



Legal Insights

Duties and Responsibilities of the General Partner of a Cayman Islands Exempted Limited Partnership

1. Purpose and Scope

Exempted limited partnerships (**ELPs**) remain the vehicle of choice in the Cayman Islands for closed-ended fund structures, principally private equity, venture capital and real estate funds, as well as other closed-ended vehicles investing in illiquid asset classes. Cayman Islands hedge funds, which are typically open-ended, are usually structured instead as exempted companies or as unit trusts, though an ELP is sometimes used within a hedge fund structure that utilises a Cayman Islands master fund vehicle. An ELP is managed by one or more general partners, typically a Cayman exempted company ("**General Partner**"), while investors participate as limited partners who are prohibited from taking part in management and who face personal-liability risk if they do so.

In this Briefing Note, we summarise the full range of responsibilities a General Partner takes on: (i) its fiduciary duties to the ELP and its limited partners; (ii) its statutory duty of skill and care; and (iii) its administrative and statutory obligations, including maintaining the register of limited partners, the record of capital contributions and the register of security interests, and making the required filings with the Registrar of Exempted Limited Partnerships ("**Registrar**"). We also flag some recent statutory changes and case-law developments, and set out practical steps a General Partner can take to reduce the risk of a breach of duty claim or a compliance failure. Even though ELPs are used as the preferred structure in the Cayman Islands for closed-ended investment funds, the aim of this Briefing is not to cover the full range of regulatory obligations that a General Partner should bear in mind when managing an ELP which is regulated as an investment fund.

2. Legal Framework

The duties and liabilities of a General Partner are governed by four legal sources, read together:

- i. The Exempted Limited Partnership Act (2025 Revision) ("**ELP Act**").
- ii. The Partnership Act (As Revised).
- iii. The terms of the applicable limited partnership agreement ("**LPA**") between the General Partner(s) and the limited partners.
- iv. The rules of equity and of common law applicable to partnerships, insofar as they have not been displaced by Cayman Islands statutes.

3. The Core Fiduciary Duties

Duty to act in good faith in the interest of the ELP

The main fiduciary duty owed by a General Partner to the ELP and to its limited partners as a whole is the duty of good faith. Section 19(1) of the ELP Act states that: “*A general partner shall act at all times in good faith and, subject to any express provisions of the partnership agreement to the contrary, in the interests of the exempted limited partnership.*”

The requirement to act in the ELP’s interest often raises conflicts of interest issues, particularly in situations where a General Partner acts for more than one ELP, including the following:

- (i) Directing the ELP to co-invest with other ELPs that are under common management only in transactions that benefit the General Partner, or in disproportionate amounts that misalign the General Partner’s interests from those of the limited partners.
- (ii) Directing the ELP to invest in a portfolio company in which the Directors and/or shareholders/UBOs of the General Partner hold a personal interest.
- (iii) Directing the ELP to purchase securities from persons who control or own the General Partner.
- (iv) Valuing ELP assets where the General Partner’s own carried interest is calculated by reference to those valuations.

Fair treatment of limited partners

Because the fiduciary duty is owed to the limited partners as a whole, the General Partner should treat each limited partner fairly and should not act to the unfair prejudice of some limited partners for the benefit of others. There is no duty to treat all limited partners equally and it is quite commonplace for a General Partner to grant certain limited partners more favourable terms by way of side letter arrangements such as (i) enhanced reporting rights, (ii) most-favoured-nation (MFN) provisions, or (iii) additional representations tailored to a particular investor’s regulatory position. This does not, without more, amount to a breach of fiduciary duty. The risk arises where differentiated treatment crosses from permissible accommodation of certain specific terms into unfair prejudice. For instance, where a side letter purports to override a fundamental term of the LPA that, as an agreement with multiple parties (i.e. the General Partner and the limited partners), cannot properly be varied by a side letter between the General Partner and a single limited partner, or where one limited partner is knowingly benefiting at the direct expense of others rather than merely given an additional, self-contained right.

Another example is where a limited partner fails to fund a capital call. In this situation, the LPA typically provides for remedies on default (such as reduction, elimination or forfeiture of the defaulting limited partner’s interest), and the ELP Act confirms that such remedies are not unenforceable merely because they are penal in character. This significantly reduces the risk of a successful legal challenge. Risk nonetheless arises where a General Partner applies default remedies inconsistently as between defaulting limited partners in materially similar circumstances, since inconsistent enforcement is a straightforward way for fair treatment to tip into unfair prejudice.

