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Technical Brief for Cayman Islands Investment Funds 2025



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Cayman Islands: Investment Funds Developments	3
Cayman Islands: The growth in the usage of Parallel Fund Structures	6
Changes to Beneficial Ownership requirement for Cayman Investment Funds	10
CIMA increases its Annual Fees	10





Cayman Islands: Investment Funds Developments



Developments in SPC Restructuring – Cayman Islands

A recent Cayman Islands' court decision in Re Holt Fund SPC (FSD 0309 OF 2023 (IKJ)) provides a significant clarification of the law in relation to the restructuring of Segregated Portfolio Companies ("SPCs"). We have previously considered the new regime for restructuring in the Cayman Islands [here](#).

In this judgment, the Grand Court of the Cayman Islands confirmed that restructuring officers can be appointed over individual segregated portfolios ("SPs") within an SPC, rather than over the entire company. This is an important clarification, as it allows financially distressed SPs to be restructured in isolation, preserving the integrity of solvent SPs and avoiding unnecessary disruption to the wider structure where it can be avoided.

The Grand Court also determined that the costs and expenses incurred by restructuring officers in the course of their work can also be borne at SP level, and such expenses would take priority in a winding up. This recognises the commercial reality of SPC operations and allows restructuring efforts to proceed without triggering liquidation of the entire structure. It was also held that the Grand Court is able to make such order it

thinks fit at the end of the process in order to discharge the restructuring officers.

Importantly, the judgment reinforces the flexibility of the Cayman regime and demonstrates the Court's willingness to interpret the restructuring framework in a commercially pragmatic way.

Investor Rights in Cayman Exempted Limited Partnerships

The Cayman Islands Court of Appeal has provided a useful clarification on the statutory rights of limited partners in Cayman Islands exempted limited partnerships to access fund information pursuant to section 22 of the Exempted Limited Partnership Act ("ELPA").

Section 22 of the ELPA entitles each limited partner in a limited partnership to "*demand and receive from a general partner true and full information regarding the state of the business and financial condition of the exempted limited partnership*".

In Abraaj General Partner VIII Ltd – v - Abraaj ABOF IV SPV Ltd, the Court of Appeal has clarified the scope of a limited partner's statutory right to information under section 22 of the ELPA and in particular what is meant by "true



and full information". The Grand Court of the Cayman Islands had previously adopted a broad reading of this right by effectively entitling limited partners to unfettered access to documents held by the general partner. The Court of Appeal overturned that approach, holding that while the right to "true and full information" is important, it is not absolute.

The judgment emphasises that the statutory entitlement under section 22 must be judged against the purpose of the particular request. The purpose of this right is to ensure that limited part-

ners are able to obtain a comprehensive understanding of the business and financial state of the partnership but it falls short of a general right of discovery or an entitlement to all documents and information in the general partner's possession.

This judgment reins in broad interpretations of section 22 and offers reassurance to general partners that their disclosure obligations are not open-ended, but tied to relevance and proportionality in each context.



Cayman Islands: The growth in the usage of Parallel Fund Structures



The Cayman Islands is a leading offshore jurisdiction for investment funds known for its investor friendly regulations, tax neutrality, robust legal framework, regulatory environment, professional services infrastructure and global reach. It offers significant benefits, including no corporate income tax, capital gains tax or inheritance tax, making it attractive for fund managers as well as investors.

According to the latest available data from the Cayman Islands Monetary Authority, as at the end of Q1 of 2025, there were a recorded total of 12,919 mutual funds (61 more than the total in 2024) and 17,376 private funds (84 more than the total in 2024) registered in the Cayman Islands.

Parallel fund structures have been gaining popularity over the years and are increasingly prevalent as they provide flexibility in meeting the needs of diverse investors while addressing regulatory, tax, and legal considerations.

What are Parallel Funds?

Parallel funds are investment vehicles structured to co-invest and divest alongside a main fund, with each structure being similar in many ways to the main fund in terms of strategy, investment policy, investment target, asset classes, risk management, etc. The major distinction between the different funds in the

structure are typically the tax framework (capital gains, dividend, interest, etc.) or the intention of the investment manager to differentiate each fund vehicle based on their investors group.

For example, parallel funds may include an onshore fund or mid-shore (established in any jurisdiction, e.g. Singapore or Hong Kong) and a standalone Cayman fund, both being managed by the same investment manager, with similar investment objectives and strategies, making identical investments, but having different structures and a different pool of investors (e.g. US investors in one Cayman structure or Delaware structure, Japanese investors in a Singapore domiciled fund structure and other non-US investors based in Asia in another Cayman domiciled fund structure), in order to cater for an tax efficient framework or regulatory requirements based on investors' jurisdiction of domicile.

Who utilises Parallel Funds?

