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Cayman Islands: Trends and Developments

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CAYMAN ISLANDS

Trends and Developments

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Maples Group

Maples Group advises global financial, institutional, business and private clients on the laws of the British Virgin Islands, the Cayman Islands, Ireland, Jersey and Luxembourg through its leading international law firm, Maples and Calder. With offices in key jurisdictions around the world, the Maples Group has specific strengths in the areas of corporate commercial, finance, investment funds, litigation and trusts. Maintaining relationships with leading legal counsel, the Group leverages this local expertise to deliver an integrated service offering for global business initiatives.

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While the fundraising environment remained challenging throughout 2025, private equity capitalised on the recovery of financial markets following a prolonged period of volatility, high interest rates and inflationary pressure, with a significant rebound in deal activity, deal value and the number of large deals. This confidence carried into the first quarter of 2026, with private equity firms eager to deploy near-record levels of accumulated dry powder. However, a challenging geopolitical environment and global trade policy pressures in the first half of 2026 led to a dip in deal activity, with fundraising expected to remain challenging for the second half of the year.

In a show of resilience, private equity firms are increasingly leveraging advancements in artificial intelligence and digital infrastructure for growth and efficiency, while considering alternative liquidity structures (such as evergreen funds, continuation funds and secondaries) to manage the current deal environment and meet investor demands.

During this period of uncertainty, sponsors have looked to the Cayman Islands to structure and offer private equity products tailored to the current market environment, including technology, infrastructure, credit opportunities, market dislocation, special situations, secondaries, evergreen funds and products with regional or focused investment mandates.

The Cayman Islands continues to be well positioned to respond to the volatile global environment, and to retain its pre-eminent offshore position, given its legislative and regulatory framework, tax-neutral status, flexible structuring options, respected common law legal system and experienced service providers, coupled with broad market familiarity with Cayman Islands structures.

Regulatory Developments

The most notable investment fund-related regulatory development in the Cayman Islands in recent years has been the introduction of the Private Funds Act, providing for the registration of closed-end collective investment vehicles with the Cayman Islands Monetary Authority (CIMA). More than 18,132 investment funds are now registered under the Private Funds Act. Cayman Islands regulation is generally fund-level focused; there is no requirement for a non-Cayman Islands manager of a Cayman Islands-domiciled private fund to be regulated locally. Most managers are not domiciled in the Cayman Islands and are regulated by various onshore regulators, such as the US Securities and Exchange Commission, the UK's Financial Conduct Authority, the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore or the Japanese Financial Services Agency. A Cayman Islands-registered manager would be subject to CIMA oversight and required to have sufficient substance in the Cayman Islands.

Within this framework, sponsors, allocators and investors can legislate their own contractual arrangements, which is helpful, as strategic investors seek alternatives to traditional co-mingled fund structures.

Alternative Structures and the Cayman Islands

The Cayman Islands offering is well positioned for alternative structures, ranging from separate accounts and funds-of-one to "permanent capital" or evergreen structures, and other strategic transaction structures such as end-of-life liquidity options, continuation vehicles and general partner minority equity stake deals.

While the Cayman Islands is most often associated with private equity funds, whether main, feeder/blocker, parallel, alternative investment or co-investment vehicles, there is strong demand for Cayman Islands structures in transactional contexts, particularly buyout and secondary transactions, including as management holding vehicles.

Fund Structuring

A key reason for the jurisdiction's success is the range of Cayman Islands vehicles available to sponsors/managers, enabling them to structure closed-end fund products suited to a diverse, geographically disparate investor base.

The most popular Cayman Islands-domiciled vehicles for structuring investment vehicles are:

- exempted limited partnerships (ELPs);
- exempted companies; and
- limited liability companies (LLCs).

Introduced in mid-2016, the Cayman Islands LLC, like the Delaware variant, remains a popular, flexible structuring vehicle, with more than 6,533 now registered.

The Cayman Islands limited liability partnership (LLP), available since November 2020, combines the flexible features of a general partnership with separate legal personality and limited liability for all partners, providing an additional structuring option, suitable for general partner, fund-of-funds or holding partnerships.

The popularity of exempted companies and ELPs remains unaffected by the introduction of LLCs and LLPs, with the number of ELPs growing consistently year on year.

There are, however, nuanced regional differences in the vehicles used for private equity mandates. For example, many Japanese investors continue to prefer the Cayman Islands unit trust.

North American and European Markets

In the North American and European markets, most primary, feeder, parallel alternative investment and co-investment vehicles are formed as an ELP unless a tax blocker is required.

