

Professional Investor Fund (“P.I.F.”)

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

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

Regulation

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

Professional Investors

The Fund Manager or Fund Administrator (the “Approved Person”) responsible for operation of the PIF must take reasonable steps to ensure that shares or units in the PIF are held only by qualifying professional investors, broadly defined as market professionals and those with net assets in excess of US\$1 million. The Approved Person must obtain the FSC’s prior approval to operate PIFs.

Promotion

Promotion of the PIF within the Isle of Man is subject to the Financial Supervision (Promotion of Unregulated Schemes) (Exemption) Regulations 1992. Promotion of the PIF in other jurisdictions would be subject to host country regulation.

Main Characteristics

The main characteristics of a PIF are:

- ~ Only available to qualifying professional investors who are required to sign a declaration confirming they meet the investor criteria.
- ~ Minimum initial subscription of US\$100,000.
- ~ No regulatory restrictions on investment and borrowing powers.
- ~ Day to day operation of a PIF must be carried out by an Isle of Man based Fund Manager or Fund Administrator licensed by the FSC.
- ~ If the Fund Manager appointed by the PIF, including those 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. There is no specific requirement to have a Fund Manager or Trustee, although in practice, a PIF will require a Trustee / Custodian for the safekeeping of the PIF’s assets.
- ~ Annual report and accounts of a PIF must be audited.
- ~ The offering document is exempted from standard prospectus requirements but must contain certain mandatory risk warnings and details of the custody arrangements. 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 the PIF commencing operation or being wound up. There is no requirement to submit documents or obtain approval prior from the FSC prior to launch.
- ~ PIF 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.
- ~ PIF not covered by any statutory compensation arrangements.
- ~ VAT exemption available for management services provided to a PIF.
- ~ 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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