REPUBLIC OF LITHUANIA
LAW ON
COLLECTIVE INVESTMENT UNDERTAKINGS

4 July 2003 No IX-1709

(As last amended on 18 June 2013 – No XII-375)

Vilnius

CHAPTER I
GENERAL PROVISIONS

Article 1. Purpose and scope of the Law

1. This Law shall define activities of harmonised collective investment undertakings, special collective investment undertakings for retail investors and management companies of collective investment undertakings, as well as the supervision of these activities by the State. The purpose of the Law shall be to ensure protection of interests of co-owners of investment funds and shareholders of investment companies.

2. This Law shall have the aim of harmonising the regulation of collective investment undertakings and management companies of collective investment undertakings with legal acts of the European Union specified in the Annex to this Law.

3. The Law shall apply to:

1) harmonised collective investment undertakings;

2) special collective investment undertakings for retail investors, except for those the units or shares of which are not publicly offered in the Republic of Lithuania and other Member States, or according to their instruments of incorporation are offered exclusively in third countries;

3) management companies of harmonised collective investment undertakings and special collective investment undertakings for retail investors.

4. The Law shall not apply to the services provided by management companies of collective investment undertakings or by collective investment undertakings to the State, the Bank of Lithuania, the European Central Bank, central banks or institutions of other Member States engaged in the management of public debt.

5. Management companies of collective investment undertakings and investment companies shall be subject to the requirements of the Republic of Lithuania Law on Companies (hereinafter – the Law on Companies) to the extent this Law does not provide otherwise.

Article 2. Definitions

1. **Open-ended type collective investment undertaking** means a collective investment undertaking the units or shares of which are issued and redeemed upon request of investors.

2. **Multilateral trading facility** – as defined in the Republic of Lithuania Law on Markets in Financial Instruments (hereinafter: 'Law on Markets in Financial Instruments').

3. **Subsidiary** means a subsidiary undertaking as defined in the Republic of Lithuania Law on Consolidated Accounts of Groups of Undertakings (hereinafter: 'Law on Consolidated Accounts of Groups of Undertakings').

4. **Financial instruments**:

1) in the case of a harmonised collective investment undertaking – as defined in Points 1 to 4 of Article 3(4) of the Law on Markets in Financial Instruments;

2) in the case of a special collective investment undertaking – as defined in Article 3(4) of the Law on Markets in Financial Instruments.

5. **Index of financial instruments** means a statistical ratio used to express the changes of value of financial instruments.

6. **Portfolio of financial instruments –** as defined in the Law on Markets in Financial Instruments.

7. **Master collective investment undertaking** (hereinafter: 'a master undertaking') means a collective investment undertaking or its sub-fund which meets the following conditions:

1) has among holders of its units or shares at least one feeder collective investment undertaking (hereinafter: 'a feeder undertaking');

2) it is not itself a feeder undertaking;

3) does not hold units or shares of a feeder undertaking.

8. **Feeder undertaking** means a collective investment undertaking or its compartment which invests at least 85 % of its net assets into the master undertaking in observance of requirements laid down in Section Two of Chapter VI of this Law.

9. **Close links** means a situation as defined in Law on Markets in Financial Instruments.

10. **Net assets** means difference between the value of assets of the investment fund or the investment company and non-current and current liabilities of the investment fund or the investment company.

11. **Investment company** means a joint-stock company the shares of which are issued and redeemed in accordance with the procedure laid down by this Law. For the purposes of this Law the term 'investment company' covers the investment company with variable capital and closed-ended investment company, unless established otherwise in the particular article of the Law.

12. **Investment company with variable capital** means an investment company the shareholders of which have the right to request at any time the redemption of their shares and the amount of capital of which varies depending on the issue and redemption of shares. The investment company with variable capital may be only of an open-ended type.

13. **Investment instruments** means:

1) in the case of a harmonised collective investment undertaking – financial instruments specified in Points 1 to 4 of Article 3(4) of the Law on Markets in Financial Instruments, also deposits, the immovable and movable property necessary for the direct activities of the investment company with variable capital;

2) in the case of a special collective investment undertaking – financial instruments indicated in Article 3(4) of the Law on Markets in Financial Instruments, also deposits, the immovable and movable property and installations necessary for its operation.

14. **Investment fund** means an unincorporated fund the assets of which are held by legal or natural persons by right of common fractional ownership and managed by the management company of a collective investment undertaking by trust in accordance with the procedure and conditions laid down in this Law and in the rules of the investment fund. For the purposes of this Law the term 'investment fund' includes open-ended and closed-ended investment funds, unless a specific article of the Law establishes otherwise.

15. **Unit** means a transferable security certifying the title of the co-owner of an investment fund to a part of the assets comprising the investment fund.

16. **Investor** means an actual or potential participant in the collective investment undertaking.

17. **Financial derivative** means:

1) in case of a harmonised collective investment undertaking – financial instruments indicated in Points 1 to 4 of Article 3(4) of the Law on Markets in Financial Instruments the value of which changes according to the interest rate, the price of transferable securities, a currency exchange ratio or the financial index;

2) in case of a special collective investment undertaking – financial instruments indicated in Points 4 to 10 of Article 3(4) of the Law on Markets in Financial Instruments the value of which depends on the value of one or several financial instruments.

18. **Company's control** (hereinafter: '**control**') means direct or indirect decisive influence on the company as defined in the Law on Consolidated Accounts of the Groups of Undertakings.

19. **Supervisory authority of a host Member State** means a competent authority of another Member State carrying out the functions of supervision and authorising of management companies of collective investment undertakings and collective investment undertakings in such other Member State in accordance with the provisions of legal acts applicable therein.

20. **Client** means a natural or legal person, or any other undertaking (including a collective investment undertaking) using the services provided by the management company of a collective investment undertaking or the investment company that has not designated the management company of the collective investment undertaking.

21. **Collective investment undertaking** means an investment fund or the investment company the object of which is raising of capital from the public through public offering of units or shares and collective investment into the assets specified in this Law on the basis of risk-spreading in observance of investment requirements laid down by this Law.

22. **Home Member State of a collective investment undertaking** means a Member State in which a collective investment undertaking is established in accordance with the procedure laid down by this Law or respective legal acts of another Member State.

23. **Participant in a collective investment undertaking** means a co-owner of an investment fund or a shareholder of an investment company.

24. **Host Member State of a collective investment undertaking** means the Member State, other than the home Member State of a collective investment undertaking, on the territory of which units or shares of a collective investment undertaking are marketed.

25. **Prospectus of a collective investment undertaking** (hereinafter: '**prospectus**') means the document providing to investors and the public the information about offered transferable securities of a collective investment undertaking.

26. **Instruments of incorporation of a collective investment undertaking** means rules of the investment fund or articles of association of the investment company.

27. **Sub-fund of a collective investment undertaking** means a part of assets of an umbrella collective investment undertaking managed separately from its other assets.

28. **Management of a collective investment undertaking** means:

1) management of investments of a collective investment undertaking;

2) administration of a collective investment undertaking: record-keeping, answers to clients' questions, calculation of net assets, internal control of observance of legal acts, management of the register of the holders of units or shares, distribution of income, determination of the price of units or shares, their issue and redemption, settlement on the basis of transactions, keeping of data about completed operations;

3) marketing;

4) other activities related with the activities specified in Points 1, 2 and 3 of this Paragraph.

29. **Management company of a collective investment undertaking** (hereinafter: '**management company**') means a company the regular working day of which is the management of investment funds or of investment companies.

30. **Benchmark** means a ratio chosen by a management company or an investment company that has not designated a management company against the value of which the return on investment of a collective investment undertaking is measured.

31. **Persons of sufficiently good repute** means persons as defined in the Law on Markets in Financial Instruments.

32. **Retail investor** means a non-professional client as defined in the Law on Markets in Financial Instruments.

33. **Key investor information** means a short document containing key information for investors about a collective investment undertaking and its management company.

34. **Parent undertaking** means a parent undertaking as defined in the Law on Consolidated Accounts of the Groups of Undertakings.

35. **Durable medium** means an instrument which enables an investor to store information addressed personally to that investor in a way that is accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored (computer disc, read-only memory compact disc (CD-ROM), universal digital (optical) disc (DVD), hard disc of an investor's computer with installed e-mail, etc., excluding internet websites, if they do not conform to the features defining the term of durable medium).

36. **Periodical report** means a report addressed to investors and the public containing information on the performance of the management company and collective investment undertakings, their financial condition and other major events of a certain period.

37. **Transferrable securities** means the following negotiable securities:

1) shares in companies and other securities equivalent to shares in companies;

2) bonds and other forms of securitised debt;

3) any other negotiable securities which carry the right to acquire any such transferable securities specified in Points 1 and 2 above by subscription or exchange.

38. **Money market instruments** means:

1) for a harmonised collective investment undertaking – instruments normally dealt in on the money market which are liquid and have a value which can be accurately determined at any time;

2) for a special collective investment undertaking – money market instruments defined in Article 3(28) of the Law on Markets in Financial Instruments that have a value which may be accurately determined at any time.

39. **Supervisory authority** means the Bank of Lithuania performing the functions of authorising and supervision of activities of management companies and collective investment undertakings in accordance with the procedure laid down by this Law and other laws.

40. Repealed on 18 June 2013.

40. **Special collective investment undertaking** means a collective investment undertaking the units or shares of which may not be marketed in another Member State in accordance with the procedure laid down by the legal acts referred to in the Annex to this Law and which is not subject to the requirements of the European Union law.

41. **Harmonised collective investment undertaking** means a collective investment undertaking regulated by the European Union law the sole objective of which is raising capital from the public through public offering of units or shares and its collective investment into the transferable securities and (or) other liquid assets specified in Section One of Chapter VI of this Law according to the principle of risk-spreading in observance of investment requirements laid down by this Law and the units or shares of which are redeemable at any time upon request of their holder.

42. **Umbrella collective investment undertaking** means a collective investment undertaking the assets of which are divided into separate sub-funds.

43. **Direct distribution of units or shares** means marketing of units or shares of the collective investment undertaking performed directly by its management company without using the services of distributors on the initiative of the management company or investor and without consulting the investor on the matters of investment into other financial instruments.

44. **Direct decisive influence on the company** – as defined in the Law on Consolidated Accounts of the Groups of Undertakings.

45. **Third country** means a state other than a Member State of the European Union or of the European Economic Area.

46. **Supervisory authority of a third country** means a competent authority of a third country performing the functions of authorising and supervision of activities of management companies and collective investment undertakings in accordance with the provisions of legal acts applicable in that country.

47. **Closed-ended type investment company** means an investment company which issues a fixed number of shares redeemable at the end of period of the investment company’s activities provided for in its articles of association or at any other time fixed therein in advance.

48. **Closed-ended type investment fund** means an investment fund the units of which may be redeemed at the end of period of the fund’s activities provided for in its rules or at any other time fixed therein in advance.

49. **Managers** means the head of administration, members of the board and supervisory board of the management company, investment company and depositary.

50. **Qualifying holding of the management company** means any direct or indirect holding in the management company which represents at least 1/10 or more of the authorised capital or of the voting rights or which makes it possible to exercise a

significant influence over the management of the management company in which that holding subsists. For the purpose of calculating whether the holding of the company's authorised capital or voting rights represents at least 1/10 of the authorised capital the obligations and procedure of the calculation of votes laid down in Articles 23 and 24 of the Republic of Lithuania Law on Securities (hereinafter: 'the Law on Securities') shall be taken into account.

51. **Management company's home Member State** means a Member State, in which the management company's registered office is situated. If in accordance with law of its Member State the management company has no registered office – a host Member State of the management company.

52. **Management company's host Member State** means a Member State, other than a home Member State, within the territory of which the management company has a branch or provides services without setting up a branch.

53. **Member State** means a Member State of the European Union and a country of the European Economic Area.

54. **Public offering of units or shares** means offering of units or shares through the mass media, advertising or by other means when more than 100 persons are addressed.

CHAPTER II
SECTION ONE
AUTHORISATION AND ACTIVITIES OF A MANAGEMENT COMPANY AND AN INVESTMENT COMPANY. ACTIVITIES OF A COLLECTIVE INVESTMENT UNDERTAKING

Article 3. Right to pursue activities of a management company or an investment company

1. Only a private or public limited liability company holding an authorisation for the activities of the management company issued by the supervisory authority shall have the right to engage in the management company's activities. A company holding such authorisation shall be referred to as the management company. Only management companies shall have the right to use the words 'investment fund management company', 'management company of investment companies' or other combinations or derivatives of these words in their names and advertisements.

2. The management of harmonised collective investment undertakings may also be carried out by a private or public limited liability company or an entity of other legal form holding an authorisation for the activities of the management company issued by the supervisory authority of another Member State, which grants the right to engage in the management of harmonised collective investment undertakings.

3. Only a public limited liability company holding an authorisation for the activities of the investment company with variable capital issued by the supervisory authority may engage in the activities of the investment company with variable capital. Only investment companies with variable capital may use in their name the words ‘investicinė kintamojo kapitalo bendrovė’ (investment company with variable capital) or the acronym IKKB. The use of the words ‘akcinė bendrovė (public limited liability company) or their acronym AB in the name of the investment company with variable capital shall be optional.

4. Only a public limited liability company holding an authorisation for the activities of a closed-ended type investment company issued by the supervisory authority may engage in the activities of a closed-ended type investment company. Only closed-ended type investment companies may use in their name the words ‘uždarojo tipo investicinė bendrovė’ (closed-ended type investment company) or their acronym UTIB. The use of the words ‘akcinė bendrovė (public limited liability company) or their acronym AB in the name of a closed-ended type investment company with variable capital shall be optional.

Article 4. Activities of management companies and investment companies

1. A management company shall have the right to engage in the principal activities – management of investment funds and (or) investment companies captured by this Law and provision of the following services, if they have been specified in the authorisation issued to the company and if the company engages in the principal activity:

1) management of other persons’ portfolios of financial instruments;

2) management of pension funds, if the management company complies with the requirements laid down by laws regulating the pension accumulation activities;

3) provision of auxiliary services: advising on issues relating to investment in financial instruments; safe-keeping and management of units or shares of collective investment undertakings.

2. A management company may not provide the auxiliary services indicated in Paragraph 1(3) of this Article, unless it is entitled to provide the services indicated in Paragraph 1 (1) and (2) of this Article.

3. An investment company may not manage the assets of other persons or engage in the activities not covered by this Law.

4. A management company managing at least one harmonised collective investment undertaking or pension fund may not engage in other activities not covered by this Law.

5. Chapter VII of this Law shall not apply to management companies which do not manage harmonised collective investment undertakings.

6. A management company authorised to pursue activities covered by Paragraph 1 (1), (2) and (3) of this Article *mutandis mutandis* shall be subject to the requirements set forth in Articles 13 and 22 of the Law on Markets in Financial Instruments and the implementing regulations of the supervisory authority. Requirements of the Law on Markets in Financial Instruments shall apply taking account of the provisions of Article 2(5) of the Law on Markets in Financial Instruments.

7. A management company which has obtained an authorisation for activities of a management company under this Law shall also have the right to manage collective investment undertakings established under the Law of the Republic of Lithuania on Collective Investment Undertakings for Informed Investors, provided that such right is stipulated in the authorisation for the activities of the management company.

Article 5. Procedure of authorisation of a management company or an investment company

1. A public limited liability company or a private limited liability company intending to pursue activities of the management company or a public limited liability company intending to pursue activities of the investment company with variable capital or as a closed-ended type investment company shall file an application with the supervisory authority. The application shall be accompanied by a programme of operations envisaged, containing, *inter alia*, the description of areas of planned activities, the organisational chart of the company, particulars of the legal person, its participants, managers, activities, fulfilment of capital and other prudential requirements and other information specified in the authorisation rules approved by the supervisory authority, upon considering which the supervisory authority might conclude that the company complies with the requirements for

the authorised activities laid down by this Law. The list of the required documents to be furnished for obtaining the authorisation and their submission procedure shall be set forth by the supervisory authority.

2. Upon request of the supervisory authority the state and municipal institutions and bodies must furnish all available information about the shareholders of the company applying for the authorisation, their financial condition, activities, identified infringements of laws and other legal acts, conclusions of performed inspections and other information relevant for the adoption of the decision on the authorisation.

3. The supervisory authority shall grant the authorisation when the following conditions are met:

1) data (documents) comply with the established requirements, produced documents and data are complete and accurate, and the plan of intended activities is sufficiently justified;

2) the initial capital of a management company or an investment company applying for the authorisation, that has not designated a management company, or the authorised capital of a company applying for the authorisation of activities of a closed-ended type investment company is not smaller than the minimum amount set by the supervisory authority and the capital adequacy and other prudential requirements of the management company are complied with;

3) a management company or an investment company provides the information specified in the authorising rules about the shareholders of a management company or an investment company and the qualifying holdings directly or indirectly managed by them (including information about the size of these qualifying holdings);

4) there are no grounds to believe that holders of the qualifying holding of a management company or an investment company will not ensure the sound and transparent management of a management company or an investment company;

5) not a single employee of a management company or an investment company is an employee of the operator of the regulated market operating in the Republic of Lithuania and (or) of a multilateral trading facility whose functions are directly related to the operation of the regulated market and (or) of the multilateral trading facility, or an employee of the supervisory authority or the Central Securities Depositary of Lithuania;

6) heads of a management company or an investment company are of sufficiently good repute and have the qualification and work experience specified by the supervisory authority;

7) a management company or an investment company is incorporated and its permanent management body is seated in the territory of the Republic of Lithuania;

8) there is no close link between a management company or an investment company and another legal and natural person, which might prevent the supervisory authority from exercising effective supervisory functions;

9) there is no close link between a management company or an investment company and a person from any third country the legal acts of which regulating the activities of such person or the enforcement of such legal acts might prevent the supervisory authority from exercising effective supervisory functions;

10) the articles of association of a management company or an investment company do not specify that shares or the units of the collective investment undertaking to be established will not be marketed in the Republic of Lithuania;

11) the articles of association of a public limited liability company applying for the authorisation of the investment company with variable capital or of a closed-ended type investment company do not comply with the requirements of laws;

12) a management company, its heads or shareholders have been rated as eligible in accordance with the evaluation criteria laid down in Article 9(10) of this Law;

13) the risk management process of a management company or an investment company that has not designated a management company is adequate and effective.

4. The supervisory authority shall notify the applicant of its consent or refusal to issue the authorisation within six months from the filing of all documents, data and explanations. The time limit for considering an application shall be calculated from the filing of the last documents or data. A refusal to issue the authorisation shall be motivated in writing and may be appealed against in accordance with the procedure set by the Republic of Lithuania Law on Administrative Proceedings (hereinafter: ‘Law on Administrative Proceedings’).

5. The supervisory authority must seek the opinion of a supervisory authority of another Member State, if:

1) the applicant is a subsidiary of the management company, financial brokerage firm, credit institution or insurance company authorised in another Member State;

2) the applicant is a subsidiary of a parent company of the management company, financial brokerage firm, credit institution or insurance company authorised in another Member State;

3) the applicant is controlled by the same persons who control the management company, financial brokerage firm, credit institution or insurance company authorised in another Member State.

6. For the purpose of assessing the eligibility of owners of the qualifying holding of a management company or an investment company and the repute and experience of the heads of companies belonging to the same group, the supervisory authority must seek the opinion of the supervisory authority of another Member State referred to in Paragraph 5 of this Article.

7. The supervisory authority shall notify about the issuance, suspension or revocation of an authorisation of a management company or an investment company the registrar of the Register of legal entities, institutions specified in other legal acts and on the website of the supervisory authority. The supervisory authority shall notify the European Securities and Markets Authority about the issuance suspension or revocation of the authorisation of the management company.

Article 6. Activities of a collective investment undertaking

1. No collective investment undertaking shall pursue activities unless a collective investment undertaking or its management company has been authorised beforehand by the supervisory authority to approve instruments of incorporation of a collective investment undertaking and a choice of depositary. Alongside the application for authorisation a collective investment undertaking or its management company shall submit to the supervisory authority instruments of incorporation, prospectus, key investor information document and information about managers (their representatives) of a depositary of a collective investment undertaking.

2. Where the management of a harmonised collective investment undertaking established in the Republic of Lithuania is to be delegated to a management company authorised in another Member State, a collective investment undertaking may pursue its activities only when the management company has been authorised beforehand by the supervisory authority to approve the instruments of incorporation of a collective investment undertaking, a choice of depositary and an application of a designated management company for pursuing working day of management of that collective investment undertaking. When applying for the authorisation a management company shall provide to the supervisory authority instruments of incorporation of a collective investment undertaking, application of a management company for pursuing working day

of management of a collective investment undertaking, prospectus, key investor information document and information about managers (their representatives) of a depositary.

Article 7. Granting or refusing an authorisation to approve instruments of incorporation of a collective investment undertaking, a choice of depositary, application of a management company for pursuing working day of management of a harmonised collective investment undertaking

1. The supervisory authority shall grant the authorisation to approve the instruments of incorporation of a collective investment undertaking, a choice of depositary, the management company's application for pursuing working day of management of a harmonised collective investment undertaking, if:

1) documents and information specified in Article 6 (1) or (2) of this Law have been submitted;

2) a collective investment undertaking and documents and information referred to in Article 6 paragraphs (1) or (2) of this Law comply with requirements of this Law and legal acts adopted on its basis;

3) the management company is authorised to manage a given collective investment undertaking;

4) managers of a collective investment undertaking's depositary are of sufficiently good repute, possess required qualification and work experience;

5) there are no grounds to believe that the chosen depositary will not fulfil the duties imposed thereon by virtue of this Law;

6) the process of risk management of a collective investment undertaking and its management company is adequate and effective.

2. A management company or an investment company that has not designated a management company who have applied for authorisation shall be notified by the supervisory authority about its granting or refusal within two months of submission of all required documents, data and explanations to the supervisory authority.

Article 8. Withdrawal of authorisation

The supervisory authority may withdraw the authorisation issued to a management company or an investment company, if:

1) the authorisation holder has expressly renounced the authorisation in writing;

2) the authorisation holder does not make use of the authorisation within 12 months of the day of granting the authorisation or has ceased the activities more than six months previously;

3) the period of activities indicated in the investment company's articles of association ends and the authorisation holder fails to apply in writing for the cancellation of the authorisation;

4) it appears that the authorisation holder had obtained the authorisation having submitted the documents or information which do not correspond to reality or for the purpose of obtaining the authorisation had acted in infringement of laws or other legal acts of the Republic of Lithuania;

5) the authorisation holder no longer fulfils the conditions for granting the authorisation of the management company or the investment company;

6) the authorisation holder has seriously and (or) systematically infringed the requirements laid down in this and (or) other legal acts regulating the activities of management companies or collective investment undertakings;

7) the authorisation holder no longer complies with the requirements provided for by this Law and (or) other legal acts or the available information shows that the authorisation holder will not be able to do that in future;

8) in other cases established by laws.

Article 9. Management and managers of management companies and investment companies

1. A management company and an investment company that has not designated a management company shall have the board and the administration.

2. An investment company that has designated a management company shall not form any management bodies. A management company designated to manage an investment company shall be liable for the performance of actions covered by Article 2.82(3) of the Civil Code of the Republic of Lithuania (hereinafter: 'the Civil Code').

3. A general meeting of shareholders of an investment company may adopt resolutions irrespective of the number of voting rights awarded by shares held by the participating shareholders.

4. Managers of a management company or an investment company that has not designated a management company must be of sufficiently good repute and have sufficient

work experience to ensure sound and transparent management of a management company or an investment company.

5. A management company or an investment company that has not designated a management company must notify in advance the supervisory authority about all pending changes of managers of a management company or an investment company concurrently providing the information requested by the supervisory authority for determining whether managers that have been newly elected or are planned to be elected comply with requirements of sufficiently good repute and sufficient work experience. The newly elected managers of a management company or an investment company that has not designated a management company may start working in their position only when their candidatures are approved by the supervisory authority.

6. The supervisory authority shall have the right to reject the newly nominated managers if they are not of sufficiently good repute, do not possess sufficient experience, or if there are other objective grounds to believe that planned changes of managers pose threat to sound and transparent management of the management company or the investment company. Detailed requirements for candidate managers and the procedure for coordination of their candidatures with the supervisory authority shall be laid down in legal acts of the supervisory authority.

7. The supervisory authority shall decide on the eligibility of the newly elected managers no later than within one month of the receipt of all required documents.

8. Where an investment company that has designated a management company has a supervisory board, the requirements of Paragraphs 4, 5, 6 and 7 of this Article shall apply *mutatis mutandis* to the supervisory board.

Article 10. Acquisition and disposal of a qualifying holding of the management company

1. A natural or legal person or persons acting in concert, who have taken a decision either to acquire, directly or indirectly, or to further increase, directly or indirectly, a qualifying holding of the management company already held by them (hereinafter: ‘the acquirer’), if as a result of the planned increase of the company’s qualifying holding the proportion of the voting rights or of the authorised capital of a person would reach or exceed, in ascending order, 20%, 30% or 50%, or the company would become a subsidiary of that legal person (hereinafter: ‘proposed acquisition’), must obtain a decision of the supervisory authority not to oppose the proposed acquisition. Non-compliance with the

requirement to obtain the decision of the supervisory authority not to oppose the proposed acquisition shall not invalidate a transaction; however it shall give rise to consequences specified in paragraph 21 of this Article. For the purpose of this Article ‘persons acting in concert’ shall mean two or more persons who on the basis of their explicit or implicit verbal or written arrangement exercise or seek to exercise their rights awarded by their qualifying holding in the management company.

2. The acquirer must communicate to the supervisory authority a written notification of a proposed acquisition indicating the size of the qualifying holding of the management company planned to be acquired and also submit the supporting documents and other information and particulars specified by the supervisory authority.

3. A person, who has taken a decision to directly or indirectly dispose of or reduce a qualifying holding in the management company held by him, if as a result of a planned loss of the management company’s shares the proportion of the voting rights or of the authorised capital held by a person would reach or exceed, in descending order, 20%, 30% or 50% or the company would cease being a subsidiary of that legal person, shall communicate to the supervisory authority a written notification indicating the size of the qualifying holding in the management company intended to be disposed or reduced.

4. The supervisory authority shall establish the list of documents and data enclosed with the notification of the proposed acquisition and necessary for the assessment of the acquirer and the proposed acquisition. The documents and data indicated in the list must be proportionate and adapted to the acquirer and the proposed acquisition. The list may not contain the documents and data which are not necessary for the assessment of the acquirer and the proposed acquisition in accordance with the criteria laid down in paragraph 9 of this Article.

5. Upon receipt of the acquirer’s notification about the proposed acquisition and of all documents and data indicated in the list specified in paragraph 4 of this Article and of the additional documents and data in accordance with paragraph 7 of this Article the supervisory authority shall without undue delay, no later than within two working days, acknowledge their receipt in writing and notify the acquirer about the date of expiration of the assessment period laid down in paragraph 6 of this Article.

6. The supervisory authority shall carry out the assessment no later than within 60 working days of sending a written acknowledgement of receipt of the notification about the proposed acquisition and of all documents and data indicated in the list referred to in paragraph 4 of this Article.

7. Where appropriate, during the assessment period, no later than on the fiftieth working day of the assessment period, the supervisory authority may request additional documents and data necessary for completion of the assessment. Such request shall be submitted in writing and shall specify the required additional documents and data. Calculation of duration of the assessment period shall be interrupted from the day on which the supervisory authority requests the additional documents and data and shall be resumed on the day on which the acquirer's response to the request is received. Calculation of duration of the assessment period may be suspended for maximum 20 working days. Moreover, the supervisory authority shall have the right to repeatedly request, at its own discretion, the submission of additional documents and data or their adjustment, but this may not result in the interruption of calculation of the duration of the assessment period.

8. The supervisory authority may extend the interruption of the calculation of duration of the assessment period referred to in paragraph 7 of this Article for maximum 30 working days when the place of establishment or regulation of the acquirer's activities is in a third country or when the acquirer is not subject to supervision under legal acts of other Member States regulating the activities of management companies of harmonised collective investment undertakings, financial brokerage firms, credit institutions, insurance undertakings or reinsurance undertakings.

9. Considering the notification about the proposed acquisition referred to in paragraph 2 of this Article, documents and data necessary for the assessment of the acquirer and proposed acquisition, the supervisory authority shall, in order to ensure the sound and transparent management of the management company the acquisition or increase of the qualifying holding of which is proposed, and having regard to the possibility of the acquirer's influence on the management company, assess the eligibility of the acquirer and financial soundness of the acquisition against all of the following criteria:

1) sufficiently good repute of the acquirer;

2) sufficiently good repute and work experience of a person who will be the manager of the management company after the proposed acquisition. The supervisory authority shall assess the sufficiently good repute and work experience of the person who will be the manager of the management company after the proposed acquisition having regard to provisions of Article 9 of this Law;

3) the financial soundness of the acquirer, in particular in relation to the type of activity pursued or envisaged by the management company the acquisition or increase of the qualifying holding of which is proposed;

4) whether the management company will be able to comply on a regular basis with prudential requirements, whether the structure of the group the part of which the management company will become after the proposed acquisition facilitates the effective supervision, effective exchange of information between the supervisory authority and supervisory authorities of other Member States and define the distribution of responsibility of the supervisory authority and supervisory authorities of other Member States;

5) whether there are grounds to suspect that for the purpose of implementing the proposed acquisition, money laundering or terrorist financing acts within the meaning of the Republic of Lithuania Law on the Prevention of Money Laundering and Terrorist Financing are being or were perpetrated or attempted, or that the proposed acquisition is likely to increase the risk of such acts.

10. The supervisory authority shall have no right to establish any preconditions for size of the qualifying holding of the management company which must be acquired and shall not examine the proposed acquisition in terms of the economic needs of the market.

11. The supervisory authority may disagree with the proposed acquisition only on the basis of criteria set out in paragraph 9 of this Article or when the acquirer has provided not all documents and data specified in paragraph 4 or 7 of this Article.

