



REGULATORY POLICY

Local Audit Sign-off for Private Funds

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List of Acronyms

CIMA	Cayman Islands Monetary Authority
PF	Private Fund
PFA	Private Fund Act



Regulatory Policy Local Audit Sign-off for Private Funds

1. Introduction

- 1.1. This document establishes the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") Regulatory Policy on Local Audit Sign-Off for Private Funds ("the Policy"). The Policy is being issued further to section 13 (1) of the Private Funds Act (as amended) ("the PFA") which mandates that all registered private funds ("PFs") must have their accounts audited annually by an auditor approved by the Authority. Further to this requirement, this Policy outlines the requirement for local audit sign-off and documents an auditor's obligations to the Authority.
- 1.2. The Policy should be read in conjunction with the following:
 - a) the Private Funds Act (as amended);
 - b) the Regulatory Policy: The Approval of an Auditor for a Regulated Institution;
 - c) the Regulatory Policy: Exemption from Audit Requirements for a Registered Private Fund;
 - d) the Authority's List of Approved Auditors; and
 - e) any other relevant acts and regulatory instruments issued by the Authority from time to time.

2. Statement of Objectives

- 2.1. The objective of this Policy is to ensure that PFs are aware of the Authority's requirements on local audit sign-off and that auditors are aware of their obligations to the Authority under the PFA.
- 2.2. The measure is consistent with the Authority's statutory objectives as prescribed in the Monetary Authority Act, including:
 - a) promoting and maintaining a sound financial system in the Cayman Islands;
 - b) having regard to generally accepted principles of good corporate governance;
 - c) endeavouring to promote and enhance market confidence, consumer protection and the reputation of the Islands as a financial centre;
 - d) facilitating innovation in financial services business;
 - e) recognising the need for transparency and fairness on the part of the Authority; and
 - f) recognising the international character of financial services and markets and the necessity of maintaining the competitive position of the Islands, from the point of view of both consumers and suppliers of financial services, while conforming to internationally accepted standards insofar as they are relevant and appropriate to the circumstances of the Cayman Islands.



3. Scope of Application

- 3.1 This Policy is applicable to PFs that are registered by the Authority pursuant to the PFA and will be applied by the Authority primarily in cases where an:
- a) auditor is being appointed by a PF; and
 - b) assessment of the accounts of a PF is being conducted by the Authority.
- 3.2 The Policy does not extend to foreign domiciled funds that are administered in the Cayman Islands, but not otherwise registered as foreign companies doing business in the Islands.

4. Definitions

- 4.1. The following definitions are provided for the purpose of this Rule:
- 4.1.1. **“Private Funds”** has the meaning ascribed to it in the PFA.
 - 4.1.2. **“Auditor”** has the meaning ascribed to it in the PFA.

5. Statutory Audit Requirements

- 5.1. Pursuant to section 13 (2) and (3) of the PFA, the annual audit and accounts of a PF must be prepared in accordance with the International Financial Reporting Standards or the Generally Accepted Accounting Principles of the United States of America, Japan, Switzerland or a non-high risk jurisdiction.
- 5.2. A PF further to having its account audited, must send its audited accounts in respect of each financial year of the PF to the Authority within six months of the end of that financial year or within such extension of that period as the Authority may allow.

6. Statutory Audit Exemptions

- 6.1. The Authority may, in relation to the whole or part of any financial year of a PF, exempt a PF from the requirements of an audit either absolutely or subject to such conditions as the Authority may deem appropriate by virtue of section 13 (6) of the PFA.
- 6.2. The Authority has issued a of Regulatory Policy on the Exemption from Audit Requirements for a PF as additional guidance to PFs. PFs and approved local auditors are encouraged to be acquainted with this Policy.



7. The Policy

- 7.1. It is the policy of the Authority that all PFs have their accounts audited and signed-off by an approved local auditor. All auditors are approved by the Authority pursuant to sections 13(1) of the PFA and in accordance with the Regulatory Policy - the Approval of an Auditor for a Regulated Institution.
- 7.2. Only auditors with a physical presence in the Cayman Islands will be approved as auditors of record for PFs. Physical presence for the purposes of this Policy means, having such resources (including staff and facilities) and such books and records as the Authority considers appropriate having regard to the nature and scale of the business.
- 7.3. All PFs when applying to the Authority to be registered, must appoint a local auditor from the Authority's list of Approved Auditors. The application should include:
 - a) the name and address of the auditor that the PF is proposing to appoint; and
 - b) a letter of consent from the auditor that is being appointed, agreeing to the appointment and confirming that it is aware of its responsibilities and obligations under the PFL.
- 7.4. The Authority does not require that all the audit work of a PF be carried locally or solely by the approved local auditor of record.

8. Auditors' Obligations

- 8.1. If an auditor, in the course of carrying out an audit of the accounts of a PF pursuant to section 13(1), obtains information or suspects that the PF is:
 - (a) unable or likely to become unable to meet its obligations as they fall due;
 - (b) carrying on or attempting to carry on business or winding up its business voluntarily in a manner that is prejudicial to its investors or creditors;
 - (c) carrying on or attempting to carry on business without keeping any or sufficient accounting records to allow its accounts to be properly audited;
 - (d) carrying on or attempting to carry on business in a fraudulent or criminal manner; or
 - (e) carrying on or attempting to carry on business otherwise than in compliance with:
 - (i) this Act or any regulations made under this Act;
 - (ii) the Monetary Authority Act (2020 Revision);
 - (iii) the Anti-Money Laundering Regulations (2020 Revision); or
 - (iv) a condition of its registration imposed under this Act,

the auditor shall immediately give the Authority written notice of the information or suspicion, and in the case of suspicion, the reason for that suspicion. If it appears to the Authority that an auditor has failed to comply with its obligation, the Authority may instruct the PF to remove and replace its auditor.



9. Removal/Change of Local Auditor

- 9.1. Where the auditor appointed has been removed, the PF should outline in writing to the Authority the reason(s) for removing the current auditor along with the name of the proposed new auditor. The Authority will check to confirm that the proposed new auditor is on the Authority's list of local approved auditors and request confirmation of consent from the new auditor of their willingness to act for the entity. The Authority may also check with the current auditor for confirmation of the reason(s) for the change.
- 9.2. A PF fund shall not appoint as an auditor a person removed under the PFA unless the Authority is satisfied that the person will in future comply with PFA.



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