

Financial Services Agency, Japan

mm/dd/yy

## **Confirmation List of ARFP Application Documents**

### **Operator for a Japanese Passport Fund**

**Post Code**

**Address**

**Telephone Number**

**Name of the Company**

**Representative**

**Name of Fund**

**Issuing Date / Proposed Issuing Date**

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Regarding the "Application" for ARFP

Annex 2 Part 2 Application process

MOC Clause to be Checked	Documents Attached	Docs No.	Note
3 Registering a Regulated CIS as a Passport Fund			Part A
(1) An Operator or a Regulated CIS may lodge an application to register a Regulated CIS or a sub fund of a Regulated CIS as a Passport Fund with the Home Regulator.			
(2) To be considered by the Home Regulator, the application must contain:			
(a) the general information to be decided by the Participants (Part A);	-		
(b) any specific information required by the Home Regulator (Part B); and	-		
(c) any fee charged by the Home Regulator.	-		
(3) The Home Regulator may register a CIS as a Passport Fund only if the Home Regulator is of the opinion that:			
(a) the CIS is a Regulated CIS or a sub fund of a Regulated CIS in the Home Economy;	-		
(b) the Operator of the CIS is an <i>eligible entity</i> ; and	Only when 3(4) is satisfied		
(c) the CIS is likely to be operated in compliance with:	-		
(i) the Home Economy Laws and Regulations; and	-		
(ii) the Passport Rules including subsection 34(3) of the Passport Rules when that subsection is to apply.	-		
(4) For subsection 3(3), the Operator of the CIS is an <i>eligible entity</i> only if at the time of application of each CIS, subject to any exemption or modification in accordance with the Passport Rules;			
(a) the Operator and its related parties are responsible for the operation of financial asset CIS or have discretionary management powers over others' money with a total asset value of at least USD 500,000,000, excluding any assets directly or indirectly invested in other financial asset CIS, or through other discretionary management arrangements, operated by the Operator or its related parties so as to avoid double counting;	document under 3 (5) denominated in United States dollars		Part A
(b) it has officers with the relevant qualifications (see section 6 of the Passport Rules);	Annex 3 Part 6		Part A
(c) it meets the financial resources test (see section 7 of the Passport Rules);	Annex 3 Part 7		Part A
(d) it meets the organisational arrangements test (see section 8 of the Passport Rules);	Annex 3 Part 8		Part A
(e) it meets the track record test (see section 9 of the Passport Rules);	Annex 3 Part 9		Part A
(f) it meets the good standing test (see section 10 of the Passport Rules); and	Annex 3 Part 10		Part B
(g) it has a principal place of business in the Home Economy and is regulated by the Home Regulator for the operation of a Regulated CIS that may be offered to the public generally in the Home Economy.	Registration number and type based on the Financial Instruments and Exchange Act		Part A
(5) To calculate total asset value under subsection 3(4)(a):			Part A
(a) the same methodology will be used as required under the Passport Rules for valuing assets of a Passport Fund; and			
if the financial asset CIS is not denominated in USD, it will be calculated using the average of the rates of currency exchange against the USD on the first business day in the capital city of the Home Economy of the year in which an application for registration is made and the first business day in the capital city of the Home Economy in each of the preceding four years.			
(b) application for registration is made and the first business day in the capital city of the Home Economy in each of the preceding four years.	-		
(6) If the Home Regulator decides to register a Passport Fund under subsection 3(3), it will allocate the Passport Fund a unique registration code.			
(7) A Regulated CIS or sub fund of a Regulated CIS becomes a Passport Fund on receiving a unique registration code under subsection 3(6).			
4 Applying for entry to a Host Economy			
(1) Before offering interests in a Host Economy as a Passport Fund, a Passport Fund must:			
(a) apply to the Host Regulator for entry in accordance with subsection 4(2); and	draft application forms for a Host Economy		
(b) complete the entry process that the Host Economy has implemented under subsection 4(3).	-		
(2) An application for entry to a Host Economy will contain:			
(a) the Passport Fund's unique registration code;	-		
(b) Part A of the Passport Fund's registration application;			
(c) application, which is reasonably required under or is necessary to assess the Passport Fund's compliance with the Host Economy Laws and Regulations; and	draft application forms for a Host Economy		
(d) any fee charged consistently with section 4 of Annex 1.	-		
(3) There will be two entry processes a Participant can implement:			
(a) the streamlined authorisation process described in section 5; or	-		
(b) the notification process described in section 6.			

Regarding a "Regulated CIS" to apply for ARFP

Annex 1: Host Economy Laws and Regulations

MOC Clause to be Checked		Documents Attached	Docs No.	Note
2 Main areas in which Host Economy Laws and Regulations may apply				
(3) For the purposes of subsection 2(2), a qualified distributor is an entity or person as set out in the following table for the relevant economy as a Host Economy				Part A
Host Economy of the Passport Fund	Qualified distributor			
Australia	A financial services licensee authorised for the services provided, or the licensee's authorised representative.	contact information (Local distributors)		
Japan	-			
Korea	An entity licensed under the Financial Investment Services and Capital Markets Act to engage in 'Investment brokerage business' and 'Investment trading business' of Collective Investment Securities to General Investors			
New Zealand	A person registered as a provider of a relevant financial service under the Financial Service Providers (Registration and Disputes Resolution) Act 2008.			
Singapore	Exempt persons listed in section 23 of the Financial Advisers Act read with regulation 27(e) of the Financial Advisers Regulations.	contact information (Local distributors)		
Thailand	Entities who have been granted licence type: • A (i.e. brokerage companies) • C* (i.e. mutual fund management, private fund management) and • D licence (i.e. commercial banks) *Entities obtained licence type C must have in place proper operational system and received approval from the SEC before being recognised as qualified distributor.			

Annex 3 Part 2 Constituent documents

MOC Clause to be Checked		Documents Attached	Docs No.	Note
4 Constituent document for a Regulated CIS				
(1) The Operator of a Passport Fund must ensure that the Passport Fund has a compliant constituent document at all times.				Part A
(2) For these rules, the constituent document of a Regulated CIS is the document shown in the following table:				
Home Economy of the Passport	Constituent document			
Australia	The constitution of the registered scheme required by the Corporations Act 2001 (Cth).	-		
Japan	The basic terms conditions of the investment trust (if it is an investment trust) or the certificate of incorporation (if it is an investment company) under the Investment Trusts and Investment Corporations Act.	The basic terms & conditions of the investment trust (if it is an investment trust)		
Korea	Constitutional documents of Collective Investment Vehicles as required by the Financial Investment Services and Capital Markets Act of Korea			
New Zealand	The governing document for the managed investment scheme required by the Financial Markets Conduct Act 2013 of New Zealand.			
Singapore	The trust deed or any other document of incorporation required in respect of the collective investment scheme to be authorised under the Securities and Futures Act of Singapore.			
Thailand	In case of a scheme established as a mutual fund, the commitment between the unit holders and the securities company required under the Securities and Exchange Act of Thailand. In a case of a scheme established as a trust, the trust deed as required by the Trust for Transactions in Capital Market Act.			
(3) For this section, the constituent document is <i>compliant</i> if the constituent document includes provisions that:				
(a) have the effect that:				
(i)	each member of the Passport Fund is entitled to seek remedy against the Passport Fund, if it is a legal entity, and its Operator, in the member's choice of the Home Economy or a Host Economy of the Passport Fund, including through compensation, in relation to loss suffered by the member due to a breach of the Home Economy Laws and Regulations or breach of the Passport Rules by the Passport Fund, or its Operator unless:			
(A)	the member and the Passport Fund or Operator have agreed in writing that the member is not entitled to seek remedy in that place in relation to the particular proceedings; and			
(B)	the agreement is effected after the conduct that is or is to be subject to the proceedings has first occurred; or			
(ii)	a specified person, on behalf of any member of a Passport Fund when it is in the best interests of members, is entitled to seek remedy against the Passport Fund, if it is a legal entity, or its Operator in the specified person's choice of the Home Economy or a Host Economy of the Passport Fund, including through compensation, in relation to loss suffered by the member due to a breach of the Home Economy Laws and Regulations or breach of the Passport Rules by the Passport Fund or its Operator unless:			
(A)	the specified person and the Passport Fund or Operator have agreed in writing that the member is not entitled to seek remedy in that place in relation to the particular proceedings; and	The basic terms & conditions of the investment trust (if it is an investment trust)		
(B)	the agreement is effected after the conduct that is or is to be subject to the proceedings has first occurred;			
(b)	have the effect that the Passport Fund, if it is a legal entity, and its Operator agree that where a member of the Passport Fund has commenced proceedings against the Passport Fund or its Operator in a court in the member's economy, that court will be a convenient forum to hear the proceedings, unless:			
(i)	a similar action has been commenced against the Passport Fund or its Operator in another economy and it would be reasonable for the member to participate in that action; or			
(ii)	the member and the Passport Fund or Operator have agreed in writing that the court will not be a convenient forum in relation to that particular proceeding and the agreement is effected after the conduct that is or is to be subject to the proceedings has first occurred; and			
(c)	have the effect that the Passport Fund, if it is a legal entity, and its Operator agree that the convenient forum for the Passport Fund or its Operator bringing an action against a member will be the member's economy unless the member and the Passport Fund or Operator have agreed in writing that the court will not be a convenient forum in relation to the particular proceedings and the agreement is effected after the conduct that is or is to be subject to the proceedings has first occurred.			
(4) For this section, the member's economy in relation to the Passport Fund is:				
(a)	the economy in which the member was located when they applied to be accepted as a member of a Passport Fund if that economy is a Participant's economy; or	-		
(b)	in all other cases, the Home Economy.	-		

MOC Clause to be Checked		Documents Attached	Docs No.	Note
56 Meaning of Regulated CIS and Operator				
For these rules:				
(a) a <i>Regulated CIS</i> in a Participant listed in the table below is a scheme that:				
(i) was established in the Participant; and		-		
(ii) has the legal character specified in the table below; and				
(b) its Operator is the entity shown in the table.				
Home Economy of the Passport	Legal character of CIS			
Australia	A CIS registered under the Corporations Act 2001	-		
Japan	A scheme under the Investment Trusts and Investment Corporations Act	The basic terms & conditions of the investment trust (if it is an investment trust)		
Korea	A CIS under the Financial Investment Business and Capital Markets Act of Korea	-		
New Zealand	A managed investment scheme registered under the Financial Markets Conduct Act 2013 of New Zealand			
Singapore	A CIS authorised under the Securities and Futures Act of Singapore			
Thailand	A CIS under the Securities and Exchange Act of Thailand			

