



THE NEW CAYMAN ISLANDS PRIVATE FUNDS LAW – WHY OPTIONALITY IS MORE IMPORTANT THAN EVER

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With changes to Cayman private funds rules on the horizon, managers around the world are having to think about alternatives for their structuring needs in order to navigate greater complexity and the inevitable rise in regulatory costs. While the Cayman Islands will continue to have a very competitive funds offering to meet investor needs, it is worth being aware of your options to diversify.

In February, the Private Funds Law 2020 came into effect in the Cayman Islands. The Law enforces that all closed-ended Cayman fund vehicles are required to register with the Cayman Islands Monetary Authority (CIMA) by 7 August 2020.

To come within the definition of “private fund” an entity’s principal business must be “the offering and issuing of its investment interests, the purpose or effect of which is the pooling of investor funds with the aim of spreading investment risks and enabling investors to receive profits or gains from such investments”. In other words, registration and audit would be required if a closed-ended structure has more than one investor investing in one or more instruments which diversify risk.

As such, these are a few examples where the new law would not apply:

1. Pooling of investors investing into one non-diversified instrument such as a private equity; and
2. One investor investing in diversified investments.

It is also worth noting that investing into one instrument such as an Exchange Traded Fund (ETF) would not be exempted as that ETF would be diversified by its nature.

CHITA SPC LIMITED – A BVI ALTERNATIVE

It is clear that the new Cayman Private Funds Law will lead to increasing regulatory costs for managers, and for some managers that will be a necessary impact in return for the greater reassurances the new regime will offer.

Indeed, JTC’s Shield SPC platform has provided and will continue to provide a robust and attractive turn-key solution for managers and family offices wishing to continue to make use of the unparalleled experience and bolstered regulatory environment the jurisdiction offers to support their global investment ambitions.

For other managers looking at their options, JTC is now also able to offer a new BVI platform, Chita SPC Limited (“Chita SPC”), which emulates the popular Cayman-based Shield CE Fund SPC (“Shield CE”), but governed under BVI rules and regulations.

Like the Shield CE, Chita SPC will be offered to closed-ended structures which will not be required to be regulated or audited. Chita SPC is recognised as a private investment fund under BVI Securities Investments Act (SIBA), and recognition of the fund does not entail the supervision by the BVI Commission or by any other regulatory body outside of the British Virgin Islands.



If managers are looking to diversify their operating models and structures in response to regulatory changes and associated cost rises, then this is one further option.

Of course, while the BVI offers a strong alternative to Cayman, it is also worthwhile considering other equally reputable domiciles such as Luxembourg or the Channel Islands when looking at alternative models and structures. JTC can help by offering a dedicated or shared ManCo in either of these jurisdictions.

When it comes to structuring funds, there are a number of elements to consider, with cost and regulatory measures both bring pros and cons to the table, and jurisdictional decisions will depend largely on a combination of risk appetite, speed to market, investor diaspora and approach to regulatory oversight. Therefore, it is imperative to look at all the options and JTC can offer a broad spectrum of services across various jurisdictions to ensure a bespoke and carefully considered service for our clients.

ABOUT JTC CAYMAN ISLANDS

JTC has had a presence in the Cayman Islands since 2013 and our offering includes international fund and incorporation services, as well as a wide variety of professional services to corporate and private clients around the world.

We provide a comprehensive range of services to mutual funds. Our services have been developed and expanded over many years in order to meet the needs of the offshore fund industry and this is complemented by a wealth of experience in providing premium administration services.

To find out more about JTC's Cayman Islands experience please contact me directly.



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* l'Association Romande des Intermédiaires Financiers (ARIF) is a self-regulatory body approved by the Swiss Financial Market Supervisory Authority (FINMA) for the supervision of financial intermediaries covered by Article 2 para.3 of the Swiss Federal Law on Combating Money Laundering and Financing of Terrorism in the Financial Sector (LBA). ARIF is also recognized by FINMA as a professional organization for the outlawing of rules of conduct relating to the exercise of the profession of independent asset manager within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA).