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Cayman Islands: Law and Practice

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Maples Group



CAYMAN ISLANDS



Law and Practice

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Maples Group advises global financial, institutional, business and private clients on the laws of the British Virgin Islands, the Cayman Islands, Ireland, Jersey and Luxembourg, through its leading international law firm, Maples and Calder. With offices in key jurisdictions around the world, the Maples Group has

specific strengths in the areas of corporate commercial, finance, investment funds, litigation and trusts. Maintaining relationships with leading legal counsel, the group leverages this local expertise to deliver an integrated service offering for global business initiatives.

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1. Legal System

1.1 Legal System and Judicial Order

The Cayman Islands is a common law jurisdiction, which is based on the English model. It comprises statute law and binding case precedents. English and British Commonwealth case authorities are generally persuasive, but not binding, on the Cayman Islands courts.

Cayman Islands law is derived from several sources:

- primary legislation – ie, local statutes passed by the Legislative Assembly of the Cayman Islands or its predecessors, and approved by the Governor of the Cayman Islands; for example, the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”) and the Private Funds Act (As Revised) of the Cayman Islands;
- secondary legislation – ie, legislation enacted pursuant to local statutes; examples include the Companies Winding-Up Rules (2023 Consolidation) and the Private Funds Regulations (As Revised) of the Cayman Islands;
- statutes passed by the United Kingdom (UK) Parliament that have been expressly extended to the Cayman Islands;
- Orders of His Majesty’s Privy Council that are applicable to the Cayman Islands; and
- any relevant remaining English and British Commonwealth common law and rules of equity established by settlement not having been replaced by local or UK statute.

The Grand Court of the Cayman Islands (the “Grand Court”) is the superior court of record of first instance for the Cayman Islands. The caseload of the Grand Court is divided into five divisions: Civil, Family, Admiralty, Financial Services and Criminal. Appeals from the Grand Court are to the Cayman Islands Court of Appeal (which usually sits three times annually). The final court of appeal is the Privy Council in England.

2. Restrictions on Foreign Investments

2.1 Approval of Foreign Investments

Foreign Investments in the Cayman Islands

Local operating business

Approval from the Cayman Islands authorities may be required if foreign investors are investing in a Cayman Islands company that conducts local business (ie, with businesses and individuals located in the Cayman Islands) (a “Local Company”). This is necessary where a foreign investor will hold greater than 40% voting or economic interest in a Local Company. The Local Companies (Control) Act (As Revised) of the Cayman Islands (LCCA) provides that a Local Company must have 60% Caymanian shareholders and directors, who maintain 60% of the economic and voting control. An application must be made to the Trade and Business Licensing Board (the “Board”), established pursuant to the Trade and Business Licensing Act (As Revised) of the Cayman Islands (TBLA), to obtain a special licence under the LCCA or waiver of its provisions to permit greater than 40% foreign ownership and control.

Entities registered or incorporated in the Cayman Islands conducting business outside the jurisdiction

There is no prohibition on foreign investors investing in Cayman Islands entities that do not fall within the category of a Local Company – ie, entities registered or incorporated in the Cayman Islands but not doing business with businesses and individuals in the Cayman Islands.

Certain categories of entities, such as those registered under the Mutual Funds Act (As Revised), may require minimum investment thresholds, but there are no restrictions on foreign investors making an investment in a Cayman Islands mutual fund.

Property in the Cayman Islands

There are no restrictions on foreign investors purchasing property in the Cayman Islands.

2.2 Procedure to Obtain Approval and Sanctions for Non-Compliance

Local Operating Business

To the extent a Local Company is unable to procure the required 60% local participation, it must apply to the Board for an LCCA licence. The application must be submitted together with supporting due diligence documents and evidence that the Local Company sought local participation (eg, copies of published advertisements in the Cayman Islands newspapers). The Local Company must also disclose any responses received from Caymanians. The Board must consider, among other things, the existing local business in the Cayman Islands and the benefit to the Cayman Islands and Caymanians. The application process generally takes approximately three to six months. An LCCA licence may be issued for up to 12 years and may be subject to such terms and conditions as the Board sees fit. A Local Company holding an LCCA licence must file a return of shareholdings as at 31 December with the Board in January annually. Once expired, the licence cannot be renewed.

Any Local Company with less than 60% local participation that does not hold an LCCA licence and is not otherwise exempted or licensed to operate in the Cayman Islands under another law, commits an offence and is liable (i) on summary conviction to a fine of KYD200 (USD243.90) and (ii) on conviction on indictment to a fine of KYD1,000 (USD1,219.51), in each case, for each day the offence continues.

2.3 Commitments Required From Foreign Investors

In respect of Local Companies, the Board does not condition approval on commitments from foreign investors. However, subject to any general directions from the Cabinet of the Cayman Islands, the Board may have regard to certain matters (such as the advantage or disadvantage resulting from the applicant carrying on business in the Cayman Islands) when deciding whether to grant a licence.

2.4 Right to Appeal

To the extent a Local Company is dissatisfied with a decision of the Board, it may, within 28 days of the communication of the decision (or such longer period as the Appeals Tribunal may allow), appeal

to the Appeals Tribunal established under the TBLA. Any notice of appeal must specify the decision being appealed, the Board's reasons and the grounds of appeal. The Appeals Tribunal may then decide whether to allow the appeal and fix a hearing date.

The Appeals Tribunal's decision will be communicated to the appellant and the Board within 28 days of the hearing. A further appeal may be made to the Grand Court from a decision of the Appeals Tribunal on a point of law only.

3. Corporate Vehicles

3.1 Most Common Forms of Legal Entity

The Cayman Islands has several types of corporate vehicles or legal structures available for conducting business in or outside of the Cayman Islands. Common types of entities are outlined below.

Exempted Companies

Exempted companies are incorporated under the Companies Act and are the most common form of Cayman Islands vehicle used when carrying on business mainly outside of the Islands. They offer a flexible and tax-efficient structure for companies to operate in the global market. The main constitutional documents are its memorandum and articles of association that set out the rules for the governance and operation of the company. The issued share capital can be entirely nominal (for example, a single share) and shareholder liability is typically limited to amounts unpaid on shares. There are no restrictions on the number of directors or shareholders.

Ordinary Non-Resident and Ordinary Resident Companies

Ordinary companies are incorporated under the Companies Act but, unlike exempted companies, are subject to the LCCA and must comply with local licensing, reporting and disclosure obligations in the Cayman Islands.

Ordinary non-resident companies cannot engage in business activities within the Cayman Islands. Ordinary resident companies may conduct business locally. Both must file a list of shareholders annually with

the Registrar of Companies. Ordinary resident companies must also file an annual list of shares held by Cayman Islands residents with the applicable immigration board to comply with the LCCA's 60% local ownership requirement.