## Regarding an "Operator" of a Regulated CIS to apply for ARFP

## Annex 3 Part 3 The Operator of a Passport Fund

MOC Clause to be Checked		Documents Attached	Docs No.	Note
6 Qualifications of officers				Part A
(1) The Operator of a Passport Fund must ensure that at all times it has officers with the relevant qualifications.				
(2) For this section, the Operator has <i>officers with the relevant qualifications</i> only if it has the following officers or employees with the qualifications or experience indicated:				
(a) a chief executive officer (or the equivalent) with at least 10 years' relevant experience within the previous 15 years as an officer or employee in an IOSCO financial services related business, with five of the 10 years in a managerial or supervisory role;		the officer's biography		
(b) at least two executive directors (or the equivalent), which may include the chief executive officer, each with at least five years' relevant experience within the previous seven years as an officer or employee in a managerial or supervisory role in an IOSCO financial services related business; and				
(c) one or more officers or employees, who are when considered together responsible, whether jointly with others or not, for making or supervising all the discretionary investment decisions of the Passport Fund, each with either:				
(i) a bachelor degree, or equivalent, or higher qualification in a relevant discipline, together with at least three years' experience within the previous five years as an officer or employee with responsibility for making or supervising discretionary investment decisions in an IOSCO financial services related business; or		the officers or employees' biography		
(ii) at least five years' experience within the previous seven years as an officer or employee with responsibility for making or supervising discretionary investment decisions in an IOSCO financial services related business.				
(3) For this section and section 9, a reference to supervising discretionary investment decisions includes monitoring and evaluating on behalf of an entity the performance of another entity that makes discretionary investment decisions as a delegate of the first entity, and being significantly involved in decisions about whether the second entity should remain as a delegate in light of its performance.		If it applicable, please indicate that point in the officer's biography		
7 Financial resources of the Operator				
(1) The Operator of a Passport Fund must at all times meet the financial resources test.				
(2) For this section, the Operator meets the financial resources test if its equity (converted at the relevant exchange rate, where not denominated in USD) is greater than USD 1,000,000 plus additional capital amount.		document under 7(4) denominated in United Stated dollars		
(3) In calculating the Operator's equity:				
(a) a guarantee or undertaking held by the Operator may be counted as if it were an asset if, and only if, it:		If it applicable, please indicate that point in the document		
(i) is unconditional;				
(ii) does not give rise to any liability for the Operator;				
(iii) is payable on demand; and				
(iv) is provided by a body that is subject to prudential supervision by a financial supervisory authority in the place of its incorporation which in the written opinion of the Home Regulator, is generally largely compliant with the guidelines of the Basel Committee on Banking Supervision; and				
(b) the maximum amount of cover from time to time provided under an approved personal indemnity insurance policy may be counted but only up to 80% of the additional capital amount.				
(4) For this section:				
<i>additional capital amount</i> means $0.001 \times$ (total assets under management in USD converted at the relevant exchange rate minus USD 500,000,000) and is capped at USD 20,000,000 converted at the relevant exchange rate where the Operator's equity is not denominated in USD.		If it applicable, please indicate that point in the document		
<i>approved PI insurance policy</i> means a professional indemnity insurance policy that has been approved for this section by the Home Regulator.				
<i>equity</i> of the Operator means the net equity being assets less liabilities after taking into account losses and includes any net assets reflected in adjustments for valuation or translation, as it would appear on a balance sheet prepared in accordance with the relevant accounting standards.				
<i>relevant accounting standards</i> , for a Home Economy listed in the following table, has the meaning given in the following table:				
Home Economy of the Passport	Relevant accounting standards			
Australia	The accounting standards made by the Australian Accounting Standards Board under section 334 of the Corporations Act 2001 (Cth).			
Japan	The accounting standards under the Financial Instruments and Exchange Act and related Cabinet Office Ordinance.			
Korea	General accounting principles of financial investment under Article 32 of The Financial Investment Services and Capital Market Act of Korea, and standards for accounting under Article 13 of the Act on External Audit of Stock Companies.			
New Zealand	The accounting standards issued by the External Reporting Board under Part 2 of the Financial Reporting Act 2013.			
Singapore	The accounting standards made by the Accounting Standards Council under the Accounting Standards Act (Cap. 2B) and the Recommended Accounting Practices (or its equivalent) issued by the Council of the Institute of Singapore Chartered Accountants (or its successors).			
Thailand	The Accounting Guideline for Investment Management business issued by Association of Investment Management Companies and approved by the SEC Thailand.			
<i>relevant exchange rate</i> means the average of the rates of currency exchange on the first business day in the capital city of the Home Economy of the year in which calculation is made, and the first business day in the capital city of the Home Economy in each of the preceding four years.				

<p><i>total assets under management</i>, in relation to an Operator, means the sum of the value of:</p>			
(a) the assets of each CIS for the operations of which it is responsible; and	<p>If it applicable, please indicate that point in the document</p>		
(b) any other assets for which it performs discretionary investment management on behalf of another person, whether or not on a collective basis; as those assets would appear on a balance sheet prepared in accordance with the relevant accounting standards for the entity if they were assets of the Operator.			
<p>8 Organisational arrangements of the Operator</p>			Part A
<p>(1) The Operator of a Passport Fund must at all times meet the organisational arrangements test.</p>			
<p>(2) For this section, the Operator of the Passport Fund meets the organisational arrangements test if it has:</p>			
(a) a well-documented organisational structure that clearly assigns responsibilities and specifies reporting lines;	<p>Related internal rules (e.g. organizational rules, authority rules, risk management rules, conflicts of interest management rules)</p>		
<p>(b) adequate internal control mechanisms including procedures and systems that ensure that:</p>			
(i) assets are managed in accordance with the current constituent documents and disclosure documents of the Passport Fund as well as the Home Economy Laws and Regulations and these rules;	<p>Related internal rules (e.g. organizational rules, authority rules, risk management rules, conflicts of interest management rules)</p>		
(ii) records are kept to sufficiently explain the transactions of the Passport Fund, and all transactions in the interests of the Passport Fund; and			
(iii) registers of members are duly kept except for any part of the register of members that is kept by a person identified in registers of the Operator as the person keeping a register in respect of particular interests identified in registers of the Operator where the keeping of that part of the register by the person is regulated or acceptable under the Home Economy Laws and Regulations and, for interests held by a member who acquired them in a Host Economy, the person keeping the register is regulated by or acceptable to the Passport Regulator of the Host Economy;			
(c) an adequate risk monitoring and management process including a risk management framework for the Passport Fund assets, based on the size, complexity and risk of the assets;			
(d) a compliance framework that ensures ongoing compliance with relevant laws and regulations; and			
(e) adequate procedures to manage conflicts of interest.			
<p>9 Track record of Operator</p>			Part A
<p>(1) The Operator of a Passport Fund must at all times meet the track record test.</p>			
<p><i>Track record—experience of the Operator</i></p>			
<p>(2) For this section, the Operator meets the track record test if the Home Regulator is satisfied that:</p>			
(a) for the past five years the Operator has been responsible for the operation of financial asset CIS that have been regulated in a way that enables interests in the CIS to be offered to the general public in:	<p>Related documents</p>		
(i) a Participant; or an economy that has a regulatory framework applying to financial asset CIS that is broadly similar in effectiveness to that of the Home Economy in the opinion of the Home Regulator, having regard where relevant to the IOSCO principles and IOSCO assessment methodology relating to CIS; and			
(ii) that of the Home Economy in the opinion of the Home Regulator, having regard where relevant to the IOSCO principles and IOSCO assessment methodology relating to CIS; and			
(b) if the Operator has undergone a relevant change of control in the past five years:	<p>Related documents</p>		
(i) there has been substantial continuity among the officers and employees of the Operator responsible for making or supervising discretionary investment decisions for financial asset CIS; and			
(ii) the Operator has made decisions in relation to the operation of financial asset CIS without substantial influence by any person who controls the Operator unless in exceptional circumstances.			
<p><i>Track record—experience of a related party of the Operator</i></p>			
<p>(3) For this section, an Operator is also taken to meet the track record test if the Home Regulator is satisfied that:</p>			
(a) the Operator is able to rely on the experience and expertise of a related party in the operation of financial asset CIS having regard to the degree of commonality between the Operator and the related party concerning:	<p>-</p>		
(i) decision-making processes;			
(ii) business processes; and			
(iii) staff; and			
(b) the related party meets the track record test in accordance with subsection 9(2).	-		
<p>(4) For this section, an Operator undergoes a relevant change of control if during the past five years:</p>			
(a) another entity has commenced to control the Operator; or	<p>-</p>		
(b) another entity has ceased to control the Operator.			
<p>10 Good standing of Operator</p>			Part B
<p>(1) The Operator of a Passport Fund must at all times meet the good standing test.</p>			
<p>(2) For this section, the Operator meets the good standing test if:</p>			
(a) the Home Regulator has not notified the Operator that it is of the opinion that there is reason to believe that there is a material risk that a relevant party does not have the integrity or competence required to operate or be involved in the operation of a Passport Fund honestly and competently, and to act in good faith in the interests of the members of the Passport Fund; or	<p>Related documents</p>		
(b) where a notification has been issued to the Operator, the Home Regulator has revoked the notification or, if more than one, all of them in writing.			
<p>(3) For this section, <i>relevant party</i> means any of the following:</p>			
(a) the Operator;	<p>-</p>		
(b) an officer of the Operator;			
(c) an entity that controls the Operator; and			
(d) to the extent that the Home Regulator considers relevant, an officer of an entity that controls the Operator.			

11 Delegation of functions by Operator		Part A
(1)	Subject to any limitations in the Home Economy Laws and Regulations, a function of the Operator of a Passport Fund may be delegated by the Operator or further sub-delegated only if the Operator:	
	(a) remains responsible to members of the Passport Fund for the delegated function;	Related internal rules and documents
	(b) has in place suitable processes to ensure that the delegate or sub-delegate employs an appropriate standard of care when performing the delegated function;	
	(c) has in place suitable processes to:	
	(i) ensure that the activities of the delegate and any sub-delegate in relation to the delegated function are duly monitored and controlled; and	
	(ii) evaluate the performance of the delegate and any sub-delegate in relation to the delegated function;	
	(d) has in place suitable processes to ensure that the Home Regulator is at all times able to access information about the delegated or sub-delegated functions from the Operator, directly from a delegate or any person that was a delegate for a reasonable time after they have ceased to be a delegate; and	
	(e) has in place suitable processes to ensure that the performance of the function by the delegate and any sub-delegate can be effectively monitored and reviewed to ensure compliance with these rules as if done by the Operator.	
<i>Limitation on delegation of investment management function</i>		
(2)	The Operator must ensure that the function of making investment decisions (the <i>investment management function</i> ) for the Passport Fund may only be delegated or sub-delegated to an entity (a <i>qualifying delegate</i> ) that is licensed, authorised or otherwise regulated to carry out or make investment decisions by a regulator that is a signatory to Appendix A of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.	Related internal rules and documents
(3)	The investment management business of every qualifying delegate must be regulated in the economy of a Participant or in an economy that has a regulatory framework applying to investment management functions for financial asset CIS that may be offered to the general public in that economy that is broadly similar in effectiveness to that of the Home Economy in the opinion of the Home Regulator. This subsection does not apply to one or more delegations which together do not account for more than 20% of the value of the Passport Fund's assets.	
(4)	If the Operator of a Passport Fund delegates the investment management function, the Operator must have in place suitable processes to ensure that at all times each of the qualifying delegates has one or more officers or employees who when considered together are responsible, whether jointly with others or not, in making or supervising all the investment decisions of the Passport Fund, each with at least either:	Related documents
	(a) a bachelor degree, or equivalent, or higher qualification in a relevant discipline, together with at least three years' experience within the previous five years as an officer or employee of an IOSCO financial services related business with responsibility or joint responsibility, for making or supervising discretionary investment decisions; or	
	(b) at least five years' experience within the previous seven years as an officer or employee of an IOSCO financial services related business with responsibility or joint responsibility, for making or supervising discretionary investment decisions.	
(5)	For this section, a reference to supervising discretionary investment decisions includes monitoring and evaluating on behalf of an entity, the performance of another entity that makes discretionary investment decisions as a delegate of the first entity, and being significantly involved in decisions about whether the second entity should remain as a delegate in light of its performance.	Related internal rules and documents

