



OFFSHORE FUND LAUNCH GUIDANCE NOTE AND CHECKLIST FOR INVESTMENT MANAGERS – ASIA

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Offshore Fund Launch Guidance Note and Checklist for Investment Managers – Asia

Introduction

Setting up an offshore fund requires careful planning and attention to a range of important steps and considerations.

This document provides a comprehensive and practical checklist designed to guide investment managers through the Fund launch process, reflecting current industry best practices across Asia.

Contents

1.	Jurisdiction Selection	3
2.	Legal Structure.....	4
3.	Service Providers	4
4.	Regulatory Compliance	6
5.	Fund Documentation	7
6.	Launch and Ongoing Management	8

1. Jurisdiction Selection

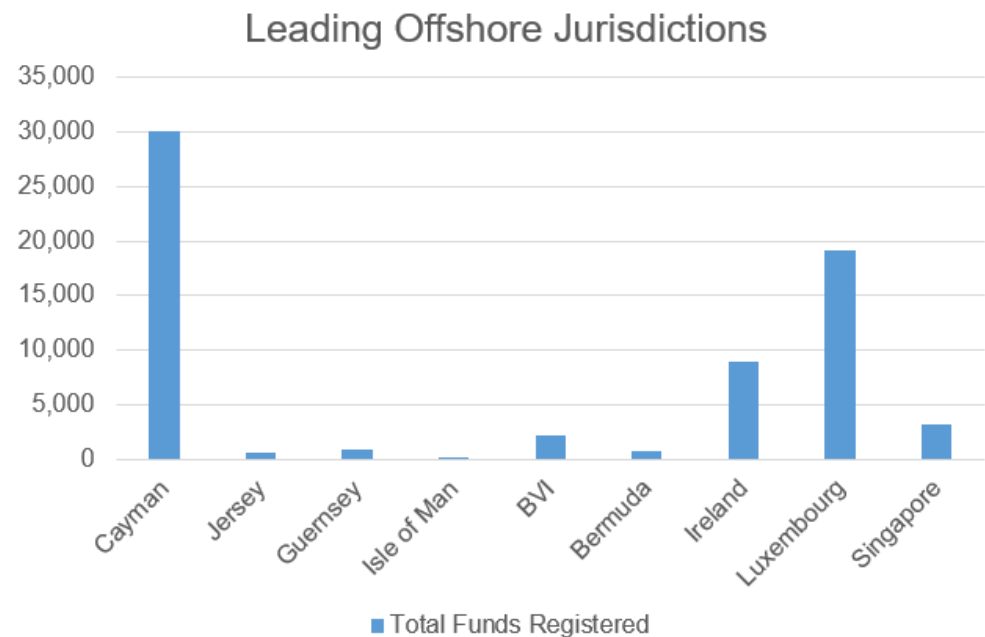
Your selection of fund domicile is a critical decision, with tax efficiency, the robustness of the jurisdiction's regulatory framework, alignment with your fund strategy, reputation, and economic stability are all crucial considerations in this decision-making process.

The Cayman Islands has long been recognised as a pre-eminent jurisdiction for the establishment of investment funds. Attracting promoters, investment managers and investors 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 remains a premier destination for fund domiciliation, owing to its investor familiarity, global recognition and trust, tax neutrality, speed, cost effectiveness, flexibility, stability and transparency.

Accordingly, for the purpose of this checklist, we have focussed on the launch requirements for an investment fund domiciled in the Cayman Islands (the **"Fund"**).

A Leading Domicile for Funds



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

2. Legal Structure

Fund Type	Decide on the type of Fund. This may be a hedge fund, private equity fund, virtual assets fund, venture capital fund, or another type depending on the asset class as determined by the Investment Manager.
Entity Type	<p>The Cayman Islands offers multiple vehicles through which to structure a Fund, including:</p> <ul style="list-style-type: none">a) The Exempted Companyb) The Segregated Portfolio Companyc) The Limited Liability Companyd) The Exempted Limited Partnershipe) The Unit Trust

