P.2026/90

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

PROJET DE LOI

Entitled

THE LIMITED PARTNERSHIPS (PROTECTED CELLS) (GUERNSEY) (AMENDMENT) LAW, 2026

The States are asked to decide:-

Whether they are of the opinion to approve the draft Projet de Loi entitled "The Limited Partnerships (Protected Cells) (Guernsey) (Amendment) Law, 2026", and to authorise the Bailiff to present a most humble petition to His Majesty praying for His Royal Sanction thereto.

EXPLANATORY MEMORANDUM

The provisions of the Projet are based on those of the Companies (Guernsey) Law, 2008 relating to protected cell companies, which originally came into force in 1997. The Projet is structured as follows -

(a) Sections 1 to 29 make textual modifications to the Limited Partnerships (Guernsey) Law, 1995 ("the 1995 LP Law") to accommodate the concept and principles of protected cell limited partnerships ("PCLP's"). For example, the rule under section 2 of the 1995 LP Law that general partners have unlimited joint and several liability for all debts of the partnership is modified for a PCLP so that a general partner's liability will arise only in respect of debts of the particular cell in respect of which they were admitted.

(b) Sections 30 and 31 deal respectively with citation and commencement.

(c) The Schedule sets out a new Schedule 1 which will be inserted into the 1995 LP Law and contains the detailed provisions relating to PCLP's. As mentioned, these are closely based on the corresponding sections of the Companies (Guernsey) Law, 2008.

(d) Paragraphs 1 to 5 of the Schedule set out the basic principles of the protected cell structure and the ring-fencing of the cellular assets.

(e) Paragraphs 6 to 8 prescribe the types of Limited Partnership that can be a PCLP. Essentially, they must hold a licence, or be administered by the holder of a licence, from the Guernsey Financial Services Commission under the GFSC

regulatory Laws; and they must have GFSC consent to their formation.

(f) Paragraphs 9 to 16 set out the specific rules regime for cellular assets (and "core" assets, which are assets of the PCLP not attributable to any cell); the position and remedies of creditors; the implied terms of contract with a PCLP; and the powers of the Royal Court in the event of dispute as to which cellular assets are liable for a particular debt.

(g) Paragraphs 17 and 18 provide that persons transacting with a PCLP must be informed of the identity of the cell and general partner with which they are transacting; and that cells can enter into arrangements between themselves and the PCLP as to the transfer or attribution of their assets.

(h) Paragraphs 19 to 24 deal with the making of receivership orders by the Royal Court where the cellular assets attributable to a cell of a PCLP are insufficient to discharge the claims of creditors in respect of that cell.

(i) Paragraphs 25 to 33 deal with the conversion of a limited partnership which does not have a cellular structure (a "non-cellular" limited partnership) into a PCLP; and the conversion of a PCLP into a non-cellular limited partnership.

(j) Paragraphs 34 and 35 amend the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 to take account of PCLP's.

(k) Paragraphs 36 and 37 make provision in respect of the determination by the GFSC of applications for their consent under the Schedule; and appeals to the Royal Court against GFSC decisions.

(l) Paragraphs 38 to 42 fall under the heading of "general", and deal with criminal penalties, regulation-making powers, interpretation and provisions as to Ordinances.

PROJET DE LOI

ENTITLED

The Limited Partnerships (Protected Cells) (Guernsey) (Amendment) Law, 2026

THE STATES, in pursuance of their Resolution of the 25th March, 2010[a], have approved the following provisions which, subject to the Sanction of His Most Excellent Majesty in Council, shall have force of law in the Islands of Guernsey, Herm and Jethou.

Amendment of Limited Partnerships Law.

1. The Limited Partnerships (Guernsey) Law, 1995[b] ("**the LP Law**") is further amended as follows.

2. After section 1(2) of the LP Law insert the following subsection -

"(3) A limited partnership shall be -

(a) a non-cellular limited partnership, meaning a limited partnership which is not a protected cell limited partnership, or

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a Article XI of Billet d'État No. VI of 2010.

b No. XII of 1995 (Ordres en Conseil Vol. XXXVI, p. 264); the Law has been amended.

(b) a protected cell limited partnership, meaning a limited partnership registered as or converted into a protected cell limited partnership in accordance with Schedule 1 (the provisions of which shall have effect).".

3. For section 2(1)(a)(i) of the LP Law substitute the following subparagraph -

"(i) are admitted to the partnership as general partners -

(A) in accordance with the partnership agreement, or

(B) in the case of a protected cell limited partnership, in respect of the core and/or one or more cells of the protected cell limited partnership in accordance with the partnership agreement, and".

4. In section 2(1)(a)(ii) of the LP Law, immediately before the words "shall be jointly and severally liable" insert "subject to the provisions of this Law in respect of protected cell limited partnerships,".

5. For section 2(1)(b)(i), (ii) and (iii) of the LP Law, substitute the following subparagraphs -

"(i) are admitted to the partnership as limited partners -

(A) in accordance with the partnership agreement, or

(B) in the case of a protected cell limited partnership, in respect of the core and/or one or more cells of the protected cell limited partnership in accordance with the partnership agreement,

(ii) upon entering the partnership, contribute or agree to contribute a specified sum to the capital of -

(A) the partnership, or

(B) in the case of a protected cell limited partnership, the core and/or one or more cells of the protected cell limited partnership, and

(iii) subject to the provisions of sections 5(3), 12(3) and 21(2), shall not be liable for any debts of -

(A) the partnership, beyond the amount so contributed or agreed to be contributed, or

(B) in the case of a protected cell limited partnership, the core or the relevant cell of the protected cell limited partnership, as the case may be, beyond the amount so contributed or

agreed to be contributed to the core or that cell.".

6. After section 2(3) of the LP Law insert the following subsections -

"(3A) For the avoidance of doubt, a protected cell company established under Part XXVII of the Companies (Guernsey) Law, 2008, acting through and in respect of its core or one or more of its cells -

(a) may be a general partner and/or a limited partner of a non-cellular limited partnership, and

(b) in the case of a protected cell limited partnership, may be a general partner and/or a limited partner in respect of the core and/or one or more cells of the protected cell limited partnership.

(3B) In the case of a protected cell limited partnership -

(a) there must be at least one general partner in respect of the core and at least one general partner in respect of each cell, and

(b) subject to the provisions of the partnership agreement, at least one partner shall be a partner, whether as a general partner or limited partner, in respect of the core and each cell of the protected cell limited partnership.".

7. In section 4(b) of the LP Law immediately before the words "every partner is liable jointly and severally" insert "subject to the provisions of this Law in respect of protected cell limited partnerships,".

8. After section 5(1)(b) of the LP Law insert the following paragraph -

"(bb) in the case of a protected cell limited partnership, and in substitution for the requirements of paragraph (b), shall contain the words "Protected Cell Limited Partnership" or the abbreviation "P.C.L.P." or "PCLP",".

9. In section 5(1)(c) of the LP Law after the words "set out in paragraph (b)" insert "or (bb)".

10. In section 7(2)(b) of the LP Law -

(a) after subparagraph (i) insert the following subparagraph -

"(ia) a record of whether the limited partnership is a non-cellular limited partnership or a protected cell limited partnership,",

(b) in subparagraph (viii) after the words "general partners" insert "and, in the case of a protected cell limited partnership, the names or other identifying descriptions of each cell (and/or the core, as the case may be) of the protected cell limited partnership in respect of which they are a general partner".

11. For section 8(2)(d)(iv) of the LP Law substitute the following subparagraph -

"(iv) the full names of all general partners, their addresses (being, in the case of a body corporate or a partnership, the address of its registered office or, if none, its principal office) and, in the case of a protected cell limited partnership, the names or other identifying descriptions of each cell (and/or the core, as the case may be) of the protected cell limited partnership in respect of which they are a general partner,".

12. After section 8(2)(d)(v) of the LP Law repeal the word "and" and insert the following subparagraph -

"(va) that, as the case may be, the limited partnership is to be a non-cellular limited partnership or a protected cell limited partnership, and".

13. In section 12(2) of the LP Law after the words "subject to the provisions of" insert "section 15(12) and".

14. For section 12(3) of the LP Law substitute the following subsection -

"(3) A limited partner ("**LP**") who in whatever capacity acts or purports to act in contravention of subsection (1) shall be liable as if LP were a general partner in respect of -

(a) all debts of the limited partnership, or

(b) in the case of a protected cell limited partnership, all debts attributable to the core or the cells of the protected cell limited partnership in respect of which LP was so acting or purporting to act,

incurred while LP so acted or purported to act.".