Annex 3 Part 4 Accountability

MOC Clause to be Checked		Documents Attached	Docs No.	Note
12 Reporting of breaches and changes				Part B
<i>Reporting breaches and changes to Home Regulator</i>				
(1)	The Operator of a Passport Fund must notify the Home Regulator in writing within seven days after it becomes aware that, without there being a breach of the Passport Rules, a limit set in the following rules has been exceeded for a period of seven days without being remedied:	Related documents		
	(a) the rules in Division 6.3 (portfolio allocation); or			
	(b) the rules in Division 6.4 (limits on exposure); and			
(2)	The Operator of a Passport Fund must notify the Home Regulator in writing as soon as practicable and in any event within seven days after it becomes aware that a breach of these rules has occurred, or will occur in relation to the Passport Fund, and that breach:	Related documents		
	(a) might reasonably be regarded as significant including having regard to any other breaches; or			
	(b) when considered on its own or together with any related breach, adversely affects the value of the assets of the Passport Funds by more than 1%.			
<i>Reporting breaches to Host Regulator</i>				
(3)	Subsection 12(4) applies to the Operator of a Passport Fund where the Host Economy Laws and Regulations of a particular Host Economy (the relevant Host Economy) apply to the Passport Fund.			
(4)	The Operator of a Passport Fund must notify the Home Regulator and the relevant Host Regulator as soon as practicable and in any event within seven days after it becomes aware of a breach of the Host Economy Laws and Regulations of the relevant Host Economy in relation to the Passport Fund, and that breach:	Related documents		
	(a) might reasonably be regarded as significant including having regard to any other breaches; or			
	(b) when considered on its own or together with any related breach, adversely affects as much of the value of the assets of the Passport Funds as is attributable to members of the Passport Fund in the relevant Host Economy by more than 1%.			
<i>Reporting other changes</i>				
(5)	If an event listed in the table below occurs, the event must be notified to the Home Regulator and each Host Regulator by the entity listed in the table as soon as practicable and in any case not later than seven days after it became aware of the event having occurred.	Related documents		
(6)	In the table, an <i>associate</i> means a related party except for a person or entity under subsections 57(g) to 57(i) in relation to the definition for a related party.			
	Entity who must notify of the event	Event		
	The Operator of the Passport Fund	Interests in a Passport Fund are permitted to be lawfully offered as a Passport Fund in a Host Economy.		
	The Operator of the Passport Fund	The Operator of a Passport Fund has first disclosed to any person, other than an associate of the Passport Fund or its Operator, or by way of a lawful disclosure on a confidential basis in relation to incomplete negotiations relating to a transaction, that it intends to propose a change in the Operator.		
	The Operator of the Passport Fund	The Operator of a Passport Fund is changed in accordance with the Home Economy Laws and Regulations.		
	The Operator of the Passport Fund	The Operator of a Passport Fund has first disclosed to any person, other than an associate of the Passport Fund or its Operator, or by way of a lawful disclosure on a confidential basis in relation to incomplete negotiations relating to a transaction, that it intends to propose the Passport Fund be wound up.		
	The Operator of the Passport Fund	A Passport Fund commences being wound up in accordance with the Home Economy Laws and Regulations.		
	The Operator of the Passport Fund	A Passport Fund completes being wound up in accordance with the Home Economy Laws and Regulations.		
	The Operator of the Passport Fund	The Operator of a Passport Fund has first disclosed to any person, other than an associate of the Passport Fund or its Operator, that it intends to apply for the deregistration of the Passport Fund as a Passport Fund, or as a Regulated CIS.		

The Operator of the Passport Fund	The Operator of a Passport Fund applies for the deregistration of the Passport Fund as a Passport Fund, or as a Regulated CIS if the intention to apply has not been notified.		
The Operator of the Regulated CIS	A Regulated CIS or a sub fund of a Regulated CIS is deregistered as a Passport Fund.		
The Operator of the Regulated CIS	A Regulated CIS that has, in accordance with Part 8 of these rules, been deregistered as a Passport Fund and will no longer be required to be operated in compliance with these rules.		
The Operator of the Passport Fund	Redemption of interests in a Passport Fund in accordance with these rules is suspended or ceases to be suspended.		

## Regarding a "Custodian" of a Regulated CIS to apply for ARFP

### Annex 3 Part 4 Accountability

MOC Clause to be Checked		Documents Attached	Docs No.	Note
13 Custody of Passport Fund assets				Part A
<i>Legal responsibility for holding Passport Fund assets</i>				
(1) For this section, the responsible holding party of the assets of a Passport Fund under the laws and regulations of the economy of a Participant is the entity who is responsible for the safekeeping of the assets of the Passport Fund, as shown in the following table:				
Home Economy of the Passport	Responsible holding party			
Australia	The Operator of the Passport Fund.	-		
Japan	The trust company or a financial institution engaged in trust business designated by the Investment Trusts and Investment Corporations Act.	Trust agreement		
Korea	The trust business entity for the collective investment scheme under the Financial Investment Services and Capital Markets Act of Korea.			
New Zealand	The supervisor of the registered managed investment scheme who is licensed under the Financial Markets Supervisors Act 2011.			
Singapore	An approved trustee under the Securities and Futures Act of Singapore of an authorised scheme.			
Thailand	In case of a scheme established as a mutual fund, the mutual fund supervisor appointed for the mutual fund under the Securities and Exchange Act of Thailand. In case of a scheme established as a trust, the entity approved by the Securities and Exchange Commission under the Trust for Transactions in Capital Market to perform the custodial function of assets of the authorised scheme.			
(2) The function of holding Passport Fund assets may, subject to any limitation in the Home Economy Laws and Regulations, be delegated, or sub-delegated, only if the responsible holding party remains legally responsible for the safekeeping of Passport Fund's assets as if it held the assets itself.		Trust agreement and Service agreement		
<i>Entities that hold Passport Fund assets</i>				
(3) For this section, a custodian for a Passport Fund is an entity that holds assets of the Passport Fund.				
(4) The responsible holding party of a Passport Fund must ensure that:				
(a) each custodian meets one of the following criteria:				
(i) the custodian is authorised in its place of business to carry on a business of holding assets on behalf of others; or		Registration number and type based on the trust business act		
(ii) the asset holding activity of the custodian is subject to regulatory requirements in the Home Economy or the custodian's place of business; and				
(b) the Operator is not the custodian.		Registration number and type based on the Financial Instruments and Exchange Act		
<i>Assets must be accounted for</i>				
(5) A custodian of the Passport Fund must ensure that the assets of the Passport Fund which it holds are properly accounted for as the Passport Fund's assets and identifiable as such in the custodian's records.		Trust agreement and Service agreement		
<i>Assets must be held separately or in a permitted omnibus account</i>				
(6) The custodian of a Passport Fund must hold the Passport Fund assets:				
(a) separately from assets that are not assets of the Passport Fund; or				
(b) in an omnibus account with the following characteristics:		Related documents		
(i) it is managed in accordance with good custodial practice where the account is held and in accordance with reasonable standards;				
(ii) it is reconciled each business day in the place where the account is held;				
(iii) it does not also hold any assets of the custodian other than contingent amounts; and				
(iv) the custodian recovers any contingent amount as soon as practicable.				
(8) The custodian of a Passport Fund must ensure that there is separation between the functions of asset holding and investment such that activities that relate to asset holding are being performed by persons who are separate from, and able to act independently from, investment officers, including by ensuring that:				
(a) no investment officer of the custodian is involved in or responsible for ensuring the holding of the assets of the Passport Fund; and				
(b) no investment officer of the custodian directly supervises any other officer of the custodian who is involved in or responsible for ensuring the holding of the assets of the Passport Fund; and				
(c) each officer of the custodian that is involved in or responsible for ensuring the holding the assets of the Passport Fund is independent from each investment officer of the custodian.				
(10) Subsection 13(4)(b) does not apply to a custodian in relation to the following assets held on trust for the members of the Passport Fund, or, if the Passport Fund is body corporate, as an asset of the Passport Fund, if the Operator is subject to regulatory requirements in the Home Economy in relation to holding:		Related documents		
(a) deposits with an entity which is subject to prudential regulation by a financial supervisory authority in an economy where the entity was incorporated that is in the written opinion of the Home Regulator generally largely compliant with the guidelines of the Basel Committee on Banking Supervision if:				
(i) the entity holds other assets of the Passport Fund under subsection 13(4); or;				
(ii) the Operator reasonably considers that holding the deposit taking facility by another person would raise unreasonable operational difficulties or be impracticable;				
(b) assets held for operational purposes that it would not be reasonably practicable for an entity other than the Operator to hold; or				
(c) a derivative and any contractual right for the payment of any balance owing to the Operator in relation to dealings in derivatives including margining those dealings through transactions in a deposit taking facility.				

Regarding an "Independent Oversight Entity" of a Regulated CIS to apply for ARFP

Annex 3 Part 4 Accountability

MOC Clause to be Checked		Documents Attached	Docs No.	Note
14 Independent oversight entity of a Passport Fund				Part A
(1) For these rules, the <i>independent oversight entity</i> of a Passport Fund in a Participant is the body shown in the following table:				
Home Economy of the Passport	Independent oversight entity			
Australia	Each of the external directors of the Operator or, if there is a compliance committee of the registered scheme under the Corporations Act, the compliance committee.	-		
Japan	Each external member of board of company auditors, audit committee, or audit and supervisory committee designated by the Companies Act, or the trust company or a financial institution engaged in trust business designated by the Investment Trusts and Investment Corporations Act.	document stating the independent oversight entity's location, name and contact		
Korea	The trust business entity for the collective investment scheme under the Financial Investment Business and Capital Markets Act of Korea			
New Zealand	The supervisor of the registered managed investment scheme who is licensed under the Financial Markets Supervisors Act 2011.			
Singapore	An approved trustee under the Securities and Futures Act of Singapore of an authorised scheme.	-		
Thailand	In case of a scheme established as a mutual fund, the mutual fund supervisor appointed for the mutual fund under the Securities and Exchange Act of Thailand.			
	In case of a scheme established as a trust, the entity approved by the Securities and Exchange Commission under the Trust for Transactions in Capital Market Act to perform such oversight function over the trust.			
(2) The independent oversight entity must:				
(a)	monitor the Operator for compliance with the constituent documents of the Passport Fund, the Home Economy Laws and Regulations relating to the operation of the Passport Fund and Divisions 6.2 to 6.5 of the Passport Rules; and if, in the reasonable opinion of the independent oversight entity, the Operator is required by section 12 of the Passport Rules to report non-compliance with the constituent documents of the Passport Fund or the Home Economy Laws and (b) Regulations relating to the operation of the Passport Fund including the Passport Rules to a Passport Regulator but fails to do so, notify its opinion including particulars of the non-compliance to the Passport Regulator as soon as practicable but no later than seven days after forming the opinion.	document stating the independent oversight entity's role		
(3)	The independent oversight entity must exercise reasonable care and diligence in performing the functions listed in subsection 14(2) considering the interests of the members of the Passport Fund.			
(4)	The Operator must provide any assistance required by the independent oversight entity to perform its functions.			