Overseas Companies

Overseas companies (usually referred to as foreign companies) have been incorporated in another jurisdiction and intend to carry on business in the Cayman Islands. They must register with the Registrar of Companies pursuant to Part IX of the Companies Act, which is necessary to enable them to hold land, carry on business locally, or act as the general partner of a Cayman Islands ELP (for which they are commonly used).

Segregated Portfolio Companies

A segregated portfolio company (SPC) is a form of exempted company incorporated under the Companies Act, which may create one or more segregated portfolios to segregate the assets and liabilities held within or on behalf of each segregated portfolio from those of other segregated portfolios and from the general assets of the SPC. The SPC remains a single legal entity; any segregated portfolio does not constitute a separate legal entity. SPCs are commonly used for mutual funds and other investment vehicles seeking asset and liability segregation.

Limited Liability Companies

A limited liability company (LLC) is formed and registered under the Limited Liability Companies Act (As Revised) of the Cayman Islands (the "LLC Act") and combines characteristics of an exempted company and an ELP, similar to a Delaware LLC. LLCs are corporate entities with separate legal personality and limited liability. They offer particular flexibility regarding operation, management, member rights and profit sharing, and can be used for a variety of purposes including as investment vehicles.

Exempted Limited Duration Companies

An exempted limited duration company (LDC) is a form of exempted company incorporated under the Companies Act. An LDC exists for a fixed period (not exceeding 30 years) specified in its memorandum of association and must have at least two members.

LDCs are uncommon but may be used where a project must be completed within a certain timeframe. Upon expiry, the LDC will be deemed to have commenced voluntary winding up.

Exempted Limited Partnerships

An exempted limited partnership (ELP) is registered under the Exempted Limited Partnership Act (As Revised) of the Cayman Islands (the "ELP Act") and is the most common partnership structure in the Cayman Islands, providing a flexible vehicle for investors to pool capital for investment activities outside the Cayman Islands. It is frequently used as a private equity fund, hedge fund or feeder fund. The respective rights and obligations of the general partner and limited partners are set out in an ELP agreement. Limited partners have limited liability, with all management responsibility vesting in the general partner who is liable for the ELP's debts and liabilities if the ELP's assets are inadequate.

Limited Liability Partnerships

A limited liability partnership (LLP) is formed and registered under the Limited Liability Partnership Act (As Revised) of the Cayman Islands. It is the preferred structure for professional firms in the Cayman Islands, having a separate legal personality and affording limited liability to its partners. An LLP is not a body corporate and differs from a UK LLP which is structurally more akin to a corporate rather vehicle. The LLP, rather than the partners, is liable for its debts and losses. A partner may be liable for their own negligent acts or omissions where they have assumed an express duty of care and acted in breach of it. An LLP must be established by at least two persons for any lawful purpose. Any person, including natural persons, a body corporate or other partnerships, may be a partner. As there is no requirement to carry on business "with a view to profit", an LLP may be a helpful option for not-for-profit organisations.

Foundation Companies and Companies Limited by Guarantee

A foundation company is incorporated under the Foundation Companies Act (As Revised) of the Cayman Islands (the "Foundation Companies Act") as a body corporate with legal personality distinct from its members, beneficiaries, directors, officers, super-

visors and founder. Accordingly, it has capacity to sue and be sued and to hold property. Uniquely, it is possible for a foundation company not to have any members, provided that its constitution so permits and it continues to have one or more supervisors. A foundation company may be formed for any lawful object, which need not be beneficial to other persons and must be limited by shares or by guarantee with or without share capital. It is a highly flexible vehicle and can, if so desired, include features of a common law trust within a corporate framework. Foundation companies are typically used for wealth management, estate planning and asset protection, and are often incorporated as companies limited by guarantee to avoid the need for probate.

A company limited by guarantee has members rather than shareholders, whose liability is typically limited to USD1, and can hold property, sue and be sued. Companies limited by guarantee are rarely incorporated for commercial purposes, and are more typically used for non-profit or club scenarios.

Trusts (Including Unit Trusts)

Unlike the vehicles described above, a trust does not have separate legal personality and so a trust itself cannot hold property in its own name. Rather, legal title to property held upon the terms of the trust is vested in the trustees of the trust and it is the trustees who enter into transactions in that capacity and who can sue and be sued. The primary legislation is the Trusts Act (2021 Revision) (the “Trusts Act”), which incorporates conflict of laws provisions (the “Trusts (Foreign Element”) Provisions”) particularly relevant in instances where a trust has been established by a settlor domiciled outside the Cayman Islands in a jurisdiction that does not permit testamentary freedom.

Trusts can be established for various objectives, such as wealth management, estate planning, philanthropic endeavours (Charitable Trusts) and employee incentivisation schemes, much like foundation companies.

Cayman permits the establishment of non-charitable purposes trusts created pursuant to the Cayman Islands Special Trusts (Alternative Regime) Act 1997 (known as STAR Trusts), the purposes of which may

be to benefit or carry out, as the case may be, a mixture of persons and purposes so long as they are lawful and not contrary to public policy.

It is also possible to establish a trust for use as an investment vehicle. Such a structure would usually take the form of a unit trust under which the investors (the unitholders) contribute assets to the trustee to be managed and invested in accordance with the terms set out in the trust deed and any accompanying contractual documents.

3.2 Incorporation Process

It is necessary to engage a licensed corporate services provider to assist with the incorporation process.

Exempted/Ordinary Resident/Ordinary Non-Resident Companies/Other Companies

To incorporate a company, the corporate services provider prepares and files the memorandum and articles of association with the Registrar of Companies, together with the appropriate filing fees. For exempted companies only, a statement confirming that the company’s operations will be conducted mainly outside the Cayman Islands is also required. The initial subscriber shareholder is typically an affiliate of the corporate services provider and will transfer the subscriber share after incorporation or it will automatically be repurchased following the issuance of further shares. Once the Registrar has processed the documents, the company is deemed incorporated and a Certificate of Incorporation is issued.

Exempted Limited Partnerships

To register a Cayman Islands partnership as an ELP, the corporate services provider, on behalf of its general partner, must submit to the Registrar of Exempted Limited Partnerships in the Cayman Islands a statement setting out certain prescribed information and pay the appropriate filing fees. A Certificate of Registration issued by the Registrar of ELP is conclusive evidence that the requirements of the ELP Act have been complied with in respect of the formation and registration of an exempted limited partnership.