12. The supervisory authority shall decide on the proposed acquisition after having consulted the supervisory authorities of other Member States, when the acquirer is a management company authorised in a Member State, a financial brokerage firm, a credit institution, an insurance undertaking, a reinsurance undertaking or a parent or controlling undertaking of any of these undertakings. For the purpose of consulting the supervisory authority shall request the supervisory authorities of other Member States to provide all information relevant for the assessment of eligibility of the acquirer and the financial soundness of the proposed acquisition and without undue delay shall communicate to the supervisory authorities of other Member States on their request the information relevant for the assessment being conducted and shall provide on its own initiative all information which is essential for the assessment being conducted.

13. If the supervisory authority does not decide to disapprove the proposed acquisition within the assessment period indicated in paragraph 6 of this Article, it shall be deemed that the supervisory authority has approved the proposed acquisition. Having

decided to approve the proposed acquisition before expiration of the assessment period the supervisory authority shall notify the acquirer to the effect in writing within two working days.

14. If the supervisory authority decides to approve the proposed acquisition, it may establish and, where appropriate, extend the time limit for the implementation of the person's intention to acquire or increase the qualifying holding of the management company.

15. Having decided to disapprove the proposed acquisition the supervisory authority shall, within two working days from adoption of such decision and without exceeding the assessment period, inform the acquirer to the effect in writing, specifying the motives of the decision.

16. The supervisory authority's decision on the proposed acquisition shall contain all opinions and reservations received from supervisory authorities of other Member States after consultations under paragraph 12 of this Article. The supervisory authority's decision to disapprove the proposed acquisition may be appealed against in accordance with the procedure set by the Law on Administrative Proceedings. The supervisory authority shall publicise the decision and its motives on its website irrespective of whether the acquirer's consent has been obtained. The supervisory authority shall have the right not to publicise the decision and its motives on its website in those cases when such publicising would be detrimental to the market or cause disproportionate damage to the parties concerned.

17. If the supervisory authority receives more than one notification about the proposed acquisition in the same management company all notifications shall be examined in accordance with the same procedure without discriminating the acquirers.

18. If the management company becomes aware of the acquisition or loss of its shares as a result of which the qualifying holdings of shareholders of the management company exceed the thresholds specified in paragraph 1 of this Article in ascending or descending order, the management company must notify to the effect the supervisory authority without undue delay.

19. The management company must at least once a year communicate to the supervisory authority a notification specifying in it the management company's shareholders who possess the qualifying holding of the management company and the size of their qualified holdings. The information shall be provided on the basis of data available on the day of the ordinary general meeting of shareholders and if the company's shares are

admitted to trading on a regulated market – in observance of requirements of legal acts applicable to the companies the securities of which are traded on a regulated market.

20. Where the influence exercised by acquirers poses threat to the sound and transparent management of the management company, the supervisory authority must take measures to rectify the situation. To that end the supervisory authority shall have the right to issue compulsory instructions and impose sanctions specified in this Law on managers and other persons responsible for the management of the management company.

21. All shares held by a person who has acquired or increased the qualifying holding of the management company exceeding the thresholds specified in this Article without having obtained the supervisory authority's decision to approve the proposed acquisition or before expiration of the time limit laid down in paragraph 6 of this Article (save as in cases when the supervisory authority's decision to approve the proposed acquisition has been made earlier) shall lose the voting right at the general meeting of shareholders. The voting right shall be resumed on the day on which the decision of the supervisory authority not to oppose the proposed acquisition is received or if the supervisory authority does not decide on the disapproval of the proposed acquisition within the assessment period.

Article 11. Operating conditions and prudential requirements

1. A management company or an investment company that has not designated a management company must at all times comply with the following requirements:

1) act honestly and fairly in conducting its working day activities in the best interests of the collective investment undertaking and its participants and the integrity of the market;

2) act with due skill, care and diligence;

3) have and employ the resources and procedures that are necessary for the working day activities;

4) disclose to the client sufficient information related and necessary to the client;

5) have sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms including, in particular, rules for personal transactions by its employees or for the holding or management of investments in financial instruments in order to invest on its own account and ensuring that each transaction involving the collective investment undertaking managed by the management company may be reconstructed according to its origin, the

parties to it, its nature, and the time and place at which it was effected and that the assets are invested according to the requirements set by the collective investment undertaking's instruments of incorporation and the legal provisions in force;

6) ensure that data, documents and information of adopted investment decisions, concluded transactions, applications filed by investors for the acquisition or redemption of units or shares, or of other performed operations are kept for at least 10 years of the day of adoption of an investment decision, completion of a transaction, filing of a respective application or performance of an operation, unless other legal acts establish a longer term for the keeping of documents;

7) have in place the organisational structure which allows avoiding the conflicts of interest between the management company or the investment company and its clients, between several clients of the management company or the investment company, between the collective investment undertaking managed by the management company and its clients or between several collective investment undertakings;

8) ensure that persons who make investment management decisions possess the qualification and experience specified by the supervisory authority and are of sufficiently good repute;

9) have in place the description of procedures for making investment decisions which, *inter alia*, establishes the structure of a body making investment decisions, and comply with the requirements of the description of procedures;

10) ensure that investment decisions are recorded in writing and registered in the register of investment decisions;

11) comply with the capital requirements, prudential requirements and other requirements applicable to working day activities set by the supervisory authority;

12) approve and implement the employee remuneration policy conforming to requirements set by the supervisory authority;

13) fulfil instructions of the supervisory authority.

2. The management company authorised to render the services referred to in Article 4(1)(1) or (2) of this Law may invest the clients' funds in the investment funds or investment companies managed by the management company only with due regard to the requirements for the management of the conflicts of interest laid down by this Law and legal acts of the supervisory authority implementing it and having obtained from the client an advance and explicit written consent.

3. Liabilities to investors of the management company authorised to render the service referred to in Article 4(1)(1) of this Law shall be insured in accordance with the procedure laid down by the Republic of Lithuania Law on Insurance of Deposits and Liabilities to Investors.

Article 12. Duty to implement investment decisions acting in best interests for the collective investment undertaking

1. The management company on account of a collective investment undertaking managed by it, or the investment company that has not designated a management company, when implementing itself the investment decision made or delegating its implementation to another undertaking must act in the best interests of the collective investment undertaking.

2. The management company on account of a collective investment undertaking managed by it, or the investment company that has not designated a management company, when implementing itself the investment decision made or delegating its implementation to another undertaking must act so as to achieve the best possible outcome for the collective investment undertaking, considering the price of investment objects, the costs and speed of implementation of the investment decision, the probability of implementation of the investment decision and the probability of settlements, the amount and nature of the investment decision and other circumstances relevant for the implementation of the investment decision.

3. For the purpose of fulfilling the duty laid down in paragraph 2 of this Article a management company or an investment company that has not designated a management company, shall approve and introduce the effective measures, including the investment decisions' implementation policy allowing to achieve the best possible result for the collective investment undertaking in implementing the investment decision on account of the undertaking and also to have in place and use the effective measures aimed at the realisation of the policy of investment decisions.

4. The undertakings to which the implementation of investment decisions with regard to the respective financial instruments may be delegated shall be specified in the investment decisions' implementation policy near each class of financial instruments. A management company or an investment company that has not designated a management company may delegate the implementation of investment decisions only in observance of all requirements laid down in this Article.

5. Before starting to implement investment decisions on account of a collective investment undertaking, a management company shall seek from the investment company managed by it an advance approval of the investment decisions' implementation policy.

6. A management company or an investment company that has not designated a management company must:

1) ensure that the investment decisions' implementation policy and all essential changes thereof are available to the participants of a collective investment undertaking;

2) monitor on a regular basis the effectiveness of the applied measures and the investment decisions' implementation policy, the quality of investment decisions of other undertakings, which are specified in the policy and implement investment decisions, and having identified any weaknesses of the applied measures and (or) the investment decisions' implementation policy – rectify them without delay;

3) revise the investment decisions' implementation policy at least once a year and after each essential change, which is likely to affect the ability of a management company or an investment company that has not designated a management company to achieve the best result for the collective investment undertaking;

4) act in the manner which allows proving at any time that an investment decision on the account of the collective investment undertaking has been implemented or that its implementation has been delegated to another undertaking in accordance with the investment decisions' implementation policy.

Article 13. Requirements for risk management

1. A management company or an investment company that has not designated a management company, taking account of the nature, scope and complexity of the pursued working day activities and of the managed collective investment undertaking must:

1) approve, implement and maintain due and effective measures, processes and methods guaranteeing the continuous calculation and management of risks to which a collective investment undertaking managed by a management company or an investment company that has not designated a management company is or might be exposed;

2) approve, implement and maintain due and documented risk management policy, providing for the types of risks to which a collective investment undertaking managed by a management company or an investment company that has not designated a management company is or might be exposed;

3) appoint (form) a hierarchically and functionally independent person or subdivision performing the risk management function and ensure that his (its) functions are duly fulfilled and that he (it) possesses the requisite competence and has the right to obtain all information necessary for the proper functioning.

2. A management company or an investment company that has not designated a management company must without undue delay notify the supervisory authority in writing about all essential changes of the risk management process.

Article 14. Accounting and audit of a management company, collective investment undertakings managed by it or of an investment company that has not designated a management company

1. Financial accounting and reporting of the management company shall be carried out in accordance with laws and other legal acts of the Republic of Lithuania and the international accounting standards.

2. Financial accounting and reporting of a collective investment undertaking shall be carried out in accordance with laws and other legal acts of the Republic of Lithuania.

3. The procedure of appropriation of the management company's profit shall be regulated by the Republic of Lithuania Law on financial institutions (hereinafter: 'Law on Financial Institutions').

4. The audit of the set of financial statements and of the set of consolidated financial statements of a management company, collective investment undertakings managed by it or of an investment company that has not designated a management company and the procedure of such audit shall be subject to requirements laid down in the Republic of Lithuania Law on audit (hereinafter: 'Law on Audit'), the Law on Financial Institutions and this Article.

5. The data of the set of annual financial statements of the management company, collective investment undertakings managed thereby or of the investment company that has not designated a management company must be audited. An audit firm which audits the set of annual financial statements of the collective investment undertaking shall issue an auditor's opinion on such set of annual financial statements and a report on audit thereof. An auditor shall specify in the collective investment undertaking's audit report all infringements of this Law and other legal acts identified in the course of audit and provide the following information specifying whether:

1) the net asset value is calculated correctly;

2) assets are invested in accordance with the instruments of incorporation of a collective investment undertaking;

3) effectiveness of internal control and risk management systems and measures related to a collective investment undertaking approved by a management company or an investment company that has not designated a management company has been assessed;

4) effectiveness of internal control and risk management systems and measures of a management company related to the management of a collective investment undertaking approved by has been assessed.

6. If a collective investment undertaking is closed down or liquidated, an auditor shall provide the following information to show that:

1) during the period from drafting of the last report on audit until closure or liquidation of a collective investment undertaking (if such period is longer than one month) the net asset value was calculated correctly;

2) assets were invested in accordance with the instruments of incorporation of a collective investment undertaking;

3) a collective investment undertaking was closed down or liquidated in compliance with requirements of this Law and other legal acts.

7. At request of the supervisory authority, a management company or an investment company that has not designated a management company must provide explanations with regard to its own financial statements or the financial statements of a collective investment undertaking managed by it, an investment company that has not designated a management company – with regard to its own financial statements, and an auditor – explanations concerning the identified breaches of this Law and (or) other legal acts.

8. An auditor auditing a management company or a collective investment undertaking or carrying out any other activity provided for in the Law on Audit must immediately give written notice to the supervisory authority of the identified circumstances or facts which may:

1) result in an essential infringement of laws and other legal acts that establish conditions for the granting of authorisations or specifically regulate the activities of management companies or collective investment undertakings, or

2) interfere with continuous operation of a management company or an investment company that has not designated a management company, or

3) serve the basis for refusal to issue an opinion about the set of financial statements or formulate a qualified opinion.

9. An auditor must also immediately notify to the supervisory authority in writing all facts and circumstances captured by paragraph 8 of this Article, which come to light in the process of audit of an undertaking which is closely linked with a management company or with an investment company that has not designated a management company.

10. The abovementioned notification of the supervisory authority shall not be considered as an infringement of the prohibition to disclose confidential information laid down in legal acts or agreement and therefore shall not give rise to any negative consequences in respect of an auditor.

11. An auditor must carry out an audit of a management company, its managed collective investment undertaking or an investment company that has not designated a management company in accordance with the procedure set by legal acts implementing this Law adopted by the supervisory authority on the basis of Article 15 thereof.

Article 15. Right of the supervisory authority to adopt legal acts implementing this Law

The supervisory authority shall define:

1) the procedure for protecting the confidential information;

2) the procedure for organising and carrying out the internal control of management companies and the investment companies that have not designated management companies;

3) the contents and form of periodical reports, other reports meant for supervision, prospectus, key investor information document and other mandatory information to be submitted, as well as the procedure of presentation of their financial statements;

4) the contents of and procedure of presentation of reports on liquidation of an investment company and closure of an investment fund;

5) requirements for determining and calculating the amount and value of net assets;

6) capital and other prudential requirements for management companies and investment companies;

7) the procedure for measuring the counterparty risk when verifying the compliance with diversification requirements;

8) the procedure for granting, suspension and withdrawal of authorisations and authorisations specified in this Law;

9) the procedure for using financial derivatives of collective investment undertakings and assessing the related risks;

10) requirements for management and assessment of risks of a management company or an investment company that has not designated a management company;

11) the procedure for distributing units or shares of collective investment undertakings;

12) rules of merger and master-feeder structures of collective investment undertakings;

13) the procedure for organising and pursuing activities of management companies and investment companies;

14) requirements for the employee remuneration policy of management companies and investment companies that have not designated management companies;

15) the procedure for notifying the collective investment undertaking's participants about essential amendments to the instruments of incorporation and prospectus and a representative list of major amendments;

16) requirements for the qualification and work experience applicable to managers of a management company, an investment company and a depositary.

Article 16. Duty to obtain the supervisory authority's authorisation

1. An advance authorisation of the supervisory authority shall be required for:

1) approval of, and amendments or supplements to, instruments of incorporation;

2) selection or change of a depositary or a management company;

3) delegation of the investment fund's management to another management company;

4) merger of special collective investment undertakings or harmonised collective investment undertakings set up in the Republic of Lithuania the units or shares of which are distributed only in the Republic of Lithuania;

5) merger of a collective investment undertaking set up in the Republic of Lithuania that will cease to exist on the entry into effect of the merger (in cases of merger of harmonised collective investment undertakings set up in the Republic of Lithuania and in one or more Member States, or harmonised collective investment undertakings set up in the Republic of Lithuania the units or shares of which are distributed in another Member State);

6) reorganisation, separation or restructuring of a management company;

7) management by a management company authorised in another Member State of a harmonised collective investment undertaking set up in the Republic of Lithuania;

8) exceeding the investment threshold stipulates in Article 79(2) of this Law by a collective investment undertaking set up in the Republic of Lithuania and intending to become a feeder undertaking;

9) investment of at least 85% of net assets of a feeder undertaking set up in the Republic of Lithuania in units or shares of another chosen master undertaking upon closure or liquidation, merger or division of a master undertaking;

10) a feeder undertaking set up in the Republic of Lithuania intending to continue as a feeder undertaking of a master undertaking or of any other chosen collective investment undertaking after merger or division of a master undertaking.

2. The supervisory authority may refuse issuing the authorisation only where this would contradict legal acts or would prejudice the interests of participants of a collective investment undertaking.

3. Where having received a respective request the supervisory authority does not produce a reasoned objection within 20 working days, the authorisation shall be deemed to be issued, unless this Law establishes otherwise.

Article 17. Right of a management company or an investment company that has not designated a management company to delegate part of its functions to another company

1. For the purpose of a more effective conduct of working day, a management company or an investment company that has not designated a management company may delegate to carry out on its behalf one or more of its own management functions to a company authorised to provide appropriate services immediately notifying in writing the supervisory authority to the effect. Such notification must specify the name of the company that will accept the delegation (the agent) and the list of functions to be delegated to it. Where a management company manages at least one harmonised collective investment undertaking set up in another Member State, the supervisory authority, having received the notification from the management company, shall immediately inform the supervisory authority of the harmonised collective investment undertaking’s home Member State about the intention to delegate one or more of the management functions to another company.

2. The carrying out of one or more of the management functions may be delegated only when all of the following preconditions are complied with:

1) the mandate must not prevent the effectiveness of supervision of a management company or an investment company and must not prevent from acting in the best interests of investors;

2) the supervisory authority must have concluded an agreement on the exchange of information with an appropriate supervisory authority of a third country in which one or more functions have been delegated to an authorised management company;

3) the managers of the management company are authorised to monitor the activity the agent at any time;

4) the mandate must not prevent the managers of the management company from giving further instructions to the agent at any time or from withdrawing the mandate with immediate effect when this is in the interest of investors;

5) the agent must have the qualifications specified by the supervisory authority and be capable of carrying out the functions in question;

6) prospectuses of an investment fund or an investment company must list the functions which the management company has been allowed to delegate.

3. A management company or an investment company that has not designated a management company shall not delegate its functions to the extent that it becomes a letter-box entity. A mandate with regard to making investment decisions must not be given to the depositary keeping assets which constitute investment funds managed by that investment company or the assets of investment companies, or to any other undertakings whose interests may conflict with those of the management company, the investment company or the unit-holders.

4. The liability of a management company or an investment company shall not be affected by delegation by the management company of any functions to third parties.

Article 18. Prohibition to dispose assets constituting an investment fund or owned by an investment company

1. Assets constituting an investment fund or owned by an investment company may not be disposed to its management company, managers of such company, its employees and their spouses. A management company on account of a collective investment undertaking managed by it or an investment company shall also be prohibited from acquiring assets of the persons referred to in this paragraph.

2. Prohibitions provided for in paragraph 1 of this Article shall apply to the investment company’s managers, employees and their spouses.

3. Assets constituting an investment fund or owned by an investment company may not be lent, pledged or provided as a guarantee or surety to secure obligations of other persons. The prohibition shall not apply to the acquisition of not fully paid up transferable securities, money market instruments or other instruments specified in points (5)(7) or (8) in Article 75(1) of this Law.

4. Assets of an investment fund or an investment company may not be used for concluding short-sale transactions in transferrable securities, money market instruments or other investment instruments.

5. An investment company or a management company which manages assets of an investment fund may not borrow on account of the investment fund, except for loans accounting for up to 10% of its net asset value with maturity of up to three months necessary for maintaining of its liquidity. The prohibition shall not apply to loans in foreign currency obtained for acquisition of transferable securities or money market instruments, if the lender receives at least an equivalent amount in other currency to secure loan repayment.

6. Prohibitions stipulated in this Article shall apply to special collective investment undertakings and their management companies to the extent laid down in Chapter VIII of this Law.

Article 19. Approval of the investment company’s agreement with a management company and a depositary

1. A management agreement concluded by an investment company with a management company and an agreement with a depositary shall be approved by a general meeting of shareholders of an investment company. A general meeting of shareholders may adopt such decision by at least 2/3 majority vote awarded by shares held by shareholders present at the meeting. The company’s articles of association may establish a larger majority vote for the adoption of such decision.

2. A general meeting of shareholders may delegate the right to adopt the decision referred to in paragraph 1 of this Article to the supervisory board, but for a period not exceeding three years, provided that the company's articles of association stipulate the maximum fee payable to the management company and to the depositary. The supervisory

board shall have the right to adopt the decision by a 2/3 majority vote of all members of the supervisory board.

Article 20. Specifics of bankruptcy proceedings of a management company or an investment company

1. Bankruptcy proceedings of a management company or an investment company may be heard only in court.

2. In addition to other entities specified in the Republic of Lithuania Law on Enterprise Bankruptcy, the supervisory authority shall have the right to file a petition with court for the institution of bankruptcy proceedings against a management company or an investment company.

3. A court, having received from the supervisory authority a petition for the institution of bankruptcy proceedings, must, on the same day, prohibit a management company or an investment company from using bank accounts and investment instruments.

4. Not later than within 15 days of the receipt of the petition, a court shall pass an order on the institution of or refusal to institute bankruptcy proceedings.

5. The administrator of a management company or an investment company shall repay the funds owned by participants of collective investment undertakings managed by a management company or shareholders of an investment company or shall delegate the management of collective investment undertakings managed by a management company to another management company. The administrator of a management company or an investment company shall pass the respective decision acting under the best conditions and in the best interests of participants of collective investment undertakings.

Article 21. Specifics of reorganisation, separation and transformation of a management company

1. Reorganisation, separation and transformation of a management company shall be authorised beforehand by the supervisory authority.

2. A management company may not be reorganised or transformed into a company which is not captured by this Law.

3. In addition to other information required by the Civil Code and the Law on Companies, the reorganisation conditions of a management company shall specify the number of collective investment undertakings managed by a management company and

the number of their participants, provide the particulars of collective investment undertakings transferred and received for management and their assets, own assets of a management company, depositary, conditions and terms of transfer and receipt of obligations of a management company, the property and non-property rights of participants of collective investment undertakings after reorganisation, time limits for the acquisition of such rights and responsibilities.

4. A management company must publish a notification about the reorganisation or transformation in accordance with the procedure set by laws. In such notification a management company must specify the property and non-property rights of participants of collective investment undertakings after reorganisation, time limits for the acquisition of such rights and responsibilities.

5. A management company under reorganisation or transformation must create conditions for the participants of its managed collective investment undertakings for at least one month following their notification about the reorganisation or transformation of a management company request them to redeem units or shares held by them without any deductions.

6. Information about the progress and time limits of the reorganisation or transformation shall be provided to each shareholder of a management company, participant of a collective investment undertaking or supervisory authority who had requested that.

7. A management company under reorganisation, having received the authorisation of the supervisory authority, may delegate the management of collective investment undertakings to another management company without consent of participants of collective investment undertakings, after having created conditions for the proper enforcement of the rights of participants of its managed collective investment undertakings specified in paragraph 5 of this Article.

8. The authorisation of a management company which ceases to exist after reorganisation shall be cancelled by the supervisory authority upon request of the management company or on its own initiative.

9. Where reorganisation of a management company results in the establishment of a new company such newly set up company must obtain the authorisation of a management company in accordance with the procedure laid down by this Law and by the supervisory authority.

10. A part of a management company, which continues in operation, may be separated and on the basis of assets, rights and responsibilities assigned to such part one or more new management companies of the same legal form may be set up. Provisions of this Law regulating the reorganisation of a management company and provisions of the Civil Code regulating the reorganisation by way division shall apply *mutatis mutandis* to the separation of a management company.

Article 22. Specifics of liquidation of a management company or an investment company

1. A management company may be liquidated on the initiative of a general meeting of shareholders only when the management company has designated another management company for all collective investment undertakings or has wound-up all its managed collective investment undertakings intending to liquidate a management company and where the management company's authorisation has been withdrawn by decision of the supervisory authority.

2. In the event of a forced liquidation of a management company in accordance with the procedure laid down by legal acts of the Republic of Lithuania, a liquidator of the management company going into liquidation must enable the participants of collective investment undertakings managed by the management company under liquidation to file an application in accordance with the procedure laid down by this Law for the redemption of units or shares held by them without any deductions. A liquidator of the management company going into liquidation shall be responsible for ensuring the compliance of the management company's actions during the process of liquidation with the requirements of this Law.

3. From the day of adoption of the decision to liquidate an investment company the sale and redemption of the investment company's shares shall be discontinued.

4. Upon adoption of the decision to liquidate an investment company, the liquidator must without undue delay furnish the supervisory authority with a set of financial statements of such investment company prepared on the basis of data of the day of adoption of the decision to liquidate an investment company, the auditor's opinion with regard to such set of financial statements and the report on audit.

5. Assets of an investment company under liquidation shall be sold under the best conditions for and acting in the best interests of shareholders of the investment company. The settlement with shareholders shall be made in cash. A detailed procedure for the sales

of assets of an investment company under liquidation shall be laid down by the supervisory authority.

6. The investment company's liquidator must provide to the supervisory authority the information about the progress of liquidation and the information referred to Article 14(6) of this Law.

SECTION TWO
OBLIGATIONS OF A MANAGEMENT COMPANY OR AN INVESTMENT COMPANY CONCERNING THE PROVISION OF INFORMATION

Article 23. Duty to draw up a prospectus, key investor information and periodical reports

A management company, for each collective investment undertaking it manages, and an investment company that has not designated a management company shall draw up:

1) a prospectus;

2) a key investor information document;

3) a report of each financial year (hereinafter: 'annual report');

4) a report covering the first six months of each financial year (hereafter: 'half-yearly report').

Article 24. Prospectus and periodical reports

1. The prospectus shall provide sufficient information for investors to be able to make an informed judgement on the proposed investment and the related risks. The prospectus shall include a clear and comprehensive explanation of the nature of risks.

2. The annual report shall contain the information specified by the supervisory authority for investors to be able to make an informed judgement on the activities of a collective investment undertaking and their results. Where interim dividends are paid, they must be indicated in a half-yearly report.

3. The instruments of incorporation of a collective investment undertaking shall be provided in the form of annexes to the prospectus. The instruments of incorporation of a collective investment undertaking need not be annexed to the prospectus if investors are

informed that on their request the instruments will be sent to them personally or they will be notified where to obtain them in the territory of the Republic of Lithuania.

4. If the information published in the prospectus changes, the prospectus shall be amended no later than within 7 days of the day of occurrence of such changes and furnished to the supervisory authority without undue delay.

5. The supervisory authority shall lay down other requirements for the prospectus, the contents and form of yearly and half-yearly reports and the procedure of their submission to the supervisory authority.

6. Where a management company authorised in the Republic of Lithuania manages a harmonised collective investment undertaking set up in another Member State, the management company shall furnish the supervisory authority with the prospectus of such collective investment undertaking, all amendments to the prospectus as well as the annual and half-yearly reports.

Article 25. Procedure of publication of prospectuses and periodical reports

1. A management company for each collective investment undertaking it manages or an investment company that has not designated a management company must publish the prospectus, the annual report and the half-yearly report.

2. The annual and half-yearly reports must be published and submitted to the supervisory authority within the following time limits:

1) the annual report – within four months following the end of the reporting financial year;

2) the half-yearly report – within two months from the end of the reporting half-year period.

3. Copies of the prospectus, the most recent annual report and half-yearly report following it shall be provided free of charge to investors who request them. The prospectus shall be provided in a durable medium or by reference to the website, and a printed hard copy of the prospectus shall be issued free of charge to investors on their request.

4. Repealed on 18 June 2013.

5. Repealed on 18 June 2013.

6. Printed hard copies of the annual and half-yearly reports shall be provided to investors on their request free of charge.

7. The annual and half-yearly reports must be made available to investors in the manner specified in the prospectus and key investor information document.

Article 26. Key investor information

1. The key investor information shall include prominently displayed words ‘key investor information’ and all information necessary for investors about the essential characteristics of a collective investment so that they are reasonably able to understand the nature and the risks of the investment product that is being offered to them and, consequently, to take investment decisions on an informed basis.

2. In order to be able to compare the information, the key investor information document shall be drawn up in accordance with the form approved by the European Commission. Also, the key investor information document shall be drawn up in observance of Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website and requirements for the contents and form of the key investor information document laid down by the supervisory authority.

3. If a harmonised collective investment undertaking set up in another Member State or in a third country or its management company have been notified in accordance with Article 120(1) of this Law about the transfer of documents to the supervisory authority, investors of the Republic of Lithuania shall be provided with a translation of the key investor information document from the original language to the Lithuanian language without any amendments or supplements.

4. Key investor information shall constitute pre-contractual information. It shall be fair, clear, not misleading and consistent with the relevant information contained in the prospectus.

5. A management company or an investment company shall not incur civil liability solely on the basis of the key investor information, including any translation thereof, unless it is misleading, inaccurate or inconsistent with the relevant information contained in the prospectus. Key investor information shall contain a clear warning in this respect.

6. The supervisory authority shall lay down detailed requirements for the content and form of the key investor information document and for the procedure of providing it to investors.

Article 27. Procedure of provision of key investor information

1. Before concluding with the investor an agreement on sale of units or shares of a collective investment undertaking a management company or an investment company that has not designated a management company must provide the investor with the key investor information of a respective collective investment undertaking. If units or shares of a collective investment undertaking are marketed through intermediaries on behalf of a management company or an investment company that has not designated a management company, a management company or an investment company that has not designated a management company must ensure that the key investor information of a respective collective investment undertaking is provided to the investor before the subscription by the investor of units or shares in a collective investment undertaking.

2. A management company or investment company that has not designated a management company must, upon request of investment product manufacturers and intermediaries selling units or shares of a respective collective investment undertaking not on behalf of a management company or investment company that has not designated a management company or advising investors on potential investments in such collective investment undertakings or in products offering exposure to such collective investment undertakings, provide them with the key investor information document of the respective collective investment undertaking.

3. Intermediaries referred to in paragraph 2 of this Article must provide the investors with the key investor information document in accordance with the procedure laid down in this Article.

4. A management company or an investment company that has not designated a management company shall provide the key investor information free of charge to the investor in a durable medium by giving reference to the website, or deliver the key investor information printed on paper free of charge on request of the investor.

5. An up-to-date version of the key investor information shall be made available on the website of a management company or an investment company that has not designated a management company.

6. A management company or an investment company that has not designated a management company must promptly send to the supervisory authority the key investor information document and any amendments thereto.

Article 28. Notification about essential changes of instruments of incorporation and prospectus of a collective investment undertaking

1. All essential changes in the instruments of incorporation and (or) prospectus of a collective investment undertaking relevant for the interests of participants of a collective investment undertaking must be notified in writing by a management company or an investment company that has not designated a management company to each participant of a collective investment undertaking, enabling a participant of a collective investment undertaking in accordance with the procedure laid down by the supervisory authority to redeem the units or shares of a collective investment undertaking owned by the participant without any deductions.

2. The procedure of notification of the collective investment undertaking's participants about the essential changes in the instruments of incorporation and (or) prospectus of a collective investment undertaking and a model list of essential changes shall be defined by the supervisory authority.