Regarding an "Annual Implementation Review" of the Passport Fund

Annex 3 Part 4 Accountability

MOC Clause to be Checked		Documents Attached	Docs No.	Note
15 Annual implementation review				
<i>Annual implementation reviews must be conducted</i>				
(1)	The Operator of a Passport Fund must ensure that an implementation review of the operation of the Passport Fund that complies with this section is conducted in relation to each period for which it prepares, or is required to prepare, a financial statement for the Passport Fund under the Passport Rules (the review period).	document stating the implementation reviewer's location, name and contact information		Part B
(2)	If the Home Regulator has notified the Operator of a Passport Fund and each Host Regulator that this section does not apply, because the Home Regulator is satisfied non-application is appropriate having regard to actions taken or to be taken by the Home Regulator to check compliance during the review period or on an ongoing basis, and, if applicable, reports to be provided by the independent oversight entity during the review period or on an ongoing basis, then this section does not apply to the Passport Fund or its Operator for the review period or until revoked as the case may be, as set out in the notice.			Part B
<i>Requirements for the implementation reviewer</i>				
(3)	Subject to subsection 15(4), the implementation review for a Passport Fund registered in the economy of a Participant listed in the following table must be conducted by a reviewer that is an entity of the kind shown in the table:			Part A
Home Economy of the Passport	Entity that can conduct implementation reviews (the <i>implementation reviewer</i> )			
Australia	A registered company auditor, audit firm or authorised audit company under the Corporations Act.	-		
Japan	An external member of board of company auditors, audit committee, or audit and supervisory committee designated by the Companies Act,	document stating the implementation reviewer's location, name and contact information		
	the trust company or a financial institution engaged in trust business designated by the Investment Trusts and Investment Corporations Act or a Certified Public Accountant or an Auditing Corporation designated by the Certified Public Accountants Act.			
Korea	A trustee under the Financial Investment Services and Capital Markets Act of Korea.			
New Zealand	A licensed auditor under the Auditor Regulation Act 2011 or the supervisor of the registered managed investment scheme who is licensed under the Financial Markets Supervisors Act 2011.			
Singapore	A public accountant who is registered or deemed to be registered under the Accountants Act of Singapore or	-		
	a trustee approved under the Securities and Futures Act.			
Thailand	An auditor as defined by the Securities and Exchange Commission or the mutual fund supervisor appointed for the mutual fund under the Securities and Exchange Act of Thailand.			
(4)	The implementation review must not be conducted by:			Part A
(a)	the Operator; or	document stating the implementation reviewer's location, name and contact information		
(b)	a related party of the Operator.			
<i>Requirements applying where the review must be conducted</i>				
(6)	The Operator of a Passport Fund must ensure that an implementation reviewer is engaged for the Passport Fund for the purposes of this section at all times.	Related documents		
(7)	The implementation review must be conducted independently in accordance with standards acceptable to the Home Regulator.			

Report of the implementation review			
(8)	The report of the implementation review must be addressed to the Operator, the independent oversight entity (where applicable), the Home Regulator and each Host Regulator.	Related documents	
(9)	The report must state:		
(a)	whether any matter has come to the attention of the implementation reviewer that causes the reviewer to believe that, or to believe that it is likely that, the Passport Fund was not operated in accordance with these rules during the review period in all respects that may be material to the persons to whom it is addressed;		
(b)	if so, particulars of each matter including details explaining the reasons why the reviewer has reason to believe that the Passport Fund was not operated in accordance with, or was likely not to have been operated in accordance with, these rules during that period; and		
(c)	information on the basis for the statements made in (a) and (b) above.		
(10)	The Operator of a Passport Fund must, within three months after the end of the review period, provide a copy of the report to:		
(a)	the Home Regulator;		
(b)	each Host Regulator for an economy where the Passport Fund had, during the review period, members who became members of the Passport Fund following an application made in that economy		
(c)	each Host Regulator of each economy in which interests in the Passport Fund were offered during the period from the beginning of the review period to the time the reports are provided to the Home Regulator; and		
(d)	the independent oversight entity for the Passport Fund.		

## Regarding "Financial Reporting and Auditing" of the Passport Fund

### Annex 3 Part 4 Accountability

MOC Clause to be Checked		Documents Attached	Docs No.	Note														
16 Financial reporting and auditing				Part A														
(1)	The Operator of a Passport Fund must, in accordance with this section:																	
(a)	prepare reports containing financial statements for the Passport Fund; and																	
(b)	ensure that those financial statements are audited, and that an audit report is prepared; and																	
(c)	lodge those reports with the Home Regulator and each Host Regulator.																	
	Note: In addition to complying with this section, the Operator of a Passport Fund may be required by the Host Economy Laws and Regulations to prepare financial reports and ensure they are audited and an audit report is prepared in accordance with the Host Economy Laws and Regulations, and lodge those reports with the Host Regulator.																	
<i>Financial statements of a Passport Fund</i>																		
(2)	The Operator must, at least annually, in accordance with the prevailing practice for the preparation of audited financial statements for Regulated CIS in the Home Economy, prepare a report containing the financial statements for the Passport Fund for the period covered by the report (the <i>review period</i> ).																	
(3)	The financial statements of a Passport Fund must be prepared in accordance with the financial reporting requirements applying to the Passport Fund.																	
(4)	For this section, the <i>financial reporting requirements</i> applying to a Passport Fund registered in a Participant are those shown in the following table:																	
	<table border="1"> <thead> <tr> <th>Home Economy of the Passport</th> <th>Financial reporting requirements</th> </tr> </thead> <tbody> <tr> <td>Australia</td> <td>Requirements imposed under Chapter 2M of the Corporations Act 2001 and the accounting standards made by the Australian Accounting Standards Board under that Act.</td> </tr> <tr> <td>Japan</td> <td>The relevant accounting standards under the Financial Instruments and Exchange Act and related Cabinet Office Ordinance.</td> </tr> <tr> <td>Korea</td> <td>The accounting standards under Article 240 of the Financial Investment Services and Capital Markets Act of Korea.</td> </tr> <tr> <td>New Zealand</td> <td>Requirements imposed under Part 7 of the Financial Markets Conduct Act 2013.</td> </tr> <tr> <td>Singapore</td> <td>The relevant accounting standards made by the Accounting Standards Council under the Accounting Standards Act (Cap. 2B) and the Recommended Accounting Practices (or its equivalent) issued by the Council of the Institute of Singapore Chartered Accountants (or its successors).</td> </tr> <tr> <td>Thailand</td> <td>The Accounting Guidelines for Investment Management business issued by Association of Investment Management Companies and approved by the SEC Thailand.</td> </tr> </tbody> </table>	Home Economy of the Passport	Financial reporting requirements	Australia	Requirements imposed under Chapter 2M of the Corporations Act 2001 and the accounting standards made by the Australian Accounting Standards Board under that Act.	Japan	The relevant accounting standards under the Financial Instruments and Exchange Act and related Cabinet Office Ordinance.	Korea	The accounting standards under Article 240 of the Financial Investment Services and Capital Markets Act of Korea.	New Zealand	Requirements imposed under Part 7 of the Financial Markets Conduct Act 2013.	Singapore	The relevant accounting standards made by the Accounting Standards Council under the Accounting Standards Act (Cap. 2B) and the Recommended Accounting Practices (or its equivalent) issued by the Council of the Institute of Singapore Chartered Accountants (or its successors).	Thailand	The Accounting Guidelines for Investment Management business issued by Association of Investment Management Companies and approved by the SEC Thailand.			
Home Economy of the Passport	Financial reporting requirements																	
Australia	Requirements imposed under Chapter 2M of the Corporations Act 2001 and the accounting standards made by the Australian Accounting Standards Board under that Act.																	
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Thailand	The Accounting Guidelines for Investment Management business issued by Association of Investment Management Companies and approved by the SEC Thailand.																	
<i>Audit of financial statements</i>																		
(5)	The Operator of a Passport Fund must ensure that the financial statements of the Passport Fund are audited by a person (the auditor) who is permitted to audit the financial statements of a Regulated CIS in the Home Economy of the Passport Fund to satisfy the financial reporting requirements.	document stating the auditor's location, name and contact information																
(6)	The Operator must:																	
(a)	ensure that the auditor prepares a report on the financial statements of the Passport Fund that states that the audit and the report were completed in accordance with the audit requirements applying to audits of financial statements of the Passport Fund in the following table; and	document stating the auditor's location, name and contact information																
(b)	provide all reasonable assistance to the auditor in relation to the audit.	Please fill in this column the accounting standards that impose the obligation																
	<table border="1"> <thead> <tr> <th>Economy of the Passport Fund</th> <th>Home audit requirements</th> </tr> </thead> <tbody> <tr> <td>Australia</td> <td>Requirements imposed under Chapter 2M of the Corporations Act 2001 (Cth) and the auditing standards made by the Auditing and Assurance Standards Board under that Act.</td> </tr> <tr> <td>Japan</td> <td>The relevant home audit requirements under the Financial Instruments and Exchange Act and related Cabinet Office Ordinance.</td> </tr> <tr> <td>Korea</td> <td>The accounting standards under Article 240 of the Financial Investment Services and Capital Markets Act of Korea. The guidelines for accounting audit of collective investment property under Article 265(2) of Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea.</td> </tr> <tr> <td>New Zealand</td> <td>Requirements imposed under Part 7 of the Financial Markets Conduct Act 2013.</td> </tr> <tr> <td>Singapore</td> <td>Singapore Standards on Auditing.</td> </tr> <tr> <td>Thailand</td> <td>Thai Standards on Auditing.</td> </tr> </tbody> </table>	Economy of the Passport Fund	Home audit requirements	Australia	Requirements imposed under Chapter 2M of the Corporations Act 2001 (Cth) and the auditing standards made by the Auditing and Assurance Standards Board under that Act.	Japan	The relevant home audit requirements under the Financial Instruments and Exchange Act and related Cabinet Office Ordinance.	Korea	The accounting standards under Article 240 of the Financial Investment Services and Capital Markets Act of Korea. The guidelines for accounting audit of collective investment property under Article 265(2) of Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea.	New Zealand	Requirements imposed under Part 7 of the Financial Markets Conduct Act 2013.	Singapore	Singapore Standards on Auditing.	Thailand	Thai Standards on Auditing.			
Economy of the Passport Fund	Home audit requirements																	
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New Zealand	Requirements imposed under Part 7 of the Financial Markets Conduct Act 2013.																	
Singapore	Singapore Standards on Auditing.																	
Thailand	Thai Standards on Auditing.																	
<i>Lodgement of reports</i>																		
(7)	The Operator of a Passport Fund must, within three months after the end of the review period, lodge a copy of both:																	
(a)	the report containing those financial statements; and																	
(b)	the audit report relating to those financial statements,																	
with:																		
(a)	the Home Regulator;																	
(b)	each Host Regulator for an economy where the Passport Fund had, during the review period, members who became members of the Passport Fund following an application made in the Host Regulator's economy; and																	
(c)	each Host Regulator of each economy in which interests in the Passport Fund were offered during the period from the beginning of the review period to the time the reports are provided to the Home Regulator.																	

