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GROUP

# WHY THE CAYMAN ISLANDS REMAIN ASIA'S TOP CHOICE FOR FUND DOMICILIATION

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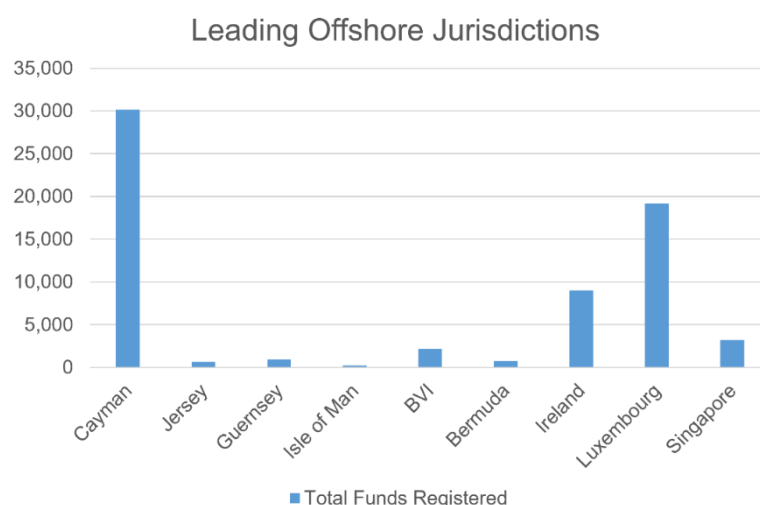
The Cayman Islands has long been recognised as a leading jurisdiction to domicile investment funds. Attracting promoters, fund managers and investors ("users") from around the globe, there are over 30,000 investment funds registered in the jurisdiction managing assets worth more than US\$8 trillion.

The Cayman Islands continues to be a premier destination for domiciling investment funds due to its investor familiarity, global recognition and trust, tax neutrality, speed, affordability, flexibility, stability and transparency.

## Investor Familiarity

Investor familiarity is a vital consideration when fund raising. The Cayman Islands is the leading jurisdiction for offshore investment funds.

### A Leading Domicile for Funds



Sources: CIMA, JFSC, GFSC, IOMFSA, BVIFSC, BMA, CBI, ALFI, MAS (as of Q4 2024)

## Globally Recognised & Trusted

The Cayman Islands is globally recognised and trusted by users, making it the preferred jurisdiction for investment funds. The extensive use of Cayman Islands funds by institutional investors worldwide, such as financial institutions, pension funds, charitable foundations and university endowments, highlights this trust. Additionally, the jurisdiction's credibility is further enhanced by its use by the Cayman Islands Government, government agencies and international organisations. This high level of familiarity and confidence in the Cayman Islands enables promoters and managers to concentrate on marketing their investment strategies, rather than dealing with investor concerns and queries that often arise with less well-known fund jurisdictions.

## Tax Neutral

### *No Direct Taxes*

The Cayman Islands imposes no direct taxes, such as income, inheritance, gift, withholding, corporate or capital gains taxes. This tax-neutral environment allows users to operate without additional tax burdens, ensuring they only face their home country tax obligations.

### *Long-Term Certainty*

Exempted companies, limited liability companies ("LLCs"), exempted limited partnerships ("ELPs"), and trusts in the Cayman Islands can obtain a tax undertaking from the Cayman Islands Government. This guarantees no future taxation for 30 years (companies) or 50 years (ELPs, LLCs or trusts), providing significant long-term certainty for fund users.

### *Comparison with Other Jurisdictions*

Unlike the Cayman Islands' straightforward tax-neutral environment, some jurisdictions offer complex tax concessions with intricate criteria and conditions. These often require qualifying investment funds, approved asset classes and specific types of payments.

The default position in these jurisdictions is that tax is payable and fund parties must prove eligibility for exemptions, leading to uncertainty and increased legal, audit and tax costs.

In contrast, the Cayman Islands imposes no additional local taxes, providing a clear and predictable tax environment. This simplicity and certainty are highly valued by users, allowing them to focus on their investment strategies without ongoing compliance and advisory costs.

