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Funds

Expert Wealth
Management &
Financial Solutions

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FINANCIAL SERVICES • EST. 1974



GIBRALTAR FUNDS THRIVE IN AN ENVIRONMENT THAT PROMOTES INVESTOR PROTECTION, CORPORATE GOVERNANCE, COMPLIANCE AND PROFESSIONALISM

Abacus – a leader in the Gibraltar funds industry

Gibraltar's fund industry is vibrant. The jurisdiction's pulling power to attract new funds is stronger than ever and its ability to remain the domicile of choice for those funds that already made Gibraltar their home is testimony of a fund ecosystem that works.

Abacus comes from a heritage that has included decades of professional experience in assisting our clients with their financial needs, both in Gibraltar and internationally. We were one of the first firms to be established in Gibraltar when the jurisdiction turned its face towards developing a financial services sector in the early 1970s, growing ten times in size since then. We were also one of the first locally owned and managed firms to obtain a Funds administration licence when this sector was opened to international investors and have since established ourselves as a leading player in the industry.

More recently, we have been at the heart of the Rock's success in positioning itself as a premier destination for both Experienced Investor Funds (EIFs) and Private Funds, serving both traditional collective investor objectives and the cryptocurrency and blockchain revolution in capital raising.

Gibraltar Funds

When clients ask us why they should establish their funds in Gibraltar, the answers are simple.

The taxation environment around Gibraltar Funds is almost incomparably benign. Indeed, the vast majority of funds established here pay no tax at all. Naturally, investors always need to look at their personal tax positions, regardless of the jurisdiction. Secondly, both investors and fund managers will want to know that their fund is properly and robustly regulated. However, excessive regulation can stifle performance and increase cost. Many competitor jurisdictions take inordinately long even to approve that an application may be submitted, let alone guarantee success.

Uniquely, the Gibraltar Funds regulatory regime combines speed to market with the appropriate level of robust regulation. Private funds in particular benefit from a remarkable degree of 'light touch' regulation that enable establishment and openness for business at great speed. EIFs, of which more later, also benefit from the right level of light touch regulation.

Such beneficial tax and regulatory environments translate directly into lower costs and faster access to capital.

Fund promoters will also want their fund to be associated with a jurisdiction that champions high quality, superior standards and a track record for excellence. This inspires investor confidence.



THE ABACUS GROUP

Abacus is an independent, privately owned group of companies, established in Gibraltar over 40 years ago. We provide comprehensive financial solutions and services to both private and corporate clients worldwide. Four decades of expertise in wealth management, corporate structuring, international pensions, tax, fund administration and accounting services help us create and deliver professional solutions that are simple, effective and bespoke. Clients that choose to work with us will benefit from a broad range of integrated services that will be personally selected to suit their needs and implemented to our highest service standards.

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Gibraltar's story

The Rock has been a source of contention between the United Kingdom and Spain for centuries. The last fifty years have been particularly eventful. In the 1960s and 1970s, Franco's Spain deployed a policy of hostility towards Gibraltar and its civilian population.

As the UK's naval power declined sharply over the same period, an economy that had hitherto depended on a military presence suddenly found itself having to seek alternative sources of prosperity. In the late 1960s, a far-sighted Gibraltarian administration turned to financial services as a possible opportunity.

The kick-start for this was the Gibraltar ordinary limited company which, to this day, remains the core vehicle for a significant proportion of the Rock's international finance business, including EIFs and Private Funds.

Abacus' predecessor firm, established in 1974, was involved right from the start and Abacus is today one of the leading providers of quality, reputable financial services in the territory.

Gibraltar joined the EEC in 1972 with the UK, with which it has retained a developing constitutional relationship throughout, and together with the UK, left the EU in 2020. Throughout that period, Gibraltar legislated and enacted all EU laws and directives. It remains in lockstep with the UK in all matters of regulation, oversight, its legal system and openness to business.