15. After section 12(6) of the LP Law insert the following subsection -

"(7) In the case of a protected cell limited partnership -

(a) subject to the provisions of sections 5(3) and 21(2) and subsection (3) of this section, where a limited partner ("**LP**") is admitted to the partnership in respect of the core and/or one or more particular cells of the partnership, LP is only liable pursuant to section 2(1)(b)(iii)(B) for debts of the partnership attributable to the core or those cells, as the case may be, and

(b) except where the context otherwise requires, any reference in this Law to a limited partner of a limited partnership shall, as regards -

(i) the core or any cell of the protected cell limited partnership, and

(ii) the assets and liabilities attributable to the core or that cell,

be deemed to be a reference to a limited partner admitted in respect of the core or that cell, as the case may be, and not to any other limited partner of the protected cell limited partnership.".

16. After section 13(4) of the LP Law insert the following subsection -

"(5) In the case of a protected cell limited partnership -

(a) where a general partner ("**GP**") is admitted to the partnership in respect of the core and/or one or more particular cells of the partnership, GP is only liable pursuant to section 2(1)(a)(ii) for debts of the partnership attributable to the core or those cells, as the case may be, except to the extent that GP has participated in the conduct or management of the business attributable to the core or a cell in respect of which GP was not admitted, and

(b) except where the context otherwise requires, any reference in this Law to a general partner of a limited partnership shall, as regards -

(i) the core or any cell of the protected cell limited partnership, and

(ii) the assets and liabilities attributable to the core or that cell,

be deemed to be a reference to a general partner admitted in respect of the core or that cell, as the case may be, and not to any other general partner of the protected cell limited partnership.".

17. In section 15 of the LP Law -

(a) for subsection (1)(b) substitute the following paragraph -

"(b) a register of all persons who are limited partners (referred to in this Law as the "**register of limited partners**") showing -

(i) their full names and addresses,

(ii) the date on which they were registered as a limited partner,

(iii) the date on which they ceased to be a limited partner, and

(iv) in the case of a protected cell limited partnership, the name or other identifying description of each cell (and/or the core, as the

case may be) of the protected cell limited partnership in respect of which they are or were a limited partner,",

(b) after subsection (1)(eb) insert the following paragraph -

"(eba) a record of whether the limited partnership is a non-cellular limited partnership or a protected cell limited partnership,",

(c) in subsection (1)(ee) after the words "general partners" insert "and, in the case of a protected cell limited partnership, the name or other identifying description of each cell (and/or the core, as the case may be) of the protected cell limited partnership in respect of which they are or were a general partner",

(d) after subsection (1C) insert the following subsection -

"(1D) Notwithstanding the provisions of subsection (1)(d), a protected cell limited partnership may prepare separate accounts in respect of each cell, and the core, of the protected cell limited partnership rather than accounts for the protected cell limited partnership as a whole; and the provisions of this section apply, with any necessary adaptations, to those separate accounts in all other respects.",

(e) after subsection (11) insert the following subsection -

"(12) In the case of a protected cell limited partnership, the partnership agreement may provide that -

(a) a limited partner in respect of a cell of the protected cell limited partnership who is not a limited partner in respect of its core may be provided only with so much of its accounting records, accounts and auditors' report as relate to that cell,

(b) a limited partner in respect of the core of the protected cell limited partnership who is not a limited partner in respect of a cell may be provided only with so much of its accounting records, accounts and auditor's report as relate to the core.".

18. In section 20 of the LP Law for "the terms of the partnership" substitute "the provisions of the partnership agreement".

19. After section 21(6) of the LP Law insert the following subsection -

"(6A) For the purposes of this Law, and without prejudice to subsection (6), a cell of a protected cell limited partnership shall be deemed to be insolvent if a receivership order under paragraph 19 of Schedule 1 has been made in respect of it.".

20. In section 28(1)(e)(iii) of the LP Law after the words "all remaining partners" insert "(or such number or proportion of the partners, or of the partners of such class, category or description, as may be set out in the partnership agreement).".

21. After section 32 of the LP Law insert the following section in Part IV -

"**Provisions in relation to winding up of protected cell limited partnerships.**

32A. (1) Notwithstanding any statutory provision or rule of law to the contrary, in the winding up of a protected cell limited partnership, the liquidator or other person conducting the winding up -

(a) is bound to deal with the limited partnership's assets in accordance with the requirements set out in paragraph 9(2)(a) and (b) of Schedule 1 (cellular and core assets), and

(b) in discharge of the claims of creditors of the limited partnership, shall apply the limited partnership's assets to those entitled to have recourse thereto in conformity with the provisions of Schedule 1 (protected cell limited partnerships).

(2) Any provision of an enactment or rule of law which provides that a limited partnership's assets in a winding up shall be realised and applied in satisfaction of the limited partnership's debts and liabilities *pari passu* shall be modified and shall apply in relation to protected cell limited partnerships subject to the provisions of Schedule 1.

(3) In relation to the winding up of cells, see also paragraphs 19 to 24 of Schedule 1 (receivership orders).".

22. Immediately before section 32I of the LP Law insert the following cross heading-

"*Additional functions and powers of Registrar*".

23. Section 33 of the LP Law is repealed.

24. Immediately before section 33A of the LP Law insert the following cross heading -

"*Civil penalties and other sanctions, etc* ".

25. Immediately after section 33P of the LP Law insert the following cross heading and section -

"*General and ancillary provisions*

Application of general partnership law.

33Q. The rules of law applicable to partnerships shall apply to limited partnerships unless inconsistent with the provisions of this Law.".

26. After section 35 of the LP Law insert the following section -

"**Relief from liability for general partners, officers and auditors.**

35A. (1) If in proceedings for negligence, default, breach of duty or breach of trust against -

(a) a general partner or officer of a general partner (as defined in section 31(8)(a)),

(b) an officer of a limited partnership (which in this section includes a manager or liquidator of the limited partnership and, in the case of a protected cell limited partnership, a receiver of a cell thereof), or

(c) a person appointed by a limited partnership as auditor (whether or not that person is an officer of the general partner or partnership),

it appears to the Royal Court that the partner, officer or person (hereinafter referred to as "**A**") is or may be liable but that A -

(i) acted honestly and reasonably, and

(ii) having regard to all the circumstances of the case (including those connected with A's appointment) ought fairly to be excused -

(A) for the negligence, default, breach of duty or breach of trust, and

(B) for omitting to obtain the directions of the court in the matter in which the negligence, default, breach of duty or breach of trust arose,

the Royal Court may relieve A, either wholly or in part, from liability on such terms and conditions as it thinks fit.

(2) If a person specified in subsection (1)(a), (b) or (c) has reason to apprehend that a claim will or might be made against that person in respect of negligence, default, breach of duty or breach of trust -

(a) that person may apply to the Royal Court for relief, and

(b) the Royal Court has the same power to relieve that person from liability as it has under subsection (1).".

27. In section 40(1) of the LP Law after "or 34" insert "or paragraph 11(3) or 29(3) of Schedule 1".

28. In section 41(1) of the LP Law -

(a) insert the following definitions in the appropriate places -

""**non-cellular limited partnership**" means a limited partnership which is not a protected cell limited partnership,

"**protected cell limited partnership**" means a limited partnership registered as or converted into a protected cell limited partnership in accordance with Schedule 1,",

(b) in the definition of "bankrupt", after paragraph (d), repeal the word "or" and insert the following paragraphs -

"(da) in the case of a registered company, that an administration order is in force in respect of the company under Part XXI of the Companies (Guernsey) Law, 2008,

(db) in the case of a cell of a protected cell company, that -

(i) an administration order is in force in respect of the cell under Part XXI of the Companies (Guernsey) Law, 2008, or

(ii) a receivership order is in force in respect of the cell under Part XXVII of the Companies (Guernsey) Law, 2008, or",

(c) in the definition of "insolvent" after "section 21(6)" insert "and 21(6A)".

29. After section 49 of the LP Law insert the Schedule ("Schedule 1 - Protected Cell Limited Partnerships") set out in the Schedule to this Law.

Citation.

30. This Law may be cited as the Limited Partnerships (Protected Cells) (Guernsey) (Amendment) Law, 2026.

Commencement.

31. This Law shall come into force on the day appointed by regulations of the States Committee for Economic Development, and different days may be appointed for different provisions and for different purposes.

SCHEDULE

Section 29

1. The following arrangement of contents and Schedule are inserted after section 49 of the Limited Partnerships (Guernsey) Law, 1995.

"SCHEDULE 1
PROTECTED CELL LIMITED PARTNERSHIPS

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SCHEDULE 1

PROTECTED CELL LIMITED PARTNERSHIPS

Substance

Status of protected cell limited partnerships; and general modifications of this Law.

1. (1) A protected cell limited partnership -

(a) is a single limited partnership, and

(b) where it has legal personality, is a single body corporate.

(2) The creation by a protected cell limited partnership of a cell does not create, in respect of that cell -

(a) a partnership or limited partnership separate from the protected cell limited partnership, or

(b) where the protected cell limited partnership has legal personality, a body corporate separate from the protected cell limited partnership.

