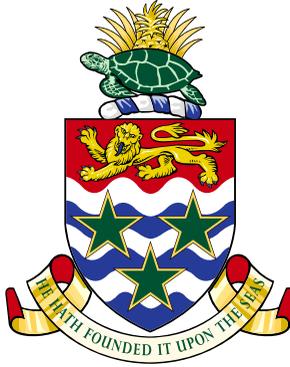


**CAYMAN ISLANDS**



# **LIMITED LIABILITY PARTNERSHIP (AMENDMENT) BILL, 2020**

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**A BILL FOR A LAW TO AMEND THE LIMITED LIABILITY PARTNERSHIP LAW, 2017 TO REQUIRE LIMITED LIABILITY PARTNERSHIPS TO OBTAIN A LICENCE TO OPERATE WHERE APPLICABLE; TO INCREASE THE EFFECTIVENESS OF THE BENEFICIAL OWNERSHIP REGIME; AND FOR INCIDENTAL AND CONNECTED PURPOSES**

## PUBLISHING DETAILS

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## Memorandum of OBJECTS AND REASONS

This Bill seeks to amend the Limited Liability Partnership Law, 2017 (the “principal Law”) to require limited liability partnerships to obtain a licence to operate where applicable; to provide for references to exempted limited partnerships in the regulatory laws to include limited liability partnerships and to increase the effectiveness of the beneficial ownership regime.

Clause 1 provides the short title of the legislation and contains the commencement provision.

Clause 2 amends section 2 of the principal Law by inserting definitions of “Cayman Islands exempted limited partnership” and “Cayman Islands Stock Exchange”.

Clause 3 amends section 19 of the principal Law to provide that the fee to be paid when a limited liability partnership delivers a registration statement to the Registrar where there is a change in the information in the registration statement is to be prescribed in regulations made by the Cabinet.

Clause 4 inserts proposed new section 21A in the principal Law to require a limited liability partnership registered under section 18(4) or 33(4) to comply with any applicable licensing requirements prescribed under any other Law.

Clause 5 amends section 31 of the principal Law to provide that the fee to accompany a request on behalf of a limited liability partnership to strike off the limited liability partnership from the register is to be prescribed in regulations made by the Cabinet.

Clause 6 amends section 39 of the principal Law to provide that the fee to be paid by a registrant partnership to the Registrar to be provisionally registered by way of continuation as a limited liability partnership and the fee for annual registration provisional registration is to be prescribed in regulations made by the Cabinet.

Clause 7 amends section 52 of the principal Law by repealing subsections (1), (2) and (3) which provides for the application of Part 8 of the principal Law and substituting a new subsection (1) to provide for the Part to apply to all limited liability partnerships formed and registered under the principal Law except a legal entity or subsidiary of a legal entity which is listed on the Cayman Islands Stock Exchange or an approved stock exchange under Schedule 4 of the Companies Law (2018 Revision) or which is exempted by Regulations. Clause 7 also amends section 52(4) to define a limited liability partnership as a subsidiary of one or more legal entities under section 52(1) if such legal entities separately or collectively hold seventy-five per cent or more of the partnership interests with respect to profit sharing or voting rights in a limited liability partnership.

Clause 8 inserts proposed new section 52A in the principal Law. The proposed new section 52A exempts a legal entity or a subsidiary of a legal entity which satisfies certain criteria, from the application of sections 67, 68, 69 and 71 of the principal Law.



Clause 9 amends section 54 of the principal Law to allow a corporate services provider engaged for the provision of registered office services by a limited liability partnership to rely without further enquiry, on the response of a person to a notice in writing sent in good faith by the corporate services provider, unless the corporate services provider has reason to believe that the response is misleading or false. Clause 9 also amends section 54(3) in the definition of a beneficial owner to mean an individual who holds directly or indirectly, a partnership interest in a limited liability partnership representing a right to share in twenty-five per cent or more of any surplus limited liability partnership property on a winding up of the limited liability partnership or a partnership interest in a limited liability partnership representing twenty-five per cent or more of the rights to vote on those matters that are to be decided by a vote at meetings of the partners of the limited liability partnership.

