

INVESTMENT FUNDS

YOUR GUIDE TO

BVI Approved Managers

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This guide provides a brief overview of the Approved Investment Manager regime established under the Investment Business (Approved Managers) Regulations (the “**Approved Manager Regulations**”) enacted under the Securities and Investment Business Act (the “**SIBA**”) of the British Virgin Islands (the “**BVI**”).

Attractiveness of the BVI Approved Investment Manager Regime

A BVI Approved Investment Manager (“**Approved Manager**”) is a regulatory-light offshore investment management vehicle. They can be established very quickly and are inexpensive to set up and operate. They are regulated by the BVI Financial Services Commission (the “**BVI FSC**”) but are subject to only moderate levels of regulation (befitting smaller and start-up managers).

The provision of investment management or advisory services to investment funds or client accounts in, or from within, the BVI generally requires prior regulatory approval from the BVI FSC. Such approval could take the form of either (i) an Approved Manager or (ii) a “full management licence” under the SIBA.

The Approved Manager option provides an attractive and more efficient and streamlined alternative to a “full management licence” under the SIBA but is subject to prescribed limits on maximum assets under management (“**AuM**”) as detailed below. Approved Managers have proven immensely popular amid the general global trend towards increased compliance costs and more onerous regulation. The significant time and cost savings derived from the Approved Manager regime’s streamlined approach to establishing and maintaining a management company offshore in the BVI has been undoubtedly welcomed by global asset managers seeking a jurisdiction which is robust, secure and highly-regarded among professional and institutional investors.

Vehicle Types

An Approved Manager may be structured as either a BVI business company (a corporation) or a BVI limited partnership. An individual cannot be an Approved Manager.

Services That May Be Provided

In general terms, an Approved Manager may (upon approval by the BVI FSC) be used to manage or advise one or more of the following:

- A BVI investment fund that is regulated under the SIBA (an open-ended fund), or affiliates thereof.
- A BVI investment fund that is regulated under the Private Investment Funds Regulations enacted under the SIBA (a closed-ended fund), or affiliates thereof.
- A foreign fund incorporated or formed in a “recognised jurisdiction”¹ that has equivalent characteristics to a regulated BVI investment fund, or affiliates thereof. For example, many Cayman Islands funds are managed or advised by BVI Approved Managers.
- A foreign feeder fund or fund-of-funds incorporated or formed in a non-“recognised jurisdiction” that has equivalent characteristics to a regulated BVI investment fund and invests all or a substantial part (generally more than 50%) of its total assets in one or more regulated BVI investment funds.
- Such other person as the BVI FSC may approve on a case-by-case basis upon application. For example, this could potentially include managed account structures or certain unregulated fund structures (such as single-investor or single-asset funds).

¹ The list of “recognised jurisdictions” currently includes: Argentina, Australia, Bahamas, Bermuda, Belgium, Brazil, Canada, Cayman Islands, Chile, China, Curacao[i], Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Panama, Portugal, Singapore, Spain, South Africa, Sweden, Switzerland, United Kingdom, United States of America.

Key Limitations

Approved Manager may only manage or advise:

- Up to a maximum aggregate AuM of US\$400 million for open-ended funds/accounts.
- Up to a maximum aggregate AuM of US\$1 billion for closed-ended funds/accounts.

Key Functionaries

An Approved Manager must appoint:

- For a corporation: at least 2 directors, one of whom must be an individual. Local BVI-based directors are not mandatory.
- For a limited partnership: at least one general partner (which could be either a BVI entity or a foreign entity).
- An MLRO (Money Laundering Reporting Officer).
- A BVI Registered Agent/Office and Authorised Representative, services which Conyers can provide for its clients.

Application Process

The application process is straightforward. The application with the BVI FSC requires (among other items):

- Application form.
- Copies of various corporate documents.
- Various details for the directors or general partner, senior officers and underlying principals.
- CVs/resumes for the directors, senior officers and key portfolio managers.
- Various declarations of fitness and propriety.
- Proposed client list.
- Copies of proposed investment management/advisory agreements.
- Details of any proposed outsourcing/delegations of investment functions.
- Copy of AML/CFT compliance manual.
- Details of MLRO (Money Laundering Reporting Officer) including their CV/resume.