Contractual modification of the good faith duty

Section 19(1) of the ELP Act narrows the scope of the duty to act in the ELP’s interest. The underlying duty to act in good faith on matters concerning the ELP remains absolute and cannot be excluded. However, the duty to act specifically in the ELP’s interest is subject to any express contrary provision in the LPA. This

allows the LPA to specify circumstances in which the General Partner may properly act in the interests of a party other than the ELP. This fact materially assists General Partners managing competing mandates. Where the LPA is silent, the default position applies and the General Partner must act in good faith in the collective interest of all limited partners.

Duty to exercise powers for their proper purpose

A General Partner's powers derive from the ELP Act and the LPA. It is a fiduciary duty to exercise those powers only for the purpose(s) for which they were conferred, whether stated in general terms (for example, to act as an investment fund) or in specific terms (for example, to pursue special situation investment opportunities in a particular sector or to pursue a particular strategy). Institutional or seed investors negotiating an LPA typically seek to negotiate for narrower, more specific statements of purpose.

Duty of trusteeship over ELP assets

Section 16 of the ELP Act deems all property of the ELP, including choses in action and rights to make and receive capital calls, that is vested in or held by the General Partner(s) to be held on trust as an asset of the ELP, in accordance with the terms of the LPA. Consequences of this trustee status include that the General Partner should not:

- (i) make secret profits from ELP assets, or appropriate for itself any benefit or opportunity derived from those assets without express authorisation;
- (ii) fail to disclose a personal interest in a contract involving the ELP; or
- (iii) apply ELP assets other than for the purposes of the ELP.

4. Duty of Skill and Care

Separately from its fiduciary duties, a General Partner owes a duty to exercise skill and care in managing the ELP's business. This duty is distinct from the good-faith duty stated above in that a General Partner can act entirely honestly in good faith and in the ELP's interest and yet still breach the duty of care through negligent or reckless management.

There appears to be no reported Cayman Islands court decision which has formulated a standard of care test specifically for a General Partner of an ELP. The ELP Act also does not itself set out a detailed standard or test in this scenario. The Cayman court may, in formulating a standard of care for General Partners, follow the approach taken in Weaverling Macro Fixed Income Fund Ltd (in liquidation) v Peterson and Ekstrom [2011] 2 CILR 203 which related to the duties of directors of a company (rather than the duties of the General Partner of an ELP) or may develop a separate bespoke test for the General Partner of an ELP structure. The duty of a General Partner to the ELP, while similar, is not identical to the duty of a director to his/her company. The Weaverling Macro case considered the duties of directors of an investment fund and applied a standard combining (i) an objective element (the care, skill and diligence that could reasonably be expected of a person carrying out that role) with (ii) a subjective element (any additional knowledge, skill or experience the particular individual actually has).

The LPA will commonly set the applicable standard expressly for the General Partner. For example, a simple negligence standard, a gross negligence standard, or a "wilful default" standard is normally included in the LPA for the purpose of any indemnity or exculpation provision. Unlike the good faith duty, the duty of

care can generally be modified, heightened, or (subject to the LPA's terms and general principles of Cayman law) limited by contract.

As the LPA typically contains an indemnity or exculpation clause, the practical significance of the duty of care is usually determined by how that indemnity or exculpation clause defines the carve-outs from protection (typically fraud, dishonesty, wilful default and gross negligence) rather than by the underlying common law standard alone. General Partners should ensure the LPA's provisions dealing with the applicable standard of care is clear and unambiguous. Ambiguity in LPAs is often a recurring source of dispute when an ELP fund underperforms and limited partners scrutinise the General Partner's conduct.

5. Administrative and Statutory Obligations

Beyond its fiduciary duties and duty of care, a General Partner carries a set of administrative and record-keeping obligations under the ELP Act. These are strict, largely non-fiduciary obligations, but a General Partner's failure to meet them can have, among others, the following consequences: (i) expose it to financial penalties, (ii) put the ELP's good standing at risk (including potential striking off), and (iii) often be provided as supporting evidence in a broader claim that the General Partner has failed to manage the ELP's affairs properly.

Registration and notification of changes

An ELP is registered by filing a statutory statement (a Section 9 Statement) with the Registrar of Exempted Limited Partnerships, signed by or on behalf of the General Partner, together with the prescribed fee. The Section 9 Statement records, among other things, the ELP's name, the nature of its business, its registered office, its duration (if any), the name and address of each General Partner. The Registrar then issues a certificate of registration.

Section 10 of the ELP Act requires the General Partner to notify the Registrar of any change to the particulars in the Section 9 Statement, generally within 60 days of the change. A change of General Partner is subject to a shorter window (notice must be filed within 15 days) and the change does not take legal effect until the filing has been made. Untimely notification exposes each General Partner in default to a daily penalty for continued non-compliance.