As a self-governing overseas territory of the UK, Gibraltar sets its own taxes, passes its own laws and has complete control over its economic destiny.

As a result, Gibraltar enjoys political and economic stability and a significant level of prosperity. Its compliance with all EU financial services regulation has resulted in Gibraltar being white-listed by the OECD and all other measures and tests set by international monetary and fiscal supervisory agencies. Notwithstanding the departure from the EU, it remains committed to compliance with both European and UK standards of regulation.

The relationship with the UK has never been better. Gibraltar enjoys a superb degree of access to UK markets, entrepreneurs and commercial solutions. Funds and asset managers can benefit from the use of their Gibraltar licence to market their services to UK clients and investors, and vice versa.

The relationship with Spain has also entered a period of active local and national collaboration. It is envisaged that Gibraltar will soon have access to the Schengen unlimited access travel zone as well as other rationalisations of its contiguity with the Kingdom of Spain under an EU Treaty with the UK.



GIBRALTAR – THE DOMICILE OF CHOICE FOR YOUR FUND

- ▶ ROBUST REGULATORY FRAMEWORK
- ▶ FULL COMPLIANCE WITH ALL INTERNATIONAL STANDARDS
- ▶ POLITICAL AND ECONOMIC STABILITY
- ▶ STRONG INDUSTRY- GOVERNMENT COLLABORATION
- ▶ TAX-EFFICIENT JURISDICTION
- ▶ WORLD-CLASS PROFESSIONALS
- ▶ INDUSTRY-WIDE FOCUS ON QUALITY
- ▶ WIDE CHOICE OF FUND VEHICLES
- ▶ AVAILABILITY OF EXPERIENCED LOCAL DIRECTORS
- ▶ CO-OPERATIVE BANKING INDUSTRY
- ▶ WELCOMING DIGITAL INNOVATION
- ▶ KNOWLEDGE & EXPERIENCE OF CRYPTO ASSETS
- ▶ ENGLISH-SPEAKING INTERNATIONAL FINANCE CENTRE

Gibraltar Funds & Investments Association (GFIA)

GFIA is an association that represents the interests of the funds and investments sector in Gibraltar. It is very active in the development of the Gibraltar funds industry, advises the Government of Gibraltar on fund matters and engages with industry practitioners to provide training and guidance related to funds as well as publishing codes of conduct for Gibraltar Collective Investment Schemes. Abacus is a corporate member of GFIA and adheres to the high standards of Gibraltar’s sophisticated fund industry. More information on GFIA can be found on their website <https://gfia.gi/>.



The regulatory background

Gibraltar’s finance sector, including the investment fund industry, is regulated by the Gibraltar Financial Services Commission. Their vision is to be “a high performing, agile and innovative regulator” and their mission is to “provide financial services regulation in an effective and efficient manner, in order to promote good business, protect the public from financial loss and enhance Gibraltar’s reputation as a quality financial centre”.

Gibraltar’s success as a domicile for international alternative investment funds took off in 2005, when the Experienced Investor Fund product was launched. The legislation has since been amended and the main laws governing the establishment of Gibraltar funds are the Financial Services Act 2019 and the Financial Services (Experienced Investor Funds) Regulations 2020.

EIFs and Private Funds can be established using various legal entities, such as a private company limited by shares, a limited partnership, a protected cell company or a unit trust. Depending on the selected vehicle, it is likely that the Companies Act 2014 or the Protected Cell Companies Act 2001 will also apply.

As an EU territory at the time, Gibraltar implemented the AIFMD through the Financial Services (Alternative

Investment Fund Managers) Regulations 2013, later amended to the Financial Services (Alternative Investment Fund Managers) Order 2014. One of the attractive benefits of the EU legislation AIFMD, was to provide the EU marketing passport for funds. However, in practice, very few funds have made use of this, and have instead relied on the national private placement regimes available in each Member State. The majority of EIFs and Private Funds established to date remain out of scope of AIFMD, and are self-managed, primarily because their assets under management do not exceed EUR 100M (in the case of open-ended funds) or EUR 500M (in the case of closed-ended, unleveraged funds), commonly referred to as the de minimis threshold.

