

ADVISORY
Industry Information

Updated Procedures for De-Registration of Cayman Islands Mutual Funds and Private Funds

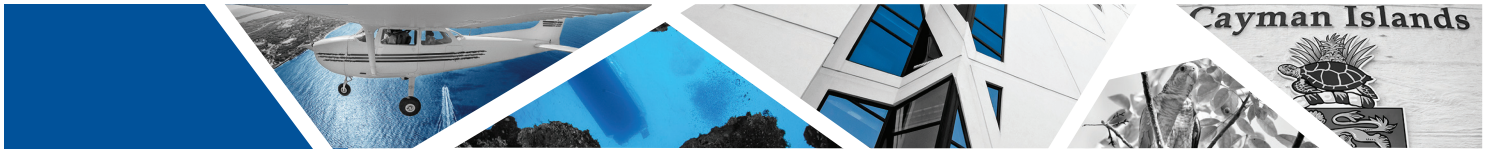
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On 17 August 2022, the Cayman Islands Monetary Authority (“CIMA”) published a set of new regulatory measures in connection with the de-registration of mutual funds and private funds (the “Procedures”) as regulated funds in the Cayman Islands. The revised Procedures represent the outcome of a consultation process that CIMA has undertaken in order to simplify and standardise the de-registration process for regulated funds, so that mutual funds and private funds can terminate their registrations on a consistent basis.

While the Procedures largely codify CIMA’s longstanding practices, they also introduce some significant simplifications:

- » For funds undertaking an ordinary-course solvent wind-down, the former ‘two-step’ de-registration process (typically involving a period of ‘Licence under Termination’ followed by final de-registration submissions) has been removed. These funds will simply notify CIMA when they commence their wind-down, stay registered until the final payments to investors (often the release of an audit-related holdback) have been made, and make a final submission once they have completed their final liquidation audit and have completely redeemed all investors.
- » For funds that are required to commence a formal winding up upon the expiration of their term, or whose constitutive documents contain similar liquidation triggers, the former ‘two-step’ de-registration process triggered by a liquidation (involving a period of ‘Licence under Liquidation’ followed by full de-registration) has also been removed. These funds will follow the same process as outlined above: an initial notification to CIMA at the commencement of the wind-down and liquidation of the fund, followed by a final submission following the completion of the process. Separate provisions apply where a third-party liquidator is appointed.
- » While funds remain registered, they continue to be subject to all of the obligations of registered funds, including with respect to submission to CIMA of annual audits, Fund Annual Returns, and annual fees. As the Licence Under Termination and Licence Under Liquidation routes are no longer available, annual fees will not be subject to the prior 50% and 100% discounts, and funds will need to accrue accordingly. While in limited circumstances waivers from certain filing requirements may be available, we do not expect these to be a routine part of most funds’ de-registration submissions.

The documents to be submitted on ordinary-course de-registrations have not changed significantly, and the related requirements that many clients will be familiar with (such as the requirement to be in ‘good standing’ with CIMA) all remain applicable. The Procedures still provide for de-registration scenarios beyond the ordinary-course ones mentioned above, such as entities transferring out of the jurisdiction, or changing their circumstances such that they are no longer operating as a fund.



As a practical matter, the changes mean that there is no longer any significant advantage to making de-registration submissions prior to a given year-end (as there is no fee break to be secured). Unless the fund has completed its final payments to investors, submitted its final audit and made all its required submissions, it will need to remain registered into the following year until those items have been completed. However, the Procedure still requires funds to notify CIMA within 21 days of commencing the wind-down of their business (this is unchanged from the prior position), and so clients with funds approaching the end of their life should build this initial notification into their process. Your Walkers team will guide you as to the required steps.

CIMA has yet to specify what will happen to funds currently in Licence Under Termination or Licence Under Liquidation status. Our expectation, until guided otherwise, is that they will remain in this status (and continue to benefit from fee discounts), but that no new de-registrations will be permitted to enter either status.

Walkers would be happy to assist with any funds that need to be de-registered. Please do get in touch with your Walkers team, or any of the contacts listed below, should you wish to discuss anything in this Advisory.

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