

Launching an offshore hedge fund in the Cayman Islands

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Around the world, offshore hedge funds are continuing to grow in number and prominence. Some of the offshore jurisdictions most involved in hedge funds include the Cayman Islands, the British Virgin Islands, Curacao in the Netherlands Antilles, Guernsey, Jersey, the Bahamas and Bermuda. However, it is the Cayman Islands that currently holds the dominant position, reportedly having 50% or more of all global hedge funds domiciled there. This chapter focuses on the Cayman Islands and explains the process and options for investment managers looking to launch an offshore hedge fund in the Cayman Islands.

In particular, this chapter looks at:

- The current state of the offshore hedge fund industry.
- The Cayman Islands offshore investment fund industry.
- How to choose between the different fund structures, focusing on exempted companies, exempted limited duration companies, multi-class/umbrella funds and segregated portfolio companies, exempted unit trusts, and exempted limited partnerships.
- The Mutual Funds Law 2003.
- The Securities Investment Business Law 2004.
- Taxation and other expenses.
- Anti-money laundering requirements.
- The Cayman Islands implementation of the EC Savings Directive.
- The Cayman Islands stock exchange (CSX).

OVERVIEW

The offshore hedge fund industry continues to enjoy significant growth due to a number of key factors:

- The targeted laws and regulation, along with experienced supervisory regulatory bodies, provide a sensible framework in which hedge funds may operate.
- The wealth of knowledgeable and pragmatic service providers, such as lawyers, fund administrators, auditors, independent directors and banks.
- In most jurisdictions, the absence of any tax or exchange controls on hedge fund avoids income tax and capital gains

tax on the investment fund, and value added tax and withholding tax issues for managers and investors.

Offshore hedge funds are generally regulated on the basis that the hedge funds are not marketed to the retail public. A combination of a high minimum subscription per investor and net worth or wealth requirements for investors exclude investors that are unable to meet this criteria. Accordingly, offshore regulators take into account that most offshore hedge funds are targeted for investment by high net worth investors and institutions such as pension funds, which can obtain professional advice on fund documents and prefer that the fund does not bear the additional costs of a heavily prescribed regime suitable for retail investors.

Offshore hedge funds are undergoing substantial innovation, particularly with a convergence in investor arrangements and terms between private equity funds and hedge funds. Experienced and successful investment managers in hedge funds are looking to start private equity funds, using their background and systems to target new investment classes.

CAYMAN ISLANDS INVESTMENT FUNDS

The investment funds industry in the Cayman Islands has grown significantly in recent years, with over 7000 registered investment funds domiciled there in 2005, making it the dominant jurisdiction of choice for offshore funds. This number is expected to rise to over 8000 by the end of 2006.

In addition, there are many unrecorded investment funds, mainly closed-ended funds, so the number of investment funds domiciled in the Cayman Islands is likely to be significantly higher than the registered figure. The amount of funds under management is difficult to estimate, but it is in the hundreds of billions of US dollars.

The growth of the investment fund industry in the Cayman Islands is attributable to its:

- Tax benefits (*see below, Taxation and other expenses*).
- Innovative fund structures (*see below, Selection of the fund structure*).
- Government's sensible policies.
- Commercially practical regulatory system.
- Favourable laws.

- Proximity to the financial markets of the US and Europe.
- Sophisticated world-class professional and banking infrastructure.

The key legislation regulating Cayman Islands investment funds are:

- **Companies Law (2004 Revision).** This provides for the incorporation of exempted companies, exempted limited duration companies and segregated portfolio companies (*see below, Exempted companies; Exempted limited duration companies; Multiclass/Umbrella Funds and Segregated portfolio companies*).
- **Exempted Limited Partnership Law (2003 Revision).** This provides for the establishment of exempted limited partnerships (*see below, Exempted limited partnerships*).
- **Trusts Law (2001 Revision).** This provides for the registration of exempted unit trusts (*see below, Exempted unit trusts*).
- **Mutual Funds Law (2003 Revision).** This sets up a straightforward platform for the regulation and administration of investment funds (*see below, Mutual Funds Law 2003*).
- **The Securities Investment Business Law (2004 Revision).** This regulates securities investment business including investment management and advisory activities (*see below, The Securities Investment Business Law 2004*).
- **The Reporting of Savings Income Information (European Union) Law 2005.** This implements the provisions of Directive 2003/48/EC on taxation of savings income in the form of interest payments (Savings Directive) (*see below, Savings Directive*).
- **Proceeds of Criminal Conduct Law and Money Laundering Regulations 2006 and the Money Laundering Guidelines 2003.** These require anti-money laundering procedures to be undertaken by financial service providers (*see below, Anti-money laundering requirements*).

