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Government Decree No. 243/2013 Coll. on investing investment funds and techniques for their management, as amended

Amended by Government Decrees No. 11/2014 Coll., No. 133/2017 Coll., No. 97/2018 Coll. and No. 432/2021 Coll.

The government orders according to Section 215 subsection 2 and Section 284 subsection 2 of Act No. 240/2013 Coll., about investment companies and investment funds:

PART ONE

SUBJECT OF ADJUSTMENT

Section 1

(1) This regulation incorporates the legal regulations of the European Union ¹⁾, takes into account the general instructions of the European supervisory authority and regulates the qualitative requirements for the standard fund

- a) the rules for the composition of the assets of this fund, consisting in the definition
 - 1. things that can be acquired into the assets of this fund, a
 - 2. investment limits that must be observed in relation to matters under point 1, including investment limits when copying the composition of a stock index or a bond index,
- b) rules for accepting a loan or a loan on the account of this fund, including limits for the degree of use of the leverage effect, if leverage is used,
- c) rules for using the property of this fund to provide a loan, loan or gift, to secure the debt of another person or to pay a debt that is not related to the management of this fund, including,
 - 1. whether the assets of this fund can be used to provide a loan or loan that is not related to its management, and
 - 2. whether the property of this fund can be used to provide a gift, to secure the debt of another person or to pay a debt that is not related to its management,

d) rules for concluding contracts for the sale of items for the account of this fund, which this fund does not own, or which it has left for a time, including whether contracts for the sale of items that the fund does not own can be concluded for the account of this fund, or which has been left for a while,

e) techniques for managing this fund,

f) rules for the use of techniques according to letter e), including rules for negotiating repo transactions using the assets of this fund and rules for investing in connection with negotiated repo transactions,

g) rules for reducing the risk from the use of derivatives,

h) rules for calculating the total exposure of this fund using the commitment method and the value-at-risk measurement method, with a distinction based on the absolute risk value and relative risk value model, or another advanced risk measurement method, and

i) limits for total exposure in the case of methods according to letter h).

(2) The qualitative requirements for the rules, techniques and limits specified in subsection 1 for a special fund, with the distinction of whether it invests as a real estate fund (Section 51).

(3) This regulation further regulates, for a fund of qualified investors whose manager is authorized to exceed the decisive limit, the qualitative requirements for limits for the degree of leverage effect on the account of the fund and for the provision of investment instruments from the assets of this fund as financial collateral or comparable security according to the rights of a foreign country or other security.

(4) If this Regulation uses the term

a) standard fund, it means, in the case of a standard fund that creates sub-funds, a sub-fund of a standard fund,

b) foreign investment fund, in the case of a foreign investment fund that creates facilities comparable to sub-funds, it means this facility; at the same time, the device is not comparable to a sub-fund if the assets in this device can be used to fulfill a debt that is not the debt of this device,

c) collective investment fund, in the case of a collective investment fund that creates sub-funds, it means a sub-fund of a collective investment fund,

d) special fund, in the case of a special fund that creates sub-funds, it means a sub-fund of a special fund,

e) real estate fund, in the case of a real estate fund that creates sub-funds, it means a sub-fund of a real estate fund,

f) a fund of qualified investors, in the case of a fund of qualified investors that creates sub-funds, it means a sub-fund of a fund of qualified investors.

PART TWO

STANDARD FUND

TITLE I

COMPOSITION OF PROPERTY

Part 1

Things

Section 2

Basic provisions

- (1) Only the item listed in Sections 3 to 16 can be acquired into the assets of the standard fund.
- (2) The assets of the standard fund, which is a subordinate fund, can only be acquired
 - a) a security or a book-entry security issued by its management fund,
 - b) financial derivative referred to in Section 12 and 13, which is a technique for managing this fund and which is negotiated exclusively for the purpose of hedging,
 - c) claim for payment of funds from accounts in Czech or foreign currency according to Section 15,
 - d) matter according to Section 16, if this standard fund is a joint-stock company with a variable share capital and if it has permission from the Czech National Bank to operate as a self-managed investment fund.
- (3) Gold, silver, platinum, palladium, iridium, rhodium, ruthenium or osmium (hereinafter referred to as "precious metal") or a certificate that represents a precious metal cannot be purchased in the assets of the standard fund.
- (4) No derivative other than a derivative may be negotiated on the account of the standard fund,
 - a) which enables the transfer of the credit risk of the underlying asset independently of other risks associated with this underlying asset,
 - b) which does not result in the delivery or transfer, including physical delivery and transfer, of underlying assets other than those listed in Sections 3 to 16, and
 - c) the risks associated with which are taken into account by the risk management system of the manager of the standard fund in such a way that this system sufficiently takes into account at least the risk of information asymmetry between the manager and another contractual party of such a derivative arising from the possible access of this other contractual party to non-public information about companies whose assets are used as the underlying asset for this derivative.

Section 3

Investment security

- (1) The assets of the standard fund can be acquired
 - a) investment security,
 1. which is admitted to trading on a European regulated market or on a multilateral trading facility of an operator established in a Member State, or
 2. which is admitted to trading on a market similar to a regulated market based in a state that is not a member state, or which is traded on a market similar to a regulated market based in a state that is not a member state, if these markets are listed foreign markets similar to a regulated market based in a state that is not a member state, managed by the Czech National Bank,

- b) investment security from a new issue,
 - 1. if the issuer's obligation to apply for admission to trading on one of the markets listed in point a) follows from its issue conditions, and
 - 2. if the application for its admission to trading on one of the markets mentioned in letter a) is submitted in such a way that this investment security is accepted for trading within 1 year from the date on which its issuance was terminated,
- c) an investment security which is a security or book-entry security issued by a collective investment fund that does not buy back the securities issued by it or book-entry securities, or a comparable foreign investment fund, if the manager of such a fund complies with one of the company's management and administration codes and if it is subject to the supervision of the Czech National Bank, the supervisory authority of another member state or the supervisory authority of another state, which contributes to the protection of investors in the exercise of supervision, if this investment security meets the condition under letter a) or b),
- d) an investment security, the value of which is related to things, which may also be things other than the things listed in Sections 3 to 16, if this investment security meets the condition according to letter a) or b), and
- e) an investment security that is not listed in letters a) to d) under the conditions according to Section 17 subsection 5.

(2) An investment security can be acquired into the assets of the standard fund if

- a) its liquidity does not weaken the ability to buy back unit certificates or investment shares issued by this fund at the request of the owner of the investment share or unitholder from the assets of this fund; for investment securities accepted for trading on the markets referred to in subsection 1 letter a) this condition is considered fulfilled if the person who acquires this investment instrument for the account of a standard fund in the assets of this fund does not have information available that could lead to a different conclusion,
- b) as a result of its holding, the standard fund does not incur a risk of loss that would exceed the amount paid for it,
- c) its value can be reliably determined, which in case
 - 1. of the investment security referred to in subsection 1 letter a) to d) means that there is a reliable and regular valuation, which is the closing price announced on the market, or another valuation independent of the issuer of this investment security,
 - 2. of the investment security referred to in subsection 1 letter e) means that the valuation is carried out periodically and is based on investment research or other information provided by the issuer of this investment security,
- d) adequate information is available to him, which in case
 - 1. of the investment security referred to in subsection 1 letter a) to d) means that regular, accurate and complete information about this investment security is available to market participants,
 - 2. of the investment security referred to in subsection 1 letter e) means that regular and accurate information about this investment security is available to the person who acquires this investment security for the account of a standard fund in the assets of this fund,
- e) its acquisition is in accordance with the investment strategy of the standard fund and f) the risks associated with it are sufficiently taken into account by the risk management system for the standard fund.

(3) An investment security can be purchased into the assets of the standard fund, regardless of whether it has been fully repaid.

(4) In this regulation, the term "investment security" does not include an investment security that is a security or book-entry security issued by an investment fund or a foreign investment fund; this does not apply if it is an investment security listed in subsection 1 letter C).

Section 4

An investment security containing a derivative

(1) An investment security containing a derivative that can be purchased into the assets of a standard fund is an investment security listed in Section 3 containing a component,

a) for the presence of which some or all of the cash flows associated with this investment security can be changed depending on the interest rate, price of another investment instrument, exchange rate, price index, interest rate index, rating, credit rating, credit index or other variable, as a result of which it can change its value similarly to a derivative,

b) whose economic character and the risks associated with it are not closely related to the economic character of the investment security and the risks associated with it, and

c) which has a significant impact on the risk profile of the standard fund and on the value of the investment security.

(2) If an investment security contains a component that is separately transferable, it is considered that this investment security does not contain a derivative; such a component is considered a separate investment instrument.

(3) If an investment security contains a derivative, Sections 22 and 34 to 44 shall apply mutatis mutandis to this derivative.

(4) For the purposes of this regulation, an investment security does not contain a derivative if it does not use a leverage effect in relation to the underlying asset.

