

The Cayman Islands Prepares for the Introduction of LLCs

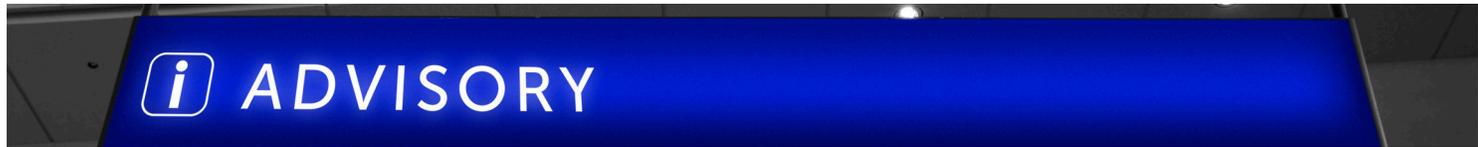
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After much anticipation in the market, we are delighted to report that the Limited Liability Companies Bill 2015 (the “LLC Bill”) has been Gazetted in the Cayman Islands today and is expected to become law very early next year. Once passed in to law, Cayman Islands Limited Liability Companies (an “LLC”) will be available for the first time.

A Cayman Islands LLC will be very similar to a Delaware limited liability company. There has been much demand from the US financial services industry for a Cayman Islands LLC, and we expect the market to take up using it straight away.

The draft LLC Bill is largely based on the current Delaware Limited Liability Companies law, with certain changes for Cayman Islands law and concepts. The key features of a Cayman Islands LLC are:

- It will be a body corporate with separate legal personality, having at least one member.
- The liability of a member to make contributions to the LLC will be limited to such amounts as agreed in the LLC Agreement.
- Registration of the LLC will be effected by the filing of a registration statement with the Registrar of Limited Liability Companies in the Cayman Islands (the “Registrar”). The LLC Agreement is not required to be filed with the Registrar.
- Members are free to agree among themselves the internal workings of the LLC in the LLC Agreement. This includes agreeing mechanisms such as capital accounting and capital commitments, allocations of profits and losses, allocations of distributions, voting rights (including negative consents) and classes of interests.
- The management of the LLC shall either vest in its members acting by a majority in number or, if the LLC Agreement provides, by one or more managers. The LLC Agreement may provide for classes of managers having such rights, powers and duties for the relevant class as specified therein.
- Subject to the provisions of the LLC Agreement, a manager of a LLC shall not owe any duty (fiduciary or otherwise) to the LLC or any member or any other person except a duty to act in good faith, and such duty of good faith may be expanded or restricted by the express provisions of the LLC Agreement.
- A person serving on any board or committee of a LLC shall, subject to the LLC Agreement, not owe any duty to the LLC or to any member and may, if expressly permitted by the LLC Agreement, act in a manner which the person believes to be in the best interests of a particular member or members (even though it may not be in the best interests of all members or the LLC).
- A LLC shall not make a distribution or release a member from any obligation to the LLC to the extent that the LLC is insolvent at such time. A member who receives a distribution or is purportedly released and who had actual knowledge the LLC was insolvent at the time of the distribution or purported release, shall be liable for the amount of the distribution or for performance of the obligation purportedly released.
- A LLC shall maintain a register of its members, a register of its managers and a register of mortgages and charges.



- Exempted companies will be able to convert into an LLC.
- An LLC may merge or consolidate with exempted companies or any foreign entity with separate legal personality.
- Transfer by way of continuation into the Cayman Islands and transfer by way of continuation out of the Cayman Islands are also permitted for LLCs.

Walkers has worked closely with the Cayman Islands government on the new legislation. We will provide a further update once the Limited Liability Companies Bill 2015 becomes law.

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