

## **CAYMAN ISLANDS – INVESTMENT FUNDS**

Funds in the Cayman Islands are generally structured in one of the following entities:

- Cayman company (generally limited liability);
- Limited Partnership;
- Unit Trust structure.

These can be structured as single class funds, multi-class funds (umbrella funds), Segregated Portfolio Companies, Feeder Funds or single investor funds.

Investment Funds are governed by the provisions of the Mutual Funds Law (“the Law”) and regulated by the Cayman Islands Monetary Authority (CIMA). The Mutual Funds Law applies to entities which issue “equity interest”. Entities that provide no redemption or repurchase rights to investors, ie closed ended funds, are outside the scope of the Law and therefore do not need to be registered or licensed by CIMA .

### **Categories of regulation**

(a) Exempted Mutual Funds:

The Law provides that, if a fund’s equity interests are held by 15 or fewer investors, the majority of whom have the power to appoint or remove the operators of the fund (ie directors, trustees, etc), the fund shall be exempt from the licensing and registration requirements of the Law.

(b) Registered Mutual Funds:

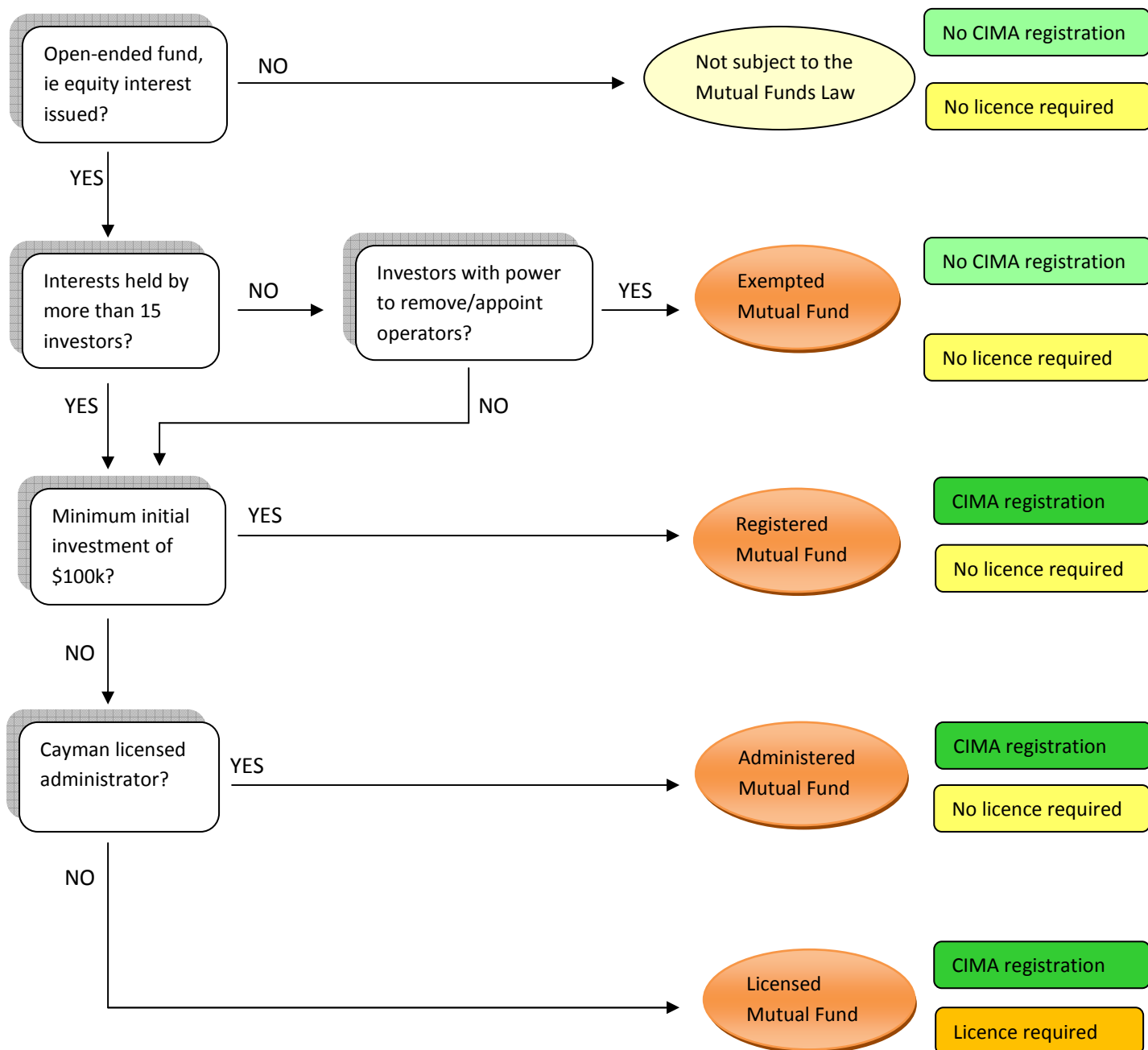
This is the most common form of fund and requires a minimum investment of \$100,000 per investor. Registration with CIMA is straightforward and CIMA does not have any discretionary power to refuse an application, provided the requirements for registration are met.

(c) Administered Mutual Funds:

This type of fund allows for an initial investment of less than \$100,000 per investor, but requires that the fund appoints a licensed mutual fund administrator in the Cayman Islands. The administrator then becomes responsible for reporting any breach of the Law by the fund to CIMA.

(d) Licensed Mutual Funds:

The fund can apply to CIMA to be a licensed mutual fund, but this is issued at CIMA’s discretion. This would allow funds to accept minimum investments of less than \$100,000 per investor, but does not require the appointment of a Cayman Islands administrator.



**Requirements under the Law**

All mutual funds must have a current offering document, which must contain enough detail to allow prospective investors to make an informed choice regarding subscription in the fund. The offering documents must be filed with CIMA and must be updated and re-filed within 21 days of any material change being made to them.

All regulated funds must have their accounts audited annually and filed with CIMA within 6 months of their year end, together with an annual return. These accounts must be audited by an auditor based in the Cayman Islands.

**Advantages of establishing Investment Funds in the Cayman Islands**

- Tax benefits – no direct taxation;

- Flexibility of Fund structure;
- Speed of establishment of structures;
- No restrictions on the appointment of a fund's investment manager, advisor, prime broker or custodian;
- No resident requirements for directors and no requirement to appoint local functionaries;
- Availability of world class professional services;
- Politically and economically stable jurisdiction, with a business oriented government;
- Trustworthy and reliable legal system based on English Common Law, supplemented by local legislation;
- Established Anti-Money Laundering regulation;