(3) In relation to protected cell limited partnerships and the cells, cores and partners thereof, this Law shall be subject to the following modifications and adaptations -

(a) the following provisions -

(i) sections 12(2),

(ii) subsections (2), (4) and (5) of section 15, and

(iii) sections 20 and 21,

apply to protected cell limited partnerships and the cells, cores and partners thereof as if references to limited partnerships were references to the cells or the cores (as the case may be) of protected cell limited partnerships and references to partners were references to the partners in respect of the relevant cells or the core (as the case may be),

(b) where pursuant to section 15(1D) a protected cell limited partnership prepares separate accounts in respect of any of its cells or the core, sections 16, 17, 18 and 19 apply to the protected cell limited partnership and the cells, cores and partners thereof as if references to limited partnerships were references to the cells or the core (as the case may be) of the protected cell limited partnership and references to partners were references to the partners in respect of the relevant cells or the core (as the case may be).

(4) The Committee may by regulation amend subparagraph (3) so as to add any further modification or adaptation to the provisions of this Law in respect of protected cell limited partnerships and the cells, cores and partners thereof or so as to remove or amend any modification or adaptation specified in it.

(5) Subparagraph (4) is without prejudice to any other provision of this Law conferring power to make regulations.

Creation of cells.

2. (1) A protected cell limited partnership may, subject to the provisions of the partnership agreement, create one or more cells for the purpose of segregating and protecting cellular and core assets in the manner provided by this Schedule.

(2) A new cell of a protected cell limited partnership may be created -

(a) only with the approval of all general partners in respect of the core, or

(b) in accordance with such other formalities as may be specified in the partnership agreement.

(3) Upon the creation of a new cell, notice shall be filed with the Registrar in accordance with section 10(1) of this Law providing the particulars of the new cell and the general partners in respect of that cell required by section 8(2)(d)(iv).

Demarcation of the core.

3. The core of a protected cell limited partnership is the protected cell limited partnership excluding its cells.

Liability of cellular assets.

4. (1) Subject to the provisions of subparagraph (2), and to the terms of any recourse agreement, where any liability arises which is attributable to a particular cell of a protected cell limited partnership -

(a) the cellular assets attributable to that cell are liable, and

(b) the liability is not a liability of any protected assets within the meaning of paragraph 10.

(2) In the case of loss or damage which is suffered by a particular cell of a protected cell limited partnership and which is caused by fraud perpetrated by or upon the core or another cell, the loss or damage is the liability solely of the limited partnership's core assets or (as the case may be) that other cell's assets, without prejudice to any liability of any person other than the limited partnership.

(3) Any liability not attributable to a particular cell of a protected cell limited partnership is the liability solely of the limited partnership's core assets.

(4) Notwithstanding the above provisions of this paragraph the liabilities under subparagraph (1)(a) of the cellular assets attributable to a particular cell of a protected cell limited partnership shall abate rateably until the value of the aggregate liabilities equals the value of those assets: but the provisions of this subparagraph do not apply in any situation where there is a recourse agreement or where any of the liabilities of the limited partnership's cellular assets arises from fraud such as is referred to in subparagraph (2).

Liability of core assets.

5. (1) Subject to the provisions of subparagraph (2), and to the terms of any recourse agreement, where any liability arises which is attributable to the core of a protected cell limited partnership -

(a) the core assets are liable, and

(b) the liability is not a liability of any protected assets.

(2) In the case of loss or damage which is suffered by the core of a protected cell limited partnership and which is caused by fraud perpetrated by or upon a cell, the loss or damage is the liability solely of the cellular assets of that cell, without prejudice to any liability of any person other than the limited partnership.

Formation

Limited partnerships which can be protected cell limited partnerships.

6. (1) A limited partnership may be registered as a protected cell limited partnership, and an existing non-cellular limited partnership may be converted into a protected cell limited partnership pursuant to paragraph 27, only if -

(a) it is (or when registered will be) a licensee within the meaning of the Insurance Business (Bailiwick of Guernsey) Law, 2002[c],

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[c] Order in Council No. XXI of 2002; the Law has been amended.

(b) it is declared (or when registered will be declared) by the Commission to be an authorised or registered collective investment scheme under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 2020[d] (the "**Protection of Investors Law**"),

(c) it is (or when registered will be) licensed to carry on controlled investment business within the meaning of the Protection of Investors Law,

(d) it is (or when registered will be) a licensee within the meaning of the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022[e],

(e) it and its affairs are (or when registered will be) administered by a licensed person with a place of business in Guernsey, provided that the limited partnership is not (or when registered will not be) -

(i) a licensee within the meaning of the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002[f],

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d Order in Council No. XVIII of 2020; the Law has been amended.

e Order in Council No. XIX of 2022; the Law has been amended.

f Order in Council No. XXII of 2002; the Law has been amended.

(ii) a licensed institution within the meaning of the Banking Supervision (Bailiwick of Guernsey) Law, 2020[g], or

(iii) a licensed fiduciary within the meaning of the Regulation of Fiduciaries, Administration Businesses and Company Directors etc. (Bailiwick of Guernsey) Law, 2020[h], or

(f) it is of any other prescribed class or description,

and only if the consent of the Commission has been obtained under paragraph 7.

(2) For the purposes of subparagraph (1)(e) a licensed person means a person who -

(a) is a licensed institution within the meaning of the Banking Supervision (Bailiwick of Guernsey) Law, 2020,

(b) holds a full fiduciary licence within the meaning of the Regulation of Fiduciaries, Administration Businesses and Company Directors etc. (Bailiwick of Guernsey) Law, 2020,

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g Order in Council No. XX of 2020; the Law has been amended.

h Order in Council No. XIX of 2020; the Law has been amended.

(c) carries on controlled investment business within the meaning of the Protection of Investors Law, and holds a licence under section 4 of that Law,

(d) is a licensee within the meaning of -

(i) the Insurance Business (Bailiwick of Guernsey) Law, 2002,

(ii) the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, or

(iii) the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022, or

(e) is a person of any other prescribed class or description.

Consent of Commission required.

7. (1) The following may be done only under the authority of, and in accordance with the terms and conditions of, the written consent of the Commission -

(a) the registration of a limited partnership as a protected cell limited partnership (including, for the avoidance of doubt, the registration of a protected cell limited partnership pursuant to a migration under the

provisions of Part I of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020[i]),

(b) the conversion of an existing non-cellular limited partnership into a protected cell limited partnership pursuant to paragraph 27, and

(c) the conversion of an existing protected cell limited partnership into a non-cellular limited partnership pursuant to paragraph 28.

(2) The Commission may -

(a) vary or revoke any term or condition subject to which a consent under subparagraph (1) was granted, and

(b) impose, and subsequently vary or revoke, any new term or condition in relation to any such consent.

Application for consent of Commission under paragraph 7.

8. (1) An application for the consent of the Commission under paragraph 7(1) shall be made in such form as the Commission may require and shall include or be accompanied by -

(a) evidence acceptable to the Commission that the registration or conversion, as the case may be, is in

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[i] G.S.I. 2020 No. 69.

accordance with and is not prohibited by the provisions of this Schedule,

(b) such other information and documents, verified in such manner, as the Commission may require, whether in relation to any particular application or otherwise, and

(c) such fee as may be prescribed by regulations of the Commission made after consultation with the Committee.

(2) A person who contravenes, or who causes or permits any contravention of, any term or condition of a consent of the Commission under paragraph 7(1) is guilty of an offence.

Assets and liabilities

Cellular and core assets.

9. (1) The assets of a protected cell limited partnership are either cellular assets or core assets.

(2) It is the duty of each general partner of a protected cell limited partnership -

(a) to keep cellular assets attributable to each cell in respect of which that general partner is a general partner -

(i) separate and separately identifiable from core assets, and

(ii) separate and separately identifiable from cellular assets attributable to other cells, and

(b) where the general partner is a general partner in respect of the core, to keep core assets separate and separately identifiable from cellular assets.

(3) The cellular assets of a protected cell limited partnership comprise the assets of the limited partnership attributable to the cells of the limited partnership.

(4) The assets attributable to a cell of a protected cell limited partnership comprise -

(a) assets represented by the partners' contributions and partnership interests attributable to the cell, and

(b) all other assets attributable to the cell.

(5) The core assets of a protected cell limited partnership comprise the assets of the limited partnership attributable to the core of the limited partnership.

(6) The assets attributable to the core of a protected cell limited partnership comprise -

(a) assets represented by the partners' contributions and partnership interests attributable to the core, and

(b) all other assets attributable to the core.

(7) Notwithstanding the provisions of subparagraph (2), the general partners of a protected cell limited partnership may cause or permit cellular assets and core assets to be held -

(a) by or through a nominee, or

(b) by a body corporate, foundation, limited partnership, limited liability partnership, general partnership or other unincorporated body or any other legal arrangement -

(i) the shares,

(ii) the capital interests, and

(iii) the other obligations towards the cells or core of the limited partnership,

of which may be cellular assets or core assets of the limited partnership, or a combination of both.

