

Experienced Investor Fund (“E.I.F.”)

Uses: Due to the considerable flexibility permitted by EIFs, this is a suitable vehicle for hedge funds, private equity funds and other alternative investment funds.

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

Regulation

The EIF is subject to the provisions of the Financial Supervision (Experienced Investor Fund) (Exemption) Order 1999 (the “EIF Order”), made under the Financial Supervision Act 1988 (the “Act”). The EIF is not subject to approval or regulation by the Isle of Man Financial Supervision Commission (the “FSC”).

Experienced Investors

The Isle of Man based Fund Manager or Fund Administrator (the “Approved Person”) responsible for operation of the EIF must take reasonable steps to ensure that shares or units in the EIF are held only by qualifying experienced investors, defined as “...a person who, in relation to any EIF, is sufficiently experienced to understand the risks associated with an investment in that fund.” The Approved Person must obtain the FSC’s prior approval to operate EIFs.

Promotion

Promotion of the EIF within the Isle of Man is subject to the Financial Supervision (Promotion of Unregulated Schemes) (Exemption) Regulations 1992. Promotion of an EIF outside the Isle of Man would be subject to host country regulation.

Main Characteristics

The main characteristics of an EIF are:

- ~ Only available to qualifying experienced investors who are required to sign a declaration confirming they meet the investor criteria.
- ~ No minimum subscription, unless agreed between the EIF and the Administrator or Fund Manager. There is no net worth requirement.

- ~ No restrictions on investment and borrowing powers.
- ~ An EIF requires:
 - (a) an Isle of Man based Fund Manager or Fund Administrator licensed by the FSC (i.e. Fund Manager appointment not mandatory). If the Fund Manager appointed by the EIF, which may be based off island, delegates the vast majority of its duties to an Approved Person it is regarded as “exempt” and does not require to be licensed; **and**
 - (b) a Custodian or Prime Broker who must be a different person to the Approved Person and who must either be an ‘authorised person’ or “Eligible Custodian” as defined in the Act (i.e. broadly licensed in a jurisdiction which exercises proper licensing and supervision regulation).
- ~ Annual report and accounts of an EIF must be audited.
- ~ EIF offering document exempted from standard prospectus requirements but must contain certain mandatory risk warnings. It must be approved by the Approved Person and contain sufficient information to enable an informed investment decision to be made.
- ~ The Approved Person is required to notify the FSC within 14 days of an EIF being established, altered or wound up. There is no requirement to submit documentation or obtain approval from the FSC prior to launch.
- ~ EIF exempted from the need to file returns of allotments and redemptions of shares with the registrar of companies.
- ~ Generally established as a tax exempt vehicle.
- ~ EIF not covered by any statutory compensation arrangements.
- ~ VAT exemption available for management services provided to an EIF.
- ~ 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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