

# Key Benefits of Cayman Islands Structures

Companies incorporated in the Cayman Islands are amongst the most popular offshore holding structures in the world due to the political and economic stability of the Cayman Islands, the use of the English language and the US Dollar, and other unique advantages set out in this guide. Cayman vehicles are most commonly used in company or partnership-based fund arrangements, but holding company structures and Cayman trusts are also popular.

## Political and economic stability

The Cayman Islands is a British overseas territory and has a history of stable government. The British government retains responsibility for internal security, defence and external affairs. Prudent economic policies and a strong financial services sector have resulted in the islands enjoying an AAA sovereign risk rating. The favourable economic situation of the Cayman Islands is reflected in its political stability.

## Absence of exchange controls

There are no exchange control restrictions or regulations in the Cayman Islands. Funds can be freely transferred in and out of the Islands in unlimited amounts. The Cayman Islands dollar is tied to the US dollar and the latter is freely accepted and used within the local economy.

## Taxation

In addition to the current tax-free status (companies are free from all Cayman Islands income, capital gains, corporation and withholding taxes), companies receive a tax exemption undertaking from the Cayman Islands government, confirming that such tax-free status will be maintained for a period of 20 years from incorporation, irrespective of any subsequent generally applicable law change, which period can be extended for a further period of ten years if the transaction requires it. This guarantee against future tax law change is not provided by other leading offshore jurisdictions.

## Speed

Subject to satisfying relevant KYC (know your client) requirements, companies can be incorporated quickly by licensed registered office providers via Cayman's online electronic interface, usually within 24 hours.

## Names

Cayman companies may be incorporated with foreign character names (eg a Chinese or Arabic name) in addition to their English name and there is no requirement for exempted companies to end in "Ltd" or "Limited".

## Cost

The cost of forming and maintaining Cayman entities is competitive and usually minimal in the context of most transactions.

## Confidentiality

Neither the register of directors nor the share register of a company is required to be publicly filed in Cayman, however the names of the current directors of a company are publicly available through a database search at the Registrar of Companies upon payment of a search fee. Although safeguards exist to prevent abuse of corporate confidentiality in relation to money laundering and international crime, law abiding companies can exist with the confidence of privacy.

## Full compliance with anti-money laundering and information exchange standards

The Cayman Islands has long been committed to implementing best international practice and is complying with the requirements of the Organisation of Economic Cooperation and Development (**OECD**) and the Financial Action Task Force (**FATF**). Cayman's response to global tax and transparency matters includes the signing of over 30 Tax Information Exchange Agreements (**TIEA**), with negotiations either completed or underway with a number of other jurisdictions. In November 2013 Cayman signed a FATCA-style intergovernmental agreement (**IGA**) with the UK, and weeks later became the first Overseas Territory to sign both a FATCA Model 1B IGA, and a new TIEA to replace the original 2001 agreement, with the US.

## Corporate flexibility

Company law in the Cayman Islands is designed to provide the maximum flexibility consistent with common law legal systems. Companies are permitted to undertake any lawful act or activity, and there are no strictures relating to corporate benefit provided that the directors of a company fulfil their fiduciary duties by acting in the best interests of that company.

## Capitalisation requirements

Cayman does not impose "thin capitalisation" rules or impose any general maintenance of capital requirements. Provided a company maintains cash-flow and balance sheet solvency, there are no limitations relating to its ability to distribute assets to its shareholders by way of dividend. There is no statutory restriction on the provision of financial assistance in respect of the acquisition of a Cayman company's shares.

## IPO ready

For successful businesses, Cayman companies are widely used in international capital markets as listing vehicles. Shares in Cayman companies are listed on stock exchanges in London (LSE and AIM), New York (NASDAQ and the Big Board), Toronto, Hong Kong and Singapore, amongst others. Due to the international nature of companies, the Cayman Islands has not sought to introduce its own securities laws. As such there are no additional specific regulatory requirements that a company has to satisfy or meet under Cayman law prior to listing. In addition, the Cayman Islands Stock Exchange (**CSX**) which has "recognised stock exchange" status from the UK HM Revenue and Customs provides a listing facility for offshore mutual funds, specialist deb securities, global depositary receipts, derivative warrants and Eurobonds.

The CSX currently has listed more than 5,611 securities and maintains a market capitalisation of more than US\$372 billion. The exchange has been granted "approval" status by the London Stock Exchange allowing securities listed on the exchange to be regarded as international equity market securities.

## Debt financing

Cayman has a developed an insolvency system which, whilst not usually a great consideration for entrepreneurs, is normally a key factor for banks who are being asked to fund them. Governmental approvals are not required for lending, borrowing or issuing of debt securities or for a company acting as a holding company of a foreign operating group.

## Cayman Islands Monetary Authority

The mission of the Cayman Islands Monetary Authority (**CIMA**) is to regulate and supervise the financial services industry in order to maintain a first class financial system. CIMA has regard to international standards and the need for operational freedom by financial services providers for the maintenance of a dynamic and competitive industry.

## Law

The law relating to companies is derived from the English common law (which is persuasive but not binding in any case before a Cayman Islands court), overlaid by the Cayman Islands' Companies Act which provides the specific provisions as to the establishment, maintenance, operation, insolvency and dissolution of Cayman Islands companies. The statute has evolved to accommodate the complex structures found in modern cross-border transactions.

## Innovative trust structures

Trust law has been heavily modified in Cayman to remove un-commercial common law provisions. New, innovative and flexible legislation, such as STAR trusts and private trust companies, combined with the strength and experience of the Cayman Courts, have ensured that Cayman remains at the cutting edge of sophisticated trust planning for high-net-worth families around the globe and have driven the popularity of trusts governed by the laws of the Cayman Islands.

## Commercial court

Commercial ventures can, and sometimes will, go wrong and result in disputes. The courts system is well developed and experienced, the court system in the Cayman Islands is a simple one and practice and procedure are based on English law. Major civil cases are heard in the Grand Court with appeals to the Cayman Islands Court of Appeal and ultimately to the Judicial Committee of the Privy Council in London. It is common practice for leading advocates from the UK to appear before the Cayman Islands courts on major litigation matters.

## Service providers

The service provider pool of lawyers, accountants and corporate service providers is deep, and they have extensive experience of working in the main financial centres appreciating the need for rapid closure of transactions. The Cayman Islands is recognised as one of the top 10 international financial centres in the world, with over 40 of the top 50 banks holding licences here. All of the big four accountants maintain offices here as do numerous global banks and financial institutions and other leading service providers.

## Summary

Offshore structuring will always be driven by relevant considerations of the underlying transaction. No one offshore structure can be all things to all people. But the dominance of the Cayman product in the market suggests that Cayman structures can seemingly be most things to most people.



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