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# Cayman Enhances Oversight of Investment Funds

On Friday, February 7, the Cayman Islands government enacted legislation that will further enhance the oversight of Cayman Islands investment funds. This legislation, which expands on one existing law and introduces another, is intended to solidify the Cayman Islands as a leading domicile for global investment funds by aligning its investment fund regulatory regime with other jurisdictions. Updates to the existing Mutual Funds Law (2020 Revision) (MF Law) and the introduction of the Private Funds Law 2020 (PF Law) expand the scope of investment funds supervision by the Cayman Islands Monetary Authority (CIMA).

The regulations arose from ongoing discussions with the EU related to its efforts to ensure the Cayman Islands meet EU requirements and reflect the Cayman Islands ongoing commitment to strong governance. Despite these regulations, the EU Council added the Cayman Islands to the EU's list of non-cooperative jurisdictions in tax matters on February 18, 2020. The Cayman Islands government noted that this addition appears to stem from the regulations not being in effect by February 4, 2020 which was the meeting date of the EU Council. The Cayman Islands government has commenced discussions with the EU to begin the process of having their jurisdiction removed from the EU's list when it is next reviewed in October 2020.

Prior to the MF Law 2020 Revision, open-ended funds having 15 or fewer investors, a majority of whom can appoint and remove the operator of a fund, were exempt from registration with CIMA. These exemptions were contained in Section 4(4) of the existing Mutual Funds Law and these funds were often referred to as Section 4(4) Funds.

## Key takeaways from the MF Law 2020 Revision:

- **Registration requirements.** Section 4(4) Funds operating as of February 7, 2020 are required to register with CIMA by August 7, 2020. Section 4(4) Funds launching after February 7, 2020 need to immediately register with CIMA. The industry awaits the issuance of Regulations and a Statement of Guidance on the registration process.
- **Financial statements.** Section 4(4) Funds will be required to have their financial statements signed off on by an audit firm in the Cayman Islands and filed with CIMA within six months of a fund's year end. A fund annual return filing fee is expected to be due upon submission.
- **Fee schedule.** Registration fees for initial registrations before August 7, 2020 will be waived and a prescribed fee will be payable to CIMA annually by mid-January of each year thereafter.

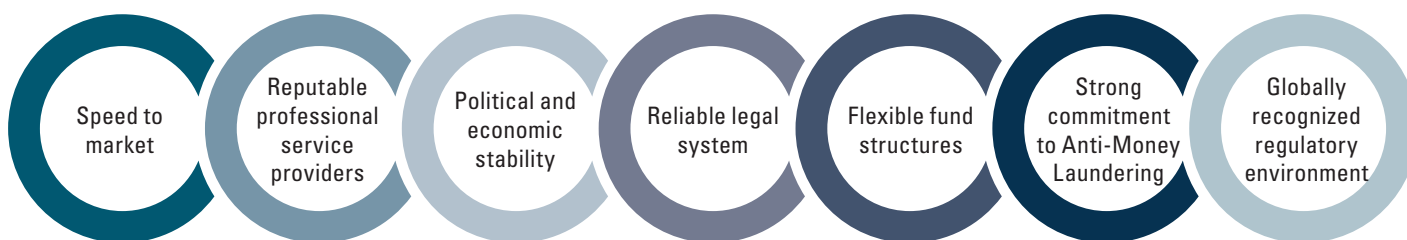
The new PF Law provides for the registration of certain closed-ended investment funds that previously were outside the scope of regulation by CIMA. Funds falling within the definition of a private fund as defined in the PF Law will now be required to register with CIMA.

## Key takeaways from the new PF Law:

- **Registration requirements.** Private funds have until August 7, 2020 to register with CIMA. This includes existing funds and new funds launching after February 7, 2020.
- **Financial statements.** Private funds will be required to have their financial statements signed off on by an audit firm in the Cayman Islands and filed with CIMA within six months of a fund's year end. A fund annual return filing fee is expected to be due upon submission.
- **Fee schedule.** Registration fees for initial registrations before August 7, 2020 will be waived and a prescribed fee will be payable to CIMA annually by mid-January of each year thereafter.
- **Operating requirements.** The PF Law sets out various ongoing operating requirements, including valuation, custody, and cash monitoring that will likely align with many private funds' current procedures.

## Bottom Line

The changes to the regime strike a balance by supporting the Cayman Islands' broader objective of maintaining global standards. The Cayman Islands will continue to provide both structural and operational advantages for investment funds, which include:



Details of fees and forms related to the regulations will be covered by separate regulations, which are expected to be published shortly.

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