



# Cayman Monetary Regulatory Authority International

At the forefront of financial regulation, the Cayman Monetary Regulatory Authority International (CMRAI) is dedicated to upholding the highest standards of financial oversight and compliance. Our mission is to safeguard the stability and integrity of the global financial system by ensuring that financial services operate within a framework of transparency, accountability, and excellence.

As a trusted partner to financial institutions worldwide, CMRAI provides rigorous supervision, innovative solutions, and strategic guidance to foster a secure and thriving financial environment. With decades of experience and a commitment to global standards, we stand as a pillar of trust and security in an ever-evolving financial landscape.

With a legacy of excellence in financial oversight, the Cayman Monetary Regulatory Authority International (CMRAI) is a beacon of trust in the international financial community. Our role extends beyond regulation; we are innovators, collaborators, and protectors of the global financial ecosystem. By fostering compliance, promoting best practices, and embracing technological advancements, CMRAI ensures that financial services remain resilient and adaptable in a dynamic global market.

Our comprehensive approach to regulation encompasses a deep understanding of financial risks and a proactive stance on emerging challenges. We are committed to empowering financial institutions with the tools and guidance necessary to navigate complex regulatory landscapes, thereby contributing to global economic stability and growth.

## 1 SUMMARY OF PRIVATE SECTOR

CONSULTATION AND FEEDBACK STATEMENT Statement of Guidance on Corporate Governance for Mutual Funds and Private Funds No. Section Comments Authority's Response Consequent Amendments to the Proposed Measure GENERAL COMMENTS

1. GENERAL Language around size, nature and complexity have been refined for further clarity throughout the measure. Ensure that reference to marketing material is consistently used throughout the measure followed by the words as applicable as this is not a requirement for all entities. Concern was that we introduced it in initial instance but may not have cascaded change throughout document. Language refined to commensurate with the size, complexity, structure, nature of business and risk profile of its operations as follows: SOG Corporate Governance for MF/PF Section 5.1 Constitutional documents, offering documents or marketing materials, as applicable consistently applied throughout measure. 2 2. We note that, helpfully, the draft Statement of Guidance recognises that the governance structure of a regulated fund must be appropriate and suitable with reference to various factors, including size, nature and complexity. It would be helpful if the Statement of Guidance were to recognise expressly that the composition of the Governing Body may be composed in a variety of ways and that the Statement of Guidance should be ready in way that is consistent with the manner in which such Governing Body is composed. By way of further explanation, the general partner of an exempted limited partnership (which are commonly employed as a preferred vehicle for private funds in particular) may be structured in many different forms, including foreign companies and limited partnerships. The operator of that general partner vehicle, however structured, will often be a single corporate vehicle. The operator may be affiliated with the investment manager or adviser. Suggested Amendment Accordingly, we would request that certain changes (as further proposed below) be made to ensure the Statement of Guidance can be read in a manner that is consistent with the many lawful and legitimate ways in which operators of regulated funds are structured. In the first instance, we would also suggest that an interpretive sentence be incorporated into section 1, perhaps as a new sentence in section 1.1, to read along the following lines: "This Statement of Guidance should be read in a manner that is consistent with the way in which a Governing Body has been composed with reference to the constitutional documents and other relevant laws applicable to the relevant operator or regulated fund (as applicable)." The Authority agrees with the proposed need for clarification within the measure and has made necessary revisions. The definition and references to Governing Body throughout the measure have been removed, with Operator instead being used as the primary term for those individuals ultimately responsible for the corporate governance of a regulated fund. Additionally, the definition of Governing Body within the related Rule on Corporate Governance for Regulated Entities has been revised as follows: The Governing Body of a regulated entity is the Board of Directors where the entity is a corporation, the General Partner where the entity is a partnership, the manager (or equivalent) where the entity is a Limited Liability Company, and the Board of Trustees where the entity is a trust business. 3 3. We note the Authority's covering letter confirms that, notwithstanding that the rule on corporate governance is to have application to all regulated entities licensees, including in the banking and insurance sector, that an industry specific statement of guidance for corporate governance for mutual funds and private funds will be adopted. We would request that the Rule confirms that compliance with

the industry specific Statement of Guidance would constitute adequate compliance with the Rule so far as mutual and private funds are concerned. Suggested Amendment We would request that the Statement of Guidance be cross referenced in either Section 3 or 6 of the Rule with such provision to confirm that compliance with the industry specific Statement of Guidance would constitute adequate compliance with the Rule so far as mutual and private funds are concerned. The Authority notes the feedback provided and confirms that the Rule is applicable to all regulated entities, including mutual and private funds. The SOG on Corporate Governance for Mutual Funds and Private Funds is intended to provide specific industry guidance to funds. No amendments are required.

