



## Protected Cell Companies

Guernsey was the pioneer of cell company legislation. In 1997 the island's government passed The Protected Cell Companies Ordinance thus introducing the concept of the Protected Cell Company (PCC) to the world. This legislation was further enhanced in 2006 by introducing the Incorporated Cell Company (ICC) and, at the same time, the regulatory requirements were relaxed to allow cell benefits to be available to the fiduciary sector for the first time (previously the use of cell companies had been strictly restricted to licensed fund and insurance activity). Although many jurisdictions have recognised the benefits of the cell concept, Guernsey remains at the forefront of cell company expertise, development and administration.

### Features of a Protected Cell Company (PCC)

A PCC is a single incorporated entity with a single Board of Directors which consists of a core and one or more cells created for the purpose of segregating and protecting cellular assets.

The Board of Directors are required to identify a specific cell to which a particular transaction relates. It is the identified cell to which any resulting liabilities are limited.

Cellular assets are therefore only available to the creditors of the company who are creditors of the same specific cell.

Cellular assets are protected from creditors of the company who are not creditors of the cell in which the assets are held. Creditors have no recourse to any cell to which they are not a creditor.

The directors of a PCC have a duty to keep cellular and non-cellular assets separate and separately identifiable.

Cellular dividends may be paid in respect of cell shares by reference only to the cellular assets and liabilities attributable to the cell in respect of which the cell shares were issued.

There is consolidation of cells in the preparation of the financial statements.

PCC legislation is now incorporated into The Companies (Guernsey) Law, 2008

### Advantages

- With careful structuring it may be possible for the cell company to remain outside of scope of UK controlled foreign company or "close" company legislation for purposes of taxation
- In certain circumstances cellular gains may be outside of scope of taxation allowing UK resident individuals to benefit from the "roll up" of investment gains
- As each cell is part of a single legal entity, new cells can be established both quickly and cost-effectively by resolution of the Board of the core company
- Cost savings can be achieved from economies of scale by using a common framework and central administrative company facility

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