

Cayman Introduces The Limited Liability Partnership Bill, 2017

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The Cayman Islands recently published The Limited Liability Partnership Bill, 2017 ("LLP Bill"), which will, when it becomes law, create a limited liability partnership ("LLP") structure in the Cayman Islands. This will be an important tool for persons engaged in structuring investment vehicles, and is an alternative to the existing exempted limited partnership ("ELP") structure under the Exempted Limited Partnerships Law ("ELP Law"). Features of an LLP are set out below.

Registration

An application for registration of an LLP, in the form of a registration statement, may be filed by any two or more persons who wish to carry on business for any lawful purpose. Cayman clients of Higgs & Johnson with ELPs will be familiar with this requirement under the ELP Law. However, the LLP Bill is less restrictive than the ELP Law, which requires at least one general partner, whereas the LLP Bill does not require this.

Separate legal personality

Unlike an ELP, an LLP is an entity with legal personality separate and distinct from its partners.

Admission

As with an ELP, partners may be admitted to an LLP in accordance with the terms of the partnership agreement.

Partnership property

LLP property may be vested in the LLP as a separate legal person or held by any person on behalf of the LLP. By contrast, an ELP's rights and property are held or deemed to be held by one or more general partners on trust for the ELP.

Liability

An LLP (rather than the partners themselves) is liable for all debts and losses of the LLP. This is different from the ELP Law, under which a person or entity acting as general partner is liable for all debts and obligations of the ELP in the event that the assets of the ELP are inadequate to satisfy claims.

Conversion

Any firm formed under the Cayman Islands Partnership Law (2013 Revision) may apply to convert to an LLP. All agreements and proceedings against the firm will continue in force following the conversion.

A foreign LLP may also apply to continue in the Cayman Islands as an LLP.

Statutory Registers

An LLP must maintain at its registered office in the Cayman Islands a register of partners showing the name and address of each partner and a register of mortgages and charges, in each case open to inspection by any person. A copy of the registration statement, partnership agreement, any annual return and certificate of registration must also be kept at the LLP's registered office.

Annual Return

An LLP must file a return with the Registrar in January of each year following its registration, stating the name and address of every person who, as of the 1st day of January each year, was a partner in the LLP.

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