <p>In establishing the different funds, a scheme shall be guided by the following criteria on composition of the funds;</p> <p>(a) Money Market Fund: Invests only in interest-earning money market instruments which have a maximum weighted average tenor of eighteen months and includes credit rated or guaranteed commercial papers, Government securities, call deposits, certificate of deposit including fixed deposits in commercial banks and deposit taking institutions and any other like instruments as specified by the Central Bank of Kenya from time to time;</p> <p>(b) Equity Fund: Invests a minimum of 60% of the market value of its asset under management in equities listed locally on a securities exchange, listed in other regulated exchanges or unlisted equities at all times. Any funds not invested in equities shall only be invested in cash and cash equivalents;</p> <p>(c) Fixed Income Fund: Invests a minimum of 60% of the market value of its asset under management in fixed income securities at all times. Any funds not invested in fixed income instruments shall only be invested in cash and cash equivalents;</p> <p>(d) Balanced Fund: Invests in all eligible asset classes at all times provided that investments in money market, equities and fixed income instruments shall each have a maximum exposure of 60% of the market value of assets under management; and</p> <p>Provided that—</p> <p>(i) investments in unlisted securities in East African Community partner states shall be up to a maximum of 10% of Assets Under Management;</p> <p>(ii) a fund may invest in a money market fund or another fund of similar constituent assets subject to a maximum limit of up to 20%;</p> <p>(iii) investments in off-shore listed securities shall be a maximum of 10% of Assets under Management;</p> <p>(iv) investments in off-shore unlisted securities shall be a maximum of 5%</p>		

<p>of Assets under Management;</p> <p>(v) other alternative investments to a maximum of 10% where applicable;</p> <p>(vi) the market value of an investment in an interest bearing account, financial product or instrument of or issued by any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the Assets under Management;</p> <p>(vii) the market value of a collective investment scheme's holding of securities relating to any single issuer shall not exceed twenty-five per cent of the collective investment scheme's properties Assets under Management;</p> <p>(viii) investment in a related company shall be limited to 10% of the Assets under Management; and</p> <p>(ix) no assets under management in any of the funds provided in paragraphs (a) (b) (c) or (d) may be leveraged.</p> <p>(e) Special Funds- these shall be based on the fund managers' investment strategy in the investment policy statement which shall be clearly described in the information memorandum to be approved by the Authority on a case-by-case basis subject to continuous disclosures to investors:</p> <p>Provided that—</p> <p>(i) the market value of an investment in an interest-bearing account, financial product or instrument of any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the Assets under Management;</p> <p>(ii) investment in alternative investments be at a maximum of 80%;</p> <p>(iii) the portfolio may be leveraged to a ratio to be determined by the fund manager and such ratio and stop loss measures shall be disclosed in the information memorandum and the investment policy statement;</p> <p>(iv) investment in a related company shall be limited to 25% of the Assets under Management; and</p> <p>(v) minimum investment of Kshs. 100,000 for each investor and maintenance of the same throughout the duration of the investment save for</p>		
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	<p>where the value may decline due to market fluctuations.</p> <p>(2) The assets under management may consist of cash and cash equivalents, where this may reasonably be regarded as necessary in order to enable—</p> <ul style="list-style-type: none">(a) redemption of participatory interests;(b) efficient management of the scheme in accordance with its objectives; or(c) other purposes which may reasonably be regarded as ancillary to the objectives of the scheme. <p>(3) A scheme may only participate in an underwriting or accept placings if the same is—</p> <ul style="list-style-type: none">(a) disclosed in the formation documents; and(b) approved by the trustee.		
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Formation Documents Disclosure Requirements- Unit Trust

Regulation 6 and Part II- Second Schedule Capital Markets (Collective Investment Scheme Regulations) 2023

Para.	Requirement	Met Y,N or N/A	Comments
1.	The registration documents, trust deed and any supplemental deed thereto shall contain a statement of the name of the scheme which shall be a name not inconsistent with the approved scheme's status		
2.	<p>A statement—</p> <p>a) in all cases of the relevant category of approved collective investment schemes to which the scheme belongs, in so far as categories are specified, under scheme regulations; and</p> <p>b) in the case of an umbrella fund, identifying, in the case of each constituent part, to which of the relevant categories in so far as categories are specified, that part would belong if it were itself the subject of a separate approval under Regulation 15.</p>		
3.	A statement that the registration documents are made under and governed by the laws of Kenya		
4.	A statement that the registration documents are binding on each participant as if he or she had been a party to it and is bound by its provisions and authorises and requires the trustee and the fund manager to do the things required or permitted of them by the terms of the deed		
5.	A statement of what currency is the base currency of the scheme		
6.	A statement that, subject to any restriction in these regulations or the trust deed, the scheme has the power to invest in any securities market approved by the Authority		
7.	<p>A declaration that, subject to the provisions of the registration documents and all scheme regulations for the time being in force;</p> <p>a) the property of the scheme, other than sums standing to the credit of the distribution account, is held by the trustee in trust for the participants on an equal basis according to the number of participatory interests held by each participant or, in the case where income and accumulation participatory interests are both in issue, according to the number of undivided shares in the</p>		

(v) other alternative investments to a maximum of 10% where applicable;

(vi) the market value of an investment in an interest bearing account, financial product or instrument of or issued by any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the Assets under Management;

(vii) the market value of a collective investment scheme's holding of securities relating to any single issuer shall not exceed twenty-five per cent of the collective investment scheme's properties Assets under Management;

(viii) investment in a related company shall be limited to 10% of the Assets under Management; and

(ix) no assets under management in any of the funds provided in paragraphs (a) (b) (c) or (d) may be leveraged.

(e) Special Funds- these shall be based on the fund managers' investment strategy in the investment policy statement which shall be clearly described in the information memorandum to be approved by the Authority on a case-by-case basis subject to continuous disclosures to investors:

Provided that—

(i) the market value of an investment in an interest-bearing account, financial product or instrument of any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the Assets under Management;

(ii) investment in alternative investments be at a maximum of 80%;

(iii) the portfolio may be leveraged to a ratio to be determined by the fund manager and such ratio and stop loss measures shall be disclosed in the information memorandum and the investment policy statement;

(iv) investment in a related company shall be limited to 25% of the Assets under Management; and

ⁱ The checklists issued by the Capital Markets Authority Kenya(CMA) are intended to provide clarity and assistance in navigating regulatory requirements. However, it is important to note that these checklists are not intended to serve as a substitute for reading and comprehending the regulations themselves. Individuals and entities subject to regulatory oversight should familiarize themselves with the applicable laws, rules, and regulations, and seek appropriate legal or professional advice as needed. The checklists provided by the Capital Markets Authority are meant to supplement, not replace, a thorough understanding of regulatory obligations