

## The Mutual Funds Law (2019 Revision)

### Introduction

The following information relates to the enactment of The Mutual Funds Law (2019 Revision) and the subsequent commencement of related sections of The Mutual Funds (Amendment) Law 2015. The changes require certain funds to notify the Cayman Islands Monetary Authority if they are active in EU jurisdictions.

### The Mutual Funds Law (2019 Revision) incorporating the Mutual Funds (Amendment) Law 2015

The Mutual Funds Law (2019 Revision) (the “2019 Law”) came into effect on 19 February 2019. Part III A of the 2019 Law brings into effect amendments required to ensure consistency with the Alternative Investment Fund Managers Directive (2011/61/EU) (the “AIFMD”). Together with the Mutual Funds (EU Connected Fund (Alternative Investment Fund Managers Directive)) Regulations, 2016 (“2016 Regulations”) these form and updates the laws governing a Cayman Islands’ Funds interaction with EU Member States.

The 2019 Law brings into force the concept of an “EU Connected Fund”. This is any type of investment fund (whether open-ended or closed-ended) which is either managed from, or marketed in, a Member State of the EEA as contemplated under the AIFMD. EU Connected Funds are required to, within twenty-one days of commencing marketing in a country or territory within the EEA:

- submit certain particulars to the Cayman Islands Monetary Authority (“CIMA”)
- upon commencement of marketing in a Member State of the EEA;
- notify CIMA of any changes to the particulars previously submitted to CIMA;
- notify CIMA when it has ceased marketing in all Member States of the EEA; and
- provide written confirmation to CIMA on an annual basis that there has been no change to the particulars previously submitted to CIMA.

The 2019 Law gives an EU Connected Fund the option to apply for a licence or to be registered with CIMA. Obtaining such a licence or registration will ensure that the EU Connected Fund is automatically deemed to be compliant with Part III A of the 2019 Law.

Those EU Connected Funds that opt not to apply for a licence will be required to notify CIMA of certain particulars, as mentioned above. As CIMA will already hold the basic information of regulated funds they will be required to only deliver information relating to their activities in an EU Member State. EU Connected Funds that are not regulated will be required to provide further information, including the justification for the fund not being already regulated. Both types of EU Connected Fund will need to pay a fee of CI\$ 100 (approximately US\$120).

Failure to notify CIMA in the manner described within Part III A of the 2019 Law constitutes an offence committed by the EU Connected Fund and is punishable by a fine of CI\$ 5,000 (approximately US\$6,000).



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## Other Advice

The 2019 Law also introduces a formal procedure for EU Connected Funds to request attestations or confirmations of status from CIMA (where required to be submitted to regulators of particular Member States in which it is proposed to market the EU Connected Fund) upon the submission of certain details and payment of a fee to CIMA.

This publication is for general guidance and is not intended to be a substitute for specific legal advice. Specialist advice should be sought about specific circumstances.

## Contact

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