GUIDELINES FOR

STATUTORY REPORTING FOR

EXEMPT MUTUAL FUNDS

1. Statutory Authority

1.1 These Guidelines are issued in accordance with Section 43 of the Financial Services Commission Ordinance.

2. Guidelines Objectives

2.1 The Commission has issued these Guidelines in keeping with a Policy Decision on procedures to be followed in respect of the annual regulatory reporting on Exempt Mutual Funds by a Mutual Fund Administrator acting on behalf of an Exempt Mutual Fund.

3. Scope

3.1 These Guidelines are applicable to all Mutual Fund Administrators acting for Exempt Mutual Funds to which Section 11 of the Mutual Funds Ordinance applies.

4. The Policy

4.1 A Mutual Fund Administrator shall submit to the Commission by March 31 annually a list of all Exempt Mutual Funds for which it acts, indicating any additions or deletions which have occurred since the previous annual return in accordance with Section 20 (1) (b) of the Mutual Fund Ordinance;

A Mutual Fund Administrator shall in respect of each Exempt Mutual Fund submit to the Commission by March 31 annually a Certificate of Solvency signed by two directors of the Administrator stating that the assets of the Exempt Mutual Fund exceed the Fund's liabilities by 15%; and

The Mutual Fund Administrator shall in respect of each Exempt Mutual Fund submit by March 31 annually a Certificate of Compliance signed by a director or partner of the Administrator stating that to the best of his knowledge and belief the administrator of such fund has conducted its business properly and in compliance with the Ordinance and any conditions attached to its licence.

The Mutual Fund Administrator shall by March 31 annually provide evidence of an insurance policy with an insurance company acceptable to the Commission to cover any claims arising from negligence or breach of duty by its employees in accordance with Regulation 12 of the Mutual Fund Regulations.

5. Exempt Mutual Fund Status

5.1 An Exempt Mutual Fund is exempt from the requirement to be registered, recognized or licensed in the Turks and Caicos Islands. Under Section 11 of the Mutual Funds Ordinance this category of fund is available to:

1. A mutual fund in which the equity interests are held by not more than fifteen investors, the majority of whom are capable of appointing or removing the operator of the fund;

2. A mutual fund that is only authorized to issue equity interests to professional investors; and

3. Where at all times a mutual funds administrator provides an office in the Islands for the fund.

An application for agreement in respect of an Exempt Mutual Fund must be made to the Commission. The Commission may require the applicant to supply such information and provide such documents for examination as in its opinion are necessary or expedient to enable it to agree that the mutual fund is an Exempt Mutual Fund.

6. Qualifications for Professional Investors

6.1 In considering whether a fund qualifies as an Exempt Mutual Fund the Commission will take into account the qualifications of a professional investor which are:

(a) That he is a qualified licensed securities broker in a well regulated jurisdiction; or

(b) He is acting either on his own account or on behalf of an investor with investments of $5,000,000 or more in securities quoted on the stock exchanges authorized to do business in:-
   a. Australia
   b. Bermuda
   c. Canada

d. Cayman Islands
e. Hong Kong
f. Japan
g. A Member State of the European Union
h. New Zealand
i. Singapore
j. Taiwan, and
k. The United States of America

The Investor in this context refers to the legal holder of the equity interest in a fund.

All fund administrators, banks, trust companies, law firms and other service providers in the Turks and Caicos Islands have a responsibility under Anti-Money Laundering and Prevention of Terrorist Financing Regulations 2011, made pursuant to the Proceeds of Crime Ordinance 2010 (POCO), to maintain effective procedures, systems and controls including sound customer due diligence procedures to protect the business from being used in connection with money laundering and terrorist financing.

As a financial service business, the directors of an Exempt Mutual Fund are required to rigorously implement Anti-Money Laundering and Prevention of Terrorist Financing measures to protect it from being used by criminals. This responsibility can be outsourced to the fund administrator who will then be required to comply with the Anti-Money Laundering and Prevention of Terrorist Financing Regulations as it applies to this jurisdiction.