Regarding "Requirement of Offer in Home Economy" of the Passport Fund

Annex 3 Part 5 Offers in Home Economy

MOC Clause to be Checked	Documents Attached	Docs No.	Note
17 Requirement of offer in Home Economy			Part A
The Operator of a Passport Fund must not offer interests in the Passport Fund in a Host Economy as a Passport Fund unless:	document stating which case of 17(a), (b), (c) you choose		
(a) all of the following are satisfied when the interests are offered:			
(i) there is an ongoing offer of interests in the Passport Fund in the Home Economy;			
(ii) the offer of interest in the Passport Fund is subject to the Home Economy Laws and Regulations that would normally apply to an offer of interests in a Regulated CIS to the general public; and	document stating which case of 17(a), (b), (c) you choose		
(iii) the offer is bona fide and does not exclude general subscription by retail investors resident in the Home Economy; or			
(b) all of the following are satisfied when the interests are offered:			
(i) there is an ongoing offer of interests in a sub fund which forms part of the same Regulated CIS as the Passport Fund;			
(ii) the offer of interest in that sub fund is subject to the Home Economy Laws and Regulations that would normally apply to an offer of interests in a Regulated CIS to the general public; and	document stating which case of 17(a), (b), (c) you choose		
(iii) the offer is bona fide and does not exclude general subscription by retail investors resident in the Home Economy; or			
(c) both of the following were satisfied at the time the Operator seeks to be permitted to offer interests in the Passport Fund in the Participant as a Passport Fund;			
(i) at least 30% of the value of interests in CISs for the operation of which the Operator is responsible are held by members of those CISs who have provided an address in the Home Economy, unless the Operator is aware the person is not a resident of the Home Economy; and			
(ii) the Operator has provided a disclosure document to the Home Regulator that meets the requirements for a disclosure document for an offer of interests in the Passport Fund that would normally apply to an offer of interests in a Regulated CIS that is a Passport Fund to the general public in the Home Economy.	document stating which case of 17(a), (b), (c) you choose		

Regarding "Permitted Investments" of the Passport Fund

Annex 3 Part 6 Passport Fund Investments

MOC Clause to be Checked	Documents Attached	Docs No.	Note
Division 6.1 Operational goods and services			
18 Part does not apply to operational goods and services			Part A
Goods and services acquired by a Passport Fund for operational reasons, rather than for investment purposes, are not considered assets of the Passport Fund for this Part. Nothing in this Part prevents a Passport Fund from acquiring and holding goods or services for operational reasons.	Related documents		
Division 6.2 Permitted investments			
19 Permitted assets and arrangements			Part A
(1) A Passport Fund must not acquire assets, or enter into a derivative or a securities lending arrangement, other than in accordance with this Part.			
(2) Unless otherwise provided for in this Part, a Passport Fund may only acquire assets, in addition to entering into derivatives or securities lending arrangements, of the following kinds:			
(a) currency;	The basic terms & conditions of the investment trust (if it is an investment trust)		
(b) deposits;			
(c) depository receipts over gold;			
(d) transferable securities; and			
(e) money market instruments.			
20 Jurisdiction requirement for assets			Part A
A Passport Fund may hold an asset listed in section 19(2) only if it is issued in an IOSCO jurisdiction.	-		
21 Requirements for deposits			Part A
A Passport Fund may make a deposit only with a deposit-taking institution that is regulated by a financial supervisory authority in its place of incorporation which is in the written opinion of the Home Regulator is generally largely compliant with the guidelines of the Basel Committee on Banking Supervision.			
(2) A Passport Fund may make a deposit only if:			
(a) the amount deposited can be withdrawn under the terms of the deposit on no more than 31 days' notice; and			
(b) it is not subject to loss of interest or to penalty if the amount is withdrawn more than 12 months after it was deposited.			
22 Meaning of depository receipts over gold			Part A
For these rules, a depository receipt over gold means an enforceable and documented obligation from an entity that is authorised in its principal place of business to carry on banking business (the issuer), to make available a specified amount of gold at the direction of the holder of the depository receipt over gold (the holder). Under a depository receipt over gold, where the issuer has an obligation enforceable by the holder that the issuer will at all time until performance hold sufficient gold:			
(a) of a specified amount that is allocated to the holder and that will be made available at the holder's direction; or			
(b) which is sufficient in amount and available to enable performance of the obligation to the holder and any other obligations of the issuer in relation to gold held by the issuer.			
23 Requirements for transferable securities			Part A
(1) For these rules, each of the following is a transferable security only if title to it can be transferred from one party to another or redeemed from the issuer:			
(a) a share or stock in a body corporate;			
(b) a bond or other form of debt security (other than a money market instrument);			
(c) an interest in a CIS;			
(d) any interest in an asset covered by subsections 23(1)(a), 23(1)(b) or 23(1)(c); and			
(e) a right to be issued an asset covered by subsections 23(1)(a), 23(1)(b), 23(1)(c) or 23(1)(d) on payment of a specified amount for that asset that is granted by the issuer of that asset.			

	<p>(2) A Passport Fund must not acquire a transferable security if liability could arise from holding it under the terms of the security, whether on the basis that the security is partly paid or otherwise, other than in the case of:</p> <p>(a) a partly-paid share or stock in a body corporate or interest in a CIS that is quoted on a financial market and in relation to which no holders have an ongoing right to redeem their membership for payment of an amount reflecting the value of their share, stock or interest; or</p> <p>(b) a share or stock in a body corporate or interest in a CIS which is intended to be quoted on a financial market within seven days of acquisition and in relation to which no holders have an ongoing right to redeem their membership for payment of an amount reflecting the value of their share, stock or interest.</p> <p>(3) A Passport Fund must not acquire a transferrable security under subsection 23(2) unless:</p> <p>(a) the Passport Fund holds assets that the Operator of the Passport Fund reasonably believes will be available and able to be converted into sufficient assets to meet the liability; and</p> <p>(b) in the case of a partly-paid share or stock in a body corporate or interest in a CIS that is quoted on a financial market, the Operator must reasonably believe that the share or stock in a body corporate or interest in a CIS can be reliably valued and while held will be able to be closed out or sold for that value on any business day in the place in which the security is acquired by the Passport Fund.</p>		
24	Requirements for money market instruments		Part A
	<p>A Passport Fund must not acquire a money market instrument unless the Operator reasonably believes the following conditions are satisfied:</p> <p>(a) the instrument:</p> <p>(i) has maturity at issuance or a residual maturity of not more than 397 days; or</p> <p>(ii) may be reasonably expected to undergo regular yield adjustments that are in line with money market conditions at least once every 397 days; and</p> <p>(b) on any business day in the place in which it is acquired by the Passport Fund, the instrument:</p> <p>(i) can be reliably valued; and</p> <p>(ii) can be closed out or sold for that value.</p>		
25	Requirements for derivatives		Part A
	<p>(1) A Passport Fund may enter into a derivative only if:</p> <p>(a) the underlying asset or index from which the value of the derivative is determined is one or more of the following:</p> <p>(i) an asset that the Passport Fund may hold under subsection 19(1);</p> <p>(ii) a rate of interest;</p> <p>(iii) a rate of inflation that is calculated, endorsed or determined by a government or government agency; or</p> <p>(iv) an eligible index;</p> <p>(b) the fair value of the derivative in the economy in which it is acquired by the Passport Fund can readily be determined, in accordance with Division 7.2; and</p> <p>(c) other than in exceptional circumstances, the derivative can be closed out or sold for that value, in that economy, on any business day in the place of the relevant office of the counterparty or if the derivative is traded on a financial market, when the financial market is open for trading of derivatives.</p>		
	<i>Meaning of 'derivative'</i>		
	<p>(2) For these rules, a derivative is an arrangement between an entity and another party (the counterparty for the derivative):</p> <p>(a) where the arrangement is not:</p> <p>(i) currency;</p> <p>(ii) a deposit;</p> <p>(iii) a loan of moneys or securities;</p> <p>(iv) a transferable security;</p> <p>(v) a money market instrument; or</p> <p>(vi) a depository receipt over gold; and</p> <p>(b) under the arrangement:</p> <p>(i) one party must, or may be required to, provide consideration of a particular kind to the other on a future day;</p> <p>(ii) the consideration or, if arrangements of that kind are commonly sold or closed out before performance, the value of the arrangement on sale or close out, is ultimately determined by or modified by reference (wholly or in part) to a variable;</p> <p>(iii) no substantial part of the consideration provided by either party under the contract is the provision of services;</p> <p>(iv) the consideration is not the provision of goods that the fund is to use for operational purposes; and</p> <p>(v) no party will be under an obligation to deliver an asset that is not a permitted asset under subsection 19(2).</p>		
26	Requirements for embedded derivatives		Part A
	<p>(1) A Passport Fund may acquire a transferable security or money market instrument that embeds a derivative only if the embedded derivative satisfies:</p> <p>(a) section 25; and</p> <p>(b) section 27 where the counterparty risk of the embedded derivative is or may be transferred to the Passport Fund;</p>		
	<i>Meaning of 'embeds a derivative' and 'embedded derivative'</i>		
	<p>(2) For these rules, a transferable security or money market instrument in question <i>embeds a derivative</i> :</p> <p>(a) if it includes a component (the <i>embedded derivative</i> ) that:</p> <p>(i) results in some or all of the cash flows that would otherwise be payable under the transferable security or money market instrument which functions as the host contract to be modified by reference (wholly or in part) to a variable other than, for shares or stock of a body corporate, the discretion of the body corporate as to payment of dividends or repayment of capital or amounts payable on its winding up;</p> <p>(ii) has benefits and risks that are not closely related to economic characteristics of the transferable security or money market instrument which functions as the host contract;</p> <p>(iii) has a significant impact on the risks in holding, and the price of, the transferable security or money market instrument in question; and</p> <p>(iv) is not transferable independently of the transferable security or money market instrument or is not treated by the Passport Fund as a separate asset; or</p> <p>(b) if it would be a derivative but for being a transferable security or a money market instrument, and the terms were designed to meet the specific needs of a Passport Fund.</p>		

