

Beneficial ownership regime in the Cayman Islands

22 January 2025

In brief

The Cayman Islands' Beneficial Ownership Transparency Act, 2023 (BOTA) came into force on 31 July 2024. The BOTA replaces the previous beneficial ownership regime in the Cayman Islands and significantly expands beneficial ownership transparency requirements to align with the international standards and equivalent regimes in other jurisdictions. The updates introduced under the BOTA aim to enhance transparency concerning beneficial ownership and emphasise the importance of identifying and verifying beneficial owners and controllers of legal entities, which demonstrate the commitment of the Cayman Islands to combat money laundering, tax evasion and terrorist financing.

In this news flash, we outline the highlights of certain key changes of the beneficial ownership regime and obligations of the relevant Cayman Islands legal entities under the BOTA.

In detail

What are the key changes?

	Key changes
Extended in-scope entities	<p>The BOTA brings new entities into scope and applies to all Cayman Islands legal entities, which includes companies, limited liability companies, limited liability partnerships, foundation companies, exempted limited partnerships and limited partnerships (together, Legal Persons and each a Legal Person).</p> <p>All Legal Persons are required to establish and maintain a beneficial ownership register unless the relevant entity can satisfy an alternative route to compliance as set out in the BOTA, being:-</p> <ol style="list-style-type: none">listed, or a subsidiary of a listed Legal Person, on the Cayman Islands Stock Exchange or an approved stock exchange;licensed under a Cayman Islands regulatory law;a fund registered under the Private Funds Act or the Mutual Funds Act; orexempted by the Cabinet by virtue of the BOTA.
New definition of beneficial owner	<p>Beneficial owner in relation to a Legal Person means an individual who meets any of the following specified conditions:-</p> <ol style="list-style-type: none">the individual ultimately owns or controls, whether through direct or indirect ownership or control, 25 per cent or more of the shares, voting rights or partnership interests in the Legal Person;the individual otherwise exercises ultimate effective control over the management of the Legal Person; or

	<p>c. the individual is identified as exercising control of the Legal Person through other means.</p> <p>An individual operating solely in the capacity of a 'professional advisor' or 'professional manager' (both terms as defined in the BOTA) will not be considered a beneficial owner.</p> <p>Where there is no individual who meets the definition of a beneficial owner above, the BOTA provides that a 'senior managing official' should be identified as the contact person.</p> <p>A reportable legal entity in relation to a Legal Person means another Legal Person, other than a foreign company, foreign entity or foreign limited partnership, that if it were an individual would be a beneficial owner of the first mentioned Legal Person.</p>
Additional particulars required in beneficial ownership register	<p>Under the BOTA, there are certain additional particulars required for individual beneficial owner and reportable legal entity to be entered in the beneficial ownership register of a Legal Person as follows:-</p> <ul style="list-style-type: none">- An individual beneficial owner is also required to provide (1) the nationality(ies) and (2) details of the nature in which the individual owns or exercises control of the Legal Person.- A reportable legal entity is required to provide also (1) the nature of its ownership or its exercise of control of the Legal Person and (2) register in which it is entered and its registration number in that register.

What are the obligations of Legal Persons?

Legal Persons are now required to:-

- i. identity and give notice in writing to every individual beneficial owner and every reportable legal entity they know, or have reasonable cause to believe, to be beneficial owners;
- ii. establish and maintain a beneficial ownership register with their corporate service providers and keep the register up-to-date;
- iii. keep the beneficial ownership register at the registered office as provided by their corporate service providers;
- iv. report to corporate service providers any relevant change to the information in the beneficial ownership register within 30 days of the occurrence of relevant change.

Who can access to the beneficial ownership information?

The competent authority shall maintain a search platform by means of which certain Cayman Islands authorities, including amongst others, the Royal Cayman Islands Police Service, the Financial Reporting Authority, the Cayman Islands Monetary Authority, the Anti-Corruption Commission and the Tax Information Authority, may be provided with access to information on all beneficial ownership registers maintained on behalf of the Legal Persons subject to the BOTA, for monitoring compliance with money laundering regulations. In addition, licensed financial institutions and designated non-financial business and professions can access to the information on the search platform, with a view to facilitating the customer onboarding and ongoing due diligence.

Endnotes

1. The BOTA can be accessed via this link:
https://legislation.gov.ky/cms/images/LEGISLATION/PRINCIPAL/2023/2023-0013/BeneficialOwnershipTransparencyAct2023_Act%2013%20of%202023.pdf
2. Beneficial Ownership Transparency Regulations, 2024 can be accessed via this link:
https://legislation.gov.ky/cms/images/LEGISLATION/SUBORDINATE/2024/2024-0026/BeneficialOwnershipTransparencyRegulations2024_SL%2026%20of%202024.pdf
3. The guidance on complying with beneficial ownership obligations in the Cayman Islands issued by the Ministry of Financial Services & Commerce of Cayman Islands Government can be accessed via this link:
https://www.ciregistry.ky/wp-content/uploads/dlm_uploads/Beneficial-Ownership-Transparency-General-Guidance-Final.pdf

Let's talk

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