

The image is a low-angle, upward-looking shot of several skyscrapers. The left side of the image is dominated by a solid red background, with the grid-like patterns of the buildings' windows appearing in a darker red. The right side is white, with the same grid patterns in black. A flag on a pole is positioned vertically in the center, acting as a divider between the red and white halves. The flag is black and white, with a stylized design. The overall composition is symmetrical and creates a sense of height and scale.

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# Regulatory Update

Cayman – Q1 2020

# Quick Fire Updates

## 1. Changes to regulation of Cayman funds

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Draft legislation has been published in the Cayman Islands which will introduce a new regime for the regulation of closed-ended, Cayman Islands private funds, and also change the way in which open-ended Cayman hedge fund vehicles are currently regulated.

View our Update [here](#) for more information.

## 2. Economic substance update

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Draft legislation will be debated by the Cayman Legislative Assembly in January amending the Cayman Islands' economic substance legislation (the International Tax Co-operation (Economic Substance) Law, 2018 (as amended, the **ES Law**)). This legislation is expected to clarify reporting obligations under the ES Law and introduce penalties for late filing of economic substance reports with the Cayman Tax Information Authority (**TIA**).

It is anticipated that a new version 3.0 of the Guidance on Economic Substance for Geographically Mobile Activities will be issued by the TIA at the same time that the ES Law is amended, and that this guidance will provide sector-specific guidance for each relevant activity.

Companies and LLCs registered in Cayman are currently filing their first economic substance notification (**ESN**) with the General Registry. The purpose of the ESNs is to identify those entities which are carrying on one or more relevant activities under the ES Law and, in such case, whether any exemption applies. The ESNs must be filed with the General Registry as a pre-requisite to the entity filing its 2020 annual return, and an annual return must be filed by 31 January 2020 in order for the vehicle to remain in good standing. However, no late filing penalties will be levied if the ESN and annual return are filed by 31 March 2020.

## 3. Reminder – registers of members required to include additional information

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As noted in the [Q4 2019 Regulatory Update](#), the Cayman Companies Law was amended in early August 2019, requiring Cayman companies to state in their register of members whether shares carry voting rights. Companies in existence at that time had 6 months to comply with the new requirement, and that period runs out in early February 2020.

Cayman companies should check with their service providers whether this requirement has been complied with, especially Cayman fund vehicles where investor registers are maintained by non-Cayman administrators or other service providers.

## 4. Extension of Cayman CRS and FATCA filing deadline

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At an industry update on 10 January 2020, an extension of the CRS and FATCA filing deadlines from 31 May in each year to 31 July in each year was discussed. Legislation has not been adopted on this point as yet, but details will be included in this Update as and when that happens.

The Cayman Islands Department of International Tax Co-operation is also in the process of creating a new portal for filing of CRS and FATCA reporting, which can be expected to go live later in the year.

## 5. Cayman Government makes statement on public beneficial ownership registers

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The Cayman Islands Government issued a statement on beneficial ownership in October 2019, announcing its intention to introduce public beneficial ownership registers when this becomes the international standard. [Read more](#).

## 6. Cayman adopts 2020 Revisions

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The Cayman Islands issued the 2020 Revision of some key laws and regulations on 9 January 2020, including the following:

- Anti-Money Laundering Regulations (2020 Revision);
- Banks and Trust Companies Law (2020 Revision);
- Companies Law (2020 Revision);
- International Tax Co-operation (Economic Substance) Law (2020 Revision);
- Mutual Funds Law (2020 Revision);
- Proceeds of Crime Law (2020 Revision);
- Securities Investment Business Law (2020 Revision); and
- Trusts Law (2020 Revision).