Section 5

A money market instrument accepted for trading

(1) A money market instrument accepted for trading on the markets referred to in Section 3 subsection 1 letter can be purchased as part of the assets of the standard fund. a),

a) if it can be sold with limited costs within a reasonable period for the redemption of a share certificate or investment share issued by this fund,

b) if it is an instrument for which accurate and reliable methods of valuation are available which

1. make it possible to calculate its net value, which does not differ significantly from the price at which the instrument could be sold between informed parties under normal market conditions, and
2. are based on market data or valuation methods, including methods based on residual value, and

c) if it is an instrument,

1. whose original maturity is no more than 397 days,
2. whose remaining maturity is no more than 397 days,
3. which undergoes a regular valuation of income in accordance with the conditions of the money market at least once every 397 days, or

4. whose riskiness, in particular the level of credit risk and interest rate risk, corresponds to the riskiness of the profile of the instrument that meets the condition specified in point 1, 2 or 3.

(2) The conditions referred to in subsection 1 letter a) to c) for a money market instrument accepted for trading on the markets referred to in Section 3 subsection 1 letter a) are considered fulfilled if the person who acquires this instrument on the account of a standard fund into the assets of this fund does not have information available that could lead to a different conclusion.

Section 6

Money market instrument not admitted to trading

(1) A money market instrument not accepted for trading on the markets referred to in Section 3 subsection 1 letter a) can be purchased in the assets of the standard fund. a), if

a) was issued by a territorial self-governing unit of a member state, the central bank of a member state, the European Central Bank, the European Union, the European Investment Bank, a state or a member of a federation, or an international financial organization of which one or more member states are members, or by these entities on its behalf took over the warranty,

b) was issued by an issuer whose issued securities or book-entry securities are accepted for trading on the European regulated market or on the market referred to in Section 3 subsection 1 letter a) point 2,

c) was issued by a person, or a person took over the guarantee for it,

1. which is subject to the supervision of the Czech National Bank or the supervisory authority of another member state,

2. which has its headquarters in a member state of the Organization for Economic Cooperation and Development belonging to the signatories of the international agreement General Arrangements to Borrow (a member state of the G10 group),

3. which is rated at least with an investment grade rating issued by a rating agency registered in accordance with the directly applicable regulation of the European Union governing rating agencies¹⁵⁾, or

4. whose in-depth analysis demonstrates that the supervisory rules to which it is subject are comparable to the supervisory rules arising from European Union law, or

d) was issued by an issuer that is an admissible counterparty, provided that the person who invests in it enjoys similar protection as a person investing in a money market instrument referred to in letter b), c) or d) and their issuer is

1. a company whose equity capital corresponds to at least EUR 10,000,000 and which publishes financial statements that are drawn up in accordance with European Union law,

2. a person who provides financing for an entity for which consolidated financial statements are drawn up, of which it is a part and of which at least one member is an issuer of shares or similar securities or book-entry securities representing a share in a trading company or other legal entity admitted to trading on European regulated market, or on the market referred to in Section 3 subsection 1 letter a) point 2, or

3. a person who, through the issue of securities or book-entry securities, ensures the financing of companies, contractual relationships or other structures established for the purpose of securitization¹⁶⁾, whose financing through credit lines is ensured by the person under letter c).

(2) The money market instrument referred to in subsection 1 can be acquired into the assets of a standard fund only on the condition that the legislation applicable to its issue or issuer ensures the protection of investors or savings by

a) the conditions specified in Section 5 subsection 1 letter a) to c),

b) the person who acquires this instrument for the account of a standard fund in the assets of this fund has sufficient information about this money market instrument, including information enabling a proper assessment of the credit risks associated with investments in such an instrument, and

c) this money market instrument does not have limited transferability.

(3) Permissible counterparty is understood for the purposes of this regulation

a) bank,

b) savings and credit cooperative,

c) a stockbroker who is not a bank and who

1. observes capital adequacy pursuant to Sections 9 and 9a of the Act Governing Business on the Capital Market and

2. has permission to provide the investment service of trading investment instruments on its own account,

d) insurance company,

e) insurance company,

f) investment company,

g) pension company,

h) self-managed investment fund,

i) a foreign person based in another Member State with a comparable activity permit as any of the persons listed in letters a) to h), or

j) a foreign person based in a state that is not a member state, with a comparable activity permit as any of the persons listed in letters a) to h).

Section 7

Use of legal presumptions when acquiring money market instruments

(1) In the case of money market instruments referred to in Section 6 subsection 1 letter a), with the exception of those listed in Section 6 subsection 1 letter b), and those issued by the European Central Bank or the central bank of a member state, the condition specified in Section 6 subsection 2 letter b) fulfilled if at least information regarding the issue or the conditions of the issue or the legal and financial situation of the issuer before the date of issue of the money market instrument is available to the person who acquires this instrument for the account of a standard fund in the assets of this fund.

(2) In the case of money market instruments referred to in Section 6 subsection 1 letter b) d) and those that are issued by a territorial self-governing unit of a member state or an international financial organization, but for which a member state or a state of the federation that is a member state has not taken over the guarantee, the condition specified in Section 6 subsection 2 letter b) fulfilled, if at least

a) information regarding the issue or the conditions of the issue and the legal and financial situation of the issuer before the date of issue of the money market instrument,

b) updating information according to letter a) carried out regularly and in the event of a significant event, and in particular in the event of a change affecting the financial situation of the issuer and its ability to

meet its obligations, and

c) available and reliable statistical data on the issue and conditions of the issue.

(3) In the case of money market instruments referred to in Section 6 subsection 1 letter c) is the condition specified in Section 6 subsection 2 letter b) fulfilled, if at least

a) information regarding the issue or the conditions of the issue or the legal and financial situation of the issuer before the date of issue of the money market instrument,

b) updating information according to letter a) carried out regularly and in the event of a significant event, and in particular in the event of changes affecting the financial situation of the issuer and its ability to meet its obligations, and

c) available and reliable statistical data on the issue and the conditions of the issue or other data enabling a proper assessment of the credit risks associated with investments in such an instrument.

Section 8

A money market instrument containing a derivative

(1) A money market instrument containing a derivative that can be purchased into the assets of a standard fund is a money market instrument referred to in Section 5, 6 or 9 containing a component,

a) for the presence of which some or all of the cash flows associated with this instrument can be changed depending on the interest rate, price of another investment instrument, exchange rate, price index, interest rate index, rating, credit rating, credit index or other variable quantity, in as a result of which it can change its value similarly to a derivative,

b) whose economic character and the risks associated with it are not closely related to the economic character of the money market instrument and the risks associated with it, and

c) which has a significant impact on the risk profile of the standard fund and on the value of the money market instrument.

(2) If a money market instrument contains a component that is separately transferable, it is considered that this money market instrument does not contain a derivative; such a component is considered a separate investment instrument.

(3) If the money market instrument contains a derivative, Sections 22 and 34 to 44 shall apply mutatis mutandis to this derivative.

Section 9

Another money market tool

A money market instrument that is not available for trading on the markets referred to in Section 3 subsection 1 letter of a) and which does not meet any of the conditions specified in Section 6, if it meets the conditions set forth in Section 6 subsection 1 letter a) to c) and in Section 17 subsection 5.

Section 10

A security or book-entry security issued by a collective investment fund or a comparable foreign investment fund

(1) Securities or book-entry securities issued by a standard fund or a comparable foreign investment fund that, according to its statute or a comparable document, invests no more than 10% of the value of its assets in securities or book-entry securities issued by collective investment funds can be purchased in the assets of a standard fund. or comparable foreign investment funds.

(2) A security or a book-entry security issued by a special fund or a comparable foreign investment fund may be purchased in the assets of a standard fund, if

a) according to the statute or a comparable document of the fund that issued this security or book-entry security, this fund invests no more than 10% of the value of its assets in securities and book-entry securities issued by collective investment funds or comparable foreign investment funds,

b) according to the statute or a comparable document of the fund that issued this security or book-entry security, the sole activity or sole purpose of this fund is the collection of funds from the public by issuing securities or book-entry securities and joint investment of the collected funds on the basis of a specified investment strategy on the principle of spreading the risk in favor of the owners of these securities or book-entry securities, and further management of this property,

c) according to the statute or a comparable document of the fund that issued this security or book-entry security, it is not possible to acquire other things in the assets of this fund than those that can be acquired in the assets of a standard fund according to this regulation,

d) these securities or book-entry securities are redeemed within periods of less than 1 year or it is ensured that the rate or price of these securities or book-entry securities on the European regulated market or on the market referred to in Section 3 subsection 1 letter a) point 2, does not deviate significantly from their current value,

e) the fund manager who issued these securities or book-entry securities has the permission of the supervisory authority of the state in which it is headquartered, is subject to the supervision of this supervisory authority, and this supervisory authority and the Czech National Bank have agreed on the exchange of information necessary for the performance of supervision in accordance with the law regulating investment companies and investment funds,

f) the fund manager who issued these securities or book-entry securities complies with prudential rules comparable to prudential rules under European Union law,

g) according to its statute or a comparable document, it invests in such a way as to ensure risk distribution, a

h) for the fund that issued this security or book-entry security, a half-yearly report and an annual report are drawn up and published, which enable an assessment of the situation of this fund in terms of assets, revenues and disposal of the assets of this fund in the accounting period to which they relate.

(3) A security or a book-entry security issued by a collective investment fund or a comparable foreign investment fund may be purchased into the assets of a standard fund, regardless of whether it has been fully repaid.

