

Alert

The Private Funds Law, 2020 and Mutual Funds (Amendment) Law, 2020 – Now In Force

This is further to our previous [Alert](#) issued in January, 2020. Each of these new laws is now effective and they are, in all material terms, as described in our earlier Alert.

Private Funds Law, 2020

On 7 February, 2020 the Cayman Islands Government approved and adopted the Private Funds Law, 2020 (Private Funds Law), providing for the registration and regulation of most private, closed-ended funds formed in the Cayman Islands and setting the supervisory and enforcement powers of the Cayman Islands Monetary Authority (CIMA) in relation to such private funds.

We now have an understanding of the timelines for compliance with this new legislation. Transitional rules under the Private Funds Law permit a private fund carrying on or commencing to carry on business in or from the Cayman Islands on or before 7 August, 2020, a six month period (from 7 February, 2020) to comply, or such further period as may be specified by CIMA. A private fund that is in receipt of capital contributions from investors for the purpose of investment is carrying on business for this purpose.

The Cayman Islands Government has indicated there will be no fee charged upon initial registration of a private fund on or before 7 August, 2020. Thereafter, registration and annual fees will be charged at rates to be advised by the Government.

In addition to the coming into force of the Private Funds Law, the Cayman Islands Government has published regulations defining key terms in the Private Funds Law that were previously undefined. New definitions prescribed by regulations adopted under the Private Funds Law define “alternative investment vehicle” and “restricted scope private fund”. In the former case, the definition refers broadly to an entity that will make a portfolio investment in lieu of a fund. The Private Funds Law permits a private fund to prepare and file financial accounts that are combined or consolidated with an alternative investment vehicle. According to guidance issued by CIMA, private funds will be required to file audited accounts confirmed by a local audit firm in respect of the 2020 financial year within six months of the end of the financial year or within such extension of that period as CIMA may allow. By way of example, for funds with a 31 December year end, the first required filing in respect of the year ended 31 December 2020 will be due by 30 June, 2021. The term “restricted scope private fund” relates to a class of private fund that is an exempted limited partnership, managed or advised by a person who is licensed or registered by CIMA or by a recognized overseas regulatory authority and in which all of the investors are non-retail in nature, being either high-net worth persons or sophisticated investors. Details regarding the implications for registration and ongoing requirements for funds that fall within this category are expected in due course.

We anticipate that CIMA will publish rules of interpretation and/or practice notes to aid in the understanding of the Private Funds Law, and we will update further as soon as this material becomes available.

Mutual Funds (Amendment) Law, 2020

The Mutual Funds (Amendment) Law, 2020 (MF Amendment Law) brings within the scope of regulation under the Mutual Funds Law (2020 Revision) funds formed in the Cayman Islands 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”.

As was anticipated, the MF Amendment Law similarly prescribes a period of six months from 7 February, 2020 for affected mutual funds to comply with the new registration and other requirements of the MF Amendment Law, or such further period as may be specified by CIMA.

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 straight forward process involving an online filing and payment of a fee through the director portal on CIMA's website.

If you have any questions in the interim or require any further information, please feel free to contact your usual Conyers contact or any of the attorneys listed below.

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