

A quick guide to directors' duties - Cayman Islands exempted companies

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The duties of directors of exempted companies incorporated in the Cayman Islands are governed primarily by the Companies Act (2023 Revision) (as amended, the **Companies Act**) and principles established by the common law.

The following rules issued by the Cayman Islands Monetary Authority (**CIMA**) are also instructive for directors of Cayman Islands regulated funds:

- Rule and Statement of Guidance on Internal Controls for Regulated Entities;
- Rule on Corporate Governance for Regulated Entities; and
- Statement of Guidance on Corporate Governance – Mutual Funds and Private Funds.

This quick guide provides an overview of some of the main duties of directors of Cayman Islands exempted companies. Please note that, in certain circumstances, a breach of the duties outlined below may be ratified by obtaining the fully informed consent of the shareholders.

Duty	Description
Statutory duties	
Registered office	Directors must ensure the Registrar of Companies (ROC) is notified of the details of a company's registered office and any changes to the registered office.
Register of members	Directors must maintain a register of members which conforms with the requirements of the Companies Act. The register of members of an exempted company may be kept at any location.
Annual returns	Directors are responsible for filing annual returns and paying the prescribed fee to the ROC.
Register of mortgages and charges	Directors must maintain a register of mortgages and charges at the registered office of the company containing details of all mortgages and charges over the company's property.
Register of directors	Directors must maintain a register of directors at the registered office of the company, provide a copy of the register to the ROC and notify the ROC of any changes of directors within 30 days.
AGM	An exempted company is not required to hold an annual general meeting of members.
Accounting requirements	Directors must ensure that the company keeps proper accounts, which provide a true and fair view of the state of the company's affairs and explain its transactions.
Special resolutions	Directors must ensure that a copy of any special resolution passed by the company is forwarded to the ROC within 15 days.

Duty	Description
Duty of care, skill and diligence	
Care, skill and diligence	Directors must act competently. Even if a director's loyalty cannot be faulted, his negligence may still amount to a breach of duty. However, directors are not generally liable for mere errors of judgment.
Fiduciary duties	
Good faith	Directors must act loyally, honestly and in good faith in what they consider to be the best interests of the company. The Court will test whether the director genuinely believed that he was acting in the company's best interests. The duty is owed to the company as a whole, and not to its individual members, subsidiaries, holding company or associated companies.
Proper purpose	Directors must exercise their powers only for the purpose for which they were conferred and not for any personal or collateral purpose.
Confidentiality	Directors owe a duty of confidentiality to the company and may only use or disclose information obtained in confidence in the course of their directorships for the benefit of the company.
Avoid conflicts	Directors must avoid placing themselves in a position where there is an actual or potential conflict between their duty to the company and a duty owed to another person or entity.
Declare interests	Directors must disclose any personal interest in any proposed or existing transaction involving the company.
No secret profits	If a director becomes aware of any opportunity while acting as a director, the director cannot make a personal profit from it.
Promote success	Directors must act in a manner likely to promote the success of the company and act for the benefit of its members as a whole.
Exercise independent judgment	Directors must exercise independent judgment, including when delegating matters and deciding whether to follow any advice obtained, and may not, for example, agree to exercise their powers in accordance with instruction from a third party.
No fettering discretion	Directors must not restrict their ability to exercise independent judgment on the company's behalf. For example, a director cannot agree with a third party to vote in any particular way at a board meeting.
No misapplication of property	Directors must not retain for their own benefit or pass to third parties property forming part of the business of the company.
No exceeding authority	Directors must not act beyond the powers granted to them.
Company's governing documents	Directors must act in accordance with the company's articles of association, constitution and member resolutions.
CIMA regulatory measures	
Internal controls	The directors of a Cayman Islands regulated entity must ensure that an adequate and effective system of internal control is established, documented and maintained in a manner which is commensurate with the size, complexity, structure, nature of business and risk profile of the regulated entity's operations.
Good governance	The directors of a Cayman Islands regulated fund must establish, implement and maintain a corporate governance framework which addresses, amongst other things, the following matters in a manner which is commensurate with the size, complexity, structure, nature of business and risk profile of the fund's operations: • the objectives and strategies of the fund; • appropriate allocation of oversight and management responsibilities; • independence and objectivity; • the collective duties of the directors; • the duties of individual directors; • appointments and delegation of functions and responsibilities;

Duty	Description
	• risk management; • conflicts of interest and code of conduct; • remuneration policy and practices; • reliable and transparent financial reporting; • transparency and communications; and • relations with CIMA.
Supervise and oversee	The directors are required to supervise and oversee a fund's activities. This requirement underpins other principles under the Corporate Governance Measures and includes a requirement that the directors hold regular meetings, at least annually.
Internal records	The directors must ensure that internal documents fully record the proceedings of the directors' meetings.
Risk management	The directors must consider and discuss a fund's risks and ensure that they are appropriately managed and mitigated.

For further details, please see our full guide on [Cayman Islands exempted companies - Directors' duties and liabilities](#).

Contacts

A full list of contacts specialising in Cayman Islands law can be found [here](#).