



Legal Insights

Key Features of Cayman LLCs and the purposes for which they are used

Question: What are the key features of a Cayman LLC?

Answer: The key features are:

- A Cayman Islands Limited Liability Company ("**LLC**") is a corporate entity with separate legal personality to its members.
- The LLC is formed under the Limited Liabilities Companies Act (as Revised) (the "**LLC Act**") and is similar in structure to the Delaware LLC as the LLC Act is broadly based on the Limited Liability Company Act in the State of Delaware, U.S.A. However, the LLC Act has also preserved the broad legal principles applicable to Cayman Islands companies and the rules of equity and common law.
- Formation of an LLC is straightforward. It requires the filing of a registration statement with the Companies Registry and payment of the requisite Government fee.
- An LLC must have at least one member. It can be member managed (by some or all of its members) or the LLC agreement can provide for the appointment of persons (who need not be members) to manage and operate the LLC.
- The LLC must have a written LLC agreement or operating agreement of the member/members of the LLC which sets out the internal governing terms for dealing with the affairs of the LLC. The LLC agreement is not required to be filed with the Companies Registry.
- The liability of an LLC's members is limited. This means that each member's liability is limited to the amount that the member has agreed to contribute to the assets of the LLC, whether in the LLC agreement or otherwise, and such other liabilities and/or obligations that is set out in the LLC agreement.
- Members can have capital accounts and can agree amongst themselves (in the LLC agreement) how the profits and losses of the LLC are to be allocated and how and when distributions are to be made (similar to a Cayman Islands exempted limited partnership).
- An LLC may be formed for any lawful business, purpose or activity and it has full power to carry on its business or affairs unless its LLC agreement provides otherwise.
- The following statutory registers are required to be maintained for an LLC but, similarly to the requirement for a Cayman Islands exempted company, only an LLC's register of managers is required to be filed with the Companies Registry:

- i. a register of members;
 - ii. a register of managers; and
 - iii. a register of mortgages and charges.
- The register of managers and register of mortgages and charges are required to be maintained in a manner similar to the register of directors and register of mortgages and charges for a Cayman Islands exempted company.
 - Subject to any express provisions of an LLC agreement to the contrary, a manager of the LLC will not owe any duty (fiduciary or otherwise) to the LLC or any member or other person in respect of the LLC other than a duty to act in good faith in respect of the rights, authorities or obligations which are exercised or performed or to which such manager is subject in connection with the management of the LLC provided that such duty of good faith may be expanded or restricted by the express provisions of the LLC agreement.

Question: For what purposes are Cayman LLCs being used?

Answer: LLCs are being used as private equity funds and venture capital funds because they have the combined features of separate corporate personality (like an exempted company) with the ability to deal with the allocation of profits and losses in manner similar to a partnership.

They are also being used as (i) general partner vehicles in GP/LP investment fund structures, (ii) joint venture companies, (iii) investment vehicles in private equity transactions, and (iv) operating vehicles in certain digital asset transactions.

This publication is not intended to be a substitute for specific legal advice or a legal opinion. For specific advice on the matters covered above, please contact your usual Loeb Smith attorney or any of the following:

- E: gary.smith@loebsmith.com
- E: robert.farrell@loebsmith.com
- E: elizabeth.kenny@loebsmith.com
- E: vanisha.harjani@loebsmith.com
- E: edmond.fung@loebsmith.com
- E: vivian.huang@loebsmith.com
- E: faye.huang@loebsmith.com
- E: yun.sheng@loebsmith.com

SERVING CLIENTS GLOBALLY



About Loeb Smith Attorneys

Loeb Smith is a leading offshore corporate law firm, with offices in the British Virgin Islands, the Cayman Islands, and Hong Kong, whose Attorneys have an outstanding record of advising on the Cayman Islands' law aspects and BVI law aspects of international corporate, investment, and finance transactions. Our team delivers high quality Partner-led professional legal services at competitive rates and has an excellent track record of advising investment fund managers, in-house counsels, financial institutions, onshore counsels, banks, companies, and private clients to find successful outcomes and solutions to their day-to-day issues and complex, strategic matters.

British Virgin Islands Cayman Islands Hong Kong			Learn more about our multi-awarded services		