

COMPARATIVE GUIDES

Capital Markets

Edit Selection

1 Legal and regulatory framework

1.1 Which laws and regulations govern the capital markets in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Capital markets in the Cayman Islands are primarily governed by a combination of local laws and regulatory frameworks designed to ensure:

- transparency;
- investor protection; and
- financial stability.

The key laws and regulations include:

- the Companies Act (as revised);
- the Mutual Funds Act (as revised);
- the Securities Investment Business Act; and
- the Stock Exchange Company Act (as revised).

These:

- provide the framework for the establishment and regulation of stock exchanges in the Cayman Islands, including the Cayman Islands Stock Exchange (CSX); and
- cover the listing requirements, operational standards and regulatory oversight of the exchange.

Any listing of equity securities on the CSX must comply with the CSX Listing Rules. The CSX Code on Takeovers and Mergers also aims to ensure the fair and equal treatment of all shareholders in relation to public takeovers of CSX-listed entities.

Other laws and regulations which apply generally to all entities in the Cayman Islands may be relevant for the purposes of capital markets regulation, such as the Proceeds of Crime Act (as revised) – the primary statute in the Cayman Islands intended to combat the activity of money laundering and terrorist financing.

1.2 Is your jurisdiction part of a supranational, transnational or multinational framework with relevance to capital markets? If yes, how does this work?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands is involved in a multinational and transnational framework relevant to capital markets, primarily through its participation in global financial networks and regulatory frameworks.

OECD Global Forum on Transparency and Exchange of Information for Tax Purposes:

- The Cayman Islands is a member of the OECD's Global Forum, which works to implement international standards on transparency and the exchange of tax information. This has direct implications for capital markets as it influences the flow of capital, tax regulation, and compliance for entities operating within the Cayman Islands.

Common Reporting Standard (CRS):

- As part of the OECD framework, the Cayman Islands participates in the Common Reporting Standard, which is a transnational framework aimed at combating tax evasion by requiring financial institutions to report information about foreign account holders. This affects capital markets by increasing transparency and regulatory compliance.

Financial Action Task Force (FATF):

- The Cayman Islands also aligns with the standards set by the FATF, an intergovernmental body that sets international standards to prevent money laundering and terrorist financing. Adherence to FATF guidelines is crucial for maintaining the integrity and reputation of its financial services industry, which is integral to global capital markets.

European Union Relations:

- Although the Cayman Islands is not an EU member, it interacts with the EU, particularly concerning tax regulations and financial transparency. The EU has placed the Cayman Islands on various lists related to tax haven

status, which impacts how capital markets perceive and interact with entities based in the Cayman Islands.

The Cayman Islands is deeply integrated into international regulatory and compliance frameworks, which directly affect its role and reputation in global capital markets. These frameworks ensure that the Cayman Islands remains a major hub for financial services while adhering to international standards on transparency, tax compliance, and anti-money laundering.

1.3 Which bodies are responsible for regulating the capital markets in your jurisdiction? What powers do they have?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands Monetary Authority (CIMA) is responsible for administering the Companies Act in relation to capital markets. The Listing Committee of the CSX is responsible for administering the CSX Listing Rules and approving initial public offerings in the Cayman Islands.

1.4 How does enforcement work and what kinds of sanctions may be applied?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

CIMA administers and enforces the Companies Act, while the CSX administers and enforces the CSX Listing Rules.

The CSX has the power to apply the typical sanctions that a public listing exchange may be expected to apply, including the power to:

- suspend or cancel a listing;
- censure an issuer and publish this fact; and
- censure the directors of an issuer, publish this fact and state publicly that in its opinion, a director's appointment is prejudicial to the interests of investors.

2 Capital markets infrastructure

2.1 What is the capital markets infrastructure in your jurisdiction (eg, trading venues, central counterparties, central securities depositories (CSDs))?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands Stock Exchange (CSX) has a number of broker members of local banks which assist in the facilitation of trading and brokerage. The Cayman Islands does not have any dedicated trading venues for capital markets.

2.2 What are the main exchanges and other trading venues in your jurisdiction? What are the key differences between those various trading venues?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are no other exchanges or other trading venues in the Cayman Islands.

2.3 What kinds of securities does your jurisdiction provide for (eg, electronic securities)?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands provides for a wide range of securities, including:

- equity securities;
- corporate and specialist debt securities;
- retail debt securities;
- derivative warrants;
- depository receipts;
- exchange-traded funds; and
- investment funds.

