



RULE AND STATEMENT OF GUIDANCE

Tokenised Funds

OCTOBER 2026

**Private Sector Consultation
Rule and Statement of Guidance on Tokenised Funds**

A. Introduction

1. The Cayman Islands Monetary Authority ("CIMA" or "the Authority") seeks consultation and comment from private sector associations concerning the ***Rule and Statement of Guidance on Tokenised Funds ("RSOG" or "proposed measure")*** (attached as **Appendix I**).
2. Requirements specific to the private sector consultation are outlined in Section 4(1)(b) of the Monetary Authority Act (as amended) ("MAA"), which states:

"(1) When this Law requires private sector consultation in relation to a proposed measure –
(b) before proceeding with the proposed measure, the Authority shall have regard to any representations made by the private sector associations, and shall give a written response, which shall be copied to all the private sector associations."
3. In addition, Section 34(1)(a) of the MAA states that:

"(1) After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may -
(a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees, and any other persons to whom and to the extent that the regulatory laws may apply;"

B. Background and Rationale

4. The Mutual Funds (Amendment) Act, 2026 and the Private Funds (Amendment) Act, 2026, were gazetted on **24 March 2026**, and introduced a legislative framework for Tokenised Mutual Funds and Tokenised Private Funds in the Cayman Islands. The amendments establish the statutory foundation for the recognition and regulation of tokenised fund interests, including the representation of an equity interest in a Tokenised Fund through a Digital Equity Token, while maintaining the existing regulatory framework applicable to mutual funds and private funds.
5. During the development of the legislative amendments, the Ministry of Financial Services and Commerce ("MFSC") consulted on a prescriptive framework for Tokenised Funds, which contemplated detailed requirements relating to governance, custody, disclosures, technology controls and operational arrangements. Following feedback from industry stakeholders regarding potential compliance burden, overlap with existing fund obligations and the need to preserve flexibility in a rapidly evolving technological environment, the legislative approach was refined to establish core statutory requirements while enabling the Authority to provide further regulatory clarification and oversight through subsidiary regulatory measures.
6. While the legislative amendments establish the statutory framework for Tokenised Funds, they do not prescribe detailed regulatory expectations for the operation of these structures. In addition, international standard-setting bodies, including the Financial Stability Board ("FSB"), Bank for International Settlements ("BIS"), International Organisation of Securities Commissions ("IOSCO"), Basel Committee on Banking Supervision ("BCBS") and the Organisation for Economic Co-operation

and Development ("OECD"), have increasingly highlighted the need for appropriate regulatory oversight of risks associated with tokenisation, including governance, operational resilience, custody, record integrity, valuation, liquidity and investor protection.

7. To support the implementation of the legislative amendments and provide further regulatory clarity, the Authority has developed a proposed. The proposed RSOG will articulate the Authority's regulatory requirements and supervisory expectations for Tokenised Funds.

C. International Standards

8. International standard-setting bodies recognise the growing use of distributed ledger technology and tokenisation within financial markets and have issued principles and recommendations to support the safe development of tokenised financial products, as summarised below:

9. *FSB*

The FSB issued a report, [*The Financial Stability Implications of Tokenisation*](#) (October 2024), which examines the potential implications of distributed ledger technology ("DLT")-based tokenisation for financial stability and identifies key policy considerations for regulators and supervisors. The report recognises the potential benefits of tokenisation, including improved efficiency, reduced costs, increased transparency, and expanded investor access through asset fractionalisation, while also identifying vulnerabilities related to governance, liquidity and maturity mismatches, asset valuation, operational resilience, third-party dependencies, and interconnectedness within the financial system. The report further emphasises the importance of appropriate legal and regulatory frameworks, effective supervision, cross-border regulatory cooperation and ongoing monitoring to ensure that tokenisation develops in a safe and resilient manner.

