

FUND TYPES — CAYMAN ISLANDS

The Cayman Master Fund

Sitting at the centre of master-feeder structures, the Cayman Master Fund is drawn into CIMA's regulatory net once a regulated feeder routes the bulk of its capital through it — a trigger every multi-feeder platform needs to track.

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Overview

A Master Fund is not a separate statutory category so much as a registration trigger under section 4(3) of the Mutual Funds Act: a Cayman-established vehicle that issues equity interests, holds investments and conducts trading or investment activity to implement the investment strategy of one or more regulated feeder funds becomes itself a registrable mutual fund once it has one or more regulated feeders investing substantially through it. Most master funds are themselves registered under section 4(3) on the same basis as an ordinary Registered Fund, though CIMA does use a dedicated application form reflecting the master's distinct role in the structure.

Master Funds are the backbone of the classic Cayman master-feeder architecture — commonly pairing a US onshore feeder for US taxable investors and a Cayman offshore feeder for non-US and US tax-exempt investors, both investing substantially all their assets into a single Cayman master, which then executes the actual trading strategy. Because the master itself typically has very few direct “investors” (its feeders), and because master funds are generally prohibited from registering as Limited Investor Funds even with few feeders, the master fund registration requirement exists specifically to ensure CIMA has full-chain oversight of the vehicle actually running the strategy.

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Key features

Feature	Master Fund	vs. standalone Registered Fund
Registration trigger	One or more regulated feeders investing substantially through the master	Direct investor subscriptions meeting the US\$100,000 threshold
Threshold test	Mirrors Registered Fund, applied to feeders	Same test, applied to direct investors
Limited Investor exemption	Generally not available, even with few feeders	Available if 15 or fewer investors, majority-controlled
Annual fee	CI\$3,075 (~US\$3,748)	CI\$4,125 (~US\$5,030) — notably higher than the master's own fee
Documentation	Prescribed particulars rather than a full standalone offering document in some structures	Full offering document required

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Regulatory framework

The master fund concept was significantly expanded by amendments to the Mutual Funds Act that closed a prior gap where masters sitting below unregulated or exempted feeders escaped CIMA's perimeter entirely; the current test looks at whether the master has one or more regulated feeder funds investing substantially through it. Once triggered, registration proceeds via REEFS using a dedicated application form, together with the auditor and administrator consent letters, certificate of incorporation, MLRO details, and prescribed particulars of the master's investment strategy and feeder relationships.

Post-registration, the master fund sits within the same compliance framework as any other regulated mutual fund — audited financial statements and a Fund Annual Return within six months of financial year end, the annual fee due 15 January, 21-day notification of material changes, AML/CFT officer maintenance, economic substance notification, and beneficial ownership compliance. Because the master typically has no retail-facing offering document of its own, disclosure obligations to underlying feeder investors are principally satisfied through the feeder's own offering document, with the master's registration functioning primarily as a CIMA-oversight and asset-segregation safeguard.

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Practical considerations

- Track feeder regulatory status continuously — a master that starts with only unregulated feeders and later gains a CIMA-regulated feeder crossing the relevant threshold must register promptly.
- Do not assume the Limited Investor Fund route is available to reduce a master's documentation burden — it generally is not, regardless of how few feeders the master has.
- Budget for the master's own, lower annual fee separately from each feeder's own annual fee — a common budgeting error is to treat the master-feeder group as paying a single CIMA fee.
- Coordinate audit timing and scope across the master and its feeders early with the auditor — combined or consolidated reporting can reduce audit cost and duplication but requires upfront structuring.
- For platforms with multiple feeders in different jurisdictions, confirm which feeder(s) trigger the master's regulated-feeder test, since an entirely non-regulated feeder base may mean the master need not register at all.
- If restructuring an existing standalone Registered Fund into a master-feeder architecture, confirm with counsel whether the existing registration can simply continue or whether a fresh application is required.

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How Berkley can help

Berkley Fund Services administers Cayman Islands funds across all of CIMA's registration and licensing categories, handling NAV calculation, investor register maintenance, CIMA and Fund Annual Return filings, and coordination with a fund's auditor and directors. Promoters weighing up which Cayman

category best fits a proposed structure are welcome to discuss their plans with Berkley's team before finalising an offering document.

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