

ANGUILLA MUTUAL FUNDS FACT SHEET

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OVERVIEW

The purpose of the Anguilla Mutual Funds Act (the “Act”) is to regulate mutual funds and managers and administrators who provide administrative support services to mutual funds. There are several features within the Act that allow for fast set up times, low set up and maintenance costs, efficient operational flexibility and exemption from taxation.

The Act allows a corporate entity or unincorporated entity to be used to establish a Mutual Fund. If a corporate entity, investors have the choice of an international business company, Anguilla domestic company, limited liability company (USA style LLC), hybrid company (i.e. company limited by guarantee or company limited by both shares and guarantee), or protected cell company/protected cell accounts (segregated portfolio company/segregated portfolio accounts). If an unincorporated entity, then a unit trust, partnership or limited partnership can be used. This compares favorably with the Bahamas Investment Condominium which is in effect an unincorporated entity similar to a partnership and for which, when formed, separate regulatory approval must also be obtained.

FUND TYPES

The Act provides for three types of funds:

- **private fund:** maximum of 99 investors and whose constituent documents specify that the invitation to purchase shares is to be made on a private basis.
- **professional fund:** shares are available for purchase only to professional investors (i.e., institutional investors). Minimum of \$100,000 initial investment.
- **public fund:** shares available to the public.

COSTS

Costs are determined by the complexity of the structure. However, average estimated costs are US\$8,000–US\$13,000 for formation and government fees.

REGULATORY OVERSIGHT, FLEXIBILITY AND TAX EXEMPTION

The Anguilla Financial Services Commission (“the Commission”) regulates the domiciliation of funds in Anguilla. It is an independent body free from political influence and its members are appointed by the British Governor. Under the Act, there are several provisions which allow for flexibility in the Commission exercising its functions.

An Anguilla fund is exempted from all forms of taxation, including stamp duty and corporate, dividends and withholding taxation, among others.

Key Highlights

- Wide selection of incorporated or unincorporated entities can be used
- Fast regulatory approval for private and professional funds (est. 3–4 weeks)
- Exemption from all forms of taxation, including stamp duty and corporate, dividends and withholding taxation, etc.

REQUIREMENTS FOR RECOGNITION OR REGISTRATION

All applicants, whether a private, professional or public fund, must submit a completed application in the form set out in the Mutual Funds Regulations (the “Regs”). The procedures for securing fund approval under the Regs are quite streamlined. Applications for private and professional funds are straightforward and considerably less onerous than for public funds. It should be possible to obtain approval for a private or professional fund within an estimated three to four weeks after submitting a completed application to the Commission. Administrators and Managers of funds must also apply for licenses—essentially a background check and their qualifications.

STRUCTURING

The client, a brokerage firm for example, could create a product or series of products to cater for its wide range of investors. For the small investors who do not generally invest US\$100,000 in one product, a private fund would be ideal. Several private funds of 99 investors each, with a low minimum subscription, could be created in a “cookie-cutter” fashion. Thus each private fund could issue a similar prospectus, use the same functionaries with the same or similar agreements and basically negotiate on legal and other fees. The costs for establishing and operating each fund of 99 small investors would decrease dramatically, thus avoiding any adverse impact on performance or undue burdens on the fund manager.

Unlike the private fund, which has a maximum number of investors, a professional fund does not have that restriction, but instead has a minimum subscription of \$100,000. This is ideally suited for wealthier investor clients. In fact a firm could market a professional fund to an unlimited number of its investor clients, but, from a practical viewpoint, the use of several professional funds in a master-feeder structure would be more efficient in terms of managing and administering the structures and assets under management.



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