(8) The duty imposed by subparagraph (2) is not breached by reason only that the general partners of a protected cell limited partnership cause or permit cellular assets or core assets, or a combination of both, to be collectively invested, or collectively managed, provided that the assets in question remain separately identifiable in accordance with subparagraph (2).

Protected assets.

10. In this Schedule "**protected assets**" means -

(a) any cellular assets attributable to a cell of the protected cell limited partnership, in respect of a liability not attributable to that cell, and

(b) any core assets, in respect of a liability attributable to a cell.

Recourse agreements.

11. (1) A "**recourse agreement**" is a written agreement between a protected cell limited partnership and a third party which provides that, pursuant to an arrangement (within the meaning of paragraph 18) effected by the limited partnership, protected assets may, notwithstanding the provisions of this Schedule, be subject to a liability owed to that third party.

(2) Before entering into a recourse agreement, each general partner of the protected cell limited partnership who authorises it must make a declaration that that partner believes, on reasonable grounds -

(a) that no creditor of the limited partnership will be unfairly prejudiced by the recourse agreement, and

(b) that (unless the partnership agreement provides to the contrary) -

(i) where the protected assets are assets attributable to a cell, the limited partners in respect of that cell, or

(ii) where the protected assets are core assets, the limited partners in respect of the core,

have passed a statutory partnership resolution approving the recourse agreement.

(3) A general partner who without reasonable excuse makes a declaration under paragraph (2) which is false, deceptive or misleading in a material particular is guilty of an offence.

(4) Any creditor or limited partner of the protected cell limited partnership may, subject to such reasonable restrictions as the limited partnership may impose, inspect or request a copy of the general partners' declaration.

(5) If a limited partnership fails to allow an inspection or refuses a request for a copy under subparagraph (4) it is guilty of an offence.

Position of creditors.

12. (1) Subject to the terms of any recourse agreement -

(a) the rights of creditors of a protected cell limited partnership correspond with the liabilities provided for in paragraphs 4 and 5,

(b) no such creditor has any rights other than the rights referred to in this paragraph and in paragraphs 4, 5, 13 and 14.

(2) There is implied (except in so far as the same is expressly excluded in writing) in every transaction entered into by a protected cell limited partnership the following terms -

(a) that no party shall seek, whether in any proceedings or by any other means whatsoever or wheresoever, to make or attempt to make liable any protected assets,

(b) that if any party succeeds by any means whatsoever or wheresoever in making liable any protected assets, that party shall be liable to the limited partnership to pay a sum equal to the value of the benefit thereby obtained, and

(c) that if any party succeeds in seizing or attaching by any means or otherwise levying execution against any protected assets, that party shall hold those assets or their proceeds on trust for the limited partnership and shall keep those assets or proceeds separate and identifiable as such trust property.

(3) All sums recovered by a protected cell limited partnership as a result of any such trust as is described in subparagraph (2)(c) shall be credited against any concurrent liability imposed pursuant to the implied term set out in subparagraph (2)(b).

(4) Any asset or sum recovered by a protected cell limited partnership pursuant to the implied term set out in subparagraph (2)(b) or (2)(c) or by any other means whatsoever or wheresoever in the events referred to in those subparagraphs shall, after the deduction or payment of any costs of recovery, be applied by the limited partnership so as to compensate the cell affected or (as the case may be) the core.

(5) In the event of any protected assets being taken in execution in respect of a liability to which they are not attributable, and in so far as such assets or compensation in respect thereof cannot otherwise be restored to the cell affected or (as the case may be) the core, the limited partnership shall -

(a) cause or procure an independent expert, acting as expert and not as arbitrator, to certify the value of the assets lost to the cell affected or (as the case may be) the core, and

(b) transfer or pay, from the cellular or core assets to which the liability was attributable, to the cell affected or (as the case may be) the core, assets or sums sufficient to restore to the cell affected or (as the case may be) the core, the value of the assets lost.

Recourse to cellular assets by creditors.

13. Without prejudice to the provisions of paragraphs 4 and 12, and subject to the terms of any recourse agreement, cellular assets attributable to a cell of a protected cell limited partnership -

(a) are only available to the creditors of the limited partnership who are creditors in respect of that cell and who are thereby entitled, in conformity with the provisions of this Schedule, to have recourse to the cellular assets attributable to that cell,

(b) are absolutely protected from the creditors of the limited partnership who are not creditors in respect of that cell and who accordingly are not entitled to have recourse to the cellular assets attributable to that cell.

Recourse to core assets by creditors.

14. Without prejudice to the provisions of paragraphs 5 and 12, and subject to the terms of any recourse agreement, core assets of a protected cell limited partnership -

(a) are only available to the creditors of the limited partnership who are creditors in respect of the core and who are thereby entitled, in conformity with the provisions of this Schedule, to have recourse to the core assets,

(b) are absolutely protected from the creditors of the limited partnership who are not creditors in respect of the core and who accordingly are not entitled to have recourse to the core assets.

Attribution of core assets and liabilities.

15. (1) Liabilities of a protected cell limited partnership not otherwise attributable to any of its cells shall be discharged from the limited partnership's core assets.

(2) Income, receipts and other property or rights of or acquired by a protected cell limited partnership not otherwise attributable to any cell shall be applied to and comprised in the limited partnership's core assets.

Disputes as to liability attributable to cells.

16. (1) In the event of any dispute as to -

(a) whether any right is in respect of a particular cell or the core,

(b) whether any creditor is a creditor in respect of a particular cell or the core,

(c) whether any liability is attributable to a particular cell or the core,

(d) the amount to which any liability is limited,

the Royal Court, on the application of the protected cell limited partnership, and without prejudice to any other right or remedy of any person, may issue a declaration in respect of the matter in dispute.

(2) The Royal Court, on hearing an application for a declaration under subparagraph (1), and without limitation -

(a) may direct that any person shall be heard on the application,

(b) may make an interim declaration, or adjourn the hearing, conditionally or unconditionally,

(c) may make the declaration subject to such terms and conditions as it thinks fit,

(d) may direct that the declaration is binding upon such persons as may be specified.

Dealings with and arrangements within protected cell limited partnerships

Persons to be informed they are transacting with protected cell limited partnership.

17. (1) Where a person enters into a transaction which is attributable to a cell or the core of a protected cell limited partnership -

(a) that person shall be informed that the partnership is a protected cell limited partnership,

(b) for the purposes of that transaction, the cell in respect of which that person is transacting shall be identified or specified, unless that transaction is not a transaction in respect of a particular cell, in which case the core shall be identified or specified, and

(c) that person shall be informed of the identity of the general partners in respect of the cell (or the core, as the case may be) in respect of which that person is transacting.

(2) If, in contravention of subparagraph (1) -

(a) there is a failure to inform a person that the partnership is a protected cell limited partnership, and that person is otherwise unaware, and has no reasonable grounds to believe, that the transaction is with a protected cell limited partnership,

(b) there is a failure to identify or specify the cell (or the core, as the case may be) in respect of which a person is transacting, and that person is otherwise unaware of, and has no reasonable basis of knowing, which cell (or the core, as the case may be) the transaction is with, or

(c) there is a failure to inform a person of the identity of the general partners in respect of the cell (or the core, as the case may be) in respect of which that person is transacting, and that person is otherwise unaware of, and has no reasonable basis of knowing, their identity,

then, in any such case -

(i) notwithstanding any provision to the contrary in the partnership agreement or in any contract

with the limited partnership or otherwise, the general partners (and, where the general partner is a body corporate or other legal person, the officers of the general partner as defined in section 31(8)(a) of this Law) in respect of the relevant cell or the core, as the case may be, incur personal liability to that person in respect of the transaction, and

(ii) without prejudice to any other right or remedy, the general partners and officers of the general partner referred to in subitem (i) have a right of indemnity against the assets of the relevant cell or the core (as the case may be), unless they were fraudulent, reckless or negligent, or acted in bad faith.

(3) For the avoidance of doubt, the right of indemnity given by subparagraph (2)(ii) against cellular or core assets does not engage the personal liability of the general partner in respect of the relevant cell or the core (as the case may be) for debts of the partnership unless the general partner was fraudulent, reckless or negligent, or acted in bad faith.

(4) Where, pursuant to the provisions of section 35A, the Royal Court relieves a general partner or officer of personal liability under subparagraph (2)(i) (in whole or part), the Royal Court may order that the liability in question shall instead be met from such of the cellular or core assets of the protected cell limited partnership as may be specified in the order.

Arrangements between cells affecting cellular assets, etc.

18. (1) For the avoidance of doubt, a protected cell limited partnership may, in the ordinary course of its business or the business attributable to any of its cells, effect an arrangement within the meaning of subparagraph (2).

(2) An "**arrangement**" is a dealing with, or a transfer, disposition or attribution of, the cellular or core assets of a protected cell limited partnership which has effect -

(a) as between any of the limited partnership's cells,

(b) as between the core and any of the limited partnership's cells,

(c) as between the limited partnership and the core, or

(d) as between the limited partnership and any of its cells,

but an arrangement does not include a transaction between the limited partnership and another person.

