



Central Bank of Seychelles

Frequently Asked Questions

Mutual Fund

1. Which legislation regulates mutual funds in Seychelles?

The law governing mutual funds in Seychelles is the Mutual Fund and Hedge Fund Act, 2007 ('the Act'). The Act is available on the Central Bank of Seychelles (CBS) website (www.cbs.sc).

2. What is a mutual fund under the Act?

A mutual fund is a company, a unit trust, a partnership incorporated or registered in Seychelles or in a recognized jurisdiction *“that collects and pools investor funds for collective investment purposes or with the aim of spreading investment risks, including hedge fund purposes, and issues equity interests enabling investors in the mutual fund to receive or have the right to receive a portion of profits or gains derived from the investments...”*

It includes an umbrella fund, a hedge fund or sub-funds but excludes any other bodies which are designated by Regulations as not being a mutual fund.

3. What are the categories of mutual funds?

The law makes a distinction between 3 main types of funds:

- a private fund;
- a professional fund; and
- a public fund.

4. What is a private fund?

A private fund is a fund where under its constitution:

- (a) there are no more than 50 investors; or
- (b) no invitations can be made to the public to subscribe for or purchase shares except:
 - (i) to a specified person(s) or specified ascertainable class of persons and is not calculated to result in equity interests becoming available to other persons; or
 - (ii) by reason of a private client or other private business connection between the person making or causing the invitation and the investor; or

(c) it is designated as a private fund by Regulations.

5. What is a professional fund?

A professional fund is a mutual fund only available to professional investors with an initial investment of at least US\$ 100, 000.

A professional investor is a person –

- (a) whose ordinary business involves the acquisition or disposal of property of the same kind or substantially the same kind as the property of the fund; or
- (b) who has a net worth exceeding US\$ 1, 000, 000 or its equivalent in any other convertible currency; or
- (c) a bank licensed under the Financial Institutions Act, 2004 or under the corresponding law of a recognised jurisdiction;
- (d) a mutual fund licensed under this Act or under the corresponding law of a recognised jurisdiction;
- (e) an insurance company licensed in Seychelles or under the corresponding law of a recognised jurisdiction; or
- (f) a securities dealer or stock broker licensed in Seychelles or under the corresponding law of a recognised jurisdiction.

6. What is a public fund?

The Act defines a Public Fund simply as, a mutual fund which is not a private or a professional fund.

7. Does the Central Bank regulate closed-ended funds?

No. A close-ended fund (such as an investment company) does not have the “*equitable interest*” to qualify as a mutual fund (i.e shares not redeemable).

8. What procedure must be followed for a mutual fund to operate in or from Seychelles?

A regulatory licence from the CBS is obligatory.

9. How is a license obtained?

Every applicant for a fund licence must observe the following procedure:

1. The applicant must complete and submit to CBS, a mutual fund licence application form accompanied by:
 - a. certified true copies of the constitutional documents of the fund;
 - b. the current or latest draft offering document of the mutual fund;
 - c. a personal questionnaire form completed by each director, general partner or trustee, whichever is applicable;
 - d. the written consent of the fund's administrator;
 - e. the written consent of the fund's auditor;
 - f. any other supporting information or documents CBS may require.

10. Can a mutual fund be exempted from the licensing requirement?

Yes, if:

- (a) its administrator holds a Seychelles Fund Administrator's Licence;
- (b) its place of incorporation or establishment is in a jurisdiction other than Seychelles;
- (c) its initial minimum investment amount per each investor is not less than \$ 100, 000 or its shares are listed in a Recognised Jurisdiction; and
- (d) it has proved to CBS that:
 - o it is in good legal standing and holds the required authorisation to operate as a mutual fund in a Recognised Jurisdiction; and
 - o its initial minimum investment amount per each investor is not less than \$100, 000 or its shares are listed in a Recognised Jurisdiction.

11. What is the application fee payable to be licensed or approved as a mutual fund?

An application fee of \$ 500 is applicable for a private fund, \$1000 for a public fund and \$ 750 for a professional fund.

In the case of an exempt foreign fund an application fee of \$1500 is payable at the time of application for approval.

12. Who may administer a mutual fund?

The administration of a Seychelles Licensed Fund can only be undertaken by a person holding a fund administrator's licence issued by the Central Bank or by a foreign administrator.

(For more details on mutual fund administration see FAQ's on Mutual Fund Administration)

13. What are the duties of a custodian?

A mutual fund is required to entrust the safekeeping of its assets to a custodian.

14. Who may be the custodian of a mutual fund?

- (a) a licensed bank under the Financial Institutions Act, 2004;
- (b) a licensed trustee under the International Corporate Service Providers Act, 2003; or
- (c) a financial institution or person in or outside Seychelles, as CBS may approve.

15. What criteria should a mutual fund consider in selecting a custodian?

Applicants for a fund licence are required to appoint only fit and proper persons as their custodians.

16. What constitutes fit and proper?

Due consideration should be given to the custodian's honesty, integrity, competence and financial soundness, taking into account the particular circumstances of the fund's business.

In particular, a fund's custodian should:

- (a) have a sound track record;
- (b) have experience in providing custodian services;
- (c) have ample resources (infrastructure, office space, personnel) to provide custodian services;
- (d) have adequate internal control systems and procedures;
- (e) be functionally separate and independent of the mutual fund's administrator.

17. Who can perform the audit of regulated mutual funds?

The auditor who must carry out an annual audit must be an accountant who holds a practicing certificate issued by one of the accountancy bodies specified in the Act.

There is no requirement for local auditor sign-off.