10. *BIS*

BIS and the Committee on Payments and Market Infrastructures ("CPMI"), in their October 2024 report, [*Tokenisation in the Context of Money and Other Assets: Concepts and Implications for Central Banks*](#), examine the structure and operation of token arrangements and their potential implications for financial markets and financial stability. The report identifies considerations relating to governance and risk management, operational resilience, settlement arrangements, interoperability, concentration, conflicts of interest and the oversight of tokenisation platforms. Although the report is principally directed at central banks and financial market infrastructure, its findings reinforce the need for tokenisation arrangements to be supported by sound governance, effective operational controls and appropriate regulatory and supervisory oversight.

11. *IOSCO*

IOSCO, in its November 2025 report, [*Tokenisation of Financial Assets*](#), examines the development of tokenisation across the lifecycle of financial assets and its implications for market integrity and investor protection. The report identifies considerations relating to the legal rights represented by tokens, the roles and responsibilities of issuers and third-party service providers, custody and recordkeeping arrangements, operational and technological vulnerabilities, liquidity, disclosures and investor understanding. IOSCO emphasises that tokenised financial assets should be regulated in accordance with the principle of "same activities, same risks, same regulatory outcomes". This approach is consistent with the proposed RSOG, under which tokenisation serves as a mechanism for representing fund

interests and does not displace or reduce the regulatory obligations otherwise applicable to the Fund.

12. *OECD*

The OECD, in its January 2025 policy paper, [*Tokenisation of Assets and Distributed Ledger Technologies in Financial Markets*](#), examines the potential benefits and risks of tokenisation and the factors affecting its adoption in regulated financial markets. The paper identifies legal uncertainty concerning ownership and the rights attached to tokenised assets, operational and technological risks, limited liquidity, interoperability challenges, custody considerations and the absence of common industry standards as potential impediments to market development. The paper also supports a technology-neutral regulatory approach under which participants in tokenised asset transactions remain subject to the regulatory requirements applicable to the relevant activity and underlying financial asset. These considerations support the principles-based approach adopted in the proposed RSOG and its focus on legal certainty, governance, record integrity, operational controls, transferability and liquidity management.

D. Purpose of the RSOG and Consistency with the Authority's Functions

13. The purpose of the RSOG is to establish clear regulatory requirements and supervisory expectations for Tokenised Funds under the MAA and the Private Funds Act (as amended). The proposed RSOG provides a framework for the operation and oversight of Tokenised Funds, including requirements relating to governance, investor register integrity, transferability, valuation, custody, disclosures and ongoing regulatory obligations.

14. The Authority's mandate for this proposed RSOG is outlined in Section 6(1)(b) of the MAA, which states:

"(b) regulatory functions, namely —

- (i) to regulate and supervise financial services business carried on in or from within the Islands in accordance with this Law and the regulatory laws;*
- (ii) to monitor compliance with the anti-money laundering regulations; and*
- (iii) to perform any other regulatory or supervisory duties that may be imposed on the Authority by any other law;"*

15. Furthermore, Section 6(3)(a)–(c) of the MAA provides that in performing its regulatory functions and its co-operative functions, the Authority shall, inter alia:

"

- (a) endeavour to promote and enhance market confidence, consumer protection and the reputation of the Islands as a financial centre;*
- (b) endeavour to reduce the possibility of financial services business or relevant financial business being used for the purpose of money laundering or other crime;*
- (c) recognise the international character of financial services and markets and the necessity of maintaining the competitive position of the Islands, from the point of view of both consumers and suppliers of financial services, while conforming to internationally applied standards insofar as they are relevant and appropriate to the circumstances of the Islands;"*

E. Jurisdictional Comparison

16. The Authority conducted a comparative review of selected international financial centres that have introduced regulatory measures addressing the tokenisation of

financial products. As illustrated in **Table 1** below, Dubai, Abu Dhabi and Jersey have each supplemented their existing legislative frameworks with rules or regulatory guidance to clarify how regulatory requirements apply to tokenised arrangements. The proposed RSOG adopts a similar approach by supplementing the Cayman Islands' legislative framework with requirements and supervisory guidance, specifically tailored to Tokenised Funds.

Table 1 Overview of regulatory frameworks across these comparable jurisdictions in relation to market conduct and disclosures for VASPs.

