

# Cayman Islands Private Investment Funds: 5 FAQs

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Fund Managers are on the lookout for fund professionals advising on the appropriate fund jurisdiction for newly established Alternative Investment Funds (“AIFs”). Likewise, fund formation lawyers and fund advisors come across situations where an alternative jurisdiction can better address the needs of their clients.

**Cayman Islands** has been at the forefront of fund jurisdictions for hosting AIFs. We hereby provide the 5 more frequently asked questions in relation to Cayman private investment funds.

## 1. Is Cayman Islands an attractive domicile for PE/VC funds?

Cayman Islands remains the premier destination for internationally pooled capital. Emerging Fund Managers raise their first ever Cayman structure, while established fund managers raise successor funds with AuM of hundreds of millions. The value of assets under administration in the Cayman Islands is estimated to be several trillion \$US dollars. According to some estimates, Cayman houses around 75% of global alternative asset flows. The most recent statistics from The Cayman Islands Monetary Authority (the regulator, hereafter referred to as “CIMA”) as of Q4 of 2022, reveal that Cayman had 15,854 total private funds (up 25% since 2020). Looking at total net asset value (NAV) for 2021, we see a YoY increase of 13.3% compared to an increase of 12.7% worldwide.

## 2. What are the main benefits for launching a Cayman Islands fund?

To start with, Cayman Islands offer a supportive business environment with stable economic and political climate, absence of exchange controls, modern infrastructure and state-of-the-art communication systems. Another key benefit is that Cayman provide a lucrative banking environment, experienced regulator, sound legal framework and responsive government. Based on drafts published in consultation, CIMA is expected to update their governance rules and guidance for regulated funds in the Cayman Islands, following global best practices. Furthermore, Cayman is a tax neutral jurisdiction with no personal or corporation income taxes while there are no taxes on profits and gains from investments. And last but not least, there are no property taxes or controls on foreign ownership of property.



### **3. Can the General Partner/Investment Manager reside outside Cayman Islands?**

There is no limitation for the investments decision makers to be domiciled in the Cayman Islands. As evidenced by CIMA statistics, 70% of non-US domiciled AIFs managed by US SEC-registered advisors are domiciled in Cayman. In fact, the top ten Cayman fund investment manager locations by NAV include the United States, Hong Kong, United Kingdom, Singapore, Brazil, Switzerland, Canada, Japan and Israel.

### **4. What are Cayman Funds Corporate Governance Requirements and how long does it take to set up a Cayman private investment fund?**

A private fund is required to register with CIMA prior to accepting any capital contributions from investors and within 21 days of admitting any investors. A Cayman private fund needs to have a registered office in the Cayman Islands, which will maintain the fund's registers and make appropriate filings to the Registrar, including the fund's constitutional documents and offering memorandum (prospectus). The fund must appoint a CIMA approved auditor, a fund administrator, an Anti-money Laundering Compliance Officer (AMLRO) and Money Laundering Reporting Officer (MLRO) and a Deputy MLRO, as well as register with Cayman Islands' Department for International Tax Cooperation and report on Automatic Exchange of Information, FACTA, and CRS. Last but not least, the fund must have at least 2 natural persons acting as directors, and each of them is required to be licensed by CIMA.

In terms of incorporation, the General Partner shall take the form of a Cayman exempted company and the registration of the fund that of an exempted limited partnership. The registration is not expected to take more than 2 days following the relevant submission with the authorities. Following that, the Cayman Register shall issue within 2 weeks the relevant constitutional documents such as the certificate of incorporation and memorandum and articles of association of the General Partner and the certificate of registration of the fund as exempted limited partnership.

