

JURISDICTION COMPARISON

BVI vs Cayman Islands: choosing a jurisdiction for your fund

Both are leading offshore fund domiciles built on English common law and tax neutrality, but they diverge sharply on cost, investor perception and the type of manager each is built for.

01

Overview

The British Virgin Islands and the Cayman Islands are the two most established offshore fund jurisdictions in the world, sharing a common-law legal tradition, English-language courts with a right of final appeal to the UK Privy Council, and a tax-neutral regime with no corporate, income, capital gains or withholding tax levied on funds themselves. Both are regulated by dedicated, internationally recognised financial services commissions — the BVI Financial Services Commission (FSC) and the Cayman Islands Monetary Authority (CIMA) — and both offer a suite of purpose-built fund vehicles covering open-ended (hedge fund style) and closed-ended (private equity/venture capital style) strategies.

Where they differ is scale, cost and audience. Cayman is the long-standing market leader for institutional offshore fund business, with a deep, mature ecosystem of administrators, prime brokers and auditors that institutional allocators are most comfortable underwriting. The BVI is materially cheaper to establish and maintain, and has built a reputation as the domicile of choice for start-up and emerging managers, smaller “friends and family” funds, and niche strategies, while still hosting a meaningful share of the market. Both jurisdictions scale up to large institutional funds; the practical difference is where each is most commonly chosen by promoters, not a hard capability ceiling.

02

Key features

Feature	BVI	Cayman Islands
Regulator	BVI Financial Services Commission (FSC)	Cayman Islands Monetary Authority (CIMA)
Typical closed-ended vehicle fee	~US\$700 initial / ~US\$1,000 annual (Private Investment Fund)	~US\$366 initial / ~US\$4,270–US\$5,030 annual (Private Fund)
Approval timeline	Incubator/Approved: within 2 business days; Private Investment Fund: 14–21 days	Private Fund: ~1–2 weeks via REEFS; open-ended: ~5 business days to 2 weeks
Audit requirement	Flexible — non-BVI auditor and multiple GAAP standards accepted	Stricter — must use a CIMA-approved local Cayman auditor

Feature	BVI	Cayman Islands
Manager licensing regime	Approved Manager: capped at US\$400m AUM / US\$1bn commitments	Registered Person: no AUM cap, gated by investor sophistication
Reputation with institutions	Strong for emerging/smaller managers and niche strategies	Market leader; broadest institutional and prime-broker acceptance
Typical use case	Start-up managers, friends-and-family funds, cost-sensitive launches	Large institutional funds, master vehicles in master-feeder structures

03

Regulatory framework

Structurally, the two jurisdictions look similar at the top level: both separate closed-ended vehicles (BVI Private Investment Fund; Cayman Private Funds Act fund) from open-ended vehicles (BVI's tiered Private/Professional/Public/Incubator/Approved Fund system; Cayman's Registered, Administered, Licensed and Master Fund categories). Cayman's Private Funds Act imposes more prescriptive requirements than the BVI's equivalent regime — mandatory cash-flow monitoring, custodian appointment or documented title verification, and ISIN record-keeping — while the BVI's Private Investment Fund regime instead requires the appointment of “Appointed Persons” for management, valuation and safekeeping, giving BVI funds more flexibility but less codified investor protection.

On the investment manager side, the BVI's Approved Manager regime and Cayman's Registered Person regime both offer a lighter-touch alternative to full licensing, but are calibrated differently: the BVI caps eligibility by AUM, while Cayman gates eligibility by investor sophistication and group structure rather than a hard ceiling. The “BVI for smaller managers, Cayman for institutional funds” framing is directionally useful but a generalisation — the more defensible distinction is reputational and infrastructural: Cayman's larger, more specialised base of service providers reduces friction for institutional allocators, while the BVI's lower cost base and faster registration tiers suit cost-sensitive or time-sensitive launches.

04

Practical considerations

- Choose BVI when cost efficiency and speed to market are priorities — a first-time manager, a friends-and-family fund, or a fund under roughly US\$100 million where the Incubator or Approved Fund categories apply.
- Choose Cayman when the fund will be marketed heavily to institutional allocators or pension funds with internal policies favouring Cayman vehicles, or where the fund will sit as the master vehicle in a master-feeder structure.
- Weigh audit flexibility — an established relationship with a non-Cayman auditor is preserved under the BVI's flexible audit regime, whereas Cayman requires a locally approved auditor.
- Match the manager licensing regime to expected growth — the BVI Approved Manager regime's AUM caps may require migration to full licensing as the fund scales.
- Factor in prime broker and counterparty onboarding familiarity early, since this can affect timelines independent of the legal merits of either jurisdiction.

— Don't treat the choice as binary — many managers use both, for example a BVI or Cayman feeder alongside a Cayman master fund.

05

How Berkley can help

Berkley Fund Services administers funds domiciled in both the British Virgin Islands and the Cayman Islands, and works alongside promoters and their legal counsel from the earliest stages of structuring to help match a fund's strategy and investor base to the right jurisdiction and vehicle. Promoters weighing up their options are welcome to discuss a proposed structure with Berkley's team before finalising an offering document.

ENQUIRIES **enquiries@berkleyfunds.com**

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