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By Ebony Myles-Berry, International Management Services – In December 2015, the Cayman Islands published the Limited Liability Companies Bill that introduced the Cayman Islands Limited Liability Company (the “Cayman LLC”). The Cayman LLC is modelled on both the Delaware Limited Liability Companies law and Cayman Islands legislation. The Cayman LLC combines characteristics of a Cayman Islands exempted company and a Cayman Islands exempted partnership. The new vehicle is designed to allow more flexibility to Cayman Islands structures with the addition of a vehicle type that is very familiar to fund managers.

Advantages of the Cayman LLC

The Cayman LLC is expected to offer many advantages to the investment funds industry, some advantages expected are:

- Limited liability: Separate legal personality and limited liability for members and managers.
- Familiarity of legal framework: The similar corporate features of the Cayman LLC and Delaware LLC will provide US investors and managers with familiarity which should result in a more streamlined process when working with the Cayman LLC.

- Straightforward fund administration: Simplified administration of tracking and calculation of member's investment and capital account without the rigor of share capital.
- Flexibility in governance: No separate board of directors or general partner required. The management of the Cayman LLC will vest in its members or in managers once agreed in the LLC agreement. Furthermore, managers owe no fiduciary or other duties to the LLC or any member other than the duty to act in good faith unless otherwise stated in the LLC agreement.
- Synergy: Greater alliance for onshore and offshore vehicles, in particular master/feeder structures with a parallel Delaware onshore feeder.

LLC Governance

Although the Cayman LLC is expected to provide flexibility in governance, there are instances where traditional governance concepts, such as independent management committees or boards, will still be necessary:

1. Registered Fund: If a Cayman LLC is to be used as a registered fund it will be required to have at least two managers who will need to be registered or licensed under the Directors Registration & Licensing Law, 2014; and
2. Independent Oversight: Post 2008, institutional investors have been increasingly focused on independent oversight by boards or governance committees. This focus has not only been on the offshore structure but also on the board of the GP of the onshore structure or a management committee or advisory board where the onshore structure is an LLC. Feedback from major allocators have suggested that investors want independent boards to be involved with key governance decisions such as valuation, approval of audited financial statements, suspending the fund, changing a service provider or material changes to the investment strategy. Investors want investment managers and independent board members to support investor protection values. At International Management Services, we have seen a greater interest over the years for independent oversight for onshore funds and would expect this trend to continue with the Cayman LLC.

The launch of the Cayman LLC is much anticipated in the industry and considered to be a welcomed addition to the current corporate offerings available in Cayman. The Limited Liability Companies Bill was approved by the Legislative Assembly of the Cayman Islands in May 2016 and is expected to come into force by the summer.

Ebony Myles-Berry is a Fund Director with International Management Services and provides independent governance services (director, general partner and member manager) to investment funds and special purpose vehicles. She has extensive knowledge and experience in the operations of investment vehicles. Ebony is registered as a Professional Director in the Cayman Islands pursuant to the Directors Registration and Licensing Law 2014. Ms. Myles-Berry can be contacted at: emyles-berry@ims.ky [2]

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