Limited Liability Companies

To form and register an LLC, a registration statement must be submitted by the corporate services provid-

er to the Registrar of Limited Liability Companies in the Cayman Islands which sets out basic information regarding the limited liability company and the appropriate filing fees. A Certificate of Registration issued by the Registrar of Limited Liability Companies is conclusive evidence that the requirements of the LLC Act have been complied with in respect of the formation and registration of an LLC.

Timing

The registration and issue of a Certificate of Incorporation (exempted/resident/non-resident companies) or Certificate of Registration (ELPs, LLC) generally takes three to five business days but can be expedited by paying an express fee to provide the certificate within one business day.

3.3 Ongoing Reporting and Disclosure Obligations

General – Companies Act

Companies in the Cayman Islands are subject to certain disclosure and reporting obligations depending on the type of vehicle and the activities undertaken. The Companies Act governs the formation, operation and dissolution of exempted companies.

Exempted companies must have a registered office in the Cayman Islands with a licensed and regulated corporate services provider and are required to file certain documents and information with the Registrar of Companies.

Exempted companies must notify the Registrar of Companies of the following:

- changes to the company name;
- increase or reduction in the authorised share capital;
- changes of directors and officers;
- changes in the registered office;
- amendments to the memorandum and articles of association of the company; and
- changes to the beneficial ownership register (if any) of the company.

Notices of all special resolutions referenced in the Companies Act that are passed by one or more shareholder(s) of the company must also be filed with

the Registrar of Companies within a prescribed time-frame – ie, within 15 days from the effective date of the special resolution.

Annual Requirements

An annual return (in the case of exempted companies) or an annual list of members and summary of certain specified items relating to share capital (in the case of ordinary companies) must be submitted to the Registrar of Companies in January of the year following incorporation and in each January thereafter, and the appropriate annual fee paid.

Financial Statements

All companies must keep proper books of account, including material underlying documentation such as contracts and invoices, sufficient to give a true and fair view of the company's affairs and explain its transactions. Books must be retained for a minimum of five years. A company that knowingly and wilfully contravenes these requirements is subject to a penalty of USD6,100. The books need not be kept at the registered office, but the company must provide its registered office with information regarding its books annually or as prescribed. If the company is not a bank, trust company, building society, money services business, credit union, insurance company, corporate manager, mutual fund administrator or regulated fund, its accounts need not be audited as a matter of Cayman Islands law.

Beneficial Ownership

On 24 November 2023, the Parliament of the Cayman Islands passed the Beneficial Ownership Transparency Act (As Revised) (the “BOT Act”) which came into force on 31 July 2024.

The BOT Act modifies the beneficial ownership regime in place since 2017, aligning it with equivalent regimes in other jurisdictions, such as the US Corporate Transparency Act. The BOT Act extends the regime to most Cayman Islands entities and removes a number of exemptions that existed previously.

In-scope entities must identify and monitor changes to their beneficial owners and reportable legal entities (as defined in the BOT Act), establish and maintain a beneficial ownership register with their corporate ser-

vice provider (CSP), and provide certain “required particulars” in a timely manner. The CSP files the register details with the Cayman Islands competent authority (the “Competent Authority”) each month. Various administrative fines and sanctions, including restriction notices, apply for non-compliance. The previous regime applied only to companies, LLCs and LLPs. The BOT Act has broader scope and applies to all Cayman Islands “legal persons”, including companies, LLCs, LLPs, limited partnerships, ELPs and foundation companies, and any other legal person that may be prescribed (“Legal Persons”). Non-Cayman Islands entities (including those registered as foreign persons in the Cayman Islands, typically to act as the general partner of an ELP) and certain other categories (eg, certain charities and not-for-profits) are carved out.

Under the BOT Act, a “beneficial owner” is an individual who (i) ultimately owns or controls (directly or indirectly) 25% or more of the shares, voting rights or partnership interests in the Legal Person; or (ii) otherwise exercises ultimate effective control over the management of the Legal Person; or (iii) is identified as exercising control of the Legal Person through other means. A person operating solely in the capacity of a “professional adviser” or “professional manager” (both terms defined in the Act) will not be considered a beneficial owner.

Where no natural person is identified as a “beneficial owner”, a “senior managing official” (such as a director or CEO) must be named in the entity’s beneficial ownership register.

Most exemptions under the previous regime are removed or significantly restricted in favour of certain “alternative routes to compliance”, under which the Legal Person need not report beneficial owners or establish a register, but must report limited “required particulars”.

Legal Persons able to apply an alternative route to compliance include those that are: (i) listed, or a subsidiary of a listed entity, on the Cayman Islands Stock Exchange (CSX) or an approved stock exchange; (ii) licensed under a regulatory law (note this is limited to certain Cayman Islands regulatory laws); (iii) a fund registered under the Private Funds Act (As Revised)

or the Mutual Funds Act (As Revised); or (iv) otherwise exempted by Cabinet (none currently).

Entities falling outside categories (i)-(iv) above (or otherwise opting not to apply an alternative route to compliance) are considered “in-scope” and are required to establish and maintain a beneficial ownership register.

The required particulars are largely unchanged from the previous regime, with two additions: the Legal Person must also report (i) the nationality of all beneficial owners; and (ii) the nature of the individuals or reportable legal entity’s ownership or control (whether by economic interests, voting interests, or as a senior managing official).

Economic Substance Act (As Revised)

The Cayman Islands has enacted economic substance legislation in compliance with the OECD’s Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Where an entity conducts a “relevant activity” in a “relevant financial period”, it must (i) file an economic substance notification with the Registrar of Companies before 31 January each year, and (ii) file an economic substance return with the Department for International Tax Cooperation no later than 12 months from the last day of the entity’s financial year end.

The Economic Substance Act applies economic substance requirements to the following categories of geographically mobile “relevant activities” previously identified by the OECD (and adopted by the EU):

- banking;
- insurance;
- shipping;
- fund management;
- financing and leasing;
- headquarters;
- distribution and service centres;
- holding company; and
- intellectual property.

Automatic Exchange of Financial Account Information

The Cayman Islands has signed an inter-governmental agreement to improve international tax compliance

and the exchange of information with the United States (US IGA). The Cayman Islands has also signed a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (CRS and together with the US IGA, AEOI). In addition, the Cayman Islands has enacted the Crypto-Asset Reporting Framework (CARF) Regulations, which came into force on 1 January 2026, implementing the OECD’s framework for the automatic exchange of tax information on transactions in crypto-assets between participating jurisdictions. The Cayman Islands’ commitment to commence CARF exchanges begins in 2027.

