

Appendix No. (2) Types of Investment policies of a Local Fund

First: Securities Investment Fund

This is a local fund, whose investment policy is to invest in securities and/or foreign securities listed in the local market and foreign markets¹.

First: The investment of the local public fund is limited to the following:

1. Investments in traded securities.
2. Investing in financial derivatives of tradable securities to account for risk appetite as specified in the offering document or for hedging purposes provided that full disclosure is made.
3. Investing in time deposits and money market transactions with a maturity of (12) months as a maximum with licensed banks.
4. Investing in money markets and exchange traded funds, or in bank deposits to ensure the level of liquidity.
5. Investing in units of public securities investment funds, provided that the investment percentage is specified, and that they are licensed by the Authority or a regulatory authority similar to the Authority.

Second: The manager of a public fund and the board of directors of the public self-managed fund shall comply with the following:

1. Refrain from investing the assets and money of the Public Fund in securities issued by the Fund Manager itself or any of its parent, holding, subsidiary or sister companies, unless otherwise permitted and stated in the investment policy and offering document.

¹ **Foreign market:** A market established outside the State and subject to a regulatory authority similar to the Authority.

2. Not invest in debt instruments that are not credit-rated. The credit rating of the invested debt instruments shall not be less than investment grade².
3. Not borrow or enter into transactions that entail contractual obligations of more than (10%) of the total value of the fund's assets.
4. The percentage of investment in securities issued by a single issuer shall not exceed (10%) of the total value of the fund's assets. The aggregate value of the investments that exceed 5% of the total value of the funds' assets shall be capped at exceed (40%) of the fund's total assets.
5. The percentage of investment in all securities of one issuer shall not exceed (20%) of the total value of the fund's assets.
6. The percentage of investment in the unlisted securities shall not exceed (10%) of the total value of the fund's assets.
7. The total of the fund's investments in different entities belonging to the same parent, holding, subsidiary or sister company shall not exceed (25%) of the total value of the fund's assets.
8. The percentage of investment in the financial derivatives shall not exceed (15%) of the total value of its assets.
9. The percentage of investment in a public exchange traded fund (s) shall not exceed (40%) of the total value of the assets of the invested fund.
10. Investment in foreign securities must be made in listed investments on major active foreign markets subject to the supervision of a regulatory authority similar to the Authority and to be approved by the Authority.

² **Investment grade** is a rating granted by recognized credit rating entities that indicates a relatively low degree of risk associated with investment.

11. Subject to the fund's investment policy, investing in securities funds or other public money market funds, must not exceed (25%) of the total value of its assets, along with the following:

- a. The total value of investments in those funds shall not exceed (20%) of the total value of the invested fund's assets.
- b. The investment in one fund shall not exceed (10%) as a maximum of the total value of its assets.

12. The following shall be excluded from the above percentages:

- a. Debt instruments issued by local government authorities not exceeding (35%) of the total value of the fund's assets.
- b. Investing in debt instruments denominated in the fund's currency and issued by non-local sovereign authorities, provided that the investment therein does not exceed (25%) of the net value of the fund's assets.
- c. Investing more than (10%) of the net value of the public fund's assets in one class of debt instruments listed in a major market and issued by one issuer, provided that the investment therein does not exceed (20%) of the net value of the fund's assets.

Second : Debt Instruments

1. A local fund³, whose investment policies are limited to investing in debt instruments with medium and long terms and which are issued by governments, governmental or semi-governmental companies, financial institutions and private companies, provided that they are rated by one of the international rating agencies recognized by the Authority.
2. The local public fund may not borrow or enter into transactions that entail contractual obligations, with the exception of borrowing to cover redemption requests, with a maximum of (10%) of its net asset value.
3. Except for the previous clause, a public investment fund in debt instruments shall be subject to the same investment policy provisions and investment restrictions of the investment fund in securities.

³ Clause (1/second) has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

Third : Money Market Fund

1. An open-ended local fund whose investment policy requires investing in money market instruments, including treasury bills, commercial papers, certificates of deposit, and medium-term bonds.
2. The fund manager and board of directors of the self-managed fund shall ensure that stress tests are conducted for the fund every (6) months to monitor the risks of the fund and develop plans and procedures to deal with them.
3. **A local public fund shall be limited to investing in the following:**
 - a. Bank deposits and money market transactions, provided that they are concluded with a bank or banks licensed in the State or licensed outside the State by a regulatory authority similar to the UAE Central Bank.
 - b. Debt instruments.
 - c. Derivative contracts.
 - d. Units of public money market funds with an investment policy similar to the fund.
 - e. Units of public investment funds specialized in fixed-income debt instruments.
4. **The public fund manager and the board of directors of the self-managed public fund shall comply with the following investment restrictions:**
 - a. Commitment to retain at least (10%) of the total value of the fund's assets as cash liquidity or investments with a maturity date or remaining maturity period not exceeding (7) days.