27 Counterparties to derivatives		Part A	
(1) A Passport Fund must not enter into a derivative that is to be cleared through a central clearing counterparty unless it is an assessed central clearing counterparty.	Related internal rules and documents		
(2) A Passport Fund must not enter into a derivative that is not cleared through a central clearing counterparty unless:			
(a) the counterparty to the derivative:			
(i) is subject to prudential supervision broadly under the guidelines of the Basel Committee on Banking Supervision by a financial supervisory authority in a principal place of business of the counterparty; or			
(ii) is both:			
(A) regulated by a regulatory authority that is a member or associate member of IOSCO; and			
(B) subject to obligations in relation to holding financial resources and having adequate arrangements to manage risk; and			
(b) where the counterparty to the derivative is a related party to the Operator and there are adequate arrangements in place to manage conflicts of interest.			
(3) For these rules, a central clearing counterparty to a derivative is an assessed central clearing counterparty if:			
(a) it is regulated as a central clearing counterparty in an economy that is:		Related internal rules and documents	
(i) the economy of a Participant; or			
(ii) a member of the Organisation for Economic Cooperation or Development; or			
(b) all of the following conditions are satisfied:			
(i) it is regulated as a central clearing counterparty in an IOSCO jurisdiction;			
(ii) the Operator of the Passport Fund believes on reasonable grounds, having regard to independent sources of information, that there is very low risk of the central clearing counterparty defaulting in any of its obligations over the subsequent five year period; and			
(iii) the Operator of the Passport Fund has recorded in writing its reasons for holding that belief.			
28 Counterparties and collateral for securities lending arrangements		Part A	
(1) For these rules, a securities lending arrangement is an arrangement under which an asset of the Passport Fund is transferred to another party and there is an obligation on that party to transfer that asset, or an equivalent asset, back to the Passport Fund.	Related internal rules and documents		
(2) A Passport Fund may enter into a securities lending arrangement only if:			
(a) the counterparty to the transaction:			
(i) is subject to prudential supervision broadly by a financial supervisory authority under the guidelines of the Basel Committee on Banking Supervision in an economy where the counterparty has a principal place of business; or			
(ii) is both:			
(A) regulated by a regulatory authority that is a member or associate member of IOSCO; and			
(B) subject to obligations relating to holding financial resources and having adequate arrangements to manage risk; and			
(b) there is an agreement between the Passport Fund and the counterparty to the transaction that provides that:		Related internal rules and documents	
(i) the counterparty will provide to the Passport Fund collateral by way of a transfer of asset to the Passport Fund free of any encumbrance, that exceeds the value of the asset transferred by the Passport Fund under the agreement; and			
(ii) if the current value on any business day of the collateral provided to meet the requirement under subsection 28(2)(b)(i) where all the collateral was tendered in cash does not exceed the fair value of the asset transferred by the Passport Fund under the agreement, or if the collateral tendered included money market instruments, is less than 103% of the fair value of the asset on that business day, the counterparty must provide additional collateral to the Passport Fund:			
(A) no later than the close of business on the next business day (shortfall payment day) in the place of the relevant office of the counterparty for the shortfall amount below 100%; and			
(B) if the collateral includes money market instruments, no later than the close of business on the business day in the place of the relevant office of the counterparty after the shortfall payment day for the excess 3%.			
(c) where the counterparty to the transaction is a related party to the Operator, there are adequate arrangements in place to manage potential conflicts of interest; and			
(d) the Operator has assessed the risk of loss from the counterparty not meeting its obligations to the Passport Fund under the arrangement or arrangements with the counterparty that include the arrangement, having regard to the counterparty, the collateral, the terms of the arrangement and any other relevant matter, is very low and recorded this assessment in writing.			
(3) Any collateral relied on by the Passport Fund to satisfy subsection 28(2) must be:			
(a) cash; or	Related internal rules and documents		
(b) money market instruments:			
(i) that do not embed derivatives;			
(ii) that have been assessed by the Operator of the Passport Fund as having acceptable risk; and			
(iii) whose fair value exceeds 103% of the amount of cash collateral that would otherwise be required to satisfy subsection 28(2).			
(4) The Passport Fund must not sell, reinvest, or encumber securities lending collateral other than as permitted by this section or following default in compliance by the counterparty to the securities lending arrangement.			
(5) The Passport Fund may reinvest securities lending collateral that is cash if:			
(a) the reinvestment is in money market instruments that have been assessed by the Operator of the Passport Fund as having acceptable risk; and			
(b) the value of the assets that the Passport Fund will receive from the reinvestment excluding cash exceeds 103% of the fair value of the securities transferred under the securities lending arrangement less any cash collateral that will be held.			
(6) Collateral accepted in relation to a derivative or securities lending arrangement is to be treated as assets acquired by the Passport Fund for the requirements under Division 6.3 whether the collateral is provided by way of transfer.			

Regarding "Restrictions on Portfolio Allocation" of the Passport Fund

Annex 3 Part 6 Passport Fund Investments

MOC Clause to be Checked	Documents Attached	Docs No.	Note
Division 6.3 Restrictions on portfolio allocation			
29 Exceeding limits in this Part			Part A
(1) A Passport Fund must not acquire an asset or enter into a derivative or securities lending arrangement if it would result in a limit in this Part being exceeded or exceeded to a greater extent.	Related internal rules and documents		
(2) A Passport Fund that exceeds a limit in this Part must cease to exceed the limit as soon as practicable but no later than three months from the date the limit was exceeded.			
(3) The period in subsection 29(2) may be extended for a period or further period of no more than one month by notice in writing to the Operator by the independent oversight entity if the Operator satisfies the independent oversight entity that it is in the best interests of the members of the Passport Fund for extension.			
(4) A Passport Fund does not breach a rule in this Part if it exceeds a limit otherwise than by the acquisition of an asset or the entry into a derivative or securities lending arrangement and it complies with this section.			
<i>Note: See also the reporting requirements under section 12.</i>			
30 Single entity limit			Part A
(1) The value of a holding for the purpose of this section and sections 31 and 33 is the higher of:	Related internal rules and documents		
(a) the amount after considering any reduction in risk due to offsetting exposures; or			
(b) the value disregarding the offsetting effects of derivatives.			
(2) Subject to subsection 30(3) and section 33, no more than 5% of the value of the assets of a Passport Fund may be held in assets or arrangements that:			
(a) relate to the same entity, that is not an entity that:			
(i) is an assessed central clearing party; or			
is subject to prudential supervision by a financial supervisory authority in its place of incorporation which is in the written opinion of the Home Regulator to be generally compliant with the guidelines of the Basel Committee on			
(ii) Banking Supervision in an economy where the counterparty has a principal place of business and in the reasonable opinion of the Operator is of low risk; and			
(b) are of any one or more of the following types:			
(i) transferable securities other than:			
(A) interests in financial asset regulated CISs; and			
(B) risk-assessed government securities;			
(ii) money market instruments other than risk-assessed government securities;			
(iii) derivatives;			
(iv) securities lending arrangements.			
(3) Subject to section 33, the single entity limit set out in subsection 30(2) may be raised to 10% in relation to assets or arrangements that:			
(a) have been assessed by the Operator as having an acceptable risk;			
having considered a written opinion of a credit rating agency that is regulated in providing credit ratings in an IOSCO			
(b) jurisdiction and any other information of which it is aware under its risk assessment and risk management procedures, the Operator has no reason to doubt have an acceptable risk; or			
(c) excluding assets and arrangements referred to in subsection 30(3)(a) or 30(3)(b) do not, in aggregate, exceed 40% of the value of the assets of the Passport Fund.			
(4) Subject to section 33, no more than 15% of the value of the assets of a Passport Fund may be held in assets or arrangements that:			
relate to the same entity that is subject to prudential supervision by a financial supervisory authority in its place of			
(a) incorporation which is in the written opinion of the Home Regulator generally compliant with the guidelines of the Basel Committee on Banking Supervision in an economy where the counterparty has a principal place of business and in the reasonable opinion of the Operator is of low risk; and			
(b) are of any one or more of the types mentioned in subsection 30(2)(b).			
(5) Subject to section 33, no more than 20% may be held in assets that:			
(a) relate to the same entity other than an assessed central clearing party; and			
(b) are of any one or more of the following types:			
(i) the types mentioned in subsection 30(2)(b);			
(ii) deposits.			
(6) The limits under subsections 30(2) and 30(5) do not apply to deposits funded from:			
(a) money received from the issue or sale of interests in the Passport Fund before the commencement of investment by the Passport Fund;			
(b) money received from the issue or sale of interests in the Passport Fund before the commencement of investment by the Passport Fund;			
(c) money received from sales of assets of a Passport Fund to meet the redemption requests, where the Operator reasonably believes that complying with any of those subsections would not be in the interests of the members of the Passport Fund.			
(7) No more than 35% of the value of the assets of a Passport Fund may be held in assets that are risk-assessed government securities relating to the same government entity.			

(8) For this section, an asset or arrangement relates to an entity if the asset is of a type listed in the following table and has the connection with the entity shown:				
Item	This type of asset or arrangement...	...relates to an entity if:		
1	transferable security (including those transferred under a securities lending arrangement)	it is issued or guaranteed by the entity	Related internal rules and documents	
2	money market instrument (including those transferred or which are collateral for an obligation to the Passport Fund under a	it is issued or guaranteed by the entity		
3a	derivative the price or value of which depends on the price of a transferable security or money market instrument as the reference	the reference asset is issued or guaranteed by the entity		
3b	asset that embeds such a derivative	the entity is the counterparty		
4a	derivative whose counterparty is not an assessed central clearing counterparty; or			
4b	asset that embeds such a derivative, if the counterparty risk is, or may be, transferred to the Fund			
5	securities lending arrangement	the entity is the counterparty		
6	deposit	is with the entity		
<i>Note: An asset may relate to more than one entity. It must be counted for purposes of the application of subsections (1) to (4) to each of those entities.</i>				
<i>Meaning of 'government securities'</i>				
(9) For this section and section 31, an asset is a government security only if:				
(a)	the asset is:			
	(i) a transferable security other than an interest in a financial asset Regulated CIS; or			
	(ii) a money market instrument; and			
(b)	the entity to which it relates is:			
	(i) the government of an economy;			
	(ii) a central bank; or			
	(iii) a supranational organisation.			
31 Group limit				Part A
(1)	Subject to subsection 30(6) and section 33, no more than 20% of the value of the assets of a Passport Fund may be held in assets that:		Related internal rules and documents	
	(a) relate to the same group of entities; and			
	(b) are of any one or more the following types:			
	(i) the types mentioned in section 30(2)(b); and			
	(ii) deposits.			
(2)	The limits under subsection 31(1) do not apply to deposits funded from:			
	(a) money received from the issue or sale of interests in the Passport Fund before the commencement of investment by the Passport Fund;			
	(b) liquidation of investments in the process of winding up a Passport Fund, where the Operator reasonably believes that complying with any of those subsections would not be in the interests of the members of the Passport Fund; or			
	(c) money received from sales of assets of a Passport Fund to meet the redemption requests, where the Operator reasonably believes that complying with any of those subsections would not be in the interests of the members of the Passport Fund.			
<i>Meaning of 'relate' to the same group of entities</i>				
(3) For this section:				
(a)	two entities are linked if one entity is the controller of the other;			
(b)	two entities are also linked if both entities are linked to a third entity; and			
(c)	a set of entities forms a group of entities if each entity in the set is linked to each other entity.			