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the “AEOI Regulations”). The CRS regulations were amended with effect from 1 January 2026 by the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025, which implement the OECD’s amended CRS and bring new financial assets, products and intermediaries within scope, including specific electronic money products and central bank digital currencies. The amendments also strengthen due diligence and reporting requirements and advance the CRS reporting deadline. Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (TIA) has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands “FIs” are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a “Non-Reporting FI” (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under the CRS. The different types of Non-Reporting FI under each AEOI regime are specified in the applicable AEOI Regulations.

Cayman Islands FIs are also required to appoint a Principal Point of Contact (PPoC) located in the Cayman Islands who is authorised to liaise with the TIA for CRS purposes. A PPoC may be either a natural person or a legal person, but must maintain a physical

address in the Cayman Islands (not merely a mailing or correspondence address). FIs registered with the TIA prior to the commencement of the CRS Amendment Regulations who had not yet appointed a PPoC in the Cayman Islands were given until 31 January 2027 to do so.

Anti-Money Laundering and Countering of Terrorist and Proliferation Financing

The Cayman Islands has enacted legislation aligned with international principles in preventing and detecting money laundering (AML) and combating terrorist and proliferation financing (CFT and CPF respectively) and breaches of applicable sanctions regimes.

The principal legislation includes the Misuse of Drugs Act (As Revised), the Proceeds of Crime Act (As Revised) (PCA), the Terrorism Act (As Revised) and the Proliferation Financing (Prohibition) Act (As Revised). These statutes create offences relating to the laundering of the proceeds of crime.

The Anti-Money Laundering Regulations (AMLRs) apply to anyone carrying out “relevant financial business in or from the Cayman Islands”, forming a business relationship or carrying out a one-off transaction. What constitutes “relevant financial business” is set out under Section 2 of the PCA and includes, among others, the following activities:

- banking or trust business carried out by a person who is licensed under the Banks and Trust Companies Act (As Revised);
- insurance business and the business of an insurance manager, an insurance agent, or an insurance broker within the meaning of the Insurance Act (As Revised);
- mutual fund administration or the business of a regulated mutual fund within the meaning of the Mutual Funds Act (As Revised); and
- various other investment, financial, trading and lending activities falling within Schedule 6 of the PCA.

As a general rule, entities that are registrable under FATCA/CRS will also be subject to the AML Regime.

The AMLRs provide that a financial services provider carrying out relevant financial business in or from the Cayman Islands cannot form a business relationship or carry out a one-off transaction unless they maintain certain AML/CFT/CPF/sanctions policies and procedures, having regard to money laundering, terrorist or proliferation financing and sanctions risks.

Virtual Assets in the Cayman Islands

The Virtual Asset (Service Providers) Act (as amended, the “VASP Act”) provides the framework for the conduct of virtual asset services in the Cayman Islands and for the registration and licensing of entities that provide virtual asset services.

The virtual asset service providers regime, which includes subsidiary and related regulatory and financial services legislation (together, the “VASP Regime”) has been implemented in phases. The core phase one provisions of the VASP Act requiring registration came into effect on 31 October 2020, focused on anti-money laundering and countering the financing of terrorism (AML/CFT) measures. Related enforcement provisions and offences came into effect on 31 January 2021.

The VASP (Amendment) Act was published on 19 December 2024 and the legislation enacting Phase 2 of the VASP regime commenced on 1 April 2025. On this date, the licensing provisions of the VASP Act as well as the Virtual Asset (Service Providers)(Amendment) Act, 2024 and the Virtual Asset (Service Providers) (Amendment) Regulations, 2025 also came into force, along with CIMA’s Rule – Virtual Asset Custodians and Trading Platforms and Statement of Guidance – Virtual Asset Custodians and Trading Platforms, and the licensing component of CIMA’s Regulatory Policy – Registration or Licensing of Virtual Asset Service Providers. In February 2026, CIMA also published the Rule and Statement of Guidance – Market Conduct for Virtual Asset Service Providers, establishing comprehensive requirements on integrity, conflicts of interest, client asset safeguards, marketing and promotions, client onboarding, complaints handling, public disclosures, cross-border transactions and market abuse.

The VASP (Amendment) Act provides the regulatory basis for phase two of the Cayman Islands’ VASP Regime, which relates to the introduction of a licens-

ing regime for virtual asset trading platforms and virtual asset custodians. A third phase is also envisioned to address remaining elements of the regulatory framework.

Specifically, a currently registered person who, at the commencement of the VASP (Amendment) Act, is engaged in the provision of virtual asset custody services or the operation of a virtual asset trading platform shall apply for a licence within 90 days of the commencement of the VASP (Amendment) Act.

Additionally, the VASP (Amendment) Act introduces new operational requirements for all VASPs, including:

- **Directors:** There must be at least three directors, including one independent director.
- **Business Plan Changes:** Prior written approval from CIMA is required for any changes to the approved business plan or to provide additional virtual asset services not included in the original application.
- **Litigation Notification:** CIMA must be notified within 30 days of any litigation proceedings brought against them in any jurisdiction.
- **Fiat Currency:** Fiat currency held on behalf of clients must be in a bank regulated by CIMA or another regulator in a non-high-risk jurisdiction, ensuring segregation from the provider’s own funds.
- **Misleading Representations:** It is now an offence for VASPs to make or permit misleading representations about their virtual asset activities.

In March 2026, the Cayman Islands enacted legislation introducing a regulatory framework for tokenised funds, whereby equity or investment interests in mutual funds and private funds may be represented by digital tokens on a blockchain. The Mutual Funds (Amendment) Act, 2026, Private Funds (Amendment) Act, 2026, and Virtual Asset (Service Providers) (Amendment) Act, 2026, clarify that the issuance of digital tokens by regulated tokenised mutual funds and private funds does not constitute virtual asset issuance under the VASP Act, impose annual record-keeping confirmation obligations on fund operators in respect of digital tokens, require the operator’s approval for any transfer of tokenised interests, or mandate spe-

cific risk disclosures in offering documents, including cybersecurity and transferability risks.

Cayman Islands Removed from FATF Grey List and EU AML List

On 27 October 2023, the Financial Action Task Force (FATF) confirmed that the Cayman Islands had been removed from the FATF's increased "monitoring list" (often referred to as the FATF Grey List). This decision came after the Cayman Islands demonstrated its commitment to international standards by satisfying all FATF Recommended Actions and successfully completing an on-site inspection by the FATF in 2023.

On 12 December 2023, the European Commission published a Delegated Regulation amending its list of "high-risk third countries" (the "EU AML List"), providing for the removal of the Cayman Islands. The removal was made effective on 7 February 2023.

The removal from both the FATF and EU AML Lists affirms that the Cayman Islands has robust and effective AML/CFT/CPF regimes in place, reflecting the jurisdiction's commitment to maintaining a compliant financial sector that aligns with global standards. The Cayman Islands is now preparing for its 5th Round Caribbean Financial Action Task Force Mutual Evaluation, with an on-site visit scheduled for December 2027.