Jurisdiction	Relevant Legislation	Nature and Enforceability	Regulatory Scope
Abu Dhabi	Financial Services and Markets Regulations 2015; FSRA Guidance – Regulation of Digital Securities Activities (Sections 2, 4, 6 and 7).	The Guidance explains how the existing regulatory framework applies to digital securities but is not independently binding. Applicable legislative and Rulebook requirements remain enforceable.	Applies the existing securities framework to tokenised securities, including the classification of tokens, the legal rights they represent, issuance, custody, trading and the technological infrastructure used to record and transfer them.
Dubai	Law No. (4) of 2022 Regulating Virtual Assets; VARA Market Conduct Rulebook (Parts II–V); VARA Technology and Information Rulebook	The applicable VARA Rulebooks impose mandatory requirements on licensed entities. Non-compliance may result in supervisory or enforcement action.	Regulates the issuance and provision of services involving tokenised assets where they fall within VARA's virtual asset framework. Requirements address token issuance, governance, disclosures, custody, transfer arrangements, technology controls and recordkeeping.
Jersey	JFSC Guidance Note – Tokenisation of Real-World Assets 2024 (Sections 3, 4, 5, 6 and 9)	The Guidance Note explains the application of Jersey's existing regulatory framework to tokenised structures but is not a standalone binding instrument.	Addresses the tokenisation of real-world assets, including fund interests. It covers the legal nature of the token, the rights represented, issuance and transfer arrangements, governance, custody, disclosures, technological risks and the JFSC approval process.
Cayman Islands	Mutual Funds (Amendment) Act, 2026; Private Funds (Amendment) Act, 2026	The legislative amendments establish the statutory framework for Tokenised Funds. The proposed RSOG will supplement this framework by setting out enforceable requirements (rules), together with guidance that articulates the Authority's supervisory expectations.	The amended Acts establish a statutory framework for Tokenised Funds. However, there is no RSOG that currently sets out the applicable regulatory requirements and supervisory expectations. The proposed RSOG will address this gap and streamline the application process.

F. Cost and Benefit Analysis

17. The Authority assessed the implications of issuing the RSOG, and the relevant costs and benefits are presented in **Table 2** below.

Table 2: Costs and Benefits of Implementing the Proposed RSOG

Stakeholders	Costs	Benefits
CIMA	1. CIMA will incur the usual administrative costs associated with publishing the RSOG and amending internal supervisory manuals. 2. Costs associated with developing the proposed regulatory measures, conducting consultation, and reviewing stakeholder feedback. 3. Costs associated with updating the Authority's supervisory procedures to incorporate the requirements of the RSOG, including off-site monitoring and on-site inspections, and with investigating and taking appropriate action in response to breaches of the Rules.	The Authority stands to benefit from: 1. improved compliance by supervised entities with the measure, given the role enforceable rules play in dissuading non-compliance. 2. providing clarity and certainty for Tokenised Funds; 3. an enforceable regulatory framework for the supervision of Tokenised Funds, consistent with the legislative framework established under the Mutual Funds Act (as amended) ("MFA") and Private Funds Act (as amended) ("PFA"); and. 4. a strengthened regulatory/supervisory framework for the Tokenised Funds sector that supports CIMA's mandate.
Cayman Islands	There may be some adjustments by affected entities in response to the additional regulatory requirements; however, the impact is expected to be limited, as Tokenised Funds will continue to operate within the existing regulatory frameworks established under the MFA and PFA.	The jurisdiction stands to benefit from: 1. an enhanced jurisdictional profile as an international financial centre by establishing a clear regulatory framework for Tokenised Funds that reflects emerging international standards and supports responsible financial innovation; 2. increased legal and regulatory certainty regarding the establishment and operation of Tokenised Funds and the nature and legal effect of Digital Equity Tokens; 3. strengthened investor confidence through requirements addressing governance, disclosures, record integrity, operational resilience, cybersecurity, transferability, redemption and the protection of investors' rights; 4. minimising risks associated with tokenisation arrangements: 1) uncertainty regarding the legal rights represented by Digital Equity Tokens; 2) inaccurate or inconsistent ownership records; 3) over-issuance of Digital Equity Tokens; 4) operational and cybersecurity vulnerabilities; 5) inadequate oversight of third-party service providers; and 6) risks relating to transferability, redemption, and liquidity; 5. improved outcomes in international assessments and evaluations by demonstrating that the Cayman Islands has an effective and enforceable regulatory framework that responds to emerging developments in the international funds sector.

