



## Cayman Islands Monetary Authority publishes new procedures for De-registering Cayman Mutual Funds and Private Funds

September 2022

The Cayman Islands Monetary Authority (“**CIMA**”) published an updated Rule and Regulatory Procedure on 17 August 2022 in respect of the cancellation of certificates of registration (“**De-registration**”) of both mutual funds regulated under the Mutual Funds Act (2021 Revision) (“**MFA**”) and private funds regulated under the Private Funds Act (2021 Revision) (“**PFA**”).

A mutual fund or private fund (“**Fund**”) is required to notify CIMA when it intends to cease or has ceased carrying on business as an investment fund pursuant to the MFA or PFA (as applicable) within 21 days from the date it ceases to carry on business (“**Notification Deadline**”). However, after the initial notification, a Fund can only make a De-registration application to CIMA in accordance with the terms set out in the updated Regulated Procedure, as outlined below.

### What has changed?

The updated Regulatory Procedure for both mutual funds and private funds have both removed the concept of “Licence Under Liquidation” (“**LUL**”) and “Licence under Termination” (“**LUT**”).

Previously, a Fund could (i) provide liquidation as the reason for De-registration and be granted LUL status pending completion of liquidation of the Fund, or (ii) apply to CIMA for De-registration by paying the required surrender fee of US\$731.71, returning the original certificate of registration (if issued instead of an electronic certificate) and a certified copy of the operators’ resolution and be placed in LUT, pending receipt of all the documents required by CIMA to confirm De-registration (e.g. submission of the audited accounts or confirmation of an audit waiver by CIMA).

Instead, now a Fund can only apply for De-registration if it is in good standing (i.e. all fees have been paid, the audited financial statements have been submitted or an audit waiver obtained and there are no outstanding queries from CIMA). Furthermore, the Fund must comply with the Notification Deadline in order to avoid incurring administrative fines.

This change also impacts regulated mutual funds which operate as master funds (“**Master Funds**”), as a Master Fund cannot complete its De-registration until its regulated feeder fund has been completely terminated by CIMA (i.e. until such time as the regulated feeder fund is also in good standing with CIMA).

The updated Regulatory Procedures further provides details of a “non-fund arrangement” ground for De-registration, where a Fund does not meet the definition of a “mutual fund” under the MFA or a “private fund” under the PFA.

### **What is the implication for Cayman domiciled Funds?**

Previously, a Fund could submit a De-registration application before 31 December, be placed in either LUL or LUT status and benefit from either a reduction or waiver of the CIMA annual fees due by 15 January, the immediately following year, provided that the Fund completed any actions required in order to complete De-registration within a prescribed time period set by CIMA.

The revised two-step notification and application process for De-registration means that in order to avoid incurring CIMA renewal fees for the next financial year, a Fund will need to schedule to complete any actions to wind-down the Fund (i.e. final distributions, preparation of final accounts or applying and obtaining an audit waiver from CIMA) in good time ahead of 31 December in the relevant year.

*This publication is not intended to be a substitute for specific legal advice or a legal opinion. For specific advice on Cayman Mutual Funds and Private Funds, please contact your usual Loeb Smith attorney or :*

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