

Cayman Investment Fund Structures

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Outline

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- Why Structure an Alternative Investment Fund in Cayman?
- Overview of Structure Types and Key Differences
- The 'Tried and Tested' Structure – the Unit Trust
- The 'Classic' Structure – the Exempted Limited Partnership
- Cayman Regulatory Regimes

Walkers

- Founded in 1964
- Head office in the Cayman Islands
- Over 1000 staff worldwide
- 10 offices globally
- Bermuda, BVI, Cayman Islands, Guernsey, Jersey and Irish law capability
- Operating in Hong Kong since 2003, Singapore since 2009
- 64 lawyers in Asia (Hong Kong: 48 lawyers; Singapore: 16 lawyers)
- 26 finance specialist fee earners in Asia (8 partners, 12 associates/counsels and 6 paralegals)



Walkers Offices



Why Structure an Alternative Investment Fund in Cayman?

Cayman is Popular with the Japanese Funds Industry

Three main reasons:

- Familiarity to Japanese investors
- Favourable tax treatment
- Regulatory regime

Cayman is an Established International Financial Centre

- Offers a politically stable and neutral venue to conduct international business
- Provides a tax neutral platform
- Trusted and reliable legal system
- Compliance culture
- Business-friendly legislation
- Speed

Overview of Structure Types and Key Differences

Open Ended vs Closed Ended

- Open: right to redeem / withdraw
- Closed: No right to redeem withdraw
- "Hedge" / "mutual" = open
- "PE" / "VC" / "private debt" / "RE" = closed

Structuring Choices

- Large variety of vehicle choices in Cayman
 - Unit Trust
 - Exempted Limited Partnership (“ELP”)
 - Exempted Company
 - Limited Liability Company (“LLC”)
- Not “one size fits all”
- Various factors influence choice

The 'Tried and Tested' Structure – the Unit Trust

What is a Unit Trust?

A type of trust

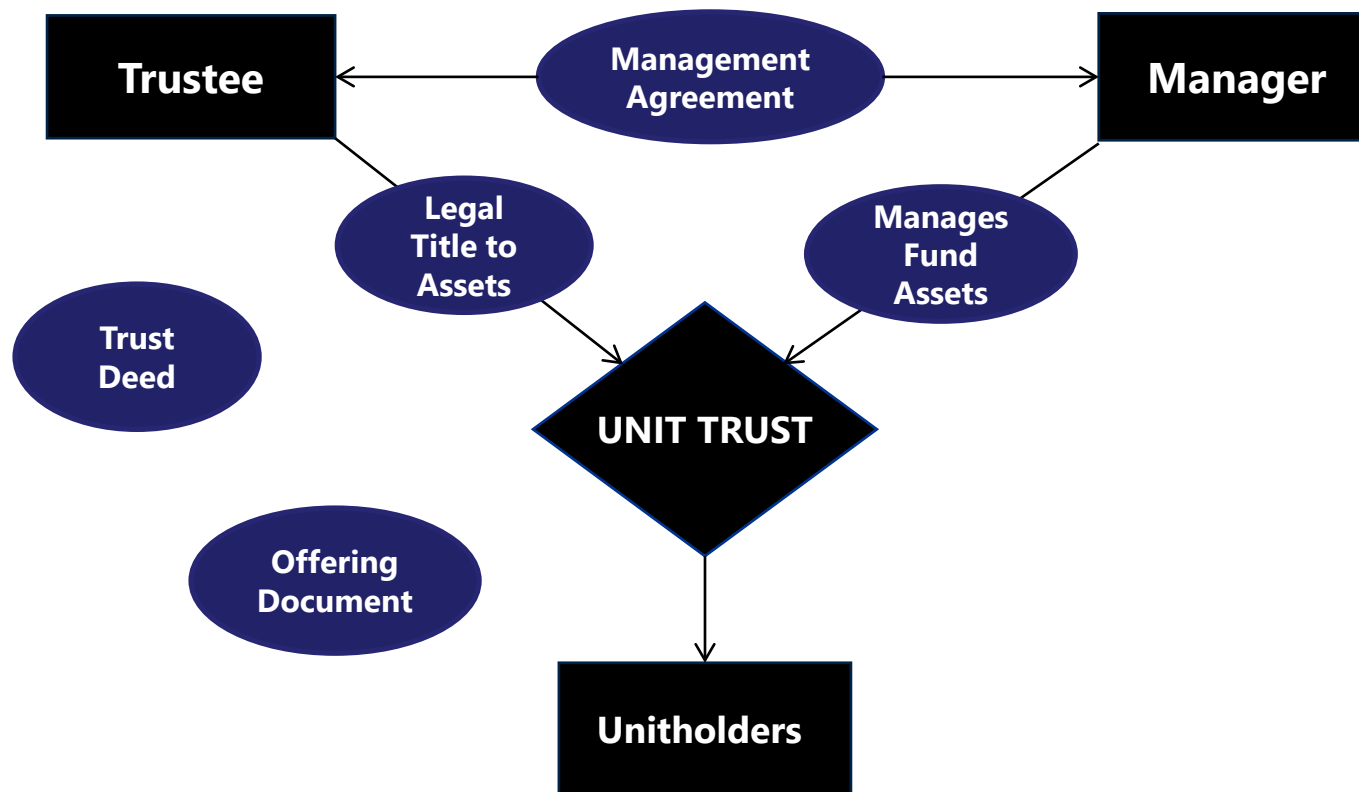
- Established by a deed of trust
- Operated by a trustee
- Legal title to trust assets vests in trustee
- Unitholders issued units in the trust