(3) A protected cell limited partnership shall, in respect of an arrangement, make such adjustments to its accounting records, including those of or attributable to its cells or the core, as may be necessary or expedient.

(4) For the avoidance of doubt, the adjustments referred to in subparagraph (3) may include the transfer, disposition or attribution of assets, rights and liabilities of the protected cell limited partnership -

(a) as between any of the limited partnership's cells,

(b) as between the core and any of the limited partnership's cells,

(c) as between the limited partnership and the core, or

(d) as between the limited partnership and any of its cells,

but without prejudice to the singular legal status of the limited partnership provided by paragraph 1.

(5) The Royal Court, on the application of any person mentioned in subparagraph (6), and on such terms and conditions as it thinks fit, may make, and subsequently vary, rescind, replace or confirm, an order in respect of -

(a) the execution, administration or enforcement of an arrangement, or

(b) any cellular or core assets of a protected cell limited partnership subject to, or affected by, an arrangement, including (without limitation) an order as to their attribution, transfer, disposition, tracing, vesting, preservation, application, recovery or delivery.

(6) An application for an order under subparagraph (5) may be made by -

(a) the protected cell limited partnership,

(b) a general partner, or liquidator or other person conducting the winding up, of the limited partnership,

(c) the receiver of any cell of the limited partnership affected by the arrangement,

(d) a manager of the business of the limited partnership,

(e) a manager of the business of or attributable to any cell or the core of the limited partnership affected by the arrangement,

(f) a limited partner of the limited partnership, or

(g) with leave of the Royal Court, any other person who has, directly or indirectly, some interest in, or who is otherwise affected by, the arrangement.

(7) An order under subparagraph (5) may be made *ex parte*.

Receivership orders

Receivership orders in relation to cells.

19. (1) Subject to the provisions of this paragraph, if in relation to a protected cell limited partnership the Royal Court is satisfied -

(a) that the cellular assets attributable to a particular cell of the limited partnership (and, where the limited

partnership has entered into a recourse agreement, the assets liable under that agreement) are or are likely to be insufficient to discharge the claims of creditors in respect of that cell, and

(b) that the making of an order under this paragraph would achieve the purposes set out in subparagraph (3),

the Royal Court may make an order under this paragraph (a "**receivership order**") in respect of that cell.

(2) A receivership order may be made in respect of one or more cells.

(3) A receivership order is an order directing that the business and cellular assets of or attributable to a cell shall be managed by a person specified in the order ("**the receiver**") for the purposes of -

(a) the orderly winding up of the business of or attributable to the cell, and

(b) the distribution of the cellular assets attributable to the cell (and, where the limited partnership has entered into a recourse agreement, the assets liable under that agreement) to those entitled to have recourse thereto.

(4) A receivership order -

(a) may not be made if -

(i) a liquidator has been appointed to act in respect of the protected cell limited partnership, or

(ii) the winding up of the limited partnership has commenced,

(b) shall cease to be of effect upon the appointment of a liquidator to act in respect of the limited partnership, or upon the commencement of the winding up of the limited partnership, but without prejudice to prior acts.

(5) No agreement of the partners under section 28(1)(d) of this Law for the dissolution of a protected cell limited partnership any cell of which is subject to a receivership order shall be effective without leave of the Royal Court.

Applications for receivership orders.

20. (1) An application for a receivership order in respect of a cell of a protected cell limited partnership may be made by -

(a) the limited partnership,

(b) the general partners of the core or the relevant cell of the limited partnership,

(c) any creditor of the limited partnership in respect of that cell,

(d) the Commission, or

(e) with leave of the Royal Court, any other person who has, directly or indirectly, some interest in, or who is otherwise affected by, the business or cellular assets of or attributable to that cell.

(2) The Royal Court, on hearing an application -

(a) for a receivership order, or

(b) for leave, pursuant to paragraph 19(5), for an agreement of the partners under section 28(1)(d) of this Law for the dissolution of a protected cell limited partnership,

may make an interim order or adjourn the hearing, conditionally or unconditionally.

(3) Notice of an application to the Royal Court for a receivership order in respect of a cell of a protected cell limited partnership shall be served upon -

(a) the general partners of the core and the relevant cell of the limited partnership,

(b) the Commission, and

(c) such other persons (if any) as the Royal Court may direct,

who shall each be given an opportunity of making representations to the Royal Court before the order is made.

Functions of receiver and effect of receivership order.

21. (1) The receiver of a cell -

(a) may do all such things as may be necessary or expedient for the purposes set out in paragraph 19(3), and

(b) has all the functions of the general partners in respect of the business and cellular assets of or attributable to the cell.

(2) The receiver may at any time apply to the Royal Court -

(a) for directions as to the extent or exercise of any function,

(b) for the receivership order to be discharged or varied, or

(c) for an order as to any matter arising in the course of the receivership.

(3) When exercising the functions of a receiver, the receiver is deemed to act as the agent of the protected cell limited partnership and does not incur personal liability except to the extent that the receiver is fraudulent, reckless or grossly negligent, or acts in bad faith.

(4) Any person dealing with the receiver in good faith is not concerned to enquire whether the receiver is acting within the receiver's powers.

(5) Where an application has been made for, and during the period of operation of, a receivership order, no proceedings may be commenced or continued against the protected cell limited partnership in relation to the cell in respect of which the receivership order was applied for or made except with the consent of the receiver or leave of the Royal Court and subject (where the Royal Court gives leave) to such terms and conditions as the Royal Court may impose.

However, for the avoidance of doubt and without limitation, rights of set-off and secured interests, including security interests (within the meaning of the Security Interests (Guernsey) Law, 1993[j]) and rights of enforcement thereof, are unaffected by the provisions of this subparagraph.

(6) During the period of operation of a receivership order -

(a) the functions of the general partners in respect of the cell shall cease, and the receiver may exercise their functions, in respect of the business and cellular assets of or attributable to the cell in respect of which the order was made,

(b) where the limited partnership has entered into a recourse agreement affecting the cell, the receiver of the cell may (without prejudice to the generality of item (a) and subparagraph (1) above) exercise the functions of a general partner of the protected cell limited partnership in respect of the assets liable under that agreement, and

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[j] No. III of 1993 (Ordres en Conseil Vol. XXXIV, p. 299); the Law has been amended.

(c) subject to the provisions of subparagraph (3) above, the receiver is not personally liable for debts of the partnership attributable to the cell in respect of which the receivership order was made.

Discharge and variation of receivership orders.

22. (1) The Royal Court shall not discharge a receivership order unless it appears to the Royal Court that the purpose for which the order was made has been achieved or substantially achieved or is incapable of achievement.

(2) The Royal Court, on hearing an application for the discharge or variation of a receivership order, may make any interim order or adjourn the hearing, conditionally or unconditionally.

(3) Upon the Royal Court discharging a receivership order in respect of a cell of a protected cell limited partnership on the ground that the purpose for which the order was made has been achieved or substantially achieved, the Royal Court may direct that any payment made by the receiver to any creditor of the limited partnership in respect of that cell is deemed full satisfaction of the liabilities of the limited partnership to that creditor in respect of that cell, and the creditor's claims against the limited partnership in respect of that cell are thereby deemed extinguished.

(4) Nothing in subparagraph (3) operates so as to affect or extinguish any right or remedy of a creditor against any other person, including any surety of the protected cell limited partnership.

(5) Subject to the provisions of -

(a) this Schedule and any rule of law as to preferential payments,

(b) any agreement between the protected cell limited partnership and any creditor thereof as to the subordination of the debts due to that creditor to the debts due to the limited partnership's other creditors, and

(c) any agreement between the protected cell limited partnership and any creditor thereof as to set-off,

the limited partnership's cellular assets attributable to any cell of the limited partnership in relation to which a receivership order has been made shall, in the winding up of the business of or attributable to that cell pursuant to the provisions of this Schedule, be realised and applied in satisfaction of the limited partnership's liabilities attributable to that cell *pari passu*, and for the avoidance of doubt the provisions of section 32 of this Law shall apply accordingly.

However, for the avoidance of doubt and without limitation, rights of set-off and secured interests, including security interests (within the meaning of the Security Interests (Guernsey) Law, 1993) and rights of enforcement thereof, are unaffected by the provisions of this subparagraph.

(6) Any surplus shall thereafter be distributed (unless the partnership agreement provides otherwise) -

(a) among the persons entitled to the surplus, or

(b) where there are no such persons, among the limited partners of the partnership,

in each case according to their respective rights and interests in or against the limited partnership.

(7) The Royal Court may, upon discharging a receivership order in respect of a cell of a protected cell limited partnership, direct that the cell shall be dissolved on such date as the Royal Court may specify.