Section 11

Investment shares to another sub-fund of the same standard fund

An investment share issued for another sub-fund of the same standard fund cannot be purchased in the assets of one sub- fund of the standard fund.

Section 12

A financial derivative accepted for trading

A financial derivative accepted for trading on the markets specified in Section 3 subsection 1 letter a) can be negotiated on the account of the standard fund. a), if the value to which the value of this derivative relates is only

- a) the item specified in Sections 3 to 15, which can be acquired into the assets of this fund according to the investment strategy of this fund stated in the statute of this fund,
- b) interest rate, exchange rate or currency, or
- c) a financial index that is sufficiently diversified, sufficiently representative and publicly accessible.

Section 13

Financial derivative not accepted for trading

A financial derivative not accepted for trading on the markets listed in Section 3 subsection 1 letter a) can be negotiated on the account of the standard fund, if

- a) the value of this derivative relates only to the values specified in Section 12 letter a) to c),
- b) this derivative is valued reliably and verifiably every working day,
- c) the manager of this fund can assign or terminate this derivative at any time on his own initiative or otherwise terminate it for an amount that can be reached between the contracting parties under conditions that are not significantly unbalanced for any of the parties, or he can conclude a new derivative for this amount, with which he compensates the underlying assets of this derivative according to the procedure established in Section 37, a
- d) this derivative is negotiated with a permissible counterparty that is subject to the supervision of the Czech National Bank, the supervisory authority of another member state or the supervisory authority of another state.

Section 14

Use of legal presumptions when negotiating financial derivatives

(1) It applies that the financial index is for the purposes of Section 12 letter c) sufficiently diversified, if

- a) a change regarding one of the values to which this index relates will not significantly affect the value of this index,
- b) this index consists of such a number of values that at least the conditions specified in Section 24 are comparably fulfilled, and
- c) this index is not made up of one commodity.

(2) It applies that the financial index is for the purposes of Section 12 letter c) sufficiently representative, if

- a) reflects in an appropriate manner any change regarding any of the values to which this index relates,

- b) its composition is regularly adjusted in such a way that it still reflects the situation in the markets where it is used, based on publicly available criteria,
- c) the values to which it relates are sufficiently liquid that the composition of this index can be copied,
- d) was not created or calculated at the request or according to the orders of one person or several persons,
- e) its creator does not accept payment for including the value to which this index relates to the composition of this index, and
- f) already published values to which this index refers cannot be retroactively changed.

(3) It applies that the financial index is for the purposes of Section 12 letter c) publicly accessible, if

- a) proper procedures are used when determining the prices, calculating this index and publishing it, including procedures for determining the prices of the underlying assets of this index for which the market price is not available, and
- b) the calculation of the value of this index, the method of its composition and the updating of its composition, its changes, operational difficulties with the timely and accurate publication of information relating to it, or other related relevant information, are published as widely as possible and in a timely manner.

(4) It applies that the derivative for the purposes of Section 13 letter b) values reliably and verifiably, if

- a) its valuation corresponds to market conditions,
- b) its valuation is not based solely on the price offered by another contracting party of this derivative,
- c) its valuation is based on a reliable updated market price or, if such a price is not available, on valuation procedures that include appropriate and generally accepted valuation methods, and
- d) controls its valuation
 1. a person independent of another contractual party to this derivative, reasonably often and in a way that enables the manager or administrator of the standard fund to check, or
 2. a group of persons with the help of which the manager or administrator of the standard fund performs this activity, which has material, organizational and personnel prerequisites for the performance of this activity and which is independent of the group of persons with the help of which the manager of this fund performs the management of the assets of this fund.

(5) Commodity for the purposes of this regulation means a replaceable thing that can be the subject of physical delivery, the value of which is ascertainable and which can be traded.

(6) One commodity, for the purposes of this regulation, also means such different commodities for which there is a correlation relationship of at least 0.8 between the daily changes in the fair value of one commodity and the other, in more than 75% of calculations for a rolling time period in the length of 250 working days for the last 5 years.

Section 15

Claims for payment of funds from an account in Czech or foreign currency

Only receivables for the payment of funds from an account in Czech or foreign currency for one

of the persons listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds with a maturity of no more than 1 year can be added to the assets of the standard fund.

Section 16

Assets of a self-managed investment fund that do not form part of assets from investment activities

In the assets of a standard fund, which is a joint-stock company with variable share capital and which has the permission of the Czech National Bank to operate as a self-managed investment fund, other items than those listed in Sections 3 to 15 can be acquired, if they do not form part of the property from investment activities of this fund and are needed to perform the activities of this fund.

Part 2

Investment limits

Section 17

Limits on investment securities and money market instruments

(1) It is not possible to invest more than 5% of the net value of the assets of the standard fund (Section 98) in investment securities and money market instruments issued by one issuer.

(2) If it is stated in the statute of the standard fund, it is possible to invest

a) up to 10% of the net value of the assets of this fund in investment securities and money market instruments issued by one issuer and up to 20% of the net value of the assets of this fund in investment securities and money market instruments issued by issuers within the whole for which consolidated accounting is prepared shutter; however, the sum of these investments may not exceed 40% of the net asset value of this fund,

b) up to 35% of the net value of the assets of this fund in investment securities and money market instruments issued by one issuer, if these securities or book-entry securities were issued or if the state, territorial self-governing unit of a member state, or international financial an organization of which one or more member states are members,

c) up to 25% of the net value of the assets of this fund in bonds issued by one bank, one savings and credit cooperative or one foreign bank that has its registered office in a member state and is subject to the supervision of that state protecting the interests of bond owners, if the funds are obtained by issuing these of bonds are invested in such types of assets that cover the issuer's obligations from these bonds until the maturity date of the bonds and which can be preferentially used to repay the bond and to pay the proceeds in the event of the issuer's insolvency; however, the sum of these investments may not exceed 80% of the net asset value of this fund.

(3) Financial derivatives negotiated with a permissible counterparty, claims for the payment of funds from an account in Czech or foreign currency pursuant to Section 15 and investments pursuant to subsection 2 letter b) and c) are not included in the limit of 40% according to subsection 2 letter and).

(4) The limits according to subsections 1 and 2 include the value of investment securities and money market instruments provided to another contractual party as collateral for financial derivatives referred to in Section 13. This security can be included in the net value limits if a final settlement ¹⁸⁾ is agreed with this other contractual party, which is legally effective and enforceable in all affected legal systems.

(5) It is not possible to invest more than 10% of the net value of the assets of the standard fund in the investment securities referred to in Section 3 subsection 1 letter e) and to the money market instruments listed in Section 9.

(6) For the purposes of this regulation, issuers forming a concern are considered to be one issuer. For the purposes of investing investment funds, the state or any other public corporation does not control other persons or form a concern with these persons.

(7) If this regulation uses the term "bond", it also means a bond-like security or a book-entry security representing the right to repay the amount owed.

Section 18

Stock limits

(1) It is not possible to acquire shares in the assets of the manager of a standard fund or comparable foreign investment fund and in the assets of standard funds or comparable foreign investment funds managed by him, which in their entirety represent such a share in the voting rights of their issuer that enables the manager to significantly influence this behavior issuer.

(2) If this regulation uses the term "shares", it also means a share -like security or a book-entry security representing a share in a company or other legal entity.

Section 19

Limits on the total nominal value or the total number of investment securities and money market instruments

(1) Not more can be added to the assets of the standard fund than

- a) 10% of the total nominal value or of the total number of shares issued by one issuer and with no voting rights attached,
- b) 10% of the total nominal value of bonds issued by one issuer, a
- c) 10% of the total nominal value or the total number of money market instruments issued by one issuer.

(2) Subsection 1 shall not apply to investment securities or money market instruments which

- a) issued or for which the guarantee was taken over by the state or a territorial self-governing unit of a member state, or
- b) issued by an international financial organization of which one or more member states are members.

Section 20

Limits on investment securities or money market instruments issued or guaranteed by states, local governments and certain international financial organizations

(1) Up to 100% of the net value of the assets of the standard fund can be invested in investment securities or money market instruments issued or for which a guarantee has been taken by the state, a territorial self-governing unit of a member state or an international financial organization of which one or more member states are members, provided that this limit is stated in the statute of this fund.

(2) The protection of owners of investment shares or shareholders of a standard fund referred to

in subsection 1 must be comparable to the protection of owners of investment shares or shareholders of a standard fund that complies with the limits set out in Section 17.

(3) The assets of the standard fund referred to in subsection 1 must at any time contain securities or book-entry securities from at least 6 different issues, while securities and book-entry securities from one issue may not constitute more than 30% of the net asset value of this fund.

(4) Securities or book-entry securities according to subsection 1 may make up more than 35% of the net value of the assets of the standard fund only if the state, territorial self-governing unit of a member state or international financial organization mentioned in subsection 1 are explicitly mentioned as such in the statute of the standard fund referred to in subsection 1.

Section 21

Limits for securities or book-entry securities issued by a collective investment fund or a comparable foreign investment fund

(1) Securities or book-entry securities issued by one collective investment fund or a comparable foreign investment fund may be purchased into the assets of a standard fund up to 20% of the net asset value of the completed standard fund.

(2) Securities or book-entry securities issued by special funds or comparable foreign investment funds may not be acquired into the assets of the standard fund, if their total value would exceed 30% of the net value of the assets of this standard fund.

