



Effective date: 2069.4.1

Mutual Fund Directives, 2069

In exercise of the power conferred by regulation 47 of Mutual fund Regulation, 2067 (2009), Securities Board of Nepal hereby makes and issues the directives as follows:

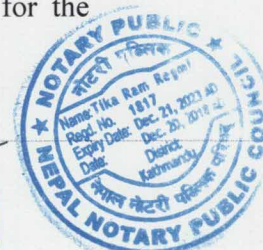
Chapter-1

Preliminary

1. Short name and commencement: (1) these directives shall be called as “the Mutual Fund Directives, 2069 (2012).”

(2) They shall come into effect on the date as prescribed by the Board.
2. Definitions: In these directives, unless the context otherwise requires:—
 - (a) “act” means the Securities Act, 2063 (2007);
 - (b) “open-ended” means a scheme which runs without specifying any period of maturity;
 - (c) “regulations” means the Mutual fund Regulations, 2067;
 - (d) “close-ended scheme” means a scheme in which a period of maturity is specified;
 - (e) “board” means the Securities Board of Nepal constituted pursuant to section 3 of the Securities Act, 2063(2007);
 - (f) “distributor” means the distributor as prescribed in accordance with section 14 of these directives to trade units of an open-ended scheme;
 - (g) “prospectus” means a brochure to be made public in accordance with section 6 of these directives for the

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purpose of providing information about a scheme prior to public issue of units.

Chapter-2

Provision on Approval and Operation of Scheme

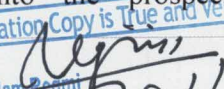
3. Documents and prospectus to be attached: (1) A scheme manager while making an application to the Board for obtaining approval to carry out any scheme, the following details and documents shall be attached, as prescribed by the Board, without prejudice to the details and documents specified in sub-rule (3) of rule 24 of the Regulations:--

- (a) A consent letter obtained from the fund supervisor in accordance with sub-regulation (2) of regulation 24 of the Regulations;
- (b) The memorandum of association and the articles of the scheme manager or the applicable clauses of the relevant law in regard to establishment and operation of the scheme manager;
- (c) An audit report along with a financial report of the latest fiscal year, if the operation period of the scheme manager has completed one fiscal year, and a financial report certified by the management, if the operation period has not completed one fiscal year.

(2) The documents attached to the application in accordance with sub-regulation (3) of regulation 24 of the Regulations shall be signed by an official authorized by the board of director of the scheme manager.

Provided that the prospectus to be attached to the application shall be signed by all directors of the scheme manager.

4. Approval for operation of scheme: (1) The Board shall make a preliminary examination into the prospectus and

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documents attached to an application once made along with required fees, necessary prospectus and documents for obtaining approval to carry out a scheme.

(2) The Board may, after conducting a preliminary examination into the application, the prospectus and the documents attached thereto, ask the scheme manager to furnish further prospectus or documents or to make further clarifications on any matters.

(3) The Board shall, by registering a scheme, grant approval to the scheme manager to carry out such scheme if it appears fit and proper to carry out the scheme subsequent to the examination into the additional prospectus and documents submitted as per the order given in accordance with sub-section (2).

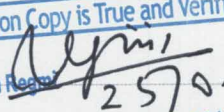
Chapter-3

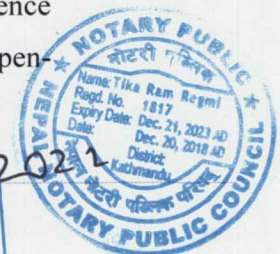
Provision on Public Offer and Sale

5. To issue public offer: For the issue of public offer of the units in accordance with regulation 26 of the regulations, the scheme manager may perform all functions and activities on its own, or may cause to carry out via an issue and sale manager.
6. To publish a prospectus: (1) Prior to issuing public offer of the units, the scheme manager shall publish a prospectus in a format as prescribed in schedule -1 in order to provide information to public about the scheme.

(2) Approval shall be obtained by the Board prior to making public of the prospectus in accordance with sub-section (1).

(3) While submitting a prospectus as specified in sub-section (2) to obtain approval by the Board, a due diligence certificate and a separate copy of the prospectus of open-

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ended scheme and/or closed-ended scheme shall be required to submit.

(4) A maximum and minimum number of units of a closed-ended scheme to be offered for sale shall be specified in the prospectus.

7. To publish offer document: (1) A scheme manager or an issue and sale manager shall publish an offer document specifying main points of the prospectus in daily national newspapers for the sale of units of a scheme.

(2) A place where the prospectus can be obtained or read shall be specified in the offer document to be published in accordance with sub-section (2).

(3) The offer document shall be published prior at least to seven working days of the opening the units for sale.

(4) A notice along with the offer document shall be provided to the Board prior to publication of the offer document pursuant to sub-rule (4).

8. To open for Sale: (1) A scheme manager or an issue and sale manager shall keep the units open for sale via public offer within a period of two months from the date of obtaining approval to run a scheme by the Board.

(2) If it is not possible to open units of the scheme for sale within the period as specified in sub-section (1), offer for sale of units shall be made open again once revising the scheme from the technical, financial or managerial aspects, and amended the prospectus, if deemed necessary, and get approved by the Board.