2.4 Is it mandatory to deposit securities with a (local) CSD (eg, for listing)?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Any companies that are not specialist companies and that issue equity securities under Chapter 6 of the Listing Rules (which covers continuing obligations) must have and maintain a listing agent on an ongoing basis.

2.5 Are there rules in place governing crypto-assets and crypto-infrastructure (eg, crypto-exchanges, local crypto-money)?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Virtual Asset (Service Providers) Act (“**VASPA**”) (as revised) governs crypto-assets and crypto-infrastructure. Entities that qualify as ‘virtual asset service providers’ must be approved under VASPA before issuing virtual assets, such as tokens.

2.6 Are special rules in place for crowdfunding products?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands has no specific legislation that exclusively governs crowdfunding. However, entities involved in crowdfunding activities may still be subject to:

- broader financial services and securities laws and regulations; and
- oversight by the Cayman Islands Monetary Authority in relation to investment funds (eg, mutual and private funds) should the crowdfunding product act as a type of fund.

2.7 What kinds of databases are available on instruments issued and traded in your jurisdiction, and how can they be accessed?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

3 Trading and post-trading infrastructure
 There is limited information on the instruments issued and traded in the Cayman Islands, which can be accessed via the CSX website at www.csx.ky.

3.1 What kind of market infrastructure does your jurisdiction provide for?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands Stock Exchange (CSX) primarily offers the XETRA trading platform, the international cash market platform of Deutsche Börse. The CSX is accessible through the FIX Gateway under the market information code 'XCAY'.

CSX trades can be settled on Clearstream Luxembourg or any equivalent alternative.

Trades can be made through:

- any of the existing network of CSX broker members; or
- a 'remote'/overseas broker connecting into the XETRA network.

3.2 What are the rules governing liquidity flows across execution venues (eg, use of systematic internalisers, trading obligations)?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands does not have specific rules governing liquidity flows.

3.3 Are there rules on light and dark markets and how do these apply?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

3.4 Are market participants subject to best execution requirements?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands Monetary Authority (CIMA) is the primary regulator of financial services in the jurisdiction. While CIMA imposes a regulatory framework that includes principles of fairness, transparency, and fiduciary responsibility, it does not have a specific "best execution" rule comparable to those in the EU or the US.

3.5 Does your jurisdiction apply a target market concept?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

3.6 How does securities settlement work in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Unless otherwise agreed between the trading parties, all transactions executed on the CSX will be settled on the third business day (T+3) after the date on which the transaction was executed.

4 Listing and delisting of shares and bonds

4.1 What key requirements must be met to obtain a primary listing in your jurisdiction? What restrictions apply in this regard? Do any exemptions apply?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The key requirements for a primary listing of equity securities in the Cayman Islands, which are contained in Chapters 2 and 6 of the Cayman Islands Stock Exchange (CSX) Listing Rules, are as follows:

- A local listing agent must be appointed.
- A listing document which meets the requirements of Chapters 2 and 6 of the CSX Listing Rules must be approved and published.
- The constitution of the issuer must include the provisions listed in Schedule 6A of the CSX Listing Rules.
- The issuer must:
 - be duly incorporated or otherwise validly established in a recognised jurisdiction;
 - have sufficient liquidity with an expected initial market capitalisation of KYD 4.1 million; and
 - have a minimum of 50 shareholders, at least 25% of which are public shareholders.

- The board of the issuer must have at least three directors, a majority of whom are independent.
- An independent auditor must be appointed.
- The issuer must have published financial statements which cover the three financial years preceding the primary listing; if the issuer was established less than three years ago, it must demonstrate that it has sufficient working capital.
- The securities to be issued must be freely transferable, unless the CSX has approved certain transfer restrictions.
- The whole class of securities must be listed.
- The securities must:
 - have an International Securities Identification Number; and
 - be eligible for deposit in an acceptable electronic clearing and settlement system.
- The issuer must maintain a share transfer agent and paying agent in a financial centre acceptable to the CSX.

Further requirements for specific types of companies – such as startups, shipping companies and mineral and exploration companies – are detailed in Chapter 6 of the CSX Listing Rules.

4.2 What key requirements must be met to obtain a secondary listing in your jurisdiction? What restrictions apply in this regard? Do any exemptions apply?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The key requirements for a primary listing of equity securities in the Cayman Islands, which are contained in Chapter 7 of the CSX Listing Rules, are as follows:

- The issuer must have a primary listing on a recognised stock exchange.
- The issuer must have approved and published a listing document which meets the requirements of Chapter 7 of the CSX Listing Rules.
- The securities must be freely transferable, although the CSX may approve certain transfer restrictions at its sole discretion.
- The securities must be eligible for deposit in an acceptable electronic clearing and settlement system.
- The whole class of securities must be listed.

