

## Exempt International Schemes (“E.I.S.”)

Uses: Suitable vehicle for private arrangements only. Hedge funds, private equity funds, property funds and other alternative investment funds.

Form: Open-ended investment company, limited partnership or unit trust.

### Regulation

The EIS is exempted from section 11 (provisions relating to international collective investment schemes) of the Financial Supervision Act 1988 (the “Act”) provided the scheme has less than 50 participants and its constitutional documents prohibit the making of an invitation in any part of the world to the public or any section of it to subscribe for or purchase units in the scheme.

The EIS is not subject to approval or regulation by the Isle of Man Financial Supervision Commission (the “FSC”).

### Promotion

The Act provides a number of exceptions to the general prohibition on marketing collective investment schemes to the public, including invitations issued to existing participants in a scheme inviting them to subscribe for or purchase further units in that scheme; and invitations to persons whose ordinary business involves the acquisition and disposal of property of the same kind as the property, or a substantial part of the property, to which the scheme relates.

### Main Characteristics

The main characteristics of an EIS are:

- ~ the scheme must have less than 50 participants
- ~ the FSC regards EIS as private arrangements and there is no requirement for the FSC to approve or vet scheme documentation. No prior approval is required from the FSC before launch of an EIS.
- ~ the scheme’s constitutional documents must prohibit the making of an invitation in any part of the world to the public or any section of it to subscribe for or purchase units in the scheme.
- ~ no restrictions on investment and borrowing powers.
- ~ although not mandatory to appoint either a Trustee or a Fund Manager:
  - ~ a Fund Manager appointed to an EIS and who acts only for one EIS does not require an investment business licence (an “Excluded Scheme Manager”)
  - ~ the Trustee of an EIS does not require a licence to carry on investment business
  - ~ the provision of administrative services to Excluded Scheme Managers does not require to be licensed unless the services otherwise constitute investment business activities.
- ~ no requirement for report and accounts to be audited.
- ~ generally established as a tax exempt vehicle, although an EIS does not qualify for exemption from V.A.T.
- ~ not covered by any statutory compensation arrangements.
- ~ no application fee or annual fee.

## 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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