3. Service Providers

Depending on the specific type of offshore fund, various service providers and counterparties are typically engaged to support the Fund's launch ongoing operation, and overall performance. These include:

a) Cayman Islands Counsel	A Cayman Islands domiciled Fund must appoint a Cayman Islands counsel to assist with the provision of relevant structuring and ongoing legal advice, regulatory advice, formation of the Fund vehicles and registration of such Fund vehicles. An engagement letter is typically issued by the Cayman Islands Counsel to the Fund.
b) Lead Counsel	The investment manager and/or personnel who will be making the investment decisions of the Fund will need to seek initial and ongoing legal, structuring and regulatory advice in connection with the jurisdiction where (i) such investment manager is based and licensed and (ii) where the Fund interests will be distributed to ensure local laws are adhered to. An engagement letter is typically issued by the Lead Counsel to the Fund.
c) Compliance Consultant	An investment manager may also require the assistance of a compliance consultant to obtain relevant regulatory approval or licensing from the local regulator (see next section for further information). An engagement letter is typically issued by the Compliance Consultant to the Fund.
d) Tax Adviser	A Fund that is domiciled in the Cayman Islands is not subject to direct taxes. However, it is important for the Investment manager to seek tax advice on optimal structuring of the receipt of management fees and performance fees for tax efficiency in the relevant onshore jurisdiction where the Investment manager may be based.
e) Administrator	A Fund will typically appoint an independent administrator to handle the Fund's accounting, reporting, and investor services, including net asset valuations. They will be subject to an Administration Agreement outlining the terms and conditions of their appointment and a consent letter from the Administrator will be required.

f) Auditor	All regulated mutual funds must appoint an independent auditor from the list of firms who are approved by CIMA to conduct annual audits of the Fund's financial statements and manage accounting internal controls. The Auditor will sign an engagement letter with the Fund and must sign an auditor consent letter in advance of appointment.
g) Custodian	The custodian safeguards the Fund's assets and manages the underlying assets by ensuring they are properly accounted for and processed correctly. They will be subject to a Custody Agreement outlining the terms and conditions of their appointment (where relevant).
h) Prime Broker	The prime broker typically provides custodial services and also securities lending is offered to hedge funds and similar clients. A prime brokerage agreement and an ISDA is often entered into to promote the trading of swaps and derivatives where such instruments are involved as part of the investment strategy (where relevant).
i) Technology Systems Vendor	Such service provider will often provide data, portfolio, risk and order management. A services agreement is entered into between the Fund and the relevant vendor.
j) Bank	This counterparty is critical to the launch and operation of the Fund as each Fund must have a bank account to, as a minimum, receive subscription moneys/capital contributions from investors, pay ongoing expenses and to make redemption payments/distributions back to the investors.
k) Independent Directors	It is customary for each board of the operator of a Fund to comprise a majority of independent, non-executive Directors. Such Directors may be based in same jurisdiction as the investment manager or otherwise in other locations such as the Cayman Islands for a Cayman Islands domiciled investment fund. Such independent Directors are appointed by the Fund pursuant to a Director Services Agreement entered by the Fund with the independent Director or the entity providing the services of such independent Director.
l) Anti-Money Laundering (AML) Officers	Such persons are generally responsible for understanding of financial regulations and compliance framework who manages AML programs and processes under the relevant AML obligations. An AML services agreement is typically entered into by the Fund to appoint AML Officers to provide certain services in connection with the Fund's obligations under the Cayman Islands AML regime.
m) Insurance Broker	It is recommended that the operators and officers of the Fund and Investment manager (such as the Directors) are duly insured accordingly. An insurance broker with expertise working in the investment funds industry will be able to assist the Investment manager to assess and select appropriate insurance policies including a Directors and Officers insurance policy.
n) Board Support and Company Secretarial Partner	Such industry partners may include scheduling and coordinating attendance at meetings, disseminating notices and agendas to participants, providing teleconference and/ or video conferencing

	details, preparing and securely delivering board packs to meeting participants, preparing an action point list from each meeting and preparing and finalising meeting minutes.
o) Placement Agent	Such placement agents or distributors perform the function of outsourced service providers to assist with raising capital. Capital raising may also be sourced from capital introductions made by various investment banks and similar financial services organisations.

4. Regulatory Compliance

a) Cayman Islands Fund Regulation	<p>Cayman Islands investment funds are generally regulated by CIMA under the Mutual Funds Act (as revised) (the "Mutual Funds Act") if they are open-ended (where participating equity interests are redeemable by investors) or the Private Funds Act (as revised) (the "Private Funds Act") if they are closed-ended (where participating equity interests are not redeemable at the choice of the investor).</p> <p><i>The Cayman Islands Counsel mentioned above can advise on the relevant registration and ongoing compliance regime required in the Cayman Islands</i></p>
b) Onshore Local Licence	<p>The investment manager will need to be duly licensed or regulated in the relevant onshore jurisdiction where the investment manager is based. For current purposes, the financial services regulators are as follows:</p> <ul style="list-style-type: none"> a) Hong Kong: the Securities and Futures Commission (the "SFC"); b) Singapore: the Monetary Authority of Singapore (the "MAS"); and c) Dubai International Financial Centre: Dubai Financial Services Authority (the "DFSA"). <p><i>The Lead Counsel and Compliance Consultant as set out above can assist in advising and obtaining the relevant onshore licence and provide ongoing support.</i></p>
c) Anti- Money Laundering ("AML")	<p>Funds must comply with the Cayman Islands AML regime countering the financing of terrorism and proliferation financing contained in the AML Regulations, which require the implementation of AML policies and procedures and the appointment of an AML compliance officer ("AMLCO"), money laundering reporting officer ("MLRO") and deputy money laundering reporting officer ("DMLRO").</p> <p><i>The AML Officers mentioned above can advise on this subject on an ongoing manner.</i></p>
d) "Know Your Customer" ("KYC")	<p>KYC processes must be established to identify the identify of incoming investors to the Fund.</p> <p><i>The Administrator mentioned above can assist with KYC requirements of investors for the Fund.</i></p>