4.3 What are the most common listing structures? What are the advantages and disadvantages of these different types of structures? What other factors should companies consider when deciding on a listing structure?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The most common listing structure for primary listings is an exempted company incorporated and registered in the Cayman Islands.

The advantages of using a Cayman Islands exempted company are as follows:

- The entity is not subject to any direct taxes such as income tax, corporate tax or capital gains tax.
- This is the most common type of corporate entity in the Cayman Islands and investors, banks, fund managers and financial advisers are very familiar with this kind of listing vehicle.
- The Cayman Islands Monetary Authority and the CSX, as the public markets regulators and facilitators, typically have no concerns regarding this type of listing vehicle, given its local nature.

The main disadvantage of using a Cayman Islands exempted company is that it may not be appropriate for more complex listing structures; alternatively, a fund structured as a limited partnership with a general partner may be more appropriate in certain circumstances.

The key factors that companies should consider when deciding on a listing structure are:

- the instruments which will be listed;
- the potential tax treatment of onshore investors (e.g. US investors); and
- the region in which the structure is operating.

4.4 How does the listing of bonds differ from the listing of shares?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The listing of both bonds and shares is subject to the general listing set out in Chapter 2 of the CSX Listing Rules. Bonds are also subject to Chapter 12 of the Listing Rules, which sets out the following requirements:

- The issuer must be carrying on as its main activity, either by itself or through one or more of its subsidiary undertakings, an independent business which is revenue earning.
- The issuer must have the necessary statutory or other consents under the law in its place of incorporation.

- If guaranteed, the guarantee must:
 - be issued in conformity with the relevant laws of the place where the guarantor is incorporated or otherwise established; and
 - conform with the guarantor's memorandum and articles of association or other constitutional documents
- The issuer must appoint a paying agent in the Cayman Islands or other financial centre acceptable to the CSX. The issuer itself may perform this function if it can demonstrate to the CSX that it is capable of doing so.

4.5 What advisers are typically involved in the listing process? What claims (if any) can be brought against advisers with regard to their role in the listing process? Is there any way to mitigate such liability?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Listing securities in the Cayman Islands typically involves the same advisers as for any onshore listing, including:

- Cayman Islands legal advisers;
- onshore legal advisers (if applicable);
- financial advisers;
- investment banking advisers;
- auditors; and
- brokers.

4.6 What other factors should companies consider when deciding on a listing strategy?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Other factors to take into account include the following:

- Will a secondary listing on another stock exchange be contemplated in the future?
- Where are the target investors located?
- Will there be further issues of shares in the future?
- What are the possible exit options of the issuer?

4.7 What are the typical reasons for voluntary delisting? What are the grounds for compulsory delisting? What is the process for delisting?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The typical reasons for a voluntary delisting are as follows:

- A secondary listing is no longer needed;
- The entity is undergoing voluntary liquidation; or
- The entity has provided the CSX with a clear and adequate explanation of its decision to voluntarily delist, such as a take private transaction, provided that a 75% majority vote of the affected class of shareholders have voted to do so.

The grounds for a compulsory delisting include the following:

- The CSX considers that the issuer or business is no longer suitable for listing;
- The issuer has failed to comply with the CSX Listing Rules;
- A low number of securities is held by the public; or
- The issuer has insufficient assets or levels of operation

4.8 What tax considerations should be borne in mind from the issuer's perspective?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Provided that the issuer entity is incorporated in the Cayman Islands, there are no direct taxes – such as income tax, revenue tax and capital gains tax – imposed in the jurisdiction.

5 Prospectus rules and marketing

5.1 What kinds of instruments are subject to prospectus requirements?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

All instruments to be listed are subject to some form of prospectus requirements.

5.2 What are the key exemptions from the prospectus requirements and what kinds of selling restrictions might apply?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Not applicable.

5.3 What key information must be included in a prospectus? What other requirements and restrictions apply with regard to the content of the prospectus?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The key information for any prospectus in the Cayman Islands includes:

- general information on the issuer and its management;
- the securities (or other instruments such as bonds) for which application is being made;
- the issuer's capital;
- the issuer's business activities;
- financial information on the group of which the issuer is a member; and
- material contracts.