(3) No more than 25% of the net asset value of one collective investment fund or a comparable amount of a foreign investment fund can be acquired into the assets of a standard fund.

Section 22

Limits on financial derivatives

(1) Counterparty risk arising from the financial derivatives listed in 13 corresponding to the sum of the positive real values of these derivatives and from the management techniques of the standard fund may not exceed

a) 10% of the net value of the assets of the standard fund, if this contracting party is a person listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds, or

b) 5% of the net value of the assets of the standard fund, if this contractual party is a person other than the person listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds.

(2) When calculating counterparty risk according to subsection 1, only

a) negotiating a final settlement with another contractual party of the given financial derivative, provided that

1. the applicable law protects the final settlement from the effects of a decision or other act of a court or administrative body at least to the extent of protection provided to the final settlement by Czech law, and
2. the final settlement applies only to claims relating to financial derivatives listed in Section 13

a

b) the value of the items accepted for collateral, provided that these items are valued daily at their fair value, are highly liquid and the standard fund has them in its possession or is in the custody of a person independent of the contracting party of this derivative according to letter a).

(3) For the purposes of calculating the limits according to Section 17, the underlying assets of financial derivatives negotiated on the account of the standard fund shall be taken into account; this is not required if the underlying assets are financial indices or other quantitatively expressed financial indicators.

(4) For the purposes of this regulation, a thing is considered highly liquid if it does not take more than 7 days to convert it into cash and if the price achieved corresponds to its fair value.

Section 23

Limits on claims for payment of funds from an account in Czech or foreign currency

Claims for the payment of funds from an account in Czech or foreign currency for one of the persons listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds may not amount to more than 20% of the net value of the assets of the standard fund.

Section 24

Limits when copying the composition of a financial index

(1) Shares and bonds issued by one issuer may constitute up to 20% of the net asset value of a standard fund which, according to its statute, copies the composition of a share index or a bond index, if

a) this share index is made up of a sufficient number of share issuers or this bond index is made up of a sufficient number of bond issuers,

b) this index is sufficiently representative of the market that uses it; this condition is met in particular if its creator uses a methodology that usually does not neglect a significant issuer on the market to which the index applies,

c) this index is publicly accessible and is published in the same way as the prices of the investment securities that make up the index are published, and

d) the creator of this index is independent of the manager of the standard fund that copies the composition of this index; this condition does not have to be met if the creator of the index and the manager of the standard fund are part of the same business group and if effective measures to manage conflicts of interest are in place within this group.

(2) The limit of 20% referred to in subsection 1 can be increased up to 35% in relation to one issuer, if this is justified by exceptional conditions of the market on which trading in investment securities referred to in subsection 1 prevails, and if this possibility limit increase stated in the statute of the standard fund.

Section 25

Common provisions

(1) The sum of the value of investment securities or money market instruments issued by one issuer, the value of receivables for payment of funds from accounts in Czech or foreign currency for one issuer and the value of exposure to counterparty risk arising from the financial derivatives listed in Section 13 associated with this the issuer may not exceed 20% of the net asset value of the standard fund; this does not affect the provisions of Section 17 subsection 2 letter b) and c).

(2) The investment limits set out in subsection 1, Section 17, Section 22 Section 1 and Section 23 cannot be added together, and the sum of the values of investment securities or money market instruments issued by one issuer, the values of receivables for the payment of funds from accounts in the Czech or foreign currency behind this issuer and the values of exposure to counterparty risk arising from the financial derivatives listed in Section 13 associated with this issuer may not exceed 35% of the net value of the assets in the standard fund.

(3) When acquiring items listed in Section 19 subsection 1 letter b) and c) and Section 21 subsection 3 to the assets of the standard fund with the limits set in Section 19 subsection 1 letter b) and c) and Section 21 subsection 3 do not apply if their total nominal value or total number cannot be ascertained at the time of acquisition of these items.

(4) In order to ensure the spread of risk, it is possible to deviate from subsections 1 and 2, Section 17, 20, Section 21 para. 1 and 2, Section 22 para. 1 and Section 23, but for a maximum period of 6 months from the date of creation of the standard fund.

(5) Subsections 1 to 4, Sections 17 to 21, 23 and 24 shall not apply to a standard fund that is a subordinate fund. When ensuring the spread of risk, it is possible to deviate from the limit according to Section 246 subsection 1 of the Act on investment companies and investment funds, but for a maximum period of 6 months from the date of creation of the standard fund, whose statute allows it to invest as a subordinate fund, or from the day it acquired effect of changing the status of the standard fund in such a way that it enables this fund to invest as a subordinate fund or in a different management fund than before.

Part 3

Credits, loans, gifts and some debts

Section 26

Acceptance of credit or loan

(1) A credit or loan to the account of the standard fund can only be accepted if

- a) the maturity of this loan or this loan is not longer than 6 months and
- b) the sum of the value of all loans and advances received in this way does not exceed 10% of the net value of the assets of the standard fund.

(2) Subsection 1 does not affect the limit for exposure of the standard fund relating to financial derivatives.

Section 27

Provision of credit or loan

The assets of the standard fund cannot be used to provide a loan or loan that is not related to its management; this does not affect Section 3 subsection 3, Section 10 subsection 3, Section 22 and 30 to 44.

Section 28

Giving a gift, securing another person's debt or paying off a non-business debt

The assets of the standard fund cannot be used to provide a gift, to secure another person's debt

or to pay a debt that is not related to its management; this does not affect Section 3 subsection 3, Section 10 subsection 3, Section 22 and 30 to 44.

Part 4

Entering into contracts for the sale of investment instruments which the standard fund does not have in its possession or which it has left for a time

Section 29

It is not possible to enter into a contract for the sale of investment equipment on the account of a standard fund, which this fund does not have in its possession, or which it has left for a while.

TITLE II

TECHNIQUES FOR MANAGING A STANDARD FUND, REDUCING THE RISK RESULTING FROM THE USE OF FINANCIAL DERIVATIVES AND MEASURING RISK

Section 30

Techniques for standard fund management

(1) Techniques for managing the standard fund are only repo transactions according to Sections 31 to 33 and financial derivatives according to Sections 12 and 13.

(2) The techniques mentioned in subsection 1 can only be used if

- a) relate to investment securities and money market instruments,
- b) are used exclusively for the purpose of efficient management of the standard fund and for the purpose
 1. reducing the risk associated with investing on the account of this fund,
 2. reduction of costs related to investing on the account of this fund, or
 3. obtaining additional capital or achieving additional income, if the risk undertaken is in accordance with the risk profile of this fund,
- c) by using these techniques, the rules established by this regulation and determined by the statute of this fund or the investment strategy of this fund are not circumvented and
- d) the standard fund is at any time able to fulfill its obligation to transfer funds or deliver the underlying asset resulting from a financial derivative negotiated on the account of this fund.

Section 31

Repo trade

(1) A repo transaction using the assets of the standard fund can only be negotiated with an admissible counterparty that is subject to the supervision of the supervisory authority of the state in which it has its registered office.

(2) Items that are the subject of sale, purchase or other transfer within the repo trade must be sufficiently diversified. Such things are considered to be sufficiently diversified if they are diversified in terms of geographical areas, economic sectors and, in the case of securities or book-entry securities, their issuers. It applies that things are diversified in terms of issuers if the securities and book-entry securities issued by one issuer do not constitute more than 20% of the net asset value of the standard fund.

(3) Subsection 2 does not apply to securities and book-entry securities issued by one issuer, if these securities or book-entry securities were issued or guaranteed for them by the state, a territorial self-governing unit of a member state, or an international financial organization whose one or more member states is a member if

a) it is stated in the statute of the standard fund,

b) the state, territorial self-governing unit of a member state or international financial organization is explicitly mentioned in the statute of the standard fund, in relation to which the limit of 20% of the net value of the assets of the standard fund may be exceeded,

c) the standard fund owns securities or book-entry securities from at least 6 different issues at any given time and

d) securities and book-entry securities from one issue do not constitute more than 30% of the net asset value of this fund.

Section 32

Repo

(1) A repo can be arranged using the assets of the standard fund only if the obligation from it can be terminated without notice or with a notice period of less than 7 days.

(2) Only the item specified in Section 15 or a high-quality bond can be purchased with the funds obtained from the repo.

(3) Funds obtained from the repo can be used to negotiate a reverse repo, the other contracting party of which is the person listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds and from which the obligation can be terminated without notice.

(4) If this regulation uses the term "repo" without referring to the term "repo trade", it means the sale or other transfer of an item with a simultaneously agreed repurchase or other reverse transfer.

Section 33

Reverse repo

(1) A reverse repo can be negotiated using the assets of the standard fund only if the obligation from it can be terminated without notice or with a notice period of less than 7 days, or if the funds that are the subject of the reverse repo can be recovered at any time, and that includes returns, possibly at market value (mark-to-market), if market value is used for the valuation of this reverse repo.

(2) Items subject to reverse repo,

a) must be highly liquid, of high quality and, if they are not securities or book-entry securities acceptable as financial collateral for monetary operations of the Czech National Bank on the domestic money market, must be accepted for trading on one of the markets listed in Section 3 par. 1 letter a) point 1,

b) they must be valued every working day and must not be highly volatile, unless their value is reasonably reduced during valuation (haircut),

c) may not be issued by a person who is not independent of another contracting party, and

d) must be in the property of the standard fund or in the custody of a person who is independent of another contracting party.

