



# Americas Restructuring Review

2026

**Cayman Islands: lessons from the new  
regime**

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# Cayman Islands: lessons from the new regime

**Mark Goodman** and **Ronan O'Doherty**

Campbells

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## IN SUMMARY

The Cayman Islands' restructuring officer (RO) regime, which was introduced as part of the Companies Act (2022 revision) (Companies Act) and came into force on 31 August 2022, introduced a bespoke 'debtor-in possession' framework for court-supervised restructurings. Three years later, the regime has been tested in several important cases, including in *Re Holt Fund SPC* where, in a landmark development for the Cayman Islands' funds industry, restructuring officers were appointed over certain segregated portfolios within a segregated portfolio company (SPC). However, recent judgments have demonstrated that a liberalised 'light-touch' provisional liquidation (PL) regime continues to play a valuable role where independent management, investigation or recognition concerns arise. Schemes of arrangement remain central to Cayman restructuring practice, with execution risk reduced for members' schemes following the abolition of the 'headcount test'. The result is a modern, flexible toolkit which reinforces the Cayman Islands' reputation as one of the premier jurisdictions to facilitate complex cross-border corporate restructurings.

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## DISCUSSION POINTS

- What the RO regime changed and how it works in practice
  - *Oriente, Aubit* and *Holt*: threshold guidance, guardrails and SPCs
  - Why light-touch PL still matters
  - Schemes of arrangement and abolition of the members' headcount test
  - Practical implications for directors, creditors and fund managers
  - What to expect next in Cayman restructurings
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## REFERENCED IN THIS ARTICLE

- Cayman Islands Companies Act (2022 revision, as amended)
  - *Re Oriente Group Ltd*
  - *In the matter of Aubit International*
  - *Re Holt Fund SPC*
  - *In the matter of Kingkey Financial Holding Limited*
  - *Re Oakwise Value Fund SPC*
  - *In the matter of New Horizon Health Limited*
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## CAYMAN'S RESTRUCTURING LANDSCAPE SINCE AUGUST 2022

The RO regime created a dedicated, debtor-in-possession framework with an automatic moratorium on filing of a petition, without the need to commence a liquidation. Directors of an applicant company may present a petition without shareholder approval (subject to any contrary provision in the articles). The RO regime was designed to replace the practice of using light-touch PL solely to invoke a moratorium to prevent enforcement action by creditors where the company intended to propose a compromise or arrangement to creditors.

Key features:

- Eligibility: a company that is, or is likely to become, unable to pay its debts and intends to propose a compromise or arrangement to creditors.
- Moratorium: a statutory stay arises automatically upon filing. It turbo-charges protection by staying broadly defined civil proceedings, including winding-up proceedings, subject to leave.
- Court oversight: the court confers RO powers tailored to the case and expects genuine restructuring intent, tangible proposals and creditor engagement.

Although there are similarities to the light-touch PL regime, the RO regime provides for dedicated ROs to develop a restructuring plan while the directors continue the day-to-day operation of the company. However, its primary innovation lies in the implementation of a dedicated statutory moratorium to allow restructuring plans to be developed and negotiated while protecting the company's value and avoiding the stigma of a liquidation process.

### FIRST PRINCIPLES IN PRACTICE: RE ORIENTE GROUP LTD

The first written judgment delivered by the Cayman Court under the RO Regime was *Re Oriente Group Ltd*<sup>[1]</sup> in which the Grand Court considered the new legislation and clarified several important factors, including the following thresholds governing the appointment of an RO:

- The company must meet the statutory pre-conditions for the presentation of an RO petition and satisfy the court that: (1) it is, or is likely to become, insolvent, and (2) it intends to present a compromise or arrangement to its creditors.
- There must be 'credible evidence of a rational proposal with reasonable prospects of success'.
- The court will assess whether there is a realistic prospect of creditor approval such that it 'has or will potentially attract the support of a majority of creditors as a more favorable commercial alternative to a winding-up'.

