



Termination of Cayman entities and timing considerations

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Do you have any Cayman Islands entities that you are considering terminating prior to year-end?

In this briefing, Ogier Global's Corinne Cellier, associate director and head of our solvent liquidations team, reminds us of the options and timing for the termination of Cayman Islands entities. Our aim is to make the process as straightforward and clear as possible for our clients, navigating the applicable deadlines and regulatory considerations.

Where the goal is to minimise 2025 filing and fee obligations, the key is to start the process as early as possible, so please speak to your usual Ogier contact or Corinne Cellier for guidance.

Termination options

Voluntary Liquidation

For entities that have operated, traded, or entered into third party transactions, voluntary liquidation is the advised method for termination. This approach ensures that once the entity has been dissolved, it cannot be legally reinstated by any interested party, except in very limited circumstances where the liquidation is deemed fraudulent. Voluntary liquidation is therefore the safest and most administratively clean termination process for entities that have traded.

Ogier Global, our corporate and fiduciary services division, offers expert liquidation services to streamline the termination process. We provide a dedicated corporate liquidator, Ogier Global Liquidator (Cayman Islands) Limited, which can act as voluntary liquidator for entities opting to dissolve by voluntary liquidation. Additionally, we support individuals and corporate entities who are able and willing to act in the role of voluntary liquidator, ensuring compliance with their statutory obligations in their capacity as voluntary liquidator.

Timing

Once a company is ready to commence voluntary liquidation and appoint a voluntary liquidator, the estimated timeline to dissolution is four to five months. For a partnership, the estimated timeline is six to eight weeks.

In each case, moving to dissolution is dependent upon being in a position to confirm matters such as the entity being at nil assets, nil liabilities and having completed all operational and regulatory matters.

At this stage in the year, most entities commencing voluntary liquidation will have an effective dissolution date in 2025, so certain costs and obligations for the 2025 stub period should be accrued for prior to releasing final distributions to beneficiaries.

Ogier Global's working deadline for non-regulated entities to be in a position to commence voluntary liquidation and complete in time to minimise 2025 annual regulatory obligations and related costs is **15 November 2024**.

Additional considerations for CIMA registered funds

Cayman Islands entities that are registered with the Cayman Islands Monetary Authority (**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. The entity continues to be registered, with corresponding annual license fees payable, in full from 1 January of the relevant calendar year, until all termination procedures are fully completed.

To avoid incurring 2025 CIMA fees, both mutual and private funds must fulfil all termination requirements, submit their formal deregistration application and deal with any queries raised by CIMA on the application within the 2024 calendar year, otherwise the 2025 annual fees automatically accrue on 1 January, and will have to be settled to complete the deregistration. This process includes settling final payments to investors, completing the final audit, and submitting the related Fund Annual Return (**FAR**) to CIMA, ie. the fund entity must be in good standing prior to submission of the deregistration application.

Timing

For fund entities that are also seeking to dissolve by voluntary liquidation, it should be noted that the voluntary liquidation process will typically only commence once the CIMA deregistration is complete and once the entity has no remaining assets, liabilities or outstanding operational or regulatory matters.

Due to an increase in deregistration applications being submitted towards the end of any calendar year, turnaround times can increase. We therefore reiterate that if the CIMA deregistration and

voluntary liquidation are to complete in time to minimise 2025 costs and regulatory obligations, we recommend commencing the process as soon as possible.

Ogier Global's working deadline for fund entities wishing to complete their CIMA deregistration and voluntary liquidation in time to minimise 2025 annual regulatory obligations and related costs is **31 October 2024**.

Where the fund entity is not in a position to submit the deregistration application to CIMA by 31 October 2024, ie. to complete the final audit and related filings by this date, we recommend reserving for 2025 annual fees in full, such accrual being available for release to investors if the applications can be approved in time.

Strike-Off

For dormant entities or those that have never engaged in any trading activity, accepted investors nor appointed third party service providers, strike-off represents a more cost effective and sometimes quicker alternative to voluntary liquidation.

However, it is important to note that strike-off lacks the permanence of voluntary liquidation, as it allows for the possibility of reinstatement by an aggrieved party for up to 10 years following the strike-off application.

Strike-off carries certain risks, such as potential personal liability for former directors of companies or the possibility of clawing back distributions from limited partners in partnerships, in cases where there have been external investors, service providers or trading activities. Therefore, we generally advise against this option for entities with such activities.

Timing

The Registrar processes strike-off applications quarterly (31 March, 30 June, 30 September and 31 December), noting that the filing deadlines are approximately eight weeks in advance of the applicable quarterly strike off date.

Prior to submitting the strike-off application, all operational and regulatory obligations must be complete, or otherwise accrued for up to the excepted date of strike-off, prior to submitting the application.

To achieve an effective strike-off date of 31 December 2024, the entity should be in a position to file the strike-off application via its registered office by **15 October 2024**.

How can Ogier help?

If you require assistance with the termination of a Cayman Islands entity or have any questions

around the potential impact on 2025 filing fees and obligations, please speak to your usual Ogier contact or Corinne Cellier.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

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