Clause 10 amends section 55 of the principal Law to require a corporate services provider engaged for the provision of registered office services by a limited liability partnership to take all reasonable steps to identify all relevant legal entities that exist in relation to the limited liability partnership. Clause 10 also amends section 55 to allow the corporate services provider to rely without further enquiry, on the response of a legal entity to a notice in writing sent in good faith by the corporate services provider, unless the corporate services provider has reason to believe that the response is misleading or false.

Clause 11 amends section 56 of the principal Law to require a corporate services provider engaged for the provision of registered office services by a limited liability partnership to give notice in writing to beneficial owners, relevant legal entities and any person that it knows or has reasonable cause to believe is a registrable person in relation to the limited liability partnership in respect of which the corporate services provider has been engaged. Clause 11 also amends section 56 of the principal Law to empower the corporate services provider to give notice in writing to a partner or a legal entity that it knows or has reasonable cause to believe is a relevant legal entity in relation to the limited liability partnership, if it knows or has reasonable cause to believe that the partner or legal entity knows the identity of a registrable person. The clause further amends section 56 to not require the corporate services provider to give notice to an individual or entity if it knows that the individual or entity is not a registrable person or if it has already been informed of the person's status as a registrable person and has received all the required particulars.

Clause 12 amends section 57 of the principal Law to require a registrable person who does not believe that the person's required particulars are stated in the limited liability partnership's beneficial ownership register and who has not received a notice from the limited liability partnership or its corporate services provider to notify the corporate services provider of the person's status as a non-registrable person in relation to the limited liability partnership and give the corporate services provider the required particulars.

Clause 13 repeals section 59 of the principal Law and substitutes a new section 59 which requires a limited liability partnership to keep its beneficial ownership at its registered office. The proposed section also requires a corporate services provider engaged for the



provision of registered office services by the limited liability partnership to establish and maintain the beneficial ownership register of the limited liability partnership. The proposed section also provides for a fine of five hundred dollars where the corporate services provider engaged by the limited liability partnership and any officer of the corporate services provider commits the offence of failing to comply with the requirement to establish and maintain the beneficial ownership register. Further, where the competent authority is satisfied that the offence was knowingly or wilfully authorised or permitted, an additional fine of one thousand dollars may be imposed, and where the offence is a continuing one, a fine of one hundred dollars for each day the offence continues may be imposed.

Clause 14 amends section 69 of the principal Law to remove the requirement for a senior official to certify that a request to search a limited liability partnership's beneficial ownership register meets the conditions under section 262(2) of the Companies Law (2018 Revision). The clause also amends section 69 of the principal Law to allow the competent authority to search the beneficial ownership register of a limited liability partnership for the purpose of verifying the accuracy of the information provided by the limited liability partnership or corporate services provider.

Clause 15 inserts proposed new section 69A in the principal Law. The proposed new section 69A empowers the competent authority to request by notice in writing, information from a legal entity or a subsidiary of a legal entity which satisfies certain criteria. The proposed new section also requires a legal entity or a subsidiary of a legal entity to comply with a request for information and provides for a fine of five hundred dollars where the legal entity or subsidiary of a legal entity commits the offence of failing to comply with a request. Further, where the competent authority is satisfied that the offence was knowingly or wilfully authorised or permitted, an additional fine of one thousand dollars may be imposed, and where the offence is a continuing one, a fine of one hundred dollars for each day the offence continues may be imposed.

Clause 16 inserts proposed new section 71A in the principal Law. The proposed new section empowers the competent authority to request additional information from a limited liability partnership or its corporate services provider by notice in writing. The proposed new section also requires the limited liability partnership or corporate services provider to comply with the request for information. Where the limited liability partnership or its corporate services provider fails to comply with a request, a fine of five hundred dollars may be imposed. Further, where the competent authority is satisfied that the offence was knowingly or wilfully authorised or permitted, an additional fine of one thousand dollars may be imposed, and where the offence is a continuing one, a fine of one hundred dollars for each day the offence continues may be imposed.

Clause 17 amends section 87 of the principal Law by deleting the reference to section 52(1)(g) which is being repealed by clause 7 of the Bill and replacing it with a reference to section 52(1)(b) which provides for the exemption of limited liability partnerships under Regulations.