The court noted that the statutory moratorium provisions in the RO regime turbo charge the degree of protection afforded to companies and confirmed that an RO petition can be presented even where a winding-up petition is pending against the company (which will trigger an automatic stay of the winding-up proceedings). However, the court emphasised that RO petitions that are not supported by evidence of a credible and realistic restructuring plan risk dismissal.

The court also confirmed that previous jurisprudence established under the light-touch PL regime would be applicable to the RO regime given it is in the 'same commercial sphere'.

### EXPANDED GUIDANCE: AUBIT INTERNATIONAL

In *Aubit International*,<sup>[2]</sup> the court built on the foundations laid in *Oriente* and conducted a detailed analysis of the case law relating to corporate restructurings in the Cayman Islands. The court dismissed a petition that sought expansive investigative powers for proposed ROs and relied on a two-phase 'investigate-then-plan' approach. It also provided a non-exhaustive list of 25 factors that should be considered in any application under the RO regime, emphasising the following:

- The creditors' views are relevant and important, and the court should be satisfied that the appointment would be for the general benefit of creditors.
- A finalised or pre-formulated restructuring plan is not necessary but there must be tangible restructuring proposals that are supported by at least some unconnected creditors.
- The court will expect evidence of engagement with creditors before an RO petition is presented, as well as independent financial evidence on the benefits of a restructuring.
- The court should be mindful of potential abuse of the RO regime given the turbo-charged statutory moratorium that follows the presentation of an RO petition.

The court ultimately determined that the applicant company did not satisfy the statutory pre-conditions as, although it was insolvent, it failed to meet the second pre-condition as there was 'extremely limited information concerning the proposed "restructuring plan"'.

The court repeatedly emphasised the potential for abuse of the RO regime and stressed that it should only be deployed for proper purposes to facilitate and finalise a financial restructuring. The role of an RO, while subject to the broad and flexible discretion of the court, should not be to collect assets and conduct investigations into the affairs of the company (akin to the role a traditional liquidator in winding-up proceedings).

#### APPLICATION OF RO REGIME TO SPCS: RE HOLT FUND SPC

The most significant recent innovation came in *Re Holt Fund SPC*.<sup>[3]</sup>

SPCs are widely used in the Cayman Islands. Although, individual segregated portfolios are not considered separate legal entities and operate using the corporate personality of the SPC, the segregation principle dictates that assets and liabilities of each portfolio be segregated from each other. This enables assets and liabilities to be separated between different investors, and the structure is commonly used, for example, in the captive insurance industry. However, until *Holt*, it was unclear whether the RO regime could be applied at the segregated-portfolio level given that portfolios do not have separate legal personalities.

The Grand Court held that:

- Insolvency at the portfolio level can satisfy the statutory pre-conditions, even if the SPC as a whole appears solvent.
- An RO may be appointed in respect of one or more of an SPC's segregated portfolios.
- The statutory moratorium applies to creditor claims against the affected segregated portfolios.

In a February 2025 judgment in the same proceedings,<sup>[4]</sup> the court considered an application for the remuneration and discharge of the RO in circumstances where the intended restructuring proposal could not be implemented. The court confirmed that RO remuneration requires court approval and, if properly incurred, has priority in any subsequent winding-up.

Although this decision was unopposed, it demonstrates the flexibility of the RO regime and has far-reaching implications for SPCs:

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For fund managers: distress in one strategy or investor pool may trigger a court-supervised process without tainting the entire SPC. Managers should consider the governance, disclosure and net asset value (NAV) calculation carefully.

- For creditors: counterparties may find themselves stayed even where other portfolios are healthy. Documentation should address inter-portfolio exposures and shared services.
- For the market: *Holt* balances the segregation principle with creditor protection, but it also raises complex questions around cross-portfolio liabilities, cost allocation and recognition.

## WHY LIGHT-TOUCH PL REMAINS RELEVANT

The Companies Act also implemented changes to the PL regime. The former statutory pre-conditions (now required for the appointment of an RO) were replaced with a broad and flexible discretionary test: the court may appoint provisional liquidators 'if it considers it appropriate to do so'. Recent decisions show that PL remains a vital adjunct where independent management or investigatory powers are required, or where foreign recognition concerns are paramount.

