

# Cayman Islands Companies (Amendment) Act 2024: what you need to know

Insights - 14/03/2024

The Cayman Islands Parliament has enacted the Companies (Amendment) Act, 2024, which was published on 11 March 2024 and will come into force on one or more dates appointed by Order made by the Cabinet.

This briefing provides a summary of the key changes the Companies (Amendment) Act, 2024 (the **Amendment Act**) will make to the Companies Act (Revised) of the Cayman Islands (the **Companies Act**) when it comes into force. The Amendment Act enhances the competitive advantage of the Cayman Islands as a jurisdiction of choice in the international financial services market.

The key changes under the Amendment Act include:

## Reduction of share capital without the need for Court approval

A solvent company will be able to reduce its share capital without Court approval in certain circumstances. Under the current Companies Act, all companies are required to obtain Court approval for any proposed reduction of share capital. This requirement applies regardless of whether the company is solvent or insolvent. While important in the case of an insolvent company, the process may now be streamlined for solvent companies.

The amended section 14 of the Companies Act will provide that where authorised by its articles of association, a company may reduce its share capital by special resolution supported by a solvency statement of all the directors of the company. These documents would need to be filed with the Registrar of Companies who would then arrange for a notice to be published in the Gazette.

A more detailed analysis of the capital reduction process, proposed changes and how they may affect you, is available [here](#).

## **Foreign body corporate with limited liability and without a share capital may transfer into the Cayman Islands**

Section 201 of the Companies Act will be expanded to provide that a body corporate with limited liability and without a share capital under the laws of any jurisdiction outside the Cayman Islands may apply to the Registrar of Companies to be registered by way of continuation as an exempted company limited by shares into the Cayman Islands. Currently, only a foreign body corporate with limited liability and a share capital can apply to transfer into the Cayman Islands. This expansion is a welcome amendment.

See our client briefing [Transfer by way of continuation into the Cayman Islands](#) for an overview of the current procedures in the Cayman Islands for transferring a foreign entity into the Cayman Islands.

## **Re-registration of a Cayman Islands exempted company as an ordinary resident company**

An exempted company will be able to re-register as an ordinary resident company under the new sections 211A and 211B of the Companies Act when in force.

Exempted companies are the most common form of offshore company in the Cayman Islands. The objects of an exempted company must be carried out mainly outside the Cayman Islands or pursuant to a licence to carry on business in the Cayman Islands.

See our client briefing [Cayman Islands Exempted Companies](#) for more information on this type of company.

In contrast, an ordinary resident company is often referred to as a 'local company' as this type of company mainly carries on trade or business in the Cayman Islands subject to licencing requirements under the Trade and Business Licensing Act (Revised). Ordinary resident companies are also subject to certain Caymanian ownership rules under the Local Companies (Control) Act (Revised).

## **Conversion of a (i) Cayman Islands limited liability company (LLC) to an exempted company, and (ii) Cayman Islands foundation company to an exempted company**

Two further significant improvements to the Companies Act include the addition of new sections 233A and 233B, which will provide mechanisms by which a Cayman Islands LLC may be converted into an exempted company and a Cayman Islands foundation company may be converted into an exempted company, respectively. This first option is intended to mirror the provisions in the Limited Liability Companies Act (Revised) which allow for the conversion of an exempted company into an LLC.

The ability to convert between Cayman Islands entity types will provide flexibility should a company's circumstances change and another entity type become more appropriate (eg, to facilitate an initial public offering).

See our client briefings [Cayman Islands Exempted Companies](#), [Cayman Islands Limited Liability Companies](#) and [A Guide to Foundation Companies in the Cayman Islands](#) for more information on these company types.

For further information or advice, please contact your usual Ogier attorney or any of the contacts listed in this briefing.

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