(3) Things that are the subject of a reverse repo cannot be encumbered with absolute property rights or transferred to another person for the duration of the reverse repo, unless it is a resale or other reverse transfer to another contractual party.

(4) If this Regulation uses the term "reverse repo", it means the purchase or other transfer of an item with a simultaneously agreed resale or other reverse transfer.

Section 34

Financial derivative hedging provided to the standard fund

Section 31, subsections 2 and 3, Section 32, subsections 2 and 3, and Section 33, subsections 2 and 3 apply similarly to items provided to the standard fund to secure a financial derivative negotiated for the account of the standard fund.

Section 35

Calculation of the total exposure of the standard fund

(1) The calculation of the total exposure of the standard fund is carried out

- a) commitment method,
- b) the value at risk method, or
- c) another advanced risk measurement method.

(2) When calculating the total exposure of the standard fund, it is taken into account

- a) the current value of the underlying assets of the derivatives,
- b) counterparty risk in relation to the person with whom the derivatives are negotiated,
- c) expected future market movements,
- d) the time during which it is possible to close the position of the fund related to derivatives, a
- e) management techniques referred to in Section 30, if they use the leverage effect or if they lead to an increase in the exposure of the fund in relation to market risk.

(3) The manager of the standard fund shall ensure that the chosen method of calculating the total exposure is appropriate given the applied investment strategy of the fund, the types and complexity of derivatives used and the share of derivatives in the assets of this fund.

(4) The calculation of the total exposure of the standard fund is performed at least once a day.

Commitment method

Section 36

If the total exposure is calculated using the liability method, "total exposure" means the exposure

related to derivatives calculated in accordance with Section 37.

Section 37

(1) Long underlying assets and short underlying assets shall be determined for each derivative, including a derivative contained in an investment security or money market instrument. Long underlying assets of derivatives are valued at positive fair values and short underlying assets of derivatives are valued at negative fair values expressed in Czech crowns.

(2) Long underlying assets and short underlying derivative assets can be offset if these assets have the same parameters or are highly correlated.

(3) It is valid that the underlying assets have the same parameters if

a) are liabilities to the same person, bound by the same conditions of subordination, and cash flows in the same currency, amount and maturity, in the case of bonds, and

b) they were issued by the same issuer, are subject to the same subordination and in the same currency and amount, if they are shares.

(4) The underlying assets are considered to be highly correlated if there is a correlation of at least 0.95 between the daily changes in the fair value of one instrument and the daily changes in the fair value of another instrument for a period of at least 12 months immediately preceding the date of calculation of the total exposure.

(5) Short-term underlying assets of derivatives can be offset by using investment instruments in which the fund has invested, if they are investment securities, money market instruments, or securities or book-entry securities issued by a collective investment fund or a comparable foreign investment fund.

(6) The exposure related to derivatives is equal to the sum of the absolute values of the remaining short underlying assets.

Section 38

Total exposure of the subordinated fund

When calculating the total exposure of a standard fund that is subordinate to m fund, the total exposure of this fund is calculated by adding a proportional part to the exposure of this fund related to derivatives

a) exposure of the management fund relating to derivatives corresponding to the share of securities or book-entry securities issued by this management fund that are owned by this subordinate fund, or

b) the maximum level of exposure related to derivatives that the management fund may achieve according to its statute or a comparable document, corresponding to the share of securities or book-entry securities issued by this management fund that are owned by this subordinate fund.

Value at Risk (VaR) method

Section 39

If the calculation of the total exposure of a standard fund is carried out using the value-at-risk (VaR) method, the total exposure of this fund is understood as the value at risk calculated in accordance with Sections 40 to 43.

Section 40

(1) The value-at-risk method is based on the relative value-at-risk model or the absolute value-at-risk model and is applied to all investment instruments of the standard fund, including derivatives.

(2) The relative risk value model cannot be used if the risk profile of the standard fund changes frequently or if it is not possible to find a reference portfolio for it.

(3) The relative risk value model and the absolute risk value model must meet the following requirements:

- a) the risk value is calculated daily,
- b) a one-sided confidence interval at the 99% confidence level is used to calculate the risk value,
- c) for the calculation of the risk value, the instrument holding period is 1 month; a value at risk calculated for a shorter holding period can be used if such value at risk is adjusted to the equivalent of 1 month using the square root of the period ratio,
- d) the effective historical period of observation for calculating the risk value is at least 1 year; the use of data for a shorter period is permissible if there has been a significant increase in price volatility,
- e) data files are renewed at least once every 3 months,
- f) the model is based on variance-covariance matrices, historical simulations or Monte Carlo simulations,
- g) for interest risk, risk factors corresponding to interest rates in each currency are taken into account, with the fact that the construction of the yield curve is based on generally accepted methods and the yield curve is divided into at least 6 time zones,
- h) for stock risk, takes into account the risk factors corresponding to each market listed in Section 3 subsection 1 letter a) on which the traded shares are owned by the standard fund,
- i) for currency risk, it takes into account risk factors corresponding to investment instruments and receivables for payment of funds from the account in individual foreign currencies,
- j) the model takes into account any specific risk a
- k) the model includes backtesting and stress testing.

Section 41

Backtesting

(1) Backtesting provides for each working day a comparison of the one-day risk value determined on the basis of the positions at the end of the working day with the value of the assets of the following working day.

(2) Backtesting is carried out on the basis of real or hypothetical changes in the value of assets.

(3) Actual changes in asset value are based on actual fund positions and hypothetical asset value changes are based on unchanged fund positions.

Section 42

Stress testing

- (1) Stress testing is performed at least once a month.
- (2) Stress testing is used to identify events and influences that have or may have a significant impact on the standard fund.
- (3) Stress scenarios take into account factors that may result in significant losses of the standard fund or may significantly complicate risk management.
- (4) Stress scenarios include events with a low probability of occurrence in all major types of risks.

Section 43

The relative risk value model

- (1) With the relative risk value model, the risk value of the standard fund and the reference portfolio is calculated.
- (2) The risk profile of the reference portfolio must be in accordance with the investment strategy, risk profile and investment limits of the standard fund.
- (3) The process of selecting and monitoring the appropriateness of the composition of the reference portfolio is part of the risk management system of the standard fund manager.
- (4) The reference portfolio may not use leverage or contain financial derivatives, including derivatives contained in an investment security or a money market instrument, except in cases where
 - a) the standard fund uses a strategy of long and short positions; may then use a reference portfolio containing financial derivatives with short underlying assets, or
 - b) the standard fund is insured against currency risk; then it can use a reference portfolio containing a currency derivative that has the features of a hedging derivative according to international accounting standards regulated by European Union law²⁰⁾.
- (5) For the purposes of this regulation, a currency derivative is a derivative whose underlying asset is a currency exchange rate or currency.

Section 44

Limits on total exposure

- (1) If the calculation of the total exposure of a standard fund is carried out using the liability method, the exposure related to financial derivatives may not exceed 100% of the net asset value of this fund at any time; if the limit is exceeded due to changes in fair values, the position of this fund in relation to financial derivatives will be adjusted without undue delay so that the exposure related to financial derivatives complies with the limit.
- (2) If the calculation of the total exposure of the standard fund is carried out on the basis of the absolute risk value model, the value at risk must not exceed 20% of the net value of the assets of the standard fund.
- (3) If the calculation of the total exposure of the standard fund is carried out on the basis of the

relative risk value model, the value at risk must not be greater than twice the risk value of the reference portfolio.

PART THREE

SPECIAL FUND

TITLE I

COMPOSITION OF PROPERTY

Part 1

Things

Section 1

General conditions

Section 45

Basic provision

(1) The assets of the special fund can only be acquired

- a) a thing that can be acquired into the assets of the standard fund,
- b) a security or a book-entry security issued by a fund of qualified investors or a comparable foreign investment fund,
- c) commodity and commodity derivative a
- d) real estate and participation in a real estate company, if this special fund is a real estate fund.

(2) However, the property of a special fund that is a subordinate fund can only be acquired

- a) securities or book-entry securities issued by its management fund,
- b) financial derivatives listed in Section 12 and 13, which are a technique for managing this fund and which are negotiated exclusively for the purpose of hedging,
- c) claims for payment of funds from an account in Czech or foreign currency according to Section 15 a
- d) matters similarly according to Section 16, if this special fund is a joint-stock company with variable share capital and if it has permission from the Czech National Bank to operate as a self-managed investment fund.

(3) For the purposes of this regulation, a commodity derivative is a derivative whose underlying asset is a commodity.

Section 46

Investment securities

(1) The property of a special fund that is not a real estate fund can be acquired

a) investment security referred to in Section 3 subsection 1 letter a) to d),

b) a bond issued by the state, the central bank of the state, a bank or a foreign bank, or for which the state has assumed a guarantee, if it is not an investment security referred to in Section 3 subsection 1 letter a) to d), a

c) investment securities not listed in letters a) and b).