Brexit has triggered the implementation of Gibraltar’s Dual Regime for funds and fund managers, which means that, if desired, it is possible to opt out of the onerous requirements set out by the AIFMD Directive.

The introduction of the Distributed Ledger Technology (DLT) legislative framework in January 2018 by the Government of Gibraltar has led to an impressive increase in the demand for setting up crypto funds. It is recommended that these are structured as EIFs, although it is also possible to set them up as Private Funds under certain circumstances.

ROBUST
REGULATED
WORLD-CLASS
QUALITY
INNOVATIVE
CUTTING EDGE
STRONG
REGULATED



Types of funds

Experienced Investor Funds (EIFs)

EIFs are non-retail collective investment schemes that are targeted at experienced investors who have sufficient knowledge of the asset class that they are investing in and a full understanding of the associated risks.

The role of the EIF in the Gibraltar funds panoply is to provide investors and fund managers with a vehicle that allows both for a wide range of investments, from traditional asset classes to alternatives and a greater degree of access to investors and capital.

This is the most popular fund vehicle in Gibraltar. The EIF Regulations were introduced in order to provide the industry with a well-regulated and internationally recognised funds product that sets out a streamlined and efficient process to allow fund operators to commence their trading activities without delay. The appointment of local authorised fund directors adds

the corporate governance and expertise that enables the fund to be deemed authorised by the GFSC via a process of self-certification by the fund's directors, regulated administrator and Gibraltar legal adviser. This provides funds with an extremely fast set-up process as the fund can launch almost as soon as the fund's PPM is ready, and all practicalities are in place.

EIFs are authorised and regulated by the Gibraltar Financial Services Commission (GFSC) and are created as collective investment schemes that are solely for experienced investors. An experienced investor is defined as one who can subscribe at least €100,000 or equivalent to the fund.

An EIF can be marketed to an unlimited number of investors if they meet the definition of an experienced investor.

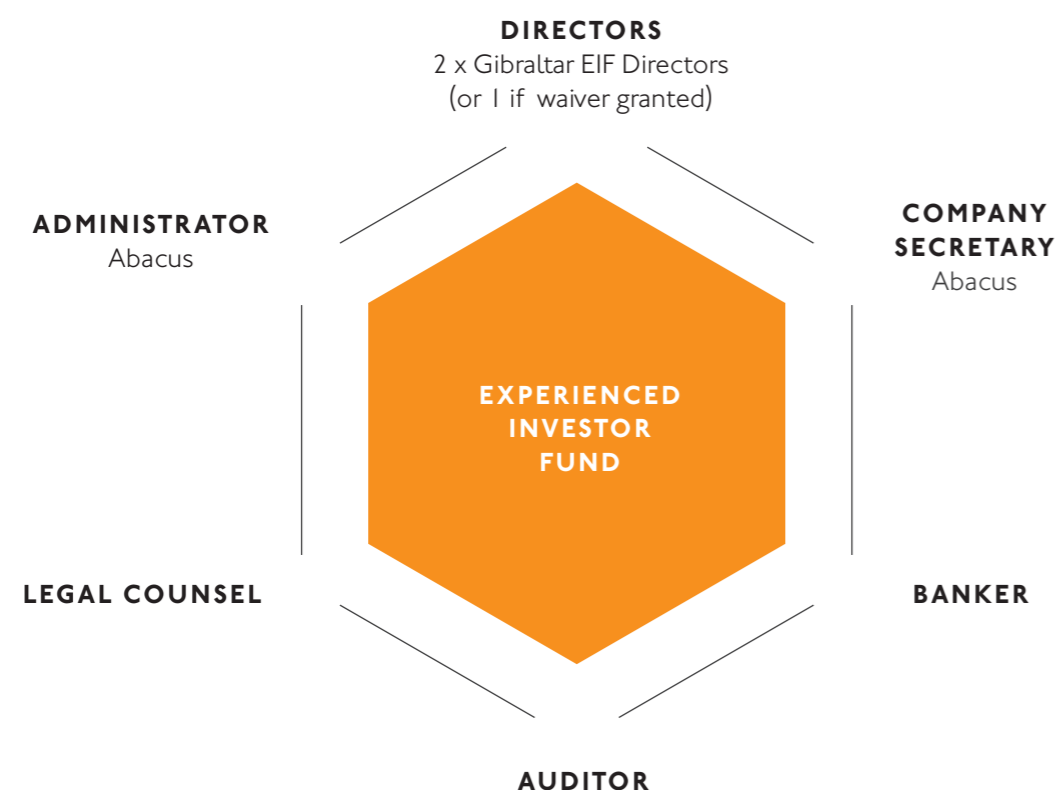
THE MAIN FEATURES OF AN EIF:

