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LEGAL GUIDE

# Cayman Islands investment funds: key points

November 2026

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Tonge Law guide | November 2026

The Cayman Islands regulate investment funds under two Acts, both administered by the Cayman Islands Monetary Authority ("**CIMA**"): the Mutual Funds Act (2025 Revision) (the "**MFA**") and the Private Funds Act (2025 Revision) (the "**PFA**"). This guide picks out some points that sponsors and their onshore counsel often ask about.

## 1. Open-ended or closed-ended?

1.1 The first question is which Act applies, and the answer usually turns on redemption rights. The MFA covers funds whose investors can redeem or have their interests repurchased at their own option before the fund is wound up: typically hedge funds.[1] The PFA covers funds whose interests cannot be redeemed at the investor's option: typically private equity, venture capital and private credit funds.[2] A fund that is regulated under the MFA is outside the PFA, so a fund is regulated under one Act, not both.[3]

1.2 Structures with features of both, such as open-ended funds with long lock-ups or side pockets, need a careful look at the investors' redemption rights.

## 2. Registering an open-ended fund

2.1 Most institutional open-ended funds register under section 4(3) of the MFA, which requires a minimum initial investment of CI$80,000 or its equivalent (usually expressed in offering documents as US$100,000).[4] Smaller funds may instead register as limited investor funds: funds with no more than 15 investors, a majority of whom can appoint or remove the fund's operator.[5] Funds that fit neither category can be administered by a licensed Cayman fund administrator or licensed by CIMA.[6]

## 3. Timing for closed-ended funds

3.1 A private fund must apply to CIMA within 21 days after it accepts capital commitments from investors.[7] Before applying, it may talk to and sign up high net worth and sophisticated investors,[8] but it must not accept capital contributions until CIMA has registered it.[9] Sponsors should plan the first close around those two dates.

## 4. Tokenised funds

4.1 Since 24 March 2026, both Acts expressly cover funds whose interests are represented by digital tokens.[10,11] A tokenised fund has extra obligations, including keeping proper records of its tokens, allowing transfers only with the operator's approval and explaining the token-specific risks in its offering document. A fund's issue of its own tokenised interests under the MFA or PFA is not treated as a virtual asset issuance under the virtual asset service providers regime.[12]

## 5. Economic substance

5.1 An investment fund is not a "relevant entity" for the purposes of the Cayman economic substance rules, so a fund, and the vehicles through which it invests, do not have to meet the substance test.[13] A fund must still file an annual economic substance notification.[14] The position is different for a Cayman fund manager, which is likely to be within the test.

## 6. Diary dates

6.1 Once registered, a fund must:

(a) pay its CIMA annual fee on or before 15 January each year;[15,16]

(b) have its accounts audited each year by a CIMA-approved auditor and file them with CIMA within six months after its financial year end, unless CIMA extends the time;[17,18] and

(c) file a fund annual return with CIMA within the same six-month period, and tell CIMA about changes, such as a new service provider or an amended offering document, within the time CIMA allows.

**Sources**

[1] Mutual Funds Act (2025 Revision), section 2 (equity interest) (page 10 of the PDF)
[2] Private Funds Act (2025 Revision), section 2 (investment interest) (page 7 of the PDF)
[3] Private Funds Act (2025 Revision), section 3 (page 11 of the PDF)
[4] Mutual Funds Act (2025 Revision), section 4(3) (page 16 of the PDF)
[5] Mutual Funds Act (2025 Revision), section 4(4)(a) (page 16 of the PDF)
[6] Mutual Funds Act (2025 Revision), sections 4(1), 5 (page 15 of the PDF)
[7] Private Funds Act (2025 Revision), section 5(1) (page 11 of the PDF)
[8] Private Funds Act (2025 Revision), section 5(5) (page 12 of the PDF)
[9] Private Funds Act (2025 Revision), section 5(6) (page 12 of the PDF)
[10] Mutual Funds (Amendment) Act, 2026 (Act 5 of 2026), section 4 (new Part 3B) (page 7 of the PDF)
[11] Private Funds (Amendment) Act, 2026 (Act 6 of 2026), section 4 (new s 19A) (page 7 of the PDF)
[12] Virtual Asset (Service Providers) (Amendment) Act, 2026 (Act 4 of 2026), section 2(a) (definition of virtual asset issuance) (page 4 of the PDF)
[13] International Tax Co-operation (Economic Substance) Act (2026 Revision), Schedule para 1(1) (relevant entity) (page 25 of the PDF)
[14] International Tax Co-operation (Economic Substance) Act (2026 Revision), section 7(1) (page 8 of the PDF)
[15] Mutual Funds Act (2025 Revision), section 9(1) (page 21 of the PDF)
[16] Private Funds Act (2025 Revision), section 10 (page 13 of the PDF)
[17] Mutual Funds Act (2025 Revision), section 8 (page 20 of the PDF)
[18] Private Funds Act (2025 Revision), section 13 (page 14 of the PDF)

Each source opens the current revision on legislation.gov.ky at the page where the section appears. Checked on 19 November 2026.

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