

**10**  
**DECREE**  
**of Národná banka Slovenska**  
**of 13 September 2011**

**on criteria, limits and restrictions with which short-term money  
market fund and money market fund must comply**

In accordance with Article 9(7) of Act No 203/2011 on collective investment (hereinafter the "Act"), Národná banka Slovenska stipulates as follows:

**Article 1**  
**Short-term money market fund**

(1) A short-term money market fund must comply with the following criteria, limits and restrictions:

a) the fund's primary investment objective shall be to maintain the principal of the fund and aim to provide a return in line with money market rates;

b) the fund's investments in money market instruments shall be limited to those which comply with the criteria as set out in Article 88(1)(a) to (c) or (h) and (i) of the Act, and its investments in deposits shall be limited to those which comply with the criteria as set out in Article 88(1)(f) of the Act;

c) the money market instruments in which the fund invests shall be of high quality; the process of determining the quality of such instruments shall take into account a range of factors including, but not limited to:

1. the credit quality of the instrument,
2. the nature of the asset class represented by the instrument,
3. for structured financial instrument, the operational and counterparty risk inherent within the structured financial transaction, and
4. the liquidity profile of the instrument;

d) the securities in which the fund invests shall have a residual maturity of less than or equal to 397 days; for the purpose of this Decree, residual maturity shall mean the period of time until the legal redemption date of the security;

e) the net asset value (NAV) and price calculation of the fund shall be provided on a daily basis, as shall the subscription and redemption of unit certificates in the fund;

f) the fund's portfolio shall have a weighted average maturity (WAM) of no more than 60 days; for the purpose of this Decree, WAM means a measure of the average length of time to maturity of all the underlying securities in the fund weighted to reflect the relative holdings in each financial instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value or nominal value of the security must be repaid;

g) the fund's weighted average life (WAL) shall be no more than 120 days; for the purpose of this Decree, WAL means the weighted average of the remaining life of the securities held in the fund,

h) when calculating the WAL for securities, including structured financial instruments, the base of the maturity calculation shall be the residual maturity; however, when a financial security embeds a put option, the exercise date of the put option may be used instead of the residual maturity only if the following conditions are fulfilled:

1. the put option can be freely exercised at its exercise date,
2. the strike price of the put option remains close to the expected value of the financial instrument at the next exercise date,
3. the investment strategy of the short-term money market fund implies that there is a high probability that the put option will be exercised at the next exercise date;

i) for both the WAL and WAM calculations, account shall be taken of the impact of the portfolio's financial derivative instruments and deposits, and those techniques and instruments relating to transferable securities and money market instruments which are used for the purpose of efficient portfolio management;

j) the fund shall not be directly or indirectly exposed to equity or commodities, including via financial derivatives;

k) financial derivatives may be used only if they are in line with the investment strategy of the fund;

l) financial derivatives which give exposure to foreign exchange may only be used for hedging purposes;

m) the fund may invest in non-base currency securities provided that the currency exposure is fully hedged;

n) the fund's investments in other common funds or foreign collective investment undertakings as referred to in Article 88(1)(e) of the Act shall be limited to those common funds and collective investment undertakings which comply with the criteria, limits and restrictions set out in subparagraphs (a) to (m).

(2) For the purposes of paragraph 1(c), a money market instrument shall not be considered of high quality unless:

a) it has been awarded one of the two highest available short-term credit ratings by each registered or recognised credit rating agency that has rated the instrument, or

b) if the instrument is not rated by a registered or recognised rating agency, it is of an equivalent quality to that referred to in subparagraph (a) as determined by the management company's internal rating process.

(3) For the purpose of paragraph (1)(h), a put option means an option contract under which one contracting party has the right to sell, and the other contracting party is obliged to

buy, a fixed quantity of a security at a particular price at any time up to a particular date, irrespective of the current market price of the security.

## **Article 2**

### **Money market fund**

(1) A money market fund must comply with subparagraphs (a) to (c), (e) and (h) to (m) of Article 1(1) and with Article 1(2); in addition, a money market fund:

a) may, as an exception to the requirement in Article 1(2), hold sovereign issuance of at least investment grade quality; sovereign issuance shall be understood as money market instruments issued or guaranteed by:

1. the Slovak Republic,
2. another Member State of the European Union or a signatory state of the Agreement on the European Economic Area (each hereinafter referred to as a "Member State"), or by a central authority of a Member State,
3. a local or regional authority of either Slovakia or another Member State,
4. Národná banka Slovenska,
5. the central bank of a Member State,
6. the European Central Bank,
7. the European Union,
8. the European Investment Bank;

b) the fund's investments in securities shall be limited to those with a residual maturity until the legal redemption date of less than or equal to two years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days, while the floating rate of securities shall reset to a money market rate or index;

c) the fund's portfolio shall have a weighted average maturity (WAM) of no more than six months;

d) the fund's portfolio shall have a weighted average life (WAL) of no more than 12 months.

(2) A money market fund's investments in other common funds or foreign collective investment undertakings as referred to in Article 88(1)(e) of the Act shall be limited to those common funds or foreign collective investment undertakings which comply with the criteria, limits and restrictions set out in paragraph 1 of this Article or in Article 1.

## **Article 3**

This Decree shall enter into force on 1 October 2011.

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