

CAYMAN ISLANDS



PRIVATE FUNDS (AMENDMENT) BILL, 2026

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A BILL FOR AN ACT TO AMEND THE PRIVATE FUNDS ACT (2025 REVISION) TO PROVIDE FOR SPECIFIC REQUIREMENTS FOR TOKENISED PRIVATE FUNDS; TO PROVIDE FOR, AMONG OTHER THINGS, DEFINITIONS FOR “DIGITAL INVESTMENT TOKEN” AND “TOKENISED PRIVATE FUND”; AND FOR INCIDENTAL AND CONNECTED PURPOSES

PUBLISHING DETAILS

Sponsoring Ministry/Portfolio: Ministry of Financial Services and Commerce (FSC)



Memorandum of OBJECTS AND REASONS

The Bill amends the Private Funds Act (2025 Revision) (“the principal Act”) to provide for the framework and specific requirements for tokenised private funds. Tokenised private funds are private funds that have investment interests represented by digital investment tokens. The Bill also amends the principal Act to amend definitions and to introduce new definitions relating to tokenised private funds.

Clause 1 provides the short title of the legislation.

Clause 2 amends section 2 of the principal Act to amend the definition of the words “debt” and to insert new definitions in respect of, among other things, the words “digital investment token”, “partnership interest” and “tokenised private fund”.

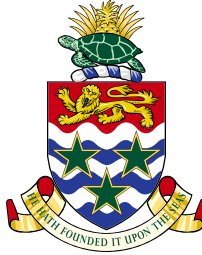
Clause 3 amends section 6 of the principal Act to provide that a tokenised private fund that applies for registration under the principal Act shall comply with specified requirements. These requirements include that the tokenised private fund obtains and securely maintains records relating to the issuance, creation, sale, transfer and ownership of an investment interest that is represented by digital investment tokens. The tokenised private fund is required also to make the records available to the Authority within such period as may be specified by the Authority.

Clause 4 inserts proposed new sections 19A and 19B in the principal Act. The proposed new section 19A sets out the requirements for tokenised private funds. The specific requirements for tokenised private funds include —

- (a) the requirement for an annual confirmation by the operator of the tokenised private fund that all records relating to the issuance, creation, sale, transfer and ownership of an investment interest that is represented by a digital investment token have been properly kept and maintained in compliance with the requirements set out in the legislation;
- (b) the requirement that an investment interest that is represented by a digital investment token is only transferrable with the approval of the operator of the tokenised private fund in accordance with the offering document;
- (c) the requirement for the disclosure of identified risks specific to the digital investment token to be provided in the offering document; and
- (d) the requirement that the offering document sets out how the risks identified are addressed or mitigated for investors.

The proposed new section 19B provides that the Authority shall exercise supervisory powers over tokenised private funds to ensure compliance with the legislation and the protection of investor interests.

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Arrangement of Clauses

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ENACTED by the Legislature of the Cayman Islands.

Short title

1. This Act may be cited as the Private Funds (Amendment) Act, 2026.

Amendment of section 2 of the Private Funds Act (2025 Revision) - interpretation

2. *The Private Funds Act (2025 Revision)*, in this Act referred to as the “principal Act”, is amended in section 2 as follows —
 - (a) in the definition of the word “**debt**”, by deleting the words “in respect of a share,” and substituting the words “in respect of a share, an LLC interest,”; and
 - (b) by inserting in the appropriate alphabetical sequence the following definitions —

“**digital investment token**” means a digital representation of the whole of an investment interest held by an investor in a private fund; “**partnership interest**” means the interest of a partner in a partnership in respect of —

- (a) the profit;
- (b) the capital; and
- (c) the voting or other rights, benefits or obligations,

to which the partner is entitled or subject pursuant to the partnership agreement or this Act; and

“**tokenised private fund**” means a private fund that has any of its investment interests represented by digital investment tokens;”.

Amendment of section 6 - application to be registered

3. The principal Act is amended in section 6 by inserting after subsection (2) the following subsection —

“(3) A tokenised private fund that applies for registration under subsection (1) shall apply to the Authority in the prescribed manner subject to complying with the following—

- (a) the tokenised private fund obtains, and securely maintains, all records relating to the issuance, creation, sale, transfer and ownership of an investment interest that is represented by a digital investment token, including records containing any additional information which may be required by the Authority, and makes these records available to the Authority, or any person assigned by the Authority, within the period specified by the Authority; and
- (b) the tokenised private fund complies with any other requirement under this Act which is applicable to a tokenised private fund.”.

Insertion of section 19A – specific requirements for tokenised private funds

4. The principal Act is amended by inserting after section 19 the following sections —

“Requirements for tokenised private funds

- 19A.**
- (1) The requirements in this section apply in respect of a tokenised private fund and are in addition to the other requirements under this Act.
 - (2) The operator of a tokenised private fund shall confirm annually to the Authority that all records relating to the issuance, creation, sale, transfer, and ownership of an investment interest that is represented by a digital investment token have been properly kept and maintained in compliance with the requirements of this Act.



- (3) An investment interest that is represented by a digital investment token is only transferrable with the approval of the operator of the tokenised private fund in accordance with the offering document.
- (4) The tokenised private fund shall disclose in the offering document any risks specific to the digital investment tokens identified by the tokenised private fund, including considerations regarding cybersecurity, the transferability of the digital investment token and any other potential risks identified by the Authority.
- (5) The offering document shall set out how the risks identified in subsection (4) are addressed or mitigated for investors.
- (6) The Authority may impose specific restrictions on the characteristics of a digital investment token that represents an investment interest created by a tokenised private fund and, where the Authority imposes specific restrictions, the tokenised fund shall ensure that the digital investment token is in compliance with those requirements.
- (7) The tokenised private fund shall comply with any periodic reporting requirement specified by the Authority under this Act.
- (8) The Authority —
 - (a) may request any additional information that is required to enable the Authority to make a decision on an application in respect of a tokenised private fund; and
 - (b) shall monitor on-going compliance of a tokenised private fund with the requirements of this Act.”.

Exercise of supervisory powers by the Authority

19B. The Authority shall exercise supervisory powers over tokenised private funds to ensure compliance with this Act and the protection of investor interests including carrying out inspections of —

- (a) the underlying technology; and
- (b) digital investment token transactions.”.

Passed by the Parliament the _____ day of _____, 2026.

Speaker

Clerk of the Parliament