What is a Unit Trust?

A type of fund

- Unit trust is the fund vehicle
- Unitholders are the investors
- Trustee delegates management of fund to the investment manager
- Used for open-ended and closed-ended fund structures

Typical Structure - Unit Trust



Pros and Cons for Japanese Market – Unit Trust

Pros

- Familiarity
- Favourable tax treatment
- Regulation
- Comfort of trustee

Cons

- Less flexible regime
- No capital commitment / call mechanism
- Not common for closed-ended funds

The 'Classic' Structure – the Exempted Limited Partnership

What is an Exempted Limited Partnership (an ELP)?

A type of partnership

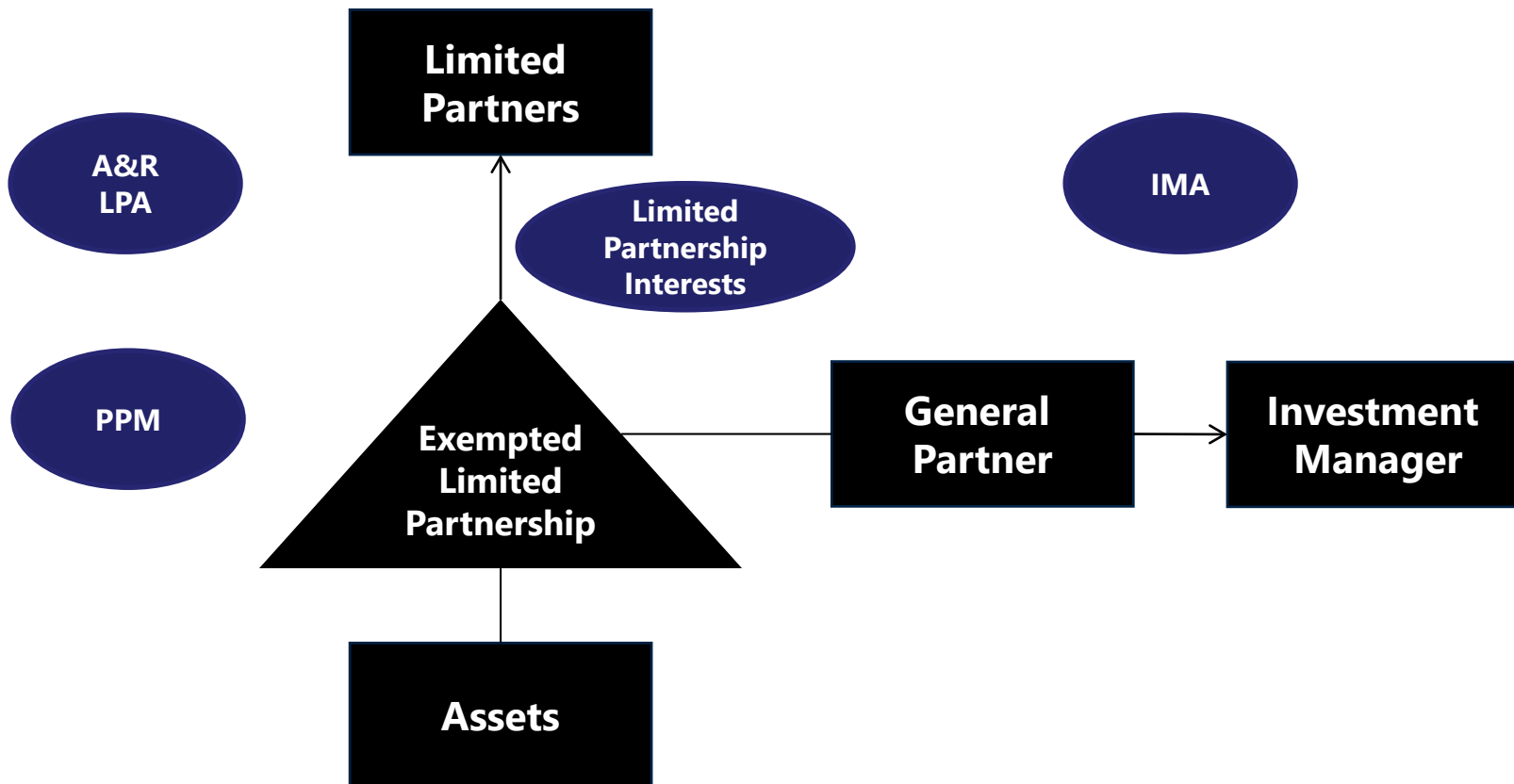
- Consists of:
 - General partner(s)
 - Limited partner(s)
- Regulated by:
 - Exempted Limited Partnership Law
 - Exempted Limited Partnership Agreement (the LPA)
- No legal personality
- Assets held on trust for the partnership by the GP

What is an Exempted Limited Partnership?

A type of fund

- The most favoured structure for PE funds
- General partner conducts business of the fund
- Limited partners are the investors and have limited liability
- Limited partners make capital commitments
- General partner makes capital calls
- Limited partners are issued an interest in the partnership

Typical Structure – Partnership



Pros and Cons for Japanese Market – ELP

Pros

- 'Classic' structure
- Capital commitments / calls
- Flexible law / defaults
- Interests vs Units
- Article 63 Exemption

Cons

- Article 63 Exemption
- No legal personality
- GP and fiduciary duties

Cayman Regulatory Regimes

Regulation – Registration with CIMA

Open ended (Mutual Funds Act)

- Registration form
- Prepare and file PPM
- Cayman auditor
- Administrator
- Annual fee
- Accounts filed
- PPM changes filed
- Minimum investment?

Closed Ended (Private Funds Act)

- Registration form
- No PPM requirement
- Cayman auditor
- Annual fee
- Accounts filed
- "Ongoing obligations"
 - Valuation
 - Safe keeping
 - Cash monitoring
 - Securities ID
- No minimum investment