**SECTION-SPECIFIC COMMENTS**

**4. 3.1** The Governing Body of a regulated fund is the Board of Directors where the entity is a corporation, the General Partner where the entity is a partnership, the manager where the entity is a Limited Liability Company, the Board of Trustees where the entity is a trust business or the equivalent of such roles where the entity is another legal entity. It is possible for a Cayman Islands incorporated limited liability company to not have managers (e.g. managing members), but it will always have someone discharging the equivalent function. Suggested Amendment The Governing Body of a regulated entity is the Board of Directors where the entity is a corporation, the General Partner where the entity is a partnership, the manager (or equivalent) where the entity is a Limited Liability Company, the Board of Trustees where the entity is a trust business or the equivalent of such roles where the entity is another legal entity. The Authority agrees with the proposed need for clarification within the measure and has made necessary revisions. The definition and references to Governing Body throughout the measure have been replaced, with the term Operator being used as the primary term for those individuals ultimately responsible for the governance of a regulated fund. Additionally, the definition of Governing Body within the related Rule on Corporate Governance for Regulated Entities has been revised as follows: The Governing Body of a regulated entity is the Board of Directors where the entity is a corporation, the General Partner where the entity is a partnership, the manager (or equivalent) where the entity is a Limited Liability Company, and the Board of Trustees where the entity is a trust business or the equivalent of such roles where the entity is another legal entity. Trustees where the entity is a trust business.

**5. 4.2** The Governing Body should have an appropriate number of individuals with a diversity of skills, background, experience and expertise that have been approved by the Authority to ensure that there is an overall adequate level of competence at the Governing Body. Please see comment above to draft Rule 5.3.1 (a). Suggested Amendment The Governing Body should have an appropriate number of individuals with a diversity of skills, background, experience and expertise that have, where required, been approved by the Authority to ensure that there is an overall adequate level of competence at the Governing Body. The Authority acknowledges the proposed amendment. Section 4.2 revised to read as follows: The Operators of a regulated fund should constitute an appropriate number of individual(s), as required by the relevant regulatory acts and regulations, as applicable with a diversity of skills, background, experience and expertise that have been approved by the Authority to ensure that there is an overall adequate level of competence at the Governing Body Operators level. The change is proposed in line with the "general comment" above and recognising that operators of general partners and private funds are intentionally not subject to the Directors Registration and Licensing Act. Suggested Amendment The Governing Body

should have an appropriate number of individuals with be able to draw on a diversity of skills, background, experience and expertise that have been approved by the Authority to ensure that there is an overall The Authority acknowledges the proposed amendment. Please see amendment directly above. 5 adequate level of competence at the Governing Body. Rule 4.2 - "an appropriate number of individuals with a diversity of skills, background, experience and expertise that have been approved by the Authority to ensure that there is an overall adequate level of competence at the governing body." Suggested Amendment Clarification required from CMRAI that:- (i) "an appropriate number of individuals" does not imply a minimum requirement of more than two directors / managers (in exempt company / LLC context), or two natural persons in respect of any GP / corporate director / For clarification, guidance 4.2 does not imply a minimum requirement and such a minimum requirement remains subject to the applicable acts and regulations. Further, guidance 4.2 has been revised for clarification relating to the Authority s approval. Please see amendment directly above.

