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CAYMAN PUBLISHES TWO LAWS ON PATHWAY TO AIFMD EQUIVALENCY

As a formal step towards achieving European passport-ability for Cayman Funds, the Government of the Cayman Islands have now gazetted the laws (the “**Laws**”) recently approved by the Islands’ Legislative Assembly which will make certain enhancements to the existing Cayman Funds regime in order to provide a mechanism for compliance with the provisions of the European Union’s Directive 2011/61/EU on Alternative Investment Fund Managers (“**AIFMD**”), the Mutual Funds Law and the Securities Investment Business Law.

The changes to the Mutual Funds Law will result in the establishment of a new category of mutual fund, being a 'Regulated EU Connected Fund'. This Regulated EU Connected Fund will allow managers to opt-in to AIFMD style reporting in respect of that fund. In line with AIFMD, this amendment will be capable of being applied to both open and closed end funds. A Regulated EU Connected Fund, will be any type of investment fund which (i) is either managed from or marketed in a Member State of the European Economic Area (“**EEA**”) as contemplated under AIFMD and (ii) elects to fall within CIMA’s new regulated EU Connected Fund regime.

The changes to the Securities Investment Business Law will provide for the establishment of new category of investment manager, being an “EU Connected Manager”. EU Connected Managers will be subject to regulatory oversight and supervision that is consistent with the requirements of AIFMD. An EU Connected Manager, will be a person who: (i) falls within the existing scope of Securities Investment Business Law; (ii) conducts management, marketing or depositary activities as contemplated under AIFMD; and (iii) elects to fall within CIMA’s new EU Connected Manager regime.

These new provisions will in effect afford Cayman Islands based funds and managers the option of electing for an additional layer of regulatory supervision where they are targeting the European market

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for distribution. The amendments to the Mutual Funds Law and the Securities Investment Business Law provide that the existing supervisory duties and powers of CIMA will extend to EU Connected Funds and EU Connected Managers which opt in to the AIFMD Regimes.

It is expected that the Laws will be supplemented by substantive regulations setting out the specific requirements which will apply in the event of a fund or manager opting into the new regime.

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