

Cayman Islands

Regulation

HEDGE FUNDS 2009

Hedge fund managers/advisors

Regulation

Administrators are licensed by the Cayman Islands Monetary Authority and are required to act as the principal office of the funds they administer.

Administrators are obligated to report to the regulator if they become aware that a fund is acting in breach of the Mutual Funds Law or any other law, is, or likely to become insolvent or is otherwise acting in a manner prejudicial to its creditors or investors.

Authorization requirements and process

Applications would be made under the Securities Investment Business Law (2003 Revision) to the Cayman Islands Monetary Authority following the prescribed application process.

Typical timescale to receive approval

In keeping with the application for similar licenses it would take approximately four to six weeks to obtain a license under the appropriate legislation.

Regulatory capital requirements

The legislation does not provide for a minimum capital requirement.

Significant restrictions on marketing to investors

Only Cayman corporate funds that are listed on the CSX can invite the Cayman public to subscribe (under s194 of the Companies Law).

Hedge fund structures

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As defined by the Mutual Funds Law, a mutual fund is "any company, trust or partnership either incorporated or established in the Cayman Islands, or if outside the Cayman Islands, managed from the Cayman Islands, which issues equity interests redeemable at the option of the investor, the purpose of which is the pooling of investors' funds with the aim of spreading investment risk and enabling investors to receive profits or gains from investments."

There are three types of mutual funds that can be registered under the Mutual Funds Law: a Registered Fund under Section 4(3); an Administered Fund under Section 4(1)(b); and a Licensed Fund under Section 4(1)(a).

Authorization requirements

The authorization requirements are limited to establishing the nature of the fund. There are no jurisdictional requirements.

Restrictions on types of investments, concentration levels, and the manner in which hedge funds can invest and/or strategies

There are no such restrictions.

Rules regarding the publishing of the accounts and prospectuses

There are no such specific rules.

Time-scale of establishment of a hedge fund

It takes approximately five business days to register a mutual fund and four to six weeks to license a fund once all documentation has been received.

Investors

Regulation

Restrictions on which type of investors can invest in a hedge fund and/or the minimum/maximum number of investors in a hedge fund

There are four different types of fund. An unregistered/unlicensed fund has a maximum number of investors. There are no restrictions for the others. There

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is a minimum investment threshold of KYD 40,000 (raised to KYD 80,000 by the 2006 Amendment Law).

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.