Article 29. Publication of the price

1. A management company and an investment company that has not designated a management company must make public in accordance with the procedure laid down in the instruments of incorporation of a collective investment undertaking the prices of units or shares each time it sells or redeems them.

2. A management company of a harmonised management company or an investment company with variable capital that has not designated a management company must make public the prices of units or shares at least twice a month. The supervisory authority may, however, permit a collective investment undertaking to reduce the frequency of the publication of prices on condition that such derogation does not prejudice the interests of a collective investment undertaking's participants.

3. Prices of units or shares of special collective investment undertakings shall be published in compliance with requirements of the articles of this Law regulating the activities of the special collective investment undertakings of a respective nature and type.

Article 30. Public offering and advertising

1. All marketing communications to investors shall be clearly identifiable as such. They shall be fair, clear and not misleading. In particular, any marketing communication comprising an invitation to purchase units or shares of a collective investment undertaking

that contains specific information about a collective investment undertaking shall make no statement that contradicts or diminishes the significance of the information contained in the prospectus and the key investor information referred. It shall indicate that a prospectus exists and that the key investor information is available. It shall specify where and in which language such information or documents may be obtained by investors or potential investors or how they may obtain access to them.

2. The operating results of a collective investment undertaking presented in marketing communications of a collective investment undertaking must be compared to a benchmark of such collective investment undertaking. This requirement shall not apply to collective investment undertakings which are not required by this Law to use a benchmark.

CHAPTER III
DEPOSITARY

Article 31. Obligation to transfer assets to a depositary

1. The assets of a collective investment undertaking shall be entrusted to one depositary for safe-keeping. A depositary of a collective investment undertaking established in the Republic of Lithuania may be only a bank authorised to provide investment services in the Republic of Lithuania which has either a registered office or a branch in the Republic of Lithuania or is established in the Republic of Lithuania. A depositary of a collective investment undertaking established in another Member State and managed by a management company authorised in the Republic of Lithuania may be only an entity which is authorised to provide investment services in such other Member State and either has its registered office or branch in that Member State or is established in that Member State.

2. A depositary's liability shall not be affected by the fact that it may have entrusted all or part of its functions to other depositaries.

Article 32. Obligations of a depositary

1. A depositary shall have in place and use the means and procedures necessary for its activities.

2. Depositary shall act solely in the interest of a collective investment undertaking's participants and:

1) ensure that the sale, issue, redemption, and cancellation of units or shares is effected in accordance with the requirements of applicable legal acts and instruments of incorporation of a collective investment undertaking;

2) ensure that the value of units or shares is calculated in accordance with the requirements of applicable legal acts and instruments of incorporation of a collective investment undertaking;

3) carry out the instructions of a management company or an investment company, unless they conflict with the requirements of applicable legal acts and instruments of incorporation of a collective investment undertaking;

4) ensure that consideration for transferred assets is credited to the account of an investment fund or to an investment company is remitted within the usual time limits;

5) ensure that income of an investment fund or an investment company is applied in accordance with the requirements of applicable legal acts and instruments of incorporation of a collective investment undertaking.

3. A depositary shall make available to a management company or an investment company that has not designated a management company all documents necessary for the financial accounting and reporting purposes.

4. Prior to each valuation of an object of immovable property, a depositary of an immovable property collective investment undertaking shall verify whether the immovable property valuator (valuators) meets (meet) the applicable requirements of independence and the selection criteria laid down in the instruments of incorporation of a collective investment undertaking and whether the valuation of immovable property conforms to the requirements of Article 134(4) of this Law.

5. A depositary shall communicate a written notification to the supervisory authority and the supervisory board or board of a management company or an investment company about all identified infringements of legal acts or instruments of incorporation of a collective investment undertaking.

6. On request of the supervisory authority, a depositary shall provide all information obtained when performing the depositary's functions and necessary for the supervisory authority to carry out the supervision of a collective investment undertaking and (or) management company.

7. If a management company of a harmonised collective investment undertaking established in the Republic of Lithuania is authorised in another Member State, a depositary, in order to ensure the proper fulfilment of the functions laid down in this Law

and other legal acts shall conclude with such management company a written agreement, *inter alia*, including the information-sharing provisions. Provisions of this paragraph shall apply *mutatis mutandis* to a management company authorised in the Republic of Lithuania and managing a collective investment undertaking established in the Republic of Lithuania.

8. The fee for the services of a depositary may not exceed the amount laid down in the instruments of incorporation of a collective investment undertaking.

9. A depositary shall be liable to the participants of a collective investment undertaking or to a management company for any loss suffered by them as a result of its unjustifiable failure to perform its obligations, or its improper performance of them.

10. A depositary shall act in accordance with the requirements of legal acts adopted by the supervisory authority on the basis of Article 15 of this Law.

Article 33. Delegation of management to a depositary

1. Where the right of a management company to manage a collective investment undertaking is suspended or expires and management of a collective investment undertaking is not delegated to another management company, a management company shall notify a depositary about the suspension or expiry of the right to manage assets. In such a case, the management of a collective investment undertaking shall be temporarily taken over by a depositary that has all rights and duties of the management company, unless laws or instruments of incorporation of a collective investment undertaking establish otherwise.

2. A depositary shall take over the management of a collective investment undertaking for a period of suspension of the management company's right to manage a collective investment undertaking. When the management company's right to manage a collective investment undertaking expires, a depositary shall delegate the management to another management company within three months of taking over of the management. A collective investment undertaking that has not been transferred to another management company within three months shall be liquidated.

Article 34. Separation of a management company or an investment company from a depositary

1. No depositary shall act both as a management company or an investment company, except in case provided for in Article 33 of this Law.

2. Managers of a management company or an investment company, except for the supervisory board members, and employees may not be the managers or employees of a depositary to which the safe-keeping of assets comprising an investment fund managed by that company or assets held by an investment company is entrusted, whose functions are directly linked to activities of a depositary.

3. Managers of a depositary, to which the safe-keeping of assets comprising an investment fund managed by that company or assets held by an investment company is entrusted, whose functions are directly linked to activities of a depositary may constitute not more than 1/2 of members of the supervisory board of a management company or an investment company managing that investment fund. Employees of a depositary, to which the safe-keeping of assets comprising an investment fund managed by that company or assets held by an investment company is entrusted, whose functions are directly linked to activities of a depositary, may not be members of the supervisory board of a management company or an investment company managing that investment fund.

Article 35. Replacement of a depositary

1. A management company or an investment company may replace a depositary only having obtained an advance approval of the supervisory authority.

2. If a depositary does not comply with the requirements of legal acts, fails to perform its obligations or performs them improperly, the supervisory authority shall have the right, with a view to ensuring rights of participants of a collective investment undertaking, to order a management company or an investment company to replace a depositary.

CHAPTER IV
SECTION ONE
GENERAL PROVISIONS GOVERNING ACTIVITIES OF COLLECTIVE INVESTMENT UNDERTAKINGS

Article 36. Working day forms, categories and types of collective investment undertakings

1. Pursuant to this Law, harmonised and special collective investment undertakings may be established in the Republic of Lithuania in the form of an investment company or

an investment fund, unless this Article provides otherwise. Special collective investment undertakings shall be divided into categories and types.

2. Harmonised collective investment undertakings may be established only in the form of an investment fund or an investment company with variable capital. Formation of harmonised collective investment undertakings of the closed-ended type shall be prohibited.

3. Pursuant to this Law, the following special collective investment undertakings may be established:

1) undertakings for collective investment into transferable securities;

2) immovable property collective investment undertakings;

3) private capital collective investment undertakings;

4) collective investment undertakings investing into other collective investment undertakings;

5) Repealed on 18 June 2013.

4. Special collective investment undertakings may be of open-ended type (open-ended type investment funds and investment companies with variable capital) of the closed-ended type (closed-ended type investment funds or closed-ended type investment companies).

Article 37. Amount of net assets of collective investment undertakings

1. Net assets of a collective investment undertaking, except in cases referred to in paragraph 3 of this Article, may not be less than:

1) in the case of an investment fund – LTL 1 000 000;

2) in the case of an investment company – LTL 2 000 000.

2. In the case of an umbrella collective investment undertaking net assets of each sub-fund may not be smaller than the net assets specified in paragraph 1 of this Article.

3. Requirements of paragraph 1 of this Article shall not apply for:

1) six months from the beginning of operations of an investment fund, as specified in Article 6(1) or (2) of this Law;

2) 12 months from the day of granting a working day authorisation to an investment company.

4. If a newly established collective investment undertaking does not accumulate the required amount of the net assets within the time limit set forth in paragraph 3 of this Article, its management company or an investment company that has not designated a

management company must immediately take measures of winding-up or liquidation of such collective investment undertaking.

5. If the net assets of an investment fund fall below LTL 1 100 000 and of an investment company – below LTL 2 200 000, the supervisory authority shall be immediately notified to the effect in writing. The notification shall lay down the reasons for the reduction of the net asset value and the corrective measures.

6. If the situation is not rectified within six months of the day on which net assets had fallen below the requirement, a management company or an investment company that has not designated a management company shall take prompt measures of winding-up or liquidation of such collective investment undertaking.

7. If a management company or an investment company that has not designated a management company fails to take actions specified in paragraph 4, 5 or 6 of this Article or to wind-up or liquidate a collective investment undertaking within a reasonable time limit, the supervisory authority shall have the right to decide either on the winding-up of an investment fund or withdrawal of an investment company's authorisation.

Article 38. Classes and (or) series of units or shares

1. A collective investment undertaking may hold units or shares of different classes and (or) series. The classification of units or shares into classes and (or) series shall be based on the objective criteria and shall not discriminate the investors and participants of a collective investment undertaking.

2. Information about different classes or units or shares, rights and obligations of investors holding them and applicable restrictions shall be disclosed in the collective investment undertaking's instruments of incorporation, prospectus and key investor information document.

3. One share of an investment company, irrespective of its value, class and (or) series shall award one vote at the general meeting of the company's shareholders.

4. Each class and (or) series or units of a collective investment undertaking shall be recorded in the accounting separately from other classes and (or) series of units of such undertaking.

Article 39. Investment fund

1. Assets constituting an investment fund shall be common partial ownership of its participants. The participant's share of common partial ownership shall be determined on the basis of the number of units entered into his personal unit account.

2. A management company shall manage, use and dispose of the assets constituting an investment fund on a fiduciary basis.

3. It shall be prohibited to levy the recovery against the assets constituting an investment fund according to the obligations of a management company or participants of a fund. Creditors of an investment fund's participant shall have the right to levy their claims in respect of a fund's participant only against the investment fund's units held by a participant. A participant of an investment fund shall be held liable for the obligations assumed on behalf of an investment fund only to the extent of the value of the investment fund's units held by him.

4. The assets constituting each investment fund shall be separated from assets held by a management company and other collective investment undertaking managed by it and recorded in the accounting separately.

Article 40. Benchmark

1. Harmonised collective investment undertakings and undertakings for collective investment in transferrable securities shall use a benchmark.

2. A benchmark of a collective investment undertaking shall enable the public to properly assess the operating results of a collective investment undertaking. A benchmark of a collective investment undertaking must be selected with reference to the investment policy of a specific collective investment undertaking.

3. The supervisory authority shall lay down the requirements for a benchmark.

4. When making public the operating results of a collective investment undertaking, a management company or an investment company that has not designated a management company shall compare them with a benchmark in accordance with the procedure laid down by the supervisory authority. This requirement shall not apply to the operating results of a collective investment undertaking published in the key investor information document. A benchmark of a collective investment undertaking shall also be specified in the annual report of a collective investment undertaking.

5. A management company or an investment company that has not designated a management company shall approve the rules laying down the criteria and procedure of the selection and change of a benchmark of a collective investment undertaking.

Article 41. Change of investment policy of a collective investment undertaking

1. As a result of changes of an investment policy of a harmonised collective investment undertaking such collective investment undertaking may not become a special collective investment undertaking.

2. As a result of changes of an investment policy of a harmonised collective investment undertaking and a special collective investment undertaking they may not become a collective investment undertaking which is excluded from the field of application of this Law.

3. When changes made in a collective investment undertaking's policy are essential or when they result in the change of the undertaking's type or category, the participants shall be notified to the effect in advance in accordance with the procedure laid down in the incorporation documents or prospectus of an undertaking.

4. In cases specified in paragraph 3 of this Article a management company shall provide the participants of a collective investment undertaking with a possibility to request the redemption, without additional charge, of units or shares of a collective investment undertaking held by them within a reasonable time limit, which may not be shorter than two months of the due notification of participants about the envisaged change of of a collective investment undertaking. The participants shall be informed about this right by the notification specified in paragraph 3 of this Article.

SECTION TWO
PROCEDURE OF SALE OR REDEMPTION OF UNITS OR SHARES OF COLLECTIVE INVESTMENT UNDERTAKINGS

Article 42. Sale of units or shares

1. An investor shall acquire units or shares by concluding a simple written contract with a management company, an investment company or a distributor of units or shares.

2. Units or shares may be issued only when funds are received to the account of a collective investment undertaking. The right of ownership to units or shares shall be acquired upon making an entry in a personal account of units or shares. The entry in a personal account of units or shares shall be made not later than within one working day of the day on which funds are received to the account of a collective investment undertaking. If units or shares are issued not every day, the entry in a personal account of units or

shares shall be made immediately after issue of units or shares. Upon allocation of additional units or shares as a result of profit distribution, the right of ownership shall be acquired when the entry is made in a personal account of units or shares.

3. Units or shares of collective investment undertakings set up pursuant to this Law shall be marketed by technical organisational means of an operator of a regulated market or of a multilateral trading facility and (or) a settlement system in accordance with the procedure laid down by the supervisory authority.

Article 43. Direct distribution of units or shares

1. A management company, before offering to an investor to acquire units or shares of a collective investment undertaking, shall propose to the investor to provide information about his investment knowledge and experience relating to units or shares of a particular collective investment undertaking.

2. Considering the information provided by an investor, a management company shall assess whether units or shares of a particular collective investment undertaking are suitable for such investor. Having considered the information provided by an investor and found that units or shares of a particular collective investment undertaking are unsuitable for a given investor, a management company must warn the investor about that. The warning may also be provided in a standardised form.

3. If an investor refuses to provide the information specified in paragraph 1 of this Article or provides insufficient information about his investment knowledge and experience, a management company must warn such investor that his refusal to provide the required information or provision of insufficient required information prevents a management company from determining whether units or shares of a particular collective investment undertaking are suitable for the investor. The warning may also be provided in a standardised form.

4. A management company may also accept an application for the acquisition of units or shares without having gathered the information about the investment knowledge and experience of an investor and without having assessed whether units or shares of a particular collective investment undertaking are suitable for an investor, provided that all following conditions are met:

1) distribution of units or shares of a particular collective investment undertaking is carried out on the initiative of an investor;

2) an investor has been warned that a management company distributing units or shares of a particular collective investment undertaking has no obligation to assess the suitability of units or shares of a particular collective investment undertaking for an investor, and therefore an investor does not benefit from the protection of investor's interests laid down by this Law which is offered in providing other services. The warning may also be provided in a standardised form;

3) a management company avoids the conflicts of interests.

5. Provisions of this article shall apply *mutatis mutandis* to investment companies that have not designated a management company.

6. The supervisory authority shall lay down detailed requirements for the direct marketing of units or shares.

Article 44. Price of units or shares

1. The price of units or shares shall be determined by dividing the net asset value by the number of all units or shares in circulation.

2. The price referred to in paragraph 1 of this Article may be increased by an amount corresponding to the deductions related to the sale of units or shares of a collective investment undertaking (where this is provided for in instruments of incorporation) only provided that the net asset value has not been reduced by the amount of these deductions. The redemption price of redeemable units or shares may be reduced by the amount of the deductions related to their redemption only provided that the net asset value has not been reduced and the selling price has not been increased by this deduction amount.

Article 45. Calculation of net asset value

The net assets value shall be established on the basis of the market price of assets of a collective investment undertaking and principles of establishing the net asset value laid down in legal acts of the supervisory authority and in the instruments of incorporation of a collective investment undertaking.

Article 46. Redemption of units or shares

1. On request of a participant of a collective investment undertaking, a management company or an investment company must shall redeem its units or shares at the price of the day of filing a request to redeem units or shares, provided that such request is filed before the end of term fixed for acceptance of requests by a management or an

investment company that has not designated a management company. If a request is submitted after the specified term the units or shares must be redeemed at the price of the working day following the day of filing a request, except for requests to redeem units or shares of an immovable property, private capital and (or) collective investment undertaking investing in other collective investment undertakings (such requests shall be cancelled).

2. Actions taken by a management company or investment company that has not designated a management company to ensure that the market value of units or shares of a collective investment undertaking does not considerably differ from the net asset value of a given undertaking shall be attributed to the redemption of units or shares specified in paragraph 1 of this Article.

3. Settlement for the redeemed units or shares of a harmonised collective investment undertaking shall be made no later than within seven days of the day of filing a request to redeem units or shares.

4. The procedure of settlement for the redeemed units or shares of special collective investment undertakings shall be laid down by other Articles of this Law regulating the activities of special collective undertakings of an appropriate category and type.

5. A request to redeem units or shares held by spouses by the right of fractional ownership may be filed by one of the spouses holding the other spouse's authorisation which may be executed in a simple written form.

Article 47. Suspension of redemption of units or shares

1. The right to suspend redemption of units or shares shall be vested in a management company, an investment company and the supervisory authority.

2. The redemption may be suspended for a period not exceeding three months per year.

3. The redemption may be suspended, when:

1) it necessary for protecting the interests of the public and participants against potential insolvency of a collective investment undertaking or reduction of the redemption price in the event of unfavourable situation in the market of investment instruments and reduction in the value of portfolio of investment instruments;

2) funds are insufficient to pay for units or shares to be redeemed and the sale (realisation) of held investment instruments would be unprofitable;

3) such sanction is imposed by the supervisory authority in accordance with the procedure laid down by this Law.

4. From the moment of adoption of a decision to suspend the redemption of units or shares it shall be prohibited to:

1) accept the requests for redemption of units or shares;

2) pay for units or shares the redemption of which was requested before deciding to suspend the redemption.

5. A written notice of suspension of redemption shall be communicated without delay to persons who are intermediaries in the process of redemption and when units or shares are distributed in other Member States or third countries – also to supervisory authorities of other Member States or third countries, and shall also be announced through mass media, and investors intending to file a request to acquire units or shares of such collective investment undertaking, shall be notified about suspended redemption in writing by a management company or investment company that has not designated a management company.

Article 48. Renewal of redemption

1. The redemption suspended by decision of the supervisory authority may be renewed only by decision of the supervisory authority or by a court or an administrative disputes commission, having annulled such decision. In other cases, this right shall also be vested in a management company or an investment company.

2. A notice of the decision to renew the redemption of units or shares shall be communicated in the same manner as the redemption suspension notice.

Article 49. Specifics of marketing of shares of an investment company with variable capital

1. Upon sale of shares of an investment company with variable capital the provisions of the Law on Companies regulating subscription of and payment for shares of public limited liability companies shall not apply. Marketing of shares of investment companies with variable capital may be started when a company obtains an authorisation to pursue the activities of an investment company with variable capital and is authorised by the supervisory authority to approve the articles of association of an investment company with variable capital, to choose a depositary and where applicable the

authorisation for a management company authorised in another Member State to manage an investment company with variable capital established in the Republic of Lithuania.

2. Shares of an investment company with variable capital may be distributed for an indefinite period. The size of the issue of shares shall not be limited, with the exception of the case when the articles of association of the investment company with variable capital stipulate the maximum amount for which the shares may be distributed.

3. An investment company with variable capital shall have no right to sell its shares in instalments or to defer their payment term.

4. Only fully paid-up shares shall be deemed issued and may be entered in a personal account of transferable securities of a shareholder.

SECTION THREE
UMBRELLA COLLECTIVE INVESTMENT UNDERTAKINGS

Article 50. Instruments of incorporation of an umbrella collective investment undertaking

1. The articles of association of an umbrella investment company shall contain the information indicated in points 2, 3, 5 and 7 of Article 72(1), points 1 and 2 of Article 126(2) and Article 152(2) of this Law provided separately for each sub-fund constituting it. The following information shall be additionally provided about each sub-fund in the articles of association of an investment company:

1) the name of the sub-fund;

2) the period for which the sub-fund has been established;

3) the currency of the sub-fund;

4) the information that for the purpose of addressing at the general meeting of shareholders of an investment company an issue related to the interests of participants of only one sub-fund, the voting right shall be awarded only to the participants of that sub-fund.

2. The information indicated in points 3, 7, 9, 12, 14, 15, 17, 18 of Article 66(2) and points 1 and 2 of Article 126(2) of this Law shall be provided in the rules of an umbrella investment fund in respect of each sub-fund constituting it. The information specified in points 1, 2 and 3 of paragraph 1 of this Article shall be additionally provided in respect of each sub-fund in the rules of an umbrella investment fund.

3. The instruments of incorporation of an umbrella collective investment undertaking must also indicate:

1) procedure of conversion of the sub-fund's units or shares into units or shares of another sub-fund of the same collective investment undertaking;

2) procedure of establishment of new sub-funds.

Article 51. Requirements applicable to collective investment undertakings and their management companies

1. A management company of an umbrella collective investment undertaking or an investment company that has not designated a management company must comply with the requirements laid down in this Law and other legal acts applicable to collective investment undertakings of a respective category and type and to their management companies.

2. Provisions of this Law and other legal acts regulating the activities of a collective investment undertaking, with the exception of provisions of 134 of this Law shall apply to each sub-fund separately. Provisions of Section One of Chapter II of this Law shall not apply to each sub-fund separately, except for the provisions of Articles 6 and 7 thereof, which apply *mutatis mutandis* to each sub-fund separately.

3. The safekeeping of assets of sub-funds constituting an umbrella collective investment undertaking must be entrusted to a single depositary.

4. Assets constituting each sub-fund shall be accounted for separately from assets of other sub-funds constituting the same collective investment undertaking.

5. Assets constituting one sub-fund may not be used for discharging the liabilities to participants of another sub-fund constituting the same collective investment undertaking or to third parties.

6. An umbrella collective investment undertaking shall have a common prospectus. The key investor information document shall be drawn up for each sub-fund separately.

7. The list of participants of a collective investment undertaking shall be managed by a management company or an investment company that has not designated a management company in respect of each sub-fund separately. The name(s) of a particular sub-fund(s) shall be specified in the documents supporting the ownership.

8. A management company or an investment company shall be prohibited from making any deductions from assets of a collective investment undertaking in respect of the transactions concluded between its sub-funds.

9. Merger of sub-funds of an umbrella collective investment undertaking shall be subject to the requirements set forth by this Law for the merger of collective investment undertakings.

Article 52. Specifics of an umbrella investment company

When addressing at the general meeting of shareholders of an umbrella investment company an issue related to the interests of participants of only one sub-fund of the company, the voting right shall be awarded only to the participants of that sub-fund.

Article 53. Conversion of units or shares of a sub-fund

A participant of a collective investment undertaking may exchange the units or shares of a sub-fund held by him into the units or shares of another sub-fund of the same collective investment undertaking, unless the instruments of incorporation of a collective investment undertaking provide otherwise. Conversion of units or shares of a sub-fund shall be carried out without any charges relating to the distribution or redemption of units or shares of the collective investment undertaking, with the exception of charges directly linked to the cost of exchange of the units or shares.

SECTION FOUR
MERGER OF SPECIAL COLLECTIVE INVESTMENT UNDERTAKINGS AND HARMONISED COLLECTIVE INVESTMENT UNDERTAKINGS ESTABLISHED IN THE REPUBLIC OF LITHUANIA WHICH MARKET THEIR UNITS OR SHARES ONLY IN THE REPUBLIC OF LITHUANIA

Article 54. Principles of merger of collective investment undertakings

1. Provisions of this Section shall apply to merger of special collective investment undertakings and harmonised collective investment established in the Republic of Lithuania which market their units or shares only in the Republic of Lithuania.

2. For the purposes of this Section the term of a ‘collective investment undertaking’ shall also include its sub-funds.

3. Having regard to the requirements provided for in this Section, the merger of collective investment undertakings may be effected in accordance with the procedure laid

down by legal acts, irrespective of the form of activities of collective investment undertakings.

4. Collective investment undertakings may be merged either by way of formation of a new undertaking or by way of absorption.

5. The merger of collective investment undertakings by way of formation of a new undertaking – means transfer of all assets and liabilities of two or more collective investment undertakings merging into a new collective investment undertaking.

6. The merger of collective investment undertakings by way of absorption – means transfer of all assets and liabilities of one or more merging collective investment undertakings to a receiving collective investment undertaking.

7. The merger of collective investment undertakings shall be subject to obtaining an advance authorisation of the supervisory authority.

8. It shall be prohibited to merge:

1) a special and a harmonised collective investment undertakings, if after merger only a special collective investment undertaking will continue its operations;

2) special collective investment undertakings of different types;

3) special collective investment undertakings of different categories.

Article 55. Procedure of authorisation of mergers of collective investment undertakings

1. In order to obtain authorisation for merger of collective investment undertakings a management company or an investment company that has not designated a management company shall submit to the supervisory authority:

1) the common draft terms of merger duly approved by the merging and the receiving collective investment undertakings or by their management companies;

2) the most up-to-date version of the instruments of incorporation, prospectus and key investor information document of the receiving collective investment undertaking;

3) a statement by each of the depositaries of the merging and the receiving collective investment undertakings drawn up in observance of requirements laid down in Article 56 of this Law;

4) the information on the proposed merger that the merging and the receiving collective investment undertakings or their management companies intend to provide to their respective participants.

2. If the supervisory authority considers that it has been provided with incomplete documents and information referred to in paragraph 1 of this Article, it may require, within ten working days of receipt of the incomplete documents or information that a management company or an investment company that has not designated a management company provides all missing documents and information.

3. The supervisory authority may require in writing that a management company or an investment company that has not designated a management company clarifies and (or) modifies the information to be provided to the participants of a collective investment undertaking. The supervisory authority may exercise this right no later than within 15 working days of receipt of the complete documents and information referred to in paragraph 1 of this Article.

4. The supervisory authority shall authorise the merger of collective investment undertakings, if:

1) the proposed merger complies with all of the requirements of this Section and legal acts of the supervisory authority implementing it;

2) the supervisory authority is satisfied with the proposed information to be provided to the merging and the receiving collective investment undertakings.

5. A management company or an investment company that has not designated a management company shall inform the supervisory authority whether or not the merger of collective investment undertakings has been authorised, within 20 working days of submission of the complete documents and information referred to in paragraph 1 of this Article.

6. Provisions of temporary exemption from investment rules laid down in Article 82(2) of this Law apply *mutatis mutandis* to the investment portfolio of the receiving collective investment undertaking. The term of temporary exemption from investment rules shall be calculated from the day on which the merger of the collective investment undertakings is completed.

7. Detailed requirements for the content of the common draft terms of merger of the merging and the receiving collective investment undertakings or their management companies shall be laid down by the supervisory authority.

Article 56. Additional obligations of depositaries of merging and receiving collective investment undertakings

Depositaries of the merging and of the receiving collective investment undertakings must confirm that they have verified the conformity of the type of merger specified in the common draft terms of merger, the merging and the receiving collective investment undertakings, the proposed date of completion of the merger and the proposed rules for the disposal of assets and exchange of units or shares with the requirements of legal acts of the Republic of Lithuania and of the instruments of incorporation a respective collective investment undertaking and have not found any irregularities.

Article 57. Additional obligations of an auditor of a merging collective investment undertaking and of merging and receiving collective investment undertakings or their management companies

1. An auditor of a merging collective investment undertaking shall approve:

1) the assessment criteria of assets and liabilities that will arise on the day of calculation of the exchange ratio of units or shares as specified in Article 62(2) of this Law;

2) the method of calculation of the exchange ratio of units or shares and the actual calculation of the exchange ratio of units or shares laid down on the day of calculation of the exchange ratio of units or shares as specified in Article 62(2) of this Law.

2. The merging and the receiving collective investment undertakings or their management companies must ensure that copies of audit reports are provided to the supervisory authority and issued free of charge to the participants of the merging and the receiving collective investment undertakings on their request.

Article 58. Procedure of providing information to merging and receiving collective investment undertakings

1. The merging and the receiving collective investment undertakings or their management companies shall provide appropriate and accurate information on the merger to the participants of the merging and of the receiving collective investment undertakings such as to enable them to make an informed judgement of the impact of the merger on their investment with regard to exercising the right specified in Article 60 of this Law.

2. The information provided to the merging and to the receiving collective investment undertakings shall specify:

1) the reasons of merger;

2) the possible impact of the proposed merger on the participants of the merging and of the receiving collective investment undertakings, including but not limited to any material differences in respect of investment policy and strategy, costs, expected outcome, periodical reporting, possible dilution in performance, and, where relevant, a prominent warning to investors that their tax treatment may be changed following the merger;

3) the period after expiration of which the units or shares of a merging collective investment undertaking will no longer be issued;

4) all merger-related rights of participants of collective investment undertakings, including but not limited to the right to obtain additional information, the right to obtain a copy of the report on audit on request, the right to exercise the right specified in Article 60(1) and the time limit for exercising that right;

5) other relevant procedural aspects and the planned effective date of the merger, including but not limited to the procedure of deciding on merger of an investment company and notification of participants about the technique of effecting the merger, as well as information about the proposed suspension of the issue and (or) redemption of units or shares for the purpose of effective merger;

6) a copy of the key investor information of the receiving collective investment undertaking.

3. The information on the merger shall be provided to participants of the merging and of the receiving collective investment undertakings only after the supervisory authority has authorised the proposed merger of the collective investment undertakings and at least 30 days before the last date for exercising the right specified in Article 60(1) of this Law.

4. During the period from the date of providing the information on the merger to participants of the merging and of the receiving collective investment undertakings until the effective date of the merger a management company or an investment company that has not designated a management company must provide the information referred to in paragraph 2 of this Article to all individuals who intend to acquire units or shares of any of the merging or of the receiving collective investment undertakings or who have requested the copies of the instruments of incorporation, prospectus or key investor information document of any of these undertakings.