6 Trustee of a MF / PF; (ii) "have been approved by the Authority" means pursuant to the DRLA. 6. 4.3 The Governing Body should monitor, and regularly take steps to satisfy, that the regulated fund is conducting its affairs in accordance with all applicable laws, regulations, rules, statements of principles and statements of guidance, and requirements on the prevention and detection of money laundering, terrorist financing and proliferation financing, including those of the Cayman Islands and the Authority. The omission of "itself" appears to be an accidental deletion from the original guidance notes and we suggest it should be retained. Suggested Amendment The Governing Body to monitor and regular take steps to satisfy itself... The Authority agrees to the proposed amendment. Section 4.3 revised to read as follows: The Operators should monitor, and regularly take steps to satisfy itself, that the regulated fund is conducting its affairs in accordance with all applicable acts, regulations, and regulatory measures in accordance with all applicable acts, regulations, and regulatory measures of the Cayman Islands and the Authority, including those of jurisdictions where the regulated fund may operate. 7. 4.5 The Governing Body should require regular reporting from the regulated fund s investment manager and other Service Providers to enable it to make informed decisions and to adequately oversee and supervise the regulated fund. Insert "operations of the" between "...and supervise the" and "regulated fund". The Authority agrees to the proposed amendment. Section 4.5 revised to read as follows: The Governing Body The Operators should require regular reporting from the regulated fund s investment manager and other Service Providers to enable it to make informed decisions and to adequately oversee and supervise the operations of the regulated fund. 8. 5.1 The Governing Body should have a formal written conflicts of interest policy appropriate to the size, nature and complexity of its business, and a process for Wording on conflicts of interest is invariably set out in the constitutional or offering documents of funds (as agreed with investors), i.e. such procedures (as commercially agreed) determine how the The Authority agrees to the proposed amendment. Section 5.1 revised to read as follows: The Operators of a regulated fund should have a formal written conflicts of interest policy commensurate with appropriate to the size, nature and complexity the size, complexity, structure, nature of 7 ongoing implementation of the policy. Governing Body should address conflicts of interest. In this regard, a separate conflicts of interest policy of the Governing Body (if this is what is being suggested)

would seem to be unnecessary and could give rise to a battle of the forms scenario in the event of an inconsistency between the procedures of the constitutional or offering documents and the separate policy. Suggested Amendment The Governing Body should have a formal written conflicts of interests policy appropriate to the size, nature and complexity of its the business of the regulated fund which may be set out in the constitutional or offering documents of the fund., and a process for ongoing implementation of the policy. business and risk profile of the operations of the business of the regulated fund, which may be documented in the constitutional documents, offering documents, or marketing materials, as applicable, of the fund., and a process for ongoing implementation of the policy. A private fund structured as an exempted limited partnership will often have extensive conflicts disclosures and policies, including limitations on the ability to appoint persons affiliated with the general partner, investment manager or adviser, contained with that fund's constitutional documents. The The Authority agrees to the proposed amendment. Please see proposed amendment directly above. 8 constitutional documents may also specify that investor consent is required with respect to such appointments, e.g. by way of advisory committee consent or limited partners acting by a specified majority-in-interest. Such detailed provisions should be sufficient documentation of any conflicts policy recognising that such provisions have been negotiated and agreed by sophisticated persons and, further, may reflect arrangements that are required to be consistent between parallel funds within a fund structure, most of which parallel funds would typically be established outside the Cayman Islands. Suggested Amendment The Governing Body should have a formal written conflicts of interests policy appropriate to the size, nature and complexity of its business, and a process for ongoing implementation of the policy, which may be documented in a regulated fund's constitutional documents or offering documents or other disclosure document. 9

9. 5.2 The Governing Body of the regulated fund and the Operators must suitably identify, disclose, monitor and manage all its conflicts of interest. Disclosures of conflicts of interest must be documented. Additional text suggested to clarify that this guidance is not intended to suggest that funds need to depart from their agreed conflicts management procedures as agreed with investors. Suggested Amendment The Governing Body of the regulated fund and the Operators must suitably, identify, disclose, monitor and manage all its conflicts of interest in a manner consistent with the regulated fund's constitutional documents. The Authority agrees to the proposed amendment. Section 5.2 revised to read as follows: The Governing Body The Operators of the a regulated fund and the Operators must suitably identify, disclose, monitor and manage all its conflicts of interest. Disclosures of conflicts of interest must be documented in a manner consistent with the regulated fund's constitutional documents, offering documents or marketing materials, as applicable. 10. 5.2 The Governing Body of the regulated fund and the Operators must suitably identify, disclose, monitor and manage all its conflicts of interest. Disclosures of conflicts of interest must be documented. It may be helpful to stipulate that conflicts should be declared in the minutes of any meeting during which a matter is decided or approved. The Authority agrees to the proposed amendment. New section 5.3 added to read as follows: The Operators should record in its meeting minutes, all disclosed conflicts of interest relevant to a meeting during which a matter is being decided or approved. 11. 6.1 The Governing Body of the regulated fund should meet at least

once a year in person or via a telephone or video conference call. In line with the "general comment" above, recognising that a Governing Body may be a single corporate vehicle, the obligation of the Governing Body should be to convene at least once a year and record its determinations. The manner in which in-person meetings are held would routinely be determined by the operator's constitutional documents and/or statute and regulations which The Authority agrees to the proposed amendment. Section 6.1 revised to read as follows: The Operators of the regulated fund should meet convene at least once a year. in person or via a telephone or video conference call. 10 permit a range of virtual and electronic meetings.

