

Cayman LLC proof that Cayman is listening to US managers

Interview with Matt Mulry

The Cayman Islands Government published The Limited Liability Companies Bill, 2015 on 18 December 2015 which, when enacted, will provide for the introduction of a new Cayman legal vehicle, the Cayman Limited Liability Company (LLC). The draft legislation closely aligns the Cayman LLC to the United States' Delaware LLC model which will mean that the new structure will be instantly recognisable to the US market. This is a significant development for Cayman.

"The introduction of the Cayman LLC will be an important step for Cayman and will represent an entirely new corporate form for managers and investors to use in their fund structures," says Matt Mulry, Partner, Financial Services, Dillon Eustace (Cayman).

Mulry says that the view among industry practitioners is that the Cayman LLC might in many cases be a vehicle better suited to the Cayman investment fund product than a Cayman exempted company, limited partnership or unit trust.

"The introduction of the Cayman LLC is likely to have a big impact in Cayman and among those managers and professional advisers who use the Cayman Islands for their hedge fund and private equity fund structures. It is likely to gain immediate recognition with US lawyers and US fund managers and to have an immediate application in US master feeder structures.

"The Cayman LLC will have the structural flexibility of a limited partnership, but, crucially, unlike a Cayman exempted limited partnership the LLC will have a legal personality separate from its members," explains Mulry. The fact that it has a legal personality is likely to assist with international tax structuring.

Mulry notes that the US LLC has, since its



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introduction, become one of the most popular corporate forms in the US and believes that the Cayman LLC could well become one of the most popular corporate forms in Cayman. The draft legislation provides for the conversion of exempted companies to a Cayman LLC, for the merger of companies into a Cayman LLC and for the redomiciliation of foreign entities into Cayman as a Cayman LLC.

"It will give US managers the ability to use the Cayman LLC structure in a way that is familiar to US investors," says Mulry. "Wide flexibility will be available to craft the constitutional document of a Cayman LLC to allow bespoke terms to be created to meet the needs of investors and manager.

"The LLC will be capable of being operated on the capital commitment and contribution model used in a limited partnership structure. The partnership, currently, is the preferred vehicle for private equity funds but I do think hedge funds will also find benefits in using the Cayman LLC; for example, the more straightforward valuation and administration of the Cayman LLC as a corporate entity which represents its investor's interests in a capital account rather than a fixed number of shares."

By introducing the LLC legal vehicle, Cayman is demonstrating that it is looking to further support the needs of its biggest and most important market; the US.

"The introduction of the LLC is a welcome reminder that the Cayman Government and Regulator is actively engaged with those involved in the international funds industry and is committed to positively supporting those market participants whilst at the same time meeting international calls for greater transparency and regulation," concludes Mulry. ■