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## **Regulatory Procedure**

### **Cancellation of Licences issued pursuant to section 5 and Certificates of Registration issued pursuant to Sections 4 (3), and 4 (1) (b) of the Mutual Funds Law ("MFL").**

#### **1. Statement of Objectives**

To protect the interests of investors and creditors and to facilitate an efficient process by which regulated mutual funds are made aware of (1) the requirements necessary to confirm the cessation of regulated mutual fund business; and (2) evidence that the regulated mutual fund ("Fund") must produce to demonstrate that it has not been, or is not being, wound up, transferred or otherwise ceasing business as a licenced or registered Fund in a manner that is prejudicial to its investors and creditors.

#### **2. Scope**

This Procedure is applicable where the Fund is either being wound up, or has never carried on business as a Fund, or is ceasing to carry on business<sup>1</sup> as a Fund, or where Funds are being merged. It also applies where a Fund seeks to cancel its registration with the Cayman Islands Monetary Authority ("Authority" or "CIMA") but wishes to carry on business as a company or an exempted mutual fund or to be transferred to another jurisdiction. This document should be read in conjunction with the Regulatory Policy on 'Exemption from Audit Requirement for a Regulated Mutual Fund'.

#### **3. Fees**

A Fund shall file a request with the Authority to cancel its licence or certificate of registration where the Fund has ceased to carry on business. To avoid incurring annual fees and penalties a Fund should file such request within the timeframe prescribed in the Rule on "Cancellation of Licence or Certificate of Registration of regulated mutual funds".

Where the Fund is placed under Licence Under Termination ("LUT") status, one half of the annual fee accrues until all the other requirements listed in section 6 have been met.

If the Fund is placed under Licence Under Liquidation ("LUL") status, annual fees will not accrue.

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<sup>1</sup> Ceasing to carry on business, also known as ceasing to trade, denotes there is no ongoing investing with a view to receive profits or gains from the acquisition, holding, management or disposal of investments, but does not include the disposal of assets for purpose of redeeming investors from a fund. If 'Ceasing to carry on Business or Trade' is defined in the Mutual Funds Law then the definition in the MFL prevails



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#### **4. Good Standing of Funds**

Any Fund wishing to cancel its licence or certificate of registration with the Authority must be in good standing with the Authority on the date of the cancellation of the licence or certificate of registration. Good standing requires that a Fund must have paid all the prescribed fees, submitted all the required audited financial statements, and that there be no outstanding queries or regulatory filings with the Authority.

#### **5. Core Requirements for Cancellation of Licence or Registration of Funds**

A Fund shall submit the following core requirements to the Authority regardless of the reason for cancellation in order to place the Fund in LUT or LUL status:

- 5.1** The original licence or certificate of registration, if issued by the Authority, must be returned for cancellation or in the case of a lost licence or certificate, an affidavit signed by the operator(s), stating that the licence or certificate will be returned to the Authority if found;
- 5.2** The prescribed fee which is payable for the surrender of the Licence or Certificate of Registration pursuant to the Monetary Authority Law ("MAL"); and
- 5.3** A certified copy of the resolution of the operators, shareholders or unit holders, which indicates the date on which the fund will cease or has ceased to carry on business as a Fund in or from the Cayman Islands.

#### **6. Cancellation of a Licence or Certificate of Registration of Funds**

The documentation that is required to cancel a licence or certificate of registration varies depending on the reason for the cancellation of the licence or certificate of registration. The following sections list the reasons for cancellation along with the respective documentation required.

The documents listed below shall be submitted in addition to the core requirements listed in section 5 above.

##### **6.1 Ceasing to Carry on Business**

The following must be provided to the Authority in cases of cancellation of licence or certificate of registration by a Fund due to the cessation of business:

- 6.1.1 An affidavit from or on behalf of the operator(s) of the Fund. The contents of the affidavit must verify:
  - 6.1.1.1 The reason for the cessation of business;
  - 6.1.1.2 That as far as the operator is aware the Fund has operated in accordance with its articles or other constitutive documents and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value;



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- 6.1.1.3 That all participating investors (such as shareholders and unit holders) have been properly and completely redeemed<sup>2</sup> out of the Fund;
- 6.1.1.4 That the Fund has not been or is not being wound down in a manner that is prejudicial to its investors and creditors; and
- 6.1.1.5 Whether the Fund intends to:
  - 6.1.1.5.1 Continue as a legal entity in the Cayman Islands; or
  - 6.1.1.5.2 Seek striking-off from the Companies Registry (with the Registrar of Companies) in the Cayman Islands.

