



Cayman Islands
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Advantages of Using Cayman Islands Exempted Companies for Investment Purposes and to Facilitate Finance Transactions

The Cayman Islands exempted company (including the segregated portfolio company) is the corporate vehicle of choice among international investment fund managers and investors. The popularity of the exempted company is principally as a result of the Cayman Islands being rightly recognized as a stable jurisdiction for structuring international investments owing to the following features.

Flexibility

The flexibility of the structure of the Cayman Islands exempted company is one of its principal appeals. For example, Cayman Islands company law does not require any directors or officers of the company to be resident in the Cayman Islands. The register of shareholders and minute books are not required to be held in the Cayman Islands and can be held in another jurisdiction. The company is not required to hold an annual general meeting

of shareholders. There is no Cayman Islands law requirement for an exempted company to undertake an annual audit (unless the company is to be an investment fund regulated by the Cayman Islands Monetary Authority).

Incorporation

The incorporation procedure for an exempted company is simple, incorporation fees are low and no regulatory authority approval is required. Exempted companies can be incorporated on a twenty four (24) hours basis.

Financial Assistance

There is no statutory prohibition on an exempted company providing financial assistance with regard to the acquisition of its own shares. The directors of the exempted company owe a fiduciary duty to the company to act in good faith in the best interests of the company in agreeing to provide the financial assistance.



Use of Share Premium

The company is permitted to use its share premium account to fund the payment of dividends to shareholders subject to it remaining solvent after such payment.

Stamp Duty on Transfer of Shares

The Cayman Islands does not impose stamp duty on the transfer of shares, other than in relation to the transfer of shares in a company which holds real estate in the Cayman Islands.

Tax

A shareholder is not subject to Cayman Islands taxes with respect to any distribution received from the company (including dividend and other distributions upon liquidation of the company) or with respect to any gain realised upon the sale, redemption or exchange of shares. There is no withholding of taxes with respect to any dividend or other distribution made to a shareholder on the sale, exchange or redemption of shares. No gift, estate or inheritance taxes will arise in the Cayman Islands on the transfer of shares by way of gift by, or on the death of, a person who is not a resident of the Cayman Islands.

Mergers

The exempted company can merge with another corporate entity which can be either another Cayman Islands company or a company from another jurisdiction which has a comparable merger regime. The

surviving company from the merger can either be a Cayman Islands exempted company or a company from another jurisdiction. The Cayman Islands merger regime is increasingly being used to complete the “take private” of Cayman Islands companies listed on various stock exchanges including NASDAQ and the Hong Kong Stock Exchange.

Commercial Confidentiality

The Cayman Islands legal regime provides a high degree of commercial confidentiality. The Register of Directors and Officers and the Register of Shareholders of exempted companies are not available for inspection by members of the public. In Cayman Islands there is no requirement for the accounts or financial statements of the company to be publicly filed.

Legal Framework

The Cayman Islands are a British Overseas Territory. The law of the Cayman Islands is based on English common law, together with local statutes appropriate for both international and local business. The Government has an active agenda to enact legislation to enhance Cayman Islands’ position as a leading international offshore financial centre.

Business Climate and Infrastructure



The development of the Cayman Islands as an international financial centre has led to a sophisticated business environment with a full range of services including banks, trust companies, lawyers, accountants, insurance managers, mutual fund managers and administrators, and all the expected support services. There are approximately 324 banks and trust companies licensed in the Cayman Islands, including 47 of the 50 largest banks in the world. Approximately 70 banks and trust companies maintain their own office in the Cayman Islands.

The Cayman Islands, by virtue of being, among other things, on the Organization for Economic Co-operation and Development (OECD) “white list” of jurisdictions that have substantially implemented the internationally agreed tax standard for effective exchange of

information and transparency, is not listed as a Non-Cooperative Country and Territory by the Financial Action Task Force.

The features set out above continue to enhance the Cayman Islands’ popularity as the leading jurisdiction for structuring international investments and other finance transactions.

This publication is intended to merely provide a brief overview and general guidance only and is not intended to be a substitute for specific legal advice or a legal opinion. For more specific advice on Cayman Islands companies, please contact:

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