Cayman Islands Sanctions Regime

Sanctions Orders are extended by Statutory Instrument to the British Overseas Territories, including the Cayman Islands, to give effect to sanctions regimes implemented by the UK government ("Sanctions Orders").

Sanctions Orders apply to any person or body incorporated or instituted in the jurisdiction, as well as any British citizen or subject ordinarily resident. They generally restrain persons from dealing in funds or economic resources owned or controlled by, or making funds or economic resources available to Designated Persons. For example, a fund making a redemption payment to a Designated Person would not be permitted.

Since March 2022, significant sanctions measures with respect to Russia's invasion of Ukraine have been published by the UK, USA and the EU. A number of Cayman Islands vehicles have been impacted as a result of direct or indirect exposure to Russian individuals and/or entities. While these entities have been able to apply to the Governor for a specific licence to permit otherwise prohibited activities, until recently, licences could only be granted under specified licensing grounds, and no ground existed to deal with difficulties regarding frozen investments held in Russia and sanctioned investors on registers. In November 2025, a new sanctions reporting obligation was introduced, requiring any Cayman Islands person holding funds or economic resources owned, held or controlled by a Designated Person to file a frozen assets report with the Financial Reporting Authority annually. In December 2025, the Sanctions (Miscellaneous Amendments) (Overseas Territories) Order 2025 came into force, amending the definition of "relevant firm" under various sanctions regimes to incorporate new categories including crypto-asset exchange providers, custodian wallet providers, high-value dealers, art market participants, insolvency practitioners and letting agents, thereby increasing the scope of AML/CTF compliance related to sanctions across the British Overseas Territories.

On 14 March 2024 a new divestment-specific licensing ground came into force, which may provide an opportunity for entities to apply for a specific licence to exit a frozen shareholder/LP and freeze the redemption/withdrawal proceeds in a frozen bank account in a British Overseas Territory or the UK.

Cayman Islands Country-By-Country Reporting

The Tax Information Authority (International Tax Compliance) (Country-By-Country Reporting) Regulations (As Revised) (the "CbCR Regulations") implement the OECD/G20's Base Erosion and Profit Shifting Action 13 Report requirements and largely follow the OECD Model Legislation.

The CbCR Regulations apply to any constituent entity ("Constituent Entity") that is "resident in the Islands" and forms part of a multinational enterprise group ("MNE Group"). A Constituent Entity is resident if it is incorporated or established in the Cayman Islands,

has a place of effective management there, or is subject to financial supervision in the Cayman Islands.

An MNE Group is broadly defined as a collection of two or more enterprises required to prepare consolidated financial statements (or that would be so required if equity interests were publicly traded) that (i) includes enterprises “tax resident” in at least two jurisdictions or an enterprise subject to tax via a permanent establishment in another jurisdiction and (ii) had total consolidated group revenue of at least USD850 million in the preceding fiscal year.

Any Constituent Entity resident in the Cayman Islands and forms part of an MNE Group must make a notification to the DITC and, if it is the “Ultimate Parent Entity” or “Surrogate Parent Entity”, must file a country-by-country report in the standard OECD form.

The Cayman Islands’ Country-by-Country Reporting regime underwent operational changes over 2025 and 2026 following the DITC’s migration to a new online portal. The legacy CbCR portal was taken offline in July 2025, with CbCR functions going live on the replacement DITC Portal in stages between August and December 2025. All MNE Groups with Cayman Constituent Entities were required to complete a mandatory one-off re-registration by 30 November 2025. Updated CbCR Guidelines (Version 1.3) were issued in August 2025, consolidating prior guidance on registration, notification, reporting procedures, and technical matters including the treatment of investment funds and partnerships. To accommodate the transition, the DITC extended the filing deadline for MNE Groups with 2024 fiscal year reports due between 31 July and 31 December 2025, granting them until 27 February 2026 to file. The substantive scope of the regime remains unchanged.

3.4 Management Structures Companies

Companies are generally managed by a board of directors. Subject to the memorandum and articles of association, the board: (i) may be appointed by shareholders, with existing directors able to appoint additional or replacement directors; (ii) can delegate certain powers to committees or individual directors;

and (iii) may appoint officers to handle day-to-day operations.

The approval of the company’s shareholders is required for certain matters, including:

- changing the company name;
- amending the memorandum and articles of association;
- approving a merger or consolidation in relation to the company;
- altering the company’s share capital;
- approving a transfer by way of continuation to another jurisdiction; and
- winding up the company on a voluntary basis.

Board meeting procedures (eg, notice, quorum) are set out in the articles of association, with decisions generally made by simple majority. The articles typically also provide for action by unanimous written resolution of the directors.

Limited Liability Companies

LLCs are typically managed by their members, or by non-member managers appointed by the members, who shall undertake and have exclusive responsibility for the management, operation and administration of the business and affairs of the LLC, subject to the terms of its LLC agreement.

Exempted Limited Partnerships

The management and operation of an ELP is typically set out in its ELP agreement. The ELP must have at least one general partner responsible for management and operation of the ELP. Limited partners are typically passive investors and may lose limited liability if they engage in the conduct of the ELP’s business (subject to certain “safe harbour” exceptions).

3.5 Directors’, Officers’ and Shareholders’ Liability

The main rules regarding the liability of directors and officers are found in the Companies Act and common law, and include the following.

Directors’ Duties

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary.

ary with respect to the company. Accordingly, directors and officers owe the following fiduciary duties:

- to act in good faith in what the director or officer believes to be the best interests of the company as a whole;
- to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- to exercise powers fairly as between different sections of shareholders;
- to exercise independent judgement; and
- not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests.

However, the company's articles of association may permit a director to vote on a matter in which they have a personal interest provided they disclose the nature of interest to the board.

Directors also owe a non-fiduciary duty of care, requiring them to act as a reasonably diligent person having both the general knowledge, skills and experience reasonably expected of a person in that role and the actual knowledge, skills and experience of the particular director.

A director (even where appointed by individual shareholders) is obliged to act in a manner that the director believes to be in the best interests of the company as a whole (even though it may not be in the best interests of the appointing shareholder).

Breach of Duty

In the event of breach, directors may be personally liable to account to the company. Companies often indemnify directors and officers against liability incurred in carrying out their functions, except for liability resulting from actual fraud or wilful default. Articles of association may also exculpate directors from liability for negligence, default or breach of duty, except in cases of actual fraud or wilful default.

