

Guidance on the new Cayman Islands Beneficial Ownership Regime

The Cayman Islands' Beneficial Ownership Transparency Act, 2023 (**BOTA**) came into effect on **31 July 2024**. The Act aims to align the Cayman Islands' regime with global standards such as the US Corporate Transparency Act. This act replaces the previous beneficial ownership reporting regime introduced in 2017 and introduces several key updates to align with international standards. The new regime mandates more comprehensive transparency measures concerning beneficial ownership to combat money laundering, tax evasion, and terrorist financing.

However, enforcement of these new requirements has been delayed until early next year (specific date is yet to be confirmed). Many entities that were previously exempt or had limited obligations will now be required to adhere to the expanded requirements.

What is changing?

- **Extended scope:** the new act applies to **all Cayman Islands legal entities**, including companies, limited liability companies (**LLCs**), limited liability partnerships (**LLPs**), foundation companies, and, for the first time, exempted limited partnerships (**ELPs**) and limited partnerships (**LPs**) (together, **Legal Persons** and each a **Legal Person**). Certain foreign entities, including trusts and registered foreign companies (for example, US general partners of Cayman Islands partnerships) are excluded from BOTA's requirements.
- **Removal of exemptions:** many of the exemptions that previously applied (eg, certain companies licensed under regulatory laws such as entities registered under the Securities Investment Business Act (as revised) or Virtual Assets (Services Providers) Act (as revised)) have been removed (although, new exemptions exist for certain of those entities), **meaning more entities will need to maintain beneficial ownership registers**.
- **Beneficial Owner definition:** means an individual who ultimately owns or controls (directly or indirectly) 25 per cent or more of shares, voting rights, or partnership interests, or exercises **ultimate effective control** (through a chain of ownership or through other means) over the entity, or exerts **control over the management** of the entity, in each such case, will become a Registrable Beneficial Owner (see definition below). If no individual fits this criterion of a Registrable Beneficial Owners, a **senior managing official** (eg, a director or CEO) must be listed (nb a senior managing official can also be a Professional Advisor or a Professional Manager (see definitions below)). A Beneficial Owner can be a legal entity. Where this is the case, and the relevant Reportable Legal Entity (as defined below) holds a relevant interest of 25 per cent or more in the relevant Legal Person then, that Reportable Legal Entity must also be reported to CSP (as defined below), ensuring transparency throughout the ownership structure. If there is a trust over the relevant Legal Person and there are no individuals that meet the threshold conditions to be considered a Beneficial Owner and, the trustees of that trust do meet one of the threshold conditions then, the trustees of the Legal Person are the Beneficial Owners if those trustees do have ultimate effective control and they are not Professional Advisors or Professional Managers (see definitions below). Registrable Beneficial Owners must provide certain specified information to their Corporate Service Provider/CSP (see definition below). "Professional Advisors" (eg lawyers, accountants or financial advisors giving advice in a professional capacity) or "Professional Managers" (eg liquidators, receivers or restructuring officers exercising statutory functions) are not considered to meet the definition of a Beneficial Owner.
- **Reportable Legal Entity (RLE) definition:** means a Legal Person that meets one of the conditions for ownership or control in the definition of Beneficial Owner directly in relation to the relevant Legal Person. Where an RLE is the vehicle through which a Beneficial Owner or a separate/additional RLE owns or controls (indirectly) the relevant Legal Person, that RLE is a Registered Beneficial Owner (see definition below). The relevant Legal Person does not need to report the Beneficial Owners of its parent RLE as the parent RLE has its own reporting obligations in respect of those Beneficial Owners.

- **Registrable Beneficial Owner Definition:** mean a Beneficial Owners and/ or an RLE.

Key obligations for in-scope entities

1. Beneficial ownership register:

- All Legal Persons are required to establish and maintain a beneficial ownership register with their Corporate Service Provider (**CSP**). However, please note the alternative compliance routes in paragraph 3.
- The register must include details of all relevant Beneficial Owners and/or RLEs and be updated monthly with the General Registry. Again, please note the alternative compliance routes in paragraph 3.

2. Required information:

- Registrable Beneficial Owners:
 1. **Beneficial Owners:** name, residential addresses, nationalities, date of birth, and identification details (passport, driver's license) must be provided in writing to the CSP. Also, relevant Legal Persons must record the date on which the Beneficial Owner became or ceased to be a Beneficial Owner of the relevant Legal Person; and
 2. **RLEs:** corporate or firm name, registered or principal office, the legal form of the entity and the law by which it is governed, the nature of the reportable legal entity's ownership or its exercise of **control** of the legal person, and the register in which it is entered and its registration number in that register. Also, relevant Legal Persons must record the date on which the RLE became or ceased to be an RLE of the relevant Legal Person.
- In cases where no beneficial owner can be identified, the details of a **Senior Managing Official** should be reported.