SELECTION OF THE FUND STRUCTURE

Investment funds established in the Cayman Islands take a number of different forms and new types of fund structures are continually being developed. However, the core investment vehicles are companies, unit trusts, limited partnerships, and a combination of these structures.

The investment vehicle used is determined largely by:

- Tax efficiency for investors and management in relation to the fund's profits and gains (*see below, Tax*).
- General preference of prospective investors at whom the investment product is targeted (*see below, Preference of investors*).

- Costs in establishing and administering the fund structure (*see below, Cost*).

While all of these considerations are important in selecting the type of fund structure, the tax implication for investors is generally the determining factor. The fund's promoters generally seek to ensure that the fund at least achieves tax neutrality, whereby an investor will be in the same tax position whether he makes his investment directly in the underlying assets or through an investment in the fund.

Tax

The tax positions for the structures are as follows:

- **Companies.** In most jurisdictions, companies are treated as being non-transparent or opaque for tax purposes, as they are a separate legal entity. Their profits and gains do not constitute taxable income of investors until they are actually received by the investors. US tax law allows some companies to elect to be transparent for US tax purposes.
- **Unit trusts and limited partnerships.** A limited partnership and a unit trust are generally treated as being tax transparent. The effect of this is that profits and losses of the limited partnership or unit trust are attributed to the partners or unitholders themselves (regardless of whether they have actually received the profits), who will be taxed according to their proportionate share of such profits and losses.

Preference of investors

Investors in different jurisdictions are more familiar with some fund structures than others. Nearly all jurisdictions are familiar with the corporate structure as a separate legal entity issuing shares, each of which carry a proportional share of profits of the particular class of the fund's shares. However some jurisdictions are not familiar with either limited partnerships or unit trusts. This is usually due to these structures having limited liability for investors, while not being a separate legal entity. Also, trusts are a concept derived from UK common law principles and have no equivalent in some civil law jurisdictions. For these reasons, some investors prefer the corporate form.

Cost

The cost of establishing and administering an investment fund can vary significantly depending on the structure. Companies are the simplest structure, having issued shares and no requirement for trustees or general partners. In contrast, limited partnerships and unit trusts have higher operating costs, as general partner companies and licensed trustees are required. The greater the complexity and number of entities involved, the higher the establishment and ongoing costs.

EXEMPTED COMPANIES

Exempted companies and exempted limited duration companies have many of the characteristics of companies in other jurisdictions in which investment funds exist. A board of directors manages the operation of the company (except for some exempted limited duration companies (*see below, Exempted*

limited duration companies)), while investors own shares, each of which carry an entitlement to share in the assets and the profits or gains of the relevant class of shares, equal to that of any other share in the same class of shares in the company.

Most corporate investment funds are open-ended investment companies. This means that investors can redeem their interest in the investment fund periodically, or subscribe for more shares periodically, both usually based on the prevailing net asset value per share of the investment fund's class of shares at the time.

An open-ended investment company usually has participating redeemable shares held by investors, which are redeemable at their net asset value and carry no or limited rights to vote at shareholders' meetings. There may also be a different class of shares, often called management shares, which are non-participating and carry voting control of the company. These shares are often held by the promoter or management, or can be held on the terms of a charitable or purpose trust, so that control of the company is not vested in onshore persons for tax reasons.

The participating redeemable shares are usually issued with a minimal par value and a very large share premium amount, to facilitate redemption of shares under Cayman Islands law. Provided the company is solvent, the company can redeem shares without providing evidence of the company's profits or issuing new shares. Shares redeemed and cancelled may subsequently be re-issued to new shareholders.

Other particular characteristics of these companies include:

- Their ability to issue bearer shares (which must be held by a licensed custodian).
- They need not disclose their shareholders' identity to the public.
- Their share capital can be denominated in any currency.
- They can issue fractional shares.

The exempted company is currently the most popular entity employed in structures for hedge funds and other open-ended funds.

