

FUND TYPES — BRITISH VIRGIN ISLANDS

The BVI Incubator Fund

Purpose-built for first-time and emerging managers, the Incubator Fund can be approved within two business days, needs no audit and no appointed manager — in exchange for a hard two-year term and tight investor and asset caps.

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Overview

The Incubator Fund was introduced specifically to give first-time and emerging managers a fast, low-cost route to market, so that a promoter can establish a genuine track record before committing to the fuller governance apparatus of a Private or Professional Fund. It is capped at 20 investors, each subject to a US\$20,000 minimum investment, and the fund's net assets may not exceed US\$20 million — caps designed to keep the vehicle proportionate to an early-stage manager's likely scale.

In exchange for these caps, the Incubator Fund offers the lightest-touch regulatory package of any BVI open-ended category: no mandatory audit, no requirement to appoint a licensed investment manager, custodian or administrator at the outset (though an administrator is generally still expected in practice), and approval typically within two business days of a complete application. The fund carries a fixed two-year term from the date of recognition, extendable by up to a further 12 months, after which it must convert to another category — typically Approved, Private or Professional Fund — or wind up.

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Key features

Feature	Incubator Fund	vs. Approved Fund
Investor cap	20	20
Minimum investment	US\$20,000	None prescribed
Net asset (NAV) cap	US\$20 million	US\$100 million
Term	Two years, extendable by up to 12 months	Indefinite
Audit requirement	Not required	Not required
Approval timeline	Typically within 2 business days of a complete application	Typically within 2 business days of a complete application

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Regulatory framework

Incubator and Approved Funds were introduced under SIBA specifically to give emerging managers a lighter-touch route to market than the Private or Professional Fund categories. Both can typically be approved within two business days of a complete application, and neither requires an audit, a licensed investment manager, custodian or administrator to be appointed at the outset — though an administrator is generally still expected in practice for NAV calculation and investor record-keeping.

The trade-off for this light-touch treatment is the Incubator Fund's fixed two-year term. Before that term (or its extension) expires, the fund's directors must arrange for the fund either to convert into another BVI fund category — most commonly the Approved Fund, or a Private or Professional Fund once assets and investor sophistication have grown — or to wind up in an orderly manner. The FSC must be notified of the intended conversion or wind-up in advance, and promoters should not treat the term limit as a formality to be addressed only as it approaches.

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Practical considerations

- Plan the conversion pathway from day one — decide early whether the fund is likely to convert to an Approved Fund, a Professional Fund, or wind up, so that the two-year term does not arrive as a surprise.
- Track the US\$20 million NAV cap and 20-investor cap continuously — approaching either limit should trigger conversion planning well before a breach.
- Even without a statutory audit requirement, consider a voluntary audit once the fund begins raising from investors who expect one as part of standard due diligence.
- Appoint a competent administrator from the outset despite the absence of a statutory requirement to do so — NAV calculation, investor records and regulatory filings still need to be handled competently for a smooth eventual conversion.
- Use the fast two-business-day approval window to validate a strategy and build a track record, not as a basis for raising materially more capital than the US\$20 million cap comfortably allows.

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How Berkley can help

Berkley Fund Services administers BVI funds across all six SIBA categories, handling NAV calculation, investor register maintenance, FSC and International Tax Authority filings, and coordination with a fund's auditor, directors and appointed persons. 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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