

Harneys has a wealth of experience in assisting smaller and start-up fund managers and can guide you through every step of the process.

BVI Funds products for emerging managers who are thinking of setting up a fund

Natalie Bell, Senior Associate

The BVI offers two lightly regulated open-ended fund products, the incubator fund and the approved fund, and an investment management product, the approved manager, which are all specifically targeted at emerging or smaller managers.

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The incubator fund

The incubator fund allows emerging managers a two-year incubation or 'validity' period to test a strategy and establish a track record. During that period, the fund can operate with light regulation, no mandatory service providers and without carrying out an audit, provided it remains within the following relevant thresholds:

- no more than 20 investors
- each investor must be a 'sophisticated private investor', which means that they were invited to invest and have made a minimum initial investment of US\$20,000
- the net assets of the fund must not at any time exceed US\$20million

If the incubator fund is successful, it can simply convert before the end of the incubation period into a private, professional or approved fund. If it is not viable, the fund must either wind up operations or convert to a simple BVI business company.

The approved fund

The approved fund allows managers to establish a fund with a private offering to a small group of investors on a longer term basis. Like the incubator fund, approved funds can operate with no manager or custodian and without carrying out an audit. To qualify as an approved fund, the fund must have a maximum of 20 investors and its net assets must not at any time exceed US\$100 million. The approved fund is required to appoint an administrator to ensure suitable oversight of its operations.

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The approved manager

The approved manager is an investment management vehicle for smaller managers which is regulated by the BVI Financial Services Commission (**FSC**), but subject to minimal ongoing obligations. It is extremely flexible and can be used to manage open ended funds in the BVI, closed end funds in the BVI with certain characteristics, open and closed end funds in other jurisdictions with certain characteristics, managed accounts, and other types of investments approved by the FSC on a case-by-case basis.

How long would it take to get a fund and a management vehicle up and running?

Harneys works with managers to produce the necessary documentation and manage the application process. Once the application is filed, an approved fund or incubator fund can begin operating after two days, provided the FSC does not raise any questions within that period, and an approved manager can commence business after seven days.

For more information and key contacts please visit www.harneys.com/expertise/global/investment-funds-law.

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