9. Advertisement may be published: (1) A scheme manager, an issue and sale manager or a distributor may publish any advertisements about a scheme to provide information to public.

(2) In publishing any advertisements pursuant to subsection (1), it shall be strictly prohibited to publish any other contents therein about a scheme to attract investors, except the informative ones, and no any communication or information can be circulated hinting at high demand of the units, except as required by the facts at this time.

(3) The following terms shall be complied with in publishing any advertisements about the scheme:

- (a) The advertisement shall be fair, clear, and based on facts;
- (b) No any contents deceptive in nature to public shall be included in the advertisement;
- (c) One's scheme shall not be compared with another in the advertisement;
- (d) Except certain profits guaranteed in a scheme, no any matters providing certain profits shall be specified in the advertisement; and
- (e) No any celebrity (artists or actors) shall be used in the advertisement to hype the scheme.

10. Application to be submitted to purchase: (1) Any person or body corporate willing to purchase units of any scheme shall make an application through an issue and sale manager or collection center or distributor, or directly to a scheme manager.

(2) Whenever the scheme manager makes any provisions to furnish additional prospectus and information in the

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application making allotment and distribution of units simple and effective, the applicant shall require to furnish an additional prospectus and information henceforth.

11. Face value, numbers of units, and amounts to be called: (a) Face value of the units of scheme shall be Ten Rupee.

(2) Unit numbers shall be fixed not being less than hundred divided by ten and issued henceforth.

(3) The amount to be deposited along with the application for the purchase of the units shall be specified in an offer document.

Chapter- 4

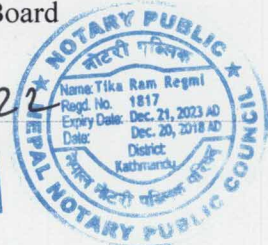
Provision on Public Offer and Sale of Closed-Ended Scheme

12. To Designate Collection Center: (1) A scheme manager or an issue and sale manager may designate any bank or financial institution or merchant bank as a collection center for distribution and collection of applications for the purchase of units of a closed-ended scheme.

(2) A scheme manager or an issue and sale manager shall require to enter into an agreement with the collection center as prescribed in accordance with sub-section (1) in respect of services, terms and fees, inter alia, relating to distribution and collection of application for the purchase of units of the closed-ended scheme.

(3) A commitment shall be required to specify in the agreement to be entered into pursuant to sub-section (2) that the collection center shall act under the act, the regulations, these directives and directions as well as orders given by the Board from time to time.

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(4) A scheme manager or an issue and sale manager shall inform to the Board about the collection centers prior at least to seven working days of the offer of the units.

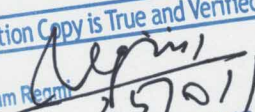
(5) If it is found based on the information provided pursuant to sub-section (4) that any collection center may not be suitable, the Board may issue an order to omit such collection center.

13. Agreement to be entered into with issue Bank: (1) A scheme manger shall require to enter into an agreement with an issue bank to deposit such amounts as are collected at the tme of public offer of the units of a closed-ended scheme.

(2) The following matters shall be specified in the agreement to be entered into pursuant to sub-section (1):

- (a) Account number of the issue bank where moneys will be deposited;
- (b) Interest rate whenever moneys are deposited in the account pursuant to clause (a);
- (c) Payment period and procedure to the scheme manager in respect of the subscribed units of the scheme;
- (d) Other necessary matters related to the procedures to deposit moneys in, and withdraw from the account.

14. Opening period for sale and place: (1) Application submission period for the sale of the units of a closed-ended scheme shall be fifteen days from the date of its opening.

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(2) If all units of the closed-ended scheme are not subscribed within the period as specified in sub-section (1), a further period of fifteen days may be extended at maximum for making applications for the same with the approval of the Board.

(3) For providing an additional period for the submission of application to the sale of units of the closed-ended scheme, five working days shall be provided.

Provided that if at least ten collection centers on being one center in each develop region are created throughout the country then four working days may be sufficient to that effect.

(4) In order for the units of the closed-ended scheme to sale pursuant to section 4, at least two collection centers in the district where the headquarters of the stock exchange market is situated shall be required to establish.

(5) For selling the units of closed-ended scheme at the face value of **five crores Rupees or more**, at least one collection center in each develop region shall be required to establish.

15. Sale and allotment of units: (1) Once receiving applications to purchase all units of a closed-ended scheme, a scheme manager or an issue and sale manager may at any time close the receiving of applications by publishing a notice following the ending of a minimum period to be kept open.

(2) The units of the closed-ended scheme may be allotted if at least fifty percent units are subscribed within a period that was kept open for sale and also a further period extended with the approval of the Board.

Provided that if there is a condition that at least more than fifty percent of the units are required to subscribe is specified in

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the prospectus, allotment of units shall not done unless without receiving applications subscribing such numbers of units .

(3) If minimum number of the units are not subscribed as specified in sub-section (2), such scheme shall be cancelled and repayment of the applicants' money shall be initiated within fifteen days following its cancellation.

(4) The units of the scheme shall be allotted up to maximum limits as specified in the prospectus.

Provided that if numbers of the units subscribed are exceeded beyond the issued numbers, allotment of units may be done by adding up to twenty five percent to the units issued.

