

# Isle of Man funds.

Abacus Financial Services Limited

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[abacustrustgroup.com](http://abacustrustgroup.com)



# Why Abacus?

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*Abacus Financial Services Limited (AFSL) is the fund administration arm of Abacus, an independent provider of professional, fiduciary and management services.*

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Originally part of Coopers & Lybrand, which later became PricewaterhouseCoopers, Abacus has a 40-year history of providing technical expertise and outstanding customer service – giving our clients the peace of mind they require.

AFSL was formed in 1994 to compliment the Abacus Trust Group's existing trust and corporate service offering. It is licensed by the Isle of Man Financial Services Authority (FSA) to manage and administer Isle of Man and overseas collective investment schemes.

The experience and background of our key staff means we consistently deliver cost-effective, timely and practical support to investment professionals looking to develop a successful fund offering.

Our dedicated team has the skills and expertise to help successfully structure a new proposition or migrate an existing scheme.

# Funds.

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*The regulatory framework for investment funds can be complex; we have the know-how to navigate the requirements and ensure all statutory reporting and compliance obligations are efficiently met.*

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Abacus has invested in first-class technology which means fund sponsors can be sure of quality data, accurate reporting in multi-currencies and seamless administration.

AFSL does not operate a one-size-fits-all approach – offering a personalised service is at the core of our business.

We enjoy working collaboratively, building partnerships and are able to use our extensive network of contacts, including banks, brokers and professional advisers to the benefit of our clients.

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# Isle of Man funds.

3.

**Our fund services can be grouped under four areas:**

## **Fund administration**

- Fund accounting
- Processing subscriptions and redemptions
- Handling of administrative enquiries from investors
- Valuation of assets and pricing of units
- Calculation of management fees and performance fees
- Onboarding of investors (including investor due diligence)
- Maintenance of the register of investors
- Record keeping
- Provision of Registered Office and acting as Registered Agent.

## **Financial accounting & management services**

- Opening and operation of bank account(s), including payments, administration and cash management
- Treasury services
- Preparation of regular and ad-hoc management information, in a format and level of detail to suit the requirements of the fund's Governing Body and Sponsor
- Preparation of annual accounts and issue to shareholders
- Management of the audit process (where relevant)
- Ensuring compliance with accounting standards and best practice
- Assistance with Isle of Man tax compliance.

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# Isle of Man funds.

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## **Compliance services to comply with**

- Regulatory obligations under the Collective Investment Schemes Act 2008 (CISA)
- AML compliance obligations, including providing an MLRO, risk assessments, initial and ongoing CDD and transaction monitoring, reporting to and training of the governing body, SAR/STR reporting
- Company law obligations, including filings to the Companies Registry
- Data Protection
- Filing of tax Automatic Exchange of Information, i.e. CRS/FATCA.

## **Additional administrative services including**

- Company secretarial services/registered agent
- Arranging and hosting board and committee meetings and minute taking either remotely or in person and the preparation of board packs
- Arranging and hosting general meetings of shareholders, including drafting and issue of shareholder notices, proxy handling
- In co-operation with a fund's legal adviser, assisting in preparation of fund documents such as the Offering Document
- Coordination and support for contracts, including both investment transactions and service provider contracts
- Arranging directors and officer's insurance
- Introduction of independent non-executive directors
- Support from the Abacus Trust Group.

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# Why the Isle of Man?

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5.

## **Self Determination and stability**

The Isle of Man is a self-governing dependent territory of the British crown. Tynwald, the Island's 1,000-year-old parliament, makes its own laws and oversees all internal administration, fiscal and social policies.

## **Flexible regime built on accepted principles**

The Manx legal system, whilst closely modelled on English law, has been developed to meet the Island's special circumstances, particularly with regard to taxation, company law and financial supervision.

## **International reputation**

The Island is recognised as a stable, well-regulated, innovative international finance centre with access to global markets.

## **Fund regime to suit different needs**

It is worth noting there are a number of fund vehicles requiring no pre-approval from the FSA which means they can be launched quickly and without the potential of regulatory delays. There are also no compliance restrictions on the trading strategies undertaken by managers or advisers for some funds.

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# Why the Isle of Man?

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6.

## **Appropriate tax regime**

The Isle of Man operates a favourable tax regime, with no capital gains tax, no inheritance tax and no stamp duties. Corporation tax is levied at zero per cent except for specific types of income such as deposit-taking activity and real estate.

In practical terms a corporate fund vehicle will automatically benefit from a zero rate of corporation tax without having to apply for an exemption, as will its Island-based fund manager and administrators.