(2) A bond can be purchased in the assets of the real estate fund, which is accepted for trading on the market referred to in Section 3 subsection 1 letter a) and whose remaining term until the maturity date is less than or equal to 3 years.

(3) Unless something else follows from subsections 1 and 2, Section 3, subsection 3 and Section 4 shall be used mutatis mutandis for the acquisition of investment securities in the assets of the special fund.

Section 47

Securities and book-entry securities issued by an investment fund or a foreign investment fund

(1) A security or a book-entry security issued by a collective investment fund or a comparable foreign investment fund may be acquired in the assets of a special fund, if

a) its operator has a permit from the supervisory authority of the state in which it has its registered office and is subject to the supervision of this supervisory authority,

b) according to the statute or a comparable document of the fund that issued this security or book-entry security, this fund invests no more than 10% of the value of its assets in securities and book-entry securities issued by collective investment funds or comparable foreign investment funds and

c) these securities or book-entry securities are redeemed within a period of less than 1 year or it is ensured that the price of these securities or book-entry securities on the market referred to in Section 3 subsection 1 letter a) does not deviate significantly from their current value.

(2) A security or a book-entry security issued by a collective investment fund or a comparable foreign investment fund, for which the conditions under subsection 1 are not met, can also be acquired in the assets of a special fund that is not a real estate fund.

(3) A security or a book-entry security issued by a fund of qualified investors or a comparable foreign investment fund may be acquired into the assets of a special fund,

a) if this fund of qualified investors or a comparable foreign investment fund is managed by a manager authorized to exceed the decisive limit,

b) if this fund of qualified investors or a comparable foreign investment fund can, according to its statute or a comparable document, provide loans and advances only under the conditions specified in Section 74, subsections 1 and 2,

c) whether this fund of qualified investors or a comparable foreign investment fund can be offered in the Czech Republic and

d) if this fund of qualified investors or a comparable foreign investment fund invests according to its statute or a comparable document only in things that can be acquired in the assets of this special fund.

(4) Section 10, subsection 3 shall be applied mutatis mutandis to the acquisition of securities or book-entry securities issued by collective investment funds or comparable foreign investment funds to the assets of the special fund.

Section 48

Money market instruments

(1) Only money market instruments, such as state treasury bills, bills of the Czech National Bank and comparable money market instruments, can be purchased in the property of the real estate fund.

(2) Unless otherwise stated in subsection 1, Sections 5 to 9 shall apply mutatis mutandis to the acquisition of money market instruments in the assets of the special fund.

Section 49

Financial derivatives and commodity derivatives

(1) Sections 12 and 13 can be negotiated on the account of the special fund.

(2) A commodity derivative can be negotiated on the account of the special fund, which is traded on the markets referred to in Section 3 subsection 1 letter a).

(3) A commodity derivative that is not traded on the markets listed in Section 3 subsection 1 letter a) can be negotiated on the account of the special fund. a),

a) if each working day is reliably and verifiably valued and the manager of this fund has the right to assign or terminate it at any time or otherwise terminate it for an amount that can be reached between the contracting parties under conditions that are not significantly unbalanced for any of the parties; applies that a commodity derivative is valued reliably and verifiably, if the conditions specified in Section 14 subsection 4 letter a) to d, a

b) if this derivative is negotiated with an admissible counterparty that is subject to supervision by the supervisory authority of the state in which it is domiciled.

(4) Sections 12 and 13 can be negotiated on the account of the real estate fund, which are a technique for managing this fund and which are negotiated exclusively for the purpose of hedging.

(5) A commodity derivative cannot be negotiated on the account of the real estate fund.

Section 50

Claims for payment of funds from an account in Czech or foreign currency

Section 15 shall apply mutatis mutandis to the acquisition of claims for the payment of funds from an account in Czech or foreign currency to the assets of a special fund.

Section 2

Special provisions for the real estate fund

Section 51

Real estate fund

A real estate fund is a special fund that, according to its statute, invests in real estate and participation in real estate companies.

Acquisition of real estate

Section 52

(1) The assets of the real estate fund cannot include real estate from the property of the manager, administrator, depository or main supporter of this fund.

(2) Property of one sub-fund of a real estate fund may be acquired from the assets of another sub-fund of the same real estate fund only under the conditions and for the reasons specified in the investment strategy of each of these sub-funds in their statutes.

Section 53

Real estate can be purchased for the purpose of the real estate fund

- a) its operation, if this real estate is capable of bringing a regular and long-term income with proper management, or
- b) its resale, if this property is capable of bringing a profit from its sale.

Section 54

Real estate located in the territory of another state can be acquired into the property of the real estate fund only if

- a) it is stated in the statute of this fund that it can invest in real estate in the territory of this state, and it also states the total maximum limit for these investments,
- b) there is a real estate registry in this state, in which ownership and other material rights to real estate are entered, and
- c) there are no legal restrictions on the transfer of real estate in this state.

Section 55

(1) Real estate encumbered by a lien may be acquired into the assets of the real estate fund only if a debt secured by this lien accrues to the assets of the fund.

(2) Real estate encumbered by an absolute property right other than a lien may be acquired into the assets of the real estate fund only if this does not substantially reduce its usability.

Section 56

Property encumbrance

(1) Real estate in the property of a real estate fund can be encumbered with a lien only if there is a debt in the property of this fund that is to be secured by this lien.

(2) Real estate in the property of a real estate fund can be encumbered with an absolute property right other than a lien, only if this does not substantially reduce its usability.

Participation in a real estate company

Section 57

(1) On the account of the real estate fund, participation can only be acquired and held in a real estate company,

- a) in which only monetary contributions from partners are permitted,
- b) whose partners have fully repaid their deposits,
- c) which invests only in real estate, namely in the territory of the state in which it has its registered office,
- d) which similarly complies with the conditions set out in Sections 53, 55 and 56; the valuation of real estate that the real estate company owns for the purposes of calculating investment limits is carried out in accordance with subsection 2 letter c),
- e) which invests funds that it does not invest in real estate only in money market instruments referred to in Section 48 subsection 1 or receivables according to Section 15; this does not affect Section 59, nor does it affect the real estate company's ability to cover the costs associated with the management of its property,
- f) which does not have a share in another legal entity,
- g) if this participation represents the majority required to change the articles of association of this real estate company,
- h) if the real estate that the real estate company acquires as part of its property or alienates from its property is valued in the manner established by the law regulating investment companies and investment funds for the valuation of real estate,
- i) if the real estate company presents it to its manager, administrator and depository
 1. once a month inventory of real estate in your property a
 2. financial statements once a year,
- j) if prerequisites are created for the proper performance of the duties of the manager of this fund in relation to this real estate company and
- k) if, in the event of a reduction or loss of the participation of any partner in this real estate company, the fund has a right of pre-emption to buy out his share.

(2) Before acquiring a participation in a real estate company, this participation must be valued in the manner established by the law governing investment companies and investment funds, and must be submitted to the administrator of the real estate fund

- a) the financial statements of the real estate company, which are no more than 3 months old on the day of the valuation of the participation,
- b) an overview of the assets and debts of the real estate company according to the status as of the date of preparation of the financial statements a
- c) valuation of real estate that the real estate company owns, carried out in the manner established by the law governing investment companies and investment funds for real estate valuation.

Section 58

(1) The condition referred to in Section 57 subsection 1 letter f) does not have to be fulfilled if it is a participation in another real estate company,

a) which meets the requirements set out in Section 57 subsection 1 letter a) to e) and g) to k),

b) which does not have a share in another legal entity,

c) if the acquisition of a share in this real estate company does not exceed the limit according to Section 69 subsection 1 and

d) if, within 3 months at the latest from the date of acquisition of participation in this real estate company, the participating business companies have decided to prepare a merger of these companies with the decisive date determined at the latest on the first day of the following accounting period of these companies, and if such a merger takes place within 18 months from on the day of acquisition of participation.

(2) For the acquisition and participation of a real estate company in another real estate company referred to in subsection 1, Section 57, subsection 2, shall apply *mutatis mutandis*.

(3) The conditions specified in Section 57, subsection 1, must be met for the entire duration of the real estate fund's participation in the real estate company.

(4) In the case of non-compliance with the composition of the property of the real estate fund with the requirements stated in Section 57 subsection 1, a remedy must be arranged in accordance with Section 216 subsection 1 of the Act on Investment Companies and Investment Funds no later than 6 months from the date on which this non-compliance occurred.

(5) The requirements listed in Section 57 subsection 1 letter c), e) and k) do not have to be fulfilled on the date of acquisition of the real estate fund's participation in the real estate company, if they are fulfilled within 6 months from the date of acquisition of this participation; in such case subsection 4 shall not apply.

(6) The conditions referred to in Section 57, subsection 2, do not have to be met in the event that the real estate fund is the sole founder of a real estate company when fulfilling the deposit obligation by means of a monetary deposit before the registration of this real estate company in the commercial register; this also applies in the event that the sole founder is the manager of a real estate fund without legal personality acting on behalf of this real estate fund.

Section 59

Repo transactions or financial derivatives listed in Sections 12 and 13 can be arranged for the account of the real estate company exclusively for the purpose of collateral.

Part 2

Investment limits

Section 60

Limits on investment securities and money market instruments

(1) Not more than 20% of the net asset value of the special fund may be invested in investment

securities and money market instruments issued by a single issuer.

