Legal 500
Country Comparative Guides
Hot Topic | Alternative Investment Funds

Establishing Your Cayman Fund, Investment Manager, Fintech Business Or Web3 Venture

Contributor

Stuarts Humphries

Chris Humphries

Managing Director and Head of Funds | chris.humphries@stuartslaw.com

Jonathan McLean

Partner and Head of Banking & Regulatory | jon.mclean@stuartslaw.com

Megan Wright

Partner and Head of Corporate | megan.wright@stuartslaw.com

For a full list of jurisdictional Q&As & hot topic articles visit **legal500.com/guides/**

Establishing Your Cayman Fund, Investment Manager, Fintech Business Or Web3 Venture

As jurisdictions worldwide grapple with regulating digital assets, the Cayman Islands stands out as a beacon of regulatory clarity and innovation. For entrepreneurs, fund managers, and fintech pioneers, Cayman offers more than just a home; it provides a launchpad for global scale.

The Cayman Islands has long been regarded as a premier jurisdiction for offshore financial services with particular expertise in the funds industry. Today, it is also emerging as a global hub for:

- Investment funds investing in digital assets;
- Tokenized funds;
- Digital asset businesses that seek to take advantage of operational clarity, tax neutrality, and forward-thinking regulation by establishing a presence in the Cayman Islands; and
- Investment managers who wish to establish in the Cayman Islands.

This article explains the benefits of the Cayman Islands in establishing:

- A Cayman Islands fund, particularly when investing in digital assets;
- A tokenized Cayman Islands fund;
- A fintech business or Web3 venture in the Cayman Islands; and
- A fund management business in the Cayman Islands.

Why Cayman for Digital Asset Funds?

With over three decades of leadership in offshore investment fund formation, the Cayman Islands have developed a mature and sophisticated financial services ecosystem. This ecosystem is underpinned by a trusted legal system based on English common law, a deep pool of experienced service providers, and a tax-neutral environment. It is no surprise that this foundation has naturally extended into the digital asset space.

Today, the Cayman Islands provides the legal clarity and institutional infrastructure required for a broad range of digital asset businesses, including crypto funds, token issuers, decentralised autonomous organisations ("**DAOs**"), token platforms, centralised and decentralised exchanges, and custodians. The enactment of the Virtual Asset (Service Providers) Act ("**VASPA**") further enhances the jurisdiction's appeal by creating a clear, comprehensive, and modern regulatory framework for virtual asset service providers. This regime provides greater certainty to institutional fund managers, digital asset entrepreneurs, and service providers who wish to operate in a secure and well-regulated environment.

Regulatory Framework: Flexible Fund Structures Under Cayman Islands Law

The Cayman Islands offers a flexible and modern framework for fund formation that accommodates a wide range of digital asset strategies. Both open-ended (mutual) and closed-ended (private) fund

 © 2025 Legalease Ltd

structures are available, governed respectively by the Mutual Funds Act ("**MFA**") and the Private Funds Act ("**PFA**").

Under the MFA, open-ended funds must register with the Cayman Islands Monetary Authority ("**CIMA**") to be regulated, where investors have the right to redeem their interests at their option. Tokenized vehicles offering redemption features would typically fall within the scope of the MFA. The most commonly used structure for digital asset funds under the MFA is the registered mutual fund, which requires either a minimum investment of US$100,000 per investor or listing on an approved exchange such as the Cayman Islands Stock Exchange. Directors of mutual funds must also register under the Directors Registration and Licensing Act, and deregistration is required when they cease to act, to avoid ongoing regulatory requirements.

Closed-ended funds are regulated under the PFA. These funds do not allow investors to redeem their interests at will and are commonly used for long-term investment strategies or structures where liquidity is not offered. Under the PFA, such funds must register with CIMA either as registered private funds or as registered restricted scope private funds. In practice, registered private funds are typically preferred for most closed-ended digital asset strategies.