Suggested Amendment The Governing Body of the regulated fund should meet convene at least once a year in person or via a telephone or video conference call. 12. 6.3 Where necessary, the Governing Body shall request the presence of its Service Provider(s) at its Governing Body meetings. Consideration should be given to replacing the phrase "request the presence of" to "request the attendance of". The term "presence" is usually used in the minutes of board meeting when referring to the quorum and not when referring to persons attending a board meeting as a visitor. The

Authority agrees to the proposed amendment. Section 6.3 revised to read as follows:

Where necessary, the Operators shall request the presence attendance of its Service Provider(s) at its Operators meetings. 13. 7.1 The Operators must be independent and exercise independent judgement, always acting in the best interests of the regulated fund and taking into consideration the interests of its investors as a whole and/or, where applicable, the creditors of the regulated fund. If it is intended for this to speak to individual members of a Governing Body, then there needs to be a careful review of the section. It should either speak to individuals or it speaks to the collective but should not criss- cross. Also, consider making clear who the Operators should be independent of. The Authority has reviewed and amended Section 7.1 as follows: The Operators must be independent and exercise independent judgement, always acting in the best interests of the regulated fund (other than where lawfully permitted or required to consider other interests) and taking into consideration the interests of its investors as a whole and/or, where applicable, the creditors of the regulated fund. Section 7.1 revised to read as follows: The Operators must be independent and exercise independent judgement, always acting in the best interests of the regulated fund (other than where lawfully permitted or required to consider other interests) and taking into consideration the interests of its investors as a whole. and/or, where applicable, the creditors of the regulated fund. 14. 7.1 The Operators must be independent and exercise independent judgement, This could potentially be misread to imply that the Authority believes a regulated entity may only have independent operators, which is not a The Authority agrees to the proposed amendment. Section 7.1 revised to read as follows: The Operators must be independent and exercise independent judgement, always acting in the best interests of the regulated 11 always acting in the best interests of the regulated fund and taking into consideration the interests of its investors as a whole and/or, where applicable, the creditors of the regulated fund. requirement of either the Mutual Funds Act or the Private Funds Act, and would exclude operators employed by investment managers or other service providers to the fund, as is common global industry practice. While we acknowledge the footnote to this paragraph suggests (consistent with the draft Rule) that this is not the Authority's intention, the proposed amendment is to prevent the paragraph

and the footnote from being inconsistent. Furthermore, Cayman Islands law requires Operators to act in accordance with their duties. Such duties vary, depending on the fund vehicle. Furthermore, Operators of funds structured as exempted limited partnerships, for example, may, in accordance with the ELPA, not act in the best interests of the fund provided they always act in good faith. As such, the revised drafting requires Operators to act in accordance with their duties, whatever those duties might be and whoever they might be owed to. The Exempted Limited Partnership Act and the Limited Liability Companies Act expressly provide for these types of entities to fund (other than where lawfully permitted or required to consider other interests) and taking into consideration the interests of its investors as a whole. and/or, where applicable, the creditors of the regulated fund. 12 make certain modifications to the duty to act in the interest of the fund. Many funds therefore have agreed minor and commercially reasonable adjustments, such as the ability to balance the interests of two or more feeder funds in a single structure for the interests of the fund as a whole. We assume it is not the Authority's intention to undermine this longstanding statutory position, and therefore suggest this clarification to the guidance. The deleted wording could be misread to suggest that the operator may have duties to creditors that would not typically exist prior to an insolvency or liquidation scenario. It is submitted that the inclusion of this suggestion in regulatory guidance, even where caveated as 'where applicable', may serve to confuse operators rather than help them. As the duties to creditors will apply automatically and as a function of existing statutes at the relevant time, it should not be necessary to refer to them in this guidance.