## CAYMAN ISLANDS



# LIMITED LIABILITY PARTNERSHIP (AMENDMENT) BILL, 2020

## Arrangement of Clauses

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**CAYMAN ISLANDS****LIMITED LIABILITY PARTNERSHIP  
(AMENDMENT) BILL, 2020**

**A BILL FOR A LAW TO AMEND THE LIMITED LIABILITY PARTNERSHIP LAW, 2017 TO REQUIRE LIMITED LIABILITY PARTNERSHIPS TO OBTAIN A LICENCE TO OPERATE WHERE APPLICABLE; TO INCREASE THE EFFECTIVENESS OF THE BENEFICIAL OWNERSHIP REGIME; AND FOR INCIDENTAL AND CONNECTED PURPOSES**

ENACTED by the Legislature of the Cayman Islands.

**Short title and commencement**

1. (1) This Law may be cited as the Limited Liability Partnership (Amendment) Law, 2020.
- (2) This Law shall come into force on such date as may be appointed by Order made by the Cabinet and different dates may be appointed for different provisions of this Law and in relation to different matters.

**Amendment of section 2 of the Limited Liability Partnership Law, 2017 – interpretation**

2. The *Limited Liability Partnership Law, 2017*, in this Law referred to as the “principal Law”, is amended in section 2 by inserting in the appropriate alphabetical sequence, the following definitions —

“ **Cayman Islands exempted limited partnership**” means an exempted limited partnership registered in accordance with section 9 of the *Exempted Limited Partnership Law (2018 Revision)*; and

“ **Cayman Islands Stock Exchange**” means the Cayman Islands Stock Exchange Company incorporated under section 4 of the *Stock Exchange Company Law (2014 Revision)*.”

### **Amendment of section 19 – changes in registered particulars**

3. The principal Law is amended in section 19(1) by inserting after the words “the nature of the change” the words “and pay to the Registrar a fee of such amount as is prescribed by regulations made by the Cabinet”.

### **Insertion of section 21A – licensing requirements**

4. The principal Law is amended by inserting after section 21, the following section —

#### **“Licensing requirements**

**21A.** A limited liability partnership registered under section 18(4) or section 33(4) shall comply with any applicable licensing requirements under any other Law.”.

### **Amendment of section 31 - strike off**

5. The principal Law is amended in section 31(2) by deleting the words “by a fee of twenty-five dollars” and substituting the words “by a fee of such amount as is prescribed by regulations made by the Cabinet”.

### **Amendment of section 39 - continuation from another jurisdiction to the Islands**

6. The principal Law is amended in section 39 as follows —
  - (a) in subsection (6)(b) by deleting the words “a fee of one thousand five hundred dollars” and substituting the words “a fee of such amount as is prescribed by regulations made by the Cabinet”; and
  - (b) in subsection (11)(c) by deleting the words “a fee of one thousand dollars” and substituting the words “a fee of such amount as is prescribed by regulations made by the Cabinet”.

### **Amendment of section 52 - application**

7. The principal Law is amended in section 52 as follows —
  - (a) by repealing subsections (1), (2) and (3) and substituting the following subsection —



- “(1) This Part applies in respect of limited liability partnerships formed and registered, except a legal entity or a subsidiary of a legal entity which is —
- (a) listed on the Cayman Islands Stock Exchange or an approved stock exchange in Schedule 4 of the *Companies Law (2018 Revision)*; or
  - (b) exempted by the Regulations.”; and
- (b) in subsection (4)(a) by deleting the words “in excess of seventy-five percent” and substituting the words “seventy-five per cent or more”.