(5) Other provisions related to allotment of the units shall be subject to the securities allotment directives 2068.

(6) An allotment model of units shall be provided to the Board prior to three working days of allotment.

Chapter- 5

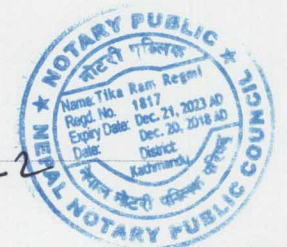
Provision on Public Offer and Sale of Opened- Ended Scheme

16. Distributor to be appointed: (1) A scheme manager or an issue and sale manager may appoint any bank or financial institution or merchant bank as a distributor for the sale of units of open-ended scheme thereof.

(2) A notice shall be provided to the Board as to whether the scheme manager performs the functions of selling the units of open-ended scheme on its own or appoints a distribution.

(3) For the appointment of the distributor pursuant to sub-section (2), the scheme manger shall require to enter into an

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agreement with the distributor specifying services, terms and conditions and fees.

17. Notice to be provided: The following information related to a distributor shall be required to provide to a scheme manager:-

- (a) Address, contact telephone, fax no. email, etc. of the office, if changed;
- (b) As to whether any legal action was taken against directors and executive chief;
- (c) As to whether it, promoters, or executive chief was black listed by the credit information center;
- (d) If the works related to trading of securities left.

18. Units to be provided: (1) A notice shall be given to the applicant within seven days through an appropriate means as to whether application filed for the purchase of units of an open-ended scheme has been approved or not.

(2) Upon issuing units in the name of applicants whose application is approved, a certificate for the units of open-ended scheme shall be provided to the applicant within fifteen days to be effective from the date of approval.

(3) If any application made for the purchase of the units of open-ended scheme is rejected, a process of refunding the moneys to the applicant shall be commenced.

19. Purchase and Sale Price: (1) A scheme manager shall open the purchasing and selling price of the units of open-ended scheme.

(2) For determination of the purchasing and selling price of the units of open-ended scheme, it shall be determined on being equivalent to net asset value of each unit.

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20. Terms and conditions to be complied with: (1) A scheme manager shall comply with the following terms and conditions:

- (a) For purchasing the units of an open-ended scheme, units shall be purchased on being equivalent to net asset value;
- (b) Difference between purchasing and selling price of the units and their transfer process shall be transparent;
- (c) The terms and conditions as prescribed by the Board from time to time shall be complied with.

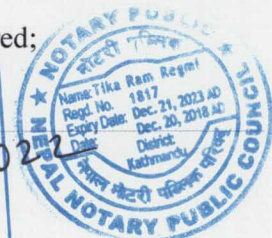
Chapter-3

Provision on costs of scheme and asset valuation

21. Cost of Scheme: (1) No any other costs, except the costs directly related to the operation of a scheme and the following costs, shall not be borne from a scheme fund:

- (a) Revenues, taxes and fees to be paid pursuant to the prevailing law;
- (b) Commissions to be made available to a distributor as per the agreement;
- (c) Fees to be levied for registration, approval, listing, renewal, etc. of a scheme;
- (d) Costs related to publication of a prospectus, and issue of units and distribution thereof;
- (e) Remuneration to be paid to an auditor of a scheme;
- (f) Premium of insurance, if a scheme is insured;

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- (g) Remuneration to be paid to an assets valuator of the investment fund;
- (h) Costs related to revision of agreements entered into for the purposes of a scheme;
- (i) Costs related to seminars or meetings to be organized for the benefits of participants by a fund supervisor and scheme manager;
- (j) Costs related to the termination of a scheme, if it occurs;
- (k) Other costs as may be prescribed by the Board.

(2) A fund supervisor shall monitor the costs expended in the scheme as specified in sub-section (2) by the scheme manager as to whether such costs was used within the given limits and subject to the rules.

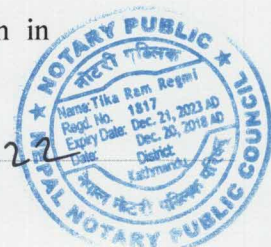
(3) The fund supervisor with its opinion shall inform forthwith to the Board, if it is revealed that the cost was used by the scheme manager for the scheme unnecessarily crossing the limits or against the rules.

(4) The Board may issue necessary orders to the scheme manager if it is revealed from any information received under sub-section 3 or any other means that the moneys of the scheme was used unnecessarily crossing the limits or against the rules.

22. Criteria for valuation of assets: (1) The following criteria shall be used for valuation of securities registered at the Board but yet to listing at the stock exchange market:--

- (a) For valuation of ordinary shares, it shall be carried out based on income capitalization in

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general or based jointly on income capitalization and net book value or net worth;

(b) For valuation of debentures, it shall be carried out based on the net cost price in general.

(2) For valuation of the securities listed at the stock exchange market, it shall be carried out based on the last price fixed in the stock exchange market, in the case of the securities in a regular trading.

Provided that valuation of the securities shall not be carried out based on the price of past 30 days.

(3) For valuation of the securities not in a regular trading at the stock exchange market, valuation rules and procedures as prescribed by the board of directors of the scheme manager shall be applied.