- b. The maximum period of any investment in the fund shall not exceed (397) days, with the exception of investments that can be liquidated within five working days.
- c. The maximum weighted average of the maturity of the fund's investments shall not exceed (180) days.
- d. Evaluation of the fund's assets according to the Fair Value principle if current market price is not available.
- e. The credit rating⁴ of the invested debt instruments shall not be less than investment grade⁵ by one of the rating agencies recognized by the Authority.
- f. Refraining from borrowing or entering into transactions that entail obligations, with the exception of borrowing to cover redemption requests up to a maximum of (10%) of the of its net value asset.
- g. The fund's investment in debt instruments from one issuance shall not exceed (10%) of the fund's total asset value.
- h. The fund's investments in securitization shall not exceed (10%) of the fund's total asset value.
- i. The fund's investments in deposits, debt instruments, derivatives, or investment units with one or more entities belonging to the same group shall not exceed (25%) of the total value of the fund's assets, unless that is a local government entity.
- j. Investing in investment funds in other money markets, if its investment policy permits, not to exceed (15%) of the total value of its assets,

⁴ **A credit rating** is an independent report on the creditworthiness of an entity or a security.

⁵ **Investment grade** is a rating granted by recognized credit rating entities that indicates a relatively low degree of risk associated with investment.

provided that investment in funds managed by one manager does not exceed (10%) of the total value of the fund's assets.

- k. A money market fund may not invest in derivative contracts except for the purpose of hedging, provided that the value of that investment does not exceed (5%) of the net asset value of the fund, and that the issuer of such contracts is subject to capital adequacy rules issued by a regulatory authority similar to the Authority.

Fourth: Exchange Traded Fund (ETF)

1. A local open-ended fund that invests its money in the components of a specific index, which is determined by its investment policy.
2. **Specific index**: It is any investment components with specific investment ratios, whether previously prepared or developed, and the index followed by the investment fund must have the following characteristics:
 - a.** The index shall be clear, published, available and accessible to the public investors.
 - b.** Clearly indicate the sector of the market that the Index represents
 - c.** Its components shall be diversified and liquid securities traded in an recognized financial market.
 - d.** Actively reflect price movements and price changes that may occur in its components or relative weights.
3. **The ETF may**:
 - a. Fully track the components and relative weights of an index or, through a sample that represents the index by using specific correlation coefficient.
 - b. Aim to follow the index or achieve outperform the index that it follows.
 - c. Investing in another local or foreign exchange traded fund, wherein the portfolio's security weights align with those of the local fund's in accordance with its specified terms and conditions⁶.
4. **The fund manager and the board of directors of the self-managed fund shall comply with the following**:

⁶ Clause (3/c) in Fourth has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

- a. Issue new fund units or liquidating units for the purposes of redemption in accordance with the regulatory controls and procedures specified in the offering document that is approved by the Authority.
- b. Appointing one or more authorized participants and liquidity providers.
- c. Listing the units of the ETF in one or more markets in the State if its units are offered in the State after obtaining the approval of the Authority in accordance with the listing rules and regulations set by the markets. Some or all units of an ETF may be listed in a regulated and recognised foreign market subject to approval by the Authority.
- d. Disclosure of the components of the ETF index on a regular basis, according to what is contained in the offering document.
- e. Including in the ETF offering document and the offering document information summary (KIID), the following additional data:
 - 1) Provide data of the index tracked by the fund
 - 2) Determine the mechanism for issuing and redeeming units.
 - 3) Determine the licensed entity that will perform the duties of the fund's authorized participant.
 - 4) Calculate the spread between the supply and demand prices that the liquidity provider must provide in the market, based on the net asset value of the unit declared on an ongoing basis.
 - 5) Determine the maximum deviation from the index that it tracks.
- f. Ensure that the ETF performs in the following manner:
 - 1) Achieving a correlation between the value of the fund's units and the value of the index or commodity that the fund tracks when it was initially established, so that the correlation coefficient is not less than

what was determined in the investment policy and originally specified in the offering document.