### **Insertion of section 52A - application of Part in relation to investment funds**

8. The principal Law is amended by inserting after section 52, the following section —

#### **“Application of Part in relation to investment funds**

- 52A.** (1) Notwithstanding section 52(1), sections 67, 68, 69, and 71 shall not apply to a legal entity or a subsidiary of a legal entity which is —
- (a) 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; or
  - (b) a general partner of a vehicle, fund or scheme referred to in paragraph (a) if the vehicle, fund or scheme is —
    - (i) registered or holds a licence under a regulatory law; or
    - (ii) managed, arranged, administered, operated or promoted by an approved person.
- (2) 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 legal 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 legal entity having appointed an approved person to provide its registered office in the Islands.
- (3) In this section, “**approved person**” means a person or a subsidiary of a person that —
- (a) is regulated, registered or holds a licence in the Islands under a regulatory law;

- (b) is regulated by a regulatory authority in a country with a low degree of risk of money laundering, terrorist financing and proliferation financing; or
  - (c) is listed on the Cayman Islands Stock Exchange or an approved stock exchange in Schedule 4 of the *Companies Law (2018 Revision)*.
- (4) For the purposes of this section, a limited liability partnership (“S”) is a subsidiary of a legal entity described in subsection (1) if —
- (a) the legal entity, separately or collectively, holds seventy-five per cent or more of the partnership interest with respect to profit sharing or voting rights in S or distributions of capital from S;
  - (b) each such legal entity is a partner of S and, separately or collectively, has the right to appoint or remove a majority of its managing partners; or
  - (c) it is a subsidiary of one or more legal entities, each of which is itself a subsidiary of one or more legal entities described in subsection (1).”.

#### **Amendment of section 54 - duty of limited liability partnerships to identify beneficial owners**

9. The principal Law is amended in section 54 as follows —

- (a) in the section heading by inserting after the word “partnerships” the words “or corporate services providers”;
- (b) in subsection (2) by inserting after the words “limited liability partnership” wherever they appear, the words “or corporate services provider”; and
- (c) in subsection (3) by deleting the words “more than 25 percent” wherever they appear and substituting the words “twenty-five per cent or more”.

#### **Amendment of section 55 - duty of limited liability partnerships to identify relevant legal entities**

10. The principal Law is amended in section 55 as follows —

- (a) in the section heading by inserting after the word “partnerships” the words “or corporate services providers”;
- (b) in subsection (1) by inserting after the words “A limited liability partnership”, the words “or corporate services provider”; and
- (c) in subsection (2) by inserting after the words “limited liability partnership” wherever they appear, the words “or corporate services provider”.



**Amendment of section 56 - duty of limited liability partnerships to give notice to registrable persons**

11. The principal Law is amended in section 56 as follows —

- (a) in the section heading by inserting after the word “partnerships” the words “or corporate services providers”;
- (b) in subsection (1) by inserting after the words “limited liability partnership” wherever they appear, the words “or corporate services provider”;
- (c) in subsection (3) as follows —
  - (i) by inserting after the words “A limited liability partnership”, the words “or corporate services provider”; and
  - (ii) by inserting after the words “the limited liability partnership” the words “or corporate services provider”; and
- (d) in subsection (5) as follows —
  - (i) by inserting after the words “A limited liability partnership” the words “or corporate services provider”;
  - (ii) in paragraph (a) by inserting after the words “the limited liability partnership” the words “or corporate services provider”; and
  - (iii) by repealing paragraph (b) and substituting the following paragraph —
    - “(b) the limited liability partnership or corporate services provider has already been informed of the person’s status as a registrable person in relation to the limited liability partnership, and has received all the required particulars.”.

**Amendment of section 57 - duty of beneficial owners and relevant legal entities to supply information**

12. The principal Law is amended in section 57 as follows —

- (a) in subsection (1)(d) by inserting after the words “limited liability partnership” the words “or corporate services provider”; and
- (b) in subsection (2) as follows —
  - (i) in paragraph (a) by inserting after the words “notify the limited liability partnership” the words “or corporate services provider”; and
  - (ii) in paragraph (c) by inserting after the words “limited liability partnership” the words “or corporate services provider”.

**Repeal and substitution of section 59 - duty to establish and maintain beneficial ownership register**

13. The principal Law is amended by repealing section 59 and substituting the following section —

**“Duty to establish and maintain beneficial ownership register**

- 59.** (1) A limited liability partnership to which this Part applies shall keep its beneficial ownership register at the limited liability partnership’s registered office.
- (2) A limited liability partnership to which this Part applies may engage the Registrar to assist the limited liability partnership to establish and maintain its beneficial ownership register.
- (3) Where a limited liability partnership does not engage the Registrar under subsection (2), the corporate services provider engaged for the provision of registered office services by the limited liability partnership shall establish and maintain the beneficial ownership register of the limited liability partnership.
- (4) If there is a default in complying with subsection (3), 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 and wilfully authorised or permitted, shall incur, in addition to the penalty under paragraph (a) —
    - (i) a penalty of one thousand dollars; and
    - (ii) a further penalty of one hundred dollars for every day during which the default continues.”.