## **6.2 Voluntary Liquidation of a Fund**

The following must be provided to the Authority in cases of the cancellation of a licence or certificate of registration by a Fund due to the voluntary liquidation of the Fund:

- 6.2.1 The following documents pursuant to the Companies Winding Up Amendment Rules:
  - 6.2.1.1 Notice of the winding up of the Fund (CWR Form No. 19 or any other prescribed Form); and
  - 6.2.1.2 Voluntary liquidator's consent to act (CWR Form No. 20 or any other prescribed Form).
- 6.2.2 After the Fund has submitted the core requirements including the requirements under 6.2.1 above and has been placed under LUL status, the Authority may require the following documentation where the Fund is not in a good standing before the Fund can be terminated:
  - 6.2.2.1 An affidavit from or on behalf of the Voluntary liquidator(s) of the Fund, the contents of which must verify:
    - 6.2.2.1.1 The reason for the liquidation;
    - 6.2.2.1.2 The period(s) covered by the Voluntary liquidator's report(s);
    - 6.2.2.1.3 That the Fund is no longer carrying on business or otherwise in operation;
    - 6.2.2.1.4 That during the course of the liquidation nothing has come to light to indicate any evidence of fraud or wrong doing in the operation of the Fund or that any fraud or wrongdoing has been reported to the Authority;
    - 6.2.2.1.5 That all creditors have been paid in full out of the remaining assets of the Fund;
    - 6.2.2.1.6 That all investors have been distributed the assets of the Fund according to their rights and interests in the Fund; and

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<sup>2</sup> Properly and completely redeemed denotes that a fund has paid out all investors and there are no residual cash or assets owed or potentially owed to investors



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6.2.2.1.7 That the Voluntary liquidator(s) is satisfied that the Fund has not been wound up in a manner that is prejudicial to its investors or creditors.

6.2.2.2 A copy of the Voluntary liquidator's report.

### **6.3 Court Supervised or Court Appointed Liquidation of a Fund**

The following must be provided to the Authority in cases of cancellation of a licence or certificate of registration by the Fund due to the court supervised or appointed liquidation of the Fund:

6.3.1 The supervision/winding up order issued by the Grand Court of the Cayman Islands. This document is substituted for section 5.3 of the core requirements above; and

6.3.2 A copy of each report filed by the Official liquidator(s) to the Grand Court of the Cayman Islands.

### **6.4 Continuation as an Exempted Mutual Fund**

The following outlines the required documentation where the Fund is cancelling its licence or certificate of registration as a Fund but continuing to operate as an exempted mutual fund.

6.4.1 The following must be provided to the Authority where the equity interests are held by not more than fifteen investors:

6.4.1.1 A certified copy of the memorandum and articles of association and a copy of the offering document or supplement to the offering document which stipulates that the equity interests are held by not more than fifteen investors and that a majority of those investors are capable of appointing or removing the operator of the fund; and

6.4.1.2 An affidavit from the operator(s) of the Fund, the contents of which must verify that:

6.4.1.2.1 The equity interests are held by not more than fifteen investors;

6.4.1.2.2 The investors have been advised of their rights; and

6.4.1.2.3 The operator will immediately advise the Authority should the number of investors exceed fifteen and/or should the majority of investors no longer be capable of appointing or removing the operator of the Fund and comply with the registration requirements at that time.

6.4.2 Where the Fund is not incorporated or established in the Cayman Islands and is seeking to be an exempted fund, it shall provide an affidavit from



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the operator(s) of the Fund, the contents of the affidavit must verify that:

- 6.4.2.1 The Fund is not incorporated or established in the Cayman Islands;
- 6.4.2.2 The Fund made an invitation to the public to subscribe for its equity interests by or through a person licenced under the Securities Investment Business Law as well as name of that licensee; and
- 6.4.2.3 The equity interests of the Fund are listed on a stock exchange specified by the Authority, including the name of the stock exchange or the Fund is regulated in a category, and by an overseas regulatory authority approved by the Authority, including the name of that overseas authority.

