



Statement of Guidance

Licensing – Mutual Funds

1. Statement of Objectives

This criteria is applicable to applications for licensed funds. There is a need for rigorous criteria to be applied when processing all applications for licenses. In order to ensure that the Cayman Islands retains its reputation as a leading and well regulated international financial centre it is imperative that all entities required to be licensed under the regulatory laws are licensed in accordance with a firm and clearly defined licensing criteria. The Authority recognises that high standards of licensing are the necessary foundation for effective regulation and supervision.

2. Fit and Proper Direction and Management

2.1. It is a requirement of applicants to show that they are controlled and managed by persons that are fit and proper. In determining whether a person is fit and proper all relevant circumstances will be considered and will include that persons possess:

- a) Honesty, integrity and reputation;
- b) Competence and Capability
- c) Financial Soundness

2.2. Applicants should refer to the Statement of Guidance on Fitness and Propriety for further details on the criteria used by the Authority when determining whether persons are fit and proper.

3. Ownership and control

3.1. Unless a corporate director is appointed, a minimum of two individuals must be named as directors for all funds. In the case of corporate directors, one director is acceptable if that corporation is licensed by the Authority or is otherwise acceptable to the Authority and a current register of directors



should be filed with the licence application. Any change in directors must be approved by the Authority.

- 3.2. The day-to-day operation of a Mutual Fund should be conducted by at least two individuals. The Authority must be notified of any change in investment managers, advisors and other service providers within the fund structure.

4. Internal Systems and Controls

Within the Mutual Fund structure there must be compliance and procedural manuals and internal controls to ensure effective management and compliance with the law.

5. Record Keeping

Management information should be both timely and accurate and supported by full and accessible records. Such records should be accessible by the Authority. Approval is required by the Authority to locate records overseas. Applicants should refer to the Authority's Statement of Guidance on the Nature, Accessibility and Retention of Records.

6. Know Your Customer Policy

All licence holders must comply with the Money Laundering Regulations, 2000.

7. Compliance with industry standards

All licensees are expected to be in compliance with their respective industry standards, where such standards exist. This will assist in ensuring that business is carried out in conformance with the professional standards normally expected of a licensee in that particular sector.

8. Supporting Documentation

- 8.1. All licensees are required to have their accounts annually and the audit report signed off by a local auditor in accordance with the Local Audit Sign Off rule.



Applicants must supply an auditor's letter of consent.

- 8.2. Applicants that are required to appoint an administrator must supply an Administrator's letter of consent. The letter must include the name of the Fund, acceptance of appointment as administrator and a summary of the services to be provided.
- 8.3. Evidence of listing on a Stock Exchange must be included with the application where applicable. If the Fund is in the process of being listed, confirmation of the listing must be provided once approved.