



Rule Contents of Offering Document–Licensed Funds

Rule

Contents of Offering Documents – Licensed Funds

1. Statutory Authority

- 1.1. This Rule is issued pursuant to s. 34 of the Monetary Authority Law (2004 Revision) (“MAL”), which provides that the Cayman Islands Monetary Authority (the “Authority”) may, after private sector consultation, issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees.
- 1.2. Section 4(6) of the Mutual Funds Law (2007 Revision) (the “MFL”) states “An offering document in respect of equity interests in a mutual fund shall–
 - (a) describe the equity interests in all material respects; and
 - (b) contain such other information as is necessary to enable a prospective investor in the mutual fund to make an informed decision as to whether or not to subscribe for or purchase the equity interests.
- 1.3. This Rule should also be read in conjunction with the Authority’s Rules on the Calculation of Asset Values for Licensed Funds.

2. Objective

- 2.1. To set out the Cayman Islands Monetary Authority’s Rule on the Contents of Offering Documents of Licensed Funds (each subparagraph of paragraph 5 below referred to as a “Rule,” and collectively, the “Rules”), pursuant to the MAL.

3. Scope

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- 3.1. This Rule applies to all funds licensed under s. 4(1)(a) of the MFL that are not subject to The Retail Mutual Funds (Japan) Regulations 2007 (as amended) (the “Japanese Regulations”).
- 3.2. For all funds licensed before 28 April 2008 only, until 27 April 2009 if any part of this Rule conflicts with the Fund’s offering document as filed and updated with the Authority, the offering document governs, to the extent of the conflict.

4. Definitions

- 4.1. ‘Fund’ means any mutual fund licensed under s. 4(1)(a) of the MFL that is not subject to the Japanese Regulations.
- 4.2. ‘NAV Calculation Policy’ means the pricing and valuation practices, policies, and procedures to calculate a Fund’s NAV that are established and maintained in accordance with the requirements of the Authority’s Rules on the Calculation of Asset Values for Licensed Funds.
- 4.3. ‘Offering Document’ has the same meaning as used within ss. 4(6) and 4(8) of the MFL.
- 4.4. ‘Operator’ means the directors of a Fund that is a company, the general partner(s) of a Fund that is a partnership, the trustee of a Fund that is a unit trust, and the managing member(s) of Fund that is an LLC.
- 4.5. ‘Service Provider’ includes a Fund’s administrator, auditor, custodian, investment manager / advisor, operator, prime broker, promoter, or registrar, or any of their delegates with responsibility for the Fund’s portfolio or



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operations.

5. Contents of Offering Document

In addition to any requirements of any other relevant law including the MFL, a Fund's Offering Document shall include information relating to:

5.1. the Fund, including:

- (i) the name of the Fund, and the address of its registered office in the Cayman Islands;
- (ii) the date of incorporation or establishment of the Fund (indicating whether or not the duration is limited);
- (iii) a statement of the place where copies of the constitution and any annual or periodic reports may be inspected and obtained;
- (iv) the date of the financial year end of the Fund;
- (v) for a Fund that is a company, details of the authorised and issued shares including, where applicable, any existing initial, founder or management equity interests;
- (vi) details of the principal rights and restrictions attaching to the Fund's equity interests, including with respect to currency, voting rights, circumstances of winding up or dissolution, certificates, entry in registers and other similar details;
- (vii) where applicable, an indication of stock exchanges or markets where the equity interests are, or are to be, listed or dealt in;
- (viii) the procedures and conditions for the issue and sale of equity interests, including the minimum initial investment;
- (ix) the procedures and conditions for the redemption or repurchase of equity interests and the circumstances in which such redemption or repurchase may be suspended;
- (x) a description of the intentions with respect to the declaration of dividends or



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- distributions on the equity interests of the Fund;
- (xi) a description of the Fund’s investment objectives, investment policy and any limitations on that investment policy;
 - (xii) a description of the Fund’s material risks and an indication of any techniques and instruments or borrowing powers which may be used;
 - (xiii) a description of the Fund’s NAV Calculation Policy;
 - (xiv) disclosure of any expected material involvement by the investment manager / advisor in the pricing of the Fund’s portfolio;
 - (xv) a description of the rules applicable to the determination of issue and redemption or repurchase prices (including the frequency of dealings) and the places where information as to the prices may be obtained;
 - (xvi) information concerning the manner, amount and/or calculation of remuneration to be paid to the operator, the administrator, investment advisor / manager, custodian and any other service providers receiving or likely to receive fees from the Fund;
 - (xvii) a description of the potential conflicts of interest between the Fund, its Operator and its service providers;
 - (xviii) a statement confirming the existence of any side letters that bind the Fund and that contain any terms the effect of which provide an investor with more favourable treatment than other holders of the same class of equity interest enhancing that investor’s ability either (i) to redeem equity interests of that class or (ii) to make a determination as to whether to redeem equity interests of that class, and which in either case might reasonably be expected to put other holders of equity interests of that class who are in the same position at a material disadvantage in connection with the exercise of their redemption rights;
 - (xix) a statement if the Fund is registered or licensed, as the case may require, (or intends to be registered or licensed) in any jurisdiction or with any supervisory or regulatory authority outside the Cayman Islands;
 - (xx) details of the nature and frequency of financial reports to be distributed to investors;
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(xxi) the generally accepted accounting principles to be adopted in preparing the Fund’s financial statements;

(xxii) the following statement:

“A MUTUAL FUND LICENCE ISSUED BY THE CAYMAN ISLANDS MONETARY AUTHORITY DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY TO ANY INVESTOR AS TO THE PERFORMANCE OR CREDITWORTHINESS OF THE FUND.

FURTHERMORE, IN ISSUING SUCH A LICENCE, THE AUTHORITY SHALL NOT BE LIABLE FOR ANY LOSSES OR DEFAULT OF THE FUND OR FOR THE CORRECTNESS OF ANY OPINIONS OR STATEMENTS EXPRESSED IN ANY PROSPECTUS OR OFFERING DOCUMENT”;

5.2. the names and addresses of the Fund’s Operator, including details of their experience;

5.3. the name and addresses of the Fund’s investment advisor / manager, including:

(i) the names of the directors of the investment advisor / manager, details of their experience and the addresses of their registered or principal business office or both;

(ii) the material provisions of any contract engaging the services of the investment advisor / manager; and

(iii) the material provisions of any law and regulations in the Cayman Islands governing the investors’ interest in the Fund;

5.4. the name and address of the Fund’s auditors;

5.5. the name of the Fund’s administrator(s) responsible for calculation and production of NAV, and responsible for registrar and transfer services, and the

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address of its registered or principal business office or both;

- 5.6. the name of the Fund’s custodian and any sub-custodian, and the address of its registered or principal business office or both, and the main business activity of the custodian and any sub-custodian, and the name of the regulatory authority under which it operates, if any;
- 5.7. the name and the Fund’s principal prime broker, and the name of the regulatory authority under which it operates, if any;
- 5.8. the name and address of the Fund’s legal advisors; and
- 5.9. the names, addresses, and duties of any other persons having significant involvement in the affairs of the Fund.

6. The Procedure for the imposition of penalties

- 6.1. Whenever there has been a breach of the Rule, the Authority’s policies and procedures as contained in its Enforcement Manual will apply, in addition to any other powers provided in the MFL and the MAL.