5.4 What is the process for preparation, approval, filing and publication of the prospectus? How long does each step take?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The preparation of a prospectus can take anywhere between three and six weeks, depending on the complexity of the instruments to be listed.

Once an application has been submitted, a listing can be achieved within as quickly as four to six weeks from submission.

5.5 What are the rules governing prospectus summaries/key information documents (KIDs) in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Each chapter of the Cayman Islands Stock Exchange (CSX) Listing Rules outlines the prospectus summaries/KIDs for each type of instrument.

5.6 Who is liable for the content of a prospectus/KID in your jurisdiction? On what grounds can such claims be brought? Is there any way to mitigate such liability?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The directors of the issuer are liable for the content of a prospectus/KID in the Cayman Islands. The Cayman Islands Monetary Authority (CIMA) enforces these claims through the imposition of sanctions.

The best way to mitigate such liability is to ensure that a thorough prospectus drafting and verification process is undertaken by the issuer and its legal and other advisers prior to submitting the listing application to CIMA and the CSX.

6 Financial services (marketing and distribution)

6.1 What kinds of services in financial instruments are subject to authorisation requirements? Is proprietary trading allowed *per se*?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are no rules restricting proprietary trading in the Cayman Islands, but this practice is subject at all times to the laws on inside information.

6.2 Do special authorisation requirements apply to members of trading venues and/or issuers?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Brokers and trading venues in the Cayman Islands must be registered under the Securities Investment Business Act (SIBA).

6.3 How are financial instruments typically marketed in your jurisdiction? Are there special rules for initial public offerings?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Financial instruments are typically marketed to investors outside of the jurisdiction. However, if an issuer is listed on the Cayman Islands Stock Exchange (CSX), it is permitted to market to domestic investors in the Cayman Islands.

6.4 Is book building commonly used in your jurisdiction? If so, what does this process typically involve and do the regulatory requirements apply to book building? What are the advantages and disadvantages of book building?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Initial public offerings (IPOs) in the Cayman Islands tend to be of lower value than other IPOs on onshore exchanges such as the NASDAQ or the London Stock Exchange and as such, book building is not as common. Typically, issuers in the Cayman Islands already have their target market and investors identified prior to an IPO, and it is more common to see a fixed-price IPO than a book-built IPO.

6.5 What requirements and restrictions apply with regard to price stabilisation in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

While the CSX Listing Rules require price stabilisation to be disclosed, there are no specific rules governing the use of price stabilisation. However, it is an offence under Section 24 of the Securities Investment Business Law (as revised) to create a false or misleading market in listed securities.

7 Derivatives

7.1 What trading and clearing obligations apply to derivatives?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There is no difference between the trading and clearing obligations applicable to derivatives and those applicable to shares.

7.2 Do mandatory risk mitigation techniques (eg, provision of collateral) apply?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Where an issuer of derivatives intends to market them on the basis that it owns or controls the underlying assets to meet its obligations, the Cayman Islands Stock Exchange requires that the issuer:

- appoint a trustee or independent representative;
- grant a charge over such assets in favour of the trustee or independent representative;
- deposit the underlying assets with the trustee or independent representative; and
- authorise the trustee or other independent representative to deliver the underlying assets to the warrant holders upon valid exercise of the derivative warrants if the issuer is unable to discharge its obligations under the derivative warrants.

7.3 Is a mandatory reporting system for derivatives transactions in place?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are ongoing obligations for disclosure, but there is no specific mandatory reporting system for derivative transactions.

7.4 What are the commonly used framework agreements in your jurisdictions for non-cleared and cleared derivatives?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The most common framework agreements for both non-cleared and cleared derivatives are International Swaps and Derivatives Association master

agreements.

8 Corporate governance/continuing obligations

8.1 What corporate governance requirements apply to listed companies?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

See question 8.3.

8.2 Is there a mandatory or voluntary corporate governance index? If so, what does it contain?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands does not have a mandatory corporate governance index specifically imposed by the government or regulatory authorities like the Cayman Islands Monetary Authority (CIMA). However, there are frameworks and guidelines that influence corporate governance practices, and adherence to these can be seen as part of a voluntary corporate governance regime.