EXEMPTED LIMITED DURATION COMPANIES

Exempted limited duration companies have a few different features to standard exempted companies, which are that:

- The company must have at least two shareholders.
- The duration of the company cannot exceed 30 years.
- The transfer of shares may require all other investors' consent.
- The fund's management can be vested in the investors, who would then exercise all the powers normally vested in the directors.

The concept of exempted limited duration companies originated from the requirement of providing a tax-transparent vehicle for

certain US investors. Accordingly, this type of company is generally able to make a check-the-box election for US tax purposes affording "look through" treatment for tax purposes.

MULTI-CLASS/UMBRELLA FUNDS AND SEGREGATED PORTFOLIO COMPANIES

Some funds pursue multiple distinct investment strategies and offer investors the choice to have their investment monies applied to only some, rather than all, of the investment strategies pursued by a company. A separate class of shares is issued for each of the investment strategies pursued. This structure may, in some circumstances, also allow investors to switch between portfolios without incurring a tax charge in their tax domicile.

In this situation, investors expect that their investment will not be affected by the fund's activities in relation to the other unrelated investment strategies. However, as a company's creditors can usually claim against all of a company's assets, the assets and profits relating to one investment strategy may be subject to satisfy liabilities incurred from a wholly separate investment strategy. Therefore, before the introduction of a segregated portfolio company for multi-class fund strategies, investors often insist on a separate legal entity for each investment strategy to ensure complete legal protection from the losses and liabilities incurred by another investment strategy, which involves the additional expense of establishing several companies.

The segregated portfolio company provides a cost-effective solution to this issue by allowing the creation of separate portfolios, each of which operates as a separate cell or pool of assets and liabilities. The assets and liabilities of each portfolio are segregated and legally protected from those of other portfolios. Therefore, if one portfolio incurs substantial liabilities in excess of its assets, it will not affect other segregated portfolios.

It is not certain whether other jurisdictions will legally recognise the segregated portfolios although a number of other states and jurisdictions have similar concepts (for example, Delaware, Guernsey, Jersey and the British Virgin Islands). Therefore, all contracts that a Cayman Islands segregated portfolio company enters into should, ideally, contain limited recourse provisions providing that the segregated portfolio company is only liable under contract to the extent of available surplus assets in the relevant segregated portfolio and that the assets of all other segregated portfolios are not subject to claim. Alternatively, the company should make a submission to the Cayman Islands courts, which will uphold the concept of segregated portfolios.

EXEMPTED UNIT TRUSTS

In contrast to an investment fund company, an exempted unit trust is not a separate legal entity under Cayman Islands law, but a trust arrangement whereby legal ownership of the fund's assets is vested in a trustee, who holds the fund's assets on trust for the benefit of the unitholders.

The exempted unit trust is usually created by a trust instrument made by a Cayman Islands licensed trust company and is governed by Cayman Islands law.

The trustee generally supervises compliance by the investment manager with its obligations under the trust instrument. It is usual for the trust instrument to contain provisions regulating the issue, redemption and valuation of units, which would be found in the articles of association in the case of an open-ended investment company.

An exempted unit trust can operate and be regulated in a similar way to a corporate investment fund for most practical purposes.

EXEMPTED LIMITED PARTNERSHIPS

An exempted limited partnership is a type of partnership arrangement widely used for investment funds. The general partner tends to be a Cayman Islands company or a foreign company registered to do business in the Cayman Islands. The general partner:

- Is legally responsible for operating the partnership and managing its business.
- Has unlimited liability for the partnership's debts.

The remaining partners are limited partners, who:

- Cannot participate in the management of the partnership's business.
- Are liable for the partnership's debt to the extent of their investment.

General partners have very few assets so as to avoid serious financial loss, as they have unlimited liability for the partnership's debts (for investment funds there is no minimum capitalisation required by law, therefore, often a nominal sum, such as US\$100 (about EUR77.8), is considered sufficient).

They are used for various international tax planning purposes and extensively for closed-ended fixed term investment funds, for example private equity and certain real estate funds.

To establish an exempted limited partnership, a statement must be filed containing all of the following:

- The partnership's name.
- The general nature of the partnership's business.
- The name and address of the registered office in the Cayman Islands.
- The partnership's term (it may be for an unlimited duration).
- The general partner's name and address, along with a certificate of incorporation or registration and a certificate of good standing.
- A declaration that the partnership will not undertake business in the Cayman Islands except to the extent necessary to carry on business outside the Cayman Islands.