- ▶ Regulated investment scheme.
- ▶ No limit on the number of investors. Can be open-ended or closed-ended.
- ▶ Must draw up a Private Placement Memorandum, offer document or prospectus.
- ▶ Must have policies on how to deal with custody of assets, AML and security risks.
- ▶ A legal opinion from Gibraltar lawyer is required to confirm compliance with EIF Regulations.
- ▶ Speed to market: No regulatory approval is required before the fund can start to raise capital as it can be deemed to be authorised prior to launch.
- ▶ May be self-managed.
- ▶ No investment or borrowing restrictions.
- ▶ Variety of structures available, such as a Gibraltar limited company, limited partnership or a Protected Cell Company
- ▶ The Board of Directors must include two Gibraltar resident and authorised EIF Directors, although it is possible to apply to the regulator for a waiver to reduce this to one local authorised director, subject to competency requirements. Other directors may be resident elsewhere.
- ▶ A locally regulated fund administrator must be appointed.
- ▶ A company manager and secretary is required.
- ▶ Must undergo an annual audit by an approved





STRUCTURE CHART DISPLAYING THE DIFFERENT STAKEHOLDERS OF AN EXPERIENCED INVESTOR FUND



The fund's shareholders

The fund's legal entity will normally be incorporated with two classes of shares.

01

Ordinary shares

These will be allocated to the fund promoters and will contain all the voting rights so that the fund promoters can control the fund. They will also give them the right to charge management and performance fees.

02

Preference shares

These will be allocated to the subscribers to the fund and will entitle the investors of open-ended funds to redeem their shares at the fund's Net Asset Value.

Main benefits of an EIF:

- ▼ REGULATED AND RECOGNISED FUND VEHICLE.
- ▼ HIGHER PROFILE THAN A PRIVATE FUND.
- ▼ UNLIMITED NUMBER OF INVESTORS.
- ▼ SPEED TO MARKET VIA THE PRE-APPROVAL MECHANISM.
- ▼ NO INVESTMENT RESTRICTIONS OR DIVERSIFICATION REQUIREMENTS.
- ▼ CAN BE SET UP AS A PROTECTED CELL COMPANY.
- ▼ POSSESSES ALL THE SAME ADVANTAGES AS ITS COUNTERPART IN OTHER JURISDICTIONS.

Experienced Investor Funds – Protected Cell Company (EIF PCC)

An EIF can be established as a protected cell company.

An EIF PCC allows the fund to separate its trading activities into different "cells", also known as "sub-funds". This means that the assets and liabilities of each individual cell are legally segregated from those of the other cells and from the main fund vehicle and are protected from each other in the event of insolvency.

This is typically used in order to allow investors to subscribe to different cells where each cell operates a different investment strategy, and in doing so, enhances investor choice.

An EIF PCC structure provides overall cost efficiency to fund promoters who want to operate multiple investment strategies, as many of the fund's overheads may be lower via this fund vehicle than if setting up several individual funds. It is also a fast way of launching new independent cells once the main fund structure is in place.