### In The Matter Of Kingkey Financial International (Holdings) Limited<sup>[5]</sup>

This was an uncontested application seeking the appointment of light-touch provisional liquidators to develop and implement a restructuring plan.

Given that the company was unable to pay its debts and intended to pursue a compromise with its creditors, the application should have fallen squarely within the RO regime. However, the directors considered that the broader powers of light-touch provisional liquidators, including the ability to displace management, were necessary in light of ongoing disputes between the board and shareholders, as well as pending litigation in other jurisdictions.

The court agreed. It accepted that the appointment of an RO would likely be inadequate to address the challenges the company faced, and that a light-touch provisional liquidator was better placed to assume day-to-day management and provide stability while also exploring a restructuring. The court also accepted that an RO might encounter difficulties obtaining recognition and assistance from foreign courts, a material consideration given the existence of parallel foreign proceedings.

### In The Matter Of Oakwise Value Fund SPC<sup>[6]</sup>

This case involved an application by an SPC for the appointment of provisional liquidators in respect of one distressed segregated portfolio, while its other portfolios remained solvent.

The application raised a novel jurisdictional question: whether, following the introduction of the RO regime, the court retained jurisdiction to appoint provisional liquidators for restructuring purposes, or whether the RO regime had become the exclusive route for such relief? The court held that the PL regime remains available in appropriate circumstances, particularly where the application goes beyond a debtor-in-possession restructuring and involves a need for independent management, investigation, or the protection of diverse stakeholder interests.

The court was satisfied that management had lost the confidence of key stakeholders and that the appointment of provisional liquidators was necessary to safeguard the interests

of investors in both the distressed and solvent portfolios. The provisional liquidators were granted broad powers over the troubled portfolio, including the ability to investigate, manage assets and formulate a restructuring plan, while the SPC's directors retained control over the solvent portfolios.

The judgment is particularly notable for the following reasons:

- It confirms that the PL regime remains a vital tool alongside the RO regime, especially where independent management or investigations are required, or where complex affairs involve multiple stakeholder groups.
- The court recognised that insolvency or distress at the portfolio level can justify the appointment of provisional liquidators, even if the SPC as a whole is solvent.
- The decision underscores the flexibility of the Cayman restructuring framework, which allows tailored solutions for SPCs and complex fund structures.
- The court emphasised that management's willingness to cede control to independent officeholders is a persuasive factor, particularly where stakeholder confidence has eroded.
- The judgment provides useful guidance for future cases involving portfolio-level distress, inter-portfolio claims, and the interaction between the RO and PL regimes.

#### **In The Matter Of New Horizon Health Limited<sup>[7]</sup>**

This was another uncontested application for the appointment of light-touch provisional liquidators to displace management and to oversee ongoing investigations into financial irregularities, while at the same time pursuing a rescue or restructuring plan to preserve the business.

The court agreed that the powers available under the RO regime were too limited to address the company's needs, and that the appointment of 'light touch' provisional liquidators was preferable in the circumstances.

Taken together, these decisions confirm that the RO regime has not displaced the PL regime. The broad and flexible discretionary test that the Companies Act introduced to the PL regime is a key feature of the Cayman Islands' restructuring toolkit, and light-touch provisional liquidators will continue to be appropriate where allegations of fraud or mismanagement arise, notwithstanding the availability of the RO regime. At the same time, the court has made clear that it will closely police the boundary between the two regimes.

#### **SCHEMES OF ARRANGEMENT**

The introduction of the RO regime provides a protective wrapper that attempts to streamline the process of implementing schemes of arrangement in the Cayman Islands. The automatic stay and court's supervisory role are designed to facilitate orderly negotiations with multiple classes of stakeholders. However, in another significant change to the Cayman restructuring landscape, the Companies Act abolished the statutory headcount test for members' schemes (creditors' schemes remain unchanged). Approval of a scheme now requires only 75 per cent in value of members (or class) present and voting, with the court's sanction continuing to serve as a discretionary safeguard.