- 2) To ensure that the liquidity provider offers continuous buy/sell orders for the fund units in secondary market.
- 3) Linking the prices of the orders issued through the fund's liquidity provider to the net asset value of the unit declared on a daily basis or to the value of the net asset value of the unit declared during active trading, provided that it does not exceed the spread agreed upon and specified in the offering document. provides

Fifth: Real Estate Investment Fund

1. A closed-end local fund whose main purpose is to invest in real estate assets, building of property and real estate projects, and develop said assets for sale or lease, in order to establish a portfolio of real estate investment assets.
2. The assets of the real estate investment fund portfolio may consist of any or all of the following:
 - a. Real estate assets and properties of all kinds, and contributions to real estate development projects.
 - b. Securities related to real estate, such as: listed real estate debt bonds, listed real estate stocks issued by public real estate companies, traded securities backed by mortgages, investment units of other public real estate investment funds, and money market instruments, not exceeding (35%) of the fund's investment portfolio.
3. The manager of the local fund and the board of directors of the self-managed fund are required to sign binding contractual agreements with a licensed real estate developer in the event that the licensed real estate developer builds, develops, or contributes to the development of real estate projects.
4. **The requirements for the real estate assets of the local real estate fund:**
 - a. Obtain the required approvals of the official authorities in the State in which the property is located.
 - b. Provide evidence of the fund's ownership the owned properties, its beneficial and usufruct rights, any other contributions to real estate development projects, or its indirect rights through ownership in a company that owns any of these rights, based on contracts, agreements, or documents proving said ownership, contribution, or benefit. This

evidence must be ratified by the official authorities in the State in which the property is located.

- c. The real estate assets shall not be burdened with any restrictions, rights or conditions that affect the acquired rights of the fund in the assets or real estate projects.
 - d. The real estate assets of the fund, in their entirety, shall meet the approval of the official competent authorities to plan, develop or build them . The official competent authority shall release a formal statement stating that the real estate assets of the fund in question have been approved and are fully authorized.
 - e. All the fund's properties have been appraised and evaluated upon purchase.
 - f. Register the property in the name of the fund or submit evidence that the fund owns the property in order to protect the rights of the unit holders in the public real estate fund.
5. The local real estate fund shall have a board of directors in accordance with the terms and conditions regulating this.
6. **Requirements for the investments of the local public real estate fund:**
- a. The remaining period of the usufruct shall not be less than (7) years.
 - b. The fund's investment in usufructs - the remaining period of which is less than (20) years - shall not exceed (25%) of the total value of its assets when the usufruct is transferred to it.
 - c. The acquisition price of the real estate, or the sale price of the property, shall not exceed (5%) above the average appraisals obtained by the fund manager from the property appraisers.
 - d. Without prejudice to the previous clause, the approval of the general assembly of the unit holders shall be obtained by virtue of a special

resolution and the approval of the Authority when purchasing or selling a property from or to related parties of the fund.

- e. The percentage of investment in other real estate funds and/ or money market funds licensed by the authority or subject to a similar regulatory authority shall not exceed a maximum of (25%) of net asset value of the fund, provided that the following is adhered to:
 - 1) The offering document permits this.
 - 2) Investment in one fund shall not exceed a maximum of (10%) of the total value of its assets.
 - 3) Investment in private funds shall not exceed a maximum of (10%) of the total value of its assets.
 - 4) Investment in funds managed by one manager shall not exceed (10%) of the total value of its assets.
- f. Maintain a specified percentage of liquidity in the fund to pay the fund's operating expenses or the requirements for developing, maintaining or equipping proprieties, and investing that liquidity in bank deposits and money market instruments that generate returns.
- g. The fund's investments in real estate-related securities are traded and offered for public subscription.
- h. The offering of the public local real estate fund shall not be less than (AED100 MM) one hundred million dirhams, and at least (25%) of its capital shall be owned by no less than (100) investors from the public.

7. A public real estate fund may:

- a. Own one or more real estate services companies , provided that its investment in the ownership of that/these company/s and its/their subsidiaries does not exceed (20%) of the total value of its assets.

- b. Enter into contractual obligations for the purposes of Islamic financing to acquire real estate assets whereby the legal ownership of the property is held by a financial institution, provided that it is disclosed in the fund's offering document or approved by a special resolution of the unit holders.
- c. Own real estate assets and real estate projects jointly with one or more third parties provided that the fund retains the majority stake and control, so that it has the right to dispose of those assets in the best interests of the funds unit holders.

8. Public local real estate fund may borrow subject to the following:

- a. A public local real estate fund may borrow up to a maximum of 50% of the total value of its assets, provided that:
 - 1) The lender is authorized to do so by the concerned authority in the State.
 - 2) All borrowing by the fund is carried out on a strictly commercial basis.
 - 3) The fund manager and the board of directors of the self-managed fund disclose any relationship of the lender to the public real estate fund or any of the related parties of the fund, and ensure that mechanisms are in place to manage any conflict of interests that may arise from that relationship.
- b. In the event that the borrowing limit referred to in this Article is exceeded, the fund manager and the board of directors of the self-managed fund shall inform the unit holders and the Authority of the extent of the breach, the reason for the breach, and the proposed rectification and make efforts to reduce the excessive in borrowing as soon as possible.

