

CAYMAN ISLANDS



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**A BILL FOR A LAW TO AMEND THE LIMITED LIABILITY
COMPANIES LAW, 2016 TO ADD A DEFINITION OF “REGULATORY
LAW” FOR THE PURPOSES OF PART 12; TO REQUIRE CORPORATE
SERVICES PROVIDERS TO UPDATE BENEFICIAL OWNERSHIP
REGISTERS REGULARLY AND TO FILE DECLARATIONS OF
EXEMPTION FOR LIMITED LIABILITY COMPANIES THAT ARE
EXEMPT FROM PART 12; TO CLARIFY EXCLUSIONS OF LEGAL
ENTITIES AND SUBSIDIARIES OF LEGAL ENTITIES FROM THE
SCOPE OF PART 12 AND ADD OTHER EXCLUSIONS; AND FOR
INCIDENTAL AND CONNECTED PURPOSES**

**THE LIMITED LIABILITY COMPANIES (AMENDMENT) (NO.3) BILL,
2017**

MEMORANDUM OF OBJECTS AND REASONS

This Bill amends the Limited Liability Companies Law, 2016 to fine-tune the provisions of Part 12 respecting Beneficial Ownership Registers.

Clause 1 of the Bill provides for the short title and commencement of the legislation.

Clause 2 amends section 70 of the Law to add a new definition of “regulatory law” for the purposes of Part 12.

Clause 3 amends section 71 of the Law to clarify which special purpose vehicles, private equity funds, collective investment schemes and investment funds are exempt from the application of Part 12 and in relation to which of these vehicles, funds and schemes the general partner of the vehicle, fund or scheme is exempt. The clause also makes it clear that the Part applies to companies registered as excluded persons under section 5(4) of the Securities Investment Business Law (2015 Revision) and clarifies the circumstances in which a legal entity is considered to be operated, managed, arranged, administered or promoted by an approved person.

The clause adds new exemptions for legal entities regulated in jurisdictions listed in Schedule 3 of the Money Laundering Regulations (2015 Revision) and for legal entities holding shares or interests in legal entities licensed under certain Cayman Islands Laws.

Finally, the clause makes changes to section 71 in consequence of the addition of the definition of “regulatory law” by clause 2.

Clause 4 amends section 79 of the Law to require a limited liability company that claims an exemption under section 71 to file a declaration with the competent authority, indicating the grounds for the exemption.

Clause 5 amends section 82(3)(a) of the Law to make it clear that the issuance of a restrictions notice under that section is subject to the limitations in section 91.

Clause 6 amends section 87 of the Law to require corporate services providers to regularly deposit beneficial ownership information received from limited liability companies, as directed by the competent authority. The clause also imposes

penalties for default by a corporate services provider or any of its officers in complying with this obligation.

Clause 7 amends section 89 in consequence of the addition of the definition “regulatory law” by clause 2.

Clause 8 amends section 106 in consequence of the renumbering of section 71(1) by clause 3.

**THE LIMITED LIABILITY COMPANIES (AMENDMENT) (NO. 3) BILL,
2017**

ARRANGEMENT OF CLAUSES

1. Short title and commencement
2. Amendment of section 70 of the Limited Liability Companies Law, 2016 - interpretation
3. Amendment of section 71 - application
4. Amendment of section 79 - role of corporate services provider
5. Amendment of section 82 - consequences of failure to disclose beneficial ownership
6. Amendment of section 87 - duties of corporate services providers
7. Amendment of section 89 - disclosure of beneficial ownership information by the Cayman Islands Monetary Authority
8. Amendment of section 106 - regulations

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A BILL FOR A LAW TO AMEND THE LIMITED LIABILITY COMPANIES LAW, 2016 TO ADD A DEFINITION OF “REGULATORY LAW” FOR THE PURPOSES OF PART 12; TO REQUIRE CORPORATE SERVICES PROVIDERS TO UPDATE BENEFICIAL OWNERSHIP REGISTERS REGULARLY AND TO FILE DECLARATIONS OF EXEMPTION FOR LIMITED LIABILITY COMPANIES THAT ARE EXEMPT FROM PART 12; TO CLARIFY EXCLUSIONS OF LEGAL ENTITIES AND SUBSIDIARIES OF LEGAL ENTITIES FROM THE SCOPE OF PART 12 AND ADD OTHER EXCLUSIONS; TO GIVE THE FINANCIAL REPORTING AUTHORITY DIRECT ACCESS TO THE SEARCH PLATFORM; AND FOR INCIDENTAL AND CONNECTED PURPOSES

ENACTED by the Legislature of the Cayman Islands.

1. (1) This Law may be cited as the Limited Liability Companies (Amendment) (No. 3) Law, 2017.