Shareholder Liability

Subject to any express provision in the articles of association of the company to the contrary, a shareholder does not owe any fiduciary duty to the company or to any other shareholder in exercising any rights or authorities, or performing any obligations under the articles of association.

The liability of the shareholders of a company limited by shares is limited to the amount unpaid on the shares held by them.

Piercing the Corporate Veil

The concept of "piercing the corporate veil" is recognised in the Cayman Islands only in exceptional circumstances, including, as example and without limitation, where a company's separate legal personality has been used:

- for an illegal or improper purpose; and
- for the purposes of fraud.

4. Employment Law

4.1 Nature of Applicable Regulations

The Labour Act (As Revised) establishes minimum employment standards but does not preclude an employer from setting terms and conditions above the minimum. It also establishes remedies for unfair dismissal and entitlement to severance pay, prohibits discrimination and regulates the employees' health, safety and welfare.

The Labour Act requires employers to:

- register the workplace by written notice to the Director of Labour in the Cayman Islands;
- furnish each employee with a written statement of working conditions containing specific information referenced in **4.2 Characteristics of Employment Contracts**;
- provide reasonable training to employees during their probationary period;
- maintain prescribed employee work accounts where there are ten or more employees;

- safeguard the health, ensure the safety, contribute to the welfare and provide special protective measures for employees as specified;
- notify the Director of Labour of major industrial accidents and any occupational disease involving employees;
- not discriminate; and
- provide certain minimum employee entitlements including:
 - (a) an hourly minimum wage of KYD8.75 (USD10.67);
 - (b) paid vacation leave (the amount depends on length of service);
 - (c) public holiday pay;
 - (d) up to ten paid sick leave days annually;
 - (e) paid maternity and adoption leave;
 - (f) at least 24 consecutive hours of rest in each seven consecutive days;
 - (g) overtime pay for hours worked in excess of a standard workday/week; and
 - (h) specified advance notice of termination of employment except for certain good causes.
- regular hours of work, together with any particular terms or conditions relating to the hours of work;
- rate of remuneration, or the method for calculating it;
- intervals that remuneration is paid;
- in the case of employees whose pay is normally stated on some basis other than hourly, the hourly equivalent save that in the case of persons remunerated wholly or in part by commission, the rate of commission should be stated;
- period of employment, if other than indefinite;
- period of probation, if any;
- employee's holiday entitlement or the method for calculating it;
- employee's entitlement to sick leave; and
- length of notice the employee is obliged to give and is entitled to receive to terminate the contract of employment.

4.3 Working Time

There is no minimum or maximum working time applicable to salaried employees.

Redress for unfair dismissal may be sought before the Labour Tribunal. An employee is not precluded from bringing a common law action before the courts, though any Labour Tribunal compensatory award would be deducted from any court damages.

The Workmen's Compensation Act (As Revised) provides for the payment of compensation by the employer to any workman who suffers personal injury by accident arising out of and in the course of employment. This is an insurable risk and is normally covered by an employer's insurance.

4.2 Characteristics of Employment Contracts

While the Labour Act does not require that an employment contract be entered into between an employer and an employee, the Labour Act requires an employer to furnish each employee with a written statement of working conditions containing the following information:

- job title, a brief statement of the general responsibilities and duties of the employee and of any special requirements or conditions of the job;

4.4 Termination of Employment Contracts Employer's Notice

Unless the contract of employment is for a fixed term, or the dismissal is for good cause, misconduct, or failure to perform duties in a satisfactory manner, every employer must give advance written notice to an employee whose employment it intends to terminate:

- For an employee still serving a probationary period, at least 24 hours' notice must be given.
- In all other cases, the period of notice must be at least equal to the interval between pay days (eg, if paid every two weeks then two weeks' notice must be given). However, notice need not exceed 30 days in any circumstances, unless the employment contract provides for longer notice.

Once appropriate notice is given, the employer may terminate employment early provided the employee is paid for the notice period. This is subject to severance pay and unfair dismissal provisions.

An employee whose employment is terminated by the employer for any reason shall receive payment

for each day of unused vacation leave accrued at the time of termination.

Employee's Notice

The employee must be given notice as specified in the employment contract or, if not stated, notice equal to the interval between pay days or 30 days, whichever is less. If the employee fails to give appropriate notice, the employer may:

- dismiss the employee prior to the date the employee intended to leave by the number of hours or days the notice falls short; and
- forfeit all unused vacation leave accrued by the employee during the current employment year.

4.5 Employee Representations

The Cayman Islands currently has no form of employee representation legislation.

5. Tax Law

5.1 Taxes Applicable to Employees/Employers

The Cayman Islands currently has no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

5.2 Taxes Applicable to Businesses

On 1 July 2021, 130 members of the OECD/G20, including the Cayman Islands, signed a historic agreement for a “two pillar solution” to address the tax challenges arising from globalisation and the digitisation of the economy (“Two Pillar Solution”).

As the name suggests, the Two Pillar Solution is a two-pronged approach, aimed to bring about “a fairer distribution of profits and taxing rights among countries and jurisdictions with respect to the world’s largest Multinational Enterprises (MNEs)”.

Pillar One (the first prong) would provide a new right to tax large multinationals in the jurisdictions they operate in (“Pillar One”), while Pillar Two (the second prong) would introduce a new global minimum effective tax rate of 15%, ensuring that large multination-

als pay a minimum level of tax in those jurisdictions (“Pillar Two”).

Since July 2021, the Inclusive Framework on BEPS has been working towards the implementation of the Two Pillar Solution. While Pillar One is still being developed, Pillar Two is taking shape.

On 11 July 2023, an Outcome Statement was agreed by 138 members of the OECD/G20 Inclusive Framework (including the Cayman Islands), recognising significant progress towards the Two Pillar Solution.

Pillar Two’s Outcome Statement says:

“The global minimum tax under Pillar Two establishes a floor on corporate tax competition which will ensure a MNE is subject to tax in each jurisdiction at a 15% effective minimum tax rate regardless of where it operates, thereby ensuring a level playing field. This global minimum tax framework under Pillar Two is already a reality, with over 50 jurisdictions taking steps towards implementation”.

While the Cayman Islands was one of the initial signatories to the agreement for a Two Pillar Solution, Pillar Two has not yet been adopted nor has a public announcement been made regarding the introduction of a minimum effective tax rate within the Cayman Islands. The Cayman Islands has, however, been confirmed for a fifth consecutive year under the OECD’s BEPS Action 5 review as having introduced economic substance requirements that meet all aspects of the standard, with no issues identified in relation to effectiveness in practice.

Please refer to **5.1 Taxes Applicable to Employees/Employers**.

5.3 Available Tax Credits/Incentives

Please refer to **5.1 Taxes Applicable to Employees/Employers**.