Regulation – Ancillary

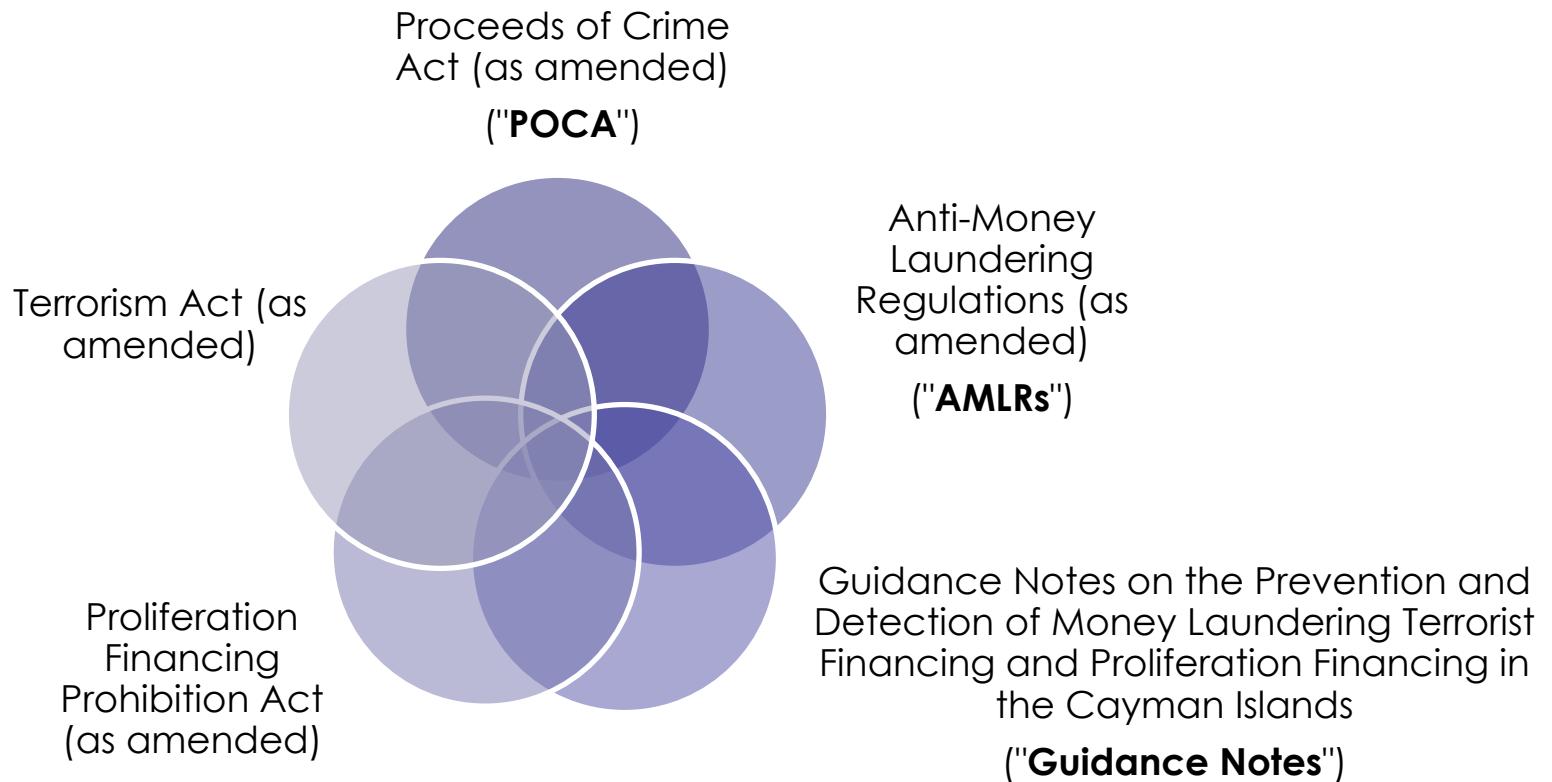
Open ended

- AML
- Directors registration and licensing law
- FATCA / CRS
 - Registration
 - Filings