Short title and
commencement

(2) This Law shall come into force on such date as may be appointed by the Cabinet and different dates may be appointed for different provisions.

2. The Limited Liability Companies Law, 2016 in this Law referred to as “the principal Law”, is amended in section 70 -

Amendment of section
70 of the Limited
Liability Companies
Law, 2016 -
interpretation

- (a) in the definition of “corporate services provider” by deleting the words “ “regulatory law” as defined in section 2 of the Monetary Authority Law (2016 Revision)” and substituting the words “regulatory law”; and
- (b) by inserting the following definition in the appropriate alphabetical sequence -

(2016
Revision)
(Law 10
of 2014) “regulatory law” means a law defined as such
in section 2 of the Monetary Authority Law
(2016 Revision), other than the Directors
Registration and Licensing Law, 2014;”.

Amendment of section
71 - application

3. The principal Law is amended in section 71 -

- (a) by deleting subsection (1) and substituting the following
subsection -

(1) This Part applies in respect of limited
liability companies incorporated or registered by way
of continuation under this Law, except a legal entity or
subsidiary of one or more legal entities, any of which
is -

Schedule
4

(2015
Revision)

(2015
Revision)

- (a) listed on the Cayman Islands Stock
Exchange or an approved stock
exchange in Schedule 4;
- (b) registered or holding a licence under a
regulatory law (other than a company
registered as an excluded person
under section 5(4) of the Securities
Investment Business Law (2015
Revision));
- (c) a company, the director or directors of
which are solely corporate directors
licensed under a regulatory law;
- (d) 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;
- (e) regulated in a jurisdiction listed in
Schedule 3 of the Money Laundering
Regulations (2015 Revision);
- (f) a general partner of a vehicle, fund or
scheme referred to in paragraph (d)
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;
 - (g) 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 (2013 Revision), the Companies Management Law (2003 Revision), the Insurance Law (2010 Revision), Part III of the Mutual Funds Law (2015 Revision) or the Securities Investment Business Law (2015 Revision); or
 - (h) exempted by the Regulations.”;
- (b) in subsection (2)(a) by deleting the words “regulatory law” as defined in section 2 of the Monetary Authority Law (2016 Revision)” and substituting the words “regulatory law (other than a company registered as an excluded person under section 5(4) of the Securities Investment Business Law (2015 Revision)); and
- (c) by inserting after subsection (2) the following subsection -
 - “(2A) For the avoidance of doubt, a legal entity shall not be considered -
 - (a) 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
 - (b) to be managed, arranged, administered, operated or promoted by an approved person solely as a consequence of the entity having appointed an approved person to provide its registered office in the Cayman Islands.”.

(2013
Revision)
(2003
Revision)
(2010
Revision)
(2015
Revision)

(2015
Revision)

4. The principal Law is amended in section 79 -

- (a) by inserting after subsection (1) the following subsection -

“(1A) A limited liability company which is exempt from the application of this Part shall provide the corporate

Amendment of section
79 - role of corporate
services provider

services provider with a declaration of exemption, indicating the grounds for the exemption under section 71, and shall instruct the corporate services provider to file the declaration with the competent authority.”; and

- (b) in subsection (2) by inserting before the word “shall” the words “referred to in subsection (1)”.

Amendment of section
82 - consequences of
failure to disclose
beneficial ownership

5. The principal Law is amended in section 82(3)(a) by inserting before the word “issue” the words “subject to section 91,”.

Amendment of section
87 - duties of corporate
services providers

6. The principal Law is amended in section 87 -

- (a) by renumbering the section as section 87(1); and
(b) by inserting after subsection (1) the following subsections -

“(2) The corporate services provider shall regularly deposit beneficial ownership information received from the limited liability companies that have engaged the provider, in such place, in such manner and at such intervals as directed by the competent authority.

(3) If default is made in complying with subsection (2), the corporate services provider and any officer of the corporate services provider who is in default -

- (a) shall incur a penalty of five hundred dollars; and
(b) if the competent authority is satisfied that the default was knowingly or willfully authorized or permitted, shall incur an additional penalty of one thousand dollars and a further penalty of one hundred dollars for every day during which the default continues.”.

Amendment of section
89 - disclosure of
beneficial ownership
information by the
Cayman Islands
Monetary Authority

7. Section 89 of the principal Law is amended by deleting the words ““regulatory law” as defined in section 2 of the Monetary Authority Law (2016 Revision)” and substituting the words “regulatory law”.

8. Section 106(3) of the principal Law is amended by deleting the words “section 71(1)(e)” and substituting the words “section 71(1)(h)”.

Amendment of section
106 - regulations

Passed by the Legislative Assembly the day of , 2017.

Speaker.

Clerk of the Legislative Assembly.