- c. The fund manager may mortgage the assets of the fund to secure loans.
 - d. The fund Manager shall do its best to reduce the excess borrowing as soon as possible.
 - e. All borrowings by the fund shall be made on a commercial basis.
9. **The manager of the public real estate fund and the board of directors of the public self-managed fund shall comply with the following:**
- a. Appraise all real estate assets before purchasing or selling them and ensure that such evaluation is conducted by a duly recognized and approved real estate appraiser who is formally contracted by the fund to carry out such duties.
 - b. Assisting and ensuring that the real estate appraiser perform his duties, including providing documents and information necessary to complete the appraisal process.
 - c. An appraisal report issued more than three months previously will not be considered valid when appraising real estate assets of the fund.
 - d. Full responsibility for the fund's assets and insuring them against any risks.
 - e. Ensure that the semi-annual financial reports of the fund's investments include details related to market value, type and location of assets, current value of real estate investments, the age/maturity of the asset, its suitability for rent , details of the facilities available and the location of the asset, the quality of the building in which the asset is located, the level of customer service provided if applicable as well as , customer feedback; asset

management company and the credit rating of the bonds in which the fund invests its money, if applicable.

- f. The annual report must include all details of the fund's assets and any material and substantive legal actions taken by the fund or against it during the period.
- g. Legal counsel must prepare and review all contracts, contractual obligations and legal transactions of the fund and its real estate assets to ensure the legality of its disposals and the absence of any restrictions on its ownership.
- h. Ensure that a duly authorized and experienced real estate appraiser with the requisite experience in the real estate sector is engaged to evaluate and appraise the real estate assets of the fund.
- i. Contract the required third parties to implement the fund's business plan, including real estate developer, real estate management company, real estate distributor and promoter, and real estate service companies.
- j. Distribute annual net profits to unit holders as per the provisions of the offering document,
- k. Periodic appraisal of the assets of the public real estate fund at least once every six months to be carried out and prepared by the real estate evaluator of the fund. The fund manager or the board of directors of the self-managed fund may, for acceptable reasons and after notifying the Authority, postpone the date of appraisal of the assets.

10. The real estate appraiser shall comply with the following:

- a) Appraise the real estate assets entrusted to him by the fund management in accordance with the professional and technical principles and rules applicable in this regard.
- b) The following must be included in:
 - 1) the appraisal methodology and the basis of the assumptions made in the appraisal report.
 - 2) An analysis of the factors related to the real estate market, such as supply and demand, and property details and specifications.
 - 3) Risks related to the property.
 - 4) Disclosure of any violations or risks related to the assets being appraised and the proposed remediation mechanisms.
- c) Providing the fund manager, the board of directors of the self-managed fund, the management services company, and the auditor with a copy of the periodic appraisal report
- d) Provide the Authority with any reports and data requested by the Authority.
- e) Assume full responsibility to fund manager, the self-managed fund's board of directors and the unit holders, for any mistake occurring as a result of negligence or failure to carry out duties.
- f) To be fully independent of the fund and any of its related parties when evaluating and appraising the fund's assets.

Public Real Estate Fund - Subscription and Order Book Building

1. The fund manager and founders of the self-managed fund, upon offering units of the public real estate fund for subscription through a book building mechanism, shall abide by the following:
 - a. Appointing a financial advisor licensed by the Authority for the purposes of managing the process of subscription, building the order book, and coordinating between the participating parties, provided that he adheres to the same duties and obligations applicable to him when carrying out his tasks related to the book building for public joint-stock companies.
 - b. Concluding any agreements to underwrite the subscription (if any) and disclosing them before starting the book building process, provided that the underwriting agreement includes that it is not permissible to specify a price for the units less than the offering price.
 - c. Refraining from participating in the book building process, by requesting a quantity representing (5%) or more of the total number of the fund units.
2. **The** participating entities shall abide by the provisions of this resolution and other investment conditions or restrictions that regulate their work and licensing.
3. The providers of shares in-kind, the fund manager, the founders of the self-managed fund, or any of the parties that have a conflict of interest with the fund shall not be entitled to participate in the book building process.

4. Receipt of subscription applications shall be in two phases. The first phase is for professional investors (according to an initial prospectus that determines the price range of the units), followed by the second phase for retail investors, in which the final investment offering price shall be determined in light of the results of phase (1). The fund shall declare this price before the start of the subscription period for retail investors to subscribe as per the provisions of the offering document.
5. Retail and professional investors shall pay the value of the subscribed shares when submitting subscription applications.
6. Without prejudice to the above clauses, the rest of the terms and conditions of the subscription and book building for regulating the offering and issuance of shares in public joint stock companies shall be applied, provided that the term “fund manager” or “founders of the self-managed fund” shall replace the term “company”, and the term “investment units of the fund” shall replace the term “shares”.

