

UPDATE

Amendments to Cayman Islands company law coming into force

Update prepared by Tom McLaughlin (Cayman Islands)

Amendments to the Companies Act (2025 Revision) (the **Companies Act**) of the Cayman Islands have now been confirmed as coming into force in the new year. This update summarises the key changes, which are designed to align with the latest global market standards.

Introduction

The Companies (Amendment) Act, 2024 (the **Amendment Act**) will come into force on **1 January 2026**, amending the Companies Act to, among other things:

- streamline the procedure for reduction of share capital (in certain circumstances) to reduce the costs for companies and make the process faster and more efficient;
- permit the redemption or repurchase of fractional shares, simplifying operations for investment funds and listed companies;
- increase flexibility for Cayman Islands structures by enabling a limited liability company (LLC) or a foundation company to convert to an exempted company; and
- expand continuation provisions to allow a foreign body corporate without a share capital to apply to be registered as a Cayman Islands exempted company.

Reduction of share capital

Under the current regime, a solvent company wishing to reduce its share capital (other than through redemption or repurchase) must obtain court approval. This process is costly and impractical, particularly as creditor protection is unnecessary for a solvent entity.

The Amendment Act removes this requirement by allowing capital reductions without court approval, where permitted by the company's articles of association. Companies limited by shares or by guarantee will now be able to reduce share capital by passing a special resolution supported by a solvency statement.

The form of solvency statement will be prescribed and will include confirmations to the effect that a full enquiry into the company's affairs has been made and to the best of the directors' knowledge and belief the company will be able to pay its debts as they fall due in the ordinary course of business commencing on the date of the statement.

To register the reduction, both the solvency statement and the minute of reduction must be filed with the Registrar of Companies within 15 days of passing the special resolution. The Registrar will then publish a notice of the registration in the Cayman Islands Gazette.

Fractional shares

The Amendment Act confirms that fractional shares may be redeemed or repurchased, where permitted by the company's articles of association. This clarification is particularly beneficial for the funds industry, where dealings with fractional shares are not uncommon.

Conversion and re-registration

To provide greater flexibility for adapting to changing circumstances that may require amendments to existing Cayman structures, the Amendment Act permits the conversion of an LLC or a foundation company to an exempted company. This aligns with existing provisions under the Limited Liability Companies Act (2025 Revision) which permit an exempted company to convert to an LLC. This increased flexibility will provide useful options in various scenarios, such as facilitating an initial public offering.

As conversion does not create a new legal entity, the continuity of the converting entity and its assets is preserved. Existing appointments, resolutions and any legal proceedings by or against the entity remain unaffected.

Additionally, the Amendment Act 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 enhances structural flexibility by allowing bodies corporate, with or without a share capital, established 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 were eligible to continue into the Cayman Islands as an exempted company.

Other changes to the Companies Act

The Amendment Act also amends the Companies Act to:

- add an express definition of "public in the Islands" for the purposes of the Companies Act; and
- clarify certain aspects of the process for acquiring shares of dissenting shareholders following an offer (such as a tender offer) that is accepted by the holders of at least 90 per cent in value of the shares for which the offer has been made. This change does not impact the dissenters' rights provisions of the Companies Act that apply to statutory mergers and consolidations.

Next steps

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

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