

Authorised Funds

Uses: Authorised securities schemes (including Government and other public securities funds), money market funds, umbrella funds, funds of funds and feeder funds. Not suitable for hedge funds, private equity funds or other alternative investment funds.

Form: Open-ended investment company or unit trust.

Authorised Funds

Authorised Funds are collective investment funds established in the Isle of Man that may be promoted to the general public in the Island.

Regulation

Authorised Funds are subject to comprehensive provisions contained in the Financial Supervision Act 1988 (the "Act") and the Financial Supervision (Authorised Collective Investment Schemes) Regulations 1988 (the "Regulations"). The applicable provisions of the Act and the Regulations are similar to the requirements for equivalent funds in the United Kingdom laid down by the UK Financial Services Authority.

Promotion

Authorised Funds can be promoted to the general public in the Isle of Man by persons holding, or being exempt from holding, an (Isle of Man) investment business licence. Promotion of an Authorised Fund in other jurisdictions will be subject to host country regulation. Due to an arrangement with the United Kingdom, known as Designated Territory Status, authorised funds may be marketed to investors in the UK by giving notice to the UK Financial Services Authority for recognition of the scheme. Subject to certain requirements, Authorised Funds are also eligible for marketing to the general public in Jersey, Guernsey, and Ireland and are also subject to the "fast track" approval procedure in Hong Kong and Australia. The Japanese Securities Dealers' Association have confirmed that Isle of Man Authorised Funds which have been recognised in the UK are eligible for promotion to Japanese residents.

Main Characteristics

The main characteristics of an Authorised Fund are:

- ~ Significant restrictions on investment and borrowing powers.
- ~ Must appoint a manager and trustee/custodian independent of each other and who each have a place of business in the Isle of Man. The manager and trustee/custodian must be appropriately licensed under the Investment Business Act 1991.
- ~ It must be constituted as either an open-ended investment company or a unit trust.
- ~ The Regulations provide for all operational aspects including:
 - ~ powers and duties of trustee, manager and directors
 - ~ method of dealing in units or shares
 - ~ method of valuation of fund property
 - ~ investment and borrowing powers and restrictions
 - ~ contents of reports to holders
 - ~ income distribution
 - ~ contents and frequency of reports to holders
 - ~ meetings of holders.
- ~ An Isle of Man advocate must certify to the Isle of Man Financial Supervision Commission that the scheme's constitutional documents comply with the Regulations.
- ~ An auditor must be appointed.
- ~ Generally established as a tax exempt vehicle.
- ~ Statutory compensation arrangements in place.

Contact Us

If you would like further information or legal advice on any of the matters referred to in this document, please contact:

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This document is intended to provide a general overview and should not in any way be construed as legal advice. Always seek specific advice in respect of any particular issue.

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