

# GET A NEW PERSPECTIVE ON CLOSED ENDED INVESTMENT COMPANIES

## CLOSED-ENDED INVESTMENT COMPANIES

### FLEXIBILITY IN A COST-EFFECTIVE EUROPEAN LOCATION

The Isle of Man prides itself on creating the right business environment with pragmatic regulation, providing the capacity to grow and offering a financially compelling alternative to more expensive locations.

As part of this complete solution, the Isle of Man has a full suite of corporate vehicles. The Closed-Ended Investment Company ("CIC") is a popular choice for private equity and stock market listing, amongst many other uses. This fact sheet describes the key features of the CIC as well as the Isle of Man more generally and provides answers to important questions on the vehicle and how a CIC may be used.

Details within this document are for guidance only – the original legislation should be consulted for legal purposes. For more general information on the Isle of Man as a domicile jurisdiction see fact sheet: 'The Isle of Man – The Right Choice for Fund Administration'.

### REGULATORY ENVIRONMENT

The Isle of Man has a well-founded reputation as a quality jurisdiction in terms of pragmatic regulation, achieving a balance between providing a business friendly environment and meeting international standards of financial supervision. Regulation of fund managers and administrators, and of providers of corporate and fiduciary services, is undertaken in the Isle of Man by the Financial Services Authority ("FSA"). As well as a framework for the regulation and supervision of financial services providers, the Island has adopted

extensive regulatory measures to prevent money laundering and the financing of terrorism.

Collective investment schemes (funds) are subject to varying degrees of regulation in the Isle of Man, depending on the category into which they fall.

### THE DISTINCTION OF CLOSED-ENDED INVESTMENT COMPANIES

Isle of Man law draws a fundamental distinction between "open-ended investment companies" and "closed-ended investment companies". An open-ended investment company is a corporate vehicle that provides for investment risk spreading and provides investors with a right of exit (e.g. by a redemption of their shares). An open-ended investment company is regarded as a "collective investment scheme" for the purposes of Isle of Man law.

If the company does not provide its investors with this right of exit it will be a CIC. A CIC is only considered to be a collective investment scheme in limited circumstances, where it is an investment vehicle aimed at spreading investment risk which is promoted to the general public (but not on a recognised stock exchange), in which case it may be structured as a Regulated Fund.

Most CICs will sit outside of the Isle of Man fund regulation and are treated in the same way as any other 'regular' company for regulatory purposes. As a result of this approach there are a number of important advantages to using an Isle of Man CIC:

- No regulatory pre-approval requirements for launch in the Isle of Man

- No regulatory fees in the Isle of Man
- No requirement for a licensed fund manager or administrator to be appointed
- No prescriptive requirements as regards board composition
- No requirement for a separate custodian
- No restrictions on asset classes, investment strategy or leverage
- No prescriptive rules about permitted investors or minimum subscription requirements.

### COMPANIES – BOTH TRADITIONAL AND MODERN

The Isle of Man offers two company regimes: companies incorporated under the more traditional Companies Act 1931; or companies incorporated under the more flexible Companies Act 2006, with minimal administrative requirements, flexible capital structure and limited disclosure requirements. Companies incorporated under Act 2006 must disclose all material information in the offering document but are not subject to prescriptive prospectus requirements.

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### WHEN USING THE ISLE OF MAN FOR LISTINGS, CAN A CIC BE USED TO LIST ON AN EXCHANGE?

This is where the Isle of Man comes into its own. A listing or admission to a trading exchange is often a driving force behind the establishment of a CIC. Isle of Man companies are eminently suitable for listing on many recognised investment exchanges. There are Isle of Man companies listed on The International Stock Exchange ("TISE"), AIM, the Main Market of the London Stock Exchange and on other exchanges across the globe. A CIC listed on a recognised stock exchange will not be subject to regulation as a fund in the Isle of Man.

### WHAT ARE THE ADMINISTRATION REQUIREMENTS?

Although there is no requirement for a CIC listed on a recognised exchange to appoint a regulated fund administrator, the use of an Isle of Man corporate vehicle is likely to require an Isle of Man corporate services provider to deliver formation and ongoing compliance services.

### WHAT IS THE TAXATION POSITION?

To ensure our offering is financially compelling, the Isle of Man offers a tax neutral environment for all its business vehicles. Simply put, there are no capital taxes and a zero rate of corporate tax (for all but a few industries).

Fees levied by suppliers based in the Isle of Man in respect of services to CICs are subject to value added tax in the Isle of Man at the applicable rate.

### FUND ADMINISTRATION GETTING A CIC LISTED

In order to take a CIC to TISE, the AIM Market or other Exchanges it is normally necessary to assemble the right team of key advisers: The Isle of Man has top tier legal firms, all of the big four accounting firms, sponsor member firms of TISE and corporate service providers. Isle of Man firms have good relationships with UK professional services professionals and where required, will be able to help you put the right team together.

### CONTACT

For further details on Administrators in the Isle of Man and other corporate services, please refer to:

[www.iomfunds.com](http://www.iomfunds.com)

[www.iomfsa.im](http://www.iomfsa.im)

