

The Director Registration and Licensing Regime in the Cayman Islands

Last reviewed: July 2021

The Cayman Islands Directors Registration and Licensing Act, 2014 (as amended, the **DRLA**) provides for the registration and, in certain cases, licensing of individuals appointed as directors of (i) mutual funds regulated under the Mutual Funds Act (2021 Revision) by the Cayman Islands Monetary Authority (**CIMA**); or (ii) companies registered as 'registered persons'¹ under the Securities Investment Business Act (2020 Revision) (each a **Covered Entity**). The DRLA also prescribes a licensing regime for corporate directors of Covered Entities.

Scope

The DRLA only covers directors of Covered Entities and does not apply to directors of other Cayman Islands companies. Further, it does not apply to all fund entities registered with CIMA, as both CIMA-registered partnerships and trusts are outside its scope. The DRLA does not extend therefore to directors of general partners, or to trustees, of Covered Entities. The DRLA is not restricted to Cayman-based directors but extends to all directors of Covered Entities, wherever they are resident or incorporated.

The DRLA allows CIMA to verify certain basic information in respect of directors of Covered Entities as well as to establish a regulatory framework for both 'professional directors' and corporate directors.

Categories

The DRLA distinguishes between **professional directors** (being a natural person appointed as a director of 20 or more Covered Entities), **corporate directors** (being a body corporate appointed as a director of a Covered Entity) and **registered directors** (being individuals who are not professional directors).

Registered Directors

An individual acting as a director of an existing Covered Entity is required to be registered with CIMA. CIMA may refuse to register an applicant if it has information that the applicant has been convicted of a criminal offence involving fraud or dishonesty, or is the subject of sanctions from a regulator, self-regulatory organisation or a professional disciplinary body.

The initial application fee is US\$170, together with a registration fee of US\$685. For each subsequent year, an annual registration fee of US\$855 must be paid by 15 January.

With regard to new fund launches, a director of a Covered Entity must be registered or licensed by CIMA before being appointed to act. Such registration or licensing may therefore have timing implications when launching a new fund if any proposed director is not already registered or licensed.

Professional Directors

Professional directors are required to be licensed (as opposed to registered) by CIMA. Applicants will be subject to a 'fit and proper' determination and the licence may be granted with conditions. Two categories

¹ For further details, see our Guide to [Registered persons under the Securities Investment Business Act](#).

of director who would otherwise fall within the definition of professional director are exempted from the licensing requirement but are required to register with CIMA as registered directors. Such persons are directors, employees, members, officers, partners or shareholders of (i) an entity holding a Cayman Islands companies management licence or a mutual fund administrators licence; or (ii) fund managers of a CIMA regulated mutual fund which fund manager is registered or licensed by one of the prescribed overseas regulatory authorities listed in the DRLA, provided such individual is acting as a director of the relevant fund(s) by virtue of his relationship to that fund manager.

The initial application fee is US\$610, together with a licensing fee of US\$3,050. For each subsequent year an annual licensing fee of US\$3,660 must be paid by 15 January.

Corporate Directors

Corporate directors are either required to be registered as a Cayman Islands company or, if a non-Cayman Islands entity, to be registered as a foreign company in Cayman. Overseas corporate directors will therefore have an added financial burden to register as a foreign company in Cayman to comply with the DRLA.

A corporate director is required to be licensed by CIMA, though corporates which hold a Cayman Islands companies management licence or a mutual fund administrator's licence and which provide directors to Covered Entities are not required to be separately licensed under the DRLA. Corporate directors must have at least two natural persons on their board who meet CIMA's fit and proper requirements and proposed new or additional appointees are required to be approved by CIMA.

The initial application fee is US\$975, together with a licensing fee of US\$8,780. For each subsequent year an annual licensing fee of US\$9,760 must be paid by 15 January.

Both corporate directors and professional directors are subject to minimum insurance requirements.

Registration and Licensing Process

Registration and licensing applications are required to be made via CIMA's online Director Gateway Portal (<https://gateway.cimaconnect.com/>). Applicants for registration or licensing will be required to provide certain prescribed information. Payment will only be accepted via the online portal by way of Visa or MasterCard.