Private funds

Private funds are non-retail collective investment schemes.

There are several important advantages of a Private Fund in Gibraltar. The highlights are its speed to market, relatively low cost and the lack of registration formalities other than a simple notification to the regulator, the Gibraltar Financial Services Commission (GFSC).

However, not all funds may be eligible to set up as a Private Fund and key consideration must be given to the fund's investor base. A Gibraltar Private Fund may be offered to an identifiable group of investors and the

maximum number of offers is limited to 50 investors. This category of investors is informally referred to as "friends and family" but can also include clients or colleagues of the fund's promoters, with whom they have a close relationship with. Private funds tend to be used when the fund promoters are trading their own money and are a popular choice for Family Offices. Whilst Private Funds cannot be marketed to the public outside of this identifiable group, there are no restrictions on the type of investor and there is no minimum or maximum amount of investment permitted into the fund.

MAIN USES OF A PRIVATE FUND:

- ▶ An investor is trading his/her own money and wishes to build an independent trading record.
- ▶ A close group of friends or colleagues wants to pool its their seed capital and trade collectively.
- ▶ Establishment of a feeder fund.
- ▶ A Family Office wishes to manage the assets of a small number of related clients.

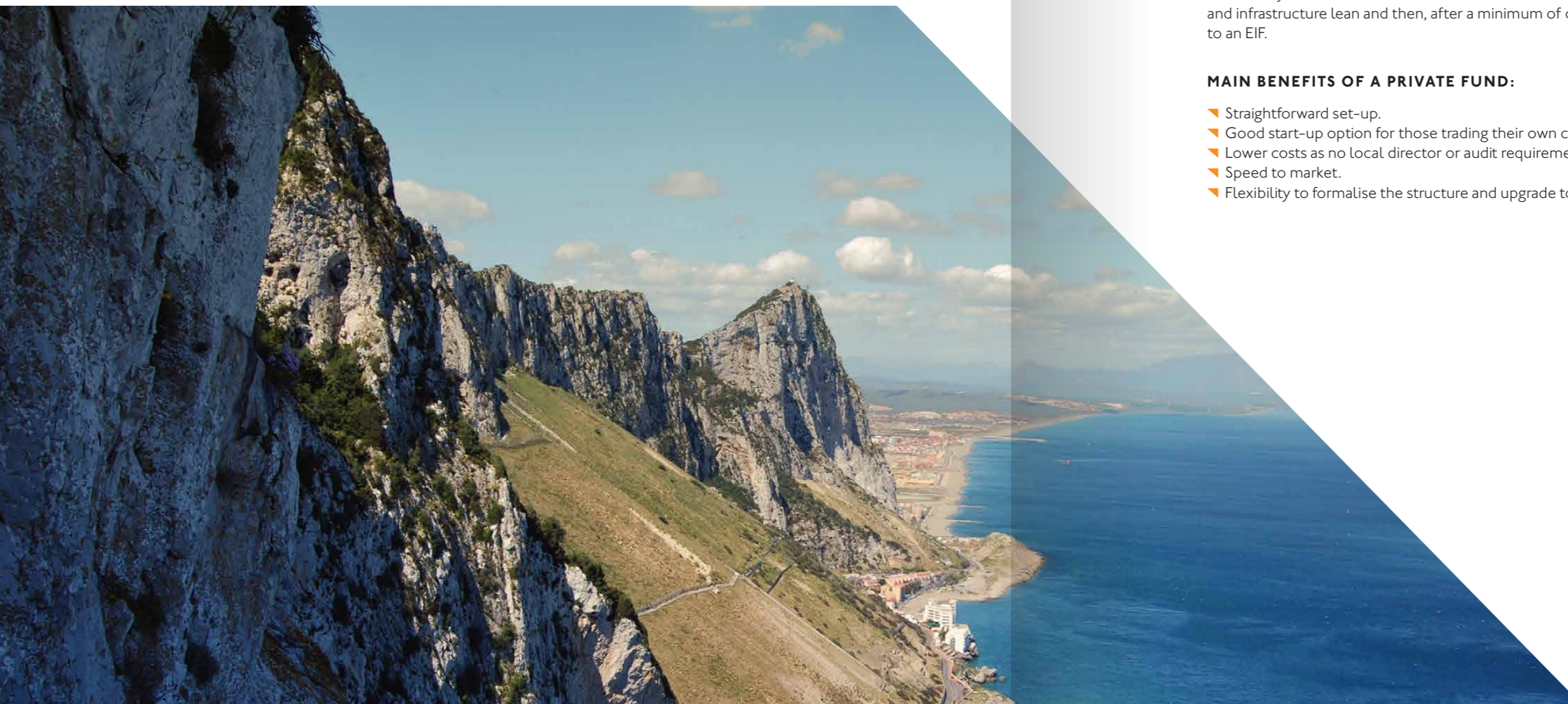
An Offer Document, often referred to as a Private Placement Memorandum (PPM), is required and must be drafted by a Gibraltar qualified lawyer. The criteria that will enable investors to qualify as "private" need to be defined in the PPM.