5. The supervisory authority shall lay down detailed requirements for the content, form and procedure of provision of the information to participants of the merging and of the receiving collective investment undertakings.

Article 59. Decision on merger of an investment company

A decision on merger of an investment company shall be adopted by a general meeting of shareholders by a qualified majority vote of at least two-thirds of the awarded by shares held by all shareholders attending the meeting. It shall be prohibited to establish that such decision may be adopted by more than 75 per cent of the votes awarded by shares held by all shareholders attending the meeting.

Article 60. Right of merging and receiving collective investment undertakings and procedure of exercising this right

1. Participants of the merging and of the receiving collective investment undertakings shall have the right to request, without any charge other than those retained by the collective investment undertaking or its management company to meet disinvestment costs, the redemption of their units or shares or, where possible, to convert them into units in another collective investment undertaking with similar investment policy and managed by the same management company or by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding.

2. The right referred to in paragraph 1 of this Article may be exercised by the holders of units or shares from the moment of informing the holders about the merger and shall cease to exist five working days before the date for calculating the exchange ratio of units or shares referred to in Article 62(2) of this Law.

3. Without prejudice to paragraphs 1 and 2 of this Article, the supervisory authority shall have the right to require or to allow the management company or the investment company the temporary suspension of the subscription and (or) redemption of units or shares provided that such suspension is justified for the protection of the holders of units or shares.

Article 61. Charging the costs of merger

It shall be prohibited to charge any costs, including legal, advisory, administrative, etc. costs associated with the preparation, effecting and completion of the merger to the merging or to the receiving collective investment undertakings, or to any of their participants. This prohibition shall not apply to a merging investment company that has not designated a management company and to its shareholders.

Article 62. Entry into effect of the merger

1. The merger of collective investment undertakings shall be considered as having taken effect when the final entries are made in the personal accounts of units or shares following the conversion of the units or shares of the merging collective investment undertaking into the units or shares of the receiving collective investment undertaking.

2. The exchange ratio of the units or shares of the merging collective investment undertaking into the units or shares of the receiving collective investment undertaking shall be established on the day of the completion of merger specified in paragraph 1 of this Article.

3. The dates referred to in paragraphs 1 and 2 of this Article may not be earlier than the date of approval of the merger by the shareholders of the merging and the receiving investment companies.

4. The receiving collective investment undertaking or its management company must notify about the entry into effect of the merger without delay, but no later than within five working days:

1) in writing the supervisory authority and provide thereto the instruments of incorporation of the merging investment fund and the application for their cancelling;

2) on the website(s) of the receiving collective investment undertaking indicated in the instruments of incorporation thereof.

5. The merging investment company shall either register with the Register of Legal Entities the respective amendments to the articles of association or be liquidated in accordance with the procedure laid down by laws of the Republic of Lithuania.

Article 63. Consequences of the effected merger

1. A merger which has taken effect as provided for in this Section shall not be declared null and void.

2. Consequences of an effected merger:

1) all the assets and liabilities of the merging collective investment undertaking are transferred to the receiving collective investment undertaking or, where applicable, transferred for management on fiduciary basis to the depositary of the receiving collective investment undertaking;

2) the participants of the merging collective investment undertaking become participants of the receiving collective investment undertaking;

3) the merging collective investment undertaking ceases to exist as a collective investment undertaking on the entry into effect of the merger.

Article 64. Procedure for confirming the effected transfer of assets and liabilities

A management company of the receiving collective investment undertaking or an investment company that has not designated a management company must confirm to its depositary in accordance with the procedure laid down by the supervisory authority that transfer of assets and liabilities of the collective investment undertaking has been effected.

CHAPTER V
SECTION ONE
INVESTMENT FUND

Article 65. Establishment of an investment fund

A decision of the board of a management company regarding the formation of an investment fund must indicate:

1) the name of the investment fund;

2) the name and registered office of a depositary;

3) the initial amount allocated for the formation of the investment fund.

Article 66. Rules of an investment fund

1. The rules of an investment fund shall be approved by decision of the board of a management company.

2. The rules of an investment fund shall define the relations between a management company and participants of an investment fund. The rules shall specify:

1) the name of an investment fund enabling to identify the category of a special fund and information allowing to determine whether the fund is a harmonised or a special collective investment undertaking;

2) the names and registered offices of a management company and a depositary;

3) the policy of investment of assets constituting the investment fund, investment restrictions and specialisation in the geographical area or economic branch, information that the fund has a benchmark and places where the procedure of the formation of the benchmark can be obtained;

4) rights and duties of participants;

5) rights and duties of the management company in the management of the investment fund, transactions which the management company may conclude and carry out on account and for the benefit of the investment fund;

6) the calculation methodology, amount and procedure of payment of the remuneration to the management company, depositary and distributor;

7) a complete list and calculation methodology of other costs covered with assets comprising the investment fund;

8) conditions of and procedure of replacement of the management company and the depositary;

9) conditions of and procedure of sale and redemption of units;

10) grounds and procedure for suspending the redemption of units;

11) the procedure of valuation of assets, calculation and making public the unit value;

12) the procedure for establishing the redemption and sale price;

13) the procedure for publishing information about the investment fund;

14) frequency and methods of distribution and procedure of disbursement of the investment fund's income;

15) grounds and procedure for winding-up the investment fund;

16) the procedure of amendment of the investment fund's rules;

17) the duration of working day, if it is of the fixed-term;

18) the unit lasses and (or) series (if applicable), the rights and obligations awarded by them and applicable restrictions.

3. The investment fund's rules may also contain other provisions that do not contradict this Law and other legal acts.

4. Upon change of the information specified in the investment fund's rules the rules shall be amended and presented to the supervisory authority no later than within seven days of the day of such changes.

5. The requirement to obtain an advance authorisation of the supervisory authority for updating the investment fund's rules shall not apply, however, the management company shall in due time, but no later than within seven days of updating the rules, present to the supervisory authority the updated rules of an investment fund. The cases considered as the updating of the investment fund's rules shall be laid down by the supervisory authority.

Article 67. Rights of participants of an investment fund

1. A participant of an investment fund shall have the following rights:

1) to receive a portion of the investment fund's income in accordance with the procedure laid down by this Law and rules of an investment fund;

2) to receive the remaining part of an investment fund being wound-up;

3) to obtain information about the fund as specified by legal acts;

4) other rights established by this Law and rules of an investment fund.

2. A participant of an open-ended type investment fund shall have the right to require the management company at any time to redeem the investment fund's units held by him.

Article 68. Remuneration and other costs covered from assets comprising an investment fund

1. Remuneration to a management company for the management of an investment fund, to a depositary for its services and other costs related to the investment fund shall be paid from assets comprising an investment fund.

2. Only the costs related to the management of an investment fund and provided for in the rules of the investment fund may be paid from assets comprising an investment fund. The amount of these costs may not exceed the limits of provided for in the rules of an investment fund. All other costs not provided for in the rules of an investment fund rules or exceeding the established limits shall be covered on account of the management company.

Article 69. Distribution of profit of an investment fund

1. A part of investment income (payments in cash) shall be disbursed to participants of an investment fund only when such disbursement is provided for in the rules of an investment fund. In addition, the rules of an investment fund rules shall also provide for the periodicity of such payments, the share of investment income (profit) to be allocated for such payments, and the disbursement procedure.

2. The profit of an investment fund shall be distributed through its depositary.

Article 70. Cessation of the management company's right to manage an investment fund

The management company‘s right to manage an investment fund shall cease:

1) upon transfer of management to another management company;

2) upon revocation of the management company’s authorisation;

3) upon initiation of a forced liquidation procedure of the management company;

4) upon institution of bankruptcy proceedings against the management company;

5) in other cases specified by legal acts or the rules of the investment fund.

Article 71. Dissolution of an investment fund

1. Upon dissolution of an investment fund the assets comprising it shall be divided in cases and in accordance with the procedure laid down in the investment fund’s rules and in this Law. A decision on dissolution of an investment fund may be passed by the management company’s board, the supervisory authority and a depositary on the grounds stipulated in this Law and in the investment fund’s rules.

2. Having adopted a decision on dissolution of an investment fund, redemption and distribution of units shall be terminated.

3. When during dissolution of an investment fund it appears that the assets constituting an investment fund are insufficient for discharging the liabilities assumed on its account, the management company shall not be required to discharge the outstanding liabilities in those cases when, on request of the supervisory authority, the management company confirms that there is no information showing that management company improperly fulfilled the obligations laid down for it in this Law and in the investment fund’s rules.

4. After satisfying the claims of creditors, the proceeds received from sale of the assets constituting an investment fund shall be divided among participants of the investment fund proportionately to their holdings.

5. If there are any claims pending in court regarding the obligations to be discharged on account of an investment fund, the investment fund may be cancelled only after enforcement of court orders in such cases.

6. After dissolution of an investment fund, the management company must in due time provide to the supervisory authority the instruments of incorporation of such investment fund alongside the application to repeal them, a set of financial statements prepared on the basis of data of the day of dissolution of an investment fund, an auditor’s opinion about such set of financial statements and an audit report containing information referred to in Article 14(6) of this Law.

SECTION TWO
INVESTMENT COMPANY WITH VARIABLE CAPITAL

Article 72. Articles of association of an investment company with variable capital

1. In addition to the requirements laid down for a company's articles of association by the Law on Companies, the articles of association of an investment company with variable capital shall indicate:

1) the name of a company enabling to identify the category of a special investment company with variable capital and information on the basis of which it shall be possible to determine whether this company is a harmonised or a special collective investment undertaking;

2) the procedure of sale, redemption and settlement for shares;

3) investment policy, the information that the company has a benchmark and places where the procedure if its formation can be accessed;

4) grounds and procedure for suspending the redemption of share;

5) the procedure of distribution of income (including dividends) to shareholders (periodicity of payments, profit share allocated for dividends));

6) rules for the calculation of net assets and valuation of shares;

7) the structure of costs and their covering procedure, the amount of remuneration to a depositary, also possible maximum amount of costs covered from assets of the company;

8) conditions of and procedure for replacing a management company and a depositary.

2. It shall not be required to specify the authorised capital amount and the number of shares in the articles of association. The articles of association may indicate the maximum amount for which shares may be distributed. The par value of shares shall be indicated only if they have the par value.

3. The procedure of election and removal from office of the head of the administration and management bodies of an investment company with variable capital shall be specified only when it has designated a management company.

4. The articles of association of an investment company with variable capital and their amendments or supplements shall be registered in the Register of Legal Entities after they are approved by the supervisory authority.

5. If the information specified in the articles of association of an investment company with variable capital changes, the articles of association shall be amended and presented to the supervisory authority no later than within seven days of the day on which such amendments are made.

6. The requirement to obtain an advance authorisation from the supervisory authority to update the articles of association of an investment company with variable capital shall no apply, however, the management company or an investment company that has not designated a management company shall forthwith, but no later than within seven days of updating the articles of association, present the updated articles of association to the supervisory authority. The cases to be considered as the updating of articles of association of an investment company shall be laid down by the supervisory authority.

Article 73. Redeemable shares of an investment company with variable capital

1. All shares of an investment company with variable capital may be only ordinary registered shares.

2. An investment company with variable capital shall be prohibited from issuing preference shares, bonds or shares that do not award their holder the right to require their redemption.

3. An investment company with variable capital shall be prohibited from holding its own shares.

Article 74. Agreement on management of an investment company with variable capital

1. An agreement on management concluded between a management company and an investment company with variable capital shall specify:

1) the purposes and techniques of investment activities;

2) the methodology of calculation and procedure of payment of remuneration to a management company;

3) the functions of the board which a management company undertakes to perform;

4) the powers of a management company in its relations with a depositary and other institutions;

5) the information to be provided by a management company to an investment company with variable capital;

6) the composition and market value of the investment portfolio transferred for management;

7) the liability for the non-fulfilment of obligations;

8) the conditions of and procedure for terminating the agreement.

2. A copy of the agreement on management of an investment company with variable capital shall be presented to the supervisory authority and a depositary.

CHAPTER VI
HARMONISED COLLECTIVE INVESTMENT UNDERTAKINGS
SECTION ONE
INVESTMENT RULES OF HARMONISED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 75. Investment objects

1. Assets of a harmonised collective investment undertaking may comprise only:

1) transferable securities and money market instruments admitted to trading on a market that is considered regulated and operating in the Republic of Lithuania or another Member State pursuant to the Law on Markets in Financial Instruments, and (or)

2) transferable securities and money market instruments admitted to trading in another Member State on a market operating according to the established rules, recognised, supervised and accessible to the public, provided this market is indicated in the instruments of incorporation, and/or

3) transferable securities and money market instruments admitted to trading in another state (with the exception of Member States) on a market operating according to the established rules, recognised, supervised and accessible to the public, if such market is specified in the instruments of incorporation of a collective investment undertaking, and (or)

4) newly issued transferable securities where the conditions of issue provide for a commitment to admit these securities to trading on a regulated market and where the

securities will be admitted to trading not later than within one year of their issue (if such market is situated in the state indicated in point 3 of this paragraph, it shall be indicated in the instruments of incorporation of a collective investment undertaking), and (or)

5) units or shares of the collective investment undertakings indicated in Article 79(1) of this Law, and (or)

6) deposits with maturity of up to 12 months which may be withdrawn on demand at a credit institution whose registered office is in a Member State or another state in which prudential supervision is not less stringent than in the European Union, and (or)

7) derivative financial instruments referred to in Article 80(1) of this Law, and (or)

8) money market instruments referred to in paragraph 2 of this Article.

2. Investment in money market instruments which are not admitted to trading on a regulated market may be allowed only when the issue or issuing body of such instruments is itself regulated for the purpose of protecting investors and their savings, and these instruments are:

1) issued or guaranteed by the government, regional or local authority or central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, the government of a non-Member State or one of the constituent entities of a federal state or an international organisation to which at least one Member State belongs, or

2) issued by an undertaking whose securities are admitted to trading on the regulated markets referred to in points 1, 2 and 3 of paragraph 1 of this Article, or

3) issued or guaranteed by an undertaking subject to prudential supervision in accordance with the requirements set forth by the European Union law or the requirements which are not less stringent than in the European Union, or

4) issued by a company meeting the criteria approved by the supervisory authority, whose capital and reserves amount to at least EUR 10 million and which draws up consolidated financial statements and carries out the function of financing of the group of companies, where transferable securities of at least one company belonging to its group are admitted to trading on a regulated market, or which is used for issuing securities financed with bank loans, and investment in such money market instruments are protected at least to the extent referred to in points 1, 2 and 3 of paragraph 2 of this Article.

3. An investment company with variable capital may acquire only such movable and immovable property which is necessary for its direct working day.

4. Up to 10% of the net assets may be invested in transferable securities and money market instruments not captured by paragraph 1 of this Article.

5. Assets of a collective investment undertaking may not be invested in precious metals or securities entitling to them, but may be invested in money.

6. Where a collective investment undertaking comprises more than one sub-fund, provisions of this section shall apply to each sub-fund separately.

7. The supervisory authority shall have the right to define in detail the requirements applicable to investment objects of harmonised collective investment undertakings.

Article 76. Diversification of an investment portfolio

1. Up to 5% of the net assets comprising the assets of a harmonised collective investment undertaking may be invested in transferable securities or money market instruments issued by the same body, with the exception of the cases specified in paragraphs 2, 5 and 6 of this Article.

2. More than 5%, but not more than 10% of the net assets may be invested in transferable securities or money market instruments issued by the same body, provided that the total value of such investments does not exceed 40% of the net assets (this limitation shall not apply to deposits or OTC derivative transactions made with the issuer subject to prudential supervision).

3. Investments in deposits with the same credit institution shall not exceed 20% of the net assets comprising assets of a collective investment undertaking.

4. The total amount of investments in transferable securities or money market instruments of the same body, deposits and liabilities arising from derivative transactions undertaken with the same body may not exceed 20% of the value of net assets of a collective investment undertaking.

5. Investments in transferable securities or money market instruments of a single body issued or guaranteed by a Member State, by its local authorities, by a third country or by a public international body to which one or more Member States belong may not exceed 35% of the net asset value of a collective investment undertaking. The supervisory authority may raise the limit of the net asset value laid down in this paragraph for investment in transferable securities or money market instruments, if in such case the interests of investors are adequately safeguarded, investments are made in transferable securities or

money market instruments of at least six issues, and investments in transferable securities or money market instruments of a single issue does not exceed 30% of net assets.

6. Investments in bonds issued by a credit institution which has its registered office in a Member State and is subject to a special supervision of that state in accordance with legal acts designed to protect bond-holders, where sums deriving from the issue of those bonds are invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest, may not exceed 25% of net assets. Where a more than 5%, but not more than 25% of net assets are invested in such bonds issued by a single issuer, the total value of these investments shall not exceed 80 % of the net assets.

7. The transferable securities and money market instruments referred to in paragraphs 5 and 6 of this Article shall not be taken into account for the purpose of calculating investments subject to the maximum limit of 40 % referred to in paragraph 2 of this Article. The limits provided for in paragraphs 1, 2, 3, 4, 5 and 6 of this Article shall not be combined, and thus investments in transferable securities or money market instruments issued by the same body or in deposits or derivative instruments made with this body shall not exceed in total 35% of net assets of a collective investment undertaking.

8. Up to 20% of the net assets may be invested in transferable securities and money market instruments issued by companies which are included in the same group for the purposes of consolidated accounts.

Article 77. Prohibition to acquire significant influence over a body issuing securities or money market instruments

1. Shares of a body issuing shares held by a management company or an investment company with variable capital together with shares of the same issuing body held by harmonised collective investment undertakings managed by the management company may award not more than 1/10 of all voting rights at a general meeting of shareholders of the issuing body.

2. A collective investment undertaking may acquire no more than:

1) 10% of all non-voting shares of an issuing body;

2) 10% of the bonds and other forms of non-equity securities of an issuing body;

3) 25% of the units or shares of another collective investment undertaking;

4) 10% of the money market instruments of a single body issuing money market instruments.

3. The prohibition laid down in points 2, 3 and 4 of paragraph 2 of this Article may be disregarded at the time of acquisition if the gross amount of such transferrable securities or money market instruments cannot be calculated.

4. The limits laid down in points 2 and 4 of paragraph 2 of this Article shall not apply to the transferrable securities or money market instruments issued or guaranteed by the state or local authorities.

Article 78. Specifics of an index-based investment fund or an index-based investment company with variable capital

1. An index-based investment fund or an index-based investment company with variable capital is a fund or company when the only aim specified in their instruments of incorporation is to replicate the composition of a certain index of stocks, bonds or other forms of non-equity securities, which is recognised by the supervisory authority, including the use of derivative financial instruments or other instruments or techniques provided for in Article 80(3) of this Law, by directly or indirectly investing in the investment instruments forming the index. The supervisory authority shall have the right to recognise only the indices which meet all of the following conditions:

1) the composition of the securities portfolio replicating the index is sufficiently diversified;

2) the index represents an adequate benchmark of the market to which it refers, and the provider thereof uses a recognised methodology which generally does not result in the exclusion of a major issuer (the issuer comprising the largest part of the index) of the market to which it refers;

3) the index and its calculation procedure are published in an appropriate manner, and the index provider is independent from the undertaking replicating the index, however, they may belong to the same closely linked group of undertakings where that group has in place an efficient system for management of the conflicts of interest.

2. Investment in shares, bonds or non-equity securities of other forms of a single issuing body may not exceed 20% of the net assets of an index-based fund or an index-based investment company with variable capital. With the consent of the supervisory authority and where that proves to be necessary due to exceptional market conditions in a

regulated market where a single issuing body is dominant, up to 35% of the net assets may be invested in its shares, bonds or non-equity securities of other forms. In this case, a simplified prospectus of a collective investment undertaking must contain the information justifying such exceptional conditions.

Article 79. Investment in other collective investment undertakings

1. The following investments shall be allowed in units or shares of harmonised collective investment undertakings and in units or shares of collective investment undertakings that satisfy the following conditions:

1) the sole object of which is raising capital from the public by offering units or shares and making collective investment in transferable securities and (or) in other liquid assets referred to in this Section by spreading the risk; units or shares of the undertakings are redeemable at any time at the request of their holder, the undertakings are authorised in the Republic of Lithuania and their supervision is not less stringent than that established in the European Union or authorised in a state where the supervision is not less stringent than that established in the European Union, and the supervisory authority co-operates with the respective supervisory authority of other Member State or third country;

2) protection of rights of the undertakings' participants, including the regulation of segregation, borrowing, lending and gratuitous transfer of assets, is not less stringent than laid down by this Law for the harmonised collective investment undertakings;

3) the undertakings publish half-yearly and annual reports about their activities enabling to assess their assets and liabilities, profit and activities during the reporting period;

4) in accordance with instruments of incorporation up to 10% of their net assets may be invested in units or shares of other collective investment undertakings.

2. Up to 10% of the net assets of a collective investment undertaking may be invested in each of the undertakings referred to in paragraph 1 of this Article.

3. The total amount of investments in undertakings other than harmonised collective investment undertakings may not exceed 30 of the net assets.

4. A close link shall exist between collective investment undertakings which are managed by the same management company or such management companies in which more than a half of members of management bodies are the same persons or which are controlled by the same person or one of which holds more than 10% of votes at a general meeting of shareholders of the other management company. Units or shares of the

collective investment undertakings which are linked by close links may be acquired only for the value of net assets.

Article 80. Investment in derivative financial instruments

1. Investments shall be allowed only in the derivative financial instruments (including exclusively cash-settled instruments) which meet the following conditions:

1) are admitted to trading on the markets referred to in points 1, 2 and 3 of Article 75(1) of this Law or are traded outside the abovementioned markets;

2) are linked to the investment instruments referred to in Article 57(1) of this Law, financial indices, interest rates, currencies or exchange ratios in which a collective investment undertaking has the right to invest according to its instruments of incorporation;

3) the counterparty to the transactions concluded outside the markets referred to in points 1, 2 and 3 of Article 75(1) of this Law complies with the criteria laid down by the supervisory authority and is subject to the prudential supervision;

4) the instruments traded outside the markets referred to in points 1, 2 and 3 of Article 75(1) of this Law can be verified and reliably and accurately valued on a daily basis and can be sold or otherwise disposed for consideration at any time at their fair value.

2. A management company or an investment company with variable capital must:

1) manage risk in the manner which enables to monitor and measure at any time the risk of exposures and its impact on the general risk of the portfolio of investment instruments;

2) accurately and independently assess the risk of non-standard derivative financial instruments;

3) communicate to the supervisory authority, in accordance with the procedure laid down by it, the types of derivative financial instruments, the underlying risks, the quantitative limits and techniques chosen to assess the risk of each collective investment undertaking associated with transactions in derivative financial instruments.

3. The supervisory authority shall lay down a procedure following which a management company or an investment company with variable capital shall be entitled to use the investment and other instruments related to transferable securities or money market instruments for the purpose of efficient management of investment instruments. Under no circumstances shall the use of such techniques or investment instruments mean

authorisation to diverge from the investment objectives laid down in the instruments of incorporation.

4. A collective investment undertaking shall ensure that its global exposure relating to derivative financial instruments does not exceed the value of its net assets. The exposure must be calculated taking into account the current value of a derivative financial instrument, the counterparty risk, future market movements and the time available to liquidate the positions and the circumstance that the derivative financial instrument is embedded in a transferable security or money market instrument. Investment in derivative financial instruments may not exceed 35% of the value of net assets of a collective investment undertaking, provided that the limits laid down in Article 76 of this Law are not exceeded. When calculating compliance with the limits laid down in Article 76 of this Law, investment in index-linked financial derivative instruments shall be computed separately.

5. The risk of transactions in derivative financial instruments concluded outside the markets referred to in points 1, 2 and 3 of Article 75(1) of this Law may not exceed 5% of the value of net assets of a collective investment undertaking, and where the counterparty is a credit institution referred to in paragraph 6 of Article 76 of this Law – 10% of the net asset value.

Article 81. Informing about the investment policy

1. A prospectus and marketing information the investment policy and any other promotional literature must include a prominent statement drawing attention to the investment policy, where:

1) the net assets are principally invested in any category of assets other than transferable securities and money market instruments or where the investment policy is index-based;

2) the value of net assets is likely to have a high volatility due to the portfolio composition or the investment policy.

2. Upon the request of an investor, a management company or an investment company with variable capital must also provide supplementary information relating to the quantitative limits that apply in the risk management of a collective investment undertaking, the methods chosen to this end and to the most recent evolution of the main instruments' risk.

Article 82. Temporary derogation from investment rules

1. A collective investment undertaking or its management company may derogate from the investment limits laid down in this Section when it exercises the pre-emptive rights attaching to the transferable securities or money market instruments held by it. In such cases and also when provisions of investment rules are violated for the reasons beyond control of a management company or an investment company with variable capital, the derogation must be eliminated without delay, but in any case not later than within six months.

2. The investment portfolio of a newly established collective investment undertaking may derogate from the requirements laid down in Articles 76, 78 and 79 of this Law for six months following the authorisation issued by the supervisory authority for approval of its instruments of incorporation, a choice of depositary and, where applicable, an authorisation to manage a collective investment undertaking issued to a management company authorised in other Member State.

3. A management company or an investment company with variable capital that has not designated a management company and that has infringed the requirements established in this Section must, without undue delay, give written notice of the infringement to the supervisory authority specifying the reasons of the infringement, the measures to be taken to remedy the situation and the anticipated time limit for elimination of the infringement.

SECTION TWO
MASTER-FEEDER STRUCTURES

Article 83. Scope of master-feeder structures

1. A collective investment undertaking or its sub-fund may be a master or feeder undertaking, as specified in this Section.

2. At least 85% of the net assets of a feeder harmonised collective investment undertaking shall be invested in units or shares of another harmonised collective investment undertaking – a master undertaking.

3. Provisions of this Section shall apply *mutatis mutandis* to special collective investment undertakings and their management companies.

Article 84. Specifics of master and feeder undertakings

1. A feeder undertaking investing at least 85% of its net assets in a master undertaking shall be allowed with regard to these investments to derogate from the only feature of its objective specified in the concept of a harmonised collective investment undertaking defined in Article 2(41) of this Law, from the requirements for investment objects and diversification of investment portfolio of harmonised collective investment undertakings laid down in Articles 75 and 76 of this Law and from the requirement for investment in other collective investment undertakings laid down in Article 77(2)(3) and Article 79 of this Law.

2. If a master undertaking has at least two feeder undertakings, it shall not be subject to the only feature of its objective specified in the concept of a harmonised collective investment undertaking defined in Article 2(41) of this Law and to the restriction laid down in Article 1(3) of this Law for harmonised collective investment undertakings the units or shares of which are not publicly offered in the Republic of Lithuania and other Member States.

3. If a master undertaking does not raise capital from the public through public offering of its units in a Member State other than its home Member State, but has in that Member State one or more feeder undertakings, requirements laid down in Articles 115 or 120 of this Law for distribution of units or shares of collective investment undertakings in another Member State or in the Republic of Lithuania shall not apply to such undertakings.

Article 85. Procedure of authorising a feeder undertaking to invest in a master undertaking

1. A collective investment undertaking established in the Republic of Lithuania intending to become a feeder undertaking, or its management company must obtain beforehand an authorisation from the supervisory authority to exceed the investment limit laid down in Article 79(2) of this Law (hereinafter in this Article: ‘authorisation’).

2. A collective investment undertaking or its management company specified in paragraph 1 of this Article shall be informed by the supervisory authority within 15 working days following the submission of all documents and information referred to in paragraph 4 of this Article.

3. The supervisory authority shall grant the authorisation if the feeder undertaking, its depositary and its auditor, as well as the master undertaking, comply with all the requirements set out in this Section.

4. For such purposes a collective investment undertaking or its management company shall provide to the supervisory authority the following documents and information:

1) the instruments of incorporation of the master and the feeder undertakings;

2) the prospectuses and the key investor information of the master and the feeder undertakings;

3) the agreement on the provision of documents and information between the master and the feeder undertakings or the internal conduct of business rules of a management company, as specified in Article 86 of this Law;

4) where applicable, the information to be provided to holders units or shares referred to in Article 92(1) of this Law;

5) if the master and the feeder undertakings have different depositaries, the information-sharing agreement referred to in Article 98(1) of this Law;

6) if the master and the feeder undertakings have different auditors – the information-sharing agreement referred to in Article 99(1) of this Law between their respective auditors.

5. Where the master undertaking is established in another Member State, the feeder undertaking or its management company shall also provide to the supervisory authority the attestation by the supervisory authority of the master undertaking's home Member State that the harmonised master undertaking or its sub-fund fulfils the conditions set out in points 2 and 3 of Article 2(7) of this Law. These documents shall be provided by the feeder undertaking or its management company to the supervisory authority in the Lithuanian or English language.

6. The feeder undertaking shall not invest in excess of the limit applicable under Article 79(2) of this Law in units or shares of the master undertaking until the agreement between the master and the feeder undertakings or their management companies on the provision of documents and information referred to in Article 86 of this Law has become effective.

7. The feeder undertaking may invest in units or shares of the master undertaking only when:

1) the information-sharing agreement between the depositaries (where the master and the feeder undertakings have different depositaries) referred to in Article 98 of this Law has become effective;

2) the information-sharing agreement between the auditors (where the master and the feeder undertakings have different auditors) referred to in Article 99 of this Law has become effective.

Article 86. Agreement between master and feeder undertakings on the provision of documents and information

1. The feeder undertaking or its management company must conclude with the master undertaking or its management company an agreement guaranteeing that the master undertaking or its management company will provide to the feeder undertaking or to its management company all documents and information necessary for the performance of the functions of the feeder undertaking laid down in this Law and other legal acts.

2. In the event that both the master and the feeder undertakings are managed by the same management company, the agreement may be replaced by internal conduct of business rules of a management company ensuring compliance with the requirements set out in this paragraph.

3. The agreement between the master and the feeder undertakings or their management companies on the provision of documents and information or internal conduct of business rules of a management company shall be made available, on request and free of charge to the participants of these undertakings.