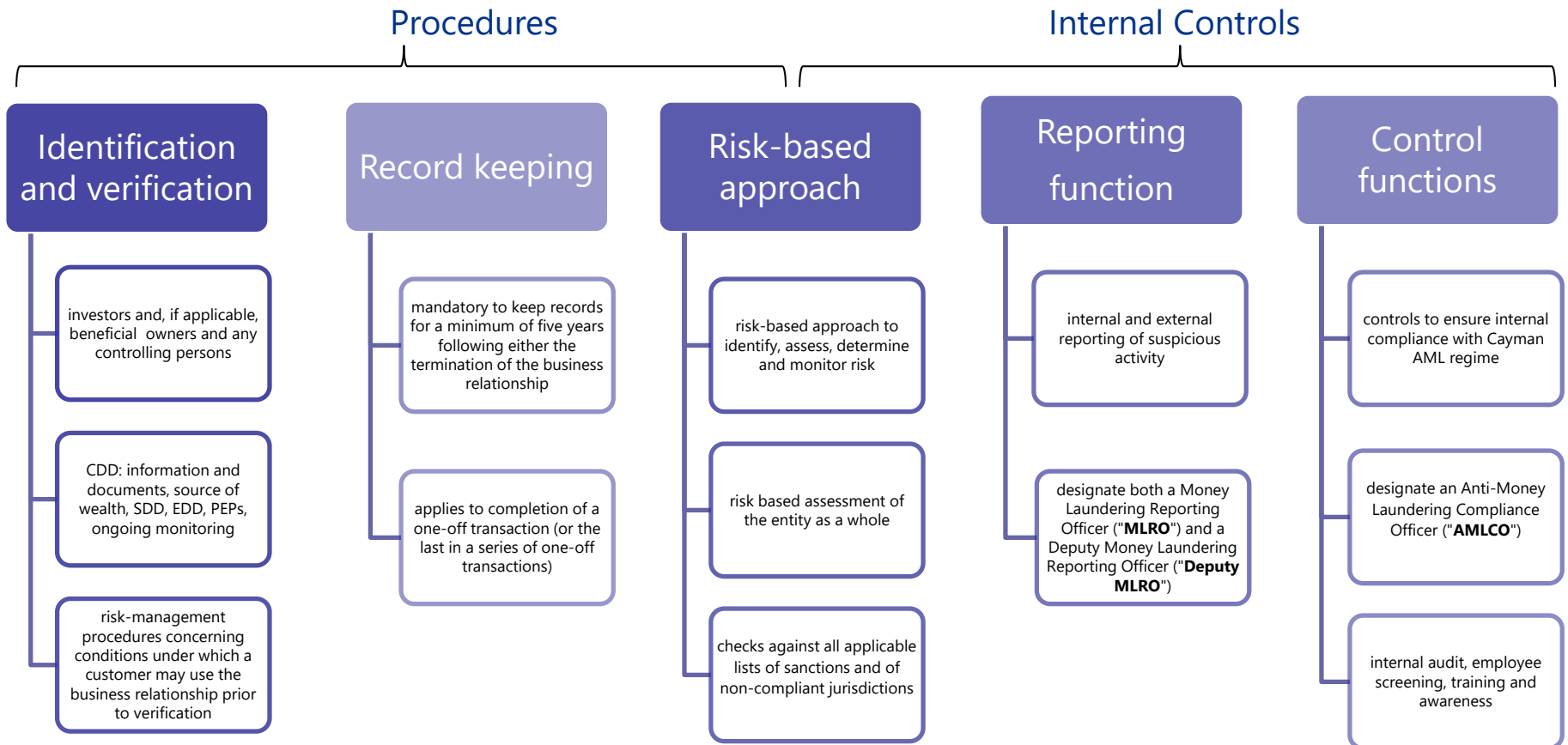
Closed Ended

- AML
- No directors registration and licensing law
- FATCA / CRS
 - Registration
 - Filings

Regulation – AML – Legislation and guidance



Key Cayman Islands AML / CFT/PF/Sanctions requirements



Regulation – AEOI (FACTA and CRS)

- Cayman Islands fund entities – "financial Institutions"
 - Registration and reporting obligations
 - Appointment of PPOC/AP
 - Policies and Procedures
 - CRS Compliance Form

Thank you.

WALKERS



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