The statutory registers

The General Partner is responsible for maintaining, or causing to be maintained, the following statutory registers and records:

- (i) Register of limited partners. This records the name and address of each limited partner and the date on which each became, or ceased to be, a limited partner. It may be kept anywhere in the world, but must be readily accessible and made available at the ELP's registered office, and is open to inspection by any partner (subject to the LPA) and by non-partners with the General Partner's consent.
- (ii) Record of capital contributions. This tracks the amount and date of each limited partner's contributions, and the amount and date of any payment representing a return of the whole or part of a contribution. It must be updated within 21 days of any change and is generally available for inspection only with the General Partner's consent.

- (iii) Register of security interests. This records security interests granted over the whole or part of a limited partnership interest, of which the General Partner must be given notice by the grantor or grantee. Unlike the other registers, it is open to inspection by any person.
- (iv) Beneficial ownership register. ELPs fall within the definition of “legal person” under the Beneficial Ownership Transparency Act (As Revised) (“**BOTA**”). Unless an alternative route to compliance applies, the General Partner is required (through the ELP’s corporate services provider (“**CSP**”)) (1) to establish and maintain a beneficial ownership register (“**BO Register**”) at the registered office, (2) to take reasonable steps to identify every registrable beneficial owner, and (3) to give the statutory notices required to obtain and keep current their required particulars. This sits alongside, rather than as part of, the General Partner’s fiduciary duties, but a failure to comply can expose the General Partner, and the ELP’s CSP, to regulatory sanction, including fines and, for persistent non-compliance, the ELP being struck off the register of exempted limited partnerships.

The BOTA also introduced an alternative route to compliance. An ELP may take the alternative route if it is: (a) listed, or is a subsidiary of an entity listed, on the Cayman Islands Stock Exchange or another approved stock exchange; (b) licensed under a specified Cayman Islands regulatory law; (c) a fund registered with CIMA under the Private Funds Act (as revised) (i.e. the category most relevant to the private equity funds, venture capital funds, and real estate funds structured as ELPs, as discussed in this briefing note) or the Mutual Funds Act (as revised); or (d) any other category the Cabinet of the Cayman Islands Government may in the future prescribe).

Where an ELP qualifies under category (c), instead of establishing a full BO Register identifying and verifying each registrable beneficial owner, the General Partner need only provide the ELP’s CSP with the required particulars for that category, which in practice will be the name and contact details of a Cayman Islands-based contact person (typically the fund’s registered agent, or another person licensed and domiciled in the Cayman Islands to provide beneficial ownership information) who must be able to supply the Competent Authority with the ELP’s beneficial ownership information within 24 hours of a request. A General Partner relying on the alternative route should confirm the arrangement directly with its CSP, since the CSP (instead of the General Partner) is the person that files the required particulars and remains responsible for the accuracy of what is filed.

Annual return and, for regulated funds, CIMA obligations

Every January, the General Partner must file an annual return with the Registrar confirming the ELP’s compliance with the ELP Act and pay the associated annual fee. In practice this return is usually signed on the General Partner’s behalf by the registered office service provider. Where the ELP operates as a regulated mutual fund or private fund under CIMA’s regulatory regime, the General Partner (as the fund’s “operator” for this purpose) also carries separate and additional obligations to CIMA. These include (i) filing audited financial statements and the relevant annual return form, (ii) notifying CIMA of material changes to the terms of its offering (generally within 21 days), and (iii) complying with CIMA’s Statement of Guidance on Corporate Governance, which requires, among other things, operators to exercise independent judgement, operate with due skill, care and diligence, and act honestly and in good faith. These CIMA-specific obligations are additional to, and distinct from, the ELP Act obligations described above, and should be a separate point of focus for any ELP that is a regulated fund.

Duties specific to tokenised funds: A recent addition to this layer of statutory obligations are the Mutual Funds (Amendment) Act, 2026 and the Private Funds (Amendment) Act, 2026 which came into force on 24 March 2026. These pieces of legislation introduced a statutory framework for “tokenised” funds whose equity interests or investment interests (including partnership interests) are represented by digital tokens on a distributed ledger. Where an ELP structured as a private fund (or a mutual fund) tokenises its limited partnership interests, the General Partner takes on the following additional statutory obligations:

- (i) to ensure records of the issuance, creation, sale, transfer and ownership of the digital tokens are securely maintained and available to CIMA;
- (ii) to approve (or withhold approval of) any transfer of a tokenised interest in accordance with the fund’s offering memorandum and constitutional documents;
- (iii) to ensure the offering document discloses token-specific risks (for example, on cybersecurity and transferability) and how they are mitigated; and
- (iv) to provide CIMA with an annual confirmation that the token records have been properly kept and maintained.