There is no requirement for Private Funds in Gibraltar to appoint any locally authorised or licenced Directors, and there is no requirement for the Fund to be audited. There is no legal requirement to appoint a regulated fund administrator. In practice, however, a Private Fund will realise that it is desirable to engage a Gibraltar based administrator to deal with the fund accounting, subscriptions and redemptions, and benefit from the administrator's local corporate governance know-how. Certain banks will not open a bank account for the fund unless a regulated administrator is appointed. Appointing a regulated administrator will also help build up an independent performance track record for the fund.

A fund may be established as a Private Fund in order to keep initial costs low and infrastructure lean and then, after a minimum of one year, opt to convert to an EIF.

MAIN BENEFITS OF A PRIVATE FUND:

- ▶ Straightforward set-up.
- ▶ Good start-up option for those trading their own capital.
- ▶ Lower costs as no local director or audit requirements.
- ▶ Speed to market.
- ▶ Flexibility to formalise the structure and upgrade to an EIF after 12 months.





Crypto funds

The EIF is the main type of fund used to support investments in cryptocurrencies, tokenised securities and other digital assets which have been the main driver of growth for Gibraltar's fund industry in recent years.

We are at the forefront of this exciting and rapidly evolving digital transformation and have built a solid understanding of crypto assets, mainly from first-hand experience gained whilst providing services to crypto funds. We have developed a real sense of the challenges faced by the promoters and operators of crypto funds and have learned how to overcome them and find compliant solutions that may stem from our know-how of traditional financial services or, very often, from innovative blockchain-inspired outcomes.

We have invested in leading technology and software that is designed specifically for crypto funds and that allows us to automate our back-office processes and lead to efficient reporting.

Gibraltar's financial services industry has been very responsive and welcoming of digital assets and we have a wide range of key partners that form part of Gibraltar's crypto ecosystem. These may include banks willing to open bank accounts for crypto funds, firms that can assist with the safekeeping of crypto assets, and auditors who understand the asset

Taxation of a fund in Gibraltar

Gibraltar's low corporate and personal tax regimes make it a very attractive location when compared to other European jurisdictions.

Gibraltar offers a corporate tax rate of 10% and all income received by a Gibraltar fund accruing and deriving outside of Gibraltar is not liable to taxation. In addition to this, there is no VAT or capital gains tax and no dividend or withholding tax for non-Gibraltar residents.

