

FUND TYPES — BRITISH VIRGIN ISLANDS

Fund types overview: British Virgin Islands

The BVI regulates six categories of investment fund under the Securities and Investment Business Act, 2010 — five open-ended, one closed-ended — each suited to a different combination of investor base, timeline and regulatory appetite.

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Overview

The British Virgin Islands remains one of the most established domiciles for offshore investment funds, combining an English common law legal system with a regulatory framework built specifically for the needs of fund promoters and managers. Funds are regulated by the BVI Financial Services Commission (FSC) under the Securities and Investment Business Act, 2010 (SIBA), which sets out six distinct fund categories rather than a single one-size-fits-all product.

The categories divide first by structure — open-ended funds, where investors may redeem their interests on an ongoing basis, and closed-ended funds, where capital is committed for a fixed term — and then by the sophistication and number of investors each is designed to serve. This tiered approach allows a fund promoter to select a structure proportionate to the fund's size, investor base and stage of life, rather than absorbing a single, uniform compliance burden regardless of scale.

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Key features

The table below summarises the principal features of the six fund categories. Figures are indicative of the statutory framework at the time of writing and should be confirmed against the current SIBA regime before use in any offering document.

Fund type	Structure	Max. investors	Min. investment	NAV cap	Audit required
Private Fund	Open-ended	50	None prescribed	None	Not mandatory
Professional Fund	Open-ended	Unlimited (professional investors)	US\$100,000 (or qualifying investor)	None	Required
Public Fund	Open-ended	Unlimited	None prescribed	None	Required
Incubator Fund	Open-ended	20	US\$20,000	US\$20 million	Not required
Approved Fund	Open-ended	20	None prescribed	US\$100 million	Not required

Fund type	Structure	Max. investors	Min. investment	NAV cap	Audit required
Private Investment Fund	Closed-ended	Not prescribed	None prescribed	None	Required, within 6 months of year-end

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Regulatory framework

Private and Professional Funds are “recognised” by the FSC on filing, rather than requiring prior approval — the fund may commence business once the relevant fee is paid and the application is complete, subject to the FSC's ordinary powers of review. Public Funds are held to a higher standard: they must register with the FSC before carrying on business at all, and must publish a prospectus that complies with SIBA's disclosure requirements, reflecting their availability to retail investors.

Incubator and Approved Funds were introduced to give emerging managers a lighter-touch route to market. Both can typically be approved within two business days of a complete application, neither requires an audit, and neither requires a licensed investment manager, custodian or administrator to be appointed at the outset — though an administrator is generally still expected in practice. The trade-off for this light-touch treatment is a hard cap on the number of investors (20) and, for the Incubator Fund, a fixed two-year term (extendable by up to a further 12 months) before the fund must convert to another category or wind up. The Approved Fund carries no fixed term but is capped at US\$100 million in net assets, beyond which conversion becomes mandatory.

The Private Investment Fund (PIF), introduced as a closed-ended vehicle, follows a different governance model entirely. A PIF must have at least two directors (at least one a natural person), and must appoint a money laundering reporting officer, a FATCA responsible officer and an International Tax Authority contact. It must also appoint three “appointed persons” — responsible respectively for management, valuation and the safekeeping of fund assets — with the valuation function required to be independent of management, or the lack of independence disclosed to investors. A PIF's audited financial statements are due within six months of financial year-end, alongside an annual FSC recognition fee and International Tax Authority enrolment fee.

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Practical considerations

- Emerging or first-time managers raising capital from a small group of known investors typically start with an Incubator Fund, converting to an Approved, Private or Professional Fund as assets and investor numbers grow.
- Institutional managers running an established strategy for sophisticated investors generally use a Professional Fund, which carries no cap on investor numbers but restricts participation to qualifying investors and requires an appointed manager and auditor.
- A Public Fund is the appropriate structure only where the fund intends to offer to retail investors — the prospectus and registration requirements make it a materially heavier structure than the other five categories.

- Closed-ended strategies — private equity, venture capital, real estate and similar committed-capital vehicles — are structured as a Private Investment Fund rather than any of the open-ended categories.
- A fund's choice of category is not permanent: BVI law contemplates conversion between categories (for example, from Incubator or Approved Fund into Private or Professional Fund) as the fund matures.

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How Berkley can help

Berkley Fund Services provides fund administration and compliance support across BVI and Cayman Islands structures, including the ongoing obligations that accompany each of the categories above — net asset value calculation, investor register maintenance, FSC and International Tax Authority filings, and coordination with a fund's auditor, directors and appointed persons. Fund promoters weighing up which BVI category best fits a proposed structure are welcome to discuss their plans with Berkley's team before finalising an offering document.

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This article is provided for general information purposes only and does not constitute legal, regulatory or tax advice. Fund promoters and managers should seek independent professional advice before establishing or investing in any of the structures described.