

Investment funds in Argentina: regulatory overview

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A Q&A guide to investment funds law in Argentina.

This Q&A is part of the global guide to investment funds. It provides a high level overview of investment funds in Argentina, looking at both retail funds and hedge funds. Areas covered include a market overview, legislation and regulation, marketing, managers and operators, restrictions and requirements, tax and upcoming reform.

To compare answers across multiple jurisdictions, visit the Investment Funds [Country Q&A tool](#). For a full list of jurisdictional Q&As visit www.practicallaw.com/investmentfunds-mjg.

Alejandro Poletto and Patricia Browne, Estudio Beccar Varela

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Alejandro Poletto, Partner

Patricia Browne, Associate

Retail funds

1. What is the structure of the retail funds market? What have been the main trends over the last year?

Open-ended retail funds

With open-ended funds shares can be redeemed at any time at the shareholders' request, and issued at any time.

The number of investors is unlimited and the net worth increases or decreases on the subscription and redemption by the investors.

According to the Argentine Securities and Exchange Commission (*Comisión Nacional de Valores*) (CNV) and the Argentine Chamber of Investment Funds (CAFCI), as of August 2015, there were 365 open-ended funds with combined assets of AR\$ 179 billion, including:

Equity funds.

Fixed income securities funds.

Money market funds.

Mixed income funds.

Infrastructure funds.

Closed-ended retail funds

Closed-ended funds have a fixed number of investors and are created for a fixed term or special purpose. Subscription of the shares takes place during the placement period and shares are not redeemable until liquidation of the fund. Shares are traded in the secondary market.

There is currently only one closed-ended retail fund in Argentina, according to the CNV and CAFCI.

Regulatory framework and bodies

2. What are the key statutes, regulations and rules that govern retail funds? Which regulatory bodies regulate retail funds?

Open-ended retail funds

Regulatory framework. Law No. 24,083 of 1961 (Investment Fund Law) regulates two different types of investment funds, open-ended funds and closed-ended funds. The Investment Fund Law and the supplementary Executive Order No. 174/1993, establish the main requirements on the funds' organisation and operation.

Open-ended funds are also subject to Law No. 26,831 (Securities Law) enacted in November 2012. In 2013, Executive Order No. 1,023/2013 implemented the Securities Law together with General Resolution 622/2013 of the Argentine Securities and Exchange Commission (CNV). The latter consists of a set of rules that enforces and administers the requirements of the Securities Law. The Securities Law and the other supplementary regulations introduced some important amendments, including:

The end of self-regulation of the securities market.

New types of licences for individuals and companies already engaged, or wishing to engage, in the public offering of securities.

New powers to the CNV (*see below, Regulatory bodies*).

Promotion of the participation in the securities market of small investors, including retail investors, trade unions, chambers of commerce, professional organisations and small and medium size companies.

Strengthening of the provisions that protect, and prevent abuse against, investors.

Regulatory bodies. The CNV is the principal regulatory body for open-ended funds. It directly regulates, supervises and sanctions irregular conduct and violations made by individuals and companies that participate in the public offering of securities.

In addition, the Argentine Central Bank and Superintendence of Financial and Exchange Entities act as regulatory bodies in cases where a financial entity acts as the depositary company of the fund. These agencies regulate the activity of the financial entities, including authorisation, surveillance and sanctions in case of violations of the regulations.

Closed-ended retail funds

Regulatory framework. Closed-ended funds are subject to the same regulatory regime as open-ended funds (*see above, Open-ended retail funds*). Closed-ended funds with shares listed on an exchange are also subject to the exchange rules and the CNV regulations.

Regulatory bodies. See above, *Open-ended retail funds: Regulatory bodies*.

3. Do retail funds themselves have to be authorised or licensed?

Open-ended retail funds

5. To whom can retail funds be marketed?

Open-ended retail funds

Open-ended retail funds can be marketed generally to any investor. Individual investors can subscribe a minimum of AR\$1,000 in shares of any fund. The minimum amount for companies or institutional investors is AR\$100,000, according to the Argentine Chamber of Investment Funds (CAFCI).

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Managers and operators

6. What are the key requirements that apply to managers or operators of retail funds?

Open-ended retail funds

Management companies of open-ended funds need to comply with the following requirements:

- Be created in Argentina under the form of a corporation (*sociedad anónima*).

- Be licensed by the Argentine Securities and Exchange Commission (CNV).

- Ensure the depositary company complies with its obligations under Law No. 26,831 (Securities Law) and any supplementary laws, and report any irregularities to the CNV.

- A company's board of directors must be comprised of at least three members and it must have a statutory auditors' committee.