### **5. Annual Cost of setting & running up a Cayman PE/VC fund?**

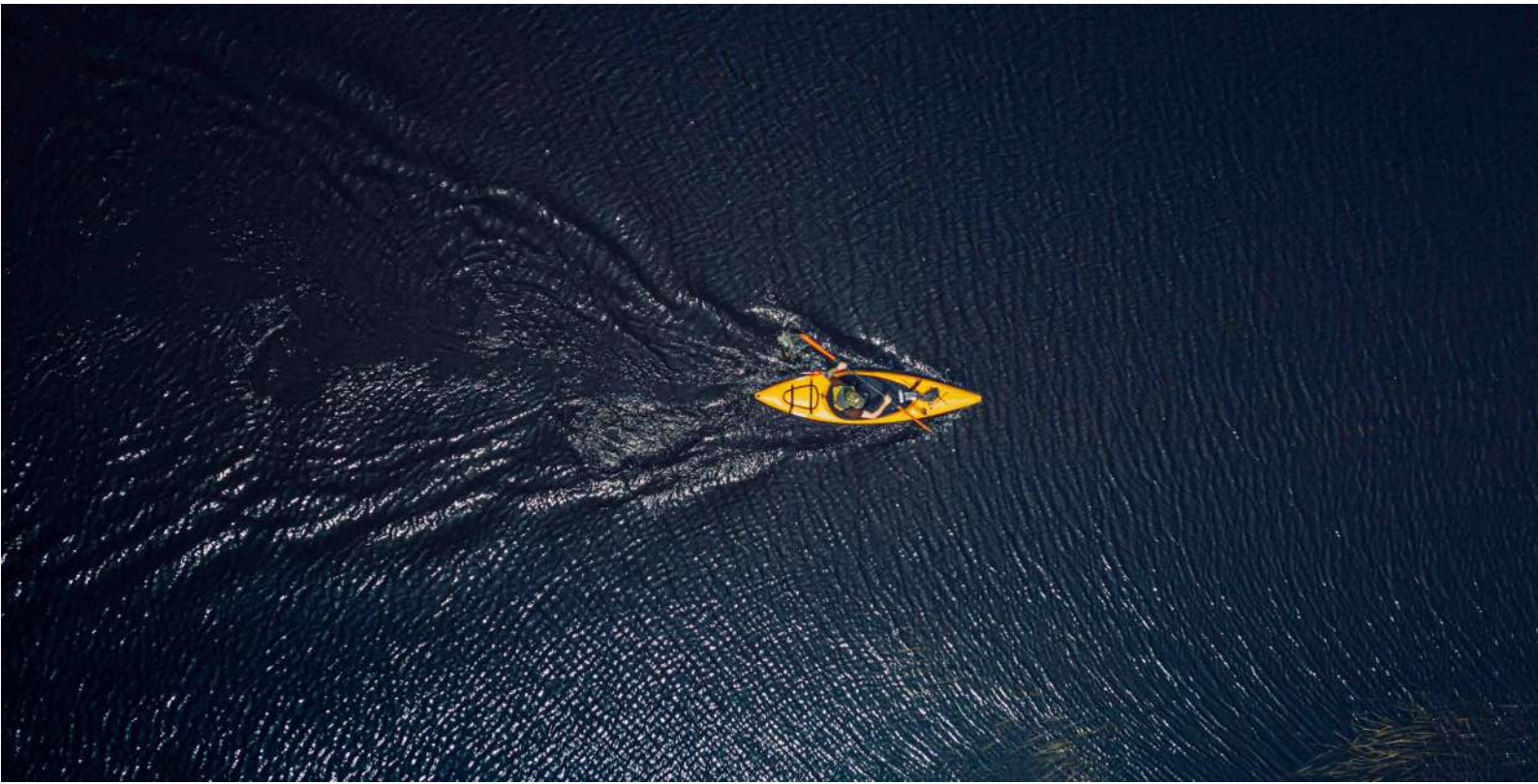
The following is an estimate of the costs involved (excluding legal and registered office fees) in maintaining an exempted limited partnership as a private fund regulated by CIMA.

Fund (Exempted Limited Partnership) circa. US\$6,000:

- US\$1,463 – annual government fee
- US\$4,268 – CIMA annual fee
- US\$366 – CIMA FAR filling fee

General Partner (Exempted Limited Company) circa. US\$5,500

- US\$854 – annual government fee
- US\$4,268 – CIMA annual fee
- US\$366 – CIMA FAR filling fee



We would like to learn more about your needs and discuss how we can help your business succeed.

Let's schedule a discovery meeting to explore how our fund advisory solution, including set-up, fund administration, corporate & banking, and other services can be tailored to meet your unique requirements.

You can pick a convenient time-slot by scheduling a meeting [here](#).

### Why choose Royal Pine as your trusted fund advisor?

**Track record:** Total private funds under administration have assets under management in the region of US\$1bln.

**One-stop Shop & Niche:** Our 360° solution involves the formation of the fund, the fund's administration, corporate and banking support as well as regulatory and compliance services. Our experienced professionals focus on private closed-ended AIFs such as Private Equity, Venture Capital and Real Estate funds.