(8) Immediately upon the dissolution of a cell of a protected cell limited partnership, the limited partnership may not undertake business or incur liabilities in respect of that cell.

(9) Where a receivership order is discharged or varied under this paragraph the receiver shall -

(a) within 7 days after the day of the order effecting the discharge or variation, send a copy of the order to the Registrar, and

(b) within such time as the Royal Court may direct, send a copy thereof to such other persons as the Royal Court may direct.

Remuneration of receiver.

23. The remuneration of a receiver and any expenses properly incurred by the receiver are payable, in priority to all other claims, from the cellular assets attributable to the cell in respect of which the receiver was appointed.

Information to be given by receiver.

24. (1) Where a receivership order has been made, the receiver shall -

(a) forthwith send to the protected cell limited partnership notice of the order,

(b) within 7 days after the day of the making of the order, send a copy of the order to the Registrar,

(c) within 28 days after the day of the making of the order -

(i) unless the Royal Court orders otherwise, give written notice of the order to all creditors of the cell (so far as the receiver is aware of their addresses),

(ii) send notice of the order to the Commission, and

(d) within such time as the Royal Court may direct, send a copy of the order to such other persons as the Royal Court may direct.

(2) The Registrar shall give notice of the receivership order in such manner and for such period as the Registrar thinks fit.

Conversions

Conversions - introductory.

25. Subject to the provisions of paragraphs 6 (limited partnerships which can be protected cell limited partnerships) and 7 (consent of Commission required) -

(a) a non-cellular limited partnership may be converted into a protected cell limited partnership in accordance with the provisions of paragraph 27, and

(b) a protected cell limited partnership may be converted into a non-cellular limited partnership in accordance with the provisions of paragraph 28.

Conversions not a default.

26. For the avoidance of doubt, a conversion described in paragraph 25(a) or (b) is not, of itself, to be regarded -

(a) as a breach of contract or confidence or otherwise a civil wrong,

(b) as a breach of any contractual provision prohibiting, restricting or regulating the assignment or transfer of rights or liabilities, or

(c) as giving rise to any remedy, by a party to a contract or other instrument, as an event of default under any contract or other instrument or as causing or permitting the termination of any contract or other instrument or of any obligation or relationship.

Conversion of non-cellular limited partnership into protected cell limited partnership.

27. (1) In order to convert a non-cellular limited partnership into a protected cell limited partnership the limited partners must pass a statutory partnership resolution authorising, in accordance with any applicable requirements of this Law and the partnership agreement -

(a) the conversion of the non-cellular limited partnership into a protected cell limited partnership,

(b) the alteration of -

(i) the limited partnership's name, which shall comply with sections 5 and 9C of this Law, and

(ii) the partnership agreement, to the extent necessary for the purposes of the conversion, and

(c) upon conversion -

(i) the creation of the cells and the demarcation of the core of the protected cell limited partnership, and

(ii) the attribution of the partners and their contributions and partnership interests, and the assets and liabilities of the partnership, between the partnership's cells and between the cells and

the core.

(2) The limited partnership shall, not less than 28 days after giving the notices to creditors referred to in paragraph 30(3), deliver to the Registrar -

(a) an application for conversion by a corporate services provider, in such form as the Registrar may require,

(b) a copy of the statutory partnership resolution of the limited partners passed under subparagraph (1),

(c) a copy of the written consent of the Commission under paragraph 7(1),

(d) a copy of the notice to creditors referred to in paragraph 30(3),

(e) a declaration of compliance (conversion),

(f) such other information and documents, verified in such manner, as the Registrar may require, whether in relation to any particular application or otherwise, and

(g) such fee as may be prescribed.

(3) The declaration of compliance (conversion) must also include a declaration that -

(a) the non-cellular limited partnership satisfies the solvency test,

(b) the protected cell limited partnership into which it is to be converted and the core and each cell of the protected cell limited partnership will, immediately after conversion, satisfy the solvency test, and

(c) there are no creditors of the non-cellular limited partnership whose interests will be unfairly prejudiced by the conversion.

(4) Upon receipt of the documents, information and fee specified in subparagraph (2), or at any time before such receipt where the Registrar has been informed in writing by the general partners of the converting limited partnership that an application for conversion will be made, the Registrar shall give notice of the proposed conversion in such manner and for such period as the Registrar thinks fit, and such notice shall include a statement that information concerning the conversion can be obtained from the converting limited partnership.

(5) Not less than 28 days after giving notice of the proposed conversion under subparagraph (4), and provided that the Registrar has received the documents, information and fee specified in subparagraph (2), the Registrar shall -

(a) issue to the general partners a certificate of conversion from non-cellular limited partnership into protected cell limited partnership, stating the date of conversion, which is conclusive evidence that the limited partnership is duly converted, and

(b) publish the fact that the limited partnership has been converted into a protected cell limited partnership in such manner and for such period as the Registrar thinks fit.

This subparagraph is subject to paragraph 32(1).

(6) Where a non-cellular limited partnership is converted into a protected cell limited partnership under this paragraph, its partners and their contributions and partnership interests, and the assets and liabilities of the partnership, shall, subject to subparagraph (7), be attributed between its cells, and between its cells and the core, in accordance with the terms of the statutory partnership resolution mentioned in subparagraph (1)(c).

(7) Notwithstanding the provisions of subparagraph (6) and this Schedule, any creditor who entered into a transaction with a non-cellular limited partnership before the limited partnership converted into a protected cell limited partnership shall have recourse to all core and cellular assets (other than any cellular assets attributable to a cell created after conversion) in respect of any liability for that transaction, unless the creditor has agreed otherwise.

(8) Any general partner who signed the declaration of compliance without reasonable grounds for believing that the protected cell limited partnership and the core and each cell of the protected cell limited partnership would satisfy the solvency test immediately after conversion is personally liable to pay to the core or cell of the protected cell limited partnership so much monies as the core or cell had to pay to a creditor which the core or cell would not have had to pay but for the provisions of subparagraph (7).

Conversion of protected cell limited partnership into non-cellular limited partnership.

28. (1) In order to convert a protected cell limited partnership into a non-cellular limited partnership, the limited partners must pass a statutory partnership resolution authorising, in accordance with any applicable requirements of this Law and the partnership agreement -

(a) the conversion of the protected cell limited partnership into a non-cellular limited partnership,

(b) the alteration of -

(i) the limited partnership's name, which shall comply with sections 5 and 9C of this Law, and

(ii) the partnership agreement, to the extent necessary for the purposes of the conversion, and

(c) upon conversion -

(i) the dissolution of the cells and the core of the protected cell limited partnership,

(ii) the re-attribution of the partners and their contributions and partnership interests, and the assets and liabilities of the partnership attributable to its cells and core, from the cells

and the core to the partnership.

(2) The limited partnership shall, not less than 28 days after giving the notices to creditors referred to in paragraph 30(3), deliver to the Registrar -

(a) an application for conversion by a corporate services provider, in such form as the Registrar may require,

(b) a copy of the statutory partnership resolution of the limited partners passed under subparagraph (1),

(c) a copy of the written consent of the Commission under paragraph 7(1),

(d) a copy of the notice to creditors referred to in paragraph 30(3),

(e) a declaration of compliance (conversion),

(f) such other information and documents, verified in such manner, as the Registrar may require, whether in relation to any particular application or otherwise, and

(g) such fee as may be prescribed.

(3) The declaration of compliance (conversion) must also include a declaration that -

(a) the protected cell limited partnership and the core and

each cell of the protected cell limited partnership satisfies the solvency test,

(b) the non-cellular limited partnership into which it is to be converted will, immediately after conversion, satisfy the solvency test, and

(c) there are no creditors of the protected cell limited partnership whose interests will be unfairly prejudiced by the conversion.

(4) Upon receipt of the documents, information and fee specified in subparagraph (2), or at any time before such receipt where the Registrar has been informed in writing by the general partners of the converting limited partnership that an application for conversion will be made, the Registrar shall give notice of the proposed conversion in such manner and for such period as the Registrar thinks fit, and such notice shall include a statement that information concerning the conversion can be obtained from the converting limited partnership.

(5) Not less than 28 days after giving notice of the proposed conversion under subparagraph (4), and provided that the Registrar has received the documents, information and fee specified in subparagraph (2), the Registrar shall -

(a) issue to the general partners a certificate of conversion from protected cell limited partnership into non-cellular limited partnership, stating the date of conversion, which is conclusive evidence that the limited partnership is duly converted, and

(b) publish the fact that the limited partnership has been converted into a non-cellular limited partnership in such manner and for such period as the Registrar thinks fit.

This subparagraph is subject to paragraph 32(1).

(6) Where a protected cell limited partnership is converted into a non-cellular limited partnership under this paragraph, its partners and their contributions and partnership interests, and the assets and liabilities of the partnership attributable to its cells and core, shall, subject to subparagraph (7), be re-attributed from the cells and the core to the partnership in accordance with the terms of the statutory partnership resolution mentioned in subparagraph (1)(c).