4. The supervisory authority shall lay down the requirements for the content of the agreement of the master and feeder undertakings or their management companies on the provision of documents and information or internal conduct of business rules of a management company.

Article 87. Prospectuses, annual and half-yearly reports of master and feeder undertakings

1. The supervisory authority shall establish additional requirements for the content of the feeder undertaking's prospectus.

2. In addition to other required periodical information, the annual report shall include a statement on the aggregate charges of the master and the feeder undertakings or their management companies, and the annual and the half-yearly reports shall indicate how the annual and the half-yearly report of the master undertaking can be obtained.

3. In addition to the requirements laid down in Article 24(6), Article 25(2) and Article 27(6) of this Law, the feeder undertaking established in the Republic of Lithuania

shall send to the supervisory authority the master undertaking's prospectus, key investor information document and any amendments thereto, as well as the annual and half-yearly reports.

4. A paper copy of the prospectus, and the annual and half-yearly reports of the master undertaking shall be delivered by the feeder undertaking or its management company to investors on request and free of charge.

Article 88. Obligation to provide information to a depositary

A management company of a feeder undertaking, and where a feeder undertaking has not designated a management company – the feeder undertaking itself shall be responsible for providing the feeder undertaking's depositary with all information related to the master undertaking and necessary for the proper performance of duties of the feeder undertaking's depositary.

Article 89. Obligation to coordinate the timing of calculation and publication of net asset value

The master and feeder undertakings or their management companies must take appropriate measures to coordinate the timing of their net asset value calculation and publication in order to avoid market timing in their units, preventing arbitrage opportunities.

Article 90. Requirements for the feeder undertaking or its management company

1. The feeder undertaking or its management company shall monitor effectively the activity of the master undertaking. In performing that obligation, the feeder undertaking or its management company may rely on information and documents received from the master undertaking, its management company, depositary and auditor, unless there is reason to doubt the accuracy of such information and documents.

2. Where, in connection with an investment in the units or shares of the master undertaking, a distribution fee, commission or other monetary benefit is received by the feeder undertaking, its management company, or any person acting on behalf of either the feeder undertaking or the management company of the feeder undertaking, the fee, commission or other monetary benefit shall be paid into the assets of the feeder undertaking.

Article 91. Requirements for the master undertaking or its management company

1. The master undertaking established in the Republic of Lithuania or its management company shall immediately inform the supervisory authority of the identity of each feeder undertaking which invests in its units or shares. If the feeder undertaking is established in a different Member State, the supervisory authority shall immediately inform the supervisory authority of the feeder undertaking's home Member State of such investment.

2. The master undertaking shall not charge subscription or redemption fees for the investment of the feeder undertaking into its units or shares or for the divestment thereof.

3. The master undertaking or its management company must ensure the timely availability of all information that is required in accordance with this Law, other legal acts and the instruments of incorporation to the feeder undertaking or, where applicable, its management company, the supervisory authority of a home Member State (where a feeder undertaking is established in another Member State), the depositary and the auditor of the feeder undertaking.

Article 92. Information provided to participants of a collective investment undertaking intending to become a feeder undertaking and of a feeder undertaking intending to become a feeder undertaking of another master undertaking

1. A collective investment undertaking intending to become a feeder undertaking or its management company, or a feeder undertaking intending to become a feeder undertaking of another master undertaking or its management company shall provide the following information to the participants of such undertaking:

1) a statement that the supervisory authority (where the feeder undertaking is established in the Republic of Lithuania) or the supervisory authority of the feeder undertaking's home Member State (where a feeder undertaking is established in another Member State) granted the approval referred to in Article 85(1) of this Law;

2) the key investor information concerning the feeder and the master undertakings;

3) the date when the feeder undertaking is to start to invest in the master undertaking or, if it has already invested therein, the date when its investment will exceed the investment limit applicable under Article 79(2) of this Law;

4) a statement that the participants of a respective undertaking have the right to request within 30 days the repurchase or redemption of their units or shares without any charges other than those retained by the undertaking or its management company to cover disinvestment costs.

2. The information referred to in paragraph 1 of this Article shall be provided at least 30 days before the date referred to in point 3 of paragraph 1 of this Article.

3. The feeder undertaking or its management company shall not invest into the units or shares of the given master undertaking in excess of the limits applicable under Article 79(2) of this Law before the period of 30 days referred to in paragraph 2 of this Article has elapsed.

4. In the event that the feeder undertaking or its management company has been notified in accordance with Article 115(4) of this Law by the supervisory authority about the communication of documents to the supervisory authority of the feeder undertaking's host Member State, the information referred to in paragraph 1 of this Article shall also be provided in the official language, or one of the official languages, of the feeder undertaking's host Member State or in a language approved by the supervisory of the host Member State.

5. In the event that the feeder undertaking established in another Member State or its management company has been notified in accordance with Article 120(1) of this Law by the supervisory authority of another Member State or third country about the communication of documents to the supervisory authority, the information referred to in paragraph 1 of this Article shall be provided in the Lithuanian or English languages.

6. The feeder undertaking's management company shall be responsible for producing the translation of the information provided to the participants of the feeder undertaking and if the undertaking has not designated a management company – the feeder undertaking itself. That transaction shall faithfully reflect the content of information produced in the language of in the official language, or one of the official languages, of the feeder undertaking's home Member State or in a language approved by the supervisory of the home Member Stat.

7. The supervisory authority shall establish the procedure for the provision of information referred to in paragraph 1 of this Article to the holders of units or shares.

Article 93. The right of a feeder undertaking or its management company to temporarily suspend the subscription or redemption of units or shares

1. If a master undertaking established in the Republic of Lithuania temporarily suspends the subscription or redemption of its units or shares, whether at its own or its management company's initiative or at the request of the supervisory authority, each of participants established in the Republic of Lithuania of the master undertaking's feeder undertaking or its management company shall become entitled to suspend the subscription or redemption of the feeder undertaking's units or shares notwithstanding the requirements laid down in Article 47 of this Law within the same period of time as the master undertaking.

2. If a master undertaking established in another Member State temporarily suspends the subscription or redemption of its units or shares, whether at its own or its management company's initiative or at the request of the supervisory authority of the master undertaking's home Member State, each participant established in the Republic of Lithuania of the master undertaking's feeder undertaking or its management company shall become entitled to suspend the subscription or redemption of the feeder undertaking's units or shares notwithstanding the requirements laid down in Article 47 of this Law within the same period of time as the master undertaking.

Article 94. Marketing communications of a feeder undertaking

The feeder undertaking or its management company shall specify in the marketing communications that the feeder undertaking continuously invests at least 85% of its net assets in units or shares of the particular master undertaking.

Article 95. Winding-up or liquidation of a master undertaking

1. If a master undertaking is dissolved or liquidated, its feeder undertaking shall also be dissolved or liquidated, unless at the request of the feeder undertaking or its management company the supervisory authority (where the feeder undertaking is established in the Republic of Lithuania) or the supervisory authority of the feeder undertaking's home Member State (where the feeder undertaking is established in another Member State) approves:

1) the investment of at least 85% of the assets of the feeder undertaking in units or shares of another master undertaking;

2) the amendment of the feeder undertaking's instruments of incorporation in order to enable the feeder undertaking to convert into an undertaking which is not a feeder undertaking.

2. Without prejudice to specific provisions regarding compulsory liquidation of companies laid down in legal acts of the Republic of Lithuania, the winding-up or liquidation of a master undertaking shall take place no sooner than three months after the master undertaking or its management company has informed all of the participants and the supervisory authority of the undertaking and where the feeder undertaking is established in another Member State – also the supervisory authority of the feeder undertaking's home Member State.

3. The supervisory authority shall establish the procedure of winding-up of the master undertaking – an investment fund and of liquidation of the master undertaking – an investment company.

Article 96. Merger or division of a master undertaking

1. If a master undertaking merges with another collective investment undertaking or is divided into two or more collective investment undertakings, the feeder undertaking shall be dissolved or liquidated, unless the supervisory authority (where the feeder undertaking is established in the Republic of Lithuania) or the supervisory authority of the feeder undertaking's home Member State (where the feeder undertaking is established in another Member State) grants one of the following approvals at the request of the feeder undertaking or its management company:

1) continue to be a feeder undertaking of the master undertaking or another feeder undertaking resulting from the merger or division of the master undertaking;

2) invest at least 85% of the assets of the feeder undertaking in units or shares of another master undertaking not resulting from the merger or division;

3) amend the instruments of incorporation of the feeder undertaking in order to convert into a collective investment undertaking, which is not a feeder undertaking.

2. No merger or division of a master undertaking shall become effective, unless the master undertaking or its management company has provided all of the participants of the given undertaking and the supervisory authority (where the feeder undertaking is established in the Republic of Lithuania) or the supervisory authority of the feeder undertaking's home Member State (where the feeder undertaking established in another Member State) with the information referred to in Article 106 of this Law. That information shall be provided no later than 60 days before the effective date of the merger or division.

3. Unless the supervisory authority of the feeder undertaking's home Member State has granted approval pursuant to paragraph 1 of this Article, the master undertaking or its management company shall enable the feeder undertaking to request the redemption of all units or shares in the master undertaking before the merger or division of the master undertaking becomes effective.

4. The supervisory authority shall establish the procedure for merger and division of the master undertaking.

Article 97. Investment objects and calculation of exposure of a feeder undertaking

1. A feeder undertaking may hold up to 15% of its assets in one or more of the following:

1) liquid assets in accordance with requirements laid down by Article 75(4) and (5) of this Law;

2) financial derivative instruments referred to in Article 80(1) of this Law, which may be used only for hedging purposes, in accordance with the procedure laid down in Article 80(3) and (4) of this Law;

3) movable and immovable property which is essential for the direct pursuit of the business, if the feeder undertaking is an investment company.

2. The feeder undertaking or its management company must calculate its global exposure related to transactions in financial derivative instruments in accordance with the procedure laid down in Article 80(4) of this Law by combining its own direct exposure to financial derivative instruments referred to in point 2 of paragraph 1 of this Article with either:

1) the master undertaking's actual exposure to financial derivative instruments in proportion to the feeder undertaking's investment into the master undertaking; or

2) the master undertaking's potential maximum global exposure related to transactions in financial derivative instruments provided for in the master undertaking's instruments of incorporation in proportion to the feeder undertaking's investment into the master undertaking.

Article 98. Requirements for depositaries of master and feeder undertakings

1. If the master and the feeder undertakings have different depositaries, those depositaries enter into an information-sharing agreement in order to ensure the fulfilment of the duties of both depositaries.

2. The depositary of the master undertaking established in the Republic of Lithuania shall immediately inform the supervisory authority, the feeder undertaking and (where the master and the feeder undertakings have different management companies and depositaries) the feeder undertaking's management company and the depositary about any irregularities it detects with regard to the master undertaking which are deemed to have a negative impact on the feeder undertaking.

3. The supervisory authority shall establish the content of the information-sharing agreement between the depositaries of the master and feeder undertakings.

Article 99. Requirements for auditors of master and feeder undertakings

1. If the master and the feeder undertakings have different auditors, those auditors shall enter into an information-sharing agreement in order to ensure the fulfilment of the duties of both auditors, including the arrangements taken to comply with the requirements of paragraphs 2 and 3 of this Article.

2. In its audit report, the auditor of the feeder undertaking shall take into account the audit report of the master undertaking. If the feeder and the master undertakings have different accounting years, the auditor of the master undertaking shall make an *ad hoc* report on the closing date of the feeder undertaking.

3. The auditor of the feeder undertaking shall, in particular, report on any irregularities revealed in the audit report of the master undertaking and on their impact on the feeder undertaking.

4. The supervisory authority shall establish the content of the information-sharing agreement between the auditors of the master and feeder undertakings.

Article 100. Supervision of master and feeder undertakings

1. The supervisory authority shall immediately inform of any decision, measure, observation of non-compliance with the conditions of this Section or of any information reported pursuant to Article 14 of this Law from the auditor of the master undertaking with regard to the master undertaking, its management company, depositary or auditor:

1) the feeder undertaking or its management company, where the master and the feeder undertakings are established in the Republic of Lithuania;

2) the supervisory authority of the feeder undertaking's home Member State, where the master undertaking is established in the Republic of Lithuania, and the feeder undertaking – in another Member State.

2. If the master undertaking is established in another Member State, and the feeder undertaking – in the Republic of Lithuania, the supervisory authority shall immediately communicate to the feeder undertaking any decision, measure, observation of non-compliance with the conditions of this Section or other information reported by the master undertaking's auditor to the supervisory authority of the master undertaking's home Member State with regard to the master undertaking, its management company, depositary or auditor.

SECTION THREE
MERGER OF COLLECTIVE INVESTMENT UNDERTAKINGS ESTABLISHED IN THE REPUBLIC OF LITHUANIA WITH HARMONISED COLLECTIVE INVESTMENT UNDERTAKINGS ESTABLISHED IN OTHER MEMBER STATES AND MERGER OF HARMONISED COLLECTIVE INVESTMENT UNDERTAKINGS ESTABLISHED IN THE REPUBLIC OF LITHUANIA WHICH MARKET THEIR UNITS OR SHARES IN ANOTHER MEMBER STATE

Article 101. Principles of merger of harmonised collective investment undertakings

1. For the purposes of this Section a harmonised collective investment undertaking shall also include its sub-funds.

2. This Section shall apply to the merger of the following undertakings:

1) merger of harmonised collective investment undertakings established in the Republic of Lithuania and in one or more Member States (hereinafter in this Section: 'merger of harmonised collective investment undertakings established in different Member States');

2) merger of harmonised collective investment undertakings established in the Republic of Lithuania which market their units or shares in another Member State

(hereinafter in this Section: ‘merger of harmonised collective investment undertakings established in the Republic of Lithuania’);

3) merger involving at least one collective investment undertaking established in the Republic of Lithuania which will cease to exist after merger.

3. Pursuant to requirements of this Section, merger of collective investment undertakings using the merger techniques specified in Article 102 of this Law may take place irrespective of the form of activities of collective investment undertakings.

4. Merger of harmonised collective investment undertakings established in different Member States shall be the merger where:

1) at least one of the collective investment undertakings is established not in the Republic of Lithuania;

2) one or more collective investment undertakings established in the Republic of Lithuania are merged with a new collective investment undertaking established in another Member State;

3) one or more collective investment undertakings established in another Member State are merged with a new collective investment undertaking established in the Republic of Lithuania.

5. For the purposes of this Section the merger of the harmonised collective investment undertakings established in the Republic of Lithuania shall be the merger, where at least one collective investment undertakings participating in the merger or their management companies have been notified by the supervisory authority about the transfer of documents to the supervisory authority of the host Member State of the respective collective investment undertaking in accordance with Article 115(4) of this Law.

Article 102. Merger techniques of harmonised collective investment undertakings

Harmonised collective investment undertakings may be merged using the following merger techniques:

1) one or more harmonised collective investment undertakings or sub-funds thereof (the merging collective investment undertaking), on being dissolved without winding-up or going into liquidation, transfer all of their assets and liabilities to another existing harmonised collective investment undertaking or a sub-fund thereof (the receiving collective investment undertaking), in exchange for the issue to the participants of the merging collective investment undertaking of the units or shares of the receiving collective

investment undertaking and, if applicable, a cash payment not exceeding 10 % of the net asset value of the units or shares of the merging collective investment undertaking's participants;

2) two or more harmonised collective investment undertakings or sub-funds thereof (the merging collective investment undertaking), on being dissolved without winding-up or going into liquidation, transfer all of their assets and liabilities to a collective investment undertaking which they form or a sub-fund thereof (the receiving collective investment undertaking), in exchange for the issue to the participants of the merging collective investment undertaking of the units or shares of the receiving collective investment undertaking and, if applicable, a cash payment not exceeding 10 % of the net asset value of the units or shares of the merging collective investment undertaking's participants;

3) one or more harmonised collective investment undertakings or sub-funds thereof (the merging collective investment undertaking) transfer their net assets to another sub-fund of a harmonised collective investment undertaking participating in the merger, to a new harmonised collective investment undertaking which they form on their basis or a sub-fund thereof, or to another existing harmonised collective investment undertaking or a sub-fund thereof (the receiving collective investment undertaking), and the merging collective investment undertaking continues to exist until the liabilities have been discharged.

Article 103. Procedure of authorising the merger of a merging collective investment undertaking established in the Republic of Lithuania

1. Merger of the merging collective investment undertaking established in the Republic of Lithuania shall be subject to prior authorisation of the supervisory authority.

2. For the purpose of obtaining the authorisation, an undertaking or its management company shall provide to the supervisory authority:

1) the common draft terms of the merger approved by the merging collective investment undertaking and the receiving collective investment undertaking or by their management companies;

2) an up-to-date version of the prospectus and the key investor information of the receiving collective investment undertaking, if such receiving collective investment undertaking is or will be established in another Member State;

3) a statement of confirmation by each of the depositaries of the merging and the receiving collective investment undertakings in accordance with Article 104 of this Law;

4) the information on the proposed merger that the merging and the receiving collective investment undertakings intend to provide to their respective participants.

3. The information referred to in paragraph 2 of this Article shall be provided in the Lithuanian language and in the official language or one of the official languages of the home Member State of the receiving collective investment undertaking or in a language approved by the supervisory authority of such home Member State.

4. If the supervisory authority considers that it has been provided with the incomplete set of documents and information referred to in paragraph 2 of this Article, the supervisory authority shall be entitled to require, within 10 working days of receipt of the incomplete set of documents or information, that the merging collective investment undertaking established in the Republic of Lithuania or its management company provides all of the missing documents or information.

5. Having received the complete set of the required information the supervisory authority shall immediately transmit the copies of documents and information referred to in paragraph 2 of this Article to the supervisory authority of another Member State where the receiving collective investment undertaking is or will be established. In order to assess whether the information on merger provided to participants of the merging and the receiving collective investment undertakings is appropriate and sufficient the supervisory authority shall consider with the supervisory authority of another Member State the potential impact of the merger on the participants of the merging and the receiving collective investment undertakings.

6. The supervisory authority shall have the right to:

1) require, in writing, that the information to be provided to the participants of the merging collective investment undertaking established in the Republic of Lithuania is clarified;

2) require, in writing, that the receiving collective investment undertaking established in the Republic of Lithuania or its management company supplements and (or) modifies the information to be provided to the collective investment undertaking's participants. The supervisory authority may exercise this right no later than within 15 working days of receipt of the complete set of documents and information referred to in paragraph 2 of this Article (where the merging collective investment undertaking is established in the Republic of Lithuania), or no later than within 15 working days of

transferring to the supervisory authority of the copies of the respective documents by the supervisory authority of the merging collective investment undertaking's home Member State (where the merging collective investment undertaking is established in another Member State).

7. The supervisory authority shall notify the supervisory authority of the home Member State of the merging collective investment undertaking established in another Member State about exercising the right referred to in point 2 of paragraph 6 of this Article. The supervisory authority shall notify the supervisory authority of the home Member State of the merging collective investment undertaking established in another Member State whether it is satisfied with the supplemented and (or) modified information to be provided to the participants of the receiving collective investment undertaking established in the Republic of Lithuania within 20 working days of receipt of the complete set of the supplemented and (or) modified information.

8. The supervisory authority shall authorise the merger if the following conditions are met:

1) the proposed merger complies with all of the requirements of this Article, Articles 104 and 105 of this Law and legal acts of the supervisory authority implementing these Articles;

2) the receiving collective investment undertaking or its management company has been notified in accordance with Article 120(1) or Article 115(4) of this Law about marketing its units or shares in all Member States where the merging collective investment undertaking is authorised and (or) the merging collective investment undertaking or its management company has been respectively notified;

3) the supervisory authority and, where applicable, the supervisory authorities of the home Member States of the merging and the receiving collective investment undertakings are satisfied with the proposed information to be provided to the participants of these undertakings or no indication of dissatisfaction with the proposed supplemented and (or) modified information to be provided to the participants of the receiving collective investment undertaking established in such Member State has been received from the supervisory authority of the home Member State of the receiving collective investment undertaking within 20 working days of receipt of the complete set of the supplemented and (or) modified information.

9. The supervisory authority shall notify the merging collective investment undertaking established in the Republic of Lithuania or its management company about

the decision to grant or refuse the authorisation for merger within 20 working days of receipt of the complete set of the documents and information referred to in paragraph 2 of this Article. The supervisory authority shall also communicate its decision to the supervisory authority of the receiving collective investment undertaking's home Member State.

10. The provisions of temporary derogation from investment rules enshrined in Article 82(2) of this Law shall apply *mutatis mutandis* to the investment portfolio of the receiving collective investment undertaking established in the Republic of Lithuania. The term of temporary derogation from investment rules shall be calculated from the effective date of merger of harmonised collective investment undertakings.

11. The supervisory authority shall lay down detailed requirements for the content of the common draft terms of merger produced by the merging and the receiving collective investment undertakings or their management companies.

Article 104. Additional obligations of depositaries of merging and receiving collective investment undertakings

Depositories of the merging and of the receiving collective investment undertakings must provide an attestation that they verified the compliance of the merger technique specified in the common draft conditions of merger, the merging and the receiving collective investment undertakings, planned effective date of merger and rules to be applied to the disposal of assets and exchange of the units or shares with the requirements of this Law or respective legal acts of another Member State (where a merging or a receiving collective investment undertaking is established in another Member State) and of the instruments of incorporation of a respective collective investment undertaking and did not find any irregularities.

Article 105. Additional obligations of a merging collective investment undertaking's auditor and of merging and receiving collective investment undertakings or their management companies

1. An auditor of the merging collective investment undertaking established in the Republic of Lithuania shall validate:

1) the criteria adopted for valuation of the assets and liabilities on the date for calculating the exchange ratio, as referred to in Article 110(2) of this Law;

2) where applicable – the cash payments for units or shares of the undertaking and the justification of its calculation;

3) the calculation method of the exchange ratio of units or shares determined at the date for calculating that ratio as specified in Article 110(2) of this Law.

2. The merging and the receiving collective investment undertakings or their management companies must guarantee that the copies of reports of the auditor are made available to the supervisory authority and to the supervisory authorities of the home Member State of the merging and the receiving collective investment undertakings established in another Member State and also on request and free of charge to the participants of the merging and the receiving collective investment undertakings.

Article 106. Procedure for informing participants of merging and receiving collective investment undertakings

1. The merging and receiving collective investment undertakings or their management companies shall provide appropriate and accurate information on the merger to the participants such as to enable them to take an informed decision on the possible impact thereof on their investment and to exercise their rights under Article 108 of this Law.

2. The information provided to the participants of the merging and the receiving collective investment undertakings shall include the following:

1) the background to and the rationale for the merger;

2) the possible impact of the merger on the participants of the merging and the receiving collective investment undertakings, the possible impact of the proposed merger on unit-holders, including but not limited to any material differences in respect of investment policy and, costs, expected outcome, periodic reporting, possible dilution in performance, and, where relevant, a prominent warning to investors that their tax treatment may be changed following the merger;

3) the period after expiration of which the subscription and redemption of the units or shares of a merging collective investment undertaking shall cease;

4) any specific rights of the participants of collective investment undertakings in relation to the merger, including but not limited to the right to obtain additional information, the right to obtain a copy of the report of the independent auditor or the depositary on request, and the right to exercise the right specified in Article 108(1) of this Law, so indicating the last date for exercising that right;

5) the relevant procedural aspects and the planned effective date of the merger, including but not limited to the procedure of deciding on merger of an investment company (where at least one of the merging or receiving investment companies is established in the Republic of Lithuania) and (or) the procedure of participants' approval of the merger required according to the law of another Member State (where at least one of the merging or receiving collective investment undertakings is established in another Member State) and the method of notification of the participants about the completion of the merger, as well as the information about the proposed suspension of the subscription and (or) redemption of units or shares for the purpose of the effective completion of the merger;

6) a copy of the key investor information of the receiving collective investment undertaking.

3. The information about merger shall be provided to participants of the merging and the receiving collective investment undertakings only after the supervisory authority and the supervisory authority of the home Member State of the merging collective investment undertaking (where the merging collective investment undertaking is established in another Member State) have authorised the merger, but no later than 30 days before the last date for exercising the right of the participants referred to in Article 108(1) of this Law.

4. During the period between the day of provision of information about merger to participants of the merging and the receiving collective investment undertakings and the effective date of the merger the collective investment undertaking or its management company must provide the information referred to in paragraph 2 of this Article to all persons who intend to acquire units or shares of any of the merging and the receiving collective investment undertakings or who have requested the copies of instruments of incorporation, a prospectus or key investor information of any of these undertakings.

5. If at least one of the merging and the receiving collective investment undertakings established in the Republic of Lithuania or their management companies have received a notice as specified in Article 115(4) of this Law from the supervisory authority about the transmission of documents to the supervisory authority of the host member State of the respective collective investment undertaking, information referred to in paragraph 2 of this Article shall also be provided in the official language, or one of the official languages, of the host Member State of the undertaking or in a language approved by the supervisory authority of such Member State.

6. If at least one of the merging and the receiving collective investment undertakings established in another Member State or their management companies have received a notice as specified in Article 120(1) of this Law from the supervisory authority of the home Member State of the respective collective investment undertaking about the transfer of documents to the supervisory authority, information referred to in paragraph 2 of this Article shall also be provided in the Lithuanian language.

7. The management company and where an undertaking has not designated a management company – a collective investment undertaking itself shall be responsible for producing the translation of information provided to participants of a collective investment undertaking. The translation shall faithfully reflect the content of information drafted in the official language, or one of the official languages, of the host Member State of the collective investment undertaking or in a language approved by the supervisory authority of such Member State.

8. The supervisory authority shall establish detailed requirements for the content, form and procedure of provision of information provided to participants of the merging and of the receiving collective investment undertakings.

Article 107. Decision on merger of an investment company

Where one of the merging or receiving collective investment undertakings is an investment company established in the Republic of Lithuania, a decision on merger of the investment company shall be adopted at a general meeting of shareholders by a qualified majority vote accounting for at least 2/3 of votes awarded by shares of all shareholders attending the meeting. In any case it shall be prohibited to establish that the approval of such decision requires more than 75% of the votes awarded by shares held by all shareholders attending the meeting.

Article 108. Right of participants of merging and receiving collective investment undertakings and procedure of exercising it

1. Participants of the merging and the receiving collective investment undertakings shall have the right to request the redemption of the units or shares held by them, or, where possible, their conversion into units or shares in another harmonised collective investment undertaking with similar investment policies and managed by the same management company or by any other company with which these management companies are linked by common management or control or by a substantial direct or indirect holding, without any

charges other than those retained by the harmonised collective investment undertaking or its management company to meet disinvestment costs related to the above-mentioned requests.

2. The holders of units or shares may exercise the right specified in paragraph 1 of this Article from the moment of having been informed about the merger. This right shall cease to exist five working days before the date of calculating the exchange ratio of units or shares referred to in Article 110(2) of this Law.

3. Without prejudice to the requirements of paragraphs 1 and 2 of this Article, the supervisory authority shall be entitled to require or to allow a management company or an investment company to temporarily suspend the subscription and (or) redemption of units or shares provided that such suspension is justified for the protection of interests of holders of the units or shares.

Article 109. Charging the costs of merger

It shall be prohibited to charge any costs, including legal, advisory, administrative, etc. costs associated with the preparation, effecting and completion of the merger to the merging or the receiving collective investment undertakings, or to any of their participants. This prohibition shall not apply to a merging collective investment undertaking that has not designated a management company and to its participants.

Article 110. Entry into effect of merger

1. In the event of merger of harmonised collective investment undertakings established in the Republic of Lithuania and of harmonised collective investment undertakings established in different Member States (where the receiving collective investment undertaking is established in the Republic of Lithuania) shall be considered as having taken effect when the final entries are made in the personal accounts of units or shares following the conversion of the units or shares of the merging collective investment undertaking into the units or shares of the receiving collective investment undertaking and, where applicable, the cash payments specified in Article 102 of this Law are made.

2. In the event of merger of undertakings referred to in paragraph 1 of this Article the exchange ratio of the units or shares of the merging collective investment undertaking into the units or shares of the receiving collective investment undertaking shall be established on the day of the completion of merger specified in paragraph 1 of this Article.

3. The dates referred to in paragraphs 1 and 2 of this Article may not be earlier than the date of approval of the merger by the shareholders of the merging and the receiving investment companies.

4. The entry into effect of the merger shall be notified in writing by the receiving collective investment undertaking or its management company to the supervisory authorities of the merging and the receiving collective investment undertakings and made public on the website (websites) specified in the instruments of incorporation of a receiving collective investment undertaking (where a receiving collective investment undertaking is established in the Republic of Lithuania) or in the manner prescribed by another Member State (where a receiving collective investment undertaking is established in another Member State).

5. Where a merging investment fund is established in the Republic of Lithuania, its management company shall provide to the supervisory authority the notice of entry into effect of the merger, the instruments of incorporation of the investment fund and the application to repeal them.

6. A merging investment company established in the Republic of Lithuania must either record the appropriate amendments to the articles of association in the Register of Legal Entities or must be liquidated in accordance with the procedure laid down by laws of the Republic of Lithuania.

Article 111. Consequences of the effected merger

1. A merger which has taken effect as provided for in this Section shall not be declared null and void.

2. A merger effected in accordance with Article 102(1) of this Law shall have the following consequences:

1) all the assets and liabilities of the merging collective investment undertaking are transferred to the receiving collective investment undertaking or, where applicable, transferred for management on fiduciary basis to the depositary of the receiving collective investment undertaking;

2) the participants of the merging collective investment undertaking become participants of the receiving collective investment undertaking and, where applicable, they are entitled to a cash payment referred to in Article 102(1) of this Law;

3) the merging collective investment undertaking ceases to exist as a collective investment undertaking on the entry into effect of the merger.

3. A merger effected in accordance with Article 102(2) of this Law shall have the following consequences:

1) all the assets and liabilities of the merging collective investment undertaking are transferred to the newly constituted receiving collective investment undertaking or, where applicable, transferred for management on fiduciary basis to the depositary of the receiving collective investment undertaking;

2) the participants of the merging collective investment undertaking become participants of the receiving collective investment undertaking and, where applicable, they are entitled to a cash payment referred to in Article 102(2) of this Law;

3) the merging collective investment undertaking ceases to exist as a collective investment undertaking on the entry into effect of the merger.