Sixth: Real Estate Investment Trusts (REITs)

1. A closed-end local real estate fund whose investment policy aims to provide periodic income to the fund's unit holders.
2. The fund manager may maintain a percentage of liquidity in the fund to fulfill the fund's operating expenses or the requirements for developing, and maintaining real estate assets The fund manager may invest that liquidity in bank deposits and income generating money market instruments.
3. The fund may own a percentage not exceeding (25%) of the total value of the fund's assets in tradable securities in public real estate companies and investment units of local public real estate funds.
4. Real estate income generating assets shall not be less than (70%) of the total value of his assets.
5. **The manager of Public REIT and the board or directors of the public self-managed fund shall comply with the following:**
 - a. Invest no less than (75%) of the total value of the fund's money in real estate assets to build and/or develop, or refurbish them for sale, lease, management or disposal.
 - b. Distributing a percentage of not less than (80%) of the annual net profits, with the possibility of making more than one dividend distribution during the year.
 - c. Any investment made in relation to real estate under development, whether on its own or in a joint venture, shall be made only when the real estate investment fund intends to retain its percentage in the developed property upon completion, provided that the total percentage of properties under development in the fund's

investment portfolio does not exceed (30%) of the net asset value of the fund.

- d. The Public REIT shall be subject to all terms and conditions applicable to the public local real estate fund, as long as they do not conflict with its provisions.

Seventh : Capital Protection Fund ⁷

1. A local investment fund with an investment policy aligned with its investment objectives of protecting the fund's capital against investment risks and returning it, along with profits if any, to the unit holders at a future date specified in the offering document.
2. The fund's investment policy aims to protect the fund's capital against investment risks.
3. The fund manager and the fund's board of directors must adhere to the restriction of not investing more than 25% of the fund's net investments in one or more entities belonging to the same financial group, including bank deposits, debt instruments, and money market transactions⁸.
4. The fund manager and the fund's board of directors are required to adhere to the conditions and restrictions of the investment policy of the investment fund in money markets, or any other investment policy of public funds that provides protection for the fund's capital and is approved by the Authority.⁹
5. **For the purpose of protecting the fund's capital, the manager of the public fund and the board of the self-managed public fund may take the following actions:** ¹⁰

⁷ The fund's name in section (7) titled "Capital Guarantee Fund" is amended to be "Capital Protection Fund," pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

⁸ Clause from 1-3 in in section (7) has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

⁹ Clause (4) in section (7) has been added pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

¹⁰ Clause (4) in section (7) has become Clause (5), and amended the beginning of clause pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

- a. Appointing a qualified guarantor in accordance with the following conditions:
 - 1) An insurance company, or bank licensed and operating in the State, which has a credit rating to measure its capital adequacy and creditworthiness with a minimum of investment grade.
 - 2) If the rating of the guarantor is downgraded, the fund manager and the board of directors of the self-managed fund shall conclude a new agreement with a new guarantor that meets the minimum credit rating, and provide the same level of guarantee to unit holders as the original guarantee as a minimum.
- b. The qualified guarantor shall not be the issuer of transferable securities and money market instruments constituting more than (10%) of the net asset value of the fund for this purpose¹¹.
- c. **Conclusion of a guarantee agreement:** written between the guarantor and the fund to obtain an unconditional guarantee provided by the guarantor, provided that the guarantee is due at the first request, and is legally enforceable in the State against the guarantor by the fund manager or the board of directors of the self-managed fund in accordance with the following conditions:
 - 1) The guarantee shall cover at least (100%) of the capital invested by the participants.
 - 2) The amount and duration of the guarantee provided by the guarantor shall be in accordance with the offering document and the promotional and marketing materials of the fund.

¹¹ The Issuer and its subsidiaries, sister, parent and holding companies are considered one entity.

- 3) A prominent disclosure in the offering document if the guarantee applies only on any particular date(s) or after a specified period.
- 4) There shall be no change in the guarantee agreement if the opinion of the fund manager or the board of directors of the self-fund is that it is detrimental to the interests of the investment unit holders of the fund.
- 5) Any change in the guarantee agreement that is in favor of the unit holders shall be subject to the approval of the fund manager or the board of directors of the self-managed fund, unless these changes are material, in which case these changes shall be made by an ordinary resolution in the general assembly of the unit holders.
- 6) If the guaranteed amount is reduced or increased due to redemption of existing units or subscription to new investment units, this shall not be considered a change to the guarantee agreement.

d. Cases of termination and replacement of guarantee:

- 1) If the fund is terminated or liquidated.
- 2) By the fund manager or the board of directors of self-managed fund, in case of liquidation of the guarantor (except for voluntary liquidation for merger purposes).
- 3) If a new legal or regulatory condition enters into force that renders the guarantee agreement unlawful or if the fund manager or the board of directors of the self-managed fund considers that continuation of the guarantee is impractical.