(7) Notwithstanding the provisions of subparagraph (6) and this Schedule, any creditor who entered into a transaction with a protected cell limited partnership before the limited partnership converted into a non-cellular limited partnership shall have recourse to all assets of the partnership in respect of any liability for that transaction, unless the creditor has agreed otherwise.

(8) Any general partner who signed the declaration of compliance without reasonable grounds for believing that the non-cellular limited partnership would satisfy the solvency test immediately after conversion is personally liable to pay to the limited partnership so much monies as the partnership had to pay to a creditor which it would not have had to pay but for the provisions of subparagraph (7).

Declaration of compliance (conversion).

29. (1) A declaration of compliance (conversion) is a declaration,

signed by -

(a) the general partners of the limited partnership which is being converted, and

(b) the corporate services provider which completed the application to the Registrar for conversion,

that all the requirements of this Law in respect of the conversion of the limited partnership have been fulfilled.

(2) The Registrar, when performing functions under this Law, may rely upon the declaration of compliance in all respects and accordingly is not bound to enquire further as to whether, in relation to the conversion of the limited partnership, the provisions of this Law have been complied with.

(3) A person who without reasonable excuse makes a declaration of compliance under paragraph (1) which is false, deceptive or misleading in a material particular is guilty of an offence.

Date and notice of conversion.

30. (1) The statutory partnership resolutions made under paragraphs 27(1) and 28(1) may also propose the date on which the conversion is to have effect.

(2) If the statutory partnership resolution proposes a date on which the conversion is to have effect and that date is later than the date on which, pursuant to paragraph 27(5)(a) or 28(5)(a), the Registrar issues the certificate of conversion then the date stated on the certificate as the date of conversion shall be the date proposed in the statutory partnership resolution.

(3) A limited partnership may not be converted in accordance with the provisions of this Schedule unless, not less than 28 days before the partnership delivers its application for conversion to the Registrar, the partnership gives written notice to all creditors of the partnership, stating that it intends to apply to the Registrar under this Schedule for its conversion.

Conversion not to prejudice continuity of partnership's existence.

31. (1) Conversion of a limited partnership under this Schedule does not -

(a) create a new partnership or limited partnership or, where the limited partnership has legal personality, a new body corporate, or

(b) prejudice or affect the identity or continuity of the limited partnership or, where the limited partnership has legal personality, the body corporate constituted by the limited partnership, notwithstanding the provisions of -

(i) section 8(1) of this Law (limited partnership must continue to be registered in accordance with that section), and

(ii) section 11(1)(a) of this Law (limited partnership deemed not to be a limited partnership in default of continuing registration).

(2) Where a non-cellular limited partnership (the "**NCLP**") is converted into a protected cell limited partnership under this Schedule the following provisions apply -

(a) all property and rights to which the NCLP was entitled immediately before conversion remain the property and rights of the protected cell limited partnership after conversion,

(b) the protected cell limited partnership remains subject to all criminal and civil liabilities, and all contracts, debts and other obligations, to which the NCLP was subject immediately before conversion,

(c) all actions and other legal proceedings which, immediately before conversion, could have been instituted or continued by or against the NCLP may be instituted or continued by or against the protected cell limited partnership after conversion in its new name, and

(d) a conviction, ruling, order or judgment in favour of or against the NCLP before conversion may be enforced by or against the protected cell limited partnership after conversion in its new name.

(3) Where a protected cell limited partnership (the "**PCLP**") is converted into a non-cellular limited partnership under this Schedule the following provisions apply -

(a) all property and rights of the PCLP attributable to its core and cells immediately before conversion remain the property and rights of the non-cellular limited partnership after conversion,

(b) the non-cellular limited partnership remains subject to all criminal and civil liabilities, and all contracts, debts and other obligations, to which PCLP was subject in respect of its core and cells immediately before conversion,

(c) all actions and other legal proceedings which, immediately before conversion, could have been instituted or continued by or against the PCLP in respect of its core or any of its cells may be instituted or continued by or against the non-cellular limited partnership after conversion in its new name, and

(d) a conviction, ruling, order or judgment in favour of or against the PCLP before conversion in respect of its core or any of its cells may be enforced by or against the non-cellular limited partnership after conversion in its new name.

(4) Subparagraphs (1), (2) and (3) are subject to the provisions of this Schedule in respect of cellular and core assets.

Powers of Royal Court to make orders as to conversion.

32. (1) If the Royal Court is satisfied that a conversion of a limited partnership under this Schedule would unfairly prejudice a limited partner or creditor of the limited partnership or any other person to whom the partnership is under any obligation or liability, it may, on the application of that person made at any time before the date on which the conversion has effect, or within such further time as the Royal Court may in any particular case allow, make such order as it thinks fit in relation to the conversion, including, without limitation, an order -

(a) directing that the conversion shall not take place, or shall only take place subject to such terms and conditions as the Royal Court thinks fit,

(b) modifying the conversion in such manner as may be specified in the order,

(c) directing the limited partnership or its general partners to reconsider the conversion or any part of it.

(2) An order under subparagraph (1) may be made on such terms and conditions and subject to such penalty as the Royal Court thinks fit.

Power to extend conversion provisions to other entities.

33. Without prejudice to any other provision of this Law conferring power to make regulations, the Committee may by regulation amend this Schedule in order to add to the descriptions of entities which may convert into a limited partnership of any prescribed description or into which a limited partnership of any prescribed description may convert.

Amendment of Migration Regulations - inward migration.

34. (1) In regulation 4 of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020[k] after the words "unless it" insert "(and, in the case of a protected cell limited partnership, each cell thereof)".

(2) In regulation 7(2) of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 insert the following subparagraph after subparagraph (b) -

"(c) in the case of a protected cell limited partnership, a copy of any consent required under paragraph 7 of Schedule 1 to the Law,".

Amendment of Migration Regulations - outward migration.

35. (1) In regulation 13 of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 insert the following subparagraph after subparagraph (i) -

"or (j) in the case of a protected cell limited partnership, a receivership order under paragraph 19 of Schedule 1 to the Law has been

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k G.S.I. 2020 No. 69.

applied for or is in force in respect of any of its cells.".

(2) In regulation 14 of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 after the words "unless it" insert (and, in the case of a protected cell limited partnership, each cell thereof)".

(3) In the heading to regulation 16 and in regulation 16(1) of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 after the word "supervised" insert "or protected cell".

(4) In regulation 29 of the Limited Partnerships (Guernsey) (Migration) Regulations, 2020 in the definition of ″solvency test" immediately after subparagraph (c)(v) insert -

"and this definition applies to cells and cores of protected cell limited partnerships as if references to limited partnerships were references to the cells or the cores (as the case may be) of protected cell limited partnerships,".

Decisions of Commission and appeals therefrom

Determination of applications to and other decisions of Commission.

36. (1) In deciding whether or not to grant an application for consent made under paragraph 8 and, if so, subject to what, if any, terms or conditions, or whether or not to impose new terms and conditions or vary or revoke terms and conditions in relation to such a consent, and without prejudice to any other matter to which it may lawfully have regard, the Commission must have regard to the protection of the public interest, including the need -

(a) to protect the public, in Guernsey and elsewhere, against the effects of dishonesty, incompetence or malpractice,

(b) to counter financial crime and the financing of terrorism in Guernsey and elsewhere,

(c) to protect and enhance the reputation of the Bailiwick as a financial centre,

and the Commission shall consider those matters, both in determining the extent to which any person would in its opinion be a fit and proper person to be concerned in the business of the limited partnership, and also more generally.

(2) If the Commission -

(a) refuses an application for consent,

(b) imposes terms or conditions upon that consent, or

(c) imposes new terms and conditions or varies or revokes terms and conditions in relation to that consent,

it shall give the applicant a written notice of its decision and the reasons for it and of that person's right of appeal under paragraph 37.

(3) Nothing in subparagraph (2) requires the Commission to disclose information the disclosure of which would be prejudicial to -

(a) a criminal or regulatory investigation, whether in Guernsey or elsewhere,

(b) co-operation or relations with any investigatory, regulatory or prosecuting authority, or

(c) a third party,

but, if the Commission decides pursuant to this subparagraph to withhold information which it considers relevant to the decision taken, the Commission must so inform the applicant by written notice and, in the event of an appeal under paragraph 37, subparagraph (2) of that paragraph shall apply.

Appeals from determinations and other decisions of Commission.

37. (1) An applicant may appeal to the Royal Court against -

(a) the refusal of an application for consent under paragraph 8,

(b) the imposition of terms or conditions upon that consent,

(c) the imposition of new terms and conditions or the variation or revocation of terms and conditions in relation to that consent, or

(d) the withholding of information pursuant to paragraph 36(3),

by a summons served on the Chairman of the Commission.

The summons must state the grounds and material facts on which the appellant relies and must be served within 28 days after the date of the Commission's written notice of its decision referred to in paragraph 36(2) or (3).