In onshore–offshore fund structures, symmetry between the offshore fund vehicles and their onshore counterparts (notably, Delaware and Luxembourg limited partnerships) can lead to more efficient fund administration, provide pass-through tax treatment, and better align investor rights across a fund structure.

The exempted company is less regularly employed as a fund vehicle, except for certain target investors and asset types. Due to its separate legal personality, it is most often used as a general partner, manager, blocker or holding vehicle (although the segregated portfolio company variant can be attractive for managers targeting certain Middle East-based or family office investors).

The LLC has been an appealing alternative for general partner, upper-tier, manager and co-investment vehicles. The absence of share capital, combined with the ability to easily track and record the capitalisation of an LLC and its distributions, has also made LLCs attractive for blocker, aggregator and holding vehicle applications. Since a member need not make a contribution but may benefit from profit allocations, the LLC has also been adopted for certain employee award and grant schemes.

Japan

Private equity investment into Japan continues to accelerate, with Cayman Islands fund structures playing a central role in facilitating inbound and outbound flows. A Cayman Islands unit trust can often offer tax, efficient balance sheet treatment and other benefits to Japanese investors, compared with a limited partnership vehicle. The unit trust can be structured to incorporate the characteristics of a traditional private equity fund, including commitment and capital call features, claw-backs and defaulting investor provisions.

Private equity has proved popular with Japanese banks, pension funds, life insurers and other institutional investors seeking higher yields by rebalancing into private equity, including foreign private equity. Japan Post Bank illustrates this trend: when it began building its private equity programme in 2016, its portfolio was less than USD1 billion; by 31 March 2026, it had grown to approximately JPY7.6 trillion (around USD52.5 billion), making it one of the world's largest private equity portfolios held by a financial institution. All of the top Japanese life insurers plan to increase investment in alternative assets going forward.

Japan is undergoing a structural transformation reshaping its asset management landscape, with significant implications for private equity. In 2023, assets under management in Japan surged by 18% – the fastest growth rate globally – making Japan the world's second-largest source of Cayman Islands fund flows. This growth reflects demographic and policy shifts: by 2050, 39% of the population is projected to be over 65, driving an urgent need for income-generating assets. The government's reforms, including a target to double household investment income by 2027, are accelerating allocations to private equity, credit, infrastructure and real assets. The Japanese government reportedly also intends to increase the proportion of household financial assets held in stocks, investment trusts and bonds from approximately 23% to 40% by 2040, with some likely to flow into private equity via semi-liquid funds (see below).

Japanese households hold over USD7 trillion in cash and deposits – more than 50% of household assets, the highest ratio in the G7. This vast, under-deployed pool of capital is now being mobilised, with retail and HNW flows into offshore funds, including semi-liquid evergreen funds providing exposure to private equity, private credit, infrastructure and other private assets. A few leading global asset managers have structured Cayman unit trust feeders for public offer in Japan, providing access to their flagship semi-liquid funds and enabling Japanese retail and HNW investors to participate in strategies previously available only to institutional investors. The expanded Nippon Individual Savings Account (NISA) programme and regulatory support for private market participation, together with Japan's ageing population and an inflation rate that is eroding cash savings, are further fuelling expectations of more semi-retail offerings of funds investing in private assets.

Global Structures

Managers will often utilise a mix of parallel fund vehicles to maximise the global distribution of their funds and manage downstream assets. For example, managers targeting investors in multiple regions, including Europe, may offer parallel Cayman Islands, Delaware and Luxembourg fund options, or a variation such as a master-feeder structure with a Cayman Islands closed-end vehicle feeding into a European (eg, an Irish or Luxembourg) master fund. It may similarly set up holding or trading vehicles in those jurisdictions to facilitate its investment objectives.

Regulatory

Several key regulatory developments are outlined below.

The private funds regime

Since its introduction in 2020, the Private Funds Act regime has provided a proportionate regulatory overlay for private funds, responsive to recommendations by international partners and reflecting the Cayman Islands' commitment as a co-operative jurisdiction, as affirmed by various international organisations. It covers similar ground to existing or proposed legislation in other jurisdictions.

In April 2023, CIMA released updated and new regulatory measures for regulated entities (including private funds), including the Statement of Guidance on Corporate Governance for Mutual Funds and Private Funds, which sets out minimum expectations for the sound and prudent governance of regulated funds.

CIMA also issued:

- The Rule and Statement of Guidance – Internal Controls for Regulated Entities, requiring regulated entities to establish, document and maintain an adequate and effective system of internal control; and

- The Rule – Corporate Governance for Regulated Entities, requiring regulated entities to maintain a corporate governance framework commensurate with their size, complexity, nature of business, structure, risk profile and operations.