Limited partners participating in the partnership's management will be deemed de facto general partners. However, a limited partner will not be deemed to be participating in the partnership's management by doing any of the following:

- Being a director or shareholder of a corporate general partner.
- Consulting with and advising the general partner on partnership business.
- Investigating, reviewing, approving or being advised on the partnership's accounts or business affairs.
- Approving or disapproving an amendment to the partnership agreement.
- Voting on:
 - the dissolution and winding-up of the partnership;
 - the purchase, sale or other dealing with any asset of the partnership;
 - the incurring of debt by the partnership;
 - a change in the nature of the partnership's activities;
 - the admission, removal or withdrawal of a general or limited partner and the continuation of business of the partnership; and
 - transactions in which the general partner, has an actual or potential conflict of the interest with one or more of the limited partners.

MUTUAL FUNDS LAW 2003

The Mutual Funds Law (2003 Revision) (2003 Law) regulates the establishment and regulation of most investment funds in the Cayman Islands. The Cayman Islands Monetary Authority (CIMA) oversees the operation of the 2003 Law.

The 2003 Law applies only to funds that fall within the definition of a "mutual fund". A mutual fund is a company, unit trust or partnership that, for the purpose of pooling investor funds to spread investment risks, issues shares, trust units or partnership interests that both:

- Carry an entitlement to participate in the fund's profits or gains.
- Are redeemable or repurchasable at the option of the investor.

The following types of investment funds are, therefore, not regulated by the 2003 Law:

- Investment funds which provide no redemption or repurchase rights for investors (known as closed-ended funds).
- Investment funds which issue debt interests or instruments.

A small class of investment funds are exempted from the substantive provisions of the 2003 Law. These are investment funds in which the shares, trust units or partnership interests are held by not more than 15 investors, the majority of which can remove the directors, trustee or general partner (as the case may be). A nominee owner holding an interest for multiple beneficial investors counts as only one investor.

Investment funds that qualify as a mutual fund and are not exempt from registration under the 2003 Law usually elect to comply with one of the two following primary registration requirements:

- The minimum subscription per investor is at least US\$50,000 (about EUR38,884).
- The investment fund is listed on an approved stock exchange.

These form the majority, constituting over 90% of the funds registered with CIMA in 2005.

The minimum requirements for this category of mutual fund are as follows:

- Registering the investment fund with CIMA by filing the offering document and prescribed details with CIMA.
- Filing the annual accounts, which have been audited or signed off by approved auditors situated in the Cayman Islands.
- Paying a registration fee and an annual fee.

For this class of investment fund, there is no requirement to have a Cayman Islands licensed administrator. These funds are referred to as registered mutual funds.

All other mutual funds must either:

- Have a principal office in the Cayman Islands at the offices of an administrator licensed under Cayman Islands law (called section 4 (1)(b) funds).
- Apply for and be issued with a mutual fund licence (known as licensed mutual funds).

Investment funds applying for a mutual fund licence are subject to more onerous requirements and must lodge with CIMA all of the following:

- An application in the approved form.
- The offering document (a near final version will suffice).
- Evidence of the promoter's sound reputation and that the administration of the fund will be undertaken by persons who are fit and proper and of sufficient experience.
- The prescribed fee.

However, most investment funds need not be licensed, as one of the following usually apply:

- The minimum subscription per investor is at least US\$50,000 or the investment fund is listed on an approved stock exchange.
- It is closed-ended (that is, investors have no rights of redemption or repurchase during the life of the investment fund).
- There are not more than 15 investors and the majority of investors are capable of removing the directors, trustee or general partner.

Of the existing registered mutual funds and licensed mutual funds, just under 10% are the latter (*CIMA, December 2005*).

Both licensed and registered mutual funds must ensure they file their annual accounts audited or signed off by approved auditors situated in the Cayman Islands and pay the prescribed annual fee to CIMA.

All mutual funds (including those investment funds which are exempted from the substantive provisions of the 2003 Law (see *above*)) must ensure their offering document describes the interests being offered in all material respects and contains such other information necessary to enable a prospective investor to make an informed decision as to whether to subscribe for or purchase the interest.