## **6.5 Transfer to another Jurisdiction**

The following must be provided to the Authority in cases of cancellation of licence or certificate of registration as a Fund due to the transfer of the legal entity to another jurisdiction:

- 6.5.1 An affidavit from the operator(s) of the Fund, the contents of which must state:
  - 6.5.1.1 The reason for the transfer and name of the jurisdiction the Fund is being transferred to;
  - 6.5.1.2 That the Fund has operated in accordance with its articles and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value; and
  - 6.5.1.3 That the transfer is not prejudicial to the investors or creditors.
- 6.5.2 In addition to the affidavit, a licenced mutual fund must provide confirmation that the fund has received approval (or approval in principle) from the regulators in the jurisdiction to which it is being transferred.

## **6.6 Funds that never carried on Business<sup>3</sup>**

The following must be provided to the Authority in cases of cancellation of a licence or certificate of registration of a Fund where the Fund has never carried on business as a Fund:

- 6.6.1 An affidavit from the operator(s) of the Fund attesting as to the reason why the Fund has never carried on business; and

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<sup>3</sup> A regulated mutual fund that has never accepted subscriptions; or one that has launched but has been unsuccessful in raising the appropriate seed capital for sustainability and all subscriptions received from investors have been returned.



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6.6.2 A letter from the Fund's administrator or auditor verifying the Fund has never carried on business as a Fund.

**6.7 Does Not Meet Definition of a Mutual Fund**

If a Fund does not meet the definition of a mutual fund as outlined in the MFL, but is licenced or registered with the Authority anyway, the Fund must nevertheless meet all regulatory requirements for cancellation. The following outlines the requirements for the cancellation of a licence or certificate of registration of a Fund when converting into a single investor fund or closed-ended fund:

**6.7.1 Single Investor Fund**

The following must be provided to the Authority when a Fund is converting into a single investor fund:

6.7.1.1 An affidavit from the operators of the Fund attesting to the following:

6.7.1.1.1 That the Fund has a single investor and that investor has agreed to the cancellation of licence or registration of the Fund with the Authority;

6.7.1.1.2 All other investors have been properly and completely redeemed (where previous investors exist);

6.7.1.1.3 That as far as the operator is aware, while licenced or registered with the Authority the Fund operated in accordance with its articles and other constitutive documents and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value; and

6.7.1.1.4 That while registered with the Authority, the Fund has not operated in a manner that is prejudicial to its investors and creditors.

**6.7.2 Closed-Ended Fund**

When a Fund no longer meets the definition of a mutual fund because the equity interests are not redeemable at the option of the investors, the Authority requires:

6.7.2.1 An updated offering document, supplement to the offering document or in the absence of an offering document a consent from the investors outlining that the Fund is changing from open-ended to closed-ended and will cease to meet the definition of a mutual fund in the MFL;

6.7.2.2 A certified copy of the memorandum and articles of association outlining the restriction on the redemption rights of the closed-ended shares;



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6.7.2.3 An affidavit from the operator(s) attesting to the following:

- 6.7.2.3.1 The reason for the conversion of the fund;
- 6.7.2.3.2 That as far as the operator is aware, while licenced or registered with the Authority the Fund operated in accordance with its articles and other constitutive documents and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value;
- 6.7.2.3.3 That the conversion from an open-ended fund to a closed-ended fund is being done in accordance with the Fund's offering document and constitutive documents; and
- 6.7.2.3.4 That while licenced or registered with the Authority, the Fund has not operated in a manner that is prejudicial to its investors and creditors.