The change reduces the risk of a small minority blocking a members' scheme and aligns Cayman practice with other jurisdictions that have modernised or relaxed the headcount test,



while retaining the court's sanction as the key minority protection. For HKEX-listed Cayman companies, the Hong Kong Takeovers Code continues to require that no more than 10 per cent in value of independent shareholders oppose a privatisation scheme, alongside the 75 per cent in value approval threshold.

The RO regime provides the necessary breathing space for a creditors' or members' scheme to be developed and sanctioned. Alternatively, a light-touch PL can be used where independent management or investigations are required before a restructuring can proceed. Taken together, the abolition of the headcount test, the flexibility of the RO and PL regimes, and the well-established scheme of arrangement framework, confirm that the Cayman Islands remain one of the leading jurisdictions for facilitating complex, high-value cross-border restructurings.

## PRACTICAL IMPLICATIONS

For companies and sponsors:

- Come early, come prepared: courts expect credible, tangible restructuring proposals supported by data. Provide independently verified financial information where possible, up-to-date creditor schedules, liquidation analyses and clear comparative outcomes versus a winding-up.
- Engage with creditors before filing: courts will place real weight on creditor views so efforts should be made to obtain support from unconnected creditors.
- Choose the right tool: use ROs for debtor-in-possession restructurings, and light-touch provisional liquidators when independent management or investigative powers are required, or where more predictable foreign recognition is required.
- Calibrate RO powers to suit purposes: avoid seeking investigative or asset-recovery mandates better suited to PL.
- For SPCs, calibrate at portfolio level: consider portfolio-specific filings. Update offering documents and board protocols for portfolio distress.

For creditors:

- Scrutinise viability: challenge RO petitions that lack credible plans or independent evidence. The court will not allow the automatic stay to be abused.
- Organise and be heard: file focused, evidence-based objections on feasibility and comparative outcomes. The court will place considerable weight on the wishes of creditors.
- Protect SPC exposures: revisit documentation to address portfolio-level moratoria, inter-portfolio exposures and shared services. Consider security and set-off mechanics carefully.

For fund managers and boards:

- Governance hygiene: maintain accurate financial information and identify distress early. Record board deliberations on creditor interests where solvency is in question.
- NAV and disclosure: anticipate valuation issues during stays and plan for communications with investors and service providers in portfolio-level processes.
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Cross-border strategy: map recognition pathways for ROs and provisional liquidators in key jurisdictions. Recognition prospects can dictate which regime is best.

## LOOKING AHEAD

For practitioners and market participants, the message is clear: the Cayman Islands have equipped themselves with a modern restructuring toolkit, but its use will be policed carefully by the courts. Recent case law demonstrates that:

- ROs will be appointed swiftly where there is genuine restructuring intent, credible proposals and meaningful creditor engagement. The automatic stay will be robustly enforced against tactical manoeuvring.
- Light-touch PL remains essential for cases with control, integrity or recognition imperatives.
- *Holt* and *Oakwise* are likely to prompt further guidance on inter-portfolio claims, shared services and cost allocation within SPCs.
- The abolition of the members' headcount test should reduce execution risk for listed issuer schemes, while court sanction and Hong Kong independent shareholder safeguards continue to protect minority interests.
- Further case management refinements are expected (eg, concurrent petitions, advertising dispensations and calibration of RO powers).

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## Endnotes

- 1 2022 (2) CILR 391. [^ Back to section](#)
- 2 [2023] CIGC (FSD) 240 and 2023 (2) CILR Note 6. [^ Back to section](#)
- 3 [2024] CIGC (FSD) 309 and 2024 (1) CILR Note 1 [^ Back to section](#)
- 4 [2025] CIGC (FSD) 309. [^ Back to section](#)
- 5 [2024] CIGC (FSD) 56. [^ Back to section](#)
- 6 [2024] CIGC (FSD) 303 [^ Back to section](#)
- 7 [2025] CIGC FSD (193). [^ Back to section](#)



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**Mark Goodman**  
**Ronan O'Doherty**

mgoodman@campbellslegal.com  
rodoherty@campbellslegal.com

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<https://www.campbellslegal.com/>

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