Clarification: for the purposes of this section “not in a regular trading” means the securities those are listed at the stock exchange market but yet to trading or not in a trading prior to 30 days of valuation.

(4) A notice about the decision endorsing the valuation rules and procedures as specified in sub-section (3) shall be provided to the Board forthwith and the necessary documents connected therewith shall be kept harmless.

(5) The valuation rules and procedures endorsed pursuant to sub-section (3) shall require to be revised by the fund supervisor from time to time and the same shall be provided to the Board.

(6) For valuation of debentures, treasury bills, and other instruments of money market issued by Government of Nepal, Nepal Rastra Bank, or guaranteed or fully secured by

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Government of Nepal, it shall be carried out in general based on net cost value.

(7) For valuation of moneys deposited with banks, it shall be carried out based on the moneys deposited and interests earned.

(8) For valuation of the instruments of money market, it shall be carried out based on net cost value.

23. Method to determine value of per unit: (1) For determination of net asset value of per unit, it shall be determined dividing by the total numbers of units to the total assets fixed at the valuation date.

(2) A formula for valuation of the net asset value of the units as specified in sub-section (1) shall be as follows:

$$\text{Per unit net asset value} = \frac{\text{value invested} + \text{profits} + (\text{other income}) - \text{liability \& not written-off}}{\text{Number of total units}}$$

Clarification: (a) “Investment value” means market value of investment made by a scheme till the date of valuation;

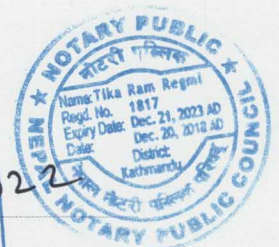
(b) “Profit” means the profit to be accrued in the investment made by a scheme.

24. Approval to be obtained to carry on trading of other type of securities:

(1) A scheme willing to carry on trading of other type of securities not having fiscal conflict of interest as specified in sub-rule 5 of rule 8 of the regulations shall make an application to the Board.

(2) The scheme manager shall require to ensure in the application made pursuant to sub-section (1) that there is no any conflict of interest with the trading of such securities.

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(3) Once received the application pursuant to sub-section (1) and following the necessary examination into it, if it is found that there is no fiscal conflict of interest with the trading of other type of securities, the Board may grant approval to carry on trading of such other type of securities.

(4) For granting approval pursuant to sub-section (1), it shall be done subject to the regulations.

25. Approval to be obtained to appoint scheme manager: (1) A fund promoter willing to appoint any merchant banks as a scheme manager pursuant to sub-regulation (6) of regulation 8 of the regulations shall make an application to the Board for approval.

(2) The Board may grant approval to the fund promoter to appoint any merchant banker as a scheme manager after conducting necessary examination into the application made pursuant to sub-rule (1).

(3) A merchant banker which received approval pursuant to sub-section (2) shall require to obtain a license to act as a scheme manager under regulation 14 of the regulations.

(4) For granting approval pursuant to sub-section (2), the necessary terms and conditions to be complied with may be prescribed by the Board.

26. Securities to be underwritten: (1) Subject to regulation 36 of the regulations, a scheme manager may, duly notifying to the Board, make underwriting of the securities to be issued publicly up to the ten percent amounts out of the net asset value.

(2) For underwriting pursuant to sub-section (2), it shall be done when the net asset value is higher than the face value of each unit.

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(3) In keeping account of the commission to be received by way of underwriting of securities by the scheme under this section, it shall be calculated as an earning.

27. Access to Information: (1) A scheme manager shall require to ensure easy access to the documents, prospectus and information in order to provide information to the participants about the scheme.

(2) For the purpose of sub-section (1), registration of a scheme, a copy of approval granted by the Board for public offer of units, the terms and conditions as prescribed by the Board, a copy of prospectus including documents furnished to the Board for units' registration and public offer shall, certifying by the scheme manager, be kept in applications distribution office(s).

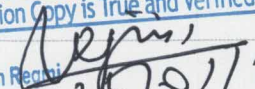
(3) The documents and prospectus as stated in sub-section (1) shall be made available to the participants for reading, if wishes to do so, and duplicate copies of such documents be provided, if requested, by charging one Rupee per page thereof.

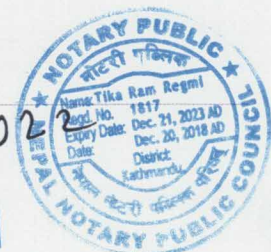
28. Provision on voting: (1) In the case of voting on the basis of investment made by a scheme in the securities, the scheme manager shall vote on not being against the interest thereof.

(2) Proxy cannot be given for the securities held by a scheme that is managed by the scheme manager.

(3) If a scheme manager is appointed as a director to the board of a body corporate in which the scheme has made investments, it shall be notified to the Board within seven days from the date of such appointment.

(4) Notwithstanding anything contained in this section, the Board may, for the interest of the participants, issue directions to the scheme manager restricting to vote on any matter, to be, or to continue, as a director in the board of directors of a body corporate.

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29. Provision on Grievances Management: (1) The scheme manger shall address the grievances of participants related to the scheme, if any, and such shall be notified to the Board forthwith.