THE SECURITIES INVESTMENT BUSINESS LAW 2004

The Securities Investment Business Law (2004 Revision) (2004 Law) requires persons involved in securities investment business to be licensed, unless they, or their activities, fall within certain categories of excluded persons or excluded activities. In summary, the 2004 Law provides for:

- The licensing and regulation of most activities involving securities.
- General exclusions for certain kinds of activities.
- Limited exclusions for certain restricted classes of persons.

Investment funds are generally not required to be licensed in their own right and it is primarily Cayman Islands companies acting as investment manager or adviser that need to register under the 2004 Law.

The 2004 Law applies to:

- Companies and partnerships established or registered under Cayman Islands law.
- Other persons who have established a place of business in the Cayman Islands.

Foreign entities which have not established a place of business in the Cayman Islands do not therefore require a licence. This exempts most non-Cayman Islands investment managers and advisers.

The provisions setting out which activities and entities require a

licence are extensive and are not discussed in detail here. The most likely exemptions are as follows:

- The business is carried on exclusively for any of the following:
 - high net worth persons with either:
 - net worth more than US\$1 million (about EUR777,678);
 - gross assets in excess of US\$5 million (about EUR 3.9 million);
 - sophisticated persons, being any person:
 - regulated by CIMA (which includes registered mutual funds and licensed mutual funds);
 - regulated by an approved overseas authority;
 - whose securities are listed on an approved securities exchange;
 - who, by virtue of knowledge and experience in financial and business matters, are reasonably regarded as capable of evaluating the merits of a proposed transaction and who participate in a transaction of at least US\$100,000 (about EUR77,678);
 - a company, partnership or trust of which all participants are either high net worth persons or sophisticated persons.
- The person is regulated by an approved overseas regulatory authority where the securities investment business is conducted.

If these exemptions apply, the entity need only be registered (rather than licensed) and registration and annual fees are payable.

TAXATION AND OTHER EXPENSES

The Cayman Islands offers a location for investment funds and does not impose its own tax rules on an investment fund or its investors.

There is currently no capital gains tax, income tax, wealth tax, estate or inheritance tax payable in respect of either:

- The issue, transfer or realisation of shares in a closed-ended or open-ended exempted company, units in an exempted unit trust or interests in an exempted limited partnership.
- Any profits, income, gains or appreciation of the investment fund, for either the fund or its investors in respect of their interests in the fund.

A Cayman Islands investment fund routinely receives, on application, an undertaking from the Governor that no law enacted after a certain period from the establishment of the fund imposing any tax on profits, income, gains or appreciations will apply to the fund or its investors in respect of their interest in the fund.

Exempted companies currently receive an exemption for 20 years, while exempted unit trusts and exempted limited partnerships receive an exemption for 50 years.

No stamp duty is payable on the transfer of shares, units or partnership interests in an investment fund not holding land in the Cayman Islands.

As there is no capital gains tax in the Cayman Islands, it is possible to accumulate income and realised gains free from Cayman Islands taxation. Other jurisdictions, such as the domicile of the investor, may require the investor to pay tax even though monies remain in the Cayman Islands.

The Cayman Islands is free from all exchange control restrictions.

All investment funds must pay annual prescribed fees to the government, the amount of which depends on:

- Whether it is a company, exempted unit trust or exempted limited partnership.
- What type of company it is and the authorised capital.
- Whether it is regulated under the 2003 Law and the 2004 Law.

There are legal fees and professional fees and other outlays for establishing a fund structure in the Cayman Islands.

ANTI-MONEY LAUNDERING REQUIREMENTS

For some years, the Cayman Islands has had in place comprehensive legislation and guidelines aimed at combating money laundering practices. The main legislation is the Proceeds of Criminal Conduct Law and the Money Laundering Regulations 2006 (Regulations), which apply to a wide range of business activities conducted in the Cayman Islands.

Generally, any person conducting most business activities must maintain all of the following procedures:

- Identification as to "know your client".
- Record-keeping for dealings with investors.
- Internal reporting to a designated person in certain circumstances.
- Internal control and communication procedures as appropriate.
- Measures to make relevant employees aware of all these procedures as well as the Regulations.
- Provision of staff training on the recognition and handling of suspicious transactions.

The Regulations acknowledge that a number of other countries have implemented anti-money laundering requirements which are equivalent to the standards imposed in the Cayman Islands (these countries are referred to as approved countries). Where investors have satisfied these requirements of an approved country, there are various exceptions and exemptions available which avoid the need to repeat the "know your client" due

diligence in the Cayman Islands. Most of the sophisticated large financial jurisdictions are approved countries, including the US and countries in the EU.

