

CIMA's Corporate Governance Update: Enhancing Oversight in Investment Funds



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On 14 April 2023, the Cayman Islands Monetary Authority (“CIMA”) issued the Statement of Guidance on Corporate Governance for Mutual Funds and Private Funds, the Rule on Corporate Governance for Regulated Entities and the Rule and Statement of Guidance of Internal Controls for Regulated entities (the “Rules and SoGs”)^{[1][2]}.

With 2025 now underway, CIMA’s corporate governance framework continues to shape the regulatory landscape for investment funds. The rules and guidance, which became effective in October 2023, have now been in place for over a year and remain to be an area of focus that underscores CIMA’s commitment to fostering a sound and stable financial environment by ensuring that entities adhere to high standards of corporate governance. These standards aim to promote accountability, transparency and integrity within corporate entities, particularly in the investment funds sector.

As the 2023 update continues to take effect, it is an important time to review the key changes it introduced. The main differences between the Cayman Islands Monetary Authority’s 2014 Statement of Guidance on Corporate Governance and the updated Rule and Statement of Guidance issued in April 2023 include:

- A more comprehensive framework and specific rules for different types of regulated entities. The 2023 update introduced distinct guidelines for mutual funds and private funds, emphasizing the importance of governance structures tailored to the size, complexity and risk profile of each entity.
- Additionally, the new rules provide clearer definitions, enhanced oversight functions and more detailed requirements for managing conflicts of interest and risk management. This update reflects CIMA’s commitment to aligning with international standards and addressing the evolving needs of the financial sector.

Below is a table summarizing the primary requirements and the value they add to a regulated entity's governance framework.

Requirement	Description	Why it Enhances Governance
Corporate Governance Framework	Regulated entities must establish and maintain a governance framework tailored to the size, complexity and risk profile of the entity.	Ensures governance structure is aligned with the specific needs and risks of the entity, fostering effective oversight.
Governing Body Responsibilities	The Governing Body is responsible for oversight of the entity's strategies, objectives, compliance and ensuring independence and objectivity.	Clear accountability helps ensure that objectives are met while maintaining regulatory compliance and ethical conduct.
Risk Management and Internal Controls	Entities must have robust risk management and internal control systems to oversee risk mitigation and ensure proper functioning.	Effective risk management ensures the entity is prepared for potential challenges, improving resilience and stability.
Conflicts of Interest	Directors and management must declare any conflicts of interest and follow a formal policy for addressing and managing these conflicts.	Managing conflicts of interest enhances trust and reduces the risk of decisions being influenced by personal gain.
Compliance and Reporting	The Governing Body must ensure accurate reporting and communication with CIMA, including financial reporting and regulatory compliance.	Maintaining transparency and accountability strengthens regulatory relationships and ensures accurate oversight.
Minimum Annual Review	The Governing Body must conduct a minimum annual review of strategies, risks governance structures and maintain detailed meeting records.	Annual reviews ensure that governance practices are current, effective and adaptable to changes in the business environment.

Compliance with the Rules and SoGs is essential for ensuring that regulated entities are managed in a manner that is ethical, transparent and aligned with the entity's objectives. By adhering to these rules, entities can mitigate risks, enhance decision-making processes and ensure that they meet the expectations of regulatory bodies and stakeholders alike. A widespread approach for establishing compliance with the Rules and SoGs is to establish a robust written corporate governance framework that incorporates the key elements above.

Paths to Compliance

Board Meetings and Minutes

The Statement of Guidance requires the fund operators to conduct at least one board meeting per year. Well-organized and efficient board meetings are crucial for effective governance. Consider organizing and facilitating meetings to ensure that directors/members, any relevant stakeholders including key service providers have the necessary materials in advance. Maintaining accurate and thorough records of discussions via minutes helps ensure that the board's fiduciary duties are met in a transparent and compliant manner.

Independent Directors on Funds and General Partner Boards

Independent directors bring a wealth of experience and an unbiased perspective to the board. Their role is crucial in upholding governance standards, offering unbiased perspectives and contributing to decision-making processes that protect the interests of both the fund and its investors. This independence strengthens the integrity and credibility of the board.

Advisory Committees

Forming advisory committees tailored to provide specialized oversight and counsel can be highly beneficial for the members of the General Partner of limited partnerships. These committees can assist in areas such as investment strategy, risk management or regulatory compliance. Involving independent professionals ensures that these advisory roles are filled with experts who can offer diverse insights without conflicts of interest, enhancing the fund's overall governance.

2024 Thematic Review Findings

In addition to the updates made in 2023, the Cayman Islands Monetary Authority conducted a comprehensive Corporate Governance Thematic Review in 2024. This review assessed the governance practices of 19 licensees across various sectors, identifying both best practices and areas for improvement. Key findings highlighted the importance of written governance frameworks, robust conflict of interest policies and effective risk management systems. The review also emphasized several areas related to effective board meeting practices, including policy reviews, independent and evidential approval and the importance of maintaining detailed records of board meetings and decisions.

For more detailed insights, you can access the full CIMA 2024 Corporate Governance Thematic Review [here](#).

How Can Waystone Help?

Waystone has extensive experience in supporting investment advisers and their funds by providing independent oversight through a team of highly skilled independent directors, board support professionals, AML officers and FATCA & CRS specialists. Our team partners with a diverse range of successful hedge funds, private equity, venture capital and real estate funds.

Waystone is well positioned to help you navigate compliance requirements and enhance governance practices. Our team of experts are ready to deliver tailored solutions that address your specific needs. To learn more about Waystone's [Cayman Solutions](#), please reach out to your usual Waystone representative, or contact us below.

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¹ CIMA: [Rule – Corporate Governance for Regulated Entities](#)

² CIMA: [Statement of Guidance Corporate Governance](#)