(2) If the grievances are not addressed pursuant to sub-section (1), the scheme manager along with its comments shall require to notify forthwith to the fund supervisor.

30. Grievances of investors to be handled: (1) A scheme manager, an issue and sale manager, or a distributor shall immediately hear and settle the grievances about the public offer of units, or other functions and activities related to the public offer, if any.

(2) The scheme manger, the issue and sale manager or the distributor shall notify to the Board about the information of actual conditions of the grievances received pursuant to sub-section (1) and the activities carried out to settle hence.

31. Interpretation of these directives: In order to remove any difficulties or uncertainties or ambiguities in the application of these directives, the Board shall have the power to make necessary interpretations not being against the act and the regulations.

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NEPAL NOTARY PUBLIC COUNCIL
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Expiry Date: Dec. 21, 2023 AD
District: Kathmandu



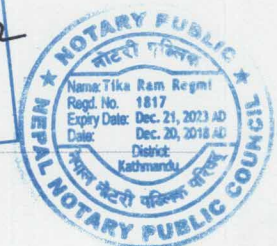
Schedule-1

(Relating to sub-section (1) of section 6)

Format of prospectus of a scheme registered under mutual fund

1. Descriptions to specify in the front page of prospectus:
 - 1.1 The word called “prospectus”,
 - 1.2 A statement that the prospectus is issued under the mutual fund regulations, 2067;
 - 1.3 Name and logo of a mutual fund;
 - 1.4 Name, address, and logo of promoter of a mutual fund, a fund supervisor, and a scheme manager;
 - 1.5 Name of a rating company, if rating of a scheme manager is carried out, and details of rating, or grade, or level determined as per the rating;
 - 1.6 Name and logo of a scheme, if any;
 - 1.7 Type of schemes (closed-ended or open-ended);
 - 1.8 Approval date of a prospectus by the Board;
 - 1.9 Number of units issued under a scheme, face value, minimum number of units to be purchased, and amounts to be paid along with application;
 - 1.10 Type of scheme, date of registration at the Board; date of maturity, in the case of a closed-ended scheme,
 - 1.11 Opening date of public;

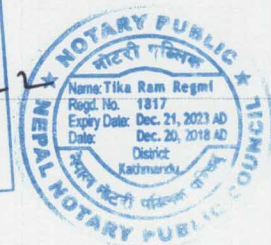
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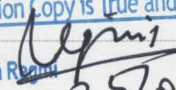
- 1.12 Closing date of public offer, in the case of a closed-ended scheme;
- 1.13 The statement that: “guarantee of quality of a scheme and certainty of profits are not ensured and therefore please do read prospectus clearly before making investments;
2. Descriptions to be specified in a second page of a prospectus respectively:
 - 2.1 Contents;
 - 2.2 Definitions of technical and other words/phrases used in a prospectus;
 - 2.3 Place to receive prospectus and application form, and place to submit application;
 - 2.4 Authenticity of description stated in a prospectus, and liability of investors;
3. Declaration:
 - 3.1 Declaration that: no regulatory agency is held accountable;
 - 3.2 Declaration of a fund promotor;
 - 3.3 Declaration of a scheme manager;
 - 3.4 Declaration of a fund supervisor.
4. Brief information about a scheme:
5. Information about a fund promoter:
 - 5.1 Name of a fund promoter;
 - 5.2 Share ownership percent (ratio) in a scheme manager company;

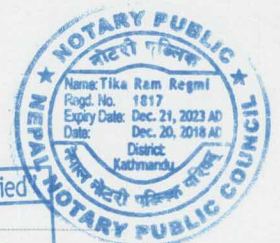
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- 5.3 Provisions of the relevant acts, regulations establishing a fund promoter;
 - 5.4 Brief history of a fund promoter;
 - 5.5 Main objectives of a fund promoter;
 - 5.6 Audited balance sheet, loss and profit accounts, details of cash flow of previous three fiscal years of a fund promoter (aggregate details, in the case of a subsidiary company), and details of per share earnings and per share net worth of the previous three fiscal years.
6. Details about a scheme manager:
- 6.1 Introduction of a scheme manager;
 - 6.2 Future plan and strategy of a scheme manager;
 - 6.3 Provision relating to a structure of board of directors and representation of a scheme manager;
 - 6.4 Information relating to capital structure of a scheme manager (authorized capital, issued capital and paid-up capital);
 - 6.5 Information relating to promoters and directors of a scheme manager;
 - 6.6 Information relating to employees of a scheme manager;
 - 6.7 Audited balance sheet, loss and profit accounts, details of cash flow of the previous three fiscal years of a scheme manager, if completed three years of its operation and if not completed three years then audited reports of those documents of its operation period, or certified copies thereof if not audited;
 - 6.8 Provision relating to accounts policy of a scheme manager;
 - 6.9 Name and address of auditor of a scheme manager;

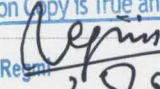
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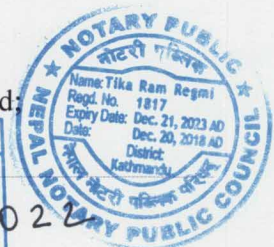