**Suggested Amendment** The Operators must be independent and exercise independent judgement, always 13 acting in the best interests of the regulated fund (other than where lawfully permitted or required to consider other interests) and taking into consideration the interests of its investors as a whole and/or, where applicable, the creditors of the regulated fund. In line with the "general comment" above, an operator may be affiliated with the investment manager or adviser and the key obligation is to ensure that such operator exercise independent judgement. The draft provision also does not recognise that operator duties for different entity types are determined by statute and common law principles and may be determined with reference to underlying contractual arrangements that have been negotiated by sophisticated persons.

**Suggested Amendment** Section 7.1 to be revised to read as follows: "The Operators must exercise independent judgement, acting in the interests of the regulated fund and taking into consideration the interests of the investors as a whole and/or, where applicable The Authority agrees to the proposed amendment but will amend Section 7.1 in accordance with the suggestion made directly above. Please see the proposed amendment directly above. 14 the creditors of the regulated fund." Rule 7.1 - "The Operators must be independent [and exercise independent judgement]".

**Suggested Amendment** Clarification required from CMRAI as to what they mean by "independent". If the intention is that "independent" in this context means not employed by or otherwise affiliated with the investment manager or sponsor of the fund vehicle, then we would suggest that "independent" be deleted given the consequences. The Authority acknowledges the need for clarification and has revised the guidance accordingly. Section 7.1 revised to read as follows: The Operators must be independent and exercise independent judgement, always acting in the best interests of the regulated fund (other than where lawfully permitted or required

to consider other interests) and taking into consideration the interests of its investors as a whole and/or, where applicable, the creditors of the regulated fund. 15 15. 7.1 (footnote) The Authority recognises that the Operators may consist of members from the parent company, group or business associates of the regulated entity, but expects all members to exercise independent judgement and objectivity in the decision making of the Operators. This language is taken from the Private Funds Act and reflects the relationship between mutual/private funds and their investment managers or advisors. Suggested Amendment ... from the parent company, group or business associates of the regulated entity (or, in the case of a mutual fund or a private fund, the parent company, group or business associates of any person providing, directly or indirectly, the investment management or investment advisory services with respect to such mutual fund or private fund), but expects... The Authority agrees to the proposed amendment. Footnote 7.1 revised to read as follows: The Authority recognises that the Operators may consist of members from the parent company, group or business associates of the regulated fund entity or any person providing, directly or indirectly, the investment management or investment advisory services with respect to such mutual fund or private fund, but expects all members to exercise independent judgement and objectivity in the decision making of the Operators. Suggested Amendment The Authority recognizes that the Operators may consist of members from the parent company, group or business associates of the regulated entity or be persons affiliated with the investment manager or another service provider of the regulated entity, but expects all members to exercise independent judgment and objectivity in the decision making of the Operators. The Authority agrees to the proposed amendment but will adopt the preceding proposed amendment. Please see amendment directly above. 16 16. 7.2 The Operators must operate with due skill, care and diligence. To whom is the duty of due skill, care, and diligence owed? The duty of skill, care and diligence is owed to the regulated entities and by extension, their investors. Section 7.2 has been deleted as this was a duplicate of Section 7.21 (which is renumbered as 7.20). 17. 7.3 (see point 7.10) The Operators must make relevant enquires where issues are raised on matters fully within the scope of the Operator s responsibility and be satisfied that appropriate and timely course of action is being taken. Concerns raised and related corrective action should be documented. Is this sub-guidance in regard to the singular "Operator's" or the plural "Operators"? This sub-guidance refers to Operators (plural) and will be amended accordingly. Section 7.3 revised to read as follows: The Operators must make relevant enquires where issues are raised on matters fully within the scope of the Operator s Operators responsibility and be satisfied that appropriate and timely course of action is being taken. Concerns raised and related corrective action should be documented. Renumbered as Section 7.2. 18. 7.4 The Operators should communicate adequate information to the regulated fund s investors where it is properly able to disclose. Consider deleting the following phrase: "where it is properly able to disclose". The Authority agrees to the proposed amendment. Section 7.4 revised to read as follows: The Operators should communicate adequate information to the regulated fund s investors where it is properly able to disclose. Renumbered as Section 7.3. 19. 7.5 The Operators should communicate material changes relating to investor rights to the investor(s) of the regulated fund at the time the changes are being made or on an ongoing basis. Most material changes affecting investor rights are not made without investor consent. Please clarify