Not all investment structures fall within the scope of the MFA or PFA. Certain arrangements, including single-investor vehicles, debt-only structures, pension schemes, joint ventures, and special-purpose vehicles may be excluded from registration altogether. Stuarts Humphries can assist in identifying whether your proposed structure falls within or outside of these regimes and advise on any other applicable registration or exemption requirements, including under VASPA.

Preferred Structure: Segregated Portfolio Companies (SPCs)

Among the fund vehicles available in the Cayman Islands, the segregated portfolio company ("**SPC**") is particularly well suited for digital asset funds. An SPC is a single legal entity that can establish separate portfolios, each of which is ring-fenced in terms of assets and liabilities. This structure allows fund managers to run multiple strategies, manage different digital asset classes, or onboard different investor groups within a single legal entity while maintaining strict asset protection between portfolios.

SPCs are governed by the Companies Act and are especially popular among managers who wish to launch multi-strategy funds or operate platforms where individual managers or token classes need to be isolated for regulatory or commercial reasons. The ability to create multiple segregated portfolios, each with its own assets, net asset value ("**NAV**"), investors, and fee structures, makes the SPC an efficient and protective structure for the fast-moving world of crypto fund management.

Innovation in Regulation: VASPA and SEZA

The Cayman Islands continues to innovate in regulatory development, ensuring that its legal and compliance frameworks keep pace with the evolving digital asset sector. Two key pieces of legislation are particularly relevant to businesses in this space: the VASPA and the Special Economic Zones Act ("**SEZA**").

VASPA, enacted in 2020, establishes a licensing and registration regime for businesses engaging in virtual asset services, including token issuance, custody, exchanges (centralised or decentralised), and financial

 © 2025 Legalease Ltd

services related to virtual asset offerings such as initial coin offerings. Registration or licensing with CIMA is mandatory for covered activities. Currently, all VASPs must be registered or licensed depending on their virtual asset business. Virtual asset trading platforms and virtual asset custodians require licensing while other virtual asset businesses require registration with CIMA. CIMA's prior written approval is also required for changes in shareholding, appointment of key personnel, and alterations in business operations.

SEZA governs the operation of the Special Economic Zone and provides a framework for streamlined incorporation, immigration, and licensing of technology businesses. Together, these laws ensure that digital asset ventures operating within the Cayman Islands, especially those within the Special Economic Zone, enjoy a regulatory environment that is both secure and conducive to innovation.

Digital Asset Structures and Use Cases

The Cayman Islands offers multiple structuring options to accommodate the varied needs of digital asset ventures. Exempted companies are the most commonly utilised structure for operating businesses, including VASPs and token issuers. These companies enjoy separate legal personality, limited liability, and no requirement for local shareholders or directors. Importantly, there is no public register of members, preserving privacy.

Foundation companies are increasingly used by decentralised projects, including DAOs and developer communities. These entities do not require shareholders and are particularly well-suited to open-source projects with decentralised governance. Foundation companies provide a flexible legal wrapper that is recognised under Cayman law and are often used to hold protocol IP, manage treasury functions, or serve as a governance vehicle for Web3 projects.

Common use cases for each structure include token issuance through exempted companies, governance and decentralisation through foundation companies, and asset protection or fund pooling through SPCs. Developer teams frequently utilise foundation companies to limit liability and manage open-source contributions. VASPs, such as centralised or decentralised exchanges, typically rely on exempted companies with proper registration or licensing under VASPA.

Tokenised Funds in the Cayman Islands

A tokenised Cayman fund is an investment fund established under the laws of the Cayman Islands that leverages blockchain technology to issue, manage, and record investor interests in the form of digital tokens, rather than traditional shares. These tokens typically represent ownership interests and may confer various rights, including voting, redemption, and distribution entitlements.

Regulatory Considerations

Where a tokenised fund provides redemption rights to token holders, it will generally be required to register as a mutual fund under the MFA. In addition, it currently must also register as a virtual asset service provider under the VASPA.