- 4) If it appears to the fund manager or the board of directors of the self-managed fund that the cost of obtaining a new guarantor significantly exceeds the benefit of this guarantee for the investment unit holders of the fund. In this case, after obtaining a special resolution from the general assembly of the unit holders, the fund may be terminated and liquidated or be allowed to be continue without guarantee. In such case, the word “guarantee” “protected” or any equivalent meanings shall not be used in its name or in any communication or promotion thereof, whether in the form of marketing materials or otherwise, and describing it, or using a name indicating that it is a capital-guaranteed fund or its equivalent in a guaranteed fund.

Eighth : Eligible Commodities Investment Fund

1. It is a special local fund established with the aim of investing no less than (85%) of the total value of the fund's assets in eligible commodities while keeping the rest of the fund's assets for the purposes of meeting liquidity requirements. It may be an Islamic fund. In such case, it gives the investor an option upon redemption, which is to transfer a percentage of the fund's assets to the investor, equivalent to the value of its investment in the fund.
2. **Eligible commodities means:** commodity contracts that are traded in the market and/or the foreign markets¹², provided that they enjoy liquidity that allows the fund manager and the self-managed fund board of directors to fulfill their obligations and make redemptions according to the nature of the fund, and that their evaluation is in accordance with applicable international standards.
3. **The manager of fund and the board of directors of the self-managed fund shall comply with the following:**
 - a. Achieving the correlation between the value of the fund's units and the price of the eligible commodity in which the fund invests upon its incorporation, so that the correlation coefficient is not less than what is specified in the investment strategy and announced in the offering document.
 - b. The offering document and the KIID, shall include the following:
 - 1) Detailed data on the eligible commodities in which investment is proposed, and their specifications, provided that they include

¹² Foreign market: The main commodities market established outside the State and subject to a regulatory authority similar to the Authority.

the price index, quality level and other technical specifications related to the qualified commodity, subject matter of investment.

- 2) The name of the market where the eligible commodities are traded.
- 3) Provide a clear warning to investors in a prominent place and in a clear font and format on the cover page of the offering document stating that investment in the fund involves risks of a specific nature and that these risks are not appropriate for all investors with a reference to the details of those risks contained in the offering document.

4. If the fund is open-ended and traded, the fund manager and the board of directors of the self-managed fund shall comply with the following:

- a. Issuing new units of the investment fund or canceling units provided by the authorized participant for redemption pursuant to regulatory controls and procedures specified in the offering document approved by the Authority.
- b. Appointing one or more of the authorized participants and liquidity providers.
- c. Observing the performance of the fund to ensure the following:
 - 1) Achieving a correlation between the value of the fund's units and the value of the commodity that the fund tracks, so that the correlation coefficient is not less than what is determined in the investment strategy and declared in the offering document.
 - 2) Provide liquidity for the fund's units in the secondary market and continuous buy/sell orders for those units through the fund's liquidity providers.

- 3) The prices of the orders issued through the fund's liquidity providers are linked to the daily declared unit's net asset value or to the indicative value of the net asset value of the unit declared during trading, so that they do not exceed the spread agreed upon and mentioned in the offering document.

Ninth : Precious Metals Investment Fund

1. A local fund¹³ whose investment policy requires investing no less than (85%) of the total value of its assets in physical precious metal bullions that meet the standard specifications for trading in global markets and are stored in (100%) insured safe safes by a licensed insurance entity, with the provision of in-kind redemption or cash liquidity to unit holders through the mechanism of accepting redemption requests of the investment units it issues if the nature of the fund and the offering document permit that. In the event of cash redemption, the redemption value of the investment units shall be determined on the basis of the share of the investment unit in the net asset value of the fund.
2. **Precious metals mean:** gold, silver, platinum, and any other precious physical metals approved by the Authority. The above terms refer to the following:
 - a. The term “Gold” means physical gold bullions conforming to the London Bullion Market Association (LBMA) specifications and certifications for Good Delivery Gold Bullion.
 - b. The term “Silver” refers to physical silver bullions conforming to LBMA specifications and certifications for Good Delivery Silver Bullion Group.
 - c. The term "platinum" refers to a physical platinum plate or bullion conforming to the Good Delivery specifications and certifications set forth by the London Platinum Palladio Market (LPPM).