Tokenised funds framework

A significant development during 2026 has been the introduction of a dedicated regulatory framework for tokenised investment funds. On 24 March 2026, the Mutual Funds (Amendment) Act, 2026; the Private Funds (Amendment) Act, 2026; and the Virtual Asset (Service Providers) (Amendment) Act, 2026 came into force, establishing a bespoke regime for funds whose interests are represented through distributed ledger technology, reflecting the Cayman Islands' continued efforts to accommodate innovation while maintaining appropriate regulatory oversight.

The legislation introduces statutory definitions for tokenised funds and tokenised fund interests. A tokenised private fund is a private fund whose investment interests are represented by digital investment tokens. The related Virtual Asset (Service Providers) Act amendments clarify that issuance of interests by tokenised funds is regulated under Cayman Islands funds legislation rather than the virtual asset issuance regime, avoiding overlapping requirements.

The framework imposes additional obligations on operators of tokenised funds, including maintaining appropriate records of the issuance, creation, sale, transfer and ownership of digital fund interests, and providing annual confirmation to CIMA of compliance with those record-keeping obligations. Transfers of tokenised fund interests must occur in accordance with procedures disclosed in the offering document and remain subject to operator approval.

The amendments also require offering documents to address risks associated with distributed ledger technology and digital tokens, including cybersecurity, custody, transferability and operational resilience, requiring sponsors to provide investors with enhanced disclosure of the tokenisation model and measures adopted to mitigate associated risks.

CIMA supervises compliance with the new framework and retains the regulatory and enforcement powers available under the Private Funds Act for tokenised fund structures, demonstrating the Cayman Islands' continued willingness to support innovation while preserving the investor protection and regulatory standards expected of a leading international funds jurisdiction.

Automatic exchange of information

The Cayman Islands has implemented the OECD's Common Reporting Standard (CRS) and the US Foreign Account Tax Compliance Act (FATCA) automatic exchange of information (AEOI) regimes. Reporting financial institutions have customer due diligence and annual reporting obligations, including filing an annual CRS Compliance Form, with the Cayman Islands Tax Information Authority (TIA), administered by the government's Department for International Tax Cooperation, which in turn provides account information automatically to the tax authorities of over 100 jurisdictions.

A significant development has been the adoption of amendments to the CRS framework, commonly referred to as "CRS 2.0". The Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025 came into force on 1 January 2026, implementing the OECD's updated CRS framework by expanding the scope of reportable assets and products, strengthening due diligence requirements, introducing enhanced data quality standards and modernising the reporting framework to address digital assets and financial technology. Cayman Islands financial institutions must now maintain policies and procedures to ensure the information collected and reported is "adequate, accurate and current", with new requirements also applying to self-certifications, registration, reporting timelines and governance, including appointment of a Cayman Islands-based principal point of contact.

At the same time, the Cayman Islands introduced the OECD's Crypto-Asset Reporting Framework (CARF) through the Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025. While CARF is principally aimed at crypto-asset service providers, it operates alongside the CRS amendments, reflecting growing international tax transparency standards.

For private equity sponsors and fund administrators, the principal impact of these changes has been the need to review investor onboarding procedures, subscription documentation, self-certification processes, reporting systems and CRS compliance programmes.

Tax Information Authority (International Tax Compliance) (Country-by-Country Reporting) Regulations, 2017

The Cayman Islands introduced the Tax Information Authority (International Tax Compliance) (Country-by-Country Reporting) Regulations in 2017, implementing the model legislation published under the OECD's Base Erosion and Profit Shifting Action 13 Report ("Transfer Pricing Documentation and Country-By-Country Reporting").

Anti-money laundering regulations

The Cayman Islands continues to review its anti-money laundering (AML) regulations and guidance to ensure alignment with current Financial Action Task Force (FATF) recommendations and global practice, including appointing AML officers to entities carrying on "relevant financial business" (which includes Cayman Islands investment fund vehicles) to oversee AML programme implementation. Reflecting the Cayman Islands' continued enhancement of its anti-money laundering/countering the financing of terrorism (AML/CFT) regime, including the introduction of effective, proportionate and dissuasive administrative penalties and sanctions, the FATF has given the Cayman Islands its highest compliance rating with respect to all 40 FATF recommendations on AML and CFT.

Beneficial ownership and transparency

The Beneficial Ownership and Transparency Act (BOTA), the Cayman Islands beneficial ownership regime, was brought into force on 31 July 2024.

