



BVI Approved Manager Regime – Streamlined for Success

Author:

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The British Virgin Islands is recognised as a well-established and innovative fund domicile, ideally suited to attract new or start-up investment fund managers. Key initiatives on this front, implemented by the Financial Services Commission (“FSC”), have been instrumental including the Approved Manager regime, which reduces the costly and complex regulatory burden on global asset managers looking to launch funds in the BVI.

Establish New Funds Faster

Alongside the more recent addition of the Incubator and Approved Fund vehicles to the BVI’s suite of products, the BVI’s Approved Manager regime makes it easier for small and medium sized hedge fund groups to establish a manager. Upon approval by the FSC, managers that meet the criteria are able to manage funds faster and at lower cost than would otherwise be possible.

This has been attractive amid the general global trend for increased compliance costs and more onerous regulation. Since the guidelines were introduced in 2012, over 200 fund management or advisory groups have been granted Approved Manager status in the BVI.

Previously, any manager or advisor incorporated in the BVI would need an investment business licence under the *Securities and Investment Business Act, 2010* (“SIBA”), which is a relatively complex process. Under the “lighter touch” Approved Manager regime there is a US\$400 million cap on assets under management for managers of hedge funds and the funds it manages must be Private or Professional Funds in the BVI or equivalent funds in another jurisdiction, such as the Cayman Islands, Switzerland, Ireland, Luxembourg or the United Kingdom. An Approved Manager in the BVI is exempt from holding a SIBA Investment Business Licence and the obligations that go along with it and is not required to appoint a compliance officer or maintain a compliance manual.

How to apply?

The application process is straightforward. The relevant form must be submitted to the FSC, with a copy of the management/advisory agreement, a CV for each principal, director or senior officer and a declaration that each of these individuals satisfy certain “fit and proper” criteria. Finally, a BVI lawyer or licensed authorised representative must submit a declaration that the application is complete and meets all the relevant requirements.

What are the continuing obligations?

Continuing obligations for Approved Managers are greatly reduced compared with a SIBA Investment Business License. An annual return should confirm the manager and senior team remain in compliance with the regulations, along with details of

funds under management and any significant complaints received by investors. Annual financial statements must be submitted, however these are not required to be audited. Managers must retain at least two directors and always have a licensed authorised representative in the BVI, which can be arranged by our affiliate Conyers Corporate Services (BVI) Limited. Additionally, the FSC must be notified of any matter which has a material impact on the manager or its funds.

When AUM's Exceed the Threshold

If the Approved Manager exceeds the US\$ 400 million limit on assets under management, either through strong investment returns or increased subscriptions, it must notify the FSC within seven days and within three months, either apply for a SIBA license, reduce assets below the threshold, or obtain FSC consent to remain as an Approved Manager with assets above US\$ 400 million, although this will not necessarily be granted.

Efficiency and Innovation – BVI continues to lead the way

The significant time and cost savings derived from the Approved Manager regime's streamlined approach to establishing and maintaining funds in the BVI has been undoubtedly welcomed by global asset managers seeking a jurisdiction which is strong and secure and highly regarded among institutional investors. Combined with its innovative Approved and Incubator fund products, the BVI has clearly solidified its reputation as a leading offshore domicile for hedge funds.

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