e) FATCA / CRS	<p>Cayman Islands funds must register as a financial institution and report under the Cayman Islands legislation implementing the Foreign Account Tax Compliance Act of the United States ("FATCA") and the OECD's Common Reporting Standard ("CRS"), which requires the automatic exchange of information for tax purposes ("AEOI").</p> <p><i>The Administrator mentioned above can assist with AEOI requirements applicable to the Fund.</i></p>
f) Beneficial Ownership Regime	<p>The BO Legislation and BO Regulations require Cayman Islands funds to maintain a beneficial ownership register detailing any beneficial owners of the Fund, or alternatively, elect an authorised contact in relation to same.</p> <p><i>The Cayman Islands Counsel mentioned above can advise on the requirements of the Beneficial Ownership Regime, as applicable to the Fund.</i></p>
g) CIMA Rules	<p>CIMA may introduce various rules and statements of guidance from time to time which apply to either or both of Mutual Funds and/or Private Funds. These include the Rule on Corporate Governance, Rule on Internal Controls, Rule on Segregation of Assets and Rule on Calculation of Asset Values.</p> <p><i>The Cayman Islands Counsel mentioned above can advise on the manner in which to comply with these requirements.</i></p>
h) Directors Registration and Licensing Regime	<p>A Director of a corporate Mutual Fund must be registered with CIMA on the CIMA portal before such Mutual Fund is registered as such with CIMA.</p> <p><i>The Cayman Islands Counsel mentioned above can advise the Directors on the manner in which to comply with these requirements.</i></p>

5. Fund Documentation

a) Offering Documentation	Often named the "PPM" or private placement memorandum or similar document, such offering documentation details the equity interests which are being offered in all material respects and contains all such information necessary to enable a prospective investor to make an informed decision as to whether or not to subscribe for or purchase the interests. It typically outlines the Fund's strategy, risks, service providers, fees and terms.
b) Constitutional Documentation	Constitutional Documents in the form of a Memorandum and Articles of Association / LLC Agreement / Limited Partnership Agreement / Trust Deed (as applicable depending on the type of vehicle through which the Fund is structured).
c) Subscription Documentation	Documentation through which investors will subscribe to the Fund.
d) Redemption Documentation	Documentation through which investors will redeem from the Fund (where relevant).
e) Fund Launch Agreements	Launch board resolutions of the operators of the Fund approving the launch of the Fund, entry into any agreements and the appointment

	of the various service providers, amongst other matters relating to the launch of the Fund.
f) CIMA Application	CIMA application form including the details of the Fund, its service providers and AML officers to be filed with CIMA.
g) Consent Letters	Consent letters of the Auditor and Administrator agreement to their respective appointments to the Fund (where relevant).
h) Contracts	Various counterparty contracts as set out in Section (3) above.
<i>The Lead Counsel together with the Cayman Islands Counsel will guide you through the documentation required to be prepared for the Fund launch and the process.</i>	

6. Launch and Ongoing Management

a) Staffing	Hire qualified staff to manage the Fund's investment functions, operations (including a strong and experienced Chief Operating Officer), compliance and investor relations.
b) Initial Capital Raise	Conduct the initial capital raise to meet the Fund's minimum investment threshold.
c) Compliance Monitoring	Continuously monitor compliance with regulatory requirements and internal policies.
d) Performance Reporting	Provide regular performance reports to investors, including net asset value (NAV) calculations and financial statements.
e) Risk Management	Implement a comprehensive risk management framework to identify, assess, and mitigate risks.

This checklist is intended to serve as a guide and explanatory note for investment managers who are considering launching an offshore fund. The information provided does not constitute legal advice; professional services and advice should be obtained before commencing the process of launching a Fund.

For further guidance or to discuss your specific requirements in more detail, please reach out to the key contacts listed below:

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