

Cayman Islands investment funds – spring 2021 update

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Changes to CIMA registration requirements for private funds

Certain private fund registration requirements that were postponed or waived in the first year of the new regulatory regime are now being implemented by CIMA. In particular:

- Auditor consent letters must now be submitted with the registration application.
- A statement of terms or marketing materials complying with the CIMA Rule on Contents of Marketing Materials for Private Funds, must be submitted with the registration application. It is no longer possible to file the fund's constitutional documents in lieu of these.

Private funds – Fund Annual Returns (FARs)

Details of the information that will be required from private funds in their FARs was set out in the Private Funds (Annual Returns) Regulations, 2021, released on 25 March 2021.

Each private fund's FAR must include information on each of its AIVs (except for any separately registered as a private fund) and each sub-fund. If the fund has received capital contributions, its operator (i.e. general partner, directors or trustee, as applicable) must confirm compliance with the operational requirements of the Private Funds Act. The regulations also make it clear that while the fund's auditors are responsible for filing the information provided by the fund's operator, the operator is responsible for its accuracy.

The FAR requires general up to date information on the fund, its structure and service providers, as well as information on the number, type and domicile of its investors, along with information on its investment strategy and investments and key financial information.

CIMA has not yet released a form of FAR for private funds to submit, but announced on 19 April 2021 that it expects to release the form by the end of June.

CIMA extends filing deadline for private fund audited financials and FARs

CIMA's announcement on 19 April 2021 also extended the deadline for private funds with a 31 December 2020 financial year end to file their audited financial statements and FAR. Given the delay in releasing the form of FAR, the filing deadline is extended from 30 June 2021 to 30 September 2021.

Any private funds that have not yet filed their auditor consent letters with CIMA, are reminded that they should provide these to us for filing as soon as possible.

Filing for private funds that have not received contributions

Where a private fund has not yet received capital contributions during a financial year, the operational requirements in the Private Funds Act (including the audit requirements) do not

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apply. However, the Private Funds (Amendment) Regulations, 2021, released on 25 March 2021, require the fund's operator to file a declaration to that effect within 6 months of the applicable financial year end in the prescribed form.

De-registration of regulated funds

CIMA has recently circulated draft regulatory procedures for industry comment, that set out the procedures for de-registration of regulated private funds and mutual funds. For private funds, the process will be similar to the historic process for mutual funds, with appropriate adaptations, while the process for both private funds and mutual funds will henceforth include a process for de-registration under one regime and continuation under the other regime (for example, when a private fund becomes open-ended, the process to de-register under the Private Funds Act and re-register under the Mutual Funds Act). We expect these regulatory procedures to be finalized and released in the coming weeks.

Fund registration statistics

- *Mutual Funds:* 367 new mutual funds were registered with CIMA in Q1 of 2021, giving a total of 12,225 regulated mutual funds as at 31 March 2021.
- *Private Funds:* 524 new private funds were registered with CIMA in Q1 of 2021, giving a total of 13,219 regulated private funds as at 31 March 2021.



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This briefing is only intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such.
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