

Establishing an Approved Fund in the BVI: Key Considerations

Are you considering launching a smaller strategy or friends and family fund?

The British Virgin Islands ("BVI") offers a streamlined and cost-effective solution through its Approved Fund Product. Introduced on 1 June 2015, the Approved Fund Product is designed to minimise compliance costs while providing an effective regulatory framework.

The key considerations of an approved fund are:

- (a) **Maximum Number of Investors:** Limited to 20. If exceeded for over two consecutive months, the fund must convert to a professional or private fund, commence liquidation, or cease to be a mutual fund.
- (b) **Net Assets Cap:** Net assets must not exceed US\$100 million. Similar to the investor limit, exceeding this cap for over two consecutive months requires conversion, liquidation, or cessation as a mutual fund.
- (c) **Service Provider Appointments:** No requirement to appoint a manager, custodian or an auditor, but an administrator is required. The fund must also appoint an authorised representative in the BVI and, if structured as a company, have at least two directors (one of whom must be an individual).

Application Process

The application process for an approved fund includes:

- (a) **Incorporation/Formation:** The fund must be incorporated as a company or formed as a limited partnership.
- (b) **Documentation:** Submit a short application form to the Financial Services Commission ("FSC") along with the fund's constitutional documents, CVs of directors or general partners, a description of the investment strategy, and a copy of the written investment warning to be given to investors in the prescribed form.
- (c) **Fees:** US\$1,800 application fee and US\$1,200 annual approval fee.
- (d) **Approval Timeline:** The fund can commence business two business days after the FSC receives a completed application. The approval of the fund as an approved fund will be evidenced by the FSC posting the name of the fund on its online register of approved funds. It is also possible to obtain a certificate from the FSC evidencing the status of the fund.
- (e) **Continuing Obligations:**
 - (a) **Regulatory Filings:** Ensure all necessary filings and notifications are made through the authorised representative.
 - (b) **Board of Directors:** Maintain a board with at least two directors if structured as a company.

- (c) **Valuation Policy:** Implement a clear and comprehensive valuation policy appropriate for the fund's size and complexity, with annual valuations and reports to investors.
- (d) **Financial Statements and Returns:** Submit annual (unaudited) financial statements and returns to the FSC.
- (e) **Notifications:** Inform the FSC within 14 days of any change to the information filed in the fund's application and notifying any matter which has or is likely to have a material impact on the approved fund.

The approved fund is an excellent option for those looking to start a fund with minimised compliance costs and flexible regulatory requirements.

If you are interested in establishing an approved fund in the BVI, contact us to learn more.

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