## **6.8 Funds Dissolving by way of a Merger**

### **6.8.1 Terminating or Dissolving Fund**

In case of a merger the terminating or dissolving Fund shall provide the following to the Authority:

- 6.8.1.1 A cover letter from or on behalf of the operator(s) of the Fund outlining the request to merge the Funds;
- 6.8.1.2 A certified copy of the resolution of the operators or the participating investors (shareholders, unit holders, etc.) which includes material details of the proposed merger (merger plan) and specifies the dissolving and surviving entities;
- 6.8.1.3 An affidavit from or on behalf of the operator(s) of the Fund. In case of an administered mutual fund, the affidavit can also be provided by the locally licenced mutual fund administrator. The contents of the affidavit must verify that:
  - 6.8.1.3.1 The dissolving fund is not being merged with the surviving entity in a manner prejudicial to the shareholders or creditors; and
  - 6.8.1.3.2 The dissolving fund has obtained all required directors, shareholders and creditor consents in accordance with the MFL.
- 6.8.1.4 All the outstanding fees and all the outstanding returns, if any.



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**6.8.2 Surviving Fund**

The surviving fund shall provide the following to the Authority in the case of a merger:

6.8.2.1 A copy of the updated offering document or supplement to the offering document outlining material details of the merger and other material changes;

6.8.2.2 A certified copy of the memorandum and articles of association that reflect details of the merger and all appropriate changes required under the Companies Law;

6.8.2.3 A certified copy of the Certificate of Merger; and

6.8.2.4 An updated MF Form (if applicable).

**6.9 De-registration of Master Funds**

The following outlines the reasons along with the respective required documentation for the cancellation of the certificate of registration of a master fund.

**6.9.1 Ceased to carry on business as a fund**

The following must be provided to the Authority when applying to cancel a certificate of registration as a Fund on the basis that the master fund has ceased to carry on business or is being dissolved or liquidated:

6.9.1.1 An affidavit from or on behalf of the operator(s) of the master fund, the contents of which must verify:

6.9.1.1.1 That the master fund does not have one or more regulated feeder funds;

6.9.1.1.2 The reason for the cessation of business, liquidation or winding up of the master fund;

6.9.1.1.3 That as far as the operator is aware the master fund has operated in accordance with its articles or other constitutive documents and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value;

6.9.1.1.4 That all participating investors (such as shareholders and unit holders) have been properly and completely redeemed out of the master fund; and

6.9.1.1.5 That the master fund has not been or is not being wound up in a manner that is prejudicial to its investors and creditors.

6.9.1.2 In cases where a liquidator has been appointed the following must be provided to the Authority:





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6.9.1.2.1 The following documents pursuant to the Companies Winding Up Amendment Rules:

6.9.1.2.1.1 Notice of the winding up of the Fund (CWR Form No. 19 or any other prescribed Form); and

6.9.1.2.1.2 Voluntary liquidator's consent to act (CWR Form No. 20 or any other prescribed Form).

6.9.1.2.2 After the Fund has been placed under LUL status, the Authority may require a copy of the liquidator's report where the Fund is not in a good standing before the Fund can be terminated.

6.9.1.3 In case of a court supervised or appointed liquidation the court order should be provided to the Authority.

6.9.2 **Master Fund that does not meet the definition under the MFL**

The following must be provided to the Authority when applying to cancel the certificate of registration on the basis that the Fund does not meet the definition of a master fund under the MFL:

6.9.2.1 An affidavit from the operator(s) of the master fund attesting to the following:

6.9.2.1.1 The master fund no longer meets the definition of a master fund under the MFL;

6.9.2.1.2 That as far as the operator is aware, while registered with the Authority the Fund operated in accordance with its articles and other constitutive documents and its offering document including adherence to all investment guidelines and restrictions and computation of the net asset value;

6.9.2.1.3 That while registered with the Authority, the master fund has not operated in a manner that is prejudicial to its investors and creditors; and

6.9.2.1.4 The investors have been advised of their rights.

If any master fund applying for de-registration has one or more regulated feeder funds under LUT and/or LUL status, the master fund will not be de-registered until the regulated feeder funds under LUT and/or LUL status are completely terminated.

**7. Additional Information**

**7.1** Unless a Fund qualifies for an audit waiver, it must provide audited accounts from the date of the last financial year end (for which audited statements have been filed) either to the date of commencement of the winding up where third



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party liquidator(s) have been appointed, or the date of the final distribution if no third party liquidator(s) have been appointed.

- 7.2** The Authority may require additional information to be provided in order to cancel a Fund's licence or certificate of registration.