



Cayman Islands Beneficial Ownership Regime Update

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Since our [Cayman Islands Beneficial Ownership Regime Alert in May 2017](#), the Cayman Islands Government has amended the beneficial ownership regime under the *Companies (Amendment) (No. 2) Law, 2017* and the *Limited Liability Companies (Amendment) (No.3) Law, 2017*¹ and has issued further regulations under The *Beneficial Ownership (Companies) (Amendment) Regulations, 2018* and The *Beneficial Ownership (Limited Liability Companies) (Amendment) Regulations, 2018*² (together the “Amending Laws”). The Amending Laws modify who must comply with the beneficial ownership regime and impose new filing obligations on out of scope companies. Consequently, all companies and limited liability companies (“companies”) registered in the Cayman Islands should review their obligations under the beneficial ownership regime and ensure that they are in compliance by the deadline of 30 June 2018.

What companies are out of scope and thus excluded from the requirement to keep a Beneficial Ownership Register?

Companies falling out of the scope of the beneficial ownership regime are not required to prepare and maintain a beneficial ownership register, but they are required to file prescribed details of the exemption applicable to them with the competent authority of the Cayman Islands.

The categories of entities falling out of scope of the beneficial ownership regime have been amended. The list now includes a legal entity or subsidiary of one or more legal entities, any of which is:

- (a) listed on the Cayman Islands Stock Exchange or an approved stock exchange;
- (b) registered or holding a licence under a regulatory law³ (other than a company registered as an excluded person under Section 5(4) of the *Securities Investment Business Law (2015 Revision)*);
- (c) managed, arranged, administered, operated or promoted by an approved person as a special purpose vehicle, private equity fund, collective investment scheme or investment fund, including where the vehicle, fund or scheme is a Cayman Islands exempted limited partnership;
- (d) regulated in a jurisdiction deemed to have an equivalent Anti-Money Laundering framework to the Cayman Islands by

¹ In force date 13 December 2017

² In force date 2 March 2018

³ Excludes for this purpose the *Directors Registration and Licensing Law, 2014*

- the Anti-Money Laundering Steering Group⁴;
- (e) a general partner of a vehicle, fund or scheme referred to in paragraph (c) which vehicle, fund or scheme: (i) is registered or holds a licence under a regulatory law; or (ii) is managed, arranged, administered, operated or promoted by an approved person; or
 - (f) holding directly a legal or beneficial interest in the shares of a legal entity which holds a licence under the *Banks and Trust Companies Law (2018 Revision)*, the *Companies Management Law (2018 Revision)*, the *Insurance Law (2010 Revision)*, Part III of the *Mutual Funds Law (2015 Revision)* or the *Securities Investment Business Law (2015 Revision)* (“SIBL”).

Out of scope exemptions clarified

Please note that:

- (a) paragraphs d, e(i), and f above are new exemptions for the purposes of the beneficial ownership regime; and
- (b) entities registered as an excluded person under Section 5(4) of SIBL no longer: (i) receive the benefit of the out of scope company exemption; or (ii) fall within the definition of an approved person.

Furthermore, a legal entity will not be considered:

- (i) to be operated or managed by an approved person solely as a consequence of the entity having appointed an individual who is an employee of a legal entity which holds a licence under a regulatory law as a director; or
- (ii) to be managed, arranged, administered, operated or promoted by an approved person solely as a consequence of that entity having appointed an approved person to provide its registered office in the Cayman Islands.

New Filing Requirements for out of scope companies

The Amending Laws require companies that are out of scope of the beneficial ownership regime to provide their registered office provider with a written confirmation of the nature of the exemption applicable to them including certain prescribed information.⁵ Registered office providers are under an obligation to provide all relevant information from the written confirmation to the competent authority of the Cayman Islands. Any change to the written confirmation must be notified to the company’s registered office provider within one month of the company becoming aware of such changes together with instructions for the registered office provider to file the relevant update with the competent authority of the Cayman Islands.

All companies that had previously made a determination that they were out of scope will need to re-examine that determination in light of the changes described above to confirm that they remain out of scope or are now in scope.

Next Steps

The beneficial ownership regime requires action from **all** companies registered in the Cayman Islands. Analysis should be undertaken by each company to determine whether it is in scope or out of scope of the beneficial ownership regime.

Where in scope, the company should prepare a beneficial ownership register, file the same with its registered office provider and instruct its registered office provider to up-load such register to the search platform maintained by the competent authority of the Cayman Islands. On an ongoing basis, the in-scope company must notify its registered office provider if there are any changes to its beneficial ownership register.

Where out of scope, the company should confirm the nature of its exemption to its registered office provider and instruct its registered office provider to up-load an out of scope confirmation to the search platform maintained by the competent authority of the Cayman Islands. Any changes thereafter are required to be notified to the competent authority within one month.

⁴ It should be noted that Mexico, Panama, and Turkey have been removed from the list of approved jurisdictions since the publication of our May 2017 alert.

⁵ The prescribed information is detailed in the Regulations in force from 2 March 2018.

All companies are reminded that the search platform containing the beneficial ownership registers and filing confirmations of out of scope status are not publicly accessible.

All companies must be in compliance with the beneficial ownership regime by **30 June 2018**, after which time significant penalties will be imposed.

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