

FOCUS ON: Bahamas

LatAm FM speaks to Graham Thompson & Co partner Linda Beidler-D'Aguiar about prospects for fund managers in the Bahamas



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LatAm FM (LFM): What are the main fund structures available to investment managers for domiciliation in the Bahamas? And which types of manager do they suit?

Linda Beidler-D'Aguiar (LBD): Apart from standard funds, the main structures available are professional funds and Specific Mandate Alternative Regulatory Trust (Smart) funds. Interests in a professional fund can be sold to any number of qualified investors and are largely suitable for an established investment manager who is looking for the potential to reach a fairly broad investor base. There is a requirement that a prospectus or an offering document be produced but there are no constraints imposed in terms of any investment strategy.

Smart funds, on the other hand, are really intended for smaller investor groups (typically 10-15 maximum depending on the fund). They are quite flexible and do not require that a prospectus be produced, resulting in significantly lower start-up costs. Consequently, these vehicles are popular with fund managers who are setting up independently for the first time and are looking for a fairly low cost path into the market.

LFM: Which of the above fund structures are proving most popular currently and why?

LBD: Interestingly, at the moment we are seeing increased popularity in both

professional and Smart funds. There has been a return of interest to an investment fund structure, particularly by persons who are active within the Latam markets. There was a period when we weren't seeing a lot of new fund activity but at this point we are seeing professional funds moving with some established managers looking to offer new products to a broad spectrum of clients. But I have to say that we are also seeing a real interest by new participants in the market for Smart funds in particular, which really is a positive development and proves that they are an attractive addition to our toolkit of products.

LFM: What is it about Bahamas regulation that makes it so flexible for fund managers, and to what extent has this flexibility benefited the jurisdiction in recent years?

LBD: The most flexible option is the Smart fund. Right now we are reacting to the requests and the needs of the market in terms of people coming to us and wanting a specific type of fund and inquiring if the Bahamas can accommodate this.

What we have tried to do is follow through with that and work closely with the regulator and the governments to address these market-driven issues in our regulatory scheme. And I think that is probably the single most important area in which we do have that flexibility.

LFM: Has there been a notable re-domiciliation of funds to the Bahamas, and, if not, can you see this happening?

LBD: There hasn't been to date, but I could certainly see it happening. As we enhance our relationships with other markets, especially LatAm, I think there certainly is a possibility that this can take place. We definitely are entering a very exciting time for the Bahamas.

LFM: In terms of flexibility, how does the Bahamas compare to other fund jurisdictions?

LBD: I would like to think that we have more flexibility because we have demonstrated the ability to create different templates, specifically with the Smart fund model. What we are finding in this post-crisis world is the notion that funds totally exempt from legislation aren't necessarily as appealing as they might have been, both to managers and investors. There is a real view that the flexible light touch regulation offered by the Bahamas is actually quite beneficial for all of the parties involved with the fund, providing the kind of comfort investors are definitely looking for.

LFM: Other than structure variation, how can fund managers benefit from launching funds in the Bahamas?

LBD: We have a very qualified team in the Bahamas, with excellent fund administrators, accounting firms and law firms. Apart from the benefit of a significant level of expertise within the market to deal with investment funds, we also provide personalised service with hands-on attention to detail. We also had relatively important legislation already in place before the recent regulatory changes.

Funds that are domiciled here are required to have, for example, annual audits (except in the case of Smart funds, where these can be waived with the consent of all the investors). So, the Bahamas was already up to date before the wave of regulatory changes came through, allowing us to offer a very attractive product to the Latam market.