

To date, Private Funds have been exempt from registration with the Cayman Islands Monetary Authority (CIMA). The Private Funds Law 2020 ("PF Law") that commenced on 7 February 2020, creates a regulatory regime for closed-end funds, such as Private Equity / VC / Private Debt funds etc. Many of the requirements under the PF Law are similar to the existing requirements for open-ended funds, but there are some additional operational features contained in the PF Law which Managers also need to address.

All Private funds, whether formed before or after the passage of the PF Law, must register with CIMA by 7 August 2020.

### WHAT ARE THE NEW REQUIREMENTS?

There are some features of the PF Law that mirror the requirements that are currently imposed on Cayman open ended funds, such as:

- **Registration with the Cayman Islands Monetary Authority (CIMA)** - Managers will need to work with a local provider to assist with (i) Classification scoping / analysis (e.g. "which entities need to be registered?"); (ii) Form preparation; and (iii) Form submission.
- **Annual Audit Requirement** - A Private Fund shall have its accounts audited annually by an auditor approved by CIMA and signed off by their Cayman office.
- **Extension of four eyes principle to Private Funds** - A minimum of two (2) directors are required for applicants that are companies, and a minimum of two (2) natural persons are to be named in respect of a general partner or a corporate director of a Private Fund.

There are some features of the PF Law that are additional to the requirements that are currently imposed on Cayman open ended funds. All of these requirements can be satisfied by the Manager, provided it can demonstrate the function is carried out independently of portfolio management, or any conflicts of interest are properly disclosed.

Alternatively, the Manager should appoint a Third Party, as follows:

- **Valuation** - A Private Fund shall have appropriate and consistent procedures for the purposes of proper valuations of its assets. A valuation firm or administrator are the eligible Third Parties.
- **Safekeeping of fund assets** - A Private Fund shall appoint a custodian to hold custodian fund assets on a segregated basis and verify the fund holds title to other fund assets. In addition to a bank, an administrator is the other third party that could provide title verification services.
- **Cash monitoring** - This includes a number of requirements around monitoring cash movements in relation to assets of Private Fund. In addition to a bank, an administrator is the other third party that could provide cash monitoring services.
- **Identification of securities** - A private fund that regularly trades securities or holds them on a consistent basis shall maintain a record of the identification codes of the securities it trades and holds as specified in the PF Law and shall make this record available to the Authority upon request. Investment Managers should already be able to comply with this.

## HOW CAN DMS HELP?

DMS works with a variety of institutional private fund clients providing bespoke services in a number of key jurisdictions including the Cayman Islands, U.S., and Europe. The unique characteristics associated with Private Fund structuring, and the challenges that presents when operating cross-border, means that there are many needs for suitably qualified independent governance, risk and compliance professionals, both onshore and offshore, including the following:

### CAYMAN:

Regulatory Consulting & Fund Registration  
Fund Governance / Investment Committee  
Corporate Administration for SPVs  
Banking, Trust & Custody  
FATCA/CRS Reporting  
AML Officers

### U.S.:

Conflicts Committees  
Independent Fund Representative  
GP Services  
Onshore Governance  
Fund Governance / Investment Committee

### EUROPE:

Third Party AIFM  
MIFID Hosting for Managed Accounts  
Corporate Administration for SPVs  
Capital Raising

Please do not hesitate to reach out to a member of the DMS team to discuss any consulting, registration, banking & governance services that can assist you in complying with these new requirements.

### KEY DATES FOR FUNDS:

#### 7 August 2020

All Private Funds, whether formed before or after the passage of the PF Law, must register with CIMA by this date.

#### 30 June 2021

All Private Funds must file financial statements audited by a CIMA approved auditor by this date.

### KEY PRIMARY SOURCES:

Private Funds Law 2020:

· [https://www.cima.ky/upimages/commonfiles/PrivateFundsRegulations2020\\_1581526299.pdf](https://www.cima.ky/upimages/commonfiles/PrivateFundsRegulations2020_1581526299.pdf)

CIMA Notice RE: Private Funds Law 2020 - Frequently Asked Questions

· [https://www.cima.ky/upimages/noticedoc/1583246739Notice-PrivateFundsLawFAQs\\_1583246739.pdf](https://www.cima.ky/upimages/noticedoc/1583246739Notice-PrivateFundsLawFAQs_1583246739.pdf)

### WHERE CAN I FIND A MORE DETAILED ANALYSIS?

· [DMS Governance Practical Overview Of Cayman Private Funds Law 2020](#)



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