

CAYMAN ISLANDS



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**A BILL FOR A LAW TO AMEND THE MUTUAL FUNDS LAW (2009
REVISION) TO PROVIDE FOR THE REGISTRATION OF MASTER
FUNDS; AND TO PROVIDE FOR INCIDENTAL AND CONNECTED
PURPOSES**

THE MUTUAL FUNDS (AMENDMENT) BILL, 2011

MEMORANDUM OF OBJECTS AND REASONS

This Bill seeks to amend the Mutual Funds Law (2009 Revision) to provide for the registration of master funds in the Cayman Islands.

Clause 1 of the Bill sets out the short title of the legislation.

Clause 2 amends section 2 of the principal Law by defining the words “feeder fund”, “master fund”, and “regulated feeder fund”.

Clause 3 amends section 4 of the principal Law by amending section 4(3) to provide for registration of a master fund where the minimum aggregate equity interest purchasable by a prospective investor in the master fund is eighty thousand dollars (or its equivalent in any other currency) or the equity interests of the master fund are listed on a stock exchange (including an over-the-counter market) specified by the Authority by notice in the Gazette. Section 4(3) is also amended to exempt a master fund from filing an offering document where it is a master fund in which the only investors are feeder funds. Clause 3 also introduces a new subsection (4)(A) in section 4 of the Mutual Funds Law (2009 Revision) which provides that subsection (4)(a) does not apply to a master fund. Subsection (4)(a) allows the operation of a mutual fund without registration where equity interests are held by not more than fifteen investors.

Clause 4 provides for a master fund existing at the commencement of the legislation to comply with section 4(3) of the principal Law within ninety days of the commencement of the legislation.

THE MUTUAL FUNDS (AMENDMENT) BILL, 2011

ARRANGEMENT OF SECTIONS

1. Short title
2. Amendment of section 2 of the Mutual Funds Law (2009 Revision) - definitions
3. Amendment of section 4 - regulated mutual funds
4. Transitional provision

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A BILL FOR A LAW TO AMEND THE MUTUAL FUNDS LAW (2009 REVISION) TO PROVIDE FOR THE REGISTRATION OF MASTER FUNDS; AND TO PROVIDE FOR INCIDENTAL AND CONNECTED PURPOSES

ENACTED by the Legislature of the Cayman Islands.

1. This Law may be cited as the Mutual Funds (Amendment) Law, 2011.

Short title

2. The Mutual Funds Law (2009 Revision), in this Law referred to as the “principal Law”, is amended in section 2 by inserting, in the appropriate alphabetical sequence the following definitions -

Amendment of section 2 of the Mutual Funds Law (2009 Revision) - definitions

“feeder fund” means a mutual fund that conducts more than 51% of its investing through another mutual fund;

“master fund” means a mutual fund that is incorporated or established in the Islands that, holds the investments of and conducts trading activities on behalf of one or more regulated feeder funds;

“regulated feeder fund” means a regulated mutual fund that conducts more than 51% of its investing through another mutual fund;”.

3. The principal Law is amended in section 4 as follows -

Amendment of section 4 - regulated mutual funds

(a) in subsection (3) by deleting paragraphs (a) and (b) and substituting the following paragraphs -

“(a) it is a mutual fund -

- (i) in which the minimum aggregate equity interest purchasable by a prospective investor is eighty thousand dollars (or its equivalent in any other currency);
- (ii) the equity interests of which are listed on a stock exchange (including an over-the-counter market) specified by the Authority by notice in the Gazette; or
- (iii) that is a master fund and the minimum aggregate equity interest purchasable by a prospective investor in the master fund is eighty thousand dollars (or its equivalent in any other currency) or the equity interests of the master fund are listed on a stock exchange (including an over-the-counter market) specified by the Authority by notice in the Gazette;

(b) unless an exemption from this requirement has been granted by the Authority or unless it is a master fund the only investors of which are feeder funds, and the offering document of the master fund is identical in all material respects to that of the regulated feeder fund, there is filed with the Authority the prescribed details in respect of the mutual fund’s current offering document;”;

(b) by inserting after subsection (4) the following subsection -

“(4A) Subsection (4)(a) does not apply to a master fund.”.

Transitional provision

4. A master fund existing at the commencement of this Law that is required to comply with section 4(3) of the principal Law shall comply within ninety days of the commencement of this Law.

Passed by the Legislative Assembly the _____ day of _____, 2011.

Speaker.

Clerk of the Legislative Assembly.