8.3 What reporting obligations apply to listed companies? Do these vary if the issuer is a foreign company or between trading venues/segments?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The main continuing obligations of a listed company are as follows:

- to publish annual audited financial statements, including a directors report and the related audit report for listings under Chapter 6 (equity securities);
- with the exception of specialist companies, to publish semi-annual interim financial reports, including a preliminary announcement of results;
- to inform the Cayman Islands Stock Exchange (CSX) of any new developments that are not public knowledge and that may reasonably be expected to have a material effect on the market activity in, and price of, its securities;

- to issue an explanatory circular regarding any fundamental change to its business;
- to announce related-party transactions representing 5% or more of the class value;
- to notify the CSX of certain matters, including:
 - changes to the board of directors;
 - changes to the issuer's constitutional documents or registered office;
 - changes to the rights of any class of listed securities;
 - significant changes to the holdings or identity of holders of equity securities holding in aggregate more than 5% of the issuer's shares;
 - new issues of equity or debt securities; and
 - changes to the auditor (the issuer must not appoint a new auditor without seeking the prior approval of the CSX);
- to notify the CSX of any steps taken to wind up or liquidate the issuer;
- to notify the CSX of any breach of the minimum public holding requirements;
- to provide the CSX with copies of all documents sent to shareholders;
- to pay the annual CSX fee;
- where securities listed on the CSX are also listed on another stock exchange, to ensure that copies of all documents required to be filed and information required to be notified to the CSX are simultaneously made available to that other stock exchange;
- for startups and mineral companies, to publish a quarterly activities report;
- to notify the CSX of any exemption or variation to share lock-up arrangements; and
- to take all proper and reasonable steps to secure the compliance of management, including directors, with the Model Code (being the code of conduct relating to securities transactions by directors of listed companies on the Cayman Islands Stock Exchange (CSX). It is a part of the Listing Rules set by the CSX and is designed to ensure that directors and certain employees of listed companies adhere to high standards of conduct, particularly regarding the trading of securities in the company they serve).

The continuing obligations apply to all issuers of securities listed on the CSX, including foreign companies and issuers of depository receipts.

On 31 July 2024, the Beneficial Ownership Transparency Act (2023 Revision) (BOT Act) came into effect. The BOT Act extended the application of the beneficial ownership regime to most Cayman Islands entities and removed a number of exemptions that existed under the previous regime.

Prior to the BOT Act, listed companies were exempt from any beneficial ownership requirements, such as maintaining beneficial ownership registers. Since the introduction of the BOT Act, listed companies are still exempt from beneficial ownership requirements, however listed companies will be required to provide their corporate services provider a written confirmation confirming that it is listed on the CSX or another approved stock exchange.

If it is a Cayman Islands exempted company which is incorporated as the listing vehicle, prior to listing, the entity will be subject to the BOT Act and will be

8.4 What other continuing obligations apply to listed companies?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

For specialist companies, the following additional continuing obligations apply:

- The issuer or its listing agent must consult with the CSX in advance of any matter which may:
 - affect the suitability of the listing; or
 - materially adversely affect the interests of the holders.
- Within the first two years following listing, for companies that listed with a business plan, the issuer must prepare a quarterly update of its activities for each quarter of its financial year.
- The issuer must carry on a sufficient level of operations to warrant the continual listing.
- The issuer must notify the CSX of any material litigation proceedings where the amount involved is equal to or greater than 20% of the book value of the existing net assets of the issuer

8.5 What are the consequences of breach of any of these obligations?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Where the CSX considers this necessary for the protection of investors or the maintenance of an orderly market, it can at any time suspend trading in any securities or cancel the listing of any securities and impose such conditions as it thinks fit, whether requested to do so by the issuer or not.

A listing can be cancelled without first being suspended. Where the CSX considers that an issuer or its business is no longer suitable for a listing, after notification to the issuer, the CSX will issue an announcement naming the issuer

and specifying the period within which the issuer must remedy those matters which have rendered it unsuitable for listing.

8.6 Do mandatory auditing rules apply and is there a special review/enforcement process?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

An issuer must have an independent auditor; however, specific auditing rules do not apply in the Cayman Islands.

9 Inside information and market manipulation

9.1 What qualifies as inside information?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Insider information, or 'insider trading', is governed by the Securities Investment Business Act (SIBA). Under SIBA, 'insider information' is defined as information which:

- relates to particular listed securities, to a particular issuer of listed securities or to particular issuers of listed securities, and not to listed securities generally or to issuers of listed securities generally;
- is specific or precise;
- has not been made public; and
- is price sensitive.

9.2 What prohibitions apply to inside information? Is there a legitimate behaviour exemption?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Any individual who has information as an insider is prohibited from, and commits an offence if he or she:

- deals in listed securities that are price-affected securities in relation to the information;

- encourages another person to deal in listed securities that are (whether that other person knows it or not) price-affected securities in relation to the information; or
- discloses the information to another person, other than in the proper performance of the functions of that person's employment, office or profession.