- 6.10 Details of disputes or cases affecting transactions of a scheme manager, if any, and details of fines/penalty paid as per final decision of law of court;
 - 6.11 Details of net assets value of a previous scheme
 - 6.12 Name of a rating company, rating and rating, if rating of a scheme manager is carried out.
7. Details relating to a fund supervisor and agreement with a fund supervisor:
- 7.1 Name, address, age and qualifications of a fund supervisor;
 - 7.2 Professional experience, main occupation/profession and the present responsibility of a fund supervisor;
 - 7.3 Roles of a fund supervisor about a scheme;
 - 7.4 Main points of agreement entered into between a fund promoter and a fund supervisor.
8. Information relating to a scheme:
- 8.1 Details of a scheme;
 - 8.2 Objectives of a scheme;
 - 8.3 Areas to make investments by a scheme;
 - 8.4 Details about financial projection of a scheme;
 - 8.6 Details about costs of a scheme;
 - 8.7 Goal about profit distribution of a scheme;
 - 8.8 Provision of tax to be levied on investments and bonus;
 - 8.9 As to whether units of a scheme are transferred to another scheme, or not and the procedures in this respect, if transferred:

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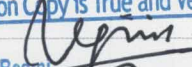


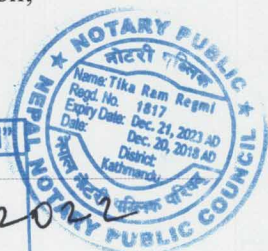


- 8.10 Calculation of net asset value and provisions relating to its publication;
- 8.11 Risks associated with a scheme, and details about the views of management in this regard;
9. Details about units offer:
 - 9.1 Date and time to keep units open for sale;
 - 9.2 Information about application collection center (sales center);
 - 9.3 Individual and a body corporate eligible to file application;
 - 9.4 Maximum and minimum number of units that can be purchased;
 - 9.5 Provisions about allotment of units, withdrawal/repayment and listing;
 - 9.6 Matters to comply with in filing application.
10. Rights and services to be available to a unit holder (participant of scheme);
11. Provisions about grievance handling and settlement;
12. A copy of due diligence certificate of a scheme manager;
13. Name and signature of board of directors declaring that “facts and details published in this prospectus are true and correct and if found otherwise we, board of directors are fully held accountable”

Note: The following matters shall, at minimum, be specified in a prospectus simple and clear manner under the following headings:-

- 1.9 Number of units issued under a scheme, face value, minimum number of units to be purchased, and moneys to be paid along with application;
- 1.12 Closing date of public offer, in the case of a closed-ended scheme:

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Opening and closing date and time for opening and closing of sale of a new scheme under a fund shall be at least seven days from the date of opening its sale and there shall be at least one selling center in each development region;

- 2.4 The following matters shall be specified about the authenticity of the details stated in a prospectus and accountability of investors:

The details as stated in this prospectus are specified pursuant to the act and regulations and approved by the Board with a view to providing information to the participants. Anyone wishing to participate in a scheme can get information from this prospectus before participating in it. As this prospectus has been approved by the Board, however it is highly recommended to read carefully before making any investments. Following the publication of this prospectus whenever it gets amended before or during the public offer, it shall be informed publicly.

- 3.1 Declaration that no regulatory agency is held accountable:

The prospectus prepared for public offer of units has been approved by the Board pursuant to the prevailing laws related to securities. By way of providing such approval, it shall not be deemed to have guaranteed or held accountable by the Board to the authenticity of the facts stated in the prospectus or financial capability of a scheme manager or a scheme.

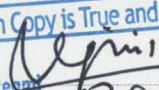
- 3.2 Declaration of a fund promoter, if any;

- 3.3 Declaration of a scheme manager:

Information about the scheme has been stated in this prospectus. The statements stated in this prospectus are true and correct.

- 3.4 Declaration of a fund supervisor;

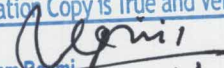
4. Brief information about a scheme: specify the following matters as stated in the prospectus of a scheme succinctly and clearly in a tabular form:

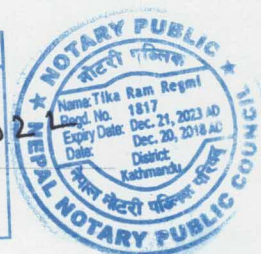
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- 4.1 Name, size and type of scheme;
 - 4.2 number of units to be offered and per unit value, minimum number of units out of the total offering that can be purchased, and maximum number of units to be accepted, period of a scheme and maturity date, opening and closing date of units of a scheme, units selling center, minimum number of units to be purchased and maximum number of units that can be purchased, provision on selling and allotment of units, listing and trading on secondary market, etc.
 - 4.3 Information about a place and time to sale and repurchase units, entry and exit fees for sale or repurchase of units, in the case of an open-ended scheme;
 - 4.4 Profit distribution targets of a scheme;
 - 4.5 Individual and a body corporate who are eligible to purchase units;
 - 4.6 Name and address of a scheme manager, the relevant act, date of registration, date of approval of a scheme obtained from the Securities Board of Nepal;
 - 4.7 Name and address of an auditor of a scheme manager;
 - 4.8 Name and address of a fund supervisor;
 - 4.9 Name of a rating company and grade, if rating carried out;
 - 4.10 areas of investment;
 - 4.11 Name and address of depository appointed to register and transfer of a scheme;
 - 4.12 Provision on calculation of net asset value and its publication.
- 6.1 Introduction of a scheme manager:

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- (a) Name of a scheme manager;
- (b) Information about the act/regulations establishing a scheme manager;

The relevant provisions on registration and operation of a scheme manager company as well as details about company registration such as registration date at the office of company registrar, and date of approval permitted to act as a scheme manager by the Securities Board of Nepal;

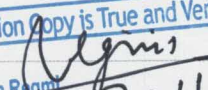
- (c) Registered address of a scheme manager;
- (d) A brief history of a scheme manager from the period of establishment to till date;
- (e) Main objectives of a scheme manager.