Renewal

Registered, professional or corporate directors remaining appointed as a director of a Covered Entity as at 1 January must renew their DRLA registration or licence by 15 January each year via the Director Gateway Portal, together with payment of the relevant annual fees detailed above.

Cancellation

A registered, professional or corporate director wishing to surrender their registration or licence must make an application to CIMA via the Director Gateway Portal and pay the surrender fee of US\$732 (for a registered director) or US\$976 (for professional or corporate directors).

The portal will require confirmation that the director:

- has resigned as a director of all Covered Entities;
- no longer plans to act as a director of Covered Entities; and
- will re-apply under the DRLA if the director would like to act on any other Covered Entity or wishes to resume directorship services after surrender of registration.

Resignation

If no longer acting as a director of a particular Covered Entity, a director should notify CIMA within 21 days via the "Manage Directorships" section of the Director Gateway Portal and provide one of the following documents: a resignation letter as retiring director, a resolution confirming the change in director; or an updated Register of Directors.

Database

Pursuant to the DRLA, CIMA maintains a register of directors of Covered Entities, in accordance with the confidentiality provisions of the Monetary Authority Act (2020 Revision) (as amended). The public may search the name of any director to see whether registered or licensed in accordance with the DRLA. The result of any such search will only show the director's name, the type of registration or license held, the registration/license number and the date on which such person was licensed or registered. The Registrar of Companies also maintains a list of the names of current directors (and where applicable, alternate directors) of a company, which is available for inspection by any person on payment of US\$61. This list is searchable by company name and will provide only the names of the current directors.

Penalties

The registration, licensing and other obligations under the DRLA are personal obligations of the particular director and not obligations of the Covered Entity or any other person. However, the Covered Entity is at risk of not being in good standing if one of its directors has failed to renew their DRLA registration.

If the director's annual fee is not paid by 15 January, the director will have to pay that annual fee plus a penalty of 1/12 the relevant annual fee for each month that the annual fee remains outstanding.

Failure to comply with the director registration requirements under the DRLA is an offence and on summary conviction carries a maximum fine of approximately US\$60,000 and/or up to 12 months imprisonment.

Administrative fines

Part VIA of the Monetary Authority Act allows the CIMA to impose administrative fines upon individuals and entities licensed and regulated in the Cayman Islands. Directors holding a licence or registration pursuant to the DRLA (whether or not they are resident in the Cayman Islands) fall within the scope of this administrative fine regime. Breaches are categorised as minor, serious or very serious.²

Failure to pay the annual director registration fee would be a minor breach with an initial fixed fine of US\$6,100. CIMA also has discretion to impose one or more continuing fines of US\$6,100 each, up to a cumulative cap of US\$24,390 for minor breaches.

Failure to notify CIMA of any change in information provided to CIMA (such as ceasing to act as a director of a fund) within 21 days would be serious breach and could result in a single fine up to a maximum of US\$60,980 for individuals or US\$121,955 for corporate bodies.

The following provisions of the DRLA are categorised as very serious offences under the administrative fines regime:

- acting, being appointed to act or continuing to act as an individual director of a Covered Entity without being registered with CIMA under the DRLA;
- serving as a director for any Covered Entity where CIMA has refused to register the applicant;
- being, proposing to be or continuing to be a professional director without holding a valid licence;
- serving as a professional director for any Covered Entity where CIMA has refused to grant a licence;
- failure of a professional director to comply with the terms of their licence;
- acting as a corporate director without being licensed;
- failure of the subsidiary of (a) a corporate director, (b) the holder of a mutual fund administrators licence or (c) the holder of a companies management licence, that is appointed to act as a director of a Covered Entity to be licensed (unless that subsidiary holds a mutual fund administrators licence or a companies management licence); and
- knowingly or recklessly providing any information or explanation, or making any statement, to CIMA which is false or misleading.

Very serious offences may result in a single fine up to a maximum of US\$121,955 for individuals or US\$1,219,515 for corporate bodies. A two year limitation period will run from the date on which CIMA

² For more information on administrative fines, see our Guide to [The Cayman Islands administrative fines regime](#).

became aware of the commission of the relevant breach. CIMA will be deemed to have become aware of a breach when it first received information from which the breach can reasonably be inferred.

Contacts

A full list of contacts specialising in corporate law can be found [here](#).