4. A merger effected in accordance with Article 102(3) of this Law shall have the following consequences:

1) the net assets of the merging collective investment undertaking are transferred to the receiving collective investment undertaking, or, where applicable, transferred for management on fiduciary basis to the depositary of the receiving collective investment undertaking;

2) the participants of the merging collective investment undertaking become participants of the receiving collective investment undertaking;

3) the merging collective investment undertaking continues to exist until the liabilities have been discharged.

Article 112. Procedure of confirming the effected transfer of assets and liabilities

A management company of the receiving collective investment undertaking established in the Republic of Lithuania and where the undertaking has not designated a management company – by the collective investment undertaking itself must confirm to its depositary in accordance with the procedure laid down by the supervisory authority that transfer of assets and liabilities of the collective investment undertaking has been effected.

CHAPTER VII

SECTION ONE

ACTIVITIES PURSUED IN OTHER MEMBER STATES OR

THIRD COUNTRIES BY MANAGEMENT COMPANIES AND INVESTMENT COMPANIES WITH VARIABLE CAPITAL AUTHORISED IN THE REPUBLIC OF LITHUANIA

Article 113. Right of management companies authorised in the Republic of Lithuania to provide services in other Member States or third countries

1. Requirements of this Article shall apply to a management company establishing a branch in another Member State or providing services in such Member State without the establishment of a branch. A management company shall have the right to establish a branch or to provide services without the establishment of a branch in accordance with the procedure laid down in this Article, provided the agreements concluded between the supervisory authority and the supervisory authority of a third country are sufficient to ensure adequate supervision of activities and provision of information and requirements established by legal acts of a third country are not less stringent than the requirements laid down by this Law for the activities of management companies. Where the management company already has at least one branch in another Member State or third country, the procedure laid down in this Article shall not apply to the establishment of its other branches in that state.

2. A management company wishing to establish a branch within the territory of another Member State or in a third country shall notify the supervisory authority accordingly and provide the following documents and information:

1) the programme of operations setting out the activities and services envisaged;

2) the envisaged organisational structure of the branch;

3) the description of the risk management process put in place by the management company;

4) the description of the procedures and arrangements taken in accordance with Article 116(2) of this Law;

5) the state within the territory of which the management company plans to establish a branch, the address in a host Member State of a management company or in a third country from which documents may be obtained, forenames and surnames of the branch managers.

3. The supervisory authority shall within two months communicate the information specified in paragraph 2 of this Article to the supervisory authority of another Member State or third country attaching to it the information regarding the compensation scheme

intended to protect investors. The supervisory authority shall have the right to refuse to grant authorisation for the establishment of a branch and to refuse, within two months, to communicate the specified information only where the structure of the proposed branch or financial situation of a management company does not meet the requirements set forth by the supervisory authority for the pursuit of such activities. A management company shall be notified of the communication of information or the refusal to communicate it.

4. A management company wishing to provide within the territory of another Member State or in a third country the services specified in the authorisation granted to it without the establishment of a branch shall notify the supervisory authority accordingly and provide the following documents and information:

1) the state within the territory of which it intends to provide services;

2) the programme of operations setting out the activities and services envisaged;

3) the description of the risk management process put in place by the management company;

4) the description of the procedures and arrangements taken in accordance with Article 116(2) of this Law.

5. The supervisory authority shall, within one month, communicate the notice referred to in paragraph 4 of this Article to the supervisory authority of another Member State or third country alongside the details of the compensation scheme intended to protect investors and shall inform the management company accordingly. As from that moment the management company shall acquire the right to start business in its host Member State and having complied with the requirements laid down in Article 115 of this Law or with the requirements laid down by legal acts of the management company's host Member State with regard to the authorisation to manage harmonised collective investment undertakings established in that Member State – to market the units or shares of its managed collective investment undertakings established not in the host Member State of the management company or to manage a harmonised collective investment undertaking established the management company's host Member State, respectively.

6. Where a management company wishes to pursue the activity of management of harmonised collective investment undertakings in another Member State, the supervisory authority shall enclose with the information referred to in paragraph 2 or 4 of this Article sent to the supervisory authority of the management company's host Member State an attestation that the management company has been authorised pursuant to the provisions of the European Union Directive referred to in paragraph 4 of Annex to this Law, a

description of the scope of the management company's authorisation and, where applicable, details of any restriction on the types of harmonised collective investment undertakings that the management company is authorised to manage.

7. In the event of change of any particulars communicated by a management company alongside the notice of establishment of a branch, a management company shall give a prior written notice of that change to the supervisory authority and to the supervisory authority of another Member State or third country at least one month before implementing the change. In that case the supervisory authority shall have the right to terminate the activities of a branch under paragraph 3 of this Article. The supervisory authority shall notify the supervisory authority of another Member State or third country about any changes in the applicable compensation scheme intended to protect investors or in other communicated information. In the event of change of any particulars referred to in paragraph 4 of this Article communicated by the supervisory authority, a management company pursuing activities in another Member State or third country without the establishment of a branch must give a prior written notice of that change to the supervisory authority and to the supervisory authority of the respective other Member State or third country.

8. The supervisory authority must update the information contained in the attestation referred to in paragraph 6 of this Article and inform the supervisory authority of the management company's host Member State wherever there is a change in the scope of the management company's authorisation or, where applicable, in the details of any restriction on the types of harmonised collective investment undertakings that the management company is authorised to manage.

Article 114. Supervision of activities pursued in another Member State or third country by management companies authorised in the Republic of Lithuania

1. A management company authorised in the Republic of Lithuania which pursues activities in another Member State or third country by establishing a branch must comply with the requirements for its activities laid down by legal acts of the management company's host Member State or third country. The supervisory authority of the management company's host Member State or third country shall be responsible for supervising compliance with these requirements. A management company authorised in the Republic of Lithuania which pursues the activity in another Member State or third

country without the establishment of a branch must comply with the requirements for its activities laid down in Article 11 of this Law.

2. The supervisory authority shall be responsible for supervising compliance with prudential requirements by management companies authorised Republic of Lithuania providing investment services in another Member State or third country. If the supervisory authority of another Member State or third country notifies about infringements made by a management company, the supervisory authority shall have the right to impose sanctions accordingly informing the supervisory authority of the respective other Member State or third country.

3. The supervisory authority shall immediately inform the supervisory authority of the respective other Member State or third country about the withdrawal of authorisation of a management company providing services in another Member State or third country, authorisation.

4. The supervisory authority having been notified by the supervisory authority of another Member State or third country in which a management company authorised in the Republic of Lithuania is pursuing activities by establishing or without the establishment of a branch about the management company's refusal to communicate to the supervisory authority of another Member State or third country the information requested by it or about the failure to eliminate the irregularities within the established time, shall immediately take all required measures provided for by this Law to ensure that the management company carries out the actions specified by the supervisory authority of its host Member State or third country. The supervisory authority shall communicate information about the measures taken to the supervisory authority of the management company's host Member State or third country.

Article 115. Marketing of units or shares in another Member State or third country by a collective investment undertaking established in the Republic of Lithuania

1. A management company or an investment company that has not designated a management company intending to market units or shares of a collective investment undertaking in another Member State must submit to the supervisory authority in accordance with the procedure laid down by it a notification letter drafted pursuant to Annex I to Commission Regulation (EU) No 584/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards the form

and content of the standard notification letter and UCITS attestation, the use of electronic communication between competent authorities for the purpose of notification, and procedures for on-the-spot verifications and investigations and the exchange of information between competent authorities (hereinafter: 'Regulation (EU) No 584/2010'). The notification, inter alia, shall include information on arrangements made for marketing units or shares of a collective investment undertaking in its host Member State, including, where relevant, in respect of marketing of separate classes and (or) series of unit or shares.

2. A collective investment undertaking shall enclose with the notification letter, as referred to in paragraph 1 of this Article, the latest version of the following:

1) instruments of incorporation, its prospectus, latest annual report and any subsequent half-yearly report, translations thereof submitted in accordance with the procedure laid down in point 3 of paragraph 11 and paragraph 12 of this Article;

2) its key investor information document together with its translation submitted in accordance with the procedure laid down in point 2 of paragraph 11 and paragraph 12 of this Article.

3. A management company or an investment company, that has not designated a management company intending to market units or shares in another Member State must publish electronic versions of documents referred to in paragraph 2 of this Article and their amendments on the website of a management company, an investment company that has not designated a management company, or on any other website specified in the notification letter referred to in paragraph 1 of this Article and ensure the access to the respective website for the host Member State of a collective investment undertaking.

4. The supervisory authority shall verify whether the documentation submitted in accordance with paragraphs 1 and 2 of this Article is complete and within 10 working days of submission of all the required documents transmit these documents in accordance with the procedure laid down by Regulation (EU) No 584/2010 to the supervisory authority of the collective investment undertaking's host Member State. The supervisory authority shall enclose with the documentation an attestation drawn up in accordance with Annex II of Regulation (EU) No 584/2010 that the collective investment undertaking fulfils the conditions imposed by the European Union Directive referred to in paragraph 4 of the Annex to this Law. The supervisory authority, upon receipt of the confirmation of receipt of all the documentation referred to in this paragraph from the supervisory authority of the collective investment undertaking's host Member State shall immediately notify about the receipt a management company or an investment company that has not designated a

management company. Upon receipt of such notification a management company or an investment company that has not designated a management company may start the marketing of units or shares in the host Member State of the collective investment undertaking.

5. The notification letter referred to in paragraph 1 of this Article and the attestation referred to in paragraph 4 of this Article shall be provided in the English language.

6. The supervisory authority shall ensure that the supervisory authority of the host Member State of a collective investment undertaking established in the Republic of Lithuania has access to electronic versions of documents and their translations referred to in paragraph 2 of this Article.

7. A management company or an investment company that has not designated a management company must keep the documents and their translations referred to in paragraph 2 of this Article up to date. A management company or an investment company that has not designated a management company shall notify the supervisory authority of the host Member State of a collective investment undertaking about all amendments to documents referred to in paragraph 2 of this Article and indicate where those documents may be obtained electronically.

8. In the event of a change in the information contained in the notification letter referred to in paragraph 1 of this Article regarding the units or shares or marketing procedure of their classes and (or) series, a management company or an investment company that has not designated a management company, shall give written notice thereof to the supervisory authority of the collective investment undertaking's host Member State before implementing the change.

9. A collective investment undertaking or its management company acting in accordance with legal acts of the host Member State of the collective investment undertaking establishing the procedure of marketing of units or shares, must take measures ensuring correct disbursement of funds for redeemed units or shares and provision of information required by legal acts to holders of units or shares.

10. Where a management company or an investment company that has not designated a management company markets units or shares of a collective investment undertaking in another Member State it shall provide to investors of the host Member of the collective investment undertaking all information and documents which it must

provide to investors in the Republic of Lithuania pursuant to the requirements of Section Two of Chapter II of this Law.

11. The information and documents referred to in paragraph 10 of this Article must be provided to investors of the host Member State of the collective investment undertaking in compliance with the following requirements:

1) in accordance with requirements prescribed by legal acts of the collective investment undertaking's host Member State for the obligation of a management company or an investment company to provide information to investors, without prejudice to the requirements of legal acts of that Member State;

2) key investor information must be translated into the official language, or one of the official languages, of the host Member State of the collective investment undertaking or into a language approved by the supervisory authority of that Member State;

3) other information and documents shall be translated, at the choice of a management company or an investment company that has not designated a management company, into the official language, or one of the official languages, of the host Member State of the collective investment undertaking, a language approved by the supervisory authority of that Member State or in the English language.

12. Translations of information or documents under points 2 and 3 of paragraph 11 of this Article shall be produced under the responsibility of a management company or an investment company that has not designated a management company. The translation shall faithfully reflect the content of the information prepared in the Lithuanian language.

13. The requirements set out in paragraphs 10, 11 and 12 of this Article shall also be applicable to any changes to the information and documents referred therein.

14. The frequency (or periodicity) of the publication of the issue, sale or redemption price of units or shares of a collective investment undertaking shall be subject to this Law and legal acts adopted on its basis.

15. The supervisory authority shall immediately notify the supervisory authority of another Member State where units or shares are marketed about the withdrawal of authorisation of a management company or an investment company, suspension of the issue or redemption of units or shares, appointment of a temporary representative of the supervisory authority for the supervision of business. Where a management company is authorised in another Member State, the supervisory authority shall also notify about the suspension of the issue or redemption of units or shares the supervisory authority of the management company's home Member State.

16. Units or shares of a collective investment undertaking established in the Republic of Lithuania may be marketed in a third country in accordance with the procedure laid down in this Article, provided that the supervisory authority's arrangements with the supervisory authority of a third country are capable of ensuring the adequate supervision of business and provision of information.

17. For the purposes of this Article a collective investment undertaking shall also include its sub-funds.

Article 116. Right of management companies authorised in the Republic of Lithuania to manage a harmonised collective investment undertaking established in another Member State

1. A management company authorised in the Republic of Lithuania shall have the right to manage a harmonised collective investment undertaking established in another Member State only if it complies with the requirements of Articles 113, 114 and 117 of this Law and has been authorised in accordance with the procedure laid down by legal acts of the collective investment undertaking's home Member State by the supervisory authority of the home Member State of the respective collective investment undertaking to manage such undertaking.

2. A management company authorised in the Republic of Lithuania managing a harmonised collective investment undertaking established in another Member State must:

1) in observance of legal acts of the home Member State of the collective investment undertaking establishing the procedure of marketing of units or shares, take measures ensuring correct disbursement of funds for redeemed units or shares and provision of information required by legal acts to holders of units or shares;

2) establish appropriate procedures and arrangements to ensure that investor complaints are dealt properly and that exercising of investors rights is not restricted. Those measures shall allow investors to file complaints in the official language or one of the official languages of the home Member State of a collective investment undertaking managed by the management company;

3) establish appropriate procedures and arrangements to make information available at the request of the supervisory authority of the collective investment undertaking's home Member State or investors;

4) ensure that the arrangements and procedures specified in points 1, 2 and 3 of this paragraph enable the supervisory authority of the collective investment undertaking's

home Member State to access the required information directly from the management company.

Article 117. Requirements for activities of management companies authorised in the Republic of Lithuania managing a harmonised collective investment undertaking established in another Member State and supervision of such management companies

1. A management company authorised in the Republic of Lithuania which pursues the activity of management of harmonised collective investment undertakings in another Member State by establishing or not establishing a branch must comply with the requirements laid down by legal acts of the Republic of Lithuania which relate to the organisation of the management company, including delegation arrangements, risk-management procedures, prudential rules and supervision thereof, procedures referred to in Article 11 of this Law and the management company's reporting requirements.

2. A management company referred to in paragraph 1 of this Article must comply with the requirements set out in the collective investment undertaking's instruments of incorporation and prospectus and have in place and use the arrangements and procedures to ensure the proper compliance with this requirement.

3. The supervisory authority shall be responsible for supervising:

1) compliance of the management company referred to in paragraph 1 of this Article with the requirements laid down in paragraph 1 of this Article;

2) adequacy of the organisation and arrangements and procedures of the management company in place;

3) compliance by the management company with the requirements for the establishment and activities of its managed harmonised collective investment undertakings.

4. Where the supervisory authority is asked by a Member State to which the management company authorised in the Republic of Lithuania has applied for the authorisation to manage a harmonised collective investment undertaking established in that Member State to provide clarifications and information regarding such request of the management company, the supervisory authority shall provide its opinion within 10 working days of the initial request of the Member State.

5. After consulting the supervisory authority of the collective investment undertaking's home Member State the supervisory authority may decide on withdrawal of

the authorisation of a management company authorised in the Republic of Lithuania and managing a harmonised collective investment undertaking established in another Member State.

6. The supervisory authority shall immediately notify the supervisory authority of the home Member State of a harmonised collective investment undertaking established in another Member State about all identified problems related to the management company of such undertaking authorised in the Republic of Lithuania, which, in the opinion of the supervisory authority, might have essential impact on the management company's ability to adequately fulfil the obligations related to the management of the harmonised collective investment undertaking and about all cases of non-fulfilment of requirements established by this Law for the management company.

SECTION TWO
ACTIVITIES PURSUED IN THE REPUBLIC OF LITHUANIA BY MANAGEMENT COMPANIES AUTHORISED AND COLLECTIVE INVESTMENT UNDERTAKINGS ESTABLISHED IN ANOTHER MEMBER STATE OR THIRD COUNTRY

Article 118. Right of management companies authorised in another Member State or third country to provide services in the Republic of Lithuania

1. A management company authorised in another Member State may establish a branch in the Republic of Lithuania, if the supervisory authority of that Member State has transferred to the supervisory authority the following documents and information:

1) a programme of operations setting out the activities and services envisaged;

2) the envisaged organisational structure of the branch;

3) a description of the risk management process put in place by the management company;

4) a description of the procedures and arrangements referred to in Article 123(2) of this Law;

5) address in the Republic of Lithuania from which documents, forenames and surnames of the branch managers may be obtained.

2. Within two months of receiving the documents and information referred to in paragraph 1 of this Article a supervisory authority shall prepare for supervising the

activities of the management company and shall inform the management company accordingly.

3. The branch may be established and start business in the Republic of Lithuania when the management company receives from the supervisory authority a communication referred to in paragraph 2 of this Article or without receipt of any communication – on expiry of two months from the day of transfer of the information referred to in paragraph 1 of this Article by the supervisory authority of the management company's home Member State to the supervisory authority.

4. Where the management company referred to in paragraph 1 of this Article has already established at least one branch in the Republic of Lithuania, the procedure laid down in this Article shall not apply to the establishment of its other branches.

5. A management company authorised in another Member State may pursue its activities in the Republic of Lithuania without the establishment of a branch, if the supervisory authority of the management company's home Member State has communicated to the supervisory authority the following documents and information:

1) a programme of operations setting out the activities and services envisaged;

2) a description of the risk management process put in place by the management company;

3) a description of the procedures and arrangements referred to in Article 123(2) of this Law.

6. From the moment when the supervisory authority of the management company's home Member State notifies the management company about the communication to the supervisory authority of the documents and information referred to in paragraph 5 of this Article, the management company shall become entitled to start business in the Republic of Lithuania and having complied with the requirements of legal acts of its home Member State with regard to the marketing of units or shares of a collective investment undertakings in that Member State or the requirements laid down in Article 124 of this Law – to market units or shares of its managed collective investment undertakings established not in the Republic of Lithuania or to manage a harmonised collective investment undertaking established in the Republic of Lithuania, respectively.

7. In the event of change of any particulars about the management company referred to in paragraph 1 of this Article, the company shall give a prior written notice of that change to the supervisory authority at least one month before implementing the change. In the event of change of any particulars referred to in paragraph 5 of this Article

communicated to the supervisory authority by the management company pursuing its activities in the Republic of Lithuania without the establishment of a branch, the management company must inform the supervisory authority in advance accordingly.

8. A management company authorised in a third country shall be entitled to provide services in the Republic of Lithuania in accordance with the same procedure as that applicable to management companies authorised in other Member States, where the supervisory authority has made an arrangement with the third country's supervisory authority which is capable of ensuring the adequate supervision of business and provision of information.

Article 119. Supervision of activities of management companies authorised in another Member State or third country providing services in the Republic of Lithuania

1. A management company authorised in another Member State or third country pursuing its activities in the Republic of Lithuania by establishing a branch must comply with requirements for activities laid down in Article 11 of this Law. The supervisory authority shall supervise the compliance of the management company with these requirements. A management company authorised in another Member State or third country pursuing its activities in the Republic of Lithuania without the establishment of a branch must comply with requirements for its activities and prudential requirements laid down in legal acts of the management company's home Member State or third country.

2. Management companies authorised in another Member State or third country pursuing activities in the Republic of Lithuania must comply with requirements for activities laid down in legal acts of the Republic of Lithuania on common interests.

3. The supervisory authority may, for statistical purposes, require from a management company authorised in another Member State or third country pursuing business by establishing a branch in the Republic of Lithuania, periodical reports of the branch drawn up for statistical purposes.

4. The supervisory authority may require a management company authorised in another Member State or third country pursuing business in the Republic of Lithuania by establishing a branch or without the establishment of a branch, to provide all information necessary for the monitoring of the management company's compliance with the requirements laid down for it by this Law.

5. Having notified the supervisory authority in advance the supervisory authority of another Member State or third country or its authorised persons shall be entitled to organise inspections of the respective branch of the management company.

6. Where the management company authorised in another Member State or third country pursuing business in the Republic of Lithuania is in breach of requirements of legal acts, the supervisory authority shall require the management company concerned to put an end to that breach and inform the supervisory authority of the management company's home Member State or third country thereof. If the management company authorised in another Member State or third country refuses to provide the supervisory authority with information referred to in this Article or fails to take the necessary steps to put an end to the breach within the established time limit, the supervisory authority shall inform the supervisory authority of the management company's home Member State or third country accordingly. If, despite the measures taken by the supervisory authority of the management company's home Member State or third country or because such measures prove to be inadequate or are not available, the management company continues to refuse to provide the information requested by the supervisory authority, or persists in breaching the requirements of legal acts in force in the Republic of Lithuania, the supervisory authority may, after informing the supervisory authority of the management company's home Member State or third country, take appropriate measures necessary to safeguard the interests of investors and to prevent further irregularities. For that purpose the supervisory authority shall have only the rights laid own in Article 162 of this Law, including the right to prevent the marketing of units or shares of a collective investment undertaking in the Republic of Lithuania and, in so far as necessary, to prevent the management company from initiating any further transactions within the territory of the Republic of Lithuania, and also to take other measures referred to in Articles 170 and 173 of this Law.

7. Any measures adopted pursuant to paragraph 6 of this Article shall be immediately notified by the supervisory authority to the supervisory authority of the management company's home Member State or third country, and where the measures are taken with regard to a management company authorised in another Member State – also to the European Commission and the European Securities and Markets Authority. If there are grounds to suspect that the supervisory authority of the home Member State of the management company authorised in another Member State have failed to take appropriate

actions in the case referred to in paragraph 6 of this Law, the supervisory authority may inform the European Securities and Markets Authority accordingly.

8. Having received the information about the withdrawal of authorisation of the management company authorised in another Member State or third country, the supervisory authority shall immediately take measures provided for by laws to terminate the activities of such management company in the Republic of Lithuania.

Article 120. Right to market units or shares of a collective investment undertaking established in another Member State or third country

1. The marketing in the Republic of Lithuania of units or shares of a collective investment undertaking established in another Member State or third country and complying with requirements of the European Union Directive referred to in paragraph 4 of the Annex to this Law may be started only when the undertaking is notified by the supervisory authority of the undertaking's home Member State or third country about the communication of the notification letter of such collective investment undertaking or its management company about the proposed marketing in the Republic of Lithuania of the units or shares of the respective undertaking and transmission of other necessary documents to the supervisory authority in accordance with the procedure laid down by Regulation (EU) No 584/2010.

2. Documents referred to in paragraph 1 of this Article shall be accepted and kept by the supervisory authority electronically.

3. A collective investment undertaking established in another Member State or third country or its management company shall notify the supervisory authority in accordance with the procedure laid down thereby about any updates and amendments to the notification letter regarding the proposed marketing in the Republic of Lithuania of units or shares of the respective undertaking and any updates and amendments of the documents enclosed with the notification letter and shall indicate where these documents can be obtained electronically.

4. In the event of change in the information enclosed with the notification letter of a collective investment undertaking or its management company regarding the proposed marketing in the Republic of Lithuania of units or shares of a respective undertaking communicated regarding the marketing procedure of the units or shares or their classes, a collective investment undertaking established in another Member State or third country or

its management company shall give a notice thereof to the supervisory authority in accordance with the procedure established by it before implementing the change.

5. The supervisory authority shall approve, publish on its website in the Lithuanian and English languages and keep updated the list of laws and other legal acts of the Republic of Lithuania regulating the procedure of marketing in the Republic of Lithuania the units or shares of collective investment undertakings established in another Member State or third country.

6. A collective investment undertaking or its management company, acting pursuant to legal acts of the Republic of Lithuania defining the procedure for marketing units or shares must take measures to ensure correct payments for redeemed units or shares and making available to the holders of units or shares the information required by legal acts.

7. A management company authorised in another Member State or third country wishing to market in the Republic of Lithuania the units or shares of its managed collective investment undertaking established not in the Republic of Lithuania without the establishment of a branch and without intention to provide other services shall be subject to the requirements laid down by this Law only for collective investment undertakings marketing their units or shares in a Member State or third country, other than a Member State or third country where they are established.

8. Where requirements of legal acts of the Republic of Lithuania are breached, the supervisory authority may prohibit the marketing of units or shares.

9. For the purposes of this Article a collective investment undertaking shall also include its sub-funds.

Article 121. Procedure for terminating the marketing of units or shares of collective investment undertakings established in another Member State or third country

1. Where a management company or an investment company authorised in another Member State or third country wishes to terminate the marketing in the Republic of Lithuania of the units or shares of a collective investment undertaking complying with requirements of the European Union Directive referred to in paragraph 4 of the Annex to this Law must, no later than two months before the envisaged termination of marketing, give written notice thereof to the supervisory authority and publish on the website (websites) indicated in the collective investment undertaking’s instruments of

incorporation or notify in writing each investor of the Republic of Lithuania holding units or shares of the collective investment undertaking.

2. The notices referred to in paragraph 1 of this Article communicated to investors and the supervisory authority shall specify the following:

1) the envisaged date of termination of marketing units or shares in the Republic of Lithuania;

2) consequences of termination of marketing units or shares for the existing investors of a collective investment undertaking;

3) contact details of an undertaking to which the existing investors will be able to apply for the redemption of units or shares held by them before the termination of marketing;

4) contact details of an undertaking to which the existing investors will be able to apply for the redemption of units or shares held by them after the termination of marketing;

5) a place where investors, who have not used the opportunity to request to redeem units or shares held by them shares before the termination of marketing, will be able to access the information about the collective investment undertaking published by a management company or by an investment company authorised in another Member State or third country.

3. A management company or an investment company authorised in another Member State or third country must fulfil the obligation laid down in Article 122 of this Law to publish and provide to investors the information about the collective investment undertaking's activities for at least two months of the due fulfilment of the obligation provided for in paragraph 1 of this Article.

4. For the purposes of this Article a collective investment undertaking shall also include its sub-funds.

Article 122. Information publicised by a collective investment undertaking established in another Member State or third country or by its management company

1. A collective investment undertaking established in another Member State marketing units or shares in the Republic of Lithuania or its management company must provide the investors of the Republic of Lithuania with all information and documents to be submitted by such undertaking in accordance with requirements of legal acts of the

home Member State of the undertaking to investors in its home Member State. A collective investment undertaking established in a third country marketing units or shares in the Republic of Lithuania or its management company must provide the investors of the Republic of Lithuania with all information and documents required by Section Two of Chapter II of this Law.

2. Information and documents referred to in paragraph 1 of this Article shall be provided to investors in observance of the following requirements:

1) in accordance with the procedure laid down by this Law notwithstanding provisions of Section Two of Chapter II of this Law;

2) the key investor information must be provided in the Lithuanian language;

3) other information and documents at the choice of a collective investment undertaking or its management company may be provided in the Lithuanian or English languages.

3. The management company and where a management company has not been designated – the collective investment undertaking itself shall be responsible for producing the translation of the information and documents referred to in points 2 and 3 of paragraph 2 of this Article. That translation shall faithfully reflect the content of the information prepared in the original language by an appropriate collective investment undertaking.

4. Requirements of paragraphs 1, 2 and 3 of this Article shall also apply to all amendments of such information and documents.

5. Legal acts of the undertaking's home Member State or third country shall establish the frequency (or periodicity) of publication of the issue, sale or redemption price of the collective investment undertaking's units or shares.

6. A collective investment undertaking established in another Member State or third country marketing units or shares in the Republic of Lithuania may indicate the same form of business (investment company, investment fund, etc.) as the form of business indicated in its home member State or in a third country.

7. For the purposes of this Article a collective investment undertaking shall also include its sub-funds.

Article 123. Right of management companies authorised in another Member State to manage a harmonised collective investment undertaking established in the Republic of Lithuania

1. A harmonised collective investment undertaking established in the Republic of Lithuania may be managed by, or have designated, a management company authorised in another Member State only if such management company complies with the requirements laid down in this Article and in Articles 118, 119, 124 and 125 of this Law.

2. A management company authorised in another Member State managing a harmonised collective investment undertaking established in the Republic of Lithuania must:

1) take measures specified in Article 120(6) of this Law and establish appropriate procedures and arrangements to deal with investor complaints to ensure that they deal properly with investor complaints and that there are no restrictions on investors exercising their rights. Those measures shall allow investors to file complaints in the Lithuanian language;

2) establish appropriate procedures and arrangements to make information available at the request of the supervisory authority or investors;

3) ensure that the arrangements and procedures specified in points 1 and 2 of this paragraph enable the supervisory authority to access the required information directly from the management company.

Article 124. Application of a management company authorised in another Member State for granting authorisation to manage a harmonised collective investment undertaking established in the Republic of Lithuania

1. Without prejudice to requirements laid down in Article 6(2) of this Law, a management company authorised in another Member State willing to pursue the business of management of a harmonised collective investment undertaking established in the Republic of Lithuania must obtain beforehand the authorisation of the supervisory authority in accordance with the procedure set forth in this Article.

2. Without prejudice to requirements laid down in Articles 6 and 7 and Article 16(1) of this Law, a management company authorised in another Member State shall enclose with the application filed with the supervisory authority for granting authorisation to manage a harmonised collective investment undertaking established in the Republic of Lithuania a written information-sharing arrangement concluded with a depositary referred to in Article 32(7) of this Law and, where applicable, particulars about the procedure of transferring the functions of management and administration of investments of a collective investment undertaking.

