

Cayman Islands Segregated Portfolio Companies

UPDATE

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The Segregated Portfolio Company (SPC) is a single legal entity incorporated under the Companies Law (2020 Revision) of the Cayman Islands (the Companies Law) within which may be established various segregated portfolios (each a Portfolio). The assets and liabilities of each Portfolio are legally separate from those of the other Portfolios.

Key Features

- Portfolio assets and liabilities - assets and liabilities designated or allocated for the account of a particular Portfolio:
 - must be segregated from the "general assets and liabilities" of the SPC - the assets or liabilities which have not been designated or allocated for the account of any Portfolio;
 - must also be segregated from the assets and liabilities of other Portfolios.
- Accordingly, the liability of an SPC to a person (including any creditor) in respect of a Portfolio entitles that person **only** to have recourse to:
 - the assets attributable to that Portfolio; and
 - unless specifically prohibited by the articles of association of the SPC, the SPC's general assets, to the extent the assets of the Portfolio are insufficient to satisfy the liability.
- Portfolio assets will often comprise share capital and share premium attributable to that Portfolio and all other assets attributable or held within the Portfolio;
- Portfolios are not legal entities separate from the SPC – the SPC is required to enter transactions "for the account of" each Portfolio;
- An SPC can issue shares in respect of each Portfolio.

Director's Duties

Under the Companies Law a director of an SPC is under an obligation to establish and maintain procedures to:

- segregate Portfolio assets from general assets and assets of other Portfolios;
- ensure assets and liabilities are not transferred between Portfolios or between a Portfolio and general assets;
- ensure, where applicable, that all contracts and legal documentation is executed on behalf of a particular Portfolio.

Use of SPCs

Given the asset protection created by the statutory ring fencing of Portfolio assets, SPC's are attractive for use as investment funds, in securitisation/repack transactions, multiple tranche debt transactions and shipping and aircraft transactions.

See also our guide on [Cayman Islands segregated portfolio companies](#) or contact your usual Mourant contact.

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