

Cayman Islands

The Cayman Islands are a British Crown Colony consisting of a small chain of islands in the Caribbean lying approximately 480 miles south of Miami, Florida. The area is about 260 square kilometers and consist of the well-known islands of Grand Cayman and the "sister islands" of Cayman Brac and Little Cayman. Grand Cayman, the largest of the three islands, is the only significantly populated island with 30,000 of its approximately 35,000 residents living in George Town, the capital. None of the islands have any rivers, but vegetation is luxuriant, the main trees being coconut, thatch palm, sea grape and Australian pine.

The Cayman Islands boasts a prosperous economy, supported by the finance and tourism industries. The cost of living is extremely high and over employment exists. Petty crime is rare and the islands are well looked after (described as "a very clean sandbank") with more than 500 banks operating there.

The Islands are largely self-governing British Crown colony and have traditionally been run by well-educated and forward-thinking Caymanians. There is complete social harmony and the Caymanians share a preference to remain a British territory. Britain is responsible for internal security and defense. The legal system is based on English Common Law and is complemented by local laws. The courts operate under the English system, and the highest appeal is to the Privy Council in London, England.

SALIENT FEATURES

There are two principal types of companies suited for offshore operations, which are: The ordinary (non-resident) and the exempt, both types of companies limited by shares.

Structurally, both are the same type of Limited Liability Company. However, the Financial Secretary certifies a non-resident company, as a company, which does not intend to carry on business within the Cayman Islands,. An exempt company, instead, has applied for and been granted "exempt" status by the Financial Secretary and cannot carry on business in the Islands either. An exempt company may issue bearer shares so long as the company does not intent to hold property in the Cayman Islands. Bearer shares must be held by an approved custodian. An ordinary non-resident company may not issue bearer shares. The exempt company files annually a compliance statement, instead of a detailed annual return. An exempt company can be granted an exemption from future taxes for a period of 20 years, which is renewable. However, it should be noted that there are no taxes in the Cayman Islands, anyway. Exempt companies are not permitted to own land in the Cayman Islands. Recently, specific legislation was enacted which introduced the new concept of an "exempted limited Duration Company". A limited duration company is a company that has at least 2 subscribers or 2 members; a Memorandum of Association which limits the duration of the company to a period of 30 years or less; and the name of the company includes at its end "Limited Duration Company" or "LDC".

CORPORATE REQUIREMENTS

Name: Ordinary (non-resident) must utilize the word Limited or Ltd. in their ending, while exempt companies can use virtually any ending, and do not have to specifically connote in the name that the liability is limited. However, it is the practice to use the common endings that include limited

liability, i.e.: Inc., Corp., S.A., A.G., Ltd., etc. No Company may use the word bank, trust, insurance, etc., unless a special license is obtained. Similarly, without the approval of the Registrar, no name that is considered to suggest connection with any public board, local authority, or royal connection is permitted. A corporate name can be confirmed the same day as requested. Overseas Management Co. presents M&A to the Registry the same day we receive instructions to proceed. Nevertheless, the constitution generally takes from three (3) to five (5) working days.

Capital / Shares: There is no statutory minimum share capital other than the smallest unit currency in which the capital is authorized. The maximum capital that pays the minimum registration and annual license fee is US\$50,000 for ordinary (non-resident) and exempt companies. For both types of companies registered shares may be issued partly paid.

Shareholders: One shareholder is required and no particular nationality or qualifications is necessary. For an ordinary (non-resident) company, names and addresses of shareholders have to be disclosed to the Registrar upon filing the annual return and the register is available for public inspection. The Registrar is obliged to keep the information confidential.

Directors / Officers: Companies must have at least one director and a secretary which may be corporate and of any nationality. Both types of companies must notify the Registrar of the names and addresses of its directors and officers. However, the Registrar can only make this information available to the Registered Office, which can obtain it in the form of a Certificate of Incumbency.

Registered Office / Agent: It is necessary to have a local qualified Registered Office that also acts as Registered Agent.

Registers: Each company is required to keep the following registers, which are usually kept at the company's registered office, although the register of mortgages and charges and the register of directors and officers are the only registers required by law to be maintained by the registered office:

- a. **Register of Directors and Officers**
This is required only to contain the names and addresses of the directors and officers, but normally also contain their dates of appointment and removal or resignation.
- b. **Register of Members**
This must contain the names and addresses of the shareholders of the company, the numbers of shares held by each, the distinguishing numbers (if any) of those shares, the amount paid or agreed to be paid on the shares, together with the date on which each person became and ceased to be a shareholder of the company.
- c. **Register of Mortgages**
This must contain details of all mortgages and charges specifically affecting property of the company, including a short description of the property mortgaged or charged, the amount of the charge created and the names of the mortgages or persons entitled to the charge.

Books, Records and Seal: A register containing the record names and addresses of its directors and officers, and should send to the Registrar a copy of such register. Every company is responsible to keep proper books of account with respect to: all sums of money expended by the company and the matters in respect of which the receipt and expenditure takes place; and, all sales and liabilities of the company. A company may have a seal in the Registered Office and a duplicate seal for use overseas.

CONFIDENTIALITY

The Confidential Relationships (Preservation) Law makes it a criminal offense, punishable by prison and severe fines, to divulge information obtained as a result of violating professional confidence. The law applies, not only to those caught divulging information in Cayman, but also to outsiders seeking to obtain unauthorized information.

There is a mutual legal assistance treaty with the United States. The information exchanged is strictly for prosecuting unlawful criminal activity, and specifically prohibits using the treaty to obtain information related directly or indirectly to taxation. This treaty has served to enhance the quality and reputation of the Cayman Islands offshore sector and has not infringed on the confidentiality requirements of legitimate business interests.

ANNUAL REQUIREMENTS

An ordinary (non-resident) company must file an annual return containing details of its shareholders, while an exempt company only needs to file an annual declaration of compliance with the company's law signed by an officer or director. Annual accounts do not have to be filed, nor do they require appointment of auditors.

An ordinary (non-resident) company must hold at least one Annual General Meeting of Shareholders, which can be held anywhere in the world. Alternates or Proxies usually accomplish this requirement.

EXEMPTION FROM TAX

The annual fee to be tendered along with the annual return filing is US\$575 for exempt companies and US\$490 for ordinary (non-resident) companies, for a capital of no more than \$50,000.

TRANSFER OF FUNDS

There are no exchange control regulations of any type in the Cayman Islands. There is a local Cayman dollar. However, in practice, the US Dollar circulates freely on the Islands, at a fixed exchange rate of C\$1.00 equals US\$1.20.

ANNUAL LICENSE DUE DATE AND PENALTIES

<i>ANNUAL LICENSE DUE DATE</i>	<i>33.33% SURCHARGE</i>	<i>66.67% SURCHARGE</i>	<i>100% SURCHARGE</i>	<i>STRUCK-OFF FROM THE REGISTRY</i>
<i>31 MARCH</i>	<i>1 APRIL – 30 JUNE</i>	<i>1 JULY – 30 SEPT.</i>	<i>1 OCT. – 31 DEC.</i>	<i>1 JANUARY</i>