6. Who can seek to enforce duties against the General Partner?

Section 33(3) of the ELP Act states that: “*A limited partner may bring an action on behalf of an exempted limited partnership if any one or more of the general partners with authority to do so have, without cause, failed or refused to institute proceedings.*” In the Cayman Grand Court decision of IGCF General Partner Ltd and The Infrastructure and Growth Capital Fund L.P. v White Crystals Ltd ([2025] CIGC (FSD) 98), it was held that a limited partner’s claim against a General Partner for breach of duty vests directly in the limited partner rather than being a derivative claim brought on the ELP’s behalf. The Cayman Islands Court of Appeal upheld this approach on appeal, confirming that a limited partner’s breach of duty claim against a General Partner is direct, is arbitrable, and survives the ELP or the General Partner entering voluntary liquidation.

This matters directly for fiduciary duty risk as it confirms that a General Partner cannot rely on the ELP’s corporate/partnership structure, an arbitration clause, or a liquidation event to insulate itself from a limited partner bringing a breach of duty claim directly and promptly.

7. What actions can be taken to reduce the risk of breach or risk of non-compliance?

A General Partner can materially reduce the risk of a breach of fiduciary duty claims and consequent litigation risk by adopting some or all of the following measures:

- i. *Avoid or manage conflicted transactions*. Establish a limited partner advisory committee (“**LPAC**”) to oversee, consider, approve or waive conflicts. The ELP Act confirms that, absent contrary LPA provision, LPAC members owe no fiduciary duty to the ELP, the General Partner or the limited partners in performing their committee functions, which makes the committee route attractive as a conflicts-management tool.
- ii. *Adopt clear, consistent policies*. Maintain a valuation policy approved by the LPAC, and a consistent policy for dealing with defaulting limited partners, applied uniformly.
- iii. *Build internal compliance procedures*. Establish a clear internal process for identifying and escalating potential conflicts, including referral to the LPAC.

- iv. *Draft expansive conflict provisions in the LPA.* Use the flexibility permitted under the ELP Act to specify in the LPA the circumstances in which the General Partner may act in the interests of a party other than the ELP, and to otherwise scope fiduciary obligations subject always to the statutory duty to act in good faith, which cannot be excluded or diluted.
- v. *Draft provisions in the LPA to set out scope for information requests.* In light of recent case of *Abraaj General Partner VIII Ltd v Abraaj ABOF IV SPV Ltd [2025] CICA (Civ) 8*, in which the Cayman Islands Court of Appeal confirmed that limited partners enjoy a broad statutory right under section 22 of the ELP Act to obtain “true and full information” concerning an ELP’s business and financial condition, absent a contrary LPA provision, LPAs should be drafted with clear and unambiguous language as to what information and documents limited partners are entitled to request and receive.
- vi. *Plan for direct, arbitrable breach-of-duty claims.* Following the *IGCF v White Crystals* case mentioned above, a General Partner should assume that a limited partner can bring a breach of duty claim directly (not derivatively) and that an arbitration clause in the LPA will be held to cover such a claim, including where the ELP or General Partner is in voluntary liquidation. Dispute response planning and insurance/indemnity arrangements should be built around that assumption rather than around an expectation of Grand Court litigation or derivative-action procedure.
- vii. *Fix the standard of care in the LPA.* As a precise test for a General Partner’s duty of skill and care has not been settled by the Cayman courts, the LPA should state the applicable standard expressly (together with any indemnity or exculpation carve-outs) rather than leaving it to be inferred, to reduce the scope for later dispute about what standard applied.
- viii. *Maintain an administrative compliance calendar.* The General Partner should work closely with the ELP’s registered office service provider to have a compliance calendar for, among other things, tracking the 60-day (general) and 15-day (change of General Partner) notification deadlines, the January annual return, and the update deadlines for the register of limited partners, the contributions record and the beneficial ownership register.

Further Assistance

This publication is not intended to be a substitute for specific legal advice or a legal opinion. If you require further advice relating to the matters discussed in this Briefing Note, please contact us. We would be delighted to assist.

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

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

Investment Funds
Mergers & Acquisitions
Capital Markets & Privatizations
Banking & Finance
Corporate
Corporate Governance and Regulatory Compliance
Blockchain Technology, AI and Web3
Private Equity & Venture Capital Investments
Corporate Insolvency and Restructuring
Insurance and Re-insurance

Logistics, Shipping & Aviation
Commercial Disputes & Litigation
Fintech and Cryptocurrency
Bankruptcy Restructuring and Corporate Recovery
Intellectual Property
Cybersecurity and Data Privacy
Private Wealth, Trusts and Family Offices
Corporate Services and Liquidation
Real Estate and Infrastructure
Energy and Resources



British Virgin Islands | Cayman Islands | Hong Kong

[Learn more about our multi-awarded services](#)