

A banner image showing a low-angle view of several modern glass skyscrapers reaching towards a clear blue sky. The text "Isle of Man Funds" is centered in a white box with a dark border.

## Isle of Man Funds

As an established fund services provider, Abacus is able to offer a fully cross-border administration solution to fund managers and intermediaries establishing and operating fund structures for clients internationally.

### Why the Isle of Man?

The Island is internationally recognised and respected with a AA+ Standard & Poor's rating and a AAA Moody's Sovereign rating, is white listed by the OECD and is regarded by the IMF as a well-regulated jurisdiction adhering to international standards of regulatory behaviour. It has a stable political and economic environment offering the highest standard of professional services firms with significant financial benefits.

With close proximity of London and other key markets of Europe, the Isle of Man offers a compelling and cost-effective alternative for the domicile of investment funds.

### Types of Funds

Abacus are able to assist with input into the choice of fund scheme and domicile and liaise with the other service providers required for a scheme. Throughout our Isle of Man office, we can establish and administer a variety of schemes.

#### Authorised Schemes (Retail Investors)

Authorised Schemes are suitable for promoters requiring a retail investment product benefiting from a high degree of investor protection. Investors in authorised schemes are covered by a compensation scheme operated by the Isle of Man Financial Services Authority. There is no prescribed regulatory minimum investment amount.

Authorised Schemes are funds that are subject to detailed and prescriptive regulation capable of promotion to the general public in the Isle of Man, the United Kingdom and elsewhere.

#### Regulated Funds (No restrictions on types of Investor)

The Regulated Fund offers flexibility on investment advisory/asset management requirements and is normally sold through Independent Financial Advisors.

It must appoint a Manager and a Promoter who is responsible for promotional activities and the suitability and accuracy of promotional materials and advertisements. The Manager of a Regulated Fund can be the Promoter or alternatively, the Promoter may be someone who the governing body has assessed as suitable to act as such. There is no prescribed regulatory minimum investment amount.

Regulated Funds are subject to preapproval by the regulator and capable of promotion both within and outside of the Isle of Man subject to host jurisdiction rules.

#### Specialist Funds (Sophisticated and Professional Investors)

Specialist Funds are aimed at institutional and sophisticated professional investors. There are no regulatory restrictions on assets classes, trading strategies or leverage however the Specialist Funds must receive investment advice or management services from a regulated entity. A Specialist Fund must be audited annually by a qualified auditor.

The minimum subscription requirement is at least US\$100,000 (or currency equivalent) and investors must have a net worth in excess of US\$1m.

The Specialist Fund is ideally suited for institutional and sophisticated investors investing into alternative investment funds or hedge funds.

#### Qualifying Funds (Sophisticated and Professional Investors)

Qualifying Funds are aimed at institutional and experienced non-retail investors who must certify that they are sufficiently experienced to understand the risks involved with an investment into the scheme.

The Qualifying Fund must appoint a promoter and a custodian who is either an Isle of Man licence holder or holds the equivalent in a jurisdiction with acceptable regulatory standards. A Qualifying Fund must be audited annually by a qualified auditor and there are specific director requirements.

There is no requirement for pre-approval of the scheme particulars so a Qualifying Fund can be launched quickly.

These can be domiciled in either the Isle of Man or other offshore jurisdictions depending on the type of investments being made and the taxation treatment of the investors.

### The Exempt Scheme

There may be circumstances where a privately controlled investment 'company' can be an attractive product for small groups of connected parties. A 'Friends & Family' vehicle can facilitate a commercially effective pooling of investor capital and a convenient reporting mechanism.

The Isle of Man has long recognised that such structures should be free from the regulatory trappings and overheads required for more publicly offered structures and these can be established relatively quickly and economically by licensed administrators.

An Exempt Fund is a popular example and provided that this type of fund has fewer than 50 investors (at all times) and that interests in the Fund are not offered to the public, then the Exempt Fund is a private arrangement and is not subject to any form of regulation.

The special income tax regulations applicable to other types of Schemes do not apply, as such Schemes are not considered as being licensed.

### Closed – Ended Investment Companies

Closed-Ended Investment Companies are not subject to fund regulation in the Isle of Man as they do not provide investors with a right of exit during the life of the scheme.

As periodic subscriptions or redemptions are not possible these schemes are ideally suited to illiquid investments such as unlisted securities, venture capital, private equity or property investments where the investor are committed for a period of time typically several years.

In IPO or private equity situations these enable companies to raise money when the assets held are illiquid and thus difficult to price. These companies are

ideally suited for listing on London's Alternative Investment Market (AIM).

### Overseas Schemes

As a licensed third party fund administrator Abacus are able to administer collective investment schemes domiciled in jurisdictions other than the Isle of Man. Typically these are the Cayman Islands, British Virgin Islands and Bermuda.

These schemes need only be regulated in their jurisdiction and can be badged as an "Overseas" scheme from an Isle of Man regulatory perspective. This allows for schemes domiciled in another jurisdiction's to be administered in the Isle of Man with no additional regulatory requirements.

Depending on the offshore jurisdiction virtually all aspects of a scheme can be administered from the Isle of Man with the scheme typically just needing a registered office and Corporate Service Provider in the local jurisdiction.

Alternatively should a scheme wish to enjoy the comfort of dual regulation it can be regulated to meet its domicile's regulations and also fall within one of the Isle of Man scheme types.

## Contacts

**Paul Watterson**

+44 1624 689600

[paul.watterson@abacustrustgroup.com](mailto:paul.watterson@abacustrustgroup.com)

**Stewart Fleming**

+44 1624 689600

[stewart.fleming@abacustrustgroup.com](mailto:stewart.fleming@abacustrustgroup.com)

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## About Abacus Trust Group

We are a leading fiduciary and professional administration services specialist based in key jurisdictions.

As an independent and privately-owned group of companies, our principle of applying integrity, independence and insight to meet our clients' requirements has gained us recognition as a leader in our field.

We provide premier onshore and offshore solutions to an international client base, delivered by a team of multi-disciplined, multi-lingual, resourceful and innovative professionals.

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