However, the Virtual Asset (Service Providers) (Amendment) Bill, 2025 (the “VASP Amendment Act”)

 © 2025 Legalease Ltd

proposes to amend the definition of what constitutes a “virtual asset issuance” and “issuance of virtual assets" to exempt entities which issue equity interests and are registered under the MFA, PFA, or Securities Investment Business Act. This will not only significantly reduce the cost, but it will also reduce the time to establish a tokenized fund down to a few weeks.

With the passing of the VASP Amendment Act, where the tokens are non-redeemable—i.e., they are tradable on digital asset exchanges but cannot be redeemed at the option of the holder—the fund may have the option to register as a token issuer under VASPA or as a private fund under the PFA. In such cases, there may be no statutory minimum investment requirement, which can significantly widen the pool of eligible investors, including those who may not typically meet the thresholds of traditional private fund structures.

This regulatory flexibility means that tokenised funds may offer greater accessibility and lower barriers to entry, potentially attracting smaller investors and broadening participation in sophisticated investment products.

Legal Certainty and Embedded Rights

Tokens issued by a Cayman fund can be structured as security tokens, meaning that the rights and obligations of token holders are embedded directly into the token through the underlying smart contract. This approach offers an immutable and transparent record of ownership and facilitates:

- Real-time visibility into investor rights;
- Streamlined administration and compliance checks; and
- A verifiable and auditable chain of ownership.

These features can reduce operational friction and increase transparency among stakeholders.

Valuation Methodology

The process of valuing a tokenised fund remains consistent with traditional structures: the fund's value is determined by its NAV. However, in a tokenised model, the relevant metric becomes NAV per token, calculated by dividing the fund's total NAV by the number of outstanding tokens. For funds operating multiple classes, tokens may be issued in place of shares for one or more of those classes.

Liquidity and Market Access

A major advantage of tokenised funds lies in their flexibility and liquidity. Unlike traditional private funds, which are typically closed-ended and impose restrictions on redemptions and secondary transfers, a tokenised fund may:

- Facilitate near real-time secondary trading of fund interests;
- Allow tokens to be listed on regulated or permissioned exchanges or alternative trading systems; and
- Enable investors to exit positions more easily, thereby enhancing the fund's appeal.

 © 2025 Legalease Ltd

In effect, tokenisation creates a virtual marketplace for fund interests, providing continuous access to liquidity and fostering more dynamic pricing and trading, similar to how listed equities are traded.

Conclusion

The tokenisation of investment funds holds the potential to modernise financial infrastructure, enhance market efficiency, and significantly broaden investor access. By combining the legal and regulatory rigour of Cayman Islands fund structures with the speed and transparency of blockchain technology, tokenised funds are poised to play an increasingly important role in the evolution of asset management.

The Special Economic Zone: A Turnkey Solution for Digital Asset Businesses

As international markets continue to experience volatility and uncertainty, the Cayman Islands, particularly through its Special Economic Zone ("**SEZ**"), operated by Cayman Enterprise City ("**CEC**"), presents a strategically advantageous destination for blockchain, fintech, and Web3 businesses.

One of the most compelling options for digital asset ventures relocating to the Cayman Islands is the ability to establish operations within the SEZ. The SEZ offers a turnkey solution for digital asset businesses that require offshore presence and economic substance but wish to avoid the time, cost, and regulatory burden typically associated with relocation.

Businesses operating within the SEZ benefit from 100% foreign ownership, with no local partner requirements. There are no corporate, income, capital gains, or payroll taxes. The setup process is streamlined and efficient and most entities can be fully operational within four to six weeks. The SEZ also enables key personnel and developers to obtain renewable five-year work and residency visas, making relocation of talent simple and sustainable.

The SEZ has become a vibrant and growing ecosystem of technology-focused businesses in blockchain, software, and fintech. Compared to traditional business setups, operating within the SEZ offers significantly reduced overhead and a faster path to compliance, especially for token issuers, DeFi projects, token platforms, and crypto fund managers seeking to establish global operations with legitimate substance.