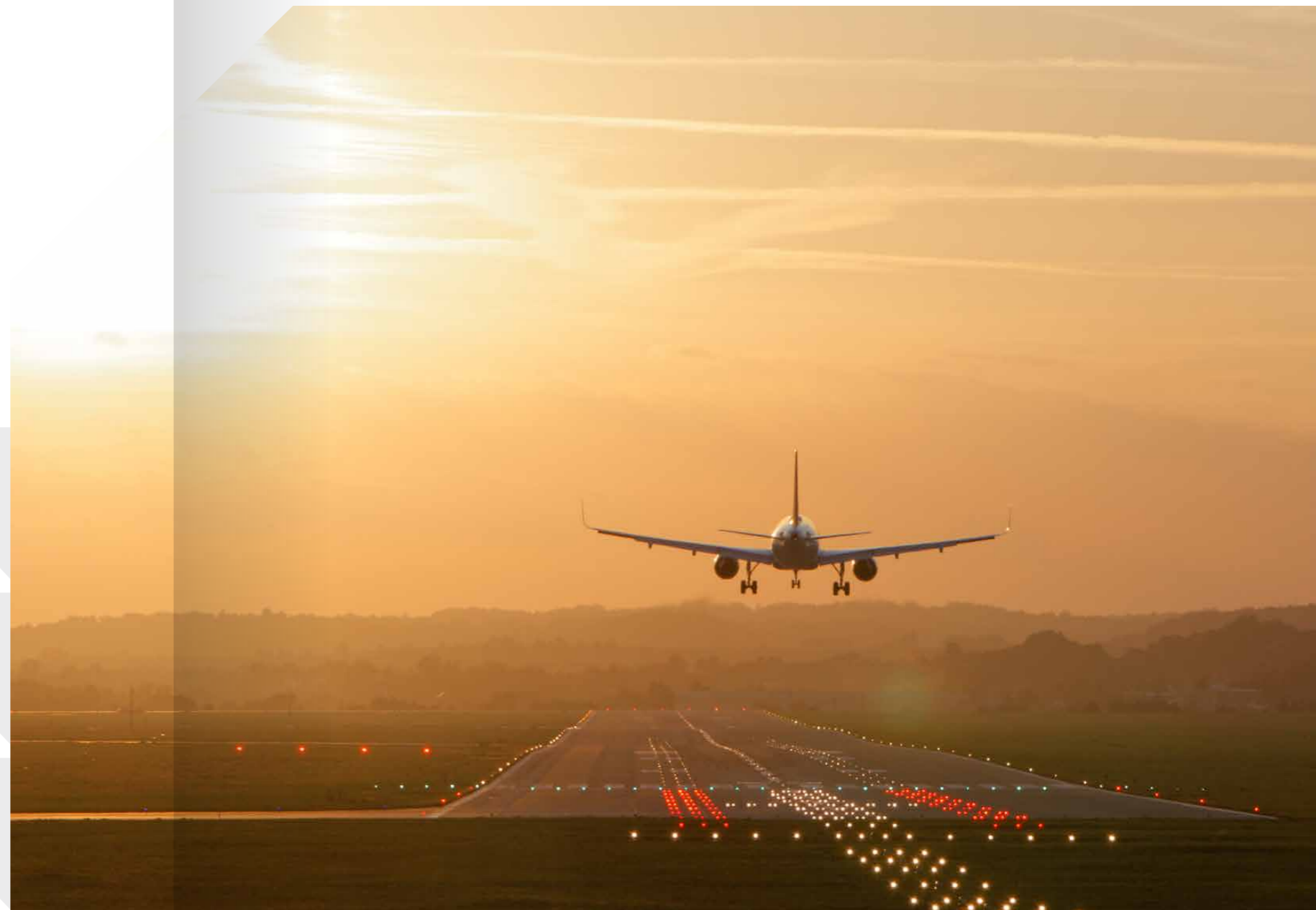
Typically, a well-structured fund that does not have income accruing in or deriving from Gibraltar will not be subject to Gibraltar taxation.

Re-domiciling a foreign fund to Gibraltar

Gibraltar is an attractive location in which to set up a fund. For those funds that are already established outside of Gibraltar and are considering the merits of changing their fund's domicile, it is worth noting that it is possible to re-domicile a fund to Gibraltar.