5.4 Tax Consolidation

Please refer to **5.1 Taxes Applicable to Employees/Employers**.

5.5 Thin Capitalisation Rules and Other Limitations

The Cayman Islands currently has no thin capitalisation rules.

5.6 Transfer Pricing

The Cayman Islands currently has no transfer pricing rules.

5.7 Anti-Evasion Rules

Please refer to **5.1 Taxes Applicable to Employees/Employers**. Considering the various taxes that are not applicable in the Cayman Islands, the Cayman Islands also has no anti-evasion rules.

5.8 Tariffs

The Cayman Islands does not have a tariff regime but Customs & Border Control (CBC) impose customs duties on certain imported goods to generate revenue. Those considering importing goods should consult CBC for current information.

6. Competition Law

6.1 Merger Control Notification

The Cayman Islands has merger control legislation for the following markets and sectors that are operating and providing services within the Cayman Islands (together, the “Utilities Markets and Sectors”):

- electricity markets, including the generation, transmission, distribution and supply of electricity;
- fuels markets;
- information and communications technology markets, including broadcasting and content services; and
- water sector, including the production, distribution, supply and treatment of water.

The Utility Regulation and Competition Office (OfReg) was established pursuant to the Utility Regulation and Competition Act (As Revised) (URCA), with the responsibility to:

- promote appropriate, effective and fair competition;

- protect the short- and long-term interests of consumers in relation to utility services and in so doing:

- (a) supervise, monitor and regulate any service provider providing any of the referenced utility services;
- (b) ensure that utility services are satisfactory and efficient and that charges imposed in respect of utility services are reasonable and reflect efficient costs of providing the services; and
- (c) publish information, reports and other documents relating to utility services (ie, keep the public informed of the different utilities service providers);
- (d) promote innovation and facilitate economic and national development.

6.2 Merger Control Procedure

The utilities service provider must notify OfReg prior to the merger, providing a transaction description and corporate and financial due diligence documents of the entities involved, including any beneficial owners holding 15% or more voting interest.

To approve any merger transaction, OfReg must consider whether such merger transaction would have material adverse effects on the consumer and citizens of the Cayman Islands.

If the merger transaction will not have a material adverse effect, OfReg is required under URCA to consent to the merger transaction.

If the merger transaction would have adverse effects, OfReg has the option to:

- declare the merger incompatible and deny consent;
- give consent, subject to an order that certain conditions must be satisfied to avoid or eliminate such material adverse effects; or
- give consent without issuing an order if OfReg is satisfied that the efficiencies put forward by the parties to the merger transaction outweigh any potential harm to consumers and citizens of the Cayman Islands.

6.3 Cartels

The Cayman Islands has anti-competitive legislation for the utilities markets and sectors. The URCA prohibits the agreements by service providers in the utilities markets and sectors that prevent, restrict or distort competition.

6.4 Abuse of Dominant Position

The Cayman Islands currently has no rules governing unilateral conduct or economic dependency.

7. Intellectual Property

7.1 Patents

Patents

What may be registered

The Cayman Islands' patent regime is provided by the Patents Act (2018 Revision) (the "Patents Act"). It provides for the recordal and extension ("extension") of:

- UK-registered patents; and
- UK-designated European Patent Convention (EPC) patents

to the Cayman Islands.

While the Patents Act contemplates that European Patents with Unitary Effect may also be extended, since the UK's departure from the EU, they are unlikely to be properly registrable with the Cayman Islands Intellectual Property Office (CIIPO) or enforceable at law. It is not currently possible to register new patents (subject to an examination process) in the Cayman Islands.

Rights, subsistence duration

The owner of an extended patent has equivalent rights and remedies to those available in the UK. Protection is effective from the time the right arose in the UK and subsists while in force in the UK, though no local infringement proceeding may be sustained for actions prior to local extension. Relevant local fees must be paid to maintain the extension.

Extension process

A patent owner, through their local registered agent, may apply to the Registrar of Patents to extend their patent rights to the Cayman Islands, by submitting:

- a copy of the certificate issued by the UK or other qualifying registry (such as the details of a patent's particulars as obtained from the UK Intellectual Property Office);
- the form of application as prescribed in the Patents Regulations (As Revised); and
- registration and Cayman Islands Gazette fees.

If the Registrar of Patents is satisfied that the application is in order, they will record the extension of the patent accordingly.

All owners of patents which are (or will be) recorded at the CIIPO must have a registered agent in the Cayman Islands. The CIIPO maintains a list of approved registered agents for this purpose.

Disputes/enforcement

Disputes related to patent infringement are heard in the Grand Court. Remedies include declarations, injunctions, damages, or an account of profits.

If a bad faith assertion of patent infringement is made, an aggrieved party may bring a claim for injunctions, equitable relief, or damages (including aggravated and/or exemplary damages). The Cayman Islands is a "costs-shifting" or "loser pays" jurisdiction, where the losing party pays the winning party's legal costs.

7.2 Trade Marks

The Trade Marks Act (As Revised) (the "Trade Marks Act") provides for the registration of trade marks, certification marks, and collective marks (collectively the "Marks") in the Cayman Islands.

The Trade Marks Act defines the different types of Marks as:

- "trade mark" any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of another undertaking and may consist of words,

designs, numerals, letters or the shape of goods or their packaging;

- “certification mark” a mark indicating that the goods or services in connection with which it is used are certified by the proprietor of the mark in respect of origin, materials, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics; and
- “collective mark” a mark distinguishing the goods or services of members of an association which is the proprietor of the mark from those of other undertakings.

Applications are made to the CIPO, which maintains the Trade Marks Registry, by a local registered agent. It is no longer possible to extend UK or EU Marks to the Cayman Islands.

Subject to payment of relevant fees, mark registration subsists for ten years from the date of registration, with the ability to renew. Failure to pay the annual fee by 31 March will result in suspended rights until the fee and any penalty fee are paid.

The owner, through their registered agent, may apply to register a Mark by submitting:

- an application in the form set out in the Trade Marks Regulations;
- a copy of the requested Mark;
- the classes and description of the goods to be covered; and
- registration and Cayman Islands Gazette fees.

If the Registrar of Trade Marks is satisfied that the application is in order, they will register the Mark.

All applicants for trade marks, or owners of trade mark rights which are (or will be) recorded at the CIPO must have a registered agent in the Cayman Islands. The CIPO maintains a list of approved registered agents for this purpose.

An action for infringement may be brought by the proprietor (and, in certain circumstances, by licensees). Remedies include injunctions, damages, an account of profits, declarations, removal of infringing signs, delivery-up and disposal of infringing goods. Ground-

less threats of infringement may also give rise to a claim by the aggrieved party.

