

Amendments to the Cayman Islands Mutual Funds Law Master Fund Registration

In June 2011, the Cayman Islands Government announced its intention to introduce legislation providing for the registration of master funds domiciled in the Cayman Islands. Following months of consultation with industry and stakeholders, the Cayman Islands Government has, on 5 December 2011, passed the Mutual Funds (Amendment) Bill, 2011 providing for the registration of master funds of the Cayman Islands. There remain certain procedural steps to bring this piece of legislation into effect, although it is expected that it will happen in the coming days and weeks, and in any event before the end of 2011, following which Cayman Islands master funds will be required to be registered with CIMA.

The key provisions of the amended law are as follows:

- A master fund is defined as a “mutual fund that is incorporated or established in the Islands that holds investments and conducts trading activities and has one or more regulated feeder funds”.
- A regulated feeder fund is defined as “a regulated mutual fund that conducts more than 51% of its investing through another mutual fund”.
- All master funds must be registered with the Cayman Islands Monetary Authority (“CIMA”) within 90 days of the effectiveness of the law – as mentioned above, the law is expected to become effective in the coming weeks. There is a provision for a short extension to this time period although at the moment it is unclear whether any extension will be granted and the end of Q1 should be targeted for all master funds to be registered.
- In order to register a master fund it does not require to have an offering document although it must file with the Authority the “prescribed details” with respect to the master fund.
- The prescribed details will be filed on an MF form similar to the Form MF1 – expected to be named the MF4 Form – such form is not yet available and has not yet been prepared by CIMA. We are expecting its release shortly.
- The fee for registering a master fund will be CI\$2,500 per fund (US\$3,048).

- The master fund will now require Cayman Islands audit sign-off in the same manner as is done for Cayman Island registered funds. Any affected master funds will need to discuss any potential impact on fees with their auditor.

The essence of the legislation is that all clients responsible for master funds that (a) are domiciled in the Cayman Islands, (b) issue equity interests redeemable at the option of the investors, and (c) have as shareholders at least one Cayman registered feeder fund, need to immediately prepare for the requirements of registration with CIMA, including the provision of information similar to that provided on the MF1 Form for feeder funds, the payment of the fee, and if not already in place, the engagement of a Cayman Islands auditor to provide audit sign-off.

The time scale is, as mentioned above, very tight in that funds are required under the law to be registered within 90 days and we would strongly recommend that all parties responsible for such master funds immediately contact their local or Cayman Islands counsel with a view to making the necessary preparation for registration.

Key steps may include :

- Completion of the necessary registration documentation
- Revisions of master fund articles with regard to any provisions relating to exemptions from registration currently availed of, and any related shareholder consent required
- Possible revision of feeder fund offering documentation
- Engagement of Cayman auditor
- Board approval of all of the above

Any investment management or mutual fund clients should examine their structures with a view to assessing the need for registration and ensure compliance with this new legislation.

This memorandum has been prepared as a summary of the law as at December 2011 and is for general guidance only. It is not intended to be, nor should it be used for, a substitute for specific legal advice on any particular transaction or set of circumstances.

Should you have any queries regarding the above, or if we can be of any assistance, please do not hesitate to contact your usual Campbells contact or any of the following:



Robert C. Searle

Partner

+852 3708 3014
rsearle@campbellslegal.com