Cayman Islands –
The Directors Registration and Licensing Law

Introduction
The Directors Registration and Licensing Law (the “DRLL”) came into force on 4 June 2014. The DRLL grants the Cayman Islands Monetary Authority (“CIMA”) the power to approve or deny a registration or a licence to directors of certain Cayman Islands companies which are regulated by or registered with CIMA.

Who is subject to the DRLL?
All directors (whether natural persons or corporate directors) of ‘Covered Entities’, being:

1. companies regulated under sections 4(1) or 4(3) of the Mutual Funds Law (2019 Revision) (as amended) (“MFL”); and

2. companies registered as “Registered Persons” under the Securities Investment Business Law (2019 Revision) (as amended) (“SIBL”), which include:
   (a) companies within a group of companies carrying on securities investment business exclusively for one or more other group companies; and
   (b) persons carrying on securities investment business exclusively for sophisticated persons, high net worth persons or entities whose own investors are either sophisticated persons or high net worth persons.

The DRLL applies to limited liability companies that are similarly regulated under the MFL or SIBL. Pursuant to the Limited Liability Companies Law (as amended), reference to a ‘director’ is deemed to include a manager of an LLC.

The DRLL does not currently apply to partnerships or unit trusts that are similarly regulated under the MFL or registered under the SIBL.

What does the DRLL require?
All directors who are subject to the DRLL must either register with CIMA or be licensed by CIMA and pay the requisite registration or licensing fee. The need to be registered or licensed depends on whether the director is a Registered Director, a Professional Director or a Corporate Director:

1. Registered Director - this category will encompass the majority of directors of Covered Entities as described above. A Registered Director is a natural person who does not otherwise fall within the Professional Director category. Registered Directors need to register under the DRLL (see below).

2. Professional Director - a Professional Director is a natural person who is appointed as a director of 20 or more individual Covered Entities. Professional Directors need to be licensed under the DRLL (see below), unless they are a director, an employee, a member, an officer, a partner or a shareholder of:
   (a) an entity which holds a companies management licence issued pursuant to the Companies Management Law (as amended) or a mutual fund administrators licence issued pursuant to the MFL; or
   (b) an entity which is a ‘fund manager’ of a mutual fund regulated under the MFL (ie provides investment management services, investment advisory services or acts as a promoter (as defined in the MFL)) and that entity is registered or licensed by a specified overseas regulatory authority and such director appointment arises by virtue of the relationship with the fund manager.
In the case of (a) or (b), the director simply needs to register as a Registered Director as opposed to apply for a licence. The schedule of specified overseas regulatory authorities for (b) is fairly limited, so directors wishing to rely on this provision should contact their relevant Walkers attorney for further advice, as necessary.

3. Corporate Director - any body corporate that is appointed as a director of a Covered Entity is required to be licensed unless it holds a companies management licence or a mutual fund administrators licence (as outlined above for Professional Directors). In addition, certain other registration requirements may apply, so any overseas company that is subject to the DRLL should contact their Walkers attorney to discuss the licensing requirements.

What is the deadline for registration/licensing?

Any person who is not registered or licenced under the DRLL must register or obtain a licence prior to being appointed to the board of an existing Covered Entity or, where the company is in the process of applying to become a Covered Entity, prior to the date upon which its application to become a Covered Entity is submitted to CIMA.

It is advisable to submit registration or licensing applications to CIMA well in advance of these deadlines.

What is the registration/licensing process?

Registration for Registered Directors

1. To register, the applicant director must log on to https://gateway.cimaconnect.com (the "Director Gateway") to obtain a unique identification code ("Unique ID Code").

2. The applicant director should then select the option "Initial Registration" (if the director is a new director to CIMA).

3. Upon receipt of the Unique ID Code, the applicant director will also receive instructions to complete the registration and a temporary password. CIMA will typically provide such Unique ID Code within 48 hours.

4. Once login details are received, the applicant director should log back in to the Director Gateway using the Unique ID Code and password provided to them.

