

Alert

Mutual Funds - Enhanced Information Required for Annual Returns

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The Mutual Funds (Annual Returns) (Amendment) Regulations, 2020 (the “2020 Regulations”) came into effect on 17 March 2020 to further strengthen anti-money laundering and counter financing of terrorism measures in the Cayman Islands. Mutual funds are now required to provide additional data to the Cayman Islands Monetary Authority (“CIMA”) for its use in assessing money laundering and terrorism financing risks posed by the investment funds sector.

2020 Regulations Requirements

Operating Structure

The recently enacted 2020 Regulations are a result of ongoing sectoral risk assessments carried out by CIMA and mark another step towards improving the Cayman Islands’ technical compliance with recommendations of the Financial Action Task Force. The 2020 Regulations amend the Mutual Funds (Annual Returns) Regulations (2018 Revision) and require regulated mutual funds to include additional information in their annual returns. Information concerning the operating structure of the fund must now include whether the fund is a money market fund, the total number of side letters signed with investors and whether the investment manager is independent.

Administration and Investor Information

The names and countries of regulators for net asset value calculation agents (where applicable), registrars and transfer agents, and whether such parties are independent, must be reported to CIMA as part of the fund’s administration information. The provision of investor information has also been expanded to require funds to report their total number of investors, the number of domestic investors and percentages of net asset value held by domestic investors and the number and percentage of foreign and domestic retail investors. The 2020 Regulations also require information to be disclosed in relation to the number and net asset value holdings of the “top five” types of investors and nominee investors - high net worth individuals, politically exposed persons, other natural persons, non-bank financial institutions, trusts and non-financial corporations. The same information is also required for the top five countries of the fund’s investors.

Asset Allocation

Asset allocation information has been expanded to include a fund’s margin accounts with third parties, accounts receivable, accounts payable to or from brokers or custodians, total cash and cash held in banks licensed in the Islands under the Banks and Trust Companies Law (2020 Revision), and a liquidity index for assets. In providing data concerning the allocation of equity and debt securities by jurisdiction of issuer, the currency and counterparty sector of the issuers of investments held by the fund must also be reported, along with direct investments where the funds’ holding represents ten percent or more of an entity and the fund’s total end assets.

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