Section 26 of SIBA contains a number of common legitimate behaviour exemptions for insider information.

9.3 What are the rules on mandatory disclosure of inside information?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are none defined.

9.4 Are there special provisions on the operation of insider lists and Chinese walls?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

9.5 Do special rules apply to personal transactions?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

9.6 What kinds of activities may amount to market manipulation?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are none defined.

9.7 What are the consequences of breach of these requirements and restrictions, both for issuers and for their directors and officers?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Any person, director or otherwise, who commits an offence relating to insider information under SIBA is liable for:

- a penalty of up to US\$10,000; and
- up to seven years' imprisonment.

10 Short selling

10.1 What kinds of restrictions apply to short selling?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

There are no laws in the Cayman Islands regarding short selling.

10.2 Is a mandatory disclosure requirement in place regarding short selling?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

10.3 Is it permitted to write research reports while holding short positions?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Yes, as there are no laws in the Cayman Islands regarding short selling.

11 Sustainability

11.1 Is the term 'sustainability' defined in your jurisdiction and, if so, how? Does it cover environmental as well as social objectives? How is compliance with sustainability assessed (eg, quantitatively or qualitatively)? Are there certain minimum requirements?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

11.2 Are there special rules in place in your jurisdiction on the identification, management and disclosure of sustainability issues?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No. Environmental, social and governance (ESG) companies are subject to the same disclosure rules as all other public companies listed on the Cayman Islands Stock Exchange (CSX).

11.3 Do applicable sustainability rules distinguish between sustainability risks (ie, financial risks resulting from sustainability issues) and the actual impact of corporate actions on, for example, the environment?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Not applicable.

11.4 Does your jurisdiction provide for a special green bond regime?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Yes.

11.5 Are there restrictions on the sale or distribution of instruments not considered sustainable?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

11.6 Is it necessary to comply with certain minimum standards (eg, on human rights) to qualify as a 'green' issuer?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

No.

11.7 How will sustainability rules affect the capital markets in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The introduction of more robust sustainability rules will inevitably increase the disclosure obligations for companies wishing to list on the CSX. A more robust regime for ESG listing requirements in line with onshore jurisdictions would make the Cayman Islands a more attractive jurisdiction.

12 Product bans

12.1 What products are currently banned from sale or marketing to (certain kinds of) investors in your jurisdiction?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Products directly or indirectly related to gambling are illegal in the Cayman Islands.

12.2 What is the process for imposing product bans and which regulators are in charge of this?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The Cayman Islands Monetary Authority (CIMA) is in charge of regulating product bans. The process for imposing product bans involves several steps, including:

- the registrar of companies refusing to register any entities whose primary business is gambling; and
- CIMA reviewing the prospective issuer's offering memorandum.

13 Trends and predictions

13.1 How would you describe the current capital markets landscape and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

The capital markets landscape in the Cayman Islands is stable. The prevailing trend in the Cayman Islands is not the listing of issuers on the Cayman Islands Stock Exchange (CSX) but rather the incorporation of special purpose acquisition companies (SPACs) and sponsor entities, together with the related business combinations in the Cayman Islands. for use in the US capital markets space.

No legislative developments are anticipated in the next 12 months that would directly affect the capital markets landscape in the Cayman Islands. However, the government regularly updates the legislation relating to:

- anti-money laundering;
- corporate governance; and
- beneficial ownership regimes.

The CSX Listing Rules are regularly updated but no new reforms are tabled for the next 12 months.

14 Tips and traps

14.1 What are your top tips for the smooth conclusion of offerings in your jurisdiction and what potential sticking points would you highlight?

CAYMAN ISLANDS - STUARTS HUMPHRIES

Answer...

Our top tips for a smooth offering on the Cayman Islands Stock Exchange (CSX) are as follows:

- Instruct local legal counsel early in the initial public offering (IPO) process to ensure that the offering memorandum and incorporation of issuer vehicles are dealt with at an early stage, to prevent delays with the Cayman Islands Monetary Authority (CIMA) and the CSX during the listing application process;
- Prepare a detailed business plan for the issuer; and
- Engage with local brokers early to establish banking and trading relationships.

The main sticking point for any listing application is to ensure that the offering memorandum contains sufficiently detailed information so that CIMA and the CSX are comfortable admitting the issuer to the exchange. Instructing local legal counsel early in the IPO process will ensure that this sticking point is adequately addressed to reduce delays in receiving admission to the CSX.