BOTA modifies the beneficial ownership regime in place in the Cayman Islands since 2017 to align it with equivalent regimes in other jurisdictions, extending its reach to most Cayman Islands entities and removing most of the exemptions previously relied upon.

The new regime applies to all "legal persons", including companies, LLCs, LLPs, limited partnerships, ELPs, foundation companies and certain other legal persons prescribed in regulations, which must maintain a beneficial ownership register at their Cayman Islands registered office with a licensed corporate service provider. Cayman Islands trusts and non-Cayman Islands vehicles, including foreign entities registered in the Cayman Islands, are beyond the scope of BOTA.

The regime also offers certain legal persons an alternative route to compliance, under which they need not report beneficial owners or maintain a beneficial ownership register, but may instead report limited "required particulars". This route is available to a legal person that is:

- listed on the Cayman Islands Stock Exchange (CSX) or an approved stock exchange (including subsidiaries of a listed entity); or
- licensed under certain Cayman Islands regulatory laws.

Additionally, an investment fund registered with CIMA under the Private Funds Act or the Mutual Funds Act may comply with BOTA under either the default regime described above or an investment fund-specific alternative route to compliance.

A registered investment fund electing the alternative option need not maintain a register of its beneficial owners, but must instead supply the contact details of a Cayman Islands service provider, such as its registered office provider or a licensed fund administrator, who must provide beneficial ownership information to the competent authority on request within 24 hours (or such longer period as may be specified in the request).

BOTA also provides for access to beneficial ownership information to two categories of persons:

- certain Cayman Islands enforcement authorities, government agencies, financial institutions and designated non-financial businesses and persons and others; and
- certain members of the public that meet a "legitimate interest access" test.

Under the "legitimate interest access" test, a member of the public seeking access to beneficial ownership information must be:

- a person engaged in journalism or bona fide academic research;
- acting on behalf of a civil society organisation whose purpose includes the prevention or combating of money-laundering, its predicate offences or terrorism financing; or
- seeking that information in the context of a potential or actual business relationship or transaction with the legal person about which that information is sought.

In all cases, the applicant must have a legitimate interest in preventing, detecting, investigating, combating or prosecuting money laundering or its predicate offences or terrorist financing.

The International Tax Co-Operation (Economic Substance) Act

In further response to OECD base erosion and profit-shifting standards, the Cayman Islands brought the International Tax Co-Operation (Economic Substance) Act and associated regulations and guidance into force in December 2018, introducing reporting and economic substance requirements for certain Cayman Islands-domiciled entities and partnerships undertaking certain activities, with reporting made to the Cayman Islands Tax Information Authority. The regime incorporates certain exemptions for vehicles falling within the statutory definition of an investment fund.

Data protection

The Data Protection Act (DPA) came into force in late 2019, imposing obligations on Cayman Islands vehicles that handle personal information relating to an individual, with data protection principles equivalent to those under comparative legislation, such as the General Data Protection Regulation in Europe.

Continuing dialogue

The Cayman Islands continues to engage with international partners and governing bodies, including the OECD and the FATF, to ensure the jurisdiction maintains a robust and proportionate regulatory framework, implemented effectively to meet internationally accepted best practice standards.

Impact on offering and subscription documents

At the establishment stage, these regulatory matters are increasingly reflected in more detailed offering and subscription documents disclosures, including on AML and tax transparency, and sponsors addressing data protection and sanctions obligations together with economic considerations, such as which costs are allocated to the fund as fund expenses, as opposed to costs incurred by the manager.

Fair disclosure and compliance

As in key onshore jurisdictions, sponsors also engage in ongoing dialogue with investors and advisory boards throughout a fund's life to ensure key matters, notably conflicts, are fairly disclosed, including on fees (an area subject to well-publicised onshore regulatory enforcement).

The scope for conflicts is particularly acute at the end of a fund's life, for example, where liquidity is sought or value optimised via a continuation fund, a general partner-led secondary transaction or a term extension. A sponsor may then receive new material information during an all-partner consent process, or before a deal closes, which it (and/or the general partner) must disclose so that investors can make an informed decision based on the revised particulars.

As the regulatory framework evolves and becomes more complex, an increasing number of sponsors are outsourcing compliance functions, such as AML/KYC verification and tax transparency reporting, to third-party specialists, allowing management companies to dedicate more resources to core investment activities and more clearly delineate between fund and house expenses.

Geographic Factors Impacting Cayman Islands Private Equity Trends

The Cayman Islands product has broad global appeal, although several trends are geographically driven.

