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Cayman database a major step forward

by *Kevin Ryan*

Earlier this month, the Cayman Islands financial regulator, Cima, revealed proposals to create a public database showing details of offshore directors' workloads. This move follows a long campaign by investor pressure groups who have been lobbying Cima to help them in their due diligence process.

The database is part of a comprehensive review of Cayman governance that will be welcomed by the hedge fund investment community. Other governance proposals include greater regulation of Cayman fund directors, clarification of directors' responsibilities and a requirement for a minimum number of board meetings.

Investors have been particularly frustrated by a small number of directors who have repeatedly refused to disclose their portfolios of roles. In some cases, individuals are reputed to work simultaneously on hundreds of board positions. Stories of these so-called 'jumbo directors' have made their way into the mainstream press, with Cayman directors becoming the subject of a *Financial Times* extended investigation in 2012. Cima is obviously keen to restore the island's reputation.

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The regulator stopped short of introducing a cap on the number of roles undertaken by any one director, with the explanation that a transparent public database will allow market forces to dictate what investors perceive as acceptable portfolios of roles.

Investors had been concerned that the proposed database would have limited use, being searchable only by fund name, but Cima have confirmed their intention that the database will also be searchable by director name.

Creation of the database is likely to be financed by introducing licencing and/or regulation fees for directors, which will create further overheads for the funds, but it is hoped that these will be relatively small with the onus being placed on directors to regularly update their details.

Some questions regarding the new proposals remain unresolved. Cima makes no comment about whether the database will be searchable historically, though some investors have expressed an interest in identifying directors involved in past hedge fund blow-ups. The regulator is also circumspect about the role, if any, that corporate directors will be allowed to play in constructing fund boards. The timing of when the new database will be introduced has also not been revealed.

Overall though, Cima's proposals are a major step forward and should be applauded. The creation of a transparent database should resolve a long-standing grievance with investors, allowing them to conduct better due diligence on their investments, and helping improve the reputation of the hedge fund industry as a whole.

For more on the proposals [click here](#).

Kevin Ryan is founder & CEO of HedgeDirector

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