

MEMORANDUM OF UNDERSTANDING

The Commission Bancaire et Financière (CBF) and the Guernsey Financial Services Commission (GFSC) hereby agree upon the following regarding -

- i. applications to the CBF for registration from Guernsey authorised and supervised open-ended collective investment schemes;
- ii. the offering of units in Guernsey by Belgian - based open-ended collective investment undertakings; and
- iii. exchanges of information.

I. APPLICATIONS TO THE CBF FOR REGISTRATION FROM GUERNSEY AUTHORISED AND SUPERVISED OPEN-ENDED COLLECTIVE INVESTMENT SCHEMES

Class A open-ended collective investment schemes

The CBF recognises that Class A schemes are in principle compatible with UCITS schemes and subject to equivalent supervision by the GFSC. These schemes will therefore be allowed to offer units in Belgium, subject to compliance with the registration requirements of the CBF, and provided that the following supplementary conditions are met:-

1. the CBF must receive the following documents relating to the scheme -
 - a. either the management letter from the external auditor or, if no such management letter is issued, a letter of confirmation from the external auditor that no matters of significance have arisen; and
 - b. the prospectus and a copy of the scheme's articles of incorporation and/or the fund rules; and
 - c. the annual and the semi-annual reports.
2. the scheme must publish in one of the nation-wide journals in Belgium -
 - a. the address where copies of the prospectus and of the semi-annual and annual report may be obtained; and
 - b. the current price for the sale and repurchase of units; and
 - c. all notices pertaining to the scheme which are required, under the laws of Guernsey, to be published in La Gazette Officielle in Guernsey.
3. the GFSC explicitly states that in the case of an investment company at least two directors are required, and in the case of a unit trust every manager and trustee complies with the four-eyes principle.
4. the scheme must publish in its annual report the interests, if any, of individual directors or other senior officers in investments made by the scheme.
5. a quarterly statistical return conforming with the requirements of Circular UCI/4/95 issued by the CBF, must be submitted to the CBF. One return must be certified by the external auditor every year.
6. the scheme must appoint an intermediary authorised in Belgium to deal in securities with the general public, and through whom all offers of units to the public must be made. In addition, copies of the most recent prospectus and annual and half-yearly reports in at least one of the national languages of Belgium, together with the current price for sale and repurchase of units, must be available at the offices of the intermediary.

5 104

7. for Belgian investors, the prospectus must include -

- a) the following statement in at least one of the national languages of Belgium -
"Investment scheme X has been granted authorisation under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 by the Guernsey Financial Services Commission. Operational supervision of X is the primary responsibility of the GFSC. CBF has granted registration pursuant to Article 137 of the "Loi relative aux opérations financières et aux marchés financiers" of 4 December 1990, and
- b) a supplement, approved by the CBF, containing the information required by virtue of paragraph IV 1) of the Enclosure to Circular UCI/1/93 issued by the CBF on 20 July 1993.

Class B open-ended collective investment schemes

While the CBF recognises that Class B schemes are subject to equivalent supervision by the GFSC, such schemes are not equivalent to UCITS. Application for registration will therefore be examined carefully on a case-by-case basis, and in strict accordance with Articles 76 to 85 of the "Arrêté royal relatif à certains organismes de placement collectif" of 4 March 1991. In addition to the seven conditions set out above, the following supplementary conditions will be imposed on these schemes -

8. "The Collective Schemes (Designated Persons) Rules 1988" must be applied to the managers and trustees/custodians of Class B open-ended investment schemes.
9. the scheme must publish half-yearly reports and accounts.

Closed-ended investment schemes

It is acknowledged that closed-ended schemes established in Belgium are not currently permitted before and therefore foreign closed-ended schemes are not eligible to register with the CBF. If Belgian closed-ended funds are permitted in future, the CBF and GFSC will discuss the possibility of amending this memorandum of understanding.

II. OFFERING OF UNITS IN GUERNSEY BY BELGIAN - BASED OPEN-ENDED COLLECTIVE INVESTMENT UNDERTAKINGS

Belgian based schemes will be allowed to offer units in Guernsey provided that -

- a. such schemes are registered by the CBF pursuant to Article 120, § 1 of the "Loi relative aux opérations financières et aux marchés financiers" of 4 December 1990; and
- b. all offers of units to the public are made through an intermediary in Guernsey licensed to promote collective investment schemes under The Protection of Investors (Bailiwick of Guernsey) Law 1987; and
- c. copies of the most recent prospectus and annual and half-yearly reports in English are available at the offices of the licensed intermediary.

III. EXCHANGES OF INFORMATION

A. OPEN-ENDED COLLECTIVE INVESTMENT SCHEMES

The following procedure for exchanges of information has been agreed:-

1. CBF will require an investment scheme in Guernsey which intends to offer its units in Belgium to provide a recent statement from the GFSC stating that the scheme is subject to its supervision and that it complies with all statutory requirements in force in Guernsey.
2. CBF will inform the GFSC once the investment scheme has been granted registration in Belgium.
3. CBF and the GFSC will inform each other if they become aware that investment scheme subject to supervision by the GFSC and the CBF and which is offering its units in Belgium/Guernsey has infringed, or may have infringed, the laws and regulations to which it is subject.
4. the data or information may and shall not be used for any other purpose than that for which they have been provided, unless explicit permission has been obtained from the other supervisor.
5. the data and information shall be kept confidential by the GFSC and the CBF except where the GFSC or the CBF is required by law to disclose such information or where the prior written consent of the GFSC or the CBF has been obtained to disclose the data or information.
6. the GFSC and the CBF will inform each other forthwith if serious measures (such as giving an instruction, holding an investigation, revoking an authorisation etc.) are taken in respect of an investment scheme which is offering its units in Belgium/Guernsey.
7. if developments at an investment scheme call for measures, the GFSC and the CBF can enter into consultation.
8. if a treaty between Guernsey and Belgium regarding exchanges of information should be concluded in the future, this memorandum of understanding has to be redrafted accordingly and has to be re-approved by the Ministry of Finance of Belgium.

B. OTHER SECURITIES MATTERS

The CBF and GFSC hereby commit themselves to conclude a wider memorandum of understanding regarding exchanges of information on securities matters, bearing in mind their responsibilities to protect investors and their obligations as fellow-members of IOSCO.

IV. TERMINATION OF MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding will continue in effect until the expiry of six months after the CBF gives written notice to the GFSC or the GFSC gives written notice to the CBF of the intention to terminate this Memorandum of Understanding.

Brussels 2000

Guernsey 16 May 2000

Signed

Signed

J.-L. Duplat, President
for Commission Bancaire et Financière

L.C. Morgan, Chairman
for Guernsey Financial Services Commission