There is no Isle of Man withholding tax on dividends paid to non-resident investors, nor will they pay capital gains tax other than potentially in their jurisdiction of residence. The Isle of Man has signed agreements to improve international tax compliance with both the UK and the USA, amongst many others, and is proactive in regard to compliance with FATCA and CRS.

Fees charged by fund administrators and investment managers based in the Isle of Man in respect of services to Isle of Man funds (other than exempt schemes) are not subject to VAT. Funds established in overseas jurisdictions are outside the scope of VAT, therefore no VAT will be charged.

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# Which Isle of Man fund?

The following schematic is intended to give an indication of the level of regulation applied to different fund types.

Is the fund aimed at retail investors or requires a fiduciary custodian or trustee?

No Yes →



Will the fund have a minimum investment level below US\$100,000?

No Yes →



Will the fund be distributed to more than 49 investors or does it need to be publicly registered?

No Yes →



## Regulated Fund

### Flexibility and regulatory assurance

- Arrangements and functionaries are pre-approved by the regulator
- No restrictions on types of investor – scheme must be suitable for the target market
- IOM manager
- Regulated fiduciary custodian/trustee/custodian
- Flexible investment advisory/asset management and asset classes
- Promotion suitable for fund type and target market.

## Qualifying Fund

### Less prescription & increased flexibility

- Regulatory oversight through post event notifications to the FSA
- IOM manager to ensure ongoing suitability and compliance
- Appointed custodian to safeguard fund assets
- Flexible investment advisory/asset management and asset classes
- Investors must be “qualifying investors”
- Typically sold through acceptable Financial Advisers.

## Specialist Fund

### Designed for institutional & specialist investors

- Regulatory oversight through post event notifications to the FSA
- Regulated administrator to ensure smooth running of the fund
- No formal requirements for a custodian
- No restrictions on asset classes
- Investors must be institutional or experienced higher net worth
- Typically sold through professional and Financial Advisers or direct to institutional investors.

## Exempt Schemes

### Suitable for incubator funds, family office investments & alternatives to typical company & trust structures

- Exempt funds are not directly subject to regulation but can offer a good arrangement for private investment needs
- Must have no more than 49 investors
- Cannot be promoted to the public.



# Types of funds.

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8.

*The funds we service can invest into a diverse range of assets and be active internationally.*

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We can work with fund structures in the regulated and unregulated sectors including feeder funds, funds investing into market instruments and equities, funds financing development, funds investing into tangible assets as well as those investing, or being distributed, across a spread of regions.

## **Isle of Man funds which we can service:**

### **Regulated Funds**

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

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

Investment and borrowing arrangements are flexible based on clear disclosure obligations. A Regulated Fund benefits from VAT exemption on management fees, is subject to pre-approval by the FSA and can be promoted within and from outside the Isle of Man, subject to host jurisdiction rules.

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# Types of funds.

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## Qualifying Funds

A Qualifying Fund is suitable for institutional and experienced non-retail investors who certify they are sufficiently experienced to understand the risks involved.

A Qualifying Fund must appoint a promoter and a custodian who is either an Isle of Man licence holder or hold 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.

A Qualifying Fund benefits from VAT exemption on management fees. There is no requirement for regulatory pre-approval so a Qualifying Fund can be launched quickly.

## Specialist Funds

A Specialist Fund has no regulatory restrictions on assets classes, trading strategies or leverage, however, a Specialist Fund 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 US\$100,000.

A Specialist Fund is ideally suited for institutional and sophisticated investors investing into alternative investment funds or hedge funds. It benefits from VAT exemption on administrator and management fees. There is no requirement for regulatory pre-approval so a Specialist Fund can be launched quickly.

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# Types of funds.

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## Exempt Schemes

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

The Isle of Man has long recognised such structures should be free from prescriptive regulatory requirements which are appropriate for publicly offered structures.

An Exempt Fund is a popular option provided there are no more than 49 investors at any time and interests in the Fund are not offered to the public. It is regarded as a private arrangement, is not subject to separate regulation and can be established relatively quickly and economically by licensed administrators.

## Overseas Schemes

As a licensed fund administrator Abacus is able to administer collective investment schemes domiciled in jurisdictions other than the Isle of Man. Typical jurisdictions include the Cayman Islands, British Virgin Islands and Bermuda.

As these schemes are regulated in their jurisdiction domicile they are regarded as an Overseas scheme which can be administered in the Isle of Man without additional regulatory requirements. Depending on the offshore jurisdiction virtually all aspects of a scheme can be administered from the Isle of Man.

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