(4) For this section, an asset relates to a group of entities if:				
(a) the asset is not a government security; and				
(b) the asset is of a type listed in the following table and has the connection with a group of entities shown:				
Item	This type of asset...	...relates to the same group of entities if:		
1	transferable security (including those transferred under a securities lending arrangement)	it is issued or guaranteed by an entity that is in the group of entities		
2	money market instrument (including those transferred or received as collaterals under a securities lending arrangement)	it is issued or guaranteed by an entity that is in the group of entities		
3a	derivative the price or value of which depends on the price of a transferable security or money market instrument as the reference asset; or	the reference asset is issued or guaranteed by an entity that is in the group of entities		
3b	asset that embeds such a derivative			
4a	derivative whose counterparty is not an assessed central clearing counterparty; or	the counterparty is in the group of entities		
4b	asset that embeds such a derivative, if the counterparty risk is, or may be, transferred to the Fund			
5	securities lending arrangement	the counterparty is in the group of entities		
6	deposit	is with an entity that is in the group of entities		
32 Valuation of derivatives and securities lending arrangements			Part A	
(1) For sections 30 and 31 the value of a derivative as it relates to an entity is assessed as follows:				
(a) if it relates to the entity in the manner described in item 3a and 3b of the tables in subsections 30(8) or 31(4), the value is assessed in accordance with Appendix B to these rules and may be a negative value in case of a permitted short exposure; or		Related rules and documents		
(b) if it relates to the entity in the manner described in item 4a and 4b of the tables in subsections 30(8) or 31(4), the value is assessed as the maximum potential loss in accordance with Appendix A of these rules and may be determined:				
(i) after netting off any liability of the Passport Fund to the entity where:				
(A)	the Passport Fund has a netting arrangement with its counterparty which creates a single legal obligation, covering all included transactions, such that, in the event of the counterparty's failure to perform owing to default, bankruptcy, liquidation or any other similar circumstance, the Passport Fund would have a claim to receive or an obligation to pay only the net sum of the transactions subject to the netting arrangement; and			
(B)	the Operator is reasonably satisfied that the netting arrangement is legally effective under the law of the jurisdiction in which the counterparty is incorporated and, if a foreign branch of an entity is involved, also under the law of the jurisdiction in which the branch is located, the law that governs the individual included transactions and the law that governs the netting agreement, and			
(ii) held by the Passport Fund as an asset of the fund and without encumbrance that is in the form of legal title to the asset, and that is:				
(A)	cash; or			
(B)	money market instruments that have been assessed by the Operator of the Passport Fund as having acceptable risk.			
33 Application of certain restrictions to index funds and benchmark funds			Part A	
(1) This section applies to a Passport Fund that is an index fund or a benchmark fund.				
(2) If the assets of the Passport Fund or the underlying assets of the derivatives of the Passport Fund are constituents of the index then the limitation on the exposure of the fund to the entity, or group of entities, to which the asset or assets relate relative to the value of the assets of the Passport Fund is instead the lower of:		Related rules and documents		
(a) the percentage of the index that the asset or assets represent as constituents plus 2%; and				
(b) 25%, or, only for an index fund, 40% if the eligible index relates to an established market or market sector that is widely used by investors including in economies other than the economy to which the market or market sector relates and no other exposure of the Passport Fund to another entity or group of entities exceeds 25%.				
(3) Subsection (2)(b) applies only if the Home Regulator has given written notice to the Operator that in the Home Regulator's opinion there are exceptional market circumstances relevant to the fund and that the eligible index relates to an established market or market sector that is widely used by investors including in economies other than the economy to which the market or market sector relates and has not revoked that notice by written notice to the Operator.				
34 Restrictions on portfolio allocation—Financial Asset Regulated CISs			Part A	
(1) No more than 10% of the value of the assets of a Passport Fund may be held in:				
(a) interests in a single financial asset Regulated CIS other than a Passport Fund or sub fund of a financial asset Regulated CIS other than a Passport Fund; and		Related rules and documents		
(b) a derivative where the value is determined by or varied with respect to the price of the interests in a single financial asset Regulated CIS other than a Passport Fund or, if the financial asset Regulated CIS other than a Passport Fund has sub funds, a sub fund of the financial asset Regulated CIS other than a Passport Fund.				
(2) No more than 30% of the value of the assets of a Passport Fund may be held in:				
(a) interests in financial asset Regulated CISs other than a Passport Fund and sub funds of financial asset Regulated CISs other than Passport Funds; and				
(b) derivatives where the value is determined by or varied with respect to the price of the interest in, a financial asset Regulated CIS other than a Passport Fund or, if the financial asset Regulated CIS other than a Passport Fund has sub funds, a sub-fund of a financial asset Regulated CIS other than a Passport Fund.				
(3) Subsections 34(1) and 34(2) do not apply to holdings of interests in a financial asset Regulated CIS or sub fund of a financial asset Regulated CIS that is a Regulated CIS in the Home Economy, if:				
(a) the operator of the financial asset Regulated CIS is the Operator of the Passport Fund;				
(b) the Passport Fund would comply with the requirements of sections 19 to 42 as if the assets, liabilities, derivatives and securities lending arrangement attributable to the interests held in each financial asset Regulated CIS or sub fund of a financial asset Regulated CIS in which investment is permitted because of this subsection 34(3), were assets, liabilities, derivatives or securities lending arrangements of the Passport Fund instead of the financial assets Regulated CIS or sub fund; and				
(c) the financial assets Regulated CIS or sub fund does not hold more than 10% by value of its assets in a single financial assets Regulated CIS or more than 30% by value of its assets in financial assets Regulated CISs.				

35	Restrictions on portfolio allocation—Limit on unquoted transferable securities			Part A
	No more than 10% of the value of the assets of a Passport Fund may be held in unquoted transferable securities other than financial asset Regulated CISs or derivatives where the value is determined by or varied with respect to the price of unquoted transferable securities.	Related rules and documents		
36	Restrictions on portfolio allocation—Limit on investments conferring significant management influence			Part A
	(1) A Passport Fund that is not an index fund or a benchmark fund must not hold a legal or equitable interest in votable transferable securities accounting for more than 20% of the voting rights in that entity when added to any voting rights held by any of the Passport Fund's related parties of which it is aware or has reason to believe are held.	Related rules and documents		
	(2) A Passport Fund that is an index fund or a benchmark fund must not hold a legal or equitable interest in votable transferable securities such that the Passport Fund or its Operator, together with its related parties, exert significant influence on the management of the business of the entity in which the votable transferable securities is held.			
	(3) For this section, votable transferable securities of an entity means transferable securities that:			
	(a) relate to the entity; and	Related rules and documents		
	(b) carry voting rights in the entity that may be cast on a resolution at a meeting of members of the entity generally or that are otherwise able to be voted in determining the directors of the entity.			
37	Limit on share of transferable securities or money market instruments on issue			Part A
	(1) A Passport Fund must not hold more than 10% of the non-voting securities of an entity.	Related rules and documents		
	(2) A Passport Fund must not hold more than 10% of the debt securities of an entity.			
	(3) A Passport Fund must not hold more than 10% of the money market instruments for which an entity is, or may be, liable.			
38	Limit on depository receipts over gold			Part A
	No more than 25% of the value of the assets of a Passport Fund may be held in depository receipts over gold including its derivatives where the value of the derivatives is determined by or modified by reference to the price of depository receipts over gold.	Related rules and documents		

## Regarding "Limits on Exposures" of the Passport Fund

### Annex 3 Part 6 Passport Fund Investments

MOC Clause to be Checked		Documents Attached	Docs No.	Note
Division 6.4 Limits on exposures				
39	Derivatives and securities lending arrangements—global exposure limit			Part A
	(1) The global exposure of a Passport Fund to derivatives, securities referred to in subsection 23(1)(e), securities permitted under subsection 23(2) under which liability could arise from holding of the securities under the terms of the securities as well as securities lending arrangements must not be more than:	Related rules and documents		
	(a) 100% of the value of the assets of a Passport Fund that:			
	(i) is an index fund; and			
	(ii) uses derivatives traded on a financial market for the purposes of index replication, where derivatives are used predominantly to reflect the returns on the index; or			
	(b) 20% of the value of the assets of the Passport Fund otherwise.			
40	Netting and hedging arrangements			Part A
	(1) For these rules, a relevant netting arrangement is the netting of positions between:	Related rules and documents		
	(a) derivatives with the same underlying assets or index (disregarding any difference in the maturity dates of the derivatives);			
	(b) derivatives and the assets to which the derivative relates; or			
	(c) derivatives and all of the assets that are components of the relevant underlying index to which the derivatives relate that are held by the fund in the proportions that each of those assets are weighted in the index.			
	(2) For the rules, a relevant hedging arrangement is any holding of a derivative that the Operator of the Passport Fund:			
	(a) reasonably expects will reduce either:			
	(i) both of the following types of risks:			
	(A) the general market risk for a class of assets held by the Passport Fund; and			
	(B) specific risks arising from holding assets in that class; or			
	(ii) the risk of receiving application moneys or having to pay redemption in a currency that differs from that for which the assets of the Passport Fund are or are likely to be required for the transactions of the Passport Fund;			
	(b) concludes with the sole purpose of offsetting those risks; and			
	(c) reasonably expects does not provide an offsetting exposure that is greater than 105% of the exposure being offset at the time of entering into the arrangement.			
	(3) For these rules, the net exposure of a relevant netting or hedging arrangement is determined by calculating the net value of the derivatives and assets to which the arrangements applies, using where applicable Appendix B to these rules and the exposures under any holding of the assets to which the arrangements applies.			
	(4) The Operator of a Passport Fund must document the reasons on which any expectations referred to in subsections 40(2) are based.			
41	Securities lending limit			Part A
	No more than 50% of the value of the assets of a Passport Fund may be held in assets that have been transferred to the Passport Fund under securities lending arrangements.	Related rules and documents		
42	Derivative—covering exposures			Part A
	(1) If a Passport Fund enters into a derivative that gives rise, or may give rise, to a future commitment of the Passport Fund, the Passport Fund must hold at all times assets that the Operator of the Passport Fund reasonably believes will be available and able to be converted into sufficient assets:	Related rules and documents		
	(a) in the case of a derivative that will, or may, be cash-settled, to enter an offsetting derivative so as to eliminate the exposure or have the counterparty to the derivative agree to terminate it; or			
	(b) in the case of a derivative that requires, or may require, physical delivery of the underlying asset, to be delivered as required to meet the actual or potential delivery obligation.			

