

# New Registration Requirements for Cayman Islands Master Funds

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As the result of a recent amendment to the Cayman Islands Mutual Funds Law, master funds formed in the Cayman Islands may be required to register with the Cayman Islands Monetary Authority (CIMA). Prior to the passage of the Mutual Funds (Amendment) Bill 2011 (the "Amendment") in December 2011, many master funds were exempt from registration with CIMA in reliance on an exception for funds with "not more than 15 investors". With the passage of the Amendment, master funds will no longer be able to rely on this exception and clients now need to determine whether any Cayman Islands master funds in their master-feeder fund structures will be required to comply with the new registration and filing requirements.

The new requirements apply to master funds that (i) hold investments and conduct trading activities; (ii) issue equity interests that are redeemable at the option of the investors (for this purpose, a feeder fund would constitute an investor); and (iii) have CIMA-registered feeder funds within their structure. Accordingly, closed-end master funds whose interests are not redeemable at the investors' option are not subject to the Amendment. In addition, master funds that have only non-CIMA regulated feeder funds are excluded from the Amendment's registration requirements.

Master funds subject to the Amendment must file a Form MF4 with CIMA and pay an annual registration fee of CI \$2,500 (approximately USD \$3,048). Such master funds must also file an annual audited financial statement signed by a CIMA-approved auditor and submit a Fund Annual Return ("FAR") Form within six months of the fund's fiscal year end. Any master fund in existence as of December 22, 2011 which is subject to the new legislation must register and be in compliance with the new requirements by March 21, 2012.