- Members of the board of directors, statutory auditors' committee, managers and any other officer are forbidden to hold an office at the depositary company.

- Keep accounts of the operations, including:

 - registering the operations;

 - preparing the financial statements;

 - determining the value of the shareholders' equity and shares of the fund on a daily basis.

- Make all necessary publications and comply with all the requirements for public information established by the Securities Law and supplementary laws, and the regulations of any other applicable authority (for example, the money laundering regulations of the Argentine

Closed-ended retail funds

Legal vehicles. See above, [Open-ended retail funds: Legal vehicles](#).

Advantages. See above, [Open-ended retail funds: Advantages](#).

Disadvantages. See above, [Open-ended retail funds: Disadvantages](#).

Investment and borrowing restrictions

9. What are the investment and borrowing restrictions on retail funds?

Open-ended retail funds

There are two types of investment restriction, contractual and statutory. The contractual restrictions are set out in each fund charter. The most important statutory restrictions are as follows:

Investment in securities issued by the management company or the depository company is not permitted.

Investment in securities issued by the holding company of the management company or the depository company must not exceed 2% of the holding company's or the controlled company's assets and liabilities.

Investment in shares of a public company must not exceed 10% of the fund's total assets.

Investment in publicly traded debt securities of a company must not exceed 10% of the company's liabilities.

Investment in public bonds issued under the same conditions (that is, several classes of the same public bond) must not exceed 30% of the assets of the fund.

Investment in securities issued by the same entity or by entities belonging to the same business group must not exceed 20% of the fund's assets.

At least 75% of the fund's assets must be invested in authorised securities issued and traded in Argentina, Chile or parties to the "Mercosur" (Uruguay, Brazil, Paraguay, Venezuela and Bolivia).

There are also many investment restrictions regarding the margins of liquidity and availability.

Closed-ended retail funds

There are no restrictions on the assets of the portfolios.

There are no restrictions applicable to the investment of shares under Argentine law, unless otherwise provided in the fund charter.

10. Can the manager or operator place any restrictions on the issue and

redemption of interests in retail funds?

Open-ended retail funds

The manager and/or operator cannot place restrictions on the issue and redemption of shares except under unusual circumstances, for example, the occurrence of an event of force majeure. On the occurrence of such an event, if the management company needs to suspend the right to redeem shares, it must serve prior written notice to the Argentine Securities and Exchange Commission (CNV). Suspension of this right must not exceed three business days and requires prior approval by the CNV. Fund regulations can also establish that managers can charge fees for the subscription and redemption of shares.

The fund charter can establish that if one investor wishes to redeem shares representing 15% or more of the fund's net worth, it must serve a prior notice no later than three calendar days under certain circumstances.

Closed-ended retail funds

Closed-ended fund shares are not redeemable at the shareholder's request. A closed-ended fund can place restrictions on the issue and redemption of interests provided. However, the restrictions must be provided in the fund's regulations.

11. Are there any restrictions on the rights of participants in retail funds to transfer or assign their interests to third parties?

There are no restrictions on the rights of participants in retail funds to transfer or assign their interests to third parties.

Reporting requirements

12. What are the general periodic reporting requirements for retail funds?

Open-ended retail funds

Investors. A notice must be published on the website of the Argentine Securities and Exchange Commission (CNV), and in a stock exchange gazette or a newspaper with wide circulation within the city where the manager's head office is located, containing the following information:

On a daily basis: the value and number of shares issued.

On a monthly basis: the portfolio structure. In addition, the bodies of the fund must publish the structure of the portfolio at the offices that are open to investors on a weekly basis.

On a quarterly basis: the profit and loss statement.

On an annual basis: the annual financial statements and detail of the assets that make up the portfolio of the fund.

Regulators. The CNV must receive the same information as the investors (*see above*), in

23. What are the key disclosure or filing requirements (if any) that must be completed by the hedge fund?

Not applicable: there are no hedge funds in Argentina.

24. What are the key requirements that apply to managers or operators of hedge funds?

Not applicable: there are no hedge funds in Argentina.

Legal fund vehicles and structures

25. What are the main legal vehicles used to set up a hedge fund and what are the key advantages and disadvantages of using these structures?

Not applicable: there are no hedge funds in Argentina.

Tax treatment

26. What is the tax treatment for hedge funds?

Not applicable: there are no hedge funds in Argentina.

Restrictions

27. Can participants redeem their interest? Are there any restrictions on the right of participants to transfer their interests to third parties?

Not applicable: there are no hedge funds in Argentina.

Reform

28. What (if any) proposals are there for the reform of hedge fund regulation?

Not applicable: there are no hedge funds in Argentina.

Contributor profiles

Alejandro Poletto, Partner

Estudio Beccar Varela