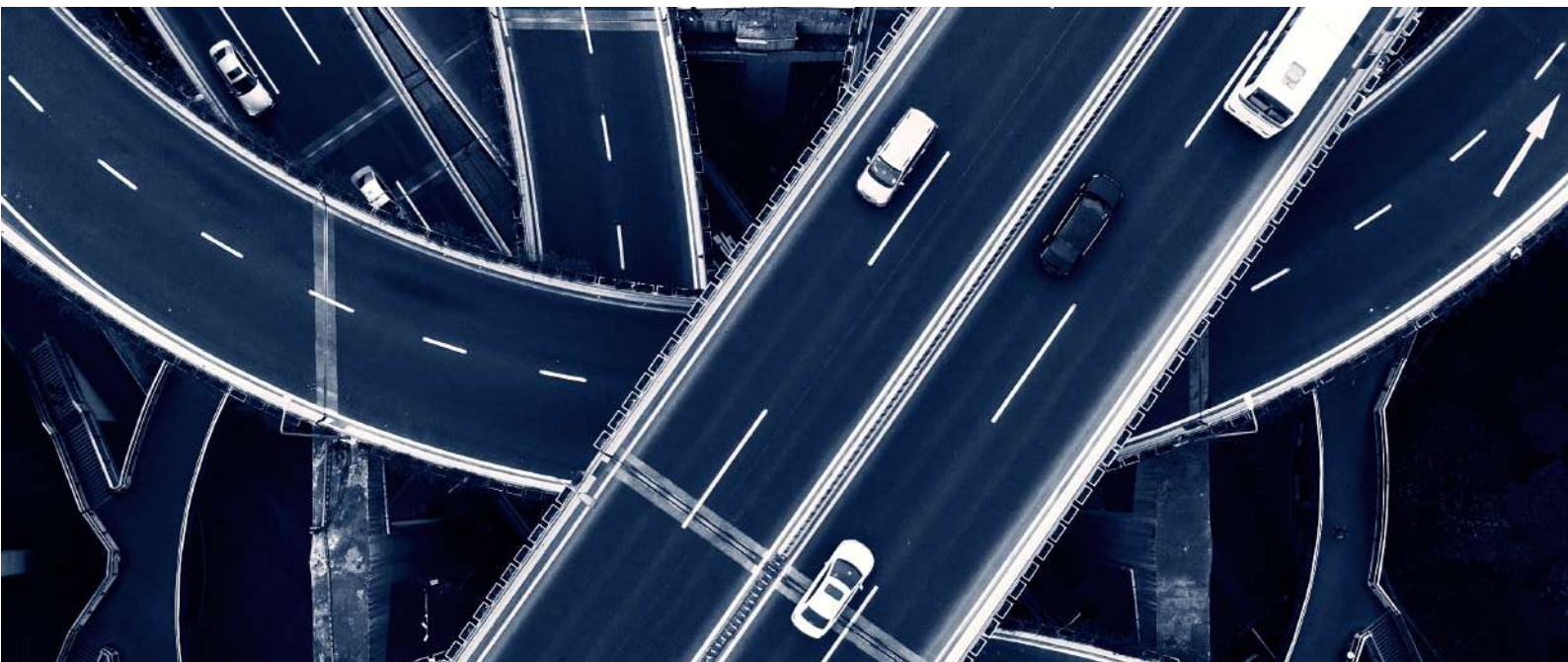
**Competitive advantage:** Regulated advisory firm based out of Cyprus, proud of quick response, boutique firm with senior advisors and client-centric communication.

## What are the services comprising our Fund Advisory Solution?

We offer comprehensive support with all phases of a fund's lifecycle, from the establishment of the fund to administering all ongoing reporting and regulatory requirements.

- Fund Structure Advisory & Fund Setup and Licensing Support (Assistance with drafting or review of the constitutional and other documents, liaising with the regulator (CIMA), Assistance on Risk Reporting and Performance Analysis, etc.)
- NAV determination (NAV calculation on any periodical basis required, Reconciliation with brokers, custodians and bankers, Calculating transaction, management and performance fees in accordance with the constitutional documents of the fund, etc.)
- Accounting & Fund Bookkeeping (Maintaining accounting records in accordance with applicable accounting standards, Recording subscriptions and redemptions, Liaising with the auditors and assisting with the audit of the financial statements, etc.)
- Transfer Agency Support (Performing KYC/AML procedures on investors in accordance with applicable AML laws and regulations, Processing the issue, transfer, allotment, conversion, redemption and/or purchase of units/shares in accordance with applicable laws and the fund's constitutional documents, Fund Reporting to investors and key stakeholders, etc.)

Let's jump on a quick free consultation call! Choose a convenient time-slot [here](#).



\* This publication has been prepared as a general guide and for information purposes only. It does not purport to be comprehensive or to render professional advice. Before making any decision or taking any action that may affect you and/or your business, bespoke advice should be obtained.

## About

Royal Pine is a boutique advisory firm offering a comprehensive spectrum of solution-based products addressing the needs of Corporate clients, Private clients or their family offices and Regulated institutions on areas of investments, financial, tax, legal and corporate matters.

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