

Cayman LLCs: Ready to rumble

July 2016

What has happened?

The Cayman Island's government approved the Limited Liability Companies Law, 2016 (the **LLC Law**) providing for the formation and operation of the new Cayman Islands limited liability company (**LLC**) on 8 June 2016 but delayed the LLC Law's implementation date.

The implementation date has now been confirmed, giving effect to the LLC Law from 8 July 2016.

The General Registry of the Cayman Islands has stated that the Limited Liability Companies Register will become operative with effect from 13 July 2016. From this date, Cayman LLCs can be established, existing Cayman exempted companies (the traditional form of Cayman corporate vehicle) can be converted into Cayman LLCs and foreign entities can now be continued, merged or consolidated into Cayman LLCs.

The LLC Law

A copy of the LLC Law is available [here](#).

Cayman LLC Analysis

Our previous update [The Dawn of LLCs in the Cayman Islands](#), based on the bill issued on 18 December 2015 ([the Bill](#)), provided background to the development behind LLCs and their key features based on the Bill.

The approved LLC Law is largely consistent with the Bill. Our [Key Features of Cayman LLCs](#) expands on our initial update.

Who is going to use the new LLCs?

As we indicated in our initial update, Cayman LLCs have been developed primarily with the funds (particularly US) industry in mind, driven by the US form of LLC specifically the Delaware LLC.

As a result we expect the Cayman LLC to prove immediately popular with fund structures, both open ended and closed ended, providing a direct offshore equivalent to the onshore LLC. We anticipate their use as general partners of exempted limited partnerships (**ELPs**), master/feeder hedge fund entities (corresponding with the US feeder typically being an LLC), carried interest vehicles as well as stand alone funds which previously may have used exempted companies or the ELP due to the LLC's contractual flexibility, particularly with respect to profit and loss allocation, contribution, distribution and redemption mechanics, capital considerations and issues of interests as opposed to shares.

Synergies are expected where the US side of funds structures currently use LLCs as the documentation used for Cayman LLCs is likely to be very similar. Sponsors and onshore counsel will benefit from their existing familiarity with LLC concepts.

Outside of a funds context the flexibility of LLCs, including limited default member/manager duties (including fiduciary duties) together with the 'user friendly' profit and loss allocation, contribution and distribution mechanics, undoubtedly also lends itself extremely well to stand-alone corporate vehicles including joint venture vehicles, holding companies and intermediate corporate entities.

In addition to the formation of new LLCs we expect to see clients make use of the ability to convert existing Cayman exempted companies to LLCs as well as migrating foreign LLCs and other foreign corporate entities into Cayman whether by way of continuation or using the merger/consolidation provisions of the LLC Law.

From a jurisdictional perspective we also anticipate that the combination of:

- General familiarity within the financial, funds and corporate industries (and their onshore legal advisers) with the LLC type of entity
- The particular contractual based flexibility and ease of use of the Cayman LLC
- The advantages of separate legal personality
- Cayman's existing reputation as one of the premier offshore jurisdictions, will prompt clients and their advisors who may have historically used other offshore jurisdictions to reassess their needs as well as attracting into Cayman new clients from jurisdictions who have not previously found an offshore vehicle which matches their needs

Where do I go to for more information?

Take a look at the [Key Features of Cayman LLCs](#) and if you have any questions on Cayman LLCs please contact any of the partners highlighted below.

As a new form of Cayman entity the law and practice relating to Cayman LLCs will undoubtedly develop rapidly over the coming months and years as these vehicles are used and we will continue to provide updates.