if an additional communication is required and how this should be evidenced. The Authority agrees with the comment made and confirms that there is no specific additional communication intended. The purpose of this section is to encourage Operators of a fund to always keep investors in the loop on material and relevant changes. Section 7.5 revised to read as follows: The Operators should communicate and evidence said communication of material changes relating to investor rights to the investor(s) of the regulated fund at the time the changes are being made or on an ongoing basis. Renumbered as Section 7.4. 17 20. 7.7 The Operators must have sufficient capacity to apply its mind to overseeing and supervising each regulated fund for which it functions and all matters falling within the scope of its related responsibilities. Consequently, before taking on any additional funds, the Operator should always ensure that it is able to perform its functions and duties in a responsible and effective manner in accordance with relevant laws, regulations, rules, statements of principles and the provisions of this Statement of Guidance. The Companies Act allows an SPC to have an unlimited number of SPs, each of which can be operationally independent of each other. How will this differ from Individual stand-alone funds established in their own right? How will "capacity to apply its mind" be assessed where governing boards are made up of more than one mind? The Authority has reviewed and amended section 7.7 further to comment raised. Section 7.7 revised to read as follows: The Operators must have sufficient capacity to apply its mind to overseeing and supervising each regulated fund for which it functions and all matters falling within the scope of its related responsibilities. Consequently, before taking on any additional funds, the Operator should always ensure that it is able to perform its functions and duties in a responsible and effective manner in accordance with relevant laws, regulations, rules, statements of principles and the provisions of this Statement of Guidance. Renumbered as Section 7.6. 21. 7.7.1 (formerly 7.8.1) Ensuring or receiving confirmation that the constitutional and offering documents of the regulated fund comply with Cayman Islands law and applicable regulatory instruments issued by the Authority from time to time; This comment is to reflect that not all regulated funds have offering documents. For example, some limited investor funds and private funds may not have offering documents. Suggested Amendment ... the constitutional and offering documents, where applicable, of the regulated fund... The Authority agrees with the premise of the proposed amendment. Section 7.7.1 revised to read as follows: Ensuring or receiving confirmation that the constitutional documents, offering documents and or marketing materials, as applicable, of the regulated fund comply with applicable Cayman Islands law acts, regulations and applicable regulatory instruments measures issued by the Authority from time to time; 22. 7.7.2 (formerly 7.8.2) Ensuring the investment strategy and conflicts of interests policy of the regulated fund are clearly This comment is to reflect that not all regulated funds have offering documents. For example, some limited investor funds and private funds may not have offering documents. The Authority agrees to the proposed amendment. Section 7.7.2 revised to read as follows: Ensuring the investment strategy and conflicts of interests policy of the regulated fund are clearly described in the 18 described in the offering documents; and Suggested Amendment ...clearly described in the offering documents, where applicable, and constitutional documents, offering documents andor marketing materials, where applicable; and 23. 7.7.3 (formerly 7.8.3) Ensuring that the offering documents describe the

equity interest in all material respects and contains such other information as is necessary to enable a prospective investor to make an informed decision as to whether or not to subscribe for or purchase the equity interest. This comment is to reflect that not all regulated funds have offering documents. For example, some limited investor funds and private funds may not have offering documents. Suggested Amendment Ensuring that the offering documents, where applicable, describe... The Authority agrees to the proposed amendment. Section 7.7.3 revised to read as follows: Ensuring that the constitutional documents, offering documents and or marketing materials, as applicable, describe the equity and/or investment interest in all material respects and contains such other information as is necessary to enable a prospective investor to make an informed decision as to whether or not to subscribe for or purchase the equity interest. 24. 7.8 (formerly 7.9) The Operators are responsible for approving the appointment and removal of the regulated fund s Service Providers and the terms of the contracts with each of its Service Providers. The Operators are responsible for ensuring that its investors and the Authority are notified of any changes to these appointments. The first addition is suggested because, in practice, funds will often permit their investment managers to select minor service providers, or will share services with other funds in the manager's portfolio under an 'umbrella' arrangement. This addition is intended to clarify that this remains permissible. The second amendment is for consistency with the Mutual Funds Act and Private Funds Act, and because many funds will have minor service providers that are below the threshold for disclosure in any offering document yet are arguably The Authority agrees to the proposed amendment. Section 7.8 revised to read as follows: The Operators are responsible for approving the appointment and removal of the regulated fund s Service Providers and the terms of the contracts with each of its Service Providers, and where they delegate this authority to another Service Provider, they will nonetheless retain overall responsibility for overseeing any outsourced functions. The Operators are responsible for ensuring that its investors and the Authority are notified of any material changes to these appointments. 19 caught by this provision as drafted. Suggested Amendment The Operators are responsible for approving the appointment and removal of the regulated fund s Service Providers and the terms of the contracts with each of its Service Providers, and where they delegate this authority to another Service Provider, they will nonetheless retain overall responsibility for overseeing any outsourced functions. The Operators are responsible for ensuring that its investors and the Authority are notified of any material changes to these appointments. 25. 7.8 Upon registration or licensing of a regulated fund with the Authority, and on a continuing basis, the Operators are responsible for: 7.8.1 Ensuring or receiving confirmation that the constitutional and offering documents of the regulated fund comply with Cayman Islands law and applicable regulatory instruments issued by the Authority from time to time; Consider including a reference to the "marketing material" along with "offering document". The Authority agrees to the proposed amendment. Section 7.8.1 revised to read as follows: Upon registration or licensing of a regulated fund with the Authority, and on a continuing basis, the Operators are responsible for: Ensuring or receiving confirmation that the constitutional documents, offering documents and marketing materials, as applicable, of the regulated fund comply with Cayman Islands law and applicable regulatory instruments applicable acts, regulations, and regulatory measures issued by the Authority from time to time; Renumbered as Section