Regarding "Other Restrictions" of the Passport Fund

Annex 3 Part 6 Passport Fund Investments

MOC Clause to be Checked	Documents Attached	Docs No.	Note
Division 6.5 Other restrictions			
43 Prohibition on provision of loans, guarantees and underwriting			Part A
(1) A Passport Fund must not lend money.	Related rules and documents		
(2) For subsection 43(1), a Passport Fund does not lend money if it holds a deposit as permitted under Division 6.2.			
(3) A Passport Fund must not act as guarantor for another person or entity.			
(4) A Passport Fund must not underwrite securities by agreeing to acquire securities if they are not acquired by another person under an offer or to ensure a certain amount is raised from an offer.			
44 Borrowing			Part A
(1) A Passport Fund must not borrow unless all of the following conditions are satisfied:	Related rules and documents		
(a) the total amount of borrowings of the Passport Fund does not exceed 10% of the value of the Passport Fund assets at the time of borrowing;			
(b) the purpose of the borrowing is:			
(i) to enable payment of redemption requests that:			
(A) have been made; or			
(B) are reasonably expected to be made; or			
(ii) to enable payment of expenses properly payable by the Passport Fund other than:			
(A) fees payable from the Fund to an Operator; or			
(B) fees payable from the Fund to the independent oversight entity; or			
(C) expenses associated with making an additional investment; or			
(iii) to enable payment of dividends or distributions to members.			
(c) there is a material risk that, without the borrowing, the Passport Fund will be unable to:			
(i) meet redemption requests; or			
(ii) pay expenses of the kind mentioned in subsection (1)(b)(ii) above;			
(d) the borrowing is in the form of a trade credit, loan or overdraft from a financial institution licensed or regulated in the institution's principal place of business;			
(e) the Passport Fund intends to repay the amount:			
(i) in full in less than 31 days; and			
(ii) without relying on other borrowings or financed amount; and			
(f) the Operator of the Passport Fund has documented cash flow projections prepared on reasonable assumptions that show that the amount will be repaid within that period.			
(2) For the purposes of subsection 44(1)(a), any amount payable to the Passport Fund by the lender is not taken to reduce the amount borrowed.			
(3) A Passport Fund must not enter into a securities lending arrangement for the purpose of acquiring any collateral provided to the Passport Fund except to cover an unexpected shortfall of holdings in the collateral that is necessary to meet an obligation to another person.			
45 Short-selling prohibited			Part A
(1) A Passport Fund must not sell or be under an obligation to transfer a Passport Fund asset unless, at the time of the sale:	Related rules and documents		
(a) the Passport Fund has a presently exercisable and unconditional right to give title to the asset to the buyer (a transferable title); or			
(b) the Passport Fund has an agreement to buy the asset to be sold that:			
(i) will enable the Passport Fund to acquire a transferable title to the asset before it is to be transferred; and			
(ii) is conditional only on:			
(A) payment of the consideration;			
(B) the exercise of an option on the part of the Passport Fund; or			
(C) receipt of the proper instrument of transfer or receipt of the title documents.			
(2) For subsection 45(1), a transferable title to an asset, or an agreement to buy an asset that meets the conditions in subsection 45(1)(b), may only support one agreement to transfer the asset or equivalent asset including by way of sale or under a securities lending arrangement.			
46 Liability of members			Part A
A Passport Fund must ensure that no member of the Passport Fund has a monetary liability to the Passport Fund or creditor of the Passport Fund in that person's capacity as a member of the Passport Fund.	Related rules and documents		

47 Performance fees		Part A
A Passport Fund or its Operator must not permit a fee to be paid by the Passport Fund whether to an Operator or a delegate of the Operator based on any returns of the Passport Fund or any increase in the value of any assets of the Passport Fund relative to a measure, unless:	Related rules and documents	
(a) taking into account the arrangements to manage risk of the Passport Fund, the basis for the fees charged has not resulted and is not likely to result in:		
(i) risks being taken by the Operator in relation to the Passport Fund that are excessive, having regard to information made available to members or persons being offered an interest in the Passport Fund concerning the Passport Fund's investment objectives and strategy and the risks that will apply to achieving it; or		
(ii) the Passport Fund's investment objectives not being followed, to obtain or increase fees;		
(b) the calculation of the fees is verified by the Operator or its auditor as consistent with the agreed basis for the fee before payment and can be verified from that time for at least five years by the independent oversight entity or the auditor of the financial statements of the Passport Fund; and		
(c) the independent oversight entity or the entity responsible for the compliance review has during the previous 13 months stated in writing to the Operator that it is not aware of any reasons to believe that the fees payable by the Passport Fund will result in the Operator not complying with written policies and procedures for fees of the Operator for the Passport Fund designed to ensure compliance with subsections 47(1)(a) and (b).		

Annex 3 Part 7 Redemption and valuation for pricing

MOC Clause to be Checked	Documents Attached	Docs No.	Note
Division 7.1 Redemption			
48 Rights to redemptions—exchange traded Passport Funds			Part A
(1) This section applies to a Passport Fund if:			
(a) it is an index fund or benchmark fund; and			
(b) it is traded on one or more relevant financial markets.			
(2) The Operator must take reasonable steps to ensure that each member of the Passport Fund is able to sell the member's interests in the fund on the relevant financial markets at a price that is not materially different from the net asset value per interest of the Passport Fund.			
(3) Subject to this Division and any requirements of the economy in which the member is located, a member of the Passport Fund may request a redemption of the members' interests under section 49 if trading of the interests has been suspended on all the relevant financial markets for five consecutive days on which one or more of the financial markets is open for business (not counting days on which the redemptions of interests in the Passport Fund are suspended under section 51).			
(4) Subsection 48(3) does not apply to a Passport Fund if it became a Regulated CIS before 1 January 2015.			
(5) For this section, a financial market is relevant to a Passport Fund if:			
(a) it is operated in a Participant; and			
(b) under the operating rules of the financial market, interests in the Passport Fund are admitted, and remain admitted, to trading status.			
49 Rights to redemptions—other Passport Funds			
(1) This section applies to a Passport Fund other than one to which section 48 applies.	The terms & conditions of the investment trust (if it is an investment trust)		
(2) Subject to any requirements of the economy in which the member is located, a member of the Passport Fund may at any time request a redemption of the member's interests under section 50.			
(3) Subsection (2) does not apply if the Operator has suspended redemptions in accordance with section 51.			
50 Processing redemption requests			Part A
(1) When the Operator of a Passport Fund receives a request for redemption under sections 48 or 49, the Operator must, within the redemption period, process the redemption request and pay the member at a price per interest (the redemption price) that is:	The terms & conditions of the investment trust (if it is an investment trust)		
(a) the valuation entity's estimation of the net asset value per interest of the Passport Fund, taking into account any redemption fees or transaction costs associated with redemption that have been disclosed to the member before the request; and			
(b) calculated using a valuation of the assets of the Passport Fund that is conducted after the request for redemption is received from the member.			
(2) The redemption period for requests for redemption must not exceed 15 days after the request is received by the Operator, unless the Operator has notified any member in writing that it will be a shorter period, in which case the shorter period applies as the maximum, or if there is a suspension permitted under section 51 or redemption is deferred under section 52.			
(3) If a notification by the Operator under subsection 50(2) is in effect, the Operator may not increase the redemption period without reasonable notice to members.			
(4) In the case of a request under section 48, the Operator may not charge a redemption fee that is more than reasonably proportionate to the fee charged to any person who is entitled, under an arrangement with the Operator, to redeem interests other than under section 48.			
(5) The Operator must give the member the option of having the redemption price paid out in the currency in which the member paid for its interests in the Passport Fund, at the exchange rate available to the Operator at the time of the redemption, subject to any reasonable costs based on a reasonable estimate of costs for any foreign currency exchange that the Operator considers necessary for the purpose.			

51 Suspension of redemptions			Part A
<i>Operator of a Passport Fund must suspend or restrict redemptions in certain circumstances</i>			
(1)	The Operator of a Passport Fund must suspend redemptions in the Passport Fund if it is directed to do so by the Home Regulator in writing and the direction has not been revoked in writing.	The terms & conditions of the investment trust (if it is an investment trust)	
(2)	The Operator of a Passport Fund must suspend redemptions in the Passport Fund if the Passport Fund is in the process of being wound up. This does not prevent an interim or final distribution on a pro rata basis during the winding up of the fund.		
(3)	The Operator of a Passport Fund must suspend redemptions in the Passport Fund during a period when:		
	(a) the Operator considers that a suspension is in the best interests of members;		
	(b) the Operator considers that a suspension is fair as between members; and		
	(c) either:		
	(i) the Operator considers that:		
	(A) a proportion of the assets of the Passport Fund are not able to be reliably valued;		
	(B) that proportion is such that, in the reasonable opinion of the Operator, there is a material risk that the redemption price will contain an error; and		
	(C) the error in the redemption price is likely to affect the decision of members of the Passport Fund about whether or not to redeem their interests; or		
	(ii) the Operator reasonably expects that more than 20% of the value of the assets of the Passport Fund could not be realised at or above the fair value of the assets within the period for satisfying redemption requests; and		
	(d) the Home Regulator has not directed the Operator in writing not to suspend redemptions or to cease suspension of redemptions.		
<i>Other Passport Funds must not otherwise suspend or restrict redemptions</i>			
(4)	The Operator of a Passport Fund must not suspend redemptions in circumstances other than those set out in subsections 51(1), 51(2), and 51(3).	The terms & conditions of the investment trust (if it is an investment trust)	
Note: Funds to which section 48 applies (exchange-trade Passport Funds) are only required to provide redemptions in the circumstances set out in that section.			
52 Deferral of redemptions			Part A
(1)	This section applies in relation to a Passport Fund if, on a dealing day:	The terms & conditions of the investment trust (if it is an investment trust)	
	(a) the redemption request is due for redemption; and		
	(b) any deferred redemption requests under subsections 52(5) and 52(6);		
	together, amount to more than 10% by value of the interests in the Passport Fund.		
(2)	The Operator does not contravene this Part if it limits the interests that will be redeemed on the day to a proportion of the interests in the Passport Fund (the daily limit) that is at least 10% by value of the interests in accordance with this section.		
(3)	The Operator must divide the requests into priority groups based on the days on which they were received, giving higher priority to requests received on earlier days.		
(4)	The Operator must process the requests by priority group.		
(5)	If redeeming all the requests in a priority group would take the interests redeemed on that day beyond the daily limit, the Operator must:		
	(a) redeem the same proportion of each request in the priority group; and		
	(b) treat each request in the priority group as a deferred redemption request for the remainder of the interests requested, to be dealt with on the next dealing day.		
(6)	If the daily limit is filled before a priority group is reached, the Operator must treat the whole of each request in that priority group as a <i>deferred redemption request</i> , to be dealt with on the next dealing day.		
(7)	For this section: <i>dealing day</i> , in relation to a Passport Fund, means a day on which the members of the Fund have a right to redeem their interests in the Fund including following a deferral under this section.		
Division 7.2 Valuation of assets			
53 Valuation of Passport Fund assets			Part A
(1)	For this section, the valuation entity for a Passport Fund registered in a Participant is the entity shown in the following table:		
	Home Economy of the Passport Fund	Valuation entity	
	Australia	The Operator	
	Japan	The Operator	
	Korea	The Operator	
	New Zealand	The Operator	
	Singapore	The manager of the collective investment scheme authorised by the Monetary Authority of Singapore under the Securities and Futures Act	
	Thailand	The Operator	
(2)	When calculating the value of the assets of the Passport Fund for pricing, the valuation entity must ensure that the valuation is calculated in accordance with this section.		
(3)	The value of an asset of the Passport Fund is its market value.		Related internal rules
(4)	The value of a derivative that is not regularly traded on a financial market must not be calculated in a way that relies solely on a valuation provided by the counterparty to the derivative.		