Fundraising

Following the soft North American fundraising market of 2025, the still-challenging geopolitical environment and continued global trade pressures in the first half of 2026 have led to a slowdown in deal and exit activity, increased investor caution and a continued softening of the fundraising environment. These conditions have led investors to allocate cautiously to the largest and most experienced funds, while managers look beyond traditional closed-end vehicles to raise capital through alternative liquidity structures such as evergreen funds, continuation and secondaries funds and GP-led stake deals. There continues to be consistent demand for Cayman Islands structures, spanning continuation funds, evergreen funds, small bespoke sidecar funds, mega-funds, downstream structuring vehicles, separately managed account structures and ESG funds. The broad flexibility of the Cayman Islands offering ensures wide appeal among managers, allocators and investors in establishing Cayman Islands vehicles for a wide range of purposes.

The European private equity market has been impacted in recent years by global market uncertainty, inflation, the conflict in Ukraine and, latterly, the Israel-Gaza war. Fundraising in Europe held up relatively well among the larger buyout firms, with some significant deals in Europe, taking advantage of the perceived valuation gap between US and European equities.

The Cayman Islands continues to be a popular jurisdiction for UK managers establishing offshore private equity funds, especially where there is a transatlantic nexus, with significant demand also for separately managed account structures, particularly among Nordic investors. The Middle East (particularly the Gulf states) has also emerged as a significant source of private equity capital and sovereign wealth fund activity with allocators from the region increasingly turning to Cayman Islands vehicles to deploy capital globally.

Increased fund oversight and investor protection under the Private Funds Act, together with the strengthening of CIMA's regulatory powers and other recent legal and regulatory developments (particularly regarding corporate governance and internal controls), have served to align Cayman Islands private funds more closely with the regulated framework familiar to European private equity managers and investors under the Alternative Investment Fund Managers Directive.

Owing to geopolitical uncertainties, global trade pressures and regulatory clampdowns, fundraising in the region proved difficult throughout 2025.

Despite the rise of "onshore" fund jurisdictions in Asia, Cayman Islands entities remain the vehicles of choice, particularly for large global managers.

Global landscape

Several familiar headwinds remain in Asia-Pacific in 2026. Global investors are still scrutinising China's decelerating growth and the heightened geopolitical risk arising from US–China relations, regulatory tightening and supply chain realignment. The US IPO window has reopened only selectively, so most Chinese issuers continue to explore domestic or Hong Kong listings, and exit certainty remains a core diligence item for international capital. The Hong Kong IPO market has seen a resurgence with some statistics suggesting around a 50% increase in IPOs of Chinese companies on the Hong Kong exchange this year compared with the first six months of last year. On a broader macro level, the war in Ukraine, the conflict in the Middle East, persistent but gradually easing inflation and an uncertain rate-cut trajectory in the United States are all weighing on sentiment. Against this backdrop, the Cayman Islands remains the preferred jurisdiction for sponsors and investors across the region, underpinning structures that range from traditional private equity funds to real estate, credit and digital asset strategies. In South-East Asia, the paired Cayman Islands feeder–Singapore variable capital company (VCC) master fund structure continues to be utilised, particularly in the venture capital space. The classic Cayman Islands general partner/limited partner, however, remains the vehicle of choice for closed-end funds regionally.

Exits have been challenging in South-East Asia, both for liquidity reasons and due to an ongoing valuation gap between buyers and sellers, affecting the ability of regional managers to raise new funds, as investors want to see full returns from older vintages before making new allocations. Managers have shown a willingness to create bespoke structures for one or two key investors, often for a particular asset or assets in a separately managed account (SMA) or joint venture structures, rather than traditional blind pool funds.

Continued growth

Japanese institutional appetite for private equity has proved resilient, and allocations to Cayman Islands-domiciled funds from both institutional and, increasingly, HNW investors are expected to continue to climb, particularly as insurers and pension funds deepen their alternatives programmes. Technology remains a major theme across South-East Asia, with AI-enabled platforms, fintech and climate-tech drawing new money. Compressed valuations and available secondary-market solutions are creating attractive entry points, although some investors remain "risk-off" until greater clarity emerges on global monetary policy and geopolitical outcomes.

Looking Ahead

Should financial markets persist in their recovery from the macroeconomic challenges of recent years, private equity stands to benefit significantly. The sector is well positioned to seize opportunities from easing market uncertainty by leveraging innovative and resilient strategies to drive value creation.

In this context, the Cayman Islands continues to be favourably positioned as the leading offshore private equity jurisdiction, given its flexible structuring options, investors' familiarity with Cayman Islands vehicles, and a proportionate, robust and responsive regulatory regime that continues to evolve to meet the needs of sponsors, investors and international stakeholders.

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