

EXPLANATORY NOTES FOR COMPLETION OF INVESTMENT AUDITED FINANCIAL
STATEMENTS AND COMPLIANCE RETURNS (LICENSEE) – FORM 142 (FEBRUARY 2025)

Background

These Explanatory Notes have been prepared to assist licensees with the completion of the Form 142 - Investment Audited Financial Statements Compliance & Statistical Returns (Licensee). The Commission requires timely and accurate data to undertake effective supervision, and inaccuracies in the data submitted on a return such as the Form 142 may result in a penalty being applied under [The Financial Services Commission \(Fees and Administrative Penalties\) Regulations, 2023](#). When completing the Form 142, please ensure that the questions are answered accurately, the correct documents are uploaded, and be mindful of the potential for human error when entering figures.

AUDITED FINANCIAL STATEMENTS SECTION

- Care should be taken when uploading the audited financial statements. These should be the final, signed version and should be for the correct entity.
- Answering ‘Yes’ to the Yes/No question “Is the Audit Opinion within the Auditor’s report included alongside the audited financial statements qualified or adverse, or otherwise modified?” is a flag to the Commission that there is a “non-standard” audit opinion, where the auditor is raising a concern. Be sure that is the case before choosing ‘Yes’.
- The question “Does the Auditor’s Report included with the audited financial statements contain an EMPHASIS OF MATTER statement?” asks you to confirm whether the Independent Auditor’s Report includes a paragraph headed ‘Emphasis of Matter’. If so, answer ‘Yes’, even if the wording of the Emphasis of Matter paragraph is standard or seems insignificant.
- If the auditor has provided communication to those charged with governance of the licensee under ISA 260 or its equivalent section under the relevant auditing standards, please ensure this is uploaded correctly. This is usually in the form of a letter to management or an audit findings report, and must include any letter which highlights material misstatements or significant control weaknesses or deficiencies. This is not the representation letter provided by the licensee to the auditor and it is not the Auditor’s report included in the audited financial statements.



Take Care

The Commission has noted that the following questions are a common source of errors:

- “Is the Audit Opinion within the Auditor’s report included alongside the audited financial statements qualified or adverse, or otherwise modified?”
- “Does the Auditor’s Report included with the audited financial statements contain an EMPHASIS OF MATTER statement?”

Please ensure that these questions are answered accurately and are cross-checked against the uploaded documents.

FINANCIAL INFORMATION SECTION

Income

This is income accruing to the Licensee and may include, among others, investment management fees, administration fees and performance fees. Please note, the sections in Form 142 do not total and are not necessarily expected to do so.

- **Total income** – This means all income received, not just for regulatory business. Please take this figure directly from the Financial Statements.
- **Fees earned from Controlled Investment Business** – This means all fee income from Category 1 and Category 2 controlled investment business conducted by the Licensee. This includes fees earned from administering POI regulated entities and all collective investment schemes.

Expenditure

- **Bonuses** – Total bonuses for all staff, including directors. Bonuses made by way of stock awards or any non-cash means should be calculated/stated at fair value, as would be required in the Financial Statements.
- **Directors' remuneration** – This information is requested in isolation from Bonuses. Please include here details of salaries and bonuses as well as loans made in the period and also written-off in the period.
- **Annual audited expenditure** – Please take directly from the Financial Statements.

Gains/Losses

- **Profit (loss) before tax** – Please take directly from the Financial Statements.

Assets

- **Total assets** – Please take directly from the Financial Statements.
- **Cash and cash equivalents** – Please take directly from the Financial Statements.
- **Intangible assets** – Please take directly from the Financial Statements.
- **Intra-group debtors** – This is the total inter-company debtor balances with group entities.
- **Trade receivables** – Please include management fee, administration fee and performance fee debtors in this line. If there is any provision for bad or doubtful debts, this should be a net figure.

Equity

- **Total capital and reserves** – Please take directly from the Financial Statements.
- **Total dividends paid during the return period** – Please take directly from the Financial Statements.

Capital Adequacy

If any other regulatory law takes precedence in accordance with 2.1(1)(c) of the Licensees (Capital Adequacy) Rules 2021, please input zero in each of the below fields.

- **Actual financial resources** – Please refer to the Licensees (Capital Adequacy) Rules 2021 for necessary **adjustments** to make the Financial Resources calculation.
- **Minimum financial resources requirement** – Please refer to the Financial Resources Requirement in the Licensees (Capital Adequacy) Rules 2021.
- **Actual liquidity** – Please refer to the Licensees (Capital Adequacy) Rules 2021 for necessary adjustments to make the Liquidity calculation.
- **Minimum liquidity requirement** – Please refer to the Liquidity Resources in the Licensees (Capital Adequacy) Rules 2021.