3. A management company authorised in another Member State already which already manages at least one harmonised collective investment undertaking of the same type established in the Republic of Lithuania shall communicate to the supervisory authority the reference to documents and information referred to in paragraph 2 of this Article that have already been provided.

4. To the extent necessary to ensure compliance with requirements laid down in his Law, the supervisory authority shall be entitled to ask the supervisory authority of the home Member State of the management company referred to in paragraph 1 of this Article to provide clarifications and information regarding documents and particulars referred to in paragraph 2 of this Article and information whether the management company has been authorised to manage a harmonised collective investment undertaking of the respective type.

5. The supervisory authority shall not satisfy the management company's application for granting authorisation to manage a harmonised collective investment undertaking established in the Republic of Lithuania where:

1) the management company has failed to comply with requirements of Article 125(1) and/or (2) of this Law;

2) the management company's business authorisation does not entitle the company to manage a harmonised collective investment undertaking of the respective type applied for;

3) management company has failed to provide documents and information referred to in paragraph 2 of this Article.

6. Before refusing to satisfy the management company's application the supervisory authority shall consult the supervisory authority of the management company's home Member State.

7. Any essential changes of documents and information referred to in paragraph 2 of this Article shall be immediately communicated by the management company by written notice to the supervisory authority.

Article 125. Requirements for activities of management companies authorised in another Member State and managing a harmonised collective investment undertaking established in the Republic of Lithuania and supervision of such undertakings

1. A management company authorised in another Member State which pursues the activity of harmonised collective investment undertakings' management by establishing a branch or without the establishment of a branch in the Republic of Lithuania (hereinafter in this Article: 'management company') must comply with the requirements laid down in legal acts of the Republic of Lithuania which relate to the establishment and activities of harmonised collective investment undertakings established in the Republic of Lithuania, including requirements applicable to harmonised collective investment undertakings in respect of:

1) the issuance and redemption of their units or shares;

2) investment policies and limits, including the calculation of total exposure and leverage;

3) restrictions on borrowing, lending and uncovered sales of money market or other investment instruments;

4) the valuation of assets and accounting;

5) the calculation of the issue or redemption price, and errors in the calculation of the net asset value and related investor compensation;

6) the distribution or reinvestment of the income;

7) the disclosure and reporting requirements, including the prospectus, key investor information and periodic reports;

8) the arrangements made for marketing of the units or shares;

9) the relationship with participants;

10) the merging and other restructuring;

11) the termination of activity and winding-up or liquidation;

12) the keeping of the participants' register;

13) the fees for authorising the harmonised collective investment undertakings or fees related to the approval of their instruments of incorporation and prospectuses;

14) the exercise of the participants' voting rights and other participants' rights in relation to points 1 to 13 of this paragraph.

2. The management company must also comply with the obligations set out in the harmonised collective investment undertaking's instruments of incorporation and in the prospectus.

3. The management company must have in place and apply the arrangements and procedures to ensure compliance with requirements laid down in paragraphs 1 and 2 of this Article.

4. The supervisory authority shall be responsible for supervising the management company's compliance with requirements laid down in paragraphs 1 and 2 of this Article.

5. Where the management company is in breach of requirements of legal acts, the supervisory authority shall require the management company concerned to put an end to that breach and inform the supervisory authority of the management company's home Member State thereof. If the management company refuses to provide the supervisory authority with information referred to in Article 119(4) of this Law or fails to take the necessary steps to put an end to the breach within the established time limit, the supervisory authority shall inform the supervisory authority of the management company's home Member State accordingly. If, despite the measures taken by the supervisory authority of the management company's home Member State or third country or because such measures prove to be inadequate or are not available, the management company continues to refuse to provide the information requested by the supervisory authority, or persists in breaching the requirements of legal acts in force in the Republic of Lithuania, the supervisory authority may, after informing the supervisory authority of the management company's home Member State, take appropriate measures referred to in Article 119(6) of this Law and request that the management company cease to manage the respective harmonised collective investment undertaking.

6. The supervisory authority shall immediately communicate any measures adopted pursuant to paragraph 5 of this Article to the supervisory authority of the management company's home Member State, the European Commission and the European Securities and Markets Authority. If there are grounds to suspect that in the case referred to in paragraph 5 of this Article the supervisory authority of the management company's home Member State has failed to take appropriate actions, the supervisory authority may give a notice to the European Securities and Markets Authority accordingly.

7. The supervisory authority shall immediately inform the supervisory authority of the management company's home Member State about all identified deficiencies, irregularities and infringements related to its managed harmonised collective investment undertaking established in the Republic of Lithuania, which, in the opinion of the supervisory authority, are likely to have essential impact on the management company's ability to adequately fulfil the obligations related to the management of the harmonised collective investment undertaking or to comply with the requirements laid down by legal acts of the Republic of Lithuania.

8. Where the supervisory authority of the management company's home Member State before withdrawing the authorisation of the management company consults the supervisory authority the latter shall have the right to take any precautionary measures necessary to protect the interests of investors, including the right to prohibit the management company from concluding transactions in the Republic of Lithuania.

CHAPTER VIII
SECTION ONE
SPECIAL COLLECTIVE INVESTMENT UNDERTAKINGS

Article 126. Provisions applicable to special collective investment undertakings and their instruments of incorporation

1. Special collective investment undertakings and their management companies shall be subject to provisions of this Law, unless this Chapter specifies otherwise.

2. In addition to the information provided for in Article 66 of this Law, the rules of special collective investment undertakings shall indicate:

1) the risks relating to investment into a special investment fund, a description of such risks indicating that investment in a special investment fund is related to higher than medium risk and, in the case of an immovable property and a private capital investment fund - with a long-term risk;

2) the name of a collective investment undertaking in whose units or shares it is intended to invest exercising the right specified in Article 147(7) of this Law, the investment policy and the amounts of all costs related to investment in this undertaking;

3) criteria for selecting the person(s) nominated as the independent property valuator(s) of the immovable property collective investment undertaking (such as professional experience or specialisation of an independent property valuator, etc.), and the principles for replacing the person(s) nominated as the independent property valuator(s).

3. In addition to the information specified in Article 72(1) of this Law, the articles of association of special investment companies shall contain the information required under paragraph 2 of this Article.

4. Section three of Chapter VI and Chapter VII of this Law shall not apply to special collective investment undertakings. Other provisions of this Law shall apply to the extent not established otherwise in this Chapter.

5. Collective investment undertakings of the closed-ended type shall be subject to this Law to the extent these relations are not regulated by the Law on Securities.

Article 127. General investment rules of special collective investment undertakings

1. Upon expiration of six months from the granting by the supervisory authority of the authorisation for approval of instruments of incorporation and prospectuses of a newly established special collective investment undertaking and the choice of depositary, investments in such collective investment undertaking by its management company may not exceed 30% of the value of the collective investment undertaking's net assets.

2. A management company, on account of an immovable property collective investment undertaking managed by it, or an immovable property investment company that has not designated a management company may acquire investment objects referred to in points 1, 2, 3 and 5 of Article 136(1) of this Law owned by the collective investment undertaking's depositary of by a company holding 5% and more voting shares of a management company or an investment company.

3. A management company, on account of a private capital collective investment undertaking managed by it, or a private capital investment company that has not designated a management company may acquire investment objects referred to in points 1 and 2 of Article 141 of this Law owned by the collective investment undertaking's depositary of by a company holding 5% and more voting shares of a management company or an investment company.

4. Having exercised the right under paragraphs 2 and 3 of this Article, a management company or an investment company that has not designated a management company must, no later than within five working days of entry into the acquisition transaction, give written notice to the supervisory authority thereof. The following shall be enclosed with the notice to the supervisory authority:

1) a decision of the board of a management company or an investment company that has not designated a management company specifying the acquisition price of the respective investment object;

2) the rationale of the acquisition;

3) in the case of acquisition of investment objects listed in points 1, 2, 3 and 5 of Article 136(1) of this Law – findings of immovable property valuators.

5. When concluding a short-sale transaction from assets comprising a collective investment undertaking, a management company of a special collective investment undertaking or an investment company that has not designated a management company must ensure that investment instruments comprising the object of such transaction will be acquired before the final date of such transaction.

Article 128. Acquisition and redemption of units or shares of special collective investment undertakings

1. Units or shares of special collective investment undertakings shall be acquired in accordance with the procedure laid down in Article 42 and 44 of this Law and in the instruments of incorporation of a collective investment undertaking, except in cases provided for in paragraph 2 of this Article and Article 129 of this Law.

2. Requirements laid down in Article 42(2) and (3) and Article 44 of this Law shall not apply to immovable property and private capital collective investment undertakings. Units or shares of those collective investment undertakings shall be acquired in accordance with the procedure and time limits laid down in the collective investment undertaking's instruments of incorporation and prospectuses.

3. Units or shares of special collective investment undertakings shall be redeemed and the settlement with investors for them shall be effected in accordance with procedure and time limits established in the instruments of incorporation and prospectus of a collective investment undertaking. The settlement for the redeemable units or shares of a special collective investment undertaking shall be effected no later than within 30 calendar days of the request to redeem them. Where instruments of incorporation of a special collective investment undertaking provide for a different time limit for the execution of redemption requests of units or shares, the term of 30 calendar days shall be calculated from the date established in the instruments of incorporation of a collective investment undertaking. Requests submitted by investors to redeem units or shares of the open-ended type special collective investment undertakings shall be executed at least once in three months.

4. A management company of an immovable property or private capital collective investment undertaking, or an immovable property or private capital collective investment company that has not designated a management company shall have the right to postpone the term of redemption of units or shares established in paragraph 3 of this Article where the total value of the redeemable units or shares exceeds the value established in the

undertaking's instruments of incorporation and prospectus, which may not be less than 10% of the net asset value of the undertaking, or, in exceptional cases, where the funds for payment for the redeemable units or shares are insufficient, or sale of investment objects held would be unprofitable. The settlement may be deferred only where the undertaking's instruments of incorporation or prospectus provide for such right of a management company or an investment company.

5. The term of settlement for the redeemable units or shares established in paragraph 4 of this Article may not be longer than six months.

Article 129. Repealed on 18 June 2013.

Article 130. Publication of the price of units or shares of special collective investment undertakings

1. A management company of a special collective investment undertakings or an investment company that has not designated a management company must make public in accordance with the procedure laid down in the instruments of incorporation of a collective investment undertaking the prices of units or shares each time it sells or redeems the units or shares.

2. The values of units or shares of open-ended type collective investment undertakings of immovable property or private capital shall be published at least once in three months and of an open-ended type collective investment undertaking investing in other collective investment undertakings – at least once a month.

Article 131. Content of prospectuses of special collective investment undertakings

In addition to the information referred to in this Law, a prospectus and key investor information of a special collective investment undertaking must contain a clear indication of the type of risk associated with investments in these collective investment undertakings and the statement that investment in a special collective investment undertaking is related to higher than average risk and in the case of an immovable property and private capital collective investment undertakings – to a long-term risk considering the envisaged term of operation of the undertaking.

Article 132. Temporary suspension of the subscription of units or shares of special collective investment undertakings

1. A management company and an investment company that has not designated a management company may temporarily suspend the subscription of units or shares of a special collective investment undertaking.

2. The subscription of units or shares may be temporarily suspended only where such right is provided beforehand in the instruments of incorporation of a special collective investment undertaking when the net assets of a special collective investment undertaking reach the maximum amount indicated in its instruments of incorporation.

3. A management company or an investment company that has not designated a management company must give written notice of the temporary suspension of subscription to the supervisory authority no later than within three working days of making the respective decision.

SECTION TWO
UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES

Article 133. Specifics of collective investment undertakings in transferable securities

1. Undertakings for collective investment in transferable securities and their management companies shall be subject to all requirements set out in this Law applicable to harmonised collective investment undertakings and their management companies, except for exclusions indicated in this article.

2. Provisions of Article 18(4) and (5) of tis Law, the prohibition to lend or pledge the assets comprising an investment fund or an investment company of Article 18(3) of this Law, Article 76(1) and (2), Article 115, Article 127(2), (3) and (4) and Article 132 of this Law shall not apply to undertakings for collective investment in transferable securities subject to restrictions indicated in this Article. It shall be prohibited to use the assets of an undertaking for collective investment in transferable securities to guarantee or secure the obligations of other persons.

3. An undertaking for collective investment in transferable securities may invest up to 20 % of its net assets in transferable securities or money market instruments of a single issuing body with the exception of the cases indicated in Article 76(5) and (6) of this Law.

4. Up to 30% of the net assets of an undertaking for collective investment in transferable securities may be invested in the transferable securities and money market instruments admitted to trading in a multilateral trading facility, but not admitted to trading on markets that comply with requirements laid down in points 1, 2 and 3 of paragraph 1 of Article 75 of this Law.

5. An investment company of a collective investment in transferable securities or a management company managing such collective investment undertaking may borrow up to 15% of the net asset value existing on the day of concluding a loan agreement for a term established in advance in the incorporation documents of a collective investment undertaking. Other investment companies of collective investment in transferable securities or their management company managing such collective investment undertakings, which are not referred to in the first sentence of this paragraph, may borrow up to 15% of the net asset value existing on the day of concluding a loan agreement for a term established in advance in the incorporation documents of a collective investment undertaking.

6. Assets of an undertaking for collective investment in transferable securities may be lent only to authorised financial institutions. The value of the lent assets may not exceed 10% of the net asset value of the undertaking for collective investment in transferable securities. An investment company of an undertaking for collective investment in transferable securities or a management company managing such collective investment undertaking may, subject to the requirements set forth in this paragraph, lend the assets of a collective investment undertaking for a period not longer than 30 days. The requirement regarding the longest lending term set forth in this paragraph may be disregarded only where according to the loan agreement a management company or an investment company of an undertaking for collective investment in transferable securities has the right to demand, at any time, the repayment of the lent assets of a collective investment undertaking.

SECTION THREE
IMMOVABLE PROPERTY COLLECTIVE INVESTMENT UNDERTAKINGS

Article 134. Valuation of immovable property

1. A management company of an immovable property collective investment undertaking of an investment company of an immovable property collective investment

undertaking that has not designated a management company must ensure that the objects of immovable property comprising the investment portfolio of the collective investment undertaking or the immovable property objects the acquisition of which is contemplated are valued by at least two independent valuators authorised to engage in the activity of immovable property valuation, with the exception of the assistant property valuators who would produce individual conclusions.

2. A management company or an investment company that has not designated a management company must ensure that the objects of immovable property comprising the investment portfolio of a collective investment undertaking or the objects of immovable property acquisition of which is contemplated and which are located outside the Republic of Lithuania are valued by at least one immovable property valuator complying with the requirements for the immovable property valuators laid down by legal acts of that state.

3. The duty to prove that an immovable property valuator of another Member State or third country complies with the requirements of paragraph 2 of this Article shall rest upon a management company or an investment company that has not designated a management company.

4. Managers and employees of a depositary safekeeping the assets of a management company, investment company or immovable property collective investment undertaking may not be an immovable property valuator of the same management company, investment company or immovable property collective investment undertaking. The same immovable property valuator may perform the valuation of the same collective investment undertaking's property for not longer than three years in a row.

5. An independent immovable property valuator must:

1) perform the valuation of each object of immovable property comprising the assets of a collective investment undertaking on the basis of which the net asset value is calculated;

2) not earlier than one month before concluding of a contract on purchase or sale of an object of immovable property, perform the valuation of the object of immovable property contemplated to be sold or purchased using assets of a collective investment undertaking, except in cases captured by Article 138(2) of this Law.

6. The supervisory authority shall have the right to require an additional independent valuation of the immovable property without the presence of the valuator(s) who have conducted the previously performed property valuation, where:

1) the performed property valuation fails to comply with of the instruments of incorporation of a collective investment undertaking;

2) there are grounds for believing that the performed valuation was not objective, which may harm the interests of participants of the collective investment undertaking.

Article 135. Main investment rules and specifics of immovable property collective investment undertakings

1. Unless established otherwise in this Section, investment of assets of an immovable property collective investment undertaking shall not be subject to the restrictions stipulated in Article 18(4) and (5) of this Law, Article 75, with the exception of the prohibition in paragraph 5 thereof, Articles 76 and 77, Article 82(2), Article 115, the prohibition to pledge assets constituting an investment fund or the assets of an investment company laid down in Article 18(3) of this Law. It shall be prohibited to lend the assets of an immovable property collective investment undertaking, or use the assets to guarantee or secure other persons' obligations. The prohibition laid down in this paragraph to lend assets of an immovable property collective investment undertaking shall not apply in those cases where the assets are lent to a company which is controlled by an immovable property collective investment undertaking exercising on it direct influence and where the assets of such company are invested in the immovable property which complies with the requirements of Article 127 of this Law. An immovable property collective investment undertaking shall not be required to use a benchmark.

2. The acquisition price of an object of immovable property may not significantly exceed, and the sale price may not be significantly lower than, the price determined by the immovable property valuators who comply with requirements of Article 134 of this Law. A significant difference in the price should be considered a price which differs by more than 15% from the immovable property object's value determined by the property valuator(s). Having concluded a contract on purchase or sale of an object of immovable property the price of which exceeds the maximum difference indicated in this paragraph, an immovable property investment company or a management company managing an immovable property collective investment undertaking must, in exceptional cases and provided that interests of participants of the collective investment undertaking are not harmed, notify the supervisory authority thereof immediately, but in any case not later than within five working days of concluding the contract. The notification shall indicate the price of the concluded contract, the value of the object of immovable property

determined by the immovable property valuator(s) and reasons for concluding the contract.

3. An immovable property investment company or a management company managing an immovable property collective investment undertaking may, on account of the collective investment undertaking, borrow up to 50% of the net assets value which existed on the day of concluding a loan agreement for a term laid down in advance in the instruments of incorporation of the collective investment undertaking.

Article 136. Investment objects of immovable property collective investment undertakings

1. The assets of an immovable property collective investment undertaking may comprise:

1) the land representing an individual object of immovable property, buildings and (or) premises;

2) the objects of immovable property under construction the completion of which is contemplated within a reasonable period of time;

3) securities and money market instruments of the companies mainly engaged in the acquisition, reconstruction, lease, sale and (or) development of immovable property (immovable property companies), provided that assets of such companies are invested in the immovable property complying with requirements of this Article;

4) units or shares of immovable property collective investment undertakings incorporated in the Member States the supervision of which is not less stringent as in the Republic of Lithuania;

5) movable property and equipment necessary for the operation of the immovable property object included in the investment portfolio of a collective investment undertaking;

6) transferable securities and money market instruments admitted to trading on a multilateral trading facility;

7) other investment instruments listed in Articles 75, 79 and 80 of this Law.

2. The assets of an immovable property collective investment undertaking may not be used to acquire the objects listed in paragraph 1 of this Law where:

1) restrictions applicable to the right of ownership to the object and might result in the loss of that right;

2) an object is not registered in a public register.

3. The assets of an immovable property collective investment undertaking, with the exception of the period indicated in Article 137(8) of this Law must comprise at least four separate objects of immovable property.

Article 137. Diversification of investment portfolio of immovable property collective investment undertakings

1. Assets of an immovable property collective investment undertaking shall be considered sufficiently diversified where they are invested in compliance with requirements of this Article. For the purpose of calculation of the maximum allowable investment limits laid down in paragraph 3 of this Article the premises located in the same building shall be considered a single object of immovable property.

2. No more than 20% of net assets comprising the assets of an immovable property collective investment undertaking may be invested in instruments referred to in Article 75 and Article 133(4) of this Law in observance of the requirements of Articles 76, 77, 79 and 80 of this Law.

3. No more than 30% of net assets comprising the assets of an immovable property collective investment undertaking may be invested in one immovable property object and (or) company. This investment restriction shall not apply to investments in specially established companies which by exercising direct influence control an immovable property collective investment undertaking (hereinafter in this Article: ‘controlled company’) where funds received by those companies are invested in the immovable property, provided that:

1) a controlled company complies with all requirements for investment of assets laid down for immovable property collective investment undertakings in this Section where an immovable property collective investment undertaking invests more than 100% of its net assets in such company;

2) the immovable property collective investment undertaking and the controlled company comply with all requirements for investment of assets laid down for immovable property collective investment undertakings in this Section where an immovable property collective investment undertaking invests more than 30%, but less than 100% of its net assets;

3) a depositary is provided with all documents and information related to investments in the controlled company necessary for the fulfilment of the depositary’s functions laid down in this Law and other legal acts.

4. The total investment in the immovable property objects referred to in Article 136(1)(2) of this Law may not exceed 20% of the net assets of an immovable property collective investment undertaking.

5. The total investment in the immovable property object and movable property and (or) equipment necessary for its operation may not exceed 40% of the net assets of an immovable property collective investment undertaking.

6. The total investment in transferable securities and money market instruments issued by one immovable property company and the amount of liabilities arising in respect of a collective investment undertaking as a result of transactions in derivative financial instruments with that company may not exceed 30% of the net assets of an immovable property collective investment undertaking.

7. The total investment in the investment instruments referred to in paragraph 6 of this Article and in the investment objects referred to in paragraph 5 of this Article that are objects of investment of such immovable property company and the immovable property collective investment undertaking investing in such company may not exceed 30% of the net assets of an immovable property collective investment undertaking.

8. The investment portfolio of a newly established immovable property collective investment undertaking shall be exempted from the diversification requirements set forth in this Article for four years of approval of its instruments of incorporation and a choice of depositary by the supervisory authority. In all cases, this shall not release a management company and an investment company that has not designated a management company from the obligation to invest the assets of an immovable property collective investment undertaking in compliance with Articles 127 and 136 of this Law.

9. In the event of infringement of requirements of investment rules due to reasons beyond the control of a management company or an investment company, the non-compliance must be eliminated within the shortest possible time, but in any case not later than within one year.

10. Upon expiration of the time limit laid down in paragraph 8 of this Article, a management company or an investment company that has not designated a management company infringing requirements of investment rules must immediately give written notice the supervisory authority thereof specifying the reasons for the infringement, measures it contemplates to take to rectify the situation and the expected time limit for elimination of the infringement.

Article 138. Calculating net asset value of immovable property collective investment undertakings

1. The value of net assets of an immovable property collective investment undertaking shall be established on the basis of the market price of a collective investment undertaking's assets and the net asset value calculation principles laid down in this Law and legal acts of the supervisory authority, as well as the net asset value calculation rules set out in the instruments of incorporation of a collective investment undertaking. The value of net assets of an immovable property collective investment undertaking shall be calculated at least once in three months. In all cases, it must be calculated at the close of the financial year.

2. The objects of immovable property comprising the assets of an immovable property collective investment undertaking shall be considered as valued where their value has been calculated not earlier than before six months and only in the event of absence of essential economic developments or changes in the market price of the immovable property which would necessitate a repeated valuation.

Article 139. Content of the annual report of immovable property collective investment undertakings

In addition to the information referred to in Article 24(2) of this Law, the following shall be enclosed with the annual report of an immovable property collective investment undertaking:

1) information about the profit and (or) loss from sale of each object of immovable property during the financial year;

2) information about the immovable property agencies whose services have been used by a management company while managing the undertaking's assets or by an investment company;

3) the most recent value of each object of immovable property comprising the investment portfolio of a collective investment undertaking determined by immovable property valuators;

4) information about the controlled companies referred to in Article 137(3) of this Law in accordance with the procedure set by the supervisory authority.

SECTION FOUR
PRIVATE CAPITAL COLLECTIVE INVESTMENT UNDERTAKINGS

Article 140. Main investment rules and specifics of private capital collective investment undertakings

1. Unless established otherwise in this Section, private capital collective investment undertakings and their management companies shall not be subject to the restrictions stipulated in Article 18(4) and (5), Article 75(1), (2) and (4), Articles 76 and 77, Article 82(2) of this Law, Article 115 of this Law and the prohibition to pledge assets constituting an investment fund or the assets of an investment company as laid down in Article 18(3) of this Law. It shall be prohibited to lend assets of a private capital collective investment undertaking, or use the assets to guarantee or secure other persons' obligations. A private capital collective investment undertaking shall not be required to use a benchmark.

2. A private capital investment company or a management company of a private capital collective investment undertaking may borrow on account of a collective investment undertaking up to 80% of the net asset value which existed on the day of concluding a loan agreement for a term established beforehand in the instruments of incorporation of a collective investment undertaking.

Article 141. Investment objects of private capital collective investment undertakings

Assets of a private collective investment undertaking may be comprised of:

1) securities of the newly established companies and (or) securities issued by the existing companies not admitted to trading on the markets referred to in points 1, 2 and 3 of paragraph 1 of Article 75 of this Law;

2) money market instruments issued by the companies indicated in paragraph 1 of this Article securities of which have been acquired by a private capital collective investment undertaking provided they have not been admitted to trading on the markets referred to in points 1, 2 and 3 of paragraph 1 of Article 75 of this Law;

3) investment and financial instruments listed in Articles 75, 79 and 80 of this Law admitted to trading on a multilateral trading facility, but not admitted to trading on the markets that comply with requirements of points 1, 2 and 3 of paragraph 1 of Article 75 of this Law;

4) other investment objects complying with the nature of a private capital collective investment undertaking referred to in its instruments of incorporation and prospectus.

Article 142. Diversification of investment portfolio of private capital collective investment undertakings

1. Assets of a private capital collective investment undertaking shall be considered sufficiently diversified where they are invested in compliance with requirements of this Article.

2. Not more than 30% of the net assets of an undertaking may be invested in the investment objects referred to in Article 141 of this Law. This investment limit shall not apply to investments in specially established companies which by exercising direct influence control a private capital collective investment undertaking (hereinafter in this Article: 'controlled company') where funds received by those companies are invested in the objects referred to in Article 141 of this Law, provided that:

1) a controlled company complies with all requirements for investment of assets laid down for private capital collective investment undertakings in this Section where a private capital collective investment undertaking invests more than 100% of its net assets in such company;

2) the private capital collective investment undertaking and the controlled company comply with all requirements for investment of assets laid down for private capital collective investment undertakings in this Section where a private capital collective investment undertaking invests more than 30%, but less than 100% of its net assets;

3) a depositary is provided with all documents and information related to investments in the controlled company necessary for the fulfilment of the depositary's functions laid down in this Law and other legal acts.

3. The investment portfolio of a newly established private capital collective investment undertaking shall be exempted from the diversification requirements set forth in this Article for four years of approval of its instruments of incorporation and a choice of depositary by the supervisory authority. In all cases, this shall not release a management company and an investment company that has not designated a management company from the obligation to invest the assets of a private capital collective investment undertaking in compliance with Articles 127 and 141 of this Law.

4. In the event of infringement of requirements of investment rules due to reasons beyond the control of a management company or an investment company, the non-compliance must be eliminated within the shortest possible time, but in any case not later than within one year. This time limit may be extended only in exceptional circumstances, where a management company or an investment company is not able to rectify the situation due to reasons beyond its control. In this case, upon the expiry of the time limit of one year a management company or an investment company that has not designated a management company must immediately give written notice to the supervisory authority of the resulting situation and its reasons. The notification must also specify the expected time limit for complying with the requirement.

5. Upon expiration of the time limit laid down in paragraph 4 of this Article, a management company or an investment company that has not designated a management company infringing requirements of investment rules must immediately give written notice to the supervisory authority thereof specifying the reasons for the infringement, measures it contemplates to take to rectify the situation and the expected time limit for elimination of the infringement.

6. Repealed on 18 June 2013.

Article 143. Calculating net asset value of private capital collective investment undertakings

1. The value of net assets of a private capital collective investment undertaking shall be established on the basis of the market price of a collective investment undertaking's assets and the net asset value calculation principles laid down in legal acts of the supervisory authority, as well as the net asset value calculation rules set out in the instruments of incorporation of a collective investment undertaking. The value of net assets of a private capital collective investment undertaking shall be calculated at least once in three months. In all cases, it must be calculated at the end of the financial year.

2. Repealed on 18 June 2013.

Article 144. Content of the annual report of private capital collective investment undertakings

In addition to the information referred to in Article 24(2) of this Law, the following shall be enclosed with the annual report of a private capital collective investment undertaking:

1) information about the performances of each company referred to in points 1 and 2 of Article 141 of this Law in securities and money market instruments of which the assets of the undertaking have been invested;

2) information about the profit and (or) loss from sale of securities or money market instruments issued by each of the companies referred to in Article 141(1) and(2) of this Law during the financial year;

3) information about the controlled companies referred to in Article 142(2) of this Law in accordance with the procedure set by the supervisory authority.

SECTION FIVE
COLLECTIVE INVESTMENT UNDERTAKINGS INVESTING IN OTHER COLLECTIVE INVESTMENT UNDERTAKINGS

Article 145. Main rules and specifics of investment of collective investment undertakings' assets in other collective investment undertakings

1. Unless established otherwise in this Section, investment of assets of collective investment undertakings investing in other collective investment undertakings shall not be subject to limits laid down in Article 18(4) and (5), Article 75(1), (2) and (4), Articles 76 and 79 of this Law, Article 115 of this Law and the prohibition in paragraph 3 of Article 18 of this Law to pledge assets comprising an investment fund or assets of an investment company. It shall be prohibited to lend the assets of such collective investment undertakings or to use the assets to guarantee or secure other persons' obligations. Collective investment undertakings of this category shall not be required to use a benchmark.

2. A management company or an investment company managing a collective investment undertaking of this category may borrow on account of such collective investment undertaking not more than 15% of the net asset value which existed on the day of concluding a loan agreement for a term established beforehand in the instruments of incorporation of a collective investment undertaking, which may not be longer than six months.

Article 146. Investment objects of collective investment undertakings investing in other collective investment undertakings

1. Assets of a collective investment undertaking investing in other collective investment undertakings may comprise:

1) units or shares of harmonised collective investment undertakings established in other Member States;

2) units or shares of collective investment undertakings established in another Member State and (or) third country that do not comply with the requirements of European Union legislation, provided that such undertakings and (or) their management companies are authorised and (or) supervised for the purposes of protection of the interests of investors and the supervisory authority and the supervisory authority of another Member State or third country have concluded an agreement to ensure the appropriate supervision of operations and provision of information;

3) other investment instruments listed in Articles 75 and 80 of this Law;

4) other financial instruments admitted to trading on a multilateral trading facility, but not admitted to trading on the markets complying with requirements of points 1, 2 and 3 of paragraph 1 of Article 75 of this Law.