## Fast, Affordable, Streamlined, yet Flexible

### *Fast Formation*

The Cayman Islands offers a straightforward and cost-effective process for forming and maintaining investment fund structures. Entities can be established on a same-day basis, with registration documents typically issued by the Cayman Islands' Registrar office that day if registered on an express basis. This rapid process allows fund promoters and managers to bring funds to market quickly, providing a competitive edge.

### *Simplicity and Speed to Market*

The simplicity of establishing investment funds in the Cayman Islands, combined with the speed to market, is a major influence on promoters and managers. Unlike other jurisdictions, there are typically no prelaunch approvals required by the Cayman Islands Monetary Authority, allowing for a streamlined setup process. This contrasts with other fund jurisdictions where a manager licensing requirement must be satisfied before a fund can launch, adding time and complexity.

### *Sensible Regulation*

The Cayman Islands adopts appropriate regulation that meets global standards without unnecessary red tape. This sensible approach ensures the jurisdiction remains attractive to investors, banks, lenders and counterparties who are comfortable doing business with Cayman Islands entities.

### *Unmatched Flexibility*

The Cayman Islands offers exceptional flexibility for users to design their fund structures. There are no restrictions on the number of investors, types of investments or investment objectives and policies. Cayman Islands entities, including companies and ELPs, can be formed for any lawful business or activity, providing versatility not often available in other jurisdictions with stricter criteria. Promoters and managers can appoint their preferred service providers, with the only requirements being a registered office

in the Cayman Islands and a local Cayman Islands auditor for regulated funds.

In contrast, other jurisdictions often have more rigid legal and regulatory frameworks. Managers may need a license before fund registration and there may be minimum investor requirements. Other jurisdictions also often require the company secretary, auditor and / or one of the directors to be a resident of the jurisdiction.

While some jurisdictions argue that local establishment reduces costs by eliminating the need for offshore counsel, this can be misleading. The more prescriptive nature of fund structures, additional regulatory compliance burdens and tax uncertainties can increase costs.

The Cayman Islands often proves more cost-effective in the long run.

## **Stable & Transparent**

### *Certainty and Legal Stability*

The Cayman Islands offers a robust legal framework based on English common law, providing certainty and stability for users. It has an established and independent judiciary, with the UK Privy Council as the final court of appeal. This ensures a reliable and predictable environment, enhancing investor confidence.

### *Trusted and Sophisticated Jurisdiction*

Renowned for its stability and sophisticated financial environment, the Cayman Islands has no exchange controls and holds a Moody's credit rating of Aa3. It has a democratically elected legislature, makes its own laws and has independent legal and judicial systems. These factors contribute to a trusted legal framework with well-recognised concepts, such as limited liability and separate corporate personality.

### *Tried and Tested Legislation*

The substantive law of the Cayman Islands is based on English common law, providing a familiar and reliable legal foundation.

Cayman Islands legislation has evolved with input from world-class industry leaders, ensuring it meets the needs of the investment funds industry. The administration requirements have developed over many years, providing certainty and comfort.

The Cayman Islands remains committed to introducing new legislative and regulatory measures that reflect industry requirements and global standards. For example, the Exempted Limited Partnership Act was overhauled in 2014, and the Companies Act in 2013, based on industry feedback. The LLC was introduced in 2016, providing high levels of flexibility.

### *Transparency*

Transparency is a key attribute of the Cayman Islands. It has worked continuously with governments and international authorities to ensure it is trusted as a well-regulated, cooperative and transparent jurisdiction.

The Cayman Islands was an early adopter of comprehensive and strict anti-money laundering laws and Know Your Customer rules, equivalent to those of OECD member states. The Financial Action Task Force rates the Cayman Islands as "highly compliant" and it is on the OECD "white list".

The Cayman Islands was also an early adopter of the Foreign Account Tax Compliance Act and the OECD's Common Reporting Standard, facilitating the automatic exchange of financial account information with over 100 countries and solidifying its position as a key player in the global effort to promote international tax compliance.

For further information, please liaise with your usual Maples Group contact or one of the individuals listed below.

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