The Cayman Islands is a “costs-shifting” or “loser pays” jurisdiction; that is, the losing party typically is obliged to pay the legal costs (or a proportion of them) of the winning party.

Cayman Islands law also provides for an action in “passing off”, protecting unregistered trade marks. A passing-off action requires: (i) goodwill; (ii) misrepresentation; and (iii) damage. Similar relief to trade mark infringement is available when passing off is established.

7.3 Industrial Designs

Designs are protected by the Design Rights Registration Act (As Revised) (the “Design Rights Act”), providing for the extension to the Cayman Islands of existing registered UK and EU design rights. The Cayman Islands does not currently have a registrar of origin, so design rights cannot be registered directly.

Rights, Subsistence, Duration

The owner of an extended design has equivalent rights and remedies to those in the UK. Protection is effective from the time the right arose in the UK and subsists while in force there, though no local infringement proceeding may be sustained for actions prior to local extension. Relevant local fees must be paid.

In relation to EU-derived rights, caution must be exercised that such rights remain in force or otherwise enforceable in the UK post-Brexit as this will expressly limit their enforceability.

Extension Process

A design right owner, through their local registered agent, may apply to the CIPO for extension by paying relevant fees and demonstrating the right is currently held in, and derived from registration in, the UK or the EU.

If the Registrar of Design Rights is satisfied that the application is in order, they will record the extension of the design right accordingly.

All owners of design rights which are (or will be) recorded at the CIPO must have a registered agent in the Cayman Islands. The CIPO maintains a list of approved registered agents for this purpose.

Disputes/Enforcement

Disputes relating to design rights infringement are heard in the Grand Court. Remedies include declarations, injunctions, damages, or an account of profits.

Bad faith assertions of design rights infringement may give rise to a claim for injunctions, equitable relief, or damages. The Cayman Islands is a “costs-shifting” jurisdiction.

7.4 Copyright

The Copyright (Cayman Islands) Order, 2015 and the Copyright (Cayman Islands) (Amendment) Order, 2016 (together, the “Copyrights Orders”) extend certain provisions of the UK Copyright, Designs and Patents Act 1988 to the Cayman Islands (principally, Part I), subject to modifications.

The copyright regime provides for the protection of:

- original literary, dramatic, musical, or artistic works (LDMA):
 - (a) “literary works” expressly include tables, compilations, computer programs (and their preparatory design materials), and databases;
 - (b) “dramatic works” include works of dance or mime;
 - (c) “musical works” expressly refers to the music (excluding any words or action intended to be sung, spoken, or otherwise performed with the music);
 - (d) “artistic works” include graphic works (paintings, drawings, diagrams, maps, charts, plans, engravings, etchings, lithographs, woodcuts) photographs, sculptures, collages, works of architecture, or works of artistic craftsmanship;
- sound recordings, films, or certain broadcasts; and
- the typographical arrangement of published editions.

The duration of copyright protection varies depending on the type of work and other factors. Protection for original LDMA works is ordinarily 70 years beyond the

life of the author; other works vary between 25 and 70 years. It is not currently possible or necessary to register copyright in the Cayman Islands. Copyright may be enforced by court action, generally in the Grand Court. Remedies for copyright infringement include damages, injunctions, delivery-up of the infringing work, right to seizure of infringing work or any other remedy that would be available in respect of any other property right. Criminal sanctions for copyright infringement are also available.

7.5 Others

Software and databases are principally protected as copyright works (see 7.4 Copyright). In certain circumstances, the law of confidential information may provide further protection for computer code or algorithms.

Trade secrets are protected by an action for breach of confidence. An action for breach of confidence classically requires three elements:

- the information itself is properly confidential;
- the information was imparted in circumstances importing an obligation of confidence; and
- there has been an unauthorised use/misuse of that information.

When a breach of confidence action is made out, typical remedies include injunctions, damages or an account of profits, and declarations.

8. Data Protection

8.1 Applicable Regulations

The Cayman Islands Data Protection Act (As Revised) (DPA) is the main applicable legislation modelled on the UK’s Data Protection Act 1998 with elements of the GDPR. Its requirements are broadly similar to the GDPR, but less onerous.

8.2 Geographical Scope

Like the GDPR, the DPA has extraterritorial effect, applying to any “data controller” established in the Cayman Islands and to any “data controller” on whose behalf personal data is processed in the Cayman Islands for any purpose other than mere transit.

The DPA could apply to an overseas business marketing goods or services to Cayman Islands residents, and collecting their personal data, but extraterritorial effect requires an indication that the business is actively targeting Cayman Islands residents. Data controllers must comply with the data protection principles, which are broadly similar to Article 5 of the GDPR and provide, for example, that personal data must be processed fairly, only for specified lawful purposes, and must be adequate, relevant and not excessive. Other notable requirements include responding to access/correction requests and notifying personal data breaches.

The DPA does not apply directly to data processors, but those who wish to appoint data processors are required to ensure that data processors give certain contractual assurances with respect to the personal data that they process.

8.3 Role and Authority of the Data Protection Agency

The relevant regulator is the Ombudsman. Breach of the DPA can lead to remedial action, penalties and criminal sanctions. The Ombudsman may order rectification, blocking, erasure, destruction or updating of inaccurate data. Monetary penalties are capped at KYD250,000.

9. Looking Forward

9.1 Upcoming Legal Reforms

The Cayman Islands Ministry for Financial Services has previously issued consultation papers on proposed amendments to the ELP Act. The proposed amendments intended to introduce additional structural flexibility and efficiencies for ELPs and include:

- provisions to facilitate statutory mergers between one or more ELPs, between one or more ELPs and/or one or more exempted companies or LLCs or between one or more ELPs and one or more foreign entities provided such foreign entities have separate legal personality, consistent with the existing Cayman Islands statutory merger regimes applying to exempted companies and LLCs; and
- a provision to facilitate the conversion of an exempted company or an LLC to an ELP.

The consultation ended on 20 February 2024, and updates are expected in due course.

The Companies (Amendment) Act, 2024, came into force on 1 January 2026, introducing a number of important enhancements to the Companies Act, including streamlined capital reduction procedures (allowing solvent companies to reduce share capital by special resolution supported by a solvency statement without court approval), expanded continuation provisions for overseas bodies corporate, and new procedures for conversion and re-registration between entity types.

The Proceeds of Crime (Amendment) Bill, 2026, published on 31 March 2026, proposes to establish the Inter-Agency Coordination Committee on a statutory footing, introduce statutory definitions for self-laundering and standalone money laundering offences, and require competent authorities to submit annual performance reports.

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