

Resolution No. (9) of 2012
Of CMA Board of Commissioners Regarding
Regulations for Investment in Monetary Market (MM)
Funds

Having perused:

- Law No. (7) of 2010 regarding the Establishment of Capital Markets Authority “CMA” and Regulating Securities' Activity; and
- Executive Bylaw of Law No. (7) of 2010 regarding the Establishment of Capital Markets Authority issued on 03.03.2011, and amendments thereto; and
- Resolution of CMA Board of Commissioners passed in its meeting No. (15) of 2012 held on 27.06.2012 regarding its approval of regulations for investment in Monetary Market (MM) Funds.

We Resolved the Following

Article (1)

Issuance of regulations for investment in the Monetary Market (MM) funds, as follows:

Definitions

Monetary Market (MM) Fund: an investment fund whose main objective is to invest with monetary instruments to ensure low risks and high liquidity and for the fund to continue its activity as stated in the Articles of Association.

Monetary Market (MM) Instruments: short term instruments such as deposits or equivalent in the Islamic banks, government bills and bonds, bonds issued by banks or companies whether in Kuwaiti Dinars or any other foreign currency, bank placement certificates, repurchase agreements, Sukuk or any other instrument approved by CMA.

Weighted Average Maturity:

$$(\sum_{i=1}^n x_i a_i)$$

Whereas:

x = investment ratio (percentage of each investment)

a = maturity period (days)

n = total number of fund's investments in (MM) instruments

Investment Regulations

- (1) Not to borrow or enter into transactions that may give rise to liabilities, except for borrowing to cover redemption applications with maximum of 10% of the net asset value.
- (2) The credit rating of bonds and Sukuk should not be less than (BBB) or equivalent by one of the recognized International Rating Agencies or the local rating agencies licensed by CMA.
- (3) The fund should invest its assets in (MM) instruments to ensure high liquidity for the fund, considering the following:
 - a. The maximum period of any investment in the fund shall not exceed 397 days, except for investment that can be easily liquidated within five business days.
 - b. The maximum limit of the weighted average maturity of fund investments shall not exceed 150 days.
- (4) Without prejudice to the provisions of Item (3), the investor may invest maximum 15% of its net asset value in another monetary fund in compliance with the fund's Articles of Association and any instructions issued by CMA.
- (5) The fund may not own more than 10% of the (MM) instruments issued by one issuer, except for the (MM) instruments issued or guaranteed by GCC governments.
- (6) The fund investments in (MM) instruments issued by one issuer shall not exceed 15% of the fund's net asset value at the time of investment, except for the (MM) instruments issued or guaranteed by GCC governments.
- (7) Investment of the fund assets in deposits with one entity shall not exceed 25% of the fund's net asset value. CMA may approve exception as deemed appropriate by CMA on a case by case basis.

- (8) The fund may not invest in stocks of both listed and unlisted companies and real estates.
- (9) The fund manager may discontinue redemption of the fund units and liquidate the fund if the net unit value is less than the par value subject to approval of CMA.
- (10) In all cases, the fund manager shall follow a prudent investment policy that aims to realize proper returns on investment and adhere to allocation of investment ratios in a balanced manner to provide for the risks and protection of the unit holders' rights.

Article (2)

The concerned bodies, each within its authorities, shall execute this Resolution, which comes into effect from the date of issuance hereof.

Saleh Mubarak Al-Falah
Chairman, CMA Board of Commissioners
Executive Director

Issued on 08/07/2012