7.7.1. 20 26. 7.8.2 Ensuring the investment strategy and conflicts of interests policy of the regulated fund are clearly described in the offering documents; and Consider including a reference to the "marketing material" along with "offering document". The Authority agrees to the proposed amendment. Section 7.8.2 revised to read as follows: Ensuring the investment strategy and conflicts of interests policy of the regulated fund are clearly described in the offering documents and marketing materials, where applicable; and Renumbered as Section 7.7.2. 27. 7.8.3 Ensuring that the offering documents describe the equity interest in all material respects and contains such other information as is necessary to enable a prospective investor to make an informed decision as to whether or not to subscribe for or purchase the equity interest. Consider including a reference to the "marketing material" along with "offering document". Consider including a reference to "investment interest" of a private fund. The Authority agrees to the proposed amendment. Section 7.8.3 revised to read as follows: Ensuring that the constitutional documents, offering documents or marketing materials, as applicable, describe the equity and/or investment interest in all material respects and contains such other information as is necessary to enable a prospective investor to make an informed decision as to whether or not to subscribe for or purchase the equity interest. Renumbered as Section 7.7.3. 28. Footnote 1 (bottom of page 6) Expecting members "to exercise independent judgement and objectivity in the decision making of the Operators" is different from being independent. Consideration should be given to making this point clearer. Also, the term used should be "regulated fund", not "regulated entity". The Authority agrees to the proposed amendment. Footnote 1 revised to read as follows: The Authority recognizes that the Operators may consist of members from the parent company, group or business associates of the regulated fund entity, but expects all members to exercise independent judgement and objectivity in the decision making of the Operators. Renumbered as Footnote 2 (bottom of page 5). 29. 7.10 (formerly 7.11) "review all ...Service Provider contracts". Does this include The Authority agrees to the proposed amendment. Section 7.10 revised to read as follows: 21 The Operators should review all of its Service Provider contracts to ensure roles and responsibilities are clearly defined and that the responsibilities are clearly divided between each Service Provider. The Operators should make sufficient enquiries to enable it to properly understand the scope and nature of the responsibilities of each Service Provider. operational contracts such as exchanges, prime brokers and custodians? These are often delegated to the IM to arrange and execute with the scope of the Fund's Articles. Suggested Amendment Specify key/material service providers contracts - Administration, IM, AML Officers, Directors? A conclusive list should be specified. Material contracts as defined in an OM perhaps. Or as specified in the launch resolutions. The Operators should review all of its material Service Provider contracts to ensure roles and responsibilities are clearly defined and that the responsibilities are clearly divided between each Service Provider. The Operators should also ensure thorough understanding of the scope and nature of the responsibilities of each Service Provider. 30. 7.13 (formerly 7.14) The Operators should regularly verify or seek confirmation from the Service Providers that they are acting in accordance with the regulated fund s constitutional and offering documents. "regularly verify... service providers... operating in accordance with fund docs". All service providers - does this include custodians, exchanges, bank accounts? Many of these are not expected to act in accordance with the

Fund's documents. Suggested Amendment Specify key service providers only - Admin and IM. Clarify which service providers this should relate to. This guidance is intended to apply to all service providers or a regulated fund, allowing the fund's operators to confirm alignment with service delivery and the fund's objectives. No amendments are required.