¹³ The beginning of clause (1) in (9) Section has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

3. The fund manager and the board of directors of the self- managed fund shall comply with the following investment restrictions:

- a. Investing a percentage of not less than (85%) of its assets in physical precious metal bullions.
- b. Investing a percentage not exceeding (10%) in investment instruments directly related to the spot price of gold, exchange traded funds for gold and precious metals, and gold and precious metal certificates.
- c. The fund's investments in bank deposits and money market instruments shall not exceed (5%) of the fund's total assets and only for the purposes of meeting operational and liquidity requirements.
- d. The minimum investment in the fund is 180 thousand dirhams if it is a private fund¹⁴.
- e. Not investing in diversified investment companies or investments related to securities, bonds, common or preferred stocks, unlisted corporate bonds, forward contracts, options or derivatives linked to the price of precious metals.
- f. Not giving guarantees and warrants, guaranteeing issuances, or discounting cheques.
- g. Not speculating or trading on short-term price movements in the precious metals market.

4. The fund manager and the board of directors of the self-managed fund are obligated to appoint each of the following:

¹⁴ Clause (3/d) in (9) Section has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

- a. **Precious Metals Agent:** to provide technical advice and logistical services for precious metals to the fund in relation to the acquisition, transportation, storage, evaluation and resale processes.
 - b. **Precious Metals Auditor:** to provide independent verification of specifications, measures and weights at the storage location for precious metal bullions that are deposited with an insured guarantee or cancel its deposit in the safe designated for holding the precious metal bullions of the fund at the safe storage facility.
 - c. **Approved supplier of precious metal bullions:** The licensed and approved entity in the State to practice the activity of manufacturing and supplying precious metal bullions according to the standard specifications of the precious metal bullions in which the fund invests.
 - d. **Safe transportation service provider:** The party with which a contract has been entered to provide safe and secure transportation services for precious metal bullions from the approved supplier to the storage location.
 - e. **Safe Storage Service Provider:** The party with which a contract has been entered to provide safe and secure storage services for precious metal bullions held by the fund.
 - f. **Precious Metal Bullion Insurer:** The insurance company with which a contract has been entered to insure the fund's precious metal bullions at all times at the full market value, including the process of transportation and delivery from the supplier to a safe store, and transfer from the store to the customer in the event of in-kind redemption.
5. **The manager of the fund and the board of directors of the self-managed fund shall comply with the following:**

- a. Include a disclaimer on the cover page of the offering document as follows: Investing in the Precious Metals Bullion Investment Fund involves risks of a different nature than other types of investment funds that invest in securities. The Precious Metals Investment Fund may not be suitable for investors seeking returns and cash distributions and those who do not wish to be exposed to the risks of possible movements and fluctuations. in precious metals prices. As a potential investor, you should carefully consider whether investing in this fund is suitable for you and is aligned with your investment objectives as you bear full responsibility for your choices when selecting your investments¹⁵.
- b. That the evaluation of the value of the fund's investment portfolio in precious metals is based on the following:
 - 1) In the case of gold and silver bullions, prices shall be quoted from the London Bullion Market Association (LBMA), which is independently managed by IBA Standards Management (ICE Benchmark Administration).
 - 2) In case of platinum, the price of LBMA platinum that is managed by London Metal Exchange in agreement with London Bullion Market Association (LBMA).

¹⁵ Clause (5/a) in (9) Section has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

Tenth : Credit Fund

1. A closed private local fund whose investment strategy is limited to lending companies, investment funds and legal entities by investing in bonds, sukuk and debt instruments backed and unbacked by assets of all kinds issued by them.
2. The fund manager and founder of the self-managed fund are obligated to attach to the application for incorporation a detailed business plan that includes the targeted sectors, policies and procedures related to granting credit, provisions and procedures for collection, estimating the size of business during the life of the fund, estimates of working capital, operating costs for the first two years, the extent of capital adequacy to finance those costs, and annual returns expected for the fund.
3. **The Fund's investments are subject to the following:**
 - a. The tenure of the Fund shall not exceed (10) years and it may be renewed by virtue of a special resolution of the unit holders with the Authority's approval.
 - b. It is prohibited to redeem the units or distribute dividends to the unit holders before the end of the term of a fund except by a special resolution of the general assembly of the unit holders and approval of the Authority.
 - c. Providing additional disclosures and detailed information in its periodic reports on the following:
 - 1) Debt tenor, delinquency and default rates of borrowers as a percentage of the fund's total assets.
 - 2) Exposure to entities facing liquidation, restructuring or financial failure.