5. The applicant director can then complete the registration process by providing CIMA with required information as follows:
   (a) the full name, date of birth, nationality and country of birth of the applicant;
   (b) the applicant’s principal residence address and postal address (if different);
   (c) details of any criminal convictions involving fraud or dishonesty;
   (d) details of any adverse finding, financial penalty, sanction or disciplinary action by a regulator, self-regulatory organisation or professional regulatory body; and
   (e) the names and registration numbers of the Covered Entities for which the applicant acts or proposes to act.

6. There is a non-refundable application and registration fee of CI$700 (approximately US$854) - both Visa and MasterCard payments are accepted by CIMA.

CIMA may request additional information in order to process a registration, and may generally refuse an application if the applicant has been:

1. convicted of a criminal offence involving fraud or dishonesty; or
2. is the subject of an adverse finding, financial penalty, sanction or disciplinary action by a regulator, self-regulatory organisation or a professional disciplinary body.

Confirmation of registration is typically received within one to two weeks.

**Licensing for Professional Directors**

Details and assistance to complete the licensing process for Professional Directors can be provided by our experienced Walkers Regulatory and Risk Advisory Group.

**Licensing for Corporate Directors**

The licensing process for Corporate Directors is more complex and onerous than that for Registered Directors and Professional Directors and includes a higher application and licence fee payable to CIMA. CIMA may request such other information as they require in order to process a licence application, but will generally have regard as to whether the applicant is a fit and proper person, giving regard to the applicant’s honesty, integrity and reputation, competence and capability, and financial soundness.

If approved, CIMA may issue a licence that is subject to such conditions as it considers appropriate. Confirmation of licensing of corporate directors can take some time and depends on the complexity of the application and CIMA’s internal review requirements. The timing element should be duly factored at the onset as part of the overall application process and considerations.

Our experienced Walkers Regulatory and Risk Advisory Group can assist in preparing the application and to provide guidance through the process including with the review and confirmation process with CIMA.

Once licensed, Corporate Directors must obtain CIMA’s written approval before appointing any new board members.

**Insurance Cover Requirement**

Professional Directors and Corporate Directors must also maintain a minimum of CI$1,000,000 (approximately US$1,213,500) insurance cover with an authorised insurer, ie an insurer that is licensed under the Insurance Law (as amended) or any other insurer acceptable to CIMA.

**Ongoing obligations for registered or licensed Directors**

Once registered or licensed, a director must:

1. pay the relevant annual fee to CIMA to maintain their respective registration or licence. Such fees must be paid on or before 15 January of each year to avoid penalties. A penalty of 1/12 of the annual fee will apply for each month that the fee is outstanding; and

2. file a notice of any material change to the information supplied on a registration/licensing application within 21 days of the change taking effect.

If the director is unsure if any change of information is material or if there are updates that should be notified or shared with CIMA, the directors should contact their relevant Walkers attorney for further advice, as necessary.

**Surrender of Director Registration or Licence**

In the event the registered mutual fund de-registers with CIMA, and/or a director is no longer either acting as a director on:

1. the board of any other registered mutual fund; or

2. the board of a company registered as a “Registered Person” under SIBL,
and the director in question no longer wishes to main its director registration or licence with CIMA, then the director should proceed to surrender his/her registration or licence with CIMA by completing the “surrender” section on the director on-line portal. There is a non-refundable surrender fee to CIMA of CI$600 (approximately US$732) for registered directors and CI$800 (approximately US$975) for licensed directors. In addition, any outstanding fees and penalties from previous years must be paid up to date.

If the surrender process is not completed before 31 December in the relevant year, CIMA will not proceed to de-register the director until receipt in full of payment of the next year’s annual fees and the applicable surrender fee (even if the surrender application is made in early January).

For further information please refer to your usual contact or:

Cayman Islands - **Ingrid Pierce**, Partner | ingrid.pierce@walkersglobal.com | +1 345 814 4667

Dubai - **Daniel Wood**, Partner | daniel.wood@walkersglobal.com | +971 4 363 7912

Hong Kong - **Denise Wong**, Partner | denise.wong@walkersglobal.com | +852 2596 3303

London - **Hughie Wong**, Partner | hughie.wong@walkersglobal.com | +44 (0)207 220 4982

Singapore - **Tom Granger**, Partner | thomas.granger@walkersglobal.com | +65 6603 1694

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