31. 8 8.1 The Operators are responsible for ensuring that a full, accurate and clear written record is kept of the Governing Body's meetings. In line with the "general comment" above, an operator may have a single corporate controller (however described). Suggested Amendment The Authority has reviewed and revised Section 8.1 and 8.2s. Section 8 revised to read as follows: 8.1 The Operators are responsible for ensuring that a full, accurate and clear written record is kept of the Operators meetings and/or determinations. 22 8.2 The records of the Governing Body meetings should include: 8.2.1 The agenda items and circulated documents; 8.2.2 A list of attendees present at the meeting and whether that attendance was in person or via telephone or video conference; 8.2.3 The matters considered and decisions made; and 8.2.4 The information requested from, and provided by, Service Providers and advisors. The Operators are responsible for ensuring that a full, accurate and clear written record is kept of the Governing Body's meetings and/or determinations. A consequential change, recognising that certain determinations of single member operators may be more correctly reflected in written determinations, would be made to the opening of section 8.2 to read: "The records of the Governing Body meetings should include (as applicable)..." 8.2 The records of the Governing Body Operators meetings and/or determinations should include: ...

32. 8.2 The records of the Governing Body meetings should include: 8.2.1 The agenda items and circulated documents; 8.2.2 A list of attendees present at the meeting and whether that attendance was in person or via telephone or video conference; 8.2.3 The matters considered and decisions made; and 8.2.4 The information requested from, and provided by, Service Providers and advisors. Records should also cover the declaration of conflicts in accordance with Clause 5 above. The Authority agrees to the proposed amendment. New sub-guidance 8.2.5 added to read as follows: A declaration of conflicts.

23 33. 9.1.1 The Operators should conduct the regulated fund's affairs with the Authority in a transparent and honest manner always disclosing to the Authority: any matter which could materially and adversely affect the financial soundness of the regulated fund; and "materially and adversely affect the financial soundness" what is the materiality basis for this clause. "financial soundness" what does this relate to? This limits the boards ability to act in their best judgement without providing specifics. Suggested Amendment CMRAI should specify what constitutes materiality e.g. % of NAV or AUM. CMRAI to provide clarity on what constitutes financial soundness. Perhaps - "any matter, that in the judgement of the governing body, would impact the regulated funds ability to continue as a going concern." The Authority agrees to the proposed need for clarification. Section 9.1.1 revised to read as follows: The Operators should conduct the regulated fund's affairs with the Authority in a transparent and honest manner always disclosing to the Authority: any matter which could materially and adversely affect the financial soundness of the regulated fund (i.e., the regulated fund's ability to continue as a going concern); and

34. 9.1.2 The Operators should conduct the regulated fund's affairs with the Authority in a transparent and honest manner always disclosing to the Authority: any non-compliance with the laws, regulations, rules and statements of principles,

statements of guidance and anti-money laundering or combating terrorist requirements applicable, including those of the Cayman Islands and the Authority. Does "any" mean all? Does CMRAI really expect all non-compliance to be reported? This limits the board's ability to act in their best judgement without providing specifics.

Suggested Amendment CMRAI should invoke a materiality. We would presume this is intended to capture only significant breaches and should be amended to reflect this. In this case any means all known non-compliance with the applicable acts, regulations and regulatory measures. Therefore, the Authority is of the view that it the materiality element should not be included. No amendments are required. 24 35. 10.1

The Operators should ensure it provides suitable oversight of the risk management of the regulated fund, ensuring the fund's risks are always appropriately managed and mitigated, with material risks being discussed at the Governing Body meeting and the Governing Body taking appropriate action where necessary. Risk management is too broad a term. We would like to see some explanation and definition of risks that are applicable. This will result in excessive risk reporting during board meetings, increasing burden on regulated funds. This clause is far too broad to result in any effective risk management. Suggested Amendment Re-write this clause. Potentially replacing "risk management" with "supervision". The Authority considers all risks of the regulated fund to be given appropriate and proportionate oversight. Further, the replacement of risk management and supervision is not deemed to be suitable given the intention of this guidance. No amendments are required.