**Amendment of section 69 - limits on searches that may be executed**

14. The principal Law is amended in section 69 —

- (a) in subsection (1)(a) by deleting the words “, provided that the senior official certifies that the request meets the conditions referred to in section 262(2) of that Law”; and
- (b) by inserting after subsection (2), the following subsection —

“(3) The competent authority may execute a search of the beneficial ownership register of a limited liability partnership in accordance with this Part for the purpose of verifying the accuracy of the information provided by the limited liability partnership or corporate services provider.”.



**Insertion of section 69A - beneficial ownership information in relation to investment funds**

15. The principal Law is amended by inserting after section 69, the following section —

**“Beneficial ownership information in relation to investment funds**

**69A.** (1) The competent authority may by notice in writing, request beneficial ownership information from a legal entity or a subsidiary of a legal entity which is —

- (a) 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; or
  - (b) a general partner of a vehicle, fund or scheme referred to in paragraph (a) if the vehicle, fund or scheme is —
    - (i) registered or holds a licence under a regulatory law; or
    - (ii) managed, arranged, administered, operated or promoted by an approved person.
- (2) A legal entity or a subsidiary of a legal entity which receives a notice under subsection (1) shall comply with the notice within the period and in the manner specified in the notice.
- (3) If there is a default in complying with subsection (2), the legal entity or a subsidiary of a legal entity which 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 and wilfully authorised or permitted, shall incur, in addition to the penalty under paragraph (a) —
    - (i) a penalty of one thousand dollars; and
    - (ii) a further penalty of one hundred dollars for every day during which the default continues.
- (4) 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 legal 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 legal entity having appointed an approved person to provide its registered office in the Islands.

- (5) In this section, “**approved person**” means a person or a subsidiary of a person that is —
- (a) regulated, registered or holding a licence in the Islands under a regulatory law;
  - (b) regulated by a regulatory authority in a country with a low degree of risk of money laundering, terrorist financing and proliferation financing; or
  - (c) listed on the Cayman Islands Stock Exchange or an approved stock exchange in Schedule 4 of the *Companies Law (2018 Revision)*.
- (6) For the purposes of this section, a limited liability partnership (“S”) is a subsidiary of a legal entity described in subsection (1) if —
- (a) the legal entity, separately or collectively, holds seventy-five per cent or more of the partnership interest with respect to profit sharing or voting rights in S or distributions of capital from S;
  - (b) each such legal entity is a partner of S and, separately or collectively, has the right to appoint or remove a majority of its managing partners; or
  - (c) it is a subsidiary of one or more legal entities each of which is itself a subsidiary of one or more legal entities described in subsection (1).”.

### **Insertion of section 71A - request for additional information**

**16.** The principal Law is amended by inserting after section 71, the following section —

#### **“Request for additional information**

- 71A.**(1) The competent authority may request by notice in writing, additional information from a limited liability partnership or corporate services provider for the purposes of carrying out its functions under this Part.
- (2) A limited liability partnership or corporate services provider which receives a notice under subsection (1) shall comply with the notice within the period and in the manner specified in the notice.
- (3) If there is a default in complying with subsection (2), the limited liability partnership or corporate services provider which 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 and wilfully authorised or permitted, shall incur, in addition to the penalty under paragraph (a) —
- (i) a penalty of one thousand dollars; and
  - (ii) a further penalty of one hundred dollars for every day during which the default continues.”.

**Amendment of section 87 - regulations under this Part**

17. The principal Law is amended in regulation 87(3) by deleting the words “section 52(1)(g)” and substituting the words “section 52(1)(b)”.

**Passed in the Legislative Assembly the                      day of                      , 2020.**

*Speaker*

*Clerk of the Legislative Assembly*