Building in Cayman: Substance, Strategy, and Scale

For digital asset ventures seeking to demonstrate genuine offshore presence, the SEZ provides a compelling way to establish substance while accessing the Cayman Islands' world-class infrastructure. Businesses can efficiently set up operations, relocate staff, and launch products in compliance with local and international standards.

Common SEZ use cases include the launch of crypto mutual or private funds, registration of licensed or registered VASPs, formation of DAOs and other decentralised projects, onboarding of developers with residence and work privileges, and establishment of IP or token holding companies. The SEZ thus allows digital asset businesses to scale efficiently while ensuring operational and tax substance in a premier offshore jurisdiction.

 © 2025 Legalease Ltd

The Future of Digital Asset Funds in the Cayman Islands

As global regulation becomes increasingly complex, the Cayman Islands continues to lead by offering a stable, credible, and responsive regulatory environment. Through initiatives such as VASPA, the SEZ, and continued engagement with international standard setters, the Cayman Islands provides a jurisdiction where digital asset businesses can innovate responsibly.

Whether you are launching a crypto fund, establishing a fund management business, building a decentralised protocol, managing a token issuance, or seeking to demonstrate real operational substance offshore, the Cayman Islands offers a compelling proposition. The combination of legal certainty, regulatory clarity, and infrastructure for growth makes the Cayman Islands an ideal base for digital asset businesses ready to scale globally.

Why Cayman's SIBA Regime is a Game Changer for Investment Managers

The Cayman Islands continues to lead as a global hub for investment funds, thanks in part to its updated Securities Investment Business Act ("**SIBA**"). For fund managers looking for a reliable and efficient jurisdiction, the Cayman Islands offers a compelling regulatory and commercial environment, now even more so with SIBA's modernised framework.

SIBA governs securities investment business in the Cayman Islands. Securities investment business includes managing, advising, and arranging securities deals. It outlines who must register or obtain a license with CIMA and provides a practical framework that balances regulatory oversight with commercial flexibility.

SIBA provides a two-tier system for CIMA regulation of securities investment business entities:

1. Registered Persons – designed for managers serving professional or institutional clients, this streamlined process is faster, less costly, and subject to reduced ongoing compliance requirements.
2. Licensed Persons – entities that deal with the general public or do not qualify for registration must go through a more rigorous licensing process and ongoing regulatory oversight.

For fund managers operating in the Cayman Islands, the registered person regime offers a smooth and practical path to compliance:

1. SIBA registration can often be completed in a matter of weeks, ideal for managers on tight launch timelines;
2. Aligns with international best practices while avoiding the excessive bureaucracy of many onshore jurisdictions;
3. Continues to meet global standards for transparency and economic substance, making it a credible base for serious managers; and
4. Tax neutrality and flexible structuring make the Cayman Islands an excellent jurisdiction for managers with international investors and strategies.

SIBA-registered or licensed entities that provide management services may fall under the International

 © 2025 Legalease Ltd

Tax Co-operation (Economic Substance) Act, requiring local presence and activity. Rather than a hurdle, this is a value add, as establishing real operations in the Cayman Islands fosters better access to legal, administrative and fund services while meeting compliance needs.

Stuarts has extensive experience helping managers establish and register Cayman based investment management companies under SIBA. Our services include:

- assessing registration vs. licensing requirements;
- preparing and submitting SIBA applications;
- advising on governance and compliance frameworks;
- advising on economic substance requirements; and
- structuring relationships with Cayman funds and service providers.

With a flexible, internationally respected regulatory regime, the Cayman Islands offers an ideal platform for investment managers seeking efficiency, credibility, and global reach.

Contributors

Chris Humphries
Managing Director and Head of Funds
chris.humphries@stuartslaw.com

Jonathan McLean
Partner and Head of Banking & Regulatory
jon.mclean@stuartslaw.com

Megan Wright
Partner and Head of Corporate
megan.wright@stuartslaw.com

 © 2025 Legalease Ltd