2. A management company or an investment company that has not designated a management company shall be bound by the obligation to prove that a collective investment undertaking in the units or shares of which an investment is contemplated complies with requirements of paragraph 1 of this Article.

Article 147. Diversification of investment portfolio of collective investment undertakings investing in other collective investment undertakings

1. Assets of a collective investment undertaking investing in other collective investment undertakings shall be considered sufficiently diversified where they are invested in compliance with requirements of this Article.

2. Not more than 50% of the value of net assets of a collective investment undertaking may be invested in units or shares of a single collective investment undertaking not more than 10% of whose net assets have been invested in units or shares of other collective investment undertakings.

3. Not more than 20% of the value of net assets of a collective investment undertaking may be invested in units or shares of a single collective investment undertaking more than 10% of whose net assets have been invested in units or shares of other collective investment undertakings.

4. Not more than 20% of the net assets of a collective investment undertaking may be invested in the instruments referred to in Article 75 and of Article 146(1)(4) of this Law in compliance with requirements of Articles 76, 77, 79 and 80 of this Law.

5. Repealed on 18 June 2013.

6. The total investment in collective investment undertakings referred to in paragraph 3 of this Article may not exceed 60% of the net assets of a collective investment undertaking.

7. The investment limits provided for in paragraphs 2 and 3 of this Article may be raised to 100% and 50% respectively where a collective investment undertaking in units or shares of which the investment of a larger share of net assets is contemplated has been indicated beforehand in the instruments of incorporation and prospectus of a collective investment undertaking when publishing its investment policy and the amounts of all investment-related fees and expenses. In that case, for the purpose of obtaining the supervisory authority's authorisation for approval of the instruments of incorporation and their amendments of a collective investment undertaking investing in other collective investment undertakings, the supervisory authority shall be provided with the instruments of incorporation and prospectus of the respective collective investment undertaking in which the investment of a larger higher share of net assets is contemplated.

8. In all cases an investment company or a management company managing a collective investment undertaking of this category must comply with the limits specified in Article 77 of this Law.

9. The share of debt liabilities to one credit institution in the investment portfolio of a collective investment undertaking may not exceed 10% of the value of net assets of the collective investment undertaking.

10. The portions of investment in units or shares of separate sub-funds of another collective investment undertaking shall be summed up and in all cases their sum may not exceed the limits allowed under paragraphs 2, 3 and 7 of this Article.

11. The investment portfolio of a newly established collective investment undertaking of this category shall be allowed, for six months of the day the approval of its instruments of incorporation and prospectuses by the supervisory authority, not to comply with the diversification requirements set forth in this Article. The investment portfolio of such an undertaking shall also be subject to the requirements set forth in Article 82(1) and (3) of this Law.

Article 148. Content of the annual report of collective investment undertakings investing in other collective investment undertakings

In addition to the information referred to in Article 24(2) of this Law, the following shall be enclosed with the annual report of a collective investment undertaking investing in other collective investment undertakings:

1) information about the profit and (or) loss from acquisition or sale of units or shares from the undertaking's assets of each of the collective investment undertakings referred to in Article 147(7) of this Law during the financial year;

2) information about the performance of each collective investment undertaking the units or shares of which comprised investment portfolio of the undertaking at the end of the financial year.

SECTION SIX

Repealed on 18 June 2013

SECTION SEVEN
CLOSED-ENDED TYPE COLLECTIVE INVESTMENT UNDERTAKINGS

Article 152. Specifics of a closed-ended type investment company

1. A closed-ended type investment company shall be subject to the same requirements as an investment company with variable capital, unless this Article establishes otherwise.

2. In addition to the information provided for in Article 72(1) of this Law, the articles of association of a closed-ended type investment company shall indicate:

1) type of the company (a closed-ended type investment company) and the term for which it is established;

2) that the company's shares are not redeemable at request of a shareholder;

3) the procedure of allocation of dividends to the company's shareholders;

4) the procedure for issuing new shares of the company and the time limits of payment for them;

5) information whether the shares of the new issue of the company may be offered to persons other than the company's shareholders where all shares of the company to be issued within the time limit laid down for their subscription in this Article are not subscribed by the existing shareholders of the company.

3. The period of activities of a closed-ended type investment company whose articles of association provide for the issue of shares without the right to dividends may not be longer than 10 years.

4. The par value of all ordinary registered shares issued by a closed-ended type investment company shall be equal.

5. A closed-ended type investment company shall be prohibited from having its own shares.

6. The authorised capital of a closed-ended type investment company may be increased only by share premium or additional contributions by decision of a general meeting of shareholders.

7. When increasing the authorised capital by additional contributions the shares being issued may be acquired only by the existing shareholders of a closed-ended type investment company proportionately to the number of shares held by them. The shares may be offered to persons, other than the company's shareholders only where all shares contemplated to be issued by the company have not been subscribed by its existing shareholders within the time limit laid down in the company's articles of association which may not be less than 10 days and may not exceed 30 calendar days. The shares of the new issue of shares must be paid in cash within the time limit laid down in a share subscription agreement that may not exceed 30 working days.

8. Where at least one issue of shares of a closed-ended type investment company has been distributed in accordance with the procedure laid down in Article 2(54) of this Law, the distribution of other issues of shares of the same company must also be carried out in accordance with the same procedure.

9. A prospectus of the issue of shares of a closed-ended type investment company must be drawn up in compliance with requirements set forth by the supervisory authority.

10. A set of financial statements of a closed-ended type investment company must be drawn up and audited not earlier than 30 days before adopting a decision on the allocation of dividends. This requirement shall not apply where a decision on payment of dividends is passed by an ordinary general meeting of shareholders. Dividends to the company's shareholders shall be paid in accordance with time limits and procedure laid down by the articles of association of a closed-ended type investment company.

11. Transferable securities, money market and derivative financial instruments comprising the investment portfolio of a closed-ended type investment company shall be assessed at least once in two weeks. Other assets must be assessed on a regular basis at the

frequency specified in the articles of association of a closed-ended type investment company, but not less frequently than once a year. A company must perform a new assessment of assets comprising the investment portfolio in case of each new issue of shares.

12. The amount of the net assets and net value of a share of a closed-ended type investment company shall be published in accordance with the procedure and frequency specified in the articles of association, but not less frequently than once a year.

13. At the end of the period of activities of a closed-ended type investment company specified in its articles of association, the company's assets shall be sold and the funds remaining after discharge of debt liabilities shall be distributed to shareholders of the company proportionately to the number of shares held by them.

Article 153. Specifics of a closed-ended type investment fund

1. Closed-ended type investment shall be subject to the same requirements as special open-ended investment funds unless this Article establishes otherwise.

2. The name of an investment fund of a closed-ended type shall contain the combination of words "closed-ended".

3. In addition to the information referred to in Article 66 of this Law, the rules of a closed-ended type investment fund shall contain a prominent indication of the type of the fund, the duration for which the fund has been established, and the warning that units of the fund are not redeemed at the participant's request. In observance of requirements laid down by this Law for the offering of units or shares, the fund's rules establish a limited number of its participants and (or) units.

4. The period of operation of a closed-ended type investment fund the rules whereof provide for the issue of units not entitling to any participation in the investment proceeds may not exceed 10 years.

5. A closed-ended type investment fund shall be winded up by decision of its management company only upon redemption of all units held by the fund's participants and settlement with them in cash.

Article 154. Essential changes of instruments of incorporation and prospectus of a closed-ended type collective investment undertaking

1. Essential changes in the instruments or incorporation and (or) prospectus of a closed-ended type collective investment undertaking affecting the interests of participants may be effected only when all participants of a closed-ended type collective investment undertaking do not object to such changes. In the case of such changes participants of a closed-ended type collective investment undertaking shall have the right in accordance with the procedure set by the supervisory authority to require the redemption of units or shares held by them without any charges.

2. The procedure of informing participants of a closed-ended type collective investment undertaking about the essential changes in the instruments or incorporation and (or) prospectus of a collective investment undertaking and a model list of the essential changes shall be established by the supervisory authority.

Article 155. Offering and advertising of closed-ended type collective investment undertakings

In addition to requirements laid down by this Law, the marketing communications of closed-ended type collective investment undertakings shall contain a prominent and clear statement that the investor's right to redeem units or shares held by him is restricted.

CHAPTER IX
ADMISSION OF UNITS OR SHARES TO TRADING ON A REGULATED MARKET AND (OR) A MULTILATERAL TRADING FACILITY OPERATING IN THE REPUBLIC OF LITHUANIA

Article 156. Admission of units or shares to trading on a regulated market and (or) a multilateral trading facility

1. Units or shares of a collective investment undertaking established according to this Law may be admitted to trading on a regulated market and (or) a multilateral trading facility operating in the Republic of Lithuania in compliance with the rules set out by this Law and the Law on Markets in Financial Instruments governing the admission of financial instruments to trading on a regulated market and (or) a multilateral trading facility.

2. Admission of units or shares of closed-ended type collective investment undertakings to trading on a regulated market and (or) a multilateral trading facility shall

be subject to provisions of this Law to the extent these relations are not regulated by the Law on Securities.

3. A decision of the management body of a management company or of a general meeting of shareholders of an investment company to admit shares of an investment company or units of an investment fund to trading on a regulated market and (or) a multilateral trading facility shall apply to all units or shares of a collective investment undertaking (including those issued after admission to trading on a regulated market and (or) a multilateral trading facility).

Article 157. Marketing of units or shares on a regulated market and (or) a multilateral trading facility

Marketing of units or shares of a collective investment undertaking on a regulated market and (or) a multilateral trading facility shall be carried out in accordance with the rules of a regulated market and (or) a multilateral trading facility.

Article 158. Disclosure of information

1. Instruments of incorporation and a prospectus of a collective investment undertaking shall disclose the information about admission of units or shares of a collective investment undertaking to trading on a regulated market and (or) a multilateral trading facility, specifying the name of the respective regulated market.

2. A prospectus of a collective investment undertaking, excluding a closed-ended type collective investment undertaking, whose units or shares are to be admitted to trading on a regulated market and (or) a multilateral trading facility and their subsequent amendments shall be published in accordance with the procedure laid down by the Law on Securities. The supervisory authority shall have the right to provide for exceptions to the obligation stipulated in this paragraph to additionally publish a prospectus.

3. The drawing up, approval and publication of the prospectus of a closed-ended type collective investment undertaking whose units or shares are to be admitted to trading on a regulated market and (or) a multilateral trading facility and of the prospectus for the issue of shares of a closed-ended type investment company shall be subject to provisions of this Law to the extent they are not governed by the Law on Securities.

4. A management company or an investment company that has not designated a management company shall notify the operator of a regulated market and (or) of a multilateral trading facility of the following:

1) the price of units or shares calculated in accordance with the procedure laid down in Article 44 of this Law;

2) the changes in the number of units or shares issued, redeemed or admitted to trading on a regulated market and (or) of a multilateral trading facility;

3) any changes in the composition of the collective investment undertaking's portfolio of financial instruments replicating the index;

4) other information indicated in the rules of a regulated market and (or) a multilateral trading facility.

5. The notifications referred to in points 1 and 2 of paragraph 4 of this Article shall be provided on each day of trading on a regulated market and (or) a multilateral trading facility.

6. In order to enable an investor to compare in proper and timely manner the price of units or shares on a regulated market and (or) a multilateral trading facility with their price calculated in accordance with the procedure laid down in Article 44 of this Law, the operator of a regulated market and (or) a multilateral trading facility must make public the information referred to in points 1, 2 and 3 of paragraph 4 of this Article on each day of trading on a regulated market and (or) a multilateral trading facility.

7. Additional requirements for communicating the information indicated in paragraph 4 of this Article and its publication on a regulated market and (or) a multilateral trading facility shall be set in the rules laid down by the operator of a regulated market and (or) a multilateral trading facility.

Article 159. Accounting for units or shares

Units or shares of a collective investment undertaking admitted to trading on a regulated market and (or) on a multilateral trading facility operating in the Republic of Lithuania or marketed by technical organisational means of the operator of a regulated market and (or) of a settlement system shall be accounted for in accordance with the rules approved by the supervisory authority.

CHAPTER X
SECTION ONE
STATE SUPERVISION OF ACTIVITIES OF MANAGEMENT COMPANIES, INVESTMENT COMPANIES AND DEPOSITARIES

Article 160. Supervisory authority

1. Supervision of activities of management companies, investment companies and depositaries shall be carried out by the supervisory authority.

2. The supervisory authority shall carry out the supervisory functions in accordance with this Law and the Law on Markets in Financial Instruments and shall have the rights and duties laid down in this Law and other laws.

3. Decisions of the supervisory authority shall be motivated.

4. Acts or omissions of the supervisory authority may be appealed against in accordance with the procedure laid down in the Law on Administrative Proceedings.

Article 161. Functions of the supervisory authority

The supervisory authority shall:

1) draft, approve, amend or repeal legal acts assigned to its competence by this Law;

2) provide clarifications and recommendations on the matters of application of this Law and legal acts implementing it as well as consultations and other methodological assistance on the matters assigned to its competence;

3) grant authorisations to management companies and investment companies, withdraw the authorisations and impose other sanctions;

4) authorise the approval of the rules of investment funds, articles of association of investment companies and their amendments and issue other authorisations;

5) carry out inspections of activities of management companies, investment companies and depositaries;

6) give mandatory instructions to management companies, investment companies and depositaries with regard to elimination of infringements of legal acts;

7) have the right to obtain, in the manner set by laws, information about persons who are required by this Law to have good repute;

8) collaborate with supervisory authorities of other Member States and third countries and share with them the information necessary for supervision;

9) carry out the joint (consolidated) supervision in accordance with the procedure laid down by the Law on Markets in Financial Instruments;

10) keep updated and publish on its website in the Lithuanian and English languages laws of the Republic of Lithuania and other legal acts regulating the establishment and activities of collective investment undertakings;

11) exercise other functions set out in this Law and other laws.

Article 162. Powers of the supervisory authority in exercising the assigned functions

1. The supervisory authority in exercising the assigned functions shall have the following powers:

1) require the cessation of any practice that is contrary to the provisions of this Law or legal acts of the supervisory authority adopted in their implementation;

2) require an investment company, a management company or a depositary to provide information about activities of these undertakings;

3) adopt any type of measures specified in legal acts to ensure that investment companies, management companies or depositaries continue to comply with the requirements of this Law and other legal acts;

4) require the suspension of the issue or redemption of units or shares in the interests of their holders or of the public;

5) withdraw the authorisation granted to a collective investment undertaking in accordance with Articles 6 and 7 of this Law or the authorisation for activities of a management company or investment company or a choice of depositary;

6) allow auditors or experts to carry out verifications or investigations;

7) adopt any required measures laid down by legal acts with regard to management companies authorised in the Republic of Lithuania or a collective investment undertaking established in the Republic of Lithuania if they infringe the requirements of legal acts of the Republic of Lithuania.

2. In addition to the powers referred to in paragraph 1 of this Article, the supervisory authority shall have the powers established by the Law on Markets in Financial Instruments.

3. The powers referred to in paragraph 1 of this Article shall be exercised by the supervisory authority in accordance with the procedure laid down by the Law on Markets in Financial Instruments.

Article 163. Duty of board members and employees of the supervisory authority to protect confidential information

1. Board members and employees of the supervisory authority must, in accordance with the procedure laid down by the Law on Markets in Financial Instruments, protect the confidential information which came to their knowledge while performing the functions specified by this Law.

2. The right of the supervisory authority to communicate confidential information in accordance with the procedure laid down in the Law on Markets in Financial instruments shall also apply to the information obtained while performing the functions specified by this Law.

Article 164. Powers of the supervisory authority in considering the infringements of legal acts regulating activities of collective investment undertakings

1. The supervisory authority shall have the right to organise and carry out inspections of activities of collective investment undertakings in order to determine compliance with this Law and legal acts adopted on its basis.

2. Employees of the supervisory authority carrying out the inspection of activities of collective investment undertakings shall have the powers set by the Law on Markets in Financial Instruments. For the purpose of exercising these powers the supervisory authority may involve police officers.

3. Where the supervisory authority has good reason to suspect that the infringement of provisions of this Law and legal acts adopted on its basis and in order to avoid material damage or irreparable consequences to the investors' interests, it shall have the right to require the cessation of such activities until the investigation is carried out and a decision of the supervisory authority on the suspected infringement is adopted. The supervisory authority's decision to require the cessation of activities may be adopted only having obtained an authorisation from the court. The court authorisation shall be obtained in accordance with the procedure laid down in Article 81(4) of the Law on Markets in Financial Instruments.

4. The decision of the supervisory authority indicated in paragraph 3 of this Article may be appealed against to Vilnius Regional Administrative Court within one month of its adoption. The lodging of an appeal shall not suspend the enforcement of the decision.

5. Where the supervisory authority discovers infringements of legal acts regulating prudential requirements or where activities of a management company pose threat to the

stability and soundness of the company's activities, the supervisory authority shall have the right to set for the management company or investment company the individual prudential ratios or additional prudential requirements.

6. Provisions of paragraph 5 of this Article shall not prevent the supervisory authority from applying any other sanctions provided for in this Law.

SECTION TWO
COOPERATION OF SUPERVISORY AUTHORITIES

Article 165. Cooperation of the supervisory authority with supervisory authorities of host Member States or third countries and with the European Securities and Markets Authority

1. For the purpose of carrying out their functions assigned to them by this Law and other laws the supervisory authority shall cooperate with supervisory authorities of other Member States or third countries and in accordance with Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (hereinafter: 'Regulation (EU) No 1095/2010') – with the European Securities and Markets Authority.

2. The supervisory authority shall facilitate the cooperation and provide other assistance to supervisory authorities of other Member States or third countries even in cases where the conduct under investigation does not constitute an infringement of any regulation in force in the Republic of Lithuania.

3. Where the supervisory authority has good reason to suspect that acts or omissions contrary to the provisions of the European Union Directive referred to in paragraph 4 of Annex to this Law are committed in another Member State or third country by entities not subject to its competence, the supervisory authority shall notify the supervisory authorities of another Member State or third country thereof.

4. Where the supervisory authority is notified by the supervisory authority of another Member State or third country about possible infringements committed by its supervised entities in that Member State, the supervisory authority shall immediately take appropriate action and accordingly inform the notifying supervisory authority of another Member State or third country.

Article 166. Cooperation in a supervisory activity, investigations or on-the-spot verifications

1. For the purpose of carrying out the supervisory functions, investigations and on-the-spot verifications the supervisory authority shall cooperate with supervisory authorities of other Member States or third countries. To that end the supervisory authority shall have the right to request the supervisory authorities of other Member States or third countries to provide information or other assistance.

2. Where the supervisory authority receives a request from the supervisory authority of another Member State or third country with respect to an investigation or an on-the-spot verification, it shall:

1) carry out the verification or investigation itself;

2) allow the requesting supervisory authority of another Member State or third country to carry out the verification or investigation;

3) allow auditors or experts to carry out the verification or investigation.

3. If the inspection or investigation is carried out on the territory of another Member State or third country by the supervisory authority of the same Member State or third country, the supervisory authority may request that its own officials accompany the officials of the supervisory authority of such other Member State or third country carrying out the inspection or investigation. The inspection or investigation shall, however, be subject to the overall control of the supervisory authority of another Member State or third country.

4. If the inspection or investigation is carried out on the territory of the Republic of Lithuania by the supervisory authority, the supervisory authority of another Member State or third country may request that its own officials accompany the officials of the supervisory authority carrying out the inspection or investigation. The inspection or investigation shall be subject to the overall control of the supervisory authority.

5. If the inspection or investigation is carried out on the territory of the Republic of Lithuania by the supervisory authority of another Member State or third country, the officials of the supervisory authority shall have the right to accompany the officials of the supervisory authority of another Member State or third country carrying out the inspection or investigation.

6. Provisions of this Article shall be implemented in observance of rules laid down by Regulation (EU) No 584/2010.

Article 167. Exchange of information

1. The supervisory authority exercising the functions assigned to it by this Law shall exchange information in accordance with the procedure laid down by this Law and Regulation (EU) No 584/2010 with supervisory authorities of other Member States or third countries, Regulation (EU) No 1095/2010 – with the European Securities and Markets Authority and Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board – with the European Systemic Risk Board.

2. The supervisory authority exchanging information with the supervisory authorities of another Member State or third country may indicate that such information must not be disclosed to third persons without the prior express consent of the supervisory authority. The restriction shall be indicated at the time of communication of such information. The supervisory authority giving consent to communicate information to third persons must indicate the purposes for which the communicated information may be used.

3. Provisions of this Article shall be implemented in observance of rules laid down by Regulation (EU) No 584/2010.

Article 168. Refusal to cooperate

1. The supervisory authority shall have the right to refuse the exchange of information with the supervisory authorities of other Member States or third countries, as specified in Article 167(1) of this Law, or to cooperate or facilitate an investigation or verification, as specified in Article 166(1) and (2) of this Law, only if:

1) such investigation, on-the-spot verification or information exchange might have negative impact on the sovereignty, security or public order of the Republic of Lithuania;

2) legal or pre-trial proceedings have already been initiated in the Republic of Lithuania with regard to the same acts and the same entities;

3) a final court judgement had already been passed in the Republic of Lithuania with regard to the same acts and the same entities.

2. If the supervisory authority exercises the right under paragraph 1 of this Article, it shall immediately notify thereof the supervisory authority of another Member State or third country requesting the information or other assistance indicating the reasons for the refusal to cooperate.

Article 169. Notifying the European Securities and Markets Authority

The supervisory authority may notify the European Securities and Markets Authority about the following requests rejected or not fulfilled within a reasonable time period by supervisory authorities of another Member State with regard to:

1) exchange of information;

2) carrying out an investigation or on-the-spot verification;

3) allowing officials of the supervisory authority to accompany the officials of the supervisory authority of another Member State carrying out an investigation or inspection.

SECTION THREE
LIABILITY FOR INFRINGEMENTS OF THIS LAW

Article 170. Sanctions applicable to management companies, investment companies, their managers and depositaries

1. The supervisory authority shall have power to apply the following sanctions to management companies or investment companies:

1) give a warning of the shortcomings and infringements of activities and establish the time limits for their elimination;

2) impose the following fines established by this Law;

3) prohibit for maximum three months the conclusion of investment instruments' acquisition transactions on account of a collective investment undertaking;

4) suspend the marketing or redemption of units (shares);

5) appoint a temporary representative of the supervisory authority for the supervision of activities;

6) require a management company or an investment company to replace the manager;

7) suspend the authorisation of a management company for the provision of one or more services until the grounds for the suspension of the authorisation exist; when the grounds for the suspension of the authorisation cease, the supervisory authority shall immediately, but no later than within five working days of having satisfied itself that the grounds have ceased, renew the authorisation for the provision of one or more services;

8) withdraw the authorisation for the provision of one, several or all services.

2. The supervisory authority shall have the right to apply penalties provided by the Republic of Lithuania Code of Administrative Violations of Law to managers or employees of management companies or investment companies.

3. The supervisory authority shall have the right to apply to a depositary sanctions referred to in points 1 and 2 of paragraph 1 of this Article.

Article 171. Grounds for imposing sanctions

1. Sanctions provided for by this Law may be imposed where one of the following infringements exists:

1) a management company, an investment company or a depositary has provided incorrect information to the supervisory authority;

2) the supervisory authority has not been provided with the information or documents necessary for carrying out the supervision;

3) a management company or an investment company no longer meets the requirements on the basis of which they have been authorised;

4) laws or other legal acts of the Republic of Lithuania are infringed;

5) a management company or an investment company are incapable of fulfilling their obligations or according to the available information will not be able to fulfil them in future.

2. The supervisory authority shall impose sanctions in accordance with the procedure set by the Law on Markets in Financial Instruments.

3. A decision to impose sanctions may be taken no later than two years of the day of committing an infringement, and in the event of a single or continuous infringement – of the day of committing the last acts of a single infringement or of day of disclosing a continuous infringement.

4. The imposition of sanctions on a management company or an investment company shall be notified to the supervisory authorities of the Member States or third countries on the territory of which units or shares are marketed by a management company or an investment company with variable capital.

Article 172. Temporary representative for supervision of activities

1. In urgent cases where there is information available about the infringement of legal acts, the supervisory authority may appoint a temporary representative for the supervision of activities of a management company or investment company in order to

avoid the depreciation of assets of investors or other losses. An employee of the supervisory authority may be appointed a temporary representative.

2. Managers, deputy head of administration of a management company or investment company shall seek consent of a temporary representative for supervision of activities with regard to each decision related to the activities of a management company or an investment company. Actions of a temporary representative for supervision of activities may be appealed against in accordance with the procedure set by the Law on Administrative Proceedings.

3. A temporary representative for supervision of activities shall be recalled in the following cases:

1) it is concluded that a management company or an investment company is capable of sound functioning;

2) bankruptcy proceedings are instituted against a management company or an investment company;

3) authorisation of a management company, an investment company with variable capital or a closed-ended type investment company is withdrawn.

Article 173. Pecuniary penalties for the infringement of this Law

1. In accordance with the procedure set by the Law on Markets in Financial Instruments, the supervisory authority shall have the right to impose the following pecuniary penalties on:

1) legal persons engaged in the business of a management company, an investment company with variable capital and a closed-ended investment company without the authorisation specified in this Law – up to LTL 200 000;

2) legal persons failing to comply with the requirements for their activities and prudential requirements set forth in paragraph 1 of Article 11 of this Law– up to LTL 200 000;

3) legal persons failing to comply with the requirements set forth in Chapter III of this Law – up to LTL 200 000;

4) legal persons failing to comply with the information communication requirements set forth in Section two of Chapter II of this Law – up to LTL 100 000;

5) legal persons failing to comply with the procedure of marketing and redemption of units or shares of collective investment undertakings set forth in Section two of Chapter IV of this Law – up to LTL 100 000;

6) legal persons failing to comply with the procedure of merging of collective investment undertakings set forth in Section four of Chapter IV of this Law – up to LTL 100 000;

7) legal persons failing to comply with the investment rules for harmonised collective investment undertakings set forth in Section one of Chapter VI of this Law – up to LTL 100 000;

8) legal persons failing to comply with the requirements for master-feeder structures set forth in Section two of Chapter VI of this Law – up to LTL 100 000;

9) legal persons failing to comply with the procedure of merging of collective investment undertakings set forth in Section three of Chapter VI of this Law – up to LTL 100 000;

10) legal persons failing to comply with other requirements laid down in this Law and legal acts implementing it – up to LTL 100 000;

11) legal persons failing to comply with instructions of the supervisory authority, to provide the information indicated in this Law and other laws to the supervisory authority or interfering with investigations or inspections carried out by the supervisory authority or its authorised persons – up to LTL 100 000.

2. Where the infringements listed in points 1-11 of paragraph 1 of this Article result in generating illegal income, other property gains, avoiding losses or inflicting damage, and the amount of such income, other property gains, avoided losses or inflicted damage is larger than the amounts of pecuniary penalties referred to in the abovementioned points, the supervisory authority shall have the right to impose a pecuniary penalty up to the double amount of the illegally received income, other property gains, avoided losses or incurred damage.

3. Imposition of the sanctions referred to in paragraph 1 of this Article on legal persons shall not release their managers or employees from the civil, administrative and criminal liability established by laws and shall not prevent the supervisory authority from considering the suspension or withdrawal of authorisations granted by it.

Article 174. Procedure of enforcement of the supervisory authority's decisions

1. Pecuniary penalties shall be paid into the state budget no later than within one month of the day on which the entity is notified about the supervisory authority's decision to impose a pecuniary penalty.

2. In the event of voluntary non-enforcement of the supervisory authority's decision, such decision shall be enforced in accordance with the procedure laid down by the Republic of Lithuania Code of Civil Procedure.

CHAPTER XI
FINAL PROVISIONS

Article 175. Provisions related to the membership in the European Union

1. The supervisory authority shall notify the European Commission and the European Securities and Markets Authority:

1) that the responsibility for supervision of collective investment undertakings in the Republic of Lithuania is vested in the supervisory authority;

2) about the institutions of the Republic of Lithuania to which the confidential information relating to the activities of collective investment undertakings may be communicated;

3) about credit institutions which meet the requirements listed in Article 76(6) of this Law, also indicating bonds issued by such credit institutions and instruments safeguarding the bond-holders' interests;

4) about the cases where management companies authorised in the Republic of Lithuania are prevented from providing services or marketing units or shares in third countries;

5) about the cases where the supervisory authority refuses to allow management companies authorised in the Republic of Lithuania to establish a branch in another Member State, a management company authorised in another Member State to manage a harmonised collective investment undertaking established in the Republic of Lithuania or imposes sanctions on management companies authorised in another Member State, including measures necessary for the protection of interests of investors and measures preventing the marketing of a harmonised collective investment undertaking's units or shares in the Republic of Lithuania.

2. The supervisory authority must notify the European Securities and Markets Authority about the granting, suspension or withdrawal of authorisation of a management company.

3. The supervisory authority shall communicate to other Member States the information referred to in point 2 of paragraph 1 of this Article.

Annex to
the Republic of Lithuania Law on
Collective Investment Undertakings

EUROPEAN UNION LEGAL ACTS IMPLEMENTED BY THIS LAW

1. Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OJ 2006 L 241 P 26).

2. Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions (OJ 2007 L 79 P 11).

3. Directive 2007/44/EC of the European Parliament and of the Council of 5 September 2007 amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector (OJ 2007 L 247 P 1).

4. Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast) (OJ 2009 L 302, p. 32) as amended by Directive 2010/78/EU the European Parliament and of the Council of 24 November 2010 (OJ 2010 L 331 P 120).

5. Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies (OJ 2010 L 329 P 3).

I promulgate this Law passed by the Seimas of the Republic of Lithuania.

PRESIDENT OF THE REPUBLIC DALIA GRYBAUSKAITĖ