6.2 Future plan and strategy of a scheme manager;

- (a) A future plan of a scheme manager for business/service expansion and a strategy to materialize such plan;
- (b) Future business of a scheme manager on the basis of competition, financial condition and situation of the same nature of business;

6.5 Information about promoters/directors of a scheme manager:

- (a) Name, address, nationality, share ownership, academic qualification, and experience;
- (b) Name, designation, age, address, nationality, academic qualification and experience,
- (c) Name and address of a company/a body corporate of promoters, business to carry on by it, name and address of the directors of such company/ a body corporate (when natural person is not identified), if any;

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- (d) Name and address of a company/a body corporate and director with which such director and a body corporate are associated, if any;
- (e) Details about allowance and remuneration provided to directors.

6.6 Information about employees of a scheme manager:

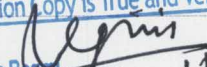
- (a) Information about name, age, academic qualification of top managerial personnel of a scheme manager;
- (b) Information about allowance and remuneration to be paid to top management.

6.7 Information about the roles of a fund supervisor for a scheme.

A fund supervisor shall monitor the activities of a scheme manager company on the basis of its work progress report, law compliance report to be received from it from time to time. The quarterly report of the scheme manger has to be presented in a meeting of the fund supervisor and decisions taken in such meeting shall be executed. Further, the fund supervisor shall control over the scheme manager through auditing, etc.

8.1 Information about a scheme:

- (a) Details about name, size and type of a scheme;
- (b) Number of units to be offered, per unit value, minimum unit numbers to be subscribed out of the total offering, maximum number of units to be accepted, total period and maturity date of a scheme, provision on listing as well as trading in secondary market, name and address of a registrar appointed to register and transfer units, in the case of an open-ended scheme;
- (c) Information about the place and trading time to sale and repurchase of units, procedures to purchase units vie internet, if doing so, information about entry and exit fees for selling and repurchasing of units, for example repurchase price and selling

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price shall be calculated on the basis of net asset value and in calculating the repurchase price, the exit fees shall be deducted whereas entry fees shall be added in the selling price.

8.6 Information about expenses of a scheme:

- (a) Details about the expenses to be expended for the offering of units, such as registration fees, printing fees of application form, fees for application collection, printing and distribution of certificate, fees for the publication of notice, and other costs for the public offer;
- (b) Details about the regular expenses of a scheme such as annual fees for listing/ renewal, audit fees, fees for publication of notice, fees for entry of units as well as registration fees for fund management and fund supervision.

8.8 Information about taxes to be levied on investments and bonus:

The following matters shall be specified: tax exemption and tax facility for a scheme shall be in accordance with the prevailing law.

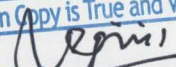
8.10 Information about calculation of net asset value and its publication:

- (a) Procedure about calculation of net asset value;
- (b) Procedure about publication of net asset value:

The following matters shall be specified: the fund manager shall publish first net asset value within 30 days following the closure of units selling and the net asset value shall be determined each week thereafter. Further, the scheme manager shall publish a trimester investment report on its website.

8.11 Risks associated with a scheme, and details about the views of management on it:

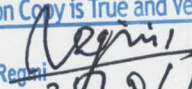
- (a) Elements of general risk:

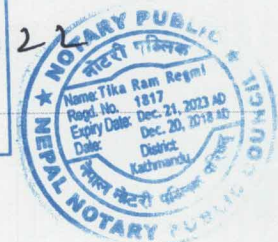
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- (1) Regarding the matters that: no any certainty of earning profits and meeting the aims of the participants since investments to be made in mutual fund depends on the risk of securities market;
 - (2) Regarding the matters that: investments to be made in securities such as net asset value of units of a scheme fluctuates on the basis of market value.
 - (3) Regarding the matters that: the past activities of a fund promoter, fund supervisor or a scheme manager do not show or indicate their future activities.
 - (4) Regarding the matters that: a fund promoter does not bear any responsibility for any financial loss or deficiency in a scheme;
 - (5) Regarding the matters that: no guarantee that this scheme will perform well in the future and produce profits.
- (b) Elements for specific risk:
- (1) Regarding the matters that: as to whether certain profit will be provided from a scheme or not, or profit from any bank or insurance ensured;
 - (2) Regarding the matters that government policies, condition of market, elements to affect market, interest rate fluctuating in the market, number of securities to be trading, method of clearance may impact in achieving targets under a scheme;
 - (3) Regarding matters that: a view or opinion rendered by a rating company does not ensure the stability of net asset value;