Parallel funds are often established by private equity (PE) fund managers to complement the main fund and address legal, tax, regulatory, accounting, or other considerations from specific investors who are interested in the investment objective and strategy.



Parallel Funds versus Master-Feeder Funds

Parallel funds are distinguishable from master-feeder structures in that, with the latter, the feeder funds invest directly into the master fund thereby pooling all investments in the master fund. With parallel funds, separate investment funds invest directly in the same investment deals or asset classes, but they are kept as distinct entities with no pooling of capital into a master fund.

What are the key benefits and advantages offered by parallel fund structures?

Using parallel funds provides a number of benefits to investment managers, including:

- (a) flexibility - allowing investment managers to tailor investment strategies and structures based on investor profiles, offering different fee structures or liquidity terms;
- (b) tax efficiency – providing a tax efficient way to invest without triggering adverse tax consequences in jurisdictions with stringent regulations; and
- (c) regulatory compliance – allowing investment managers to adapt to varying regulatory environments, ensuring compliance while broadening their investor base.

However, it would be wise to note that parallel fund structures do not come without its own risks and challenges, including:

- (a) operational issues – the investment manager may need to manage multiple funds across jurisdictions while still being required to treat investors fairly;
- (b) different regulatory requirements – creates more administrative responsibility and complexities in terms of operations and compliance for the structure as a whole, which also increases cost;
- (c) investor relations and fees – managing communications and reporting between different investor classes, and dealing with different structures and fees can sometimes cause confusion and may increase the administrative burden for the investment manager.

When structuring parallel funds, consideration needs to be given to:

- (a) investment strategy alignment - in order to ensure that the parallel funds can effectively invest in the same underlying assets without conflicts of interest;
- (b) fund documentation – drafted to address specific needs of each fund while ensuring consistency across parallel structures;



(c) management and fees – ensuring transparency; and

(d) legal and tax advice – to ensure compliance with all relevant laws and regulations and to optimize the tax impact for investors.

When considering the Cayman Islands as a jurisdiction for a parallel fund structure, its robust legal framework, absence of taxes on investment funds and their investors, and flexible regulatory environment makes it a very attractive

jurisdiction for both investment managers and investors alike. By leveraging the Cayman Islands for parallel fund structures, investment managers can effectively attract a diverse range of investors, while maintaining a streamlined operational model. The jurisdiction's extensive network of professional services further supports effective fund administration and compliance as well as maintaining compliance with international standards.



Changes to Beneficial Ownership requirement for Cayman Investment Funds

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Changes to Beneficial Ownership requirement for Cayman Investment Funds

The Beneficial Ownership Transparency Act, 2023 came into effect on 1 January 2025 and has removed the exemption that regulated funds in the Cayman Islands previously had from being required to file the “beneficial owners” in the investment fund. Mutual funds are now required to either establish a beneficial ownership register or determine if they are able to follow 'alternative route to compliance'.

The alternative route to compliance (if applicable) requires each mutual fund to give its corporate services provider (typically its registered office provider) the contact details of a contact person in the Cayman Islands that is licensed or registered under a regulatory law who can supply beneficial ownership information for the mutual fund to the Competent Authority in the Cayman Islands within 24 hours of a request from the Competent Authority.

CIMA increases its Annual Fees

The Cayman Islands Monetary Authority (CIMA) increased several fees, with effect from 1 January 2025. These increases affect annual fees for various entities and regulated funds. For example, the annual registration fee for a mutual fund and a private fund increased from approximately US\$4,268 to approximately US\$4,482, and the fee for a master fund increased from US\$3,049 to US\$3,201.

This publication is not intended to be a substitute for specific legal advice or a legal opinion.
For more information or specific legal advice, please contact:

Loeb Smith in the Cayman Islands

Investment Funds Technical team

Gary Smith

Tel.: +1 (345) 749 7590

E: gary.smith@loebsmith.com

Elizabeth Kenny

Tel: +1 (345) 749 7594

E: elizabeth.kenny@loebsmith.com

Yun Sheng

Tel: +1 (345) 749 7493

E: yun.sheng@loebsmith.com

Vanisha Harjani

Tel: +852 3583 5111

E: vanisha.harjani@loebsmith.com

Frost Wu

Tel: +852 3583 5372

E: frost.wu@loebsmith.com

Robert Farrell

Tel: +1 (345) 749 7499

E: robert.farrell@loebsmith.com

Faye Huang

Tel: +1 (345) 749 7499

E: faye.huang@loebsmith.com

Vivian Huang

Tel: +1 (345) 749 7497

E: vivian.huang@loebsmith.com

Max Lee

Tel: +852 3583 5370

E: max.lee@loebsmith.com

Address:

Suite 329 | 10 Market St. Camana Bay | Grand Cayman | KY1-9006 | Cayman Islands



Loeb Smith Attorneys

British Virgin Islands | Cayman Islands | Hong Kong

www.loebsmith.com

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