There are certain conditions that must be met, such as that the fund must have been established in a form that is recognised under Gibraltar law. This process allows for uninterrupted continuity in a low cost and efficient manner. The laws of the existing jurisdiction must also allow for re-domiciliation to take place.

If the fund wishes to retain its existing foreign administrator it must also seek approval from the GFSC, or it can appoint a new Gibraltar-based fund administrator that is already authorised by the GFSC.





Abacus – our fund administration services

We provide the full range of fund administration and fund accounting services. We can also assist with the establishment of the fund's legal entity and provide ongoing registered office and company secretarial services. We have strong relationships with professional partners, such as legal advisers, banks, and auditors, and we arrange all introductory meetings as required to ensure the successful set-up of your Gibraltar fund.

We have a full team of fund experts and this is a dynamic and fast-growing part of our business. We would be delighted to assist you with your new fund set up and guide you through the entire process of setting up your fund in Gibraltar. If you would prefer your fund domicile to be outside Gibraltar, we can still work with you and provide our fund administration services, even if your fund is domiciled in a different jurisdiction.

Registration and company secretarial services

- ▼ INCORPORATION OF A GIBRALTAR PRIVATE COMPANY LIMITED BY SHARES OR A PROTECTED CELL COMPANY.
- ▼ THE REGISTRATION OF THE COMPANY AS A COLLECTIVE INVESTMENT SCHEME WITH THE GFSC AND COMPANIES HOUSE AS WELL AS THE RELEVANT PAYMENT FOR THE INITIAL REGISTRATION WITH THE GFSC AND ANNUAL GFSC FEE.
- ▼ REVIEW OF THE PRIVATE PLACEMENT MEMORANDUM ("PPM") TO ENSURE CONSISTENCY WITH THE ARTICLES OF THE COMPANY AND FILING OF THE SAME WITH THE GFSC.
- ▼ PROVISION OF REGISTERED OFFICE AND COMPANY SECRETARY.
- ▼ MAINTENANCE OF STATUTORY RECORDS AND COMPLIANCE WITH ANNUAL STATUTORY REQUIREMENTS.





Tax compliance services

- ▼ REGISTRATION OF THE FUND/COMPANY WITH THE GIBRALTAR TAX OFFICE.
- ▼ PREPARATION AND SUBMISSION OF ANNUAL TAX RETURN.
- ▼ PREPARATION AND SUBMISSION OF DIVIDEND RETURNS, AS AND WHEN REQUIRED.
- ▼ APPLYING THE RELEVANT TAX EXEMPTIONS FROM THE GIBRALTAR TAX OFFICE.
- ▼ ARRANGING FOR FINAL PAYMENTS OF TAX AND PAYMENTS ON ACCOUNT, WHEN APPLICABLE.
- ▼ ASSISTANCE WITH FATCA/CRS REGISTRATION AND REPORTING AS REQUIRED.



Fund administration services

- ▼ ACCOUNTING SERVICES.
- ▼ CALCULATION OF THE FUND'S NET ASSET VALUATION ON A WEEKLY, MONTHLY, QUARTERLY OR ANNUAL BASIS.
- ▼ INDIVIDUAL INVESTOR REPORTS.
- ▼ CALCULATION AND DISBURSEMENT OF MANAGEMENT, ADVISORY AND/OR PERFORM
- ▼ REVIEW AND PAYMENT OF INVOICES IN RELATION TO OTHER EXPENSES.

Registrar and transfer agent services

- ▼ PROCESSING SUBSCRIPTIONS AND REDEMPTIONS.
- ▼ PREPARATION AND FILING OF RETURNS, ISSUE OF SHARE CERTIFICATES AS WELL AS ANCILLARY DOCUMENTS THAT MAY APPLY IN RELATION TO SUBSCRIPTION (S) AND REDEMPTION (S).
- ▼ COMMUNICATIONS WITH SHAREHOLDERS AS REQUIRED.
- ▼ PROVISION OF CLIENT STATEMENTS AND CONTRACT NOTES AS REQUIRED.