



12 August 2020

NOTICE

RE: Private Funds Law ("PFL") FAQs Update – AIV Registration and Audit Requirements

Further to the Notice dated 3 March 2020 and subsequent updates, the Cayman Islands Monetary Authority ("CIMA") is advising an update to one of the frequently asked questions relating to Private Funds and the addition of a new question, both specific to Alternative Investment Vehicles (AIVs).

AIVs - Registration Requirements

How will the registration of Cayman AIV entities under a non-Cayman main fund (i.e. not registered with CIMA) be handled?

A Cayman AIV that meets the definition of a Private Fund will be required to register under the PFL as a stand-alone Private Fund.

AIVs - Audit Requirements

What are the audit requirements of a Private Fund registered under the PFL, which is also an AIV in a structure falling under a non-Cayman main fund?

A Private Fund, irrespective of being an AIV in a structure falling under a non-Cayman main fund, is subject to section 13(1) of the PFL, which requires the Private Fund to have its accounts audited annually by an auditor approved by CIMA. The Private Fund is also required to submit its audited accounts, along with the Fund Annual Return ("FAR"), to CIMA within six months of the end of each financial year.

The Private fund is able to satisfy its obligation pursuant to section 13(1) of the PFL in one of the following ways:

1. Submit its own stand-alone financial statements annually, which have been signed-off by an auditor approved by CIMA, along with the FAR; or
2. Submit the consolidated financial statements of the non-Cayman main fund annually, which have been signed-off by an auditor approved by CIMA, along with the FAR

For a Private Fund that is an AIV in a structure that includes other Cayman AIVs, which have been individually registered as private funds, the following options are also available to satisfy the Private Fund's obligation pursuant to section 13(1) of the PFL:

1. For two or more private funds, which are AIVs falling under a non-Cayman main fund, audit such private funds as a group stripped out from the non-Cayman main fund, wherein such audited financial statements are signed-off by an auditor approved by CIMA and each private fund that forms part of this group audit submit such financial statements, along with the FAR, in order to meet their individual obligation pursuant to section 13(1) ; or
2. Submit the consolidated financial statements of the non-Cayman main fund annually, which have been signed-off by an auditor approved by CIMA and where it is clearly outlined the private funds that are included in the consolidated financial statements, along with the FAR for each of the private funds.

In respect of options 2 above, there are no regulatory obligations under the PFL for the non-Cayman main fund or any other non-Cayman entities that are included in the consolidated financial statements submitted, but which are not subject to CIMA's regulatory oversight.

A full list of frequently asked questions in reference to the new funds laws can be found [here](#) under the sub-heading 'Private Funds Law 2020' and/or 'Mutual Funds (Amendments) Law 2020', respectively.