

ISLE OF MAN DIGITAL & TOKENISED FUNDS

Isle of Man Funds

The Isle of Man offers a suite of fund options under the Collective Investment Schemes Act 2008 (CISA), ranging from fully regulated retail-focused funds to private fund arrangements falling outside the scope of most regulation, with funds aimed at sophisticated investors falling in the middle. Closed-ended investment companies that aren't aimed at the public fall outside the scope of the CISA.

Funds can be established as companies, unit trusts or limited partnerships. The Isle of Man Companies Act 2006 (2006 Act) is modern and flexible: redemptions are straightforward with no capital maintenance rules, and protected cell companies are perfect for umbrella funds.

Funds must comply with anti-money laundering and countering terrorist financing (AML/CFT) measures, which a locally licensed administrator/manager can assist with.

Offering documents must set out material information relevant to potential investors making informed judgements about whether to invest in the fund, such as the risks of investing in digital assets and risks of emerging technologies. The location of the fund's target investors will also dictate any additional promotional requirements in other jurisdictions.

WHY THE ISLE OF MAN?

A highly respected global player, with world-leading regulation and stable governance, the Isle of Man can adapt and find innovative solutions for today's financial markets.



Flexible

Technology-neutral laws and regulation



GMT

Timezone



0%

Corporation Tax, Stamp Duty, CGT or IHT



Compliant

With International standards of Regulation



UNESCO Biosphere

Only whole-nation UNESCO Biosphere

Tokenised Funds

The Isle of Man regulatory regime is technology neutral and permits fund tokenisation.

The CISA uses the term "unit" to describe an investor's interest in a fund, defined as the rights or interests (however described) of the participants in the collective investment scheme. Funds can create different classes of unit, for example with different costs or minimum investment levels or available in different currencies.

Tokenised funds issue (or "mint") units as tokens, digitally representing the investor's interest in the fund, recorded on distributed ledger technology (DLT). Tokens may be used in conjunction with traditional shares. For example, the fund could have different classes of units with some issued as tokens and others as more traditional shares.

Tokenisation has many potential benefits: tokens contain both a record of ownership and programmable automated rules ("smart contracts") for updating those records, for example governing how and when the token can be bought or sold. Data can be linked to tokens, such as identifiers of the fund (name and ISIN), regulatory disclosures and information on the underlying portfolio. Smart contracts embedded within tokens could also be used to automatically action instructions, for example automatically meeting capital calls.

Isle of Man law permits the use of DLT to maintain the register of investors. For companies, the 2006 Act expressly permits the register of shareholders to be kept in electronic form. Limited partnerships and unit trusts aren't subject to prescriptive requirements on maintaining registers, so the use of DLT can bring consistency and greater certainty on recording investors' interests.

Find out more at
www.iomfunds.com



Innovative Regulator

The local regulator, the Isle of Man Financial Services Authority (IOMFSA), has an innovation hub dedicated to supporting the tech sector and embracing innovation. The IOMFSA is approachable and willing to meet and discuss new propositions.

Digital Asset Portfolios

Isle of Man funds can generally invest into any asset class, allowing entirely digital portfolios.

Only the authorised scheme (a UCITs type fund) is restricted to investing in more traditional securities, with all other fund types having full investment autonomy (with the regulated fund requiring spread of investment risk).

For non-retail funds, there is no requirement for the exempt scheme or specialist fund to appoint a custodian. Qualifying and regulated funds must appoint a licensed custodian, but there are custodians with solutions for holding digital assets.

VASPs

The Isle of Man's virtual asset service provider (VASP) regime does not apply to collective investment schemes, but may capture related parties and other investment vehicles. VASPs are required to register with the IOMFSA under the Designated Business (Registration and Oversight) Act 2015 and comply with AML/CFT requirements and the Travel Rule. VASPs must be controlled and managed in the Isle of Man and have a minimum of two local directors.

HOW TO LAUNCH AN ISLE OF MAN FUND

1

Find the Right Partners

A locally licensed fund administrator/manager can assist with finding lawyers, tax advisors, bankers, non-exec directors, auditors, brokers and custodians (where needed).

2

Determine the Right Structure for Your Fund

Find the right fit for your target investors, investment objective, tax advice and future plans.

3

Formalise Plans into Documents

Legal constitution, offering document/private placement memorandum to share with potential investors, investor application forms, agreements with service providers, blockchain platforms and any promoters.

4

Open Bank & Trading Accounts

Ready to accept subscriptions and make investments

5

If applicable, Gain Regulatory Approvals

Only retail funds need IOMFSA pre-approval before launch

6

Launch

Onboard investors, mint tokens, invest