3. Alternative compliance routes:

- Entities such as those listed on the Cayman Islands Stock Exchange (**CSX**), licensed under Cayman Islands regulatory laws, or registered as funds with the Cayman Islands Monetary Authority (**CIMA**) may follow **alternative compliance routes**. For instance, CIMA registered private and mutual funds may provide the details of a **Contact Person** (typically a licensed CSP or fund administrator, who will liaise with authorities to provide beneficial ownership details on request) instead of maintaining full beneficial ownership registers requiring notification of the identified underlying RBOs.
- The Contact Person does not maintain a Beneficial Ownership Register. Instead, the Contact Person must have access within 24 hours of a request to information that would be included in a Beneficial Ownership Register. Those requests will arise when the Contact Person receives an instruction from a competent authority to provide the relevant Beneficial Ownership Register information.
- However, CSPs must provide in writing the following in respect of each Registrable Beneficial Owner:
 1. The contact details of the Contact Person, if the Legal Person is a Cayman Islands Monetary Authority (**CIMA**) registered investment fund;
 2. The regulatory law under which the Legal Person is licensed, if the Legal Person is licensed by CIMA; or
 3. Name and jurisdiction of the relevant stock exchange, if the Legal Person is listed in the Cayman Islands Stock Exchange or an approved stock exchange or if the relevant entity is a subsidiary of a listed entity in the Cayman Islands Stock Exchange or an approved stock exchange.
- Any Legal Person benefiting from an alternative compliance route must, within 30 days of any information previously provided to its CSP, notify and instruct that amendments correcting or supplementing the information previously provided be delivered to the competent authority.

4. Regular reporting:

Entities are required to provide updated beneficial ownership information to their CSP **at least once a month**, ensuring the accuracy of the register. However, please note the alternative compliance routes in paragraph 3.

5. Notices to Beneficial Owners and CSPs:

- Legal Persons must notify individuals they believe to be beneficial owners, requesting confirmation of their status within 30 days.
- Equally, Legal Persons must also report to the CSP any changes in ownership or control within 30 days of the relevant change occurring.

6. Penalties:

- Failure to comply with the act can result in fines ranging from **CI\$5,000** to **CI\$100,000**. Continuous non-compliance may result in monthly administrative fines that increase by CI\$1,000 for every month that the breach continues, up to a maximum of CI\$25,000.
- In severe cases where the relevant Legal Person fails to establish or maintain a beneficial ownership register, fails to serve notices to beneficial owners, or makes false or misleading statements, it may be **struck off** the register, resulting in dissolution.

7. Where to find additional information on compliance requirements?

- Technical detail on compliance is available in the Beneficial Ownership Transparency Regulations and the Guidance on Complying with Beneficial Ownership Obligations. Both are available via the Cayman Islands Registry website.

Enforcement timeline

- The **BOTA came into effect on 31 July 2024**, but **enforcement will only begin sometime early in the next year (nb the date is yet to be confirmed)**. Until then, no penalties will be enforced, allowing entities time to adjust to the new requirements.

Obligations for Corporate Service Providers (CSPs)

Corporate Service Providers play a crucial role under BOTA:

1. **Maintaining registers:** CSPs are responsible for establishing and maintaining beneficial ownership registers for their clients;
2. **Monthly filings:** CSPs must file beneficial ownership details with the General Registry at least once per month;
3. **Monitoring compliance:** CSPs must take reasonable steps to verify the accuracy of beneficial ownership information and are authorised to issue restriction notices if entities fail to comply;
4. **Notification of missing information:** if a CSP identifies inaccuracies or missing data, they must notify the Legal Person. Failure to provide correct or complete information within 30 days can result in penalties, including restrictions on the transfer of interests or the ability to make distributions (in the case of funds classified as Legal Persons; and
5. **Issuing restrictions notices:** if there is a failure to comply with relevant obligations.

Who can access Beneficial Ownership information?

Access to beneficial ownership information remains restricted to:

- **Regulatory authorities** such as the Royal Cayman Islands Police Service, the Financial Reporting Authority, and CIMA.
- **Foreign authorities**, such as the UK, may request beneficial ownership information under the terms of specific agreements.

The BOTA **does not mandate open public access** to beneficial ownership registers but there is a consultation process to allow for any of the following persons to request legitimate interest access to beneficial ownership information for legal persons where the information being sought is for the purpose of preventing, detecting, investigating, combating or prosecuting money laundering or its predicate offences or terrorist financing:

1. Persons engaged in journalism or bona fide academic research;
2. Persons acting on behalf of a civil society organisation whose purpose includes the prevention or combating of money laundering, its predicate offences or terrorism financing; or
3. Persons seeking information in the context of a potential or actual business relationship or transaction with the [legal](#) person about whom the information is sought.

Next steps for entities

Entities that were previously exempt or had minimal obligations must **review their compliance status**. Specifically:

1. **Identify Beneficial Owners:** ensure the entity has identified all beneficial owners and gathered the required particulars.
2. **Prepare for reporting:** work with CSPs to set up beneficial ownership registers and ensure monthly filings are up to date.
3. **Compliance sometime in early 2025:** it is not clear the precise date when the government will begin monitoring compliance and enforcing BOTA.

Conclusion

The Cayman Islands Beneficial Ownership Transparency Act (**BOTA**) significantly expands transparency requirements, increasing the obligations on many Cayman Islands entities to ensure they meet international standards. Compliance with the regime will be essential (once enforcement is initiated) to avoid penalties and maintain good standing in the jurisdiction. Legal Persons should work closely with their CSPs to ensure all beneficial ownership information is accurate, up-to-date, and reported correctly.



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