


Anchin Alert

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Accountants and Advisors



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Client Alert: New Registration Requirements for Cayman Islands' Master Funds

On December 5, 2011, the Cayman Islands Legislature passed an amendment to the Mutual Funds Law which will require many previously exempted Cayman-domiciled master funds to register with the Cayman Islands Monetary Authority ("CIMA"). The new registration requirements, which are admittedly principally a revenue raising vehicle, are expected to become effective as soon as the Governor approves the amendment and it is published in the Cayman Islands Gazette. It is anticipated that these formalities will occur before December 31, 2011. The bill will affect all new funds launched after the bill becomes effective as well as all existing master funds, which will have 90 days from the enactment of the amendment to comply.

What are the changes?

Traditionally, master funds did not meet the definition of a mutual fund under the Mutual Funds Law ("Law") or qualify for a registration exemption under the Law. As a result, they were not generally required to register with CIMA. The exemptions applied to master funds with fewer than 15 feeders/investors, which had the right to appoint or remove the manager of the master fund. After the amendment, master funds which fall within the scope of the new Law will not be able to claim the exemption for fewer than 15 feeders/investors and will have to register if 1) the master fund issues equity interest redeemable at the option of the feeder/investor and 2) have more than one investor and 3) have one or more feeders which are registered with CIMA. Therefore, master funds for which all feeders are exempt from registration will continue to be exempt from CIMA registration.

Process of registration

The process involves submission of 1) master fund's certificate of incorporation (or equivalent), 2) a new form MF4 and 3) the annual fees.

How the registration will impact you

A registered master fund will be required to comply with CIMA regulations and will be subject to 1) payment of a registration fee of CI\$2,500 (approximately US\$3,050) annually and 2) the master fund will have to file an audit report with CIMA signed by a local auditor within 6 months of the financial year end. It should be noted that many existing master funds are audited by an overseas (e.g. US) affiliate of the Cayman-regulated feeder fund's Cayman auditor. For the purpose of registration, those master funds will likely appoint the same Cayman auditor as the registered feeder fund to meet this requirement.

Please contact your Anchin engagement partner for further information.