Some important exemptions are as follows:

- Exempted clients, which include:
 - the government and governmental bodies;
 - a financial institution regulated in an approved country;
 - a company quoted on an approved stock exchange;
 - certain pension funds or trade unions;
 - a person already regulated by the Regulations;
 - persons for whom either an intermediary regulated by an overseas regulatory authority in an approved country, a law firm in an approved country or an accountancy firm in an approved country, has completed a form confirming it has already complied with the necessary requirements in their own jurisdiction.
- Transfers from a bank account in an investor's name in an approved country.
- Where the responsibility for undertaking anti-money laundering requirements has been delegated in certain circumstances, for instance a delegate being subject to an approved country's rules.

Fund administrators who normally process subscriptions and redemptions have vast experience on the practical issues for compliance with these regulations, and have systems and processes to obtain the required documentation efficiently.

SAVINGS DIRECTIVE

Demonstrating the commitment of the Cayman Islands to maintain its position as a pre-eminent offshore financial services jurisdiction, the Cayman Islands government agreed with the UK government to implement the Savings Directive.

The Savings Directive requires that certain interest payments are reported to EU member states by the "paying agent". Pursuant to this commitment, the Reporting of Savings Income Information (European Union) Law 2005 came into force on 1 July 2005 (2005 Law) and sets out the mechanics for the Savings Directive to be implemented in the Cayman Islands.

The most notable feature of the law is that savings income only includes payments from undertakings for collective investment in transferable securities (UCITS) funds (a European regulatory term) or their equivalent in the Cayman Islands. Cayman Islands-domiciled investment funds registered under section 4(1) or 4(3) of the 2003 Law (as nearly all hedge funds are) are treated in the same way as European non-UCITS funds under the 2005 Law. Therefore, most Cayman Islands funds fall outside the scope of the Savings Directive as they are treated as non-UCITS funds. Only funds licensed under section 5 of the 2003 Law are affected by the Savings Directive.

The paying agent is likely to be deemed to be the fund administrator in most cases. It is the paying agent that has the reporting obligations. Payments effected by the Cayman Islands hedge fund or the fund administrator will fall outside the 2005 Law if the fund administrator is located in any of the following:

- The Cayman Islands.
- A jurisdiction in which the fund administrator can rely on the Cayman Islands non-UCITS designation, the so-called "home rule test".
- A jurisdiction outside the scope of the Savings Directive.

However, the 2005 Law may still affect certain investors in a Cayman Islands hedge fund. Where an investor is acting as nominee (a function performed by some private bankers) or otherwise as paying agent (being an economic operator who pays interest to, or secures the payment of, interest for the immediate benefit of the beneficial owner) and is situated in an EU country or a country which has agreed to be subject to the Savings Directive, then the investor must consider whether payments made by them to the beneficial owner are reportable under the Savings Directive under their own laws.

CAYMAN ISLANDS STOCK EXCHANGE

The Cayman Islands Stock Exchange (CSX) was established in 1997, in recognition of the strength of the mutual fund and structured finance sectors.

The advantage of listing is that it may enable certain investment institutions, which can invest only a small percentage of their assets in unlisted securities, to invest in a fund. Listing may also provide a market for the shares where there is no facility to redeem.

Among other achievements for the CSX:

- In 1999, the CSX became the first offshore stock exchange to be granted approved organisation status by the London Stock Exchange (LSE) and as a result, securities listed on the CSX are eligible for trading on the LSE's international equity market.
- In 2001, the CSX and Euroclear established a link which allows CSX listed funds to participate in Fund Settle, which is a platform designed for high volume cross-border fund transactions.
- In 2004, securities listed on the CSX became regarded by the UK Inland Revenue as "qualifying investments". Most of the securities held directly in Personal Equity Plans and Individual Savings Accounts must be "qualifying investments". Also, among the categories of securities a personal pension scheme can hold are securities listed or dealt in on a "recognised stock exchange". Accordingly, CSX listed securities can now form part of the investments held by these personal pension schemes.
- In 2004, the Inland Revenue granted the CSX status as a "recognised stock exchange". This means that companies with securities listed on the CSX can take advantage of the "Eurobond Exemption" and interest may be paid on their securities without the deduction of UK tax.

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