

## Cayman Islands Directors Registration and Licensing Law: CIMA Requires Registration or Licensing of Fund Directors by September 3 (Including Directors Employed by Fund's Investment Manager)

Written by Jeffrey D. Collins, Tiffany Ann Ford, Gabrielle A. Bernstein

July 22, 2014

Under the Cayman Islands Directors Registration and Licensing Law 2014 (the "Law"), beginning June 4, 2014 directors of (a) "mutual funds" regulated under the Cayman Islands Mutual Funds Law (2013 Revision) and (b) companies registered as "Excluded Persons"<sup>1</sup> under the Cayman Islands Securities Investment Business Law (2011 Revision) (collectively, "Covered Entities") must register with, or obtain a license from, the Cayman Islands Monetary Authority ("CIMA"). Most Cayman hedge funds are regulated as mutual funds by CIMA so most Cayman hedge fund directors will need to comply with the Law and register, including directors who are employees of the fund's investment manager. Compliance is not limited to "professional directors" only. Directors of private equity and venture funds also need to register if the fund is registered as a mutual fund with CIMA, although most private equity and venture funds are not so registered.

### Who Is Subject to the Law?

The Law applies to all directors of Covered Entities, regardless of whether the director resides in the Cayman Islands, and places directors in three categories, as described below.

#### Registered Directors

Directors of fewer than twenty Covered Entities ("Registered Directors") must register with CIMA and pay an annual fee. Individuals who are not currently directors must register before being appointed as a director, and individuals already acting as directors of Covered Entities have until September 3, 2014 to register with CIMA. The registration process requires directors to provide the following information:

- Full legal name and date of birth
- Place of birth and nationalities
- Principal and postal addresses, e-mail address and telephone number
- Whether the director has been convicted of a criminal offence involving fraud or dishonesty
- Whether the director is the subject of an adverse finding, financial penalty, sanction, disciplinary action or proceeding by a regulator, self-regulatory organization or a professional disciplinary body

Registered Directors must notify CIMA within 21 days of any changes to such information and will be subject to penalties for failure to make such updates.

#### Professional Directors

Directors of twenty or more Covered Entities ("Professional Directors") must apply with CIMA for a license rather than simply registering. Individuals already acting as Professional Directors have until September 3, 2014 to obtain a license. Professional Directors must apply for a license unless they fall under one of the exceptions for licensing, in which case they will simply need to register with CIMA. The

exceptions generally cover directors who are affiliated with (i) a company holding a Companies Management License or Mutual Fund Administrators License or (ii) an investment manager registered or licensed by a specified overseas regulatory authority, which include the SEC, the CFTC and FINRA.

## Corporate Directors

Corporate entities holding directorships of Covered Entities (“Corporate Directors”) must be licensed unless they hold a Companies Management License or Mutual Fund Administrators License issued by CIMA. Entities already acting as Corporate Directors of Covered Entities have until December 3, 2014 to obtain a license.

Professional Directors and Corporate Directors regulated by the Law are also required to maintain D&O insurance with an insurer authorized by CIMA.

## What Is the Process for Registering under the Law?

The registered office of each Covered Entity will receive a list from CIMA containing unique identification numbers (“Unique IDs”) for all of the directors associated with a Covered Entity and will then provide each director with his or her Unique ID and other information, including the proper website address at which the director can register. If a director does not get a Unique ID through a registered office service provider, he or she needs to contact CIMA directly by e-mail to [DirectorsRegistration@cimoney.com.ky](mailto:DirectorsRegistration@cimoney.com.ky). Directors should be on the lookout for a communication from their registered office service provider, and should reach out to such service provider to discuss timing of receipt of the necessary information if it is not received in the next few weeks. Once they receive their Unique IDs, directors must register and pay the registration fee through a CIMA web portal and should expect to receive confirmation of registration within 48 hours of registering.

There may be significant financial penalties for failure to comply with applicable registration or licensing requirements.

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1. The relevant category of Excluded Persons includes investment managers and advisers incorporated as Cayman companies, which provide investment management or advisory services or engage in other securities investment business exclusively for sophisticated persons, high net worth persons, or an entity whose investors are either sophisticated persons or high net worth persons. In general, for these purposes, a sophisticated person is a listed or regulated entity, or an experienced investor that invests more than US\$100,000 per transaction. A high net worth person is an individual with a net worth of at least US\$1,000,000 or a person with total assets of at least US\$5,000,000.

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