

MUTUAL FUND AND HEDGE FUND ACT, 2008

Minimum Competency Requirements

1. Introduction

The Mutual Fund and Hedge Fund Act requires that licence applicants are fit and proper to undertake the activities requiring a licence under the Act.

The Fit and Proper Guidelines issued by the Central Bank outlines the criteria the bank will take into account in determining the fitness and propriety of an applicant. Paragraph 5.1 of the Fit and Proper Guidelines provides that an applicant has to demonstrate that it is competent to carry out the licensed activity efficiently and effectively. One component of the competency criteria is the possession of necessary qualification, knowledge and experience by key personnel of applicant entities.

This Guidance Note is an elaboration of the Central Bank's policy on the educational and experience requirements expected of individuals employed by applicants to carry out the regulated activities for and on its behalf.

This Guidance Note is not intended to be comprehensive nor replace or override any legislative provisions. Applicants are advised to read the guidance note in conjunction with the Act, the Fit and Proper Guidelines and any other guidelines the Central Bank may issue from time to time.

Unless the context precludes such construction, a guidance applicable to a licence applicant should be construed to apply to a licence holder.

2. Application

These guidelines are to be applied by the Central Bank when determining the competency of;

- (a) the directors and officers of an entity applying to be licensed as a mutual fund;
- (b) the directors and officers of an entity applying to be licensed as a mutual fund administrator.

3. Qualification and Experience Requirements

The individuals mentioned above must be able to demonstrate that he/she has the minimum competencies set out in Annex 1.

To prove that an individual has the necessary competence one of the following options must be met:

Option 1

Individuals must meet (a) and (b).

- (a) Qualification Possess an industry qualification recognised by the Central Bank ; and
- (b) Experience Have the equivalent of two years relevant industry experience.

Option 2

Individuals must meet (a) and (b).

- (a) Qualification Possess a degree in a relevant field of study such as finance, business, economics, accounting, commerce etc from institutions recognised by the Seychelles

Qualification Authority or a recognised industry qualification; and

- (b) Experience Have the equivalent of two years relevant industry experience.

Option 3

Individuals must meet (a) and (b).

- (a) Qualification Possess a degree in areas not directly related to financial services; and

- (b) Experience Have the equivalent of five years relevant industry experience.

Option 4

Individuals who do not have formal qualifications as required by Options 1 and 2 may demonstrate that they are competent if they have at least 10 years relevant industry experience.

NOTES:

Relevant industry experience

In assessing the relevance of the individual's experience the Central Bank will take into account the duties and functions to be performed. The Central Bank will recognise experience that is closely related to the functions to be performed.

Relevant experience obtained overseas will be recognised.

Annex 1 – Minimum Competency

SUBJECT MATTER	MINIMUM COMPETENCIES
1. Collective Investment	<ul style="list-style-type: none"> ▪ Knowledge of the different legal structures of, regulatory provisions applying to, and the main features, benefits, charges and risks of collective investments. ▪ A good understanding of the investments area of the funds administered.
2. Financial services market	<ul style="list-style-type: none"> ▪ Knowledge and understanding of the main functions of the financial system. ▪ Knowledge of the key participants of the financial services system. ▪ Knowledge of the main financial services which financial institutions provide. ▪ Knowledge and understanding of capital markets.
3. Investment	<ul style="list-style-type: none"> ▪ Knowledge of the main investment asset classes. ▪ Understanding the concept of the volatility of investment returns and how this volatility varies by the main investment classes.* ▪ Understanding of the concept of the correlation of investment returns between different investments. ▪ Knowledge of the main advantages and disadvantages of collective investment over individual direct investment.* ▪ Knowledge of the main features of the different generic forms of mutual funds, including the difference between open ended and closed ended funds. ▪ Knowledge and understanding of the difference between active, passive and consensus investment management styles.* ▪ Knowledge and understanding of the potential impact of different forms of risk associated with investment.* ▪ Knowledge of how investment risk can be reduced by diversification.*
4. Company Law and Accounting	<ul style="list-style-type: none"> ▪ Clear understanding of the role and responsibilities associated with the position. ▪ Knowledge of the basic accounting principles which apply to the accounts of a fund. ▪ Knowledge of the type of information contained in a Balance Sheet, Profit and Loss Account and Cash Flow Statements and how the information may aid the assessment of the value of the company.

5. Legislation, regulation and compliance	<ul style="list-style-type: none"> ▪ Knowledge of the Central Bank’s main function and powers pertaining to financial services supervision. ▪ A good understanding of the relevant regulatory and compliance requirements in Seychelles and any other jurisdiction relevant to the funds administered.
6. Best practice	<ul style="list-style-type: none"> ▪ Understanding the importance of confidentiality in relation to the collection, maintenance and processing of personal data related to consumers. ▪ Knowledge of the ethical issues arising in relation to the conduct of the business.

NOTE: The competencies marked with * are only applicable to operators¹ of a mutual fund.

¹ An operator of a mutual fund means a director, trustee or general partner of a fund.