Stakeholders	Costs	Benefits
Tokenised Funds	1. Tokenised Funds and their operators may incur initial costs in implementing the proposed RSOG. However, as the requirements largely reinforce existing obligations under the Mutual Funds Act, the Private Funds Act, and the broader regulatory framework, they are unlikely to impose material additional costs.	1. Tokenised Funds and their operators will benefit from greater clarity regarding their regulatory obligations and the Authority's expectations, including the information required during the application and supervisory processes. 2. The RSOG will assist Tokenised Funds in reducing the risk of regulatory breaches, enforcement action and reputational damage by promoting appropriate governance and operational practices.
Summary	Consequent to the above, it is determined that the benefits outweigh the costs and that the Authority should therefore pursue the issuance of the new RSOG. <i>The RSOG will provide regulatory clarity and greater certainty for market participants regarding the requirements applicable to Tokenised Funds, support the consistent implementation of the legislative framework established under the MFA and PFA, as amended in 2026, and facilitate effective and consistent supervision by the Authority.</i>	

G. Consultation Feedback and Comments

18. Before proceeding with the proposed measure, the Authority shall have regard to any representations made by private sector associations only. Feedback submitted by individuals, entities, or other bodies, unless acting on behalf of private sector associations, will not be accepted by the Authority. Representations from private-sector associations must be submitted as a consolidated document, and a list of the entities that provided feedback should be included. Private sector associations should ensure that conflicting positions are resolved prior to submission to the Authority. Where positions conflict within or across associations, the Authority will consider all available information in making a decision, which will be at its sole discretion.
19. To ensure that all responses are given due consideration, it is important that private sector associations make clear reference to the sections of the measure being commented on, and that responses are unambiguous, clearly articulated and based on fact. The consultation process is not designed to address complaints or grievances. Feedback of this nature should be submitted through the established complaints process.
20. In cases where the feedback proposes to change a policy position of the Authority or substantially amend any requirement of the proposed measure, the private sector association should provide information supporting its position. The table below provides an example of the Authority's expectations regarding feedback on the proposed measure.

Reference	Example of a Helpful Comment	Examples of Comments needing more Support
Rule 4.2 ¹	In Rule 4.2, the current text omits the fair value measurement of liabilities. Also, as defined it is not asymmetrical with the Market Price definition and thus scenarios exist that fall into neither category. Suggested wording:	× This is not what is done in other jurisdictions. × I don't think we should do this. × CIMA is not considering the position of the experts.

¹ This example is not reflective of the content of the proposed measure.

	<i>Hard-to-Value Securities means an asset or liability for which there is no Market Price which is required to be measured at fair value pursuant to 5.2</i>	
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21. All feedback submitted by private sector associations will be given due consideration; nevertheless, the decision to adopt any feedback provided into a proposed measure will be at the sole discretion of the Authority.

H. Notice of Representations

22. The Authority seeks consultation through written comments and representations from the private sector associations concerning the:

(1) Rule and Statement of Guidance on Tokenised Funds

23. The Authority must receive representations by **Tuesday, 10 November 2026**. Representations received after this deadline may not be considered and will not form part of the collated written response provided to private sector associations.

24. Comments and representations must be addressed to²:

The Chief Executive Officer
Cayman Islands Monetary Authority
P.O. Box 10052
Pavilion East, Cricket Square
Grand Cayman KY1-1001
Cayman Islands
Tel: 345-949-7089
Email:
contactpolicy@cima.ky
and copied to cianomacharia@cima.ky

25. The Authority shall have due regard to any representation made by the private sector associations and industry stakeholders. The Authority shall provide a written response that collates the feedback received and the Authority's position on it. This response shall be copied to all relevant private sector associations only.

² Where the private sector association or industry stakeholder has no comments or representations on the proposed measure, it is recommended that the Authority be informed of this fact.



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