

Cayman LLC offers multiple applications to investment managers

Interview with Matt Mulry

The Cayman Limited Liability Companies Law ('LLC Law') was formerly introduced on 8th July 2016 and is expected to be used for a broad range of structuring situations.

From a US manager's perspective, the Cayman LLC might be seen as an alternative to the Delaware LLC in setting up an investment management or advisory company or a General Partner for a Limited Partnership fund. A Cayman LLC could provide a useful synergy in a structure where Delaware entities are also used given that Cayman LLC Law is based on and uses many elements of the Delaware Limited Liability Company Act.

"A Cayman LLC can be set up with only a registration statement in the same way that a Delaware LLC might be set up where it is to be used as a single member entity. If you introduce more members then it's sensible to enter into a full LLC Agreement to govern the relationship between those members," explains Matt Mulry, Partner, Financial Services, Dillon Eustace (Cayman).

It should be noted, however, that whereas existing Cayman exempted companies are able to convert into a Cayman LLC this is not yet possible for existing exempted limited partnerships or segregated portfolio companies.

"The Cayman LLC could also be used as a joint venture vehicle, special purpose vehicle, holding company or as a blocker entity, and I think that these uses are in line with market expectations for the Cayman LLC," says Mulry.

"We've had a number of clients interested in the Cayman LLC as a joint venture vehicle because it allows for wider drafting flexibility in its internal operations and the relationships between its members



Matt Mulry, Partner, Financial Services at Dillon Eustace

and managers than is available within the Cayman exempted company structure whilst at the same time the Cayman LLC provides a vehicle with a separate legal personality."

Mulry hopes that in addition to these expected uses the Cayman LLC will also begin to be accepted as a vehicle that is well suited for use as an investment fund.

"The LLC law has been drafted with the use of the Cayman LLC as an investment fund very much in mind. In particular the LLC law allows the use of a negative consent mechanism for obtaining member approval to changes in the operations of the Cayman LLC which is a key feature of US fund vehicles. The LLC law anticipates the use of all the core mechanisms expected of a vehicle which is to be used as an investment fund and the increased drafting flexibility available to the Cayman LLC should make it an attractive choice as a fund vehicle.

"However, it may take a while for it to be accepted by those who use existing Cayman fund structures. Our firm has developed fund documentation using the Cayman LLC and we want to actively push the use of the Cayman LLC as an investment fund product".

"All Cayman based service providers and Cayman's local industry body, Cayman Finance, maintain an open dialogue with lawyers and managers across the leading investment fund jurisdictions including the US, the EU and Asia. The development of the Cayman LLC product was borne out of those discussions and is evidence of the continuing active partnership between Cayman and its global client base which maintains Cayman's position as the market leader in offshore investment funds," says Mulry. ■