(2) To the investment securities referred to in Section 46 subsection 1 letter c) and no more than 10% of the net value of the special fund's assets can be invested in the money market instruments listed in Section 9.

(3) For the acquisition of investment securities or money market instruments issued or guaranteed by the state, a territorial self-governing unit of a member state or an international financial organization of which one or more member states are members, into the assets of a special fund with Section 17 par. 2 letters b) and Section 20 subsections 1, 3 and 4 shall apply accordingly.

(4) For the acquisition of bonds issued by one bank, one savings and credit cooperative or one foreign bank that has its seat in a member state and is subject to the supervision of this state protecting the interests of the bond owners, if the funds obtained by issuing these bonds are invested in such types property, which cover the issuer's obligations from these bonds until the maturity date of the bonds and which, in the event of the issuer's insolvency, can be preferentially used to repay the bond and to pay the proceeds, to the assets of the special fund with Section 17 subsection 2 letter c) applies similarly.

Section 61

Limits on the total nominal value and the total number of investment securities and money market instruments

Sections 18 and 19 shall be applied mutatis mutandis for the acquisition of shares, bonds and money market instruments in the assets of a special fund.

Section 62

Collateral provided to another contracting party

(1) The value of investment securities and money market instruments provided to another contracting party as collateral for financial derivatives referred to in Section 13 is included in the limits according to Sections 60 and 61.

(2) The collateral pursuant to subsection 1 can be included in the net value if the manager of this fund has agreed a final settlement with this contractual party that is legally effective and enforceable in all relevant legal systems.

Section 63

Limits on securities or book-entry securities issued by an investment fund or foreign investment fund

(1) No more than 20% of the net asset value of the special fund may be invested in securities or book-entry securities issued by one collective investment fund or a comparable foreign investment fund.

(2) If it is a special fund that, according to its statute, invests more than 49% of the net value of its assets in securities or book-entry securities issued by collective investment funds and comparable foreign investment funds, up to 35% of the net asset value of this fund may be invested a fund in securities and book-entry securities issued by one collective investment fund or a comparable foreign investment fund that is named or sufficiently characterized in its statute; this exception is admissible only for one investment fund or for one foreign investment fund.

(3) Not more than 10% of the net asset value of a special fund that is not a real estate fund may be invested in the securities or book-entry securities referred to in Section 47, subsection 2.

(4) An investment share issued for another sub-fund of the same special fund cannot be acquired in the assets of a sub-fund of a special fund.

(5) No more than 10% of the net value of the special fund's assets may be invested in securities or book-entry securities referred to in Section 47, subsection 3.

Section 64

Limits in relation to net asset value or a comparable amount

(1) No more than 50% of the net value of the assets of one investment fund or s.r.o. of the eligible amount of a foreign investment fund can be acquired into the assets of a special fund.

Section 65

Limits on financial and commodity derivatives

(1) Counterparty risk arising from financial derivatives referred to in 13 and commodity derivatives referred to in Section 49, subsection 3, expressed as the sum of the positive real values of these derivatives, and counterparty risk arising from special fund management techniques, may not exceed

a) 10% of the net value of the assets of the special fund, if this contracting party is a person listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds, or

b) 5% of the net value of the assets of the special fund, if this contractual party is a person other than the person listed in Section 72, subsection 2 of the Act on Investment Companies and Investment Funds.

(2) When calculating counterparty risk according to subsection 1, only

- a) negotiating a final settlement with another contractual party of the given derivative, provided that
1. the applicable law protects the final settlement from the effects of a decision or other act of a court or administrative body at least to the extent of protection provided to the final settlement by Czech law, and
 2. the final settlement applies only to claims relating to financial derivatives referred to in Section 13 and commodity derivatives referred to in Section 49 subsection 3 and

b) the value of the items accepted for security, provided that these items are valued at their fair value every business day, are highly liquid and the special fund has them in its possession or is in the custody of a person independent of the contracting party according to letter a).

(3) For the purposes of subsections 1 and 2, the value of existing obligations from contracts for the sale of securities or book-entry securities or commodities entered into for the account of this fund, in which this fund may invest pursuant to this regulation, shall also be included in the calculation of counterparty risk arising from derivatives or according to its statute, but which it does not have in its possession, or which it has left for a time.

(4) For the purposes of calculating the limits according to Sections 60 and 67, the underlying assets of derivatives negotiated for the account of the special fund shall be taken into account; this is not required in the case of financial derivatives whose underlying assets are financial indices or quantitatively expressed financial indicators.

Section 66

Limits on claims for payment of funds from an account in Czech or foreign currency

Section 23 shall be applied mutatis mutandis for the acquisition of claims for the payment of funds from an account in Czech or foreign currency to the assets of a special fund.

Section 67

Commodity limits

You cannot invest more than

- a) 20% of the net asset value of the special fund into one commodity, which is a precious metal, and
- b) 10% of the net asset value of the special fund into one commodity that is not a precious metal.

Section 68

Limits on real estate

(1) The value of real estate acquired into the assets of the non-moveable fund may not exceed 20% of the value of the fund's assets at the time of its acquisition.

(2) The value of real estate may, after its acquisition into the property of the real estate fund, exceed the limit established in subsection 1 by more than 10% for a maximum period of 3 years from the day on which this excess first occurred.

(3) The real estate fund does not have to comply with the investment limits for the period specified in the statute, but for a maximum period of 3 years from the date of its establishment, with the exception of the limit specified in subsection 1, which may be increased to 60% during this period.

(4) The total value of land, which includes a building under construction, and buildings under construction that are not part of the land, may not exceed 20% of the property value of the real estate fund. The total value of land intended for construction may not exceed 20% of the property value of the real estate fund.

(5) Real estate, the economic use of which is interconnected, is considered as one real estate for the purposes of calculating the limits according to this regulation.

Section 69

Limits on participation in a real estate company

(1) At the time of acquisition, the value of a share of a real estate fund in one real estate company may not exceed 30% of the value of the property of this fund.

(2) The value of a participation in a real estate company may not exceed the limit established in subsection 1 by more than 10% for a period of more than 3 years after the acquisition of this participation.

(3) For the real estate fund's participation in a real estate company, which is represented by an investment security, the limits for investment securities do not apply.

Section 70

Common provisions

(1) The sum of the values of investment securities or money market instruments issued by one issuer, the values of receivables for the payment of funds from an account in Czech or foreign currency with this issuer and the values of counterparty risk arising from derivatives pursuant to Section 13 and Section 49, subsection 3 of the negotiated with this issuer may not exceed 35% of the net asset value of the special fund.

(2) For the purposes of calculating the investment limit according to subsection 1, the underlying assets of financial derivatives and commodity derivatives are taken into account; this does not apply if their underlying assets are financial indices or quantitatively expressed financial indicators.

(3) When ensuring risk distribution, it is possible to deviate from Sections 60 to 70, but for a maximum period of 6 months from the date of creation of a special fund that is not a real estate fund.

(4) The real estate fund holds at least 10% of the value of its assets in matters referred to in Section 15, Section 46, subsection 2, Section 47, subsection 1, and Section 48, subsection 1.

(5) Subsections 1 to 4, Sections 60 to 64 and 66 to 69 shall not apply to a special fund that is a subordinate fund. For the special fund, Section 25, subsection 5, sentence two shall apply similarly.

Part 3

Credits, loans, gifts and some debts

Section 71

Basic provision

(1) A credit or loan with a maturity of less than 6 months can be accepted on the account of the special fund.

(2) A credit or loan with a maturity of more than 6 months can be accepted on the account of a special fund only for the purpose of investing this fund.

(3) Exposure to counterparty risk, expressed by the difference between the value of financial collateral or comparable security under the law of a foreign country transferred to another contracting party for an agreed loan or loan and the residual value of such loan or such loan, may not exceed 20% of the net value of the special fund's assets towards one contracting party.

Section 72

Acceptance of credit or loan

(1) If it is not a real estate fund or the cases referred to in subsection 2 or 3, the sum of the value of all accepted loans and advances to the account of this fund may not exceed 25% of the net value of its assets.

(2) If a special fund, in accordance with its investment strategy, ensures a strong correlation between long positions and short positions and if the trading company or other designation of this fund contains the words "long-short" or the words "market neutral", the sum of the value must not of all received credits and loans to the account of this fund exceed 400% of the net value of its assets.

(3) The sum of the value of all received credits and loans to the account of a special fund not mentioned in subsection 2, whose business name or other designation contains the word "risky", may not exceed 200% of the net value of its assets at the time of their negotiation.

(4) The manager of a special fund authorized to exceed the decisive limit for determining the maximum limit for the degree of use of the leverage effect on the account of this special fund, as well as for determining the limit for the provision of investment instruments from the assets of this fund as financial collateral or comparable security according to the law of a foreign state, or other security, will take into account in particular

- a) the investment strategy of this fund,
- b) the degree of exposure of this fund, as well as other economic ties to persons who could be a source of systemic risk for the proper functioning of the financial market in the Czech Republic,
- c) risk of concentration vis-à-vis one contracting party,
- d) degree of hedging when using the leverage effect,
- e) the ratio of assets and debts of this fund a
- f) the nature, scope and complexity of its activities.

