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Client Memorandum

BRITISH VIRGIN ISLANDS APPROVED MANAGER REGIME

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1. Introduction

1.1 The Investment Business (Approved Manager) Regulations (as revised) and the Approved Investment Managers Guidelines (as revised) ("**Guidelines**") (together the "**Approved Managers Regime**") govern investment managers and investment advisers who are incorporated or formed in the British Virgin Islands and strictly undertake permitted activities only as detailed below ("**Approved Managers**").

1.2 The Approved Managers Regime is designed as a regulatory "light" regime in that the Approved Managers are subject to fewer continuing obligations than managers and advisers holding a full licence under the Securities and Investment Business Act (as revised) ("**SIBA**"). The Regulatory Code does not apply to Approved Managers and there is no requirement for the appointment of an auditor or a compliance officer.

1.3 The Approved Manager is still subject to the Anti-Money Laundering Regulations (as revised) ("**AMLRs**"), the Anti-Money Laundering and Terrorist Financing Code of Practice ("**AML Code**"), the Foreign Account Tax Compliance Act ("**FATCA**"), the Common Reporting Standards ("**CRS**") and supervision by the Financial Services Commission ("**Commission**").

2. Permitted Activities

2.1 An Approved Manager may only act as an investment manager or investment advisor to:

(a) British Virgins Islands ("**BVI**") private or professional funds (as such terms are defined under SIBA) and their qualifying feeder funds and affiliates as well as funds from "recognised jurisdictions" that have equivalent characteristics to BVI private or professional funds;

(b) closed-ended funds incorporated in either the BVI or a "recognised jurisdiction", which have *the characteristics of a private or professional fund* (refer to section below) and their qualifying feeder funds and affiliates; or

(c) such other person as the Commission may approve on a case-by-case basis, this can include managed accounts and approved funds.

2.2 Recognised Jurisdictions are Argentina, Australia, Germany, Bahamas, Belgium, Bermuda, Brazil, Canada, **Cayman Islands,** Chile, China, Curacao, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Panama, Portugal, Singapore, Spain, South Africa Sweden, Switzerland, United Kingdom and United States of America.

2.3 The Approved Manager Regime also permits an investment manager or adviser to provide services to a fund that is not from a recognised jurisdiction where such funds invest all or a substantial part of their assets in a qualifying fund based in the BVI or a recognised jurisdiction. In determining what amounts to a "substantial part" account should be taken of whether the aggregate of the fund's investment in the qualifying fund amounts to more than 50% of its total assets.

3. Characteristics of a Private and Professional Fund

3.1 The Guidelines provide that funds in a recognised jurisdiction (such as the Cayman Islands) has the characteristics of a private fund if its constitutional documents specify that: (a) the fund is not authorised to have more than fifty investors; or (b) the invitation to subscribe for, or purchase, fund interests in the fund shall be made on a private basis only.

3.2 The Guidelines further provide that funds in a recognised jurisdiction has the characteristics of a professional fund if its constitutional documents specify that: (a) the fund interests shall be issued to "professional investors" (as defined under SIBA) or similarly qualified investors as accepted or recognised in a recognised jurisdiction; and (b) the initial investment of each investor is not less than US$100,000.

4. Restrictions

4.1 An Approved Manger may not exceed: (a) aggregate assets under management of US$400 million in the case of open-ended funds; and (b) aggregate capital commitments of US$1 billion in the case of closed-ended funds. Where an Approved Manager manages both open and closed-ended funds, the limitations are applied separately.

4.2 If the Approved Manager exceeds one or both of the caps, it must notify the Commission within seven days. The Approved Manager will then have three months to either: (a) reduce its assets under management below the relevant caps; or (b) apply for a full licence under SIBA.

4.3 If the Approved Manager is a company, it must at all times have at least two directors (at least one of whom must be an individual). If it is a limited partnership, the partnership must at all times have at least one general partner.

5. Authorised Representative

5.1 An Approved Manager must at all times have a BVI authorised representative. The functions of the authorised representative are to: (a) act as the main intermediary between the Approved Manager and the Commission; (b) accept service of notices and other documents on behalf of the Approved Manager; and (c) keep at its BVI office such records, or copies of such records, as may be prescribed by law from time to time.

6. Application Process

6.1 An Approved Manager application must be submitted at least seven days before the proposed business commencement date. Subject to this requirement, the applicant may commence business for up to thirty days (which can, on application to the Commission, be extended to sixty days). In the event that the Commission does not approve the application upon the expiry of the original 30 days or any approved extended period, the applicant would need to cease its business.

6.2 The application process is straightforward and requires the following documents/information to be submitted to the Commission:

(a) a completed application form;

(b) applicant's constitutional documents;

(c) details of directors or general partners or senior officers of the applicant, including curriculum vitae ("**CV**") of relevant individuals;

(d) money laundering reporting officer ("**MLRO**") appointment form and CV

(e) details of each person who owns an interest in the applicant, including a structure chart;

(f) details of any delegation of investment business functions, including relevant delegation agreement and CVs of relevant individuals;

(g) details of the applicant's authorised representative;

(h) written declaration by the applicant that each director or general partner or senior officer, and each person who holds a significant interest in the applicant, is "fit and proper" in accordance with Schedule 1A of the Regulatory Code;

(i) the number and details (including the name, address and place of incorporation) of each fund the applicant intends to manage or advise, including constitutional documents, offering document and the investment management or advisory agreement relating to each fund;

(j) the date on which the applicant intends to commence relevant business;

(k) confirmation of which individual will be carrying out the day-to-day investment business functions;

(l) details of any delegation of relevant business functions;

(m) written confirmation from the applicant's legal practitioner that the legal practitioner has agreed to act for the applicant and that the application is complete and in compliance with the requirements of the Approved Manager Regime; and

(n) Anti-Money Laundering, Counter Terrorist Financing, Counter Proliferation Financing and Sanctions policies ("**AML/CFT**") policies and procedures.

6.3 The Commission may request further information. The application fee is currently US$1,200 and the approval fee is US$1,800. Thereafter, there is an annual fee of US$1,800.

6.4 Once approved the Commission will register the Approved Manager on the Commission’s website and will issue the Approved Manager a certificate of approval as an Approved Manager.

6.5 If the application for approval is denied, the applicant shall cease carrying on relevant business immediately. Depending on the reasons for the denial, the applicant may apply to be fully licensed under SIBA.

7. Ongoing Obligations

7.1 An Approved Manager is required to submit an annual return to the Commission. Among other things, this requires the entity to provide updated details on the funds the entity acts for, the value of the assets under management for each fund and the number of investors in each fund. There is also a requirement to submit unaudited financial statements to the Commission within six months of the end of the financial year.

7.2 An Approved Manager is required to maintain an AML/CFT policies and procedures manual which complies with the AMLRs and the AML Code. An Approved Manager must appoint a money laundering reporting officer who meets the qualifications set out in the AMLRs. The Approved Manager must notify the Commission of the appointment within 14 days and an AML/CFT return must be submitted annually with the Commission by 31 March each year.

7.3 The Approved Manager must notify the Commission in writing of any change to the information submitted as part of the application within 14 days of the change and any matter which is likely to have a material impact with respect to the Approved Manager or the relevant business.