Economic Substance Requirements

Carrying on business as an Approved Manager is not, of itself, a “relevant activity” under the BVI Economic Substance (Companies and Limited Partnerships) Act (the “BVI Economic Substance Act”). (“Fund management business” is a “relevant activity” under the BVI Economic Substance Act but an Approved Manager would not meet the specific definition of “fund management business” for these purposes.)

Accordingly, unless an Approved Manager carries on some other category of “relevant activity” under the BVI Economic Substance Act (which would be uncommon in practice), it would not be subject to any substantive economic substance requirements in the BVI (for example, it should not be required to have a commercial office or any local directors or employees on the ground in the BVI). As a result, most Approved Managers may be operated entirely remotely from outside the BVI (subject to having a BVI Registered Agent/Office and Authorised Representative, services which Conyers can provide for its clients).

FATCA/CRS

A BVI Approved Manager should take into consideration the applicable registration and filing requirements under FATCA and CRS (and any relevant exemptions that may be available). For further details, please refer to our firm's publications titled "[Impact of FATCA on BVI Entities](#)" and "[The British Virgin Islands and the Common Reporting Standard Issued by the Organisation for Economic Co-Operation and Development](#)".

Ongoing Reporting Requirements

An Approved Manager must comply with the following key reporting requirements:

- It must report to the BVI FSC any changes to the information submitted pursuant to its initial application, within 14 days of the change.
- It must promptly report to the BVI FSC any matter in relation to it or the conduct of its business which has or is likely to have a material impact or a significant regulatory impact with respect to it or its business.
- It must file with the BVI FSC an unaudited annual statistical return by 31 January each year (confirming that the manager and its senior team remain in compliance with the Approved Manager Regulations, along with details of clients and funds under management and any significant complaints received from clients).
- It must file with the BVI FSC an annual AML/CFT return by 31 March each year.
- FATCA/CRS reports are generally due for submission on the BVIFARS Portal by 31 May each year.
- It must file with the BVI FSC unaudited annual financial statements (prepared in accordance with prescribed accounting standards) with 6 months of the end of the financial year to which they relate.

FSC Fees

The current fees payable to the BVI FSC are cost-competitive and comprise:

- Upfront application fee of US\$1,200.
- Annual licensing fee of US\$1,800 p.a.

Timeframe

An application must be submitted to the BVI FSC at least 7 days prior to the intended launch date (unless the BVI FSC accepts a shorter period in its discretion). Subject to that, an applicant may then commence business immediately upon submission of the complete application for a provisional operating period of up to 30 days from the date of submission of the application, pending formal approval (or rejection) of the application by the BVI FSC. The said 30 day period may be extended for an additional period of up to 30 days (60 days in total) upon approval by the BVI FSC in its discretion.

About the BVI

The BVI is recognised as a well-established, cost-efficient and innovative offshore domicile, ideally suited to attract new or start-up investment fund managers.

Key attractions of the BVI include:

- Flexible corporate structures.
- Speed and cost efficiencies.
- Simple and business-friendly regulation, with sound but commercially sensible levels of regulatory oversight and ongoing compliance requirements.
- Tax neutrality.
- Common law system with ultimate right of appeal to the Privy Council in the UK.
- Widely recognised and respected globally as a robust and secure jurisdiction, and highly-regarded among professional and institutional investors.

About Conyers

Conyers is a leading international law firm with a network of offices around the globe. Since our beginnings in 1928, we have distinguished ourselves through our commitment to clients, providing responsive, sophisticated and strategic advice alongside comprehensive fiduciary services.

Conyers has extensive experience acting as British Virgin Islands counsel to asset management groups and investment funds, many of which are complex multi-fund structures, ranging from hedge funds to private equity and venture capital funds.

Working with Conyers' fund specialists brings a level of service that goes beyond the initial set-up of your fund or management company. We guarantee a personal approach that better understands your business objectives. Our team of fund specialists act as offshore legal advisers for international fund management houses and provide innovative solutions and advice to a variety of fund service providers including banks, administrators, custodians and managers. AP_LEGAL - 110891508.1

You will benefit from the expertise of one of the largest and most well-established investment funds practices in the British Virgin Islands, advising top-tier hedge fund sponsors and private equity firms. This unmatched on-the-ground presence in the jurisdiction is complemented by highly experienced investment funds teams in our Hong Kong, Singapore and London offices, providing innovative advice and solutions on investment fund matters.

** Please note that this guide provides only a very general and high-level overview of the matters to which it relates. It is not intended as legal advice and must not be relied on as such.*

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This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

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