

Further enhancements to Cayman Islands companies law introduced

The Cayman Islands Government has introduced various changes to the Companies Act (2023 Revision) (as amended, the **Companies Act**), with the aim of ensuring that the jurisdiction is constantly evolving to meet global market dynamics, such that it maintains its reputation as a leading financial services centre.

Introduction

The Companies (Amendment) Act, 2024 (the **Amendment Act**) was gazetted on 11 March 2024 and, once in force, will amend the Companies Act to:

- vary the procedure for the reduction of share capital, in certain circumstances, to lower the costs for companies and make the process faster and more efficient;
- permit the repurchase or redemption of fractional shares;
- offer more flexibility for Cayman Islands structures by permitting a limited liability company (LLC) or a foundation company to convert to an exempted company; and
- enable a foreign body corporate without a share capital to apply to be registered by way of continuation as a Cayman Islands exempted company.

The Amendment Act is expected to come into force in a phased approach. We will issue further updates as the various provisions come into effect.

Reduction of share capital

The current process for a reduction of share capital for a solvent company (other than via a redemption or repurchase) requires court approval, which is both costly and impractical, given that creditor protection is not required for a solvent company. The Amendment Act allows for capital reductions without court approval, if permitted by the company's articles of association. As such, companies limited by shares or by guarantee will be permitted to reduce share capital by a special resolution for reducing share capital supported by a solvency statement.

In order to register the reduction of share capital, both the solvency statement and the minute of reduction must be delivered to the Registrar within 15 days after the special resolution for reducing share capital is passed. The Registrar will then publish notice of the registration in the Cayman Islands Gazette.

Fractional shares

The Amendment Act clarifies that fractional shares may be repurchased or redeemed, if permitted by the company's articles of association. This will provide welcome clarity for the funds industry where dealings with fractional shares are not uncommon.

Conversion and re-registration

In order to offer increased flexibility for potential changes in circumstances which may require amendments to established Cayman structures, the Amendment Act permits the conversion of an LLC or a foundation company to an exempted company. It should be noted that equivalent provisions already exist in the Limited Liability Companies Act (2023 Revision) to convert an exempted company to an LLC. Such conversions provide a useful option in many scenarios, for example, to facilitate initial public offerings.

As a conversion does not create a new legal entity, it will not affect the continuity of the converting entity or its property. Any appointments made or resolutions passed, and any legal proceedings conducted by or against the entity, will not be affected.

The Amendment Act also allows for the re-registration of an exempted company as an ordinary resident company for companies wishing to convert to allow them carry on business within the Cayman Islands.

Continuation by bodies corporate

The Amendment Act offers further flexibility for structures by allowing bodies corporate with or without a share capital under the laws of any jurisdiction outside of the Cayman Islands to apply to be registered by way of continuation as an exempted company limited by shares under the Companies Act. Previously only bodies corporate with a share capital could continue into the Cayman Islands as an exempted company.

Next steps

For more information, please reach out to your usual Mourant contact or one of the key contacts listed on this page.

Contacts



Alex Last
Managing Partner, London
Mourant Ozannes (Cayman) LLP
+44 20 7796 7604
alex.last@mourant.com



Catherine Pham
Partner
Mourant Ozannes (Cayman) LLP
+1 345 814 9247
catherine.pham@mourant.com



Craig Luton
Managing Partner, Singapore
Mourant Ozannes (Singapore) LLP
+65 9454 7253
craig.luton@mourant.com



Paul Christopher
Managing Partner, Hong Kong
Mourant Ozannes (Hong Kong) LLP
+852 3995 5700
paul.christopher@mourant.com



Ramesh Maharaj
Partner
Mourant Ozannes (Cayman) LLP
+345 814 9170
ramesh.maharaj@mourant.com

This update is only intended to give a summary and general overview of the subject matter. It is not intended to be comprehensive and does not constitute, and should not be taken to be, legal advice. If you would like legal advice or further information on any issue raised by this update, please get in touch with one of your usual contacts. You can find out more about us, and access our legal and regulatory notices at mourant.com. © 2024 MOURANT ALL RIGHTS RESERVED