



# Regulatory Update

Cayman – Q4 2021

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# Quick Fire Updates

## 1. Related Fund Entity filings for private funds

On 1 September 2021, the Cayman Islands Monetary Authority (CIMA) issued a [Notice](#) advising industry that a new Related Fund Entity (RFE) form for private funds was available for use via CIMA's Regulatory Enhanced Electronic Forms Submission (REEFS) portal.

Under the Private Funds (Annual Returns) Regulations, 2021, a **related fund entity** in relation to a private fund means an entity established by or on behalf of the fund's promoter which may account for certain regulatory, tax or other structuring needs of one or more groups of persons/investors and which may not itself meet the definition of a "private fund" under Cayman Islands law, and includes:

- a parallel fund (ie, a parallel investment vehicle generally formed to invest and divest in the same investments at the same time as the main private fund);
- an alternative investment vehicle; or
- a co-investment vehicle (ie, a pooled investment vehicle which invests in one or more transactions alongside the private fund).

See our [Update](#) for more information.

## 2. Deadline for private fund FAR and RFE forms

On 10 September 2021, CIMA issued a [Notice](#) providing a further extension to the deadline for filing the private fund annual return (FAR) and RFE forms.

All private funds with a 2020 or a 2021 financial year end up to 31 March 2021 must submit the FAR and RFE forms by **31 October 2021**. CIMA has confirmed that no further extensions will be granted.

## 3. Deadline for 2020 economic substance reporting

A relevant entity which is subject to the economic substance (ES) test under Cayman Islands ES legislation must make a return to the Tax Information Authority (TIA) within twelve months after the last day of each financial year of the entity, commencing on or after 1 January 2019.

Those entities which conducted a relevant activity in 2020 and are required to report under the Cayman ES regime will need to consider the timing of filing of the 2020 ES return with the TIA. For example, those entities which are required to report for 2020 and which have the calendar year as their financial year will need to file their 2020 ES return by **31 December 2021**.

## 4. DITC Updates Bulletin

The Cayman Islands Department for International Tax Cooperation (DITC) released an [Updates Bulletin](#) on 3 September 2021. The Bulletin provided the following updates:

### CRS & FATCA reporting

The deadline for submitting 2019 (extended) and 2020 CRS and FATCA reporting of 31 July 2021 has passed. Any FIs which have not completed their reporting (consisting of CRS returns, CRS Filing Declarations and/or FATCA returns) are urged to do so as soon as possible.

The deadline for filing the CRS Compliance Form, of 15 September 2021, has also passed.

### Economic substance notifications (ESNs) - partnerships

As noted in the [Q3 Regulatory Update](#), the Cayman Islands economic substance regime was extended on 30 June 2021 to include:

- Cayman Islands partnerships (including limited partnerships), except where the partnership is a local partnership;
- Cayman Islands exempted limited partnerships (ELPs); and
- foreign limited partnerships registered in the Cayman Islands (foreign LPs).

The Bulletin notes that partnerships must now submit ESNs on an annual basis, with the following guidance regarding timing.

- For any partnership that existed **prior to 30 June 2021**, the first ESN that will be required to be submitted will be for the 2022 ESN year. The ESN for the 2022 ESN year will be due by **31 March 2023**.
- For any partnership that came or comes into existence **on or after 30 June 2021**, the first ESN that will be required to be submitted will be determined by the date on which their first financial year commences. For example, if an ELP was formed on 1 July 2021 and its first financial year covers the period from 1 July 2021 to 30 June 2022, the first ESN year will be the 2021 ESN year. The ESN for the 2021 ESN year will be due by **31 March 2022**.

The [ESN Practice Points](#) issued by the DITC on 3 September 2021 were amended at the same time to reflect the above update.

### Changes to 2021 ESNs

Some changes will be made to the information collected on the ESNs from 2021 forwards, namely:

- Where an entity claims that it is tax resident outside the Cayman Islands, it will be required to confirm the date of its financial year end on the ESN.

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- Where an entity is an 'investment fund' for the purposes of the economic substance regime but does not itself have a CIMA registration, FI or GIIN number, the entity will be required to respond 'Yes/No' to the following:

*'The CIMA, FI and/or GIIN information provided below belongs to another investment fund that directly or indirectly invests or operates through the Entity'.*

If 'Yes', the name and jurisdiction of the investment fund must be provided.

## 5. Cayman licensees – Changes to business plans

CIMA issued a [Supervisory Issues and Information Circular](#) on 16 September 2021, reminding all licensees that:

- licensees shall only carry on business/activities in accordance with the information provided in the entity's licence application and business plan; and
- licensees must seek CIMA's prior written approval for any change to the approved business plan or to the information supplied in the application unless CIMA has agreed that changes only require prior notification.

To provide clarity, the Circular notes that acquisitions, disposals or transfers of business lines, product lines, asset portfolios and/or subsidiaries are generally considered to be changes to a business plan, requiring CIMA's prior approval under the applicable regulatory law.

The application form for a Change in Business Plan is available via CIMA's REEFS portal and a completion guide is available [here](#).

## 6. Considering a voluntary liquidation in 2021?

If you are considering liquidating any of your Cayman entities, here are some deadlines to bear in mind in order to avoid incurring unnecessary fees for 2022:

- A CIMA-regulated entity (including registered funds) which is being liquidated may be able to apply to CIMA to have its status changed to 'Licence under Termination' or 'Licence under Liquidation'. A complete application must be filed by 31 December 2021 to achieve a reduction in the 2022 annual CIMA fee.
- To avoid payment of the 2022 annual registration/ Government fees for an entity, the liquidator must hold the final general meeting (for a company) or file the final dissolution notice (for an exempted limited partnership) on or before 31 January 2022.

A CIMA-regulated mutual fund must also file an application with CIMA to cancel its licence or registration within (a) 21 days from the date of cessation of business or (b) before 31 December of the year in which the entity ceases to conduct business as a mutual fund.

CIMA may impose an administrative fine entity if this requirement is not adhered to.

For more information regarding voluntary liquidations or the process involved in deregistering or otherwise terminating a regulated fund, please get in touch with your usual Mourant contact or reach out to one of the contacts below for this Update.

## 7. Mourant Guides and Updates

Mourant Ozannes has uploaded some new Updates and updated Guides to our website, as follows:

- [Administrative fines: The process and possible responses](#)
- [Cayman Islands exempted companies](#)
- [Cayman Islands limited liability companies](#)
- [Cayman Islands segregated portfolio companies](#)
- [Closed-ended private investment funds - a comparison \(BVI and Cayman\)](#)
- [The director registration and licensing regime in the Cayman Islands](#)
- [What's trending in Cayman funds? Top take aways](#)

# Contacts



**Catherine Pham**  
Partner, Cayman Islands  
+1 345 814 9247  
catherine.pham@mourant.com



**Danielle Roman**  
Partner, Hong Kong  
+852 3995 5705  
danielle.roman@mourant.com



**Hector Robinson QC**  
Partner, Cayman Islands  
+1 345 814 9114  
hector.robinson@mourant.com



**Nicholas Fox**  
Partner, Cayman Islands  
+1 345 814 9268  
nicholas.fox@mourant.com



**Sara Galletly**  
Partner, Cayman Islands  
+1 345 814 9233  
sara.galletly@mourant.com