COMPLIANCE SECTION



Take Care

Please ensure that documents uploaded are for the correct period and are legible. For example, ensure that all rows/columns are visible with no text being cut off.

- **Number of regulatory breaches recorded during the period** – This means any breaches by the Licensee of the Commission’s regulatory laws, rules or guidance.
- **Total number of complaints** – Please ensure the complaints statistics reported are consistent with the complaints register which has been uploaded.
- **Client money** – Please refer to the Commission’s [Client Money – Investment](#) thematic report (February 2025) for additional information. A “self-assurance questionnaire” is provided at the end of the report to assist licensees in their consideration of client money arrangements.

STATISTICAL REPORTING SECTION

The questions appearing in the Statistical Reporting Section are conditionally related to the main regulated activity of the Licensee. Therefore, not every Licensee will be asked every question or combination of questions. Licensees should review the version of the form appearing on their specific Online Submissions timeline.

- **Total number of POI regulated collective investment schemes serviced** – “POI regulated collective investment schemes” means any scheme that is authorised or registered under the POI Law. “Serviced” means where the Licensee has a contractual relationship with a POI regulated collective investment scheme to perform a restricted activity.
- **Gross assets under regulated activity (“GAURA”) (in Sterling)** – This means the total gross value of all Category 1 and Category 2 controlled investment business conducted by the Licensee. i.e., this should include the Gross Asset Value of any collective investment scheme for which the licensee undertakes restricted activities (for example administration, custody, management), as well as the gross values of any other restricted activities the licensee undertakes in respect of general securities and derivatives.
- **Net assets under regulated activity (“NAURA”) (in Sterling)** – This means the total net value of all Category 1 and Category 2 controlled investment business conducted by the Licensee. i.e., this should include the Net Asset Value of any collective investment scheme for which the licensee undertakes restricted activities (for example administration, custody, management), as well as the net values of any other restricted activities the licensee undertakes in respect of general securities and derivatives.



Take Care

To avoid double-counting in the GAURA/NAURA by the Licensee:

- (a) the asset value of any subsidiaries or SPVs of any funds for which the licensee undertakes restricted activities should not be included in the licensees’ reporting of its GAURA/NAURA if their value is already included in the GAV/NAV of the funds;
- (b) GAURA/NAURA for a Licensee that administers another licensee (for example, for a Designated Administrator that administers a GP to a fund) should not include the value of the assets for which that administered licensee undertakes restricted activities, as that will be reported on the administered licensee’s own Form 142. Rather, the value of the assets of the administered licensee itself, should be included within the GAURA/NAURA of the administering licensee.

(c) any assets administered by the Licensee that are included in its fiduciary reporting should not be reported as part of the GAURA/NAURA figure.

Further clarification regarding the Commission's expectations is included in the Appendix.

- **Assets under management for top 3 clients** – This means the total value of all Category 1 and Category 2 business conducted by the Licensee as well as the total value of any other non-POI business conducted by the Licensee, for its top 3 clients.
- **Fees earned from top 5 clients** – This means any income earned by the Licensee from the client, not just fees earned from controlled investment business.
- **Number of staff** – This means the total number of full-time equivalent staff with a physical presence in Guernsey.
- **Number of Clients** – “Client” means the entity/individual with which the Licensee has a contractual relationship. This is the total number (rather than value) of clients with which the Licensee has a relationship for controlled investment business.
- **Turnover of stockbroking activities** – This means the value of stockbroking activities undertaken by the Licensee. For the purposes of this form, this includes the total consideration, including commissions, relating to these activities.

Appendix – Clarification in relation to GAURA/NAURA

The following clarification is provided to assist licensees in identifying which assets should be included in the GAURA/NAURA reported. The GAURA/NAURA figures provide the Commission with an indication of a licensee's scale, and the total value of its regulated activities. However, licensees should be mindful to avoid instances of double counting.

For example, where a licensee acts as the Designated Administrator for a fund and also administers the licensed General Partner (in the case of a partnership) or the licensed manager of that fund, the GAURA/NAURA reporting expectations of the licensees are as follows:

The administering licensee (the Designated Administrator) should include within its GAURA/NAURA:

- a) the GAV/NAV of the fund for which it acts as Designated Administrator;
- b) the gross/net assets of the General Partner or manager which it administers (which should reflect the relevant figures on that entity's balance sheet, such as capital and retained earnings); and
- c) The gross/net values of any other general securities and derivatives in respect of which it undertakes a restricted activity.

The (administered) General Partner or manager should, on its own Form 142, include:

- a) the GAV/NAV of the fund(s) for which it acts as GP/Manager; and
- b) The gross/net values of any other general securities and derivatives in respect of which it undertakes a restricted activity.