

Investment Funds in the British Virgin Islands and Cayman Islands
July 2010

I. Introduction		
The British Virgin Islands ("BVI") and the Cayman Islands ("Caymans") have become the preeminent jurisdictions for the establishment of investment funds. Both offer no capital gains, income, profit, corporate or withholding taxes or any legal restrictions on the investment policies and strategies of funds. If you are contemplating in which jurisdiction to set up a fund, it would be best that you compare and evaluate the features of the BVI and the Caymans as set out below.		
II. British Virgin Islands and Cayman Islands		
	BRITISH VIRGIN ISLANDS	CAYMAN ISLANDS
Principal legislation	Securities and Investment Business Act 2010 BVI Business Companies Act 2004 (as amended) Partnership Act 1996 (as amended)	Mutual Funds Law (2009 revision) Companies Law (2009 revision)
Regulatory authority	Financial Services Commission (FSC)	Cayman Islands Monetary Authority (CIMA)
Regulatory approvals	Yes, all open-ended vehicles falling within the definition of a Mutual Fund	Yes, all open-ended vehicles falling within the definition of a mutual fund
Regulatory exemptions	None available	a) Funds with a minimum investment of USD100,000 or listed on a stock exchange that is approved by CIMA and that have paid the prescribed fee and registered the required documentation with CIMA can be exempt from holding a mutual funds license b) Funds with fewer than 15 investors, the majority of whom have the right to appoint and remove the

		c) directors can be exempt from holding a mutual funds license
Type of Funds	Public – offers shares to the public Professional – made available to professional investors only with minimum initial investment of USD 100,000 Private – offers shares on private basis or limits number of investors to 50	Licensed Mutual Fund – holds mutual fund license under s.4(1)(a) of the Mutual Funds Law. These are usually funds intended to be retail funds Administered Mutual Fund – a fund whose principal office is provided by a licensed mutual fund administrator in the Cayman Islands Registered Mutual Fund – registered under s.4(3) of the Mutual Funds Law. It must have either initial minimum investment of USD100,000 or its equity interests listed on a recognized Stock Exchange Exempt Mutual Fund – exempt from licensing or registration under s.4(4) of the Mutual Funds Law
Fund vehicles	Companies: BVI Business Company Segregated Portfolio Company Unit Trust Limited Partnership	Companies: Exempted Company Segregated Portfolio Company Unit Trust Partnership
Minimum Investment	Public Fund – None Professional Fund – USD100,000 (or currency equivalent) Private Fund – None	Licensed Mutual Fund – None Administered Mutual Fund – None Registered Mutual Fund – USD100,000 (or currency equivalent) Exempt Mutual Fund – None

Director requirements	No residential qualifications. Corporate directors are acceptable Minimum 2 directors	No residential qualifications. Corporate directors are acceptable Minimum 2 directors
Capital Structure	No minimum capital Multiple classes permitted Multiple currencies allowed Unlimited capitalisation permitted	No minimum capital Multiple classes permitted Multiple currencies allowed Unlimited capitalisation permitted
Annual Shareholder meetings	No requirement	No requirement
Investment restrictions	None	None
Recognized Stock Exchange	None	Cayman Islands Stock Exchange
Financial Statements	Audited annual financial statements	Audited annual financial statements
Segregated Portfolios	Yes, permitted under BVI Business Companies Act	Yes, permitted under Companies Law
Fees	Registrar of Corporate Affairs Annual Fee: USD350 (for companies authorised to issue 50,000 shares or less) and USD1100 (for companies authorised to issue more than 50,000 shares) FSC Annual Fees: USD350 for private and professional funds and USD500 for public funds.	Registrar of Companies Annual Fee: USD732 CIMA Annual Fee: USD3,659
Prospectus	Required for Public Funds and optional (but accepted practice) for Private and Professional Funds	Required

Local service providers	Registered office, registered agent and authorised representative	Registered office
Manager requirement	Yes, but FSC may exempt private and professional funds from this requirement	Yes
Custodian	Yes, but FSC may exempt private, professional AND public funds from this requirement	No
Administrator	Yes, but not required to be a local licensed administrator	Yes, but not required to be a local licensed administrator
Auditor requirement	Yes. The FSC may exempt a private or a professional fund from this requirement No local auditor requirement, but for public funds, it must be an "Approved Auditor"	Yes. Local auditor requirement

III. Conclusion

The purpose of the table above is to highlight some of the features that must be examined by clients when trying to decide which jurisdiction to choose. Both jurisdictions are committed to promoting their financial services industry and their legal framework ensures that funds can be structured as internationally-accepted vehicles.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.