Collas Crill explains... Protected Cell Companies in Guernsey

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This is part of a series of guides in which we examine areas of law that frequently arise in practice. Further guides will be released weekly; click here to subscribe to receive Collas Crill news and insights by email.

This guide looks at the key things you need to know about Protected Cell Companies ('**PCCs**') in Guernsey.

Legal personality and capacity

A **PCC** is a single legal entity with separate and distinct Protected Cell ('**PC**').

A **PC** is a pool of assets and liabilities that are attributed to a particular **PC**. The assets and liabilities of a **PC** are segregated from the assets and liabilities of both the **PCC** and any other **PCs**.

The general principle underpinning **PCCs** is that a liability attributable to a particular **PC** may only be satisfied from the assets attributable to that **PC**. Similarly, a liability attributable to the **PCC** may only be satisfied from the assets attributable to the **PCC**.

A **PC** does not have its own legal personality distinct from its **PCC**, so it must contract through its **PCC**.

Incorporation

Guernsey Financial Services Commission consent is required to incorporate a **PCC**.

Constitutional documents

PCCs have one set of memorandum and articles of incorporation.

Directors and shareholders

PCCs have one board of directors.

PCCs may issue 'core shares' and 'cell shares'. Shareholders are shareholders of the **PCC** itself. 'Cell shares' are issued in respect of particular **PCs** which can have defined rights in respect of the assets and profits of the underlying **PC**.

PC creation

New **PCs** can be established by board resolution. There is no limit on the number of **PCs** that can be created.

Conversions and migrations

PCCs can convert to non-cellular companies (traditional companies that do not have any protected cells) or incorporated cell companies. Individual **PCs** can also be converted into non-cellular companies.

PCCs can also be migrated into and out of Guernsey from and to jurisdictions with similar provisions in their laws.

Creditors

Assets of a **PC** are segregated from those of the **PCC** and other **PCs** and are not available to creditors of the **PCC** or other **PCs** on insolvency.

Recourse beyond a **PC** is permitted only in limited circumstances.

Liquidation / receivership / administration

Liquidators may apply a **PC's** assets only to those creditors entitled to have recourse to them.

The court may make a receivership order in respect of one or more **PCs** of a **PCC**. A receivership order is in effect a winding up order.

The court may make an administration order in respect of a **PCC** or one of its **PCs**.

Advantages of PCCs

PCCs generally offer lower administrative costs than a group of stand-alone non-cellular companies. For example, **PCCs** only need to file one annual validation per year.

PCCs also offer efficient ways for fund managers to launch multiple funds with minimal set up time whilst benefiting from economies of scale.

Use

The four main uses of **PCCs** are:

- Investment funds
- Insurers (captives)
- Property / asset holding structures (including intellectual property)
- Family offices

About this guide

This guide gives a general overview of this topic. It is not legal advice and you may not rely on it. If you would like legal advice on this topic, please get in touch with one of the authors or your usual Collas Crill contacts.

About Collas Crill

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