



Guidance Note – Collective Investment Schemes’ Annual Report and Audited Financial Statements (“the Accounts”)

March 2018

Responsibility of the Governing Body

It is important that the accounts of collective investment schemes (“funds”) are issued in a timely manner and where they have not been issued, unitholders receive appropriate and timely update communications.

This guidance reminds licenceholders of the regulatory requirements in relation to the late issue of accounts and clarifies the Isle of Man Financial Services Authority’s (“the Authority”) approach to late accounts.

A fund’s Governing Body is responsible for ensuring that accounts are produced and issued in accordance with regulations¹ and other legislation including the relevant Companies Acts.

The Governing Body has a responsibility to inform unitholders about delays in the issue of audited accounts and the reasons for those delays.

1

Scheme Type	Latest Timetable for Issue of Accounts	Relevant Regulations
Authorised Schemes	Annual – 4 months from year end and half yearly 2 months after half year	Authorised Collective Investment Scheme Regulations 2010 regulations 13 - 22
Regulated Funds	6 months after the fund’s year end or as set out in the offering document if sooner	Collective Investment Schemes (Regulated Fund) Regulations 2017, regulations 13(1), 38-40
Experienced Investor Funds	6 months after the fund’s year end or as set out in the offering document if sooner	Collective Investment Schemes (Experienced Investor Fund) Regulations 2010, regulations 9 - 11, 14(1) (qualifying type EIFs), 23(1) (legacy EIFs) and 28(1) (closed EIFs)
Qualifying Funds	6 months after the fund’s year end or as set out in the offering document if sooner	Collective Investment Schemes (Qualifying Funds) Regulations 2010 regulations 8(1), 18, - 20
Specialist Funds	6 months after the fund’s year end or as set out in the offering document if sooner	Collective Investment Schemes (Specialist Funds) Regulations 2010, regulations 9(1), 14 - 16
Full International Schemes	4 months after the fund’s year end or as set out in the offering document if sooner	Guidance Notes for Managers and Trustees of International Schemes

The licensed fund manager or administrator of an Isle of Man fund is responsible for notifying the Authority about delays and issues with a fund's accounts including any qualifications. Please refer to the appropriate regulations for details of the specific requirements.

Where the fund's audited accounts have not been distributed on time, the licensed manager (or administrator) must provide a notification to the Authority within 10 working days which –

- Explains the reason(s) for the delay; and
- Provides a timetable for distribution of the accounts.

The notification should be accompanied by –

- a letter from the fund's auditors confirming they have reviewed the notification and that they do / do not concur with what is stated in it; and
- a copy of the unitholder communication that has been made to the fund's unitholders on the delay and if no communication has been issued, the reasons why a communication has not been issued.

If the delay continues for three months after the date of written notification to the Authority, a further written notification must be provided within 10 working days to the Authority and unitholders by the licensed manager (or administrator). This must be repeated every three months until the accounts have been issued and distributed. Each notification must be accompanied by a letter from the fund's auditors stating that they do / do not concur with what is stated in the communication to the Authority and unitholders.

Once accounts are issued that have been the subject of a notification, a final notification should be provided to the Authority in writing by the licensed manager (or administrator) confirming that they have been issued.

Regulatory Action Available to the Authority should a Licenceholder fail to comply

The timely publication of accounts is an important source of information for investors, particularly during periods of turbulent markets. The Authority is aware of the difficulty in producing accounts when asset values are difficult to obtain.

- **Breach letters** - The Authority will issue breach letters to the Governing Body of a fund in respect of late accounts. These letters will be sent via the licensed fund manager (or administrator) to be passed on to the fund's Governing Body and to be recorded in the fund's records.
- **Directions** - If delays continue for a period that the Authority finds unacceptable, a direction may be issued under section 12(1) (b) of the Collective Investment Schemes Act 2008, requiring the accounts to be completed and issued forthwith. The Authority understands that this may result in the accounts being qualified and/or containing an emphasis of matter.

Any failures by the Governing Body could be taken into account with regards to any considerations of fitness and propriety of members of the Governing Body. The Authority believes that this approach provides a focus on the timely production of accounts for funds and enables it to prioritise where regulatory resources need to be deployed.

Overseas Funds

Overseas funds are funds that are established in a country or territory outside the Island but are administered in the Isle of Man under the overseas fund regime. An overseas fund is subject to the requirements of its offering document and the law and other requirements of the jurisdiction in which it is incorporated. However, the Authority expects an Isle of Man licensed manager (or administrator) to have processes and procedures in place to monitor the preparation and audit of an overseas fund's accounts to ensure that they are issued in accordance with the legal requirements and disclosures specified in the offering document.

Status of Guidance: The Isle of Man Financial Services Authority issues guidance for various purposes, including to illustrate best practice, to assist licenceholders to comply with legislation and to provide examples or illustrations. Guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance this would tend to indicate compliance with the legislative provisions, and vice versa.