- 3) Provisions to be allocated in accordance with International Financial Reporting Standards.
 - 4) Ratios of asset-backed loans to the fund's total loan portfolio and coverage ratios.
- d. Adopting and applying clear, written and specific policies, standards and procedures for granting credit and obtaining loans that enable it to prepare a comprehensive credit evaluation study on the beneficiary, which includes the adequacy of the credit record and verification of its adequacy, creditworthiness, ability to pay, available guarantees and/or assets supporting financing; and for this purpose, it must clearly define the process for credit approval, modification, renewal, refinancing and obtaining loans.
 - e. Providing applicable internal methodologies for assessing credit risk at the portfolio level, which are not solely or mechanically dependent on external credit ratings.
 - f. Providing a continuous monitoring and management mechanism for various portfolio positions that bear credit risk and exposures, including identification and management of credit problem and for making value adjustments and adequate provisions.
 - g. Ensuring adherence to appropriate written policies, standards, governance procedures and decision-making structures relating to the following:
 - 1) Evaluating, pricing, granting, managing and owning credit.
 - 2) Credit control and renewal.
 - 3) Managing and evaluating the provided guarantees, including evaluating the guarantees and determining any impairment in its value.

- 4) Concentration risk management.
 - 5) Identifying and managing the debt problem.
 - 6) Delegated authority.
 - 7) Documentation and maintaining the confidentiality of customer information.
- h. Refraining from granting loans if he is unable to obtain sufficient information from the beneficiary to enable him to complete and document all aspects of the credit evaluation study.
 - i. The fund shall have a comprehensive Stress Test program that is conducted at least once a year.
 - j. Prohibition of providing credit facilities to borrowers listed below:
 - 1) A natural person.
 - 2) The fund manager or a related party to the fund manager or any other person working for or on behalf of the fund manager.
 - 3) Another fund affiliated to a fund manager.
 - 4) A financial institution or legal entity associated with a financial institution.
 - 5) The entity that intends to use the credit for trading in investments, commodities or crypto assets.
 - 6) The entity that intends to use the credit for providing the credit.
 - k. The fund may not lend debt instruments that are convertible into shares or equity stakes.
 - l. The period of lending granted by the credit fund shall not exceed the remaining period of the fund's term, including any rescheduling or extension of financing.

- m. Lending pledges provided to clients by the fund may not exceed its total volume in addition to any capital pledged to be paid by the unit holders.
- n. The fund shall not bear an exposure of (25%) or more of the total fund size to one or more beneficiaries belonging to the same related group.
- o. The fund may not provide the following types of credit facilities:
 - 1) Letters of credit.
 - 2) Financial guarantees.
 - 3) Financing trade across state borders.

Eleventh : Private Equity Fund

1. A closed private local fund established with the aim of investing no less than (70%) of the fund's total asset value in the following:
 - a. Shares in limited liability companies, partnerships, limited partnerships, or private joint stock companies.
 - b. Securities of public joint-stock companies that have initiated procedures to convert into private joint-stock companies¹⁶.
2. **The manager of the fund and the board of directors of the self-managed fund are obligated to:**
 - a. Verify the calculation of the fund's net asset value and the price of its unit at the end of every three months.
 - b. Verify the evaluation of the fund's assets in accordance with the international standards by using fair value evaluation criteria according to the nature of its assets.
 - c. Verify the periodic evaluation of the fund's assets at least once a year based on the audited annual financial reports of the companies in which it invests.
 - d. Verify the evaluation of the fund's assets through specialized persons who are independent of the fund and the parties related to the fund.
 - e. Determine the borrowing percentage that will be approved in the fund's investment strategy, the expected level of borrowing, and its

¹⁶ Clause (1/b) in (11) Section has been amended pursuant to the administrative decision No.(80/RT) of 2023 enforced on date 29/12/2023.

minimum and maximum percentage, while adhering to these limits, with a maximum of (100%) of the fund's net asset value.

- f. Not to rely on an evaluation report that was prepared more than three months ago when purchasing or selling any fund asset.

Twelfth : Venture Capital Fund

1. A private closed-end local fund established with the aim of investing no less than (70%) of the fund's total asset value in one or more of the following investments:
 - a. Units of other venture capital funds, provided that the investments of such funds do not exceed (10%) of their total assets in other venture capital funds.
 - b. Equity instruments issued by companies that are not listed in the main regulated market, or other instruments issued by those companies or their subsidiaries that end with ownership in any of them.
 - c. Investments in which an open-ended public investment fund may invest up to a maximum of 30% of the total value of the fund's assets.
2. **The fund manager and the board of directors of the self-managed fund shall comply with the following:**
 - a.** Verifying the calculation of the fund's net asset value and its unit price at least once a year.
 - b.** Issuing an annual report that includes the components of the fund's investments, the activities that took place, and the profits or losses achieved during the year.
 - c.** The percentage of the fund's borrowing or guarantees on the fund's assets shall not exceed (100%) of the fund's net asset value.
 - d.** The exposure to the fund's risk shall not exceed its net asset value.
 - e.** With regard to the investment fund whose total value of assets under management is (180) million dirhams or more, as follows:

- 1) Preparing an annual report in accordance with the International Financial Reporting Standards (IFRS).
- 2) Preparing a summarized annual report in accordance with the International Financial Reporting Standards (IFRS).