



Terminating Cayman vehicles and minimising 2024 fees

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Do you have any Cayman vehicles that you are considering terminating?

If so, there are a number of active steps that should be taken before the end of the calendar year in order to reduce or eliminate certain annual fees and costs for 2024. In this briefing, managing associate [Ridhiima Kapoor](#) from the Cayman Investment Funds team and Ogier Global's [Corinne Cellier](#), associate director, liquidations, explain the options for termination, as well as additional considerations for Cayman entities.

| Termination options

Voluntary liquidation

Where a legal entity has operated or traded, and / or in cases where the entity has entered into third party or commercial transactions over its lifetime, the recommended process to terminate such a vehicle is by way of a voluntary liquidation. This is the preferred route, as once the vehicle has been dissolved by voluntary liquidation, it cannot be legally re-instated by any interested party, except in very limited circumstances where the liquidation is deemed fraudulent. Accordingly, this is the safest and most administratively clean termination process.

Our affiliated corporate administration business, Ogier Global, can provide specialist liquidation services to assist with all termination related matters, including provision of Ogier Global Liquidator (Cayman) Limited to act as voluntary liquidator. This approach is recommended due to the number of statutory obligations on the appointed voluntary liquidator, and also to optimise administrative efficiency.

For entities that are not regulated by the Cayman Islands Monetary Authority (CIMA) or for entities that have completed the CIMA de-registration process, we recommend being in a position to commence liquidation by 1 December 2023. This will allow sufficient time to meet statutory filing and statutory notice obligations and to close the voluntary liquidations by the deadline of 31

January 2024 to minimise annual registration and registered office fees for 2024.

Strike-off

Where an entity is dormant and/or has never traded, it may be suitable to terminate by way of strike-off. This process is more cost effective and generally faster than voluntary liquidation, but it has the downside that it lacks the finality of voluntary liquidation, as any interested party who is aggrieved by the strike-off may apply for the entity to be re-instated for a period of up to 10 years after the strike-off date.

For companies, for example, action can then be taken against a former director, carrying the risk of personal liability for that director for any unsatisfied claims. Similarly for partnerships, a successful claimant may, for example, be able to clawback distributions previously made to limited partners. For this reason we do not recommend this option where the entity in question has taken in external investors and / or traded.

To achieve an effective strike-off date of 31 December 2023, the entity should be in a position to file the strike-off application via its registered office by 1 November. All operational and regulatory matters must be complete prior to submitting the application. The next available effective strike-off date is 31 March 2024, in which case it should be noted that 2024 fees and expenses may be payable, so accruals for such expenses should be considered prior to filing the strike-off application.

Additional considerations for Cayman funds registered with CIMA

Cayman entities that are registered with CIMA as regulated mutual or private funds are required to pay annual license fees to CIMA for each calendar year in which they are registered. Following amendments last year by CIMA to the regulatory procedures on termination (effective August 2022) (see our briefing: [CIMA publishes revised regulatory procedures for deregistration of Cayman Islands regulated funds](#)), there is no longer any relief in relation to annual license fees available for an entity which is in the process of terminating its license.

Therefore, in order to avoid 2024 CIMA fees from falling due, both mutual funds and private funds must have completed all termination obligations prior to submitting their formal deregistration application before 31 December 2023. This would include completion of the final audit, including settlement of the final holdback payments to investors, and submission of the related Fund Annual Return (FAR) to CIMA. We would recommend being in a position to submit this application well before the 31 December deadline in order to deal with any issues upon filing.

In cases where a fund has ceased to trade or has terminated within 2023, but is either not able to return the proceeds to investors, nor complete the final audit before the end of 2023, then 2024

CIMA license fees will be payable in full.

How can Ogier help?

If you require assistance with the termination of a Cayman Islands vehicle or have any questions around the potential savings for 2024 fees, please speak to your usual Ogier contact or a member of our team listed here.

About Ogier

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Regulatory information can be found under [Legal Notice](#)

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