(2) On an appeal under subparagraph (1)(d), the Royal Court may examine any information the disclosure of which the Commission considers would be prejudicial as set out in paragraph 36(3); but that information shall not be disclosed to the appellant or the appellant's representative unless the Royal Court determines that the prejudice occasioned to the appellant by its non-disclosure would be disproportionate to any legitimate objective of preventing prejudice as set out in that paragraph.

(3) The grounds of an appeal under this paragraph are that -

(a) the decision was *ultra vires* or there was some other error of law,

(b) the decision was unreasonable,

(c) the decision was made in bad faith,

(d) there was a lack of proportionality, or

(e) there was a material error as to the facts or as to the procedure.

(4) The Commission may, where an appeal under this paragraph

has been instituted, apply to the Royal Court, by summons served on the appellant, for an order that the appeal shall be dismissed for want of prosecution; and on hearing the application the Royal Court may -

(a) dismiss the appeal or dismiss the application (in either case on such terms and conditions as the Royal Court may direct), or

(b) make such other order as the Royal Court considers just.

The provisions of this subparagraph are without prejudice to the inherent powers of the Royal Court or to the provisions of rule 52 of the Royal Court Civil Rules, 2007[1].

(5) On an appeal under this paragraph the Royal Court may -

(a) set the decision of the Commission aside and, if the Royal Court considers it appropriate to do so, remit the matter to the Commission with such directions as the Royal Court thinks fit, or

(b) confirm the decision, in whole or in part.

(6) On an appeal under this paragraph against a decision of the Commission the Royal Court may, on the application of the appellant, and on such terms and conditions as the Royal Court thinks just, suspend or modify the operation

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1 Order of the Royal Court No. IV of 2007.

of the decision pending the determination of the appeal.

(7) An appeal from a decision of the Royal Court under this paragraph lies, with leave of the Royal Court or Court of Appeal, to the Court of Appeal on a question of law.

(8) Section 21 of the Court of Appeal (Guernsey) Law, 1961[m] ("powers of a single judge") applies to the powers of the Court of Appeal to give leave to appeal under subparagraph (7) as it applies to the powers of the Court of Appeal to give leave to appeal under Part II of that Law.

General

Liability to criminal penalties - protected cell limited partnerships.

38. (1) Where a protected cell limited partnership is liable to any criminal penalty, whether under this Law or otherwise, due to the act or default of a cell or an officer acting in relation to a cell, then, without prejudice to any liability of that officer, the penalty -

(a) may only be met by the limited partnership from the cellular assets attributable to the cell, and

(b) is not enforceable in any way against any other assets of the limited partnership, whether cellular or core.

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[m] Ordres en Conseil Vol. XVIII, p. 315.

(2) Where a protected cell limited partnership is liable to any criminal penalty, whether under this Law or otherwise, due to the act or default of the core or an officer acting in relation to the core, then without prejudice to any liability of that officer, the penalty -

(a) may only be met by the limited partnership from core assets, and

(b) is not enforceable in any way against any cellular assets.

(3) An "**officer**", in this paragraph, includes a general partner, manager or liquidator of the limited partnership, an officer of a general partner as defined in section 31(8)(a) of this Law, and a receiver of a cell.

Power of Committee to make regulations.

39. (1) The Committee may, after consultation with the Commission, make regulations in respect of protected cell limited partnerships, which may include, without limitation, provision in respect of -

(a) the conduct of the business of protected cell limited partnerships,

(b) the manner in which protected cell limited partnerships may carry on, or hold themselves out as carrying on, business,

(c) the form and content of the accounts of protected cell limited partnerships,

(d) the winding up of protected cell limited partnerships,

(e) the receivership of the cells of protected cell limited partnerships, and

(f) the implementation generally of and giving effect to the provisions of this Schedule.

(2) Paragraph (1) is without prejudice to any other provision of this Law conferring power to make regulations.

Interpretation of this Schedule.

40. (1) In this Schedule, unless the context requires otherwise -

"**cellular assets**" of a protected cell limited partnership means the assets of the limited partnership attributable to the limited partnership's cells pursuant to paragraph 9(4),

"**core**" of a protected cell limited partnership means the protected cell limited partnership excluding its cells,

"**core assets**" of a protected cell limited partnership comprise the assets of the limited partnership which are not cellular assets,

"**creditors**" includes present, future and contingent creditors and, in relation to a protected cell limited partnership which is declared by the Commission to be an authorised or registered collective investment scheme under section 8 of the Protection of Investors Law, also includes any investor (within the meaning of section 79(1) of that Law),

"**entity**" includes a legal person,

"**non-cellular limited partnership**" means a limited partnership which is not a protected cell limited partnership,

"**officer**", in paragraph 38 **:** see paragraph 38(3),

"**protected assets**" means -

(a) any cellular assets attributable to any cell of a protected cell limited partnership, in respect of a liability not attributable to that cell, and

(b) any core assets, in respect of a liability attributable to a cell,

"**protected cell limited partnership**" means a limited partnership registered as or converted into a protected cell limited partnership in accordance with this Schedule,

"**Protection of Investors Law**" means the Protection of Investors (Bailiwick of Guernsey) Law, 2020[n],

"**receiver**" means a person appointed as such by a receivership order,

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[n] Order in Council No. XVIII of 2020; the Law has been amended.

"**receivership order**" means an order of the Royal Court under paragraph 19 in relation to a cell of a protected cell limited partnership,

"**recourse agreement**" means a written agreement between a protected cell limited partnership and a third party which provides that, pursuant to an arrangement (within the meaning of paragraph 18) effected by the limited partnership, protected assets may, notwithstanding the provisions of this Schedule, be subject to a liability owed to that third party,

"**solvency test**" **:** see paragraph 41,

"**statutory partnership resolution**" of the limited partners means a resolution -

(a) passed -

(i) by a majority of -

(A) not less than 75% in number and value of the limited partners, or

(B) in the case of a resolution under paragraph 11(2) (recourse agreements), not less than 75% in number and value of the limited partners in respect of the cell (or the core, as the case may be) in relation to the assets of which the recourse agreement is proposed to be made, and

(ii) in accordance with such other formalities or requirements as may be specified in or determined under the partnership agreement, and

(b) otherwise proposed, circulated, moved and voted upon in accordance with the provisions of the partnership agreement,

"**supervised limited partnership**" is a limited partnership which -

(a) holds a licence under section 4 of the Protection of Investors Law or an authorisation or registration under section 8 of that Law,

(b) is a licensed institution within the meaning of the Banking Supervision (Bailiwick of Guernsey) Law, 2020,

(c) is a licensed fiduciary within the meaning of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020,

(d) is a licensee within the meaning of -

(i) the Insurance Business (Bailiwick of Guernsey) Law, 2002,

(ii) the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, or

(iii) the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022, or

(e) is a limited partnership of any other class or description prescribed for the purposes of this paragraph.

(2) The States may by Ordinance amend paragraph (1) by adding any definition to it or by removing or varying any definition set out in it.

Meaning of "solvency test".

41. (1) For the purposes of this Schedule a limited partnership satisfies the solvency test if -

(a) it is able to pay its debts as they become due,

(b) the value of its assets is greater than the value of its liabilities, and

(c) in the case of a supervised limited partnership, it satisfies any other requirements as to solvency imposed in relation to it by or under -

(i) the Insurance Business (Bailiwick of Guernsey) Law, 2002,

(ii) the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002,

(iii) the Protection of Investors (Bailiwick of Guernsey) Law, 2020,

(iv) the Banking Supervision (Bailiwick of Guernsey) Law, 2020,

(v) the Regulation of Fiduciaries, Administration Businesses and Company Directors etc. (Bailiwick of Guernsey) Law, 2020,

(vi) the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022, and

(vii) any other enactment prescribed for the purposes of this paragraph.

(2) In determining whether the value of a limited partnership's assets is greater than the value of its liabilities, the general partners -

(a) must have regard to -

(i) the most recent accounts, and

(ii) all other circumstances that the general partners know or ought to know affect, or may affect, the

value of the limited partnership's assets and the value of the limited partnership's liabilities, and

(b) may rely on valuations of assets or estimates of liabilities that are reasonable in the circumstances.

(3) This paragraph applies to protected cell limited partnerships and the cells, cores and partners thereof as if references to limited partnerships were references to the cells or the cores (as the case may be) of protected cell limited partnerships and references to partners were references to the partners in respect of the relevant cells or the core (as the case may be).

Ordinances of the States under this Schedule.

42. The States may by Ordinance make such provision as they think fit for the purposes of -

(a) amending this Schedule to make provision corresponding or similar to that made from time to time by Ordinance or regulation in respect of protected cell companies under the Companies (Guernsey) Law, 2008[o], and

(b) carrying the provisions of this Schedule into effect.".

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[o] Order in Council No. VIII of 2008; the Law has been amended.