Section 73

Acceptance of a loan or loan on the account of the real estate fund

(1) The sum of the value of all credits and loans received on the account of the real estate fund may not exceed 100% of the net value of its assets.

(2) A credit or loan with a maturity of up to 1 year can be accepted on the account of the real estate fund under standard conditions up to 20% of the net value of the assets of this fund. The maturity of a loan secured by a lien or a loan secured by a lien may be longer than 1 year.

(3) A loan secured by a lien or a loan secured by a lien may be accepted on the account of a real estate fund only for the purpose of maintaining or improving the condition of real estate in the property of this fund or for the purpose of acquiring real estate into the assets of this fund, up to 70% of the value of the acquired real estate.

Section 74

Provision of credit or loan

(1) Section 27 applies mutatis mutandis to the special fund; this does not affect Section 77.

(2) A secured loan or a secured loan from the property of the real estate fund can only be granted to a real estate company in which the fund has a stake. In the event of the loss of the fund's participation in the real estate company, this loan or this loan must be repaid within 6 months from the date of the loss of this participation.

(3) The sum of the value of all credits and loans provided from the real estate fund assets of one real estate company may not exceed 50% of the value of all real estate owned by that real estate company, including the value of acquired real estate.

(4) The sum of the value of all loans and advances granted from the assets of the real estate fund to real estate companies may not exceed 55% of the net value of its assets.

Section 75

Giving a gift, securing another person's debt or paying off a debt not related to business management

Section 28 shall apply mutatis mutandis to the special fund; this does not affect Section 77 and 78.

Part 4

Conclusion of contracts for the sale of investment instruments and commodities that the special fund does not have in its possession, or which it has left for a time

Section 76

(1) Contracts for the sale of only such investment instruments may be entered into for the account of a special fund, which according to this regulation or according to its statute can be acquired into the assets of this fund, but which this fund does not have in its property, or which it has temporarily transferred to owners, and only if

- a) if these contracts relate to investment instruments accepted for trading on the market referred to in Section 3 subsection 1 letter a) if this contract relates to other investment instruments, such investment instruments must be liquid and the total liability relating to such investment instruments from such contracts must not exceed 10% of the net asset value of this fund,
- b) if these contracts do not concern more than 10% of the total nominal value or of the total number of investment instruments of the same type issued by one issuer,
- c) if the obligations from these contracts relating to investment instruments issued by one issuer do not represent more than 10% of the net asset value of this fund,
- d) if this fund holds funds in such an amount during the entire duration of these contracts that it can close open positions from all these contracts at any time, and
- e) if the other contractual party to this contract is a person who is an admissible counterparty and is subject to the supervision of the Czech National Bank, the supervisory authority of another member state or the supervisory authority of another state.

(2) On the account of a special fund, contracts for the sale of only such commodities may be concluded, which according to this regulation or under its statute can be acquired into the assets of this fund, but which this fund does not have in its possession, or which it has left for a time, namely only if

- a) if the total liability from these contracts does not exceed 10% of the net asset value of this fund a
- b) if the other contractual party to this contract is a person who is an admissible counterparty and is subject to the supervision of the Czech National Bank, the supervisory authority of another member state or the supervisory authority of another state.

TITLE II

SPECIAL FUND MANAGEMENT TECHNIQUES, RISK REDUCTION FROM THE USE OF FINANCIAL AND COMMODITY DERIVATIVES AND RISK MEASUREMENT

Section 77

Techniques for special fund management and risk measurement

Sections 30 to 33 apply mutatis mutandis to the special fund, while

a) a technique for managing a special fund can also be a commodity derivative that does not meet the requirement of Section 30 subsection 2 letter a), under the conditions specified in Section 49 a

b) another contracting party of the reverse repo can also be a person who is not mentioned in Section 31, if it is at least determined in kind in the statute of this fund.

(2) The method of calculating the total exposure of the special fund is defined by Articles 6 to 11 and Annexes I to III of Commission Delegated Regulation (EU) No. 231/2013 of December 19, 2012, supplementing the European Parliament and Council Directive 2011/61/EU regarding exemptions, general operating conditions, depositories, leverage, transparency and supervision; Section 44, subsection 1, shall apply mutatis mutandis to the special fund.

Section 78

Hedging of a financial derivative or commodity derivative provided to a special fund

For items provided to a special fund to secure a financial derivative or a commodity derivative negotiated for the account of the special fund, Section 31 subsections 2 and 3, Section 32 subsections 2 and 3 and Section 33 subsections 2 and 3 shall apply mutatis mutandis.

PART FOUR

cancelled

title omitted

Section 79

cancelled

Section 80

cancelled

title omitted

Section 81

cancelled

title omitted

Section 82

cancelled

Section 83

cancelled

Section 84

cancelled

Section 85

cancelled

Section 86

cancelled

title omitted

Section 87

cancelled

Section 88

cancelled

Section 89

cancelled

PART FIVE

QUALIFIED INVESTORS FUND

title omitted

Section 90

cancelled

Section 91

cancelled

Section 92

cancelled

Section 93

cancelled

Section 94

Limits on leverage and rules for providing investment instruments as collateral

Section 72, subsection 4, shall apply mutatis mutandis to the manager of a fund of qualified investors who is authorized to exceed the decisive limit.

Section 95

cancelled

title omitted

Section 96

cancelled

Section 97

cancelled

PART SIX

COMMON, TRANSITIONAL AND FINAL PROVISIONS

Section 98

Investment fund assets and assets and liabilities from investment activities

(1) For the purposes of this regulation, the property of an investment fund is understood in relation

- a) to the mutual fund assets in this mutual fund,
- b) to the trust fund, the assets in this trust fund,
- c) to an investment fund with legal personality, the assets of this investment fund with legal personality
a
- d) to the asset sub-fund in this sub-fund.

(2) If an investment fund with legal personality separates assets and debts from its investment activity from its other assets in terms of accounting and property, only assets and debts from investment activity are taken into account for the purposes of this regulation."

Section 99

Temporary provisions

(1) The manager of the investment fund, if it is a fund that was established or was created before the date of entry into force of this regulation, shall bring the investment strategy of this fund into compliance with this regulation by January 1, 2015; however, if, according to its statute, such a fund invests in real estate or in participations in real estate companies, its manager shall bring the investment strategy of this fund into compliance with this regulation by July 22, 2015.

(2) To the extent that this regulation does not apply in the cases referred to in subsection 1, the procedure shall be in accordance with existing legal regulations.

Section 100

Efficiency

This regulation becomes effective on the day of its announcement.

Prime Minister:

Rusnok m.p.

Minister of Finance:

Fischer m.p.

Selected provisions of the amendments

Art. II Government Regulation No. 11/2014 Coll.

Temporary provisions

1. Until January 1, 2015, Section 98 of Government Regulation No. 243/2013 Coll., as amended from the date of entry into force of this Regulation, shall not apply. This does not prevent the statute of the relevant investment fund from specifying before this date that the assets of this fund are defined as assets less debts, as stipulated in Section 98 letter b) Government Regulation No. 243/2013 Coll., as amended from the date of entry into force of this regulation.

2. To the extent that in the cases specified in Section 93 subsection 7 of Government Regulation No. 243/2013 Coll., as amended from the date of entry into force of this Regulation, shall not apply Section 90 and 91 of Government Regulation No. 243/2013 Coll., as amended from the date of entry into force of this Regulation, the procedure shall be in accordance with the legal regulations effective before August 19, 2013.

Article II of Government Regulation No. 431/2021 Coll.

Temporary provisions

Section 47 subsection 3 of Government Regulation No. 243/2013 Coll. applies to special fund investments made before the effective date of this regulation, in the version effective before the effective date of this regulation.

2. If the statute of the collective investment fund issued before the effective date of this

regulation mentions the term "property", it means property according to Section 98 of Government Regulation No. 243/2013 Coll., in the version effective before the date of entry into force of this regulation, with the exception of the provisions of this statute, which relate to the limits according to Section 10 subsection 1 and subsection 2 letter a) and according to Section 47 subsection 1 letter b) Government Regulation No. 243/2013 Coll., as amended from the effective date of this regulation, when the term "property" means "property" according to Section 98 of Government Regulation No. 243/2013 Coll., as amended from the date of entry into force of this regulation.

¹⁾ Commission Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws and regulations relating to undertakings for collective investment in transferable securities (UCITS) as regards the clarification of certain definitions.

Articles 49 to 57 and 83 to 90 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws and regulations relating to undertakings for collective investment in transferable securities (UCITS) (recast), as amended by the Directive of the European Parliament and of the Council 2010/78/EU and Directive of the European Parliament and of the Council 2011/61/EU.

Art. 41 to 44 of Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organizational requirements, conflicts of interest, rules of conduct, risk management and content of the contract between the depositary and management company.

¹⁵⁾ Regulation of the European Parliament and the Council (EC) No. 1060/2009 of September 16, 2009 on rating agencies, as amended.

¹⁶⁾ Regulation of the European Central Bank (EC) No. 24/2009 of 19 December 2008 on the statistics of assets and liabilities of special purpose financial companies involved in securitization transactions.

¹⁸⁾ Section 193 of Act No. 256/2004 Coll., on doing business on the capital market, as amended.

²⁰⁾ Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as amended.