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- (4) Regarding the matters that: risk to be associated with the changes of interest rates;
- (5) Regarding the matters that: costs used during the commencement of a scheme and annual costs will bear impact on net asset value;
- (6) Regarding the matters that: the instruments of equity are associated with the risks of a company and market;
- (7) Regarding the matters that: the capacity and intention of other party to repay loan also fall under risk, for example there is no risk in the government securities;
- (8) Regarding the matters about liquidity risk that: liquidity depends on how the securities are salable or easy to sale;
- (9) Regarding the matters that: the interest risk will depend on its activities such as loan borrowed by government or currency fluctuation, etc.;
- (10) Regarding the matters that: causes of risks in the reinvestment will be arisen due to uncertainty in the interest rate, and coupons that will be provided in lieu of bond and such coupon will be used in reinvestment so that risk will befall;
- (11) Regarding the matters that: costs incurred in the start of a scheme and annual costs that will affect net asset value;
- (12) Regarding the matters that: different categories of risks will be borne by the investments made in a scheme such as bonds to be issued by a commercial company will bear more risk than bonds issued by government;

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- (13) Regarding the matters that: risks associated with other instruments such derivatives, futures and options etc. in which a scheme will invest;
 - (14) Regarding the matters that: risk will be occurred due to changes in the exchange rates of foreign currencies if a scheme is making investments in foreign currencies, or foreign currencies related instruments;
 - (15) Regarding the matters that: impacts of price hike will remain throughout a scheme period so bonus will not be provided;
- (c) Views of management on risk mitigation:
- (1) Regarding the matters that: the scheme management company will always remain watchful toward the risk associated with the investment of the scheme and provisions made for risk mitigation.

9.6 Matters to be considered in filing application:

- (a) The rights of unitholders and proviso clauses such as voting rights, dividend, procedures to changing the rights of unitholders, and liquidation etc.;
- (b) The place to get the memorandum of association and articles, method of payment, minimum number of units to hold and factor to multiply if held more than such numbers, and units cannot be held more than ten percent out of the total issue;
- (c) The terms and conditions that has to be complied with in filing application such as not filing more than one application, attach a copy of citizenship certificate/ birth registration certificate for identification of investor / customer identification number given by securities brokers, specify the name of relevant trader, and transactions carried on via bank account, etc.;





- (d) The information that: distribution of units of a scheme to any entity is restricted, if any;
- (e) Except as otherwise provided in selling offer, no one is sanctioned to advertise and provide information about a scheme, or represent on its behalf;
- (f) Any other necessary matters.

10. The rights and services to be available to unitholders:

The rights of unitholders and proviso clauses such as voting rights, dividend, procedures to change the rights of unitholders, and liquidation etc.

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Schedule-2

(Relating to sub-section (3) of section 6 of these Directives)

Declaration letter of a scheme manager for a scheme registered
under mutual fund \

(Due diligence certificate)

Date:

To the Securities Board of Nepal

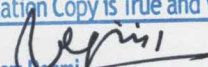
Kathmandu

Ref: due diligence certificate

Sir;

The (Name of a scheme manager) is hereby
expressed the following commitments in the prospectus prepared for the
purpose of public offer of the units of (Name of scheme)
under the..... (Name of fund):

1. The selling offer of units is executed in accordance with the securities act 2063, the mutual fund regulations, 2067 and the mutual fund directives, 2069;
2. All legal provisions and directions issued by government and other regulatory authority necessary for the commencement of a scheme are complied with.
3. The statements stated in the prospectus are true and correct that participants can invest in a new scheme.

.....
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Chief Executive Officer





Recently taken
Photo taken

Schedule-3

(Relating to section 10)

Format of application to be filed for the purchase of
units

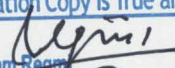
To the Scheme Manager,

.....Scheme,

I/we are willing to purchase (In words) units
issued by the scheme for this purpose this application enclosing
Rs..... (In words) is duly filed.

I/we therefore express the consent that units may be allocated as per
demand or less thereof.

1. Full name and surname (in English and Nepal):
2. Permanent address..... Zone District.....
VDC/Municipality
Street Ward No..... Block No..... Phone No.....
Fax No..... email....
3. Current address..... Zone..... District.....
VDC/Municipality
Street..... ward No.... Block No..... Phone No..... Fax
No.....email....
4. Father's name:
5. Grandfather's name:
6. Husband/wife's name:
7. Guardian's name (in the case of minor):
8. Name of nominated person:
9. Collection center where application filed:
10. Name of the bank and account No:
11. Other necessary matters

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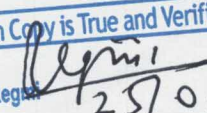
Signature



Documents to be attached:

1. A copy of citizenship certificate or a copy of identity card, in the case of non-resident Nepali;
2. A copy of birth registration certificate and a copy of citizenship certificate of guardian in the case of minor;
3. Copies of registration certificate as well as decision of the board of directors, in the case of organization;
4. A declaration that the amounts deposited along with the application is not earned violating the provisions of money (assets) laundering act, in the case of the applicants who deposited **rupees ten lac** or more.

Note: the executive officer's details shall be provided above, where a body corporate is an applicant.

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