

To date, certain categories of open-ended Funds have been exempted from registration with the Cayman Islands Monetary Authority (CIMA). The Mutual Funds (Amendment) law, 2020 ("MFA Law") that commenced on 7 February, 2020, creates a registration requirement for open-ended funds that have 15 or fewer investors who have the ability to appoint or remove the operator of the Fund; these funds were previously referred to as "exempted funds" or "section 4(4) funds".

These are typically hedge funds that have been set up for a limited number of investors, or early stage hedge funds.

All previously "exempted funds", whether formed before or after the passage of the MFA Law, must register with CIMA by 7 August, 2020.

It should be noted that section 4(4) funds will be required to have at least two natural persons as operators and that these persons will be required to be registered under the Directors Registration and Licensing Law, 2014. Such registration is a straightforward process involving an online filing and payment of a fee through the director portal on CIMA's website.

Although there is not a strict regulatory requirement to appoint independent directors, it is certainly standard procedure in the hedge fund industry to do so. Such appointments would often have not been made in respect of previously "exempted funds", because of a combination of:

- (i) They are too small, therefore very fee sensitive
- (ii) They are not marketed to institutional investors that may have expectations of strong Governance
- (iii) They are not subject to direct regulatory supervision
- (iv) They are not subject to the CIMA Statement of Guidance for Regulated Mutual Funds which sets out expectations around corporate governance [https://www.cima.ky/upimages/commonfiles/StatementofGuidance-CorporateGovernanceforMutualFunds\\_1519655464.pdf](https://www.cima.ky/upimages/commonfiles/StatementofGuidance-CorporateGovernanceforMutualFunds_1519655464.pdf)

While (i) & (ii) may still be true for many newly registered hedge funds, (iii) & (iv) are not. This is one of the main drivers for groups to upgrade their Governance in line with CIMA expectations, and appoint persons who, at a minimum, have sufficient and relevant knowledge and experience to monitor compliance with the laws, regulations, rules and standards of the Cayman Islands and the Authority.

### HOW CAN DMS HELP?

DMS works with a variety of hedge fund clients, providing best-in-class governance, risk + compliance services in a number of key jurisdictions including the Cayman Islands, U.S., and Europe. The challenges associated with the increased regulatory burden on hedge funds when operating cross-border, means that there is a significant requirement for suitably qualified independent governance, risk + compliance professionals, both onshore and offshore, including the following:

#### CAYMAN:

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

## EUROPE:

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

## U.S.

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

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:

[Mutual Funds Amendment Law, 2020](#)

### WHERE CAN I FIND INFORMATION ON THE NEW CAYMAN PRIVATE FUNDS LAW, 2020?

[Cayman Private Funds Law 2020 Overview](#)

## CONTACTS:



### DAN FORBES

MANAGING DIRECTOR  
dforbes@dmsgovernance.com  
+1.212.257.5052



### MATTHEW BROWN

MANAGING DIRECTOR  
mrbrown@dmsgovernance.com  
+1.212.403.2793



### SCOTT DAVIDOFF

DIRECTOR  
sdavidoff@dmsgovernance.com  
+1.212.403.2796



### CHRISTOPHER MARCHIOLI

EXECUTIVE DIRECTOR  
cmarchioli@dmsgovernance.com  
+1.345.749.2773