

BRITISH VIRGIN ISLANDS - INVESTMENT FUNDS: THE APPROVED MANAGER

The British Virgin Islands (the “BVI”) is one of the most popular and established jurisdictions for the formation and operation of offshore investment managers and advisors. BVI investment fund structures are globally known for their flexibility allowing investment managers and advisors to tailor their offering to the needs of their investors.

Introduction

The management of investment funds in, or from within the BVI (whether by way of providing discretionary, or non-discretionary investment advice), is a regulated activity, which requires regulatory approval from the BVI Financial Services Commission (the “Commission”).

The requisite regulatory approval by the Commission may be obtained under either the Securities and Investment Business Act, 2010 (“SIBA”) or the Investment Business (Approved Managers) Regulations, 2012 (the “Approved Manager Regulations”). Importantly, compliance with the Approved Manager Regulations is substantially simpler than compliance with SIBA.

The Approved Manager

The Approved Manager Regulations were implemented with a view to offering investment fund managers and advisors a simple and cost-efficient approval process in obtaining a licence for the provision of management or advisory services to BVI and certain foreign funds (including for example Jersey and Cayman Islands funds) or entities bearing similar characteristics to a fund.

The Approved Manager licence has become very popular in the industry since its introduction in 2012. It is widely perceived as being superior to the Cayman Exempt Manager, both on cost (formation and on-going) and also because it has the label of being a regulated product, which the Cayman equivalent does not have. In addition, the Approved Manager offers greater flexibility, since the Cayman Exempted Manager is limited to only acting for investment funds whose investors fall within the definitions of a “sophisticated investor” or “high net worth person”, whilst the Approved Manager has no such limitation.

Type of Management Services

The Approved Manager may act as an investment manager by way of providing discretionary advice or as an investment advisor by way of providing non-discretionary advice to certain BVI and foreign funds, notably:

- Incubator Funds;
- Approved Funds;
- Private Funds;
- Professional Funds;
- Foreign funds registered under the laws of a recognised jurisdiction (*) with the characteristics of a private or a professional fund;
- Closed-ended funds, whether registered under the laws of the BVI or the laws of a recognised jurisdiction with the characteristics of a private or professional fund; and

- Certain foreign funds registered in a non-recognised jurisdiction.

For further information on BVI investment funds, please [click here](#).

Managed Accounts

The Approved Manager may also be licenced to provide its clients with customised managed accounts services. The conditions under which a licence for such services is granted will be subject to the Commission's discretion.

Vehicle

An Approved Manager may be set up as a company or as a limited partnership. Individuals cannot hold an Approved Manager licence.

Assets Under Management

The Approved Manager may not manage aggregate assets worth over USD400 million if managing an open-ended fund or USD1 billion if managing a closed-ended fund. The assets of feeder funds will be disregarded for the purposes of calculating the aggregate value of the assets.

If the Approved Manager exceeds, or is likely to exceed, the relevant asset threshold, it must notify the Commission of that fact within seven days. The Approved Manager may then apply for a licence under SIBA, which carries no restriction in relation to the value of assets under management.

Application

An applicant for an Approved Manager licence may commence management business seven days after the submission of a complete application to the Commission, unless the Commission agrees to a shorter period in writing.

Ongoing Requirements

An Approved Manager is subject to the following ongoing requirements:

- To have two directors appointed at all times, one of whom must be an individual;
- To have an authorised representative, who is certified by the Commission, appointed at all times;
- To notify the Commission within 14 days of any change to the information submitted with the initial application form;
- To notify the Commission of any matter which has, or is likely to have, a material impact or significant regulatory impact on the Approved Manager or its "relevant business";
- To submit financial statements, which need not be audited, to the Commission within six months after the end of the financial year; and
- To submit the annual return in the approved form and the annual renewal fee each by 31 January of each year.

About Hatstone

Hatstone is a leading boutique multi-jurisdictional law firm with offices in the BVI, Jersey, London, Malta, Panama and South Africa.

Our philosophy revolves around a Partner-led client service.

We believe that the right people will attract the best work and we have put in place a first class team to assist you. The team has been carefully chosen to ensure that there is experience and strength-in-depth. Access to our lawyers is very much 24/7 through the latest technology. Our principal aim is to help clients achieve their objectives by offering them pragmatic advice and solutions.

For more information or specific advice on investment funds and managers in the BVI, please contact:



Philipp Neumann
Hatstone - Group Partner
E: philipp.neumann@hatstone.com
T: +1284 494 47 17

Folio Chambers,
PO Box 800,
Road Town,
Tortola,
British Virgin Islands

NOTE ON THIS RELEASE

This publication is for general guidance only and does not constitute definitive legal advice.
© Hatstone Group

(*) Recognised jurisdictions include, inter alia, Bahamas, Bermuda, Cayman Islands, Curaçao, Gibraltar, Greece, Guernsey, Hong Kong, Ireland, Isle of Man, Jersey, Luxembourg, Malta, New Zealand, Panama, Singapore, South Africa, Switzerland, United Kingdom and the United States of America.

HATSTONE

www.hatstone.com