

Fund Finance Friday



No Date, No Problem: Cayman Court Affirms Pre-Signed Share Transfer

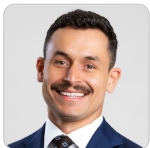
July 18, 2025



By **Michael O'Connor**
Partner | Harneys



By **Ben Hobden**
Partner | Harneys



By **Lincoln Smith**
Senior Associate | Harneys

As the NAV and Hybrid worlds continue to grow, the granting of security over shares in Cayman companies is becoming a more common feature of deals.

One of the most frequent questions we hear from deal teams is why Cayman counsel insists on additional closing deliverables — particularly the executed but undated share transfer form. What is it for, and how does it help the lender if things go sideways?

What's the point of the executed share transfer form?

The executed share transfer form, along with the terms of the security agreement, allows a lender upon the occurrence of an event of default to simply complete the transfer in favor of itself (or its nominee) and ask the relevant company, whose shares were secured, to update its register of shareholders and give effect to the transfer. Critically, this allows the lender the ability to enforce without the involvement of the grantor of the security or the Cayman Courts.

So what has changed?

In short, nothing has changed but the Cayman Courts have examined one example of enforcement using share transfer forms executed at an earlier time (*Yeung Ka Man v OP Multi Strategies Investment Fund* (11 March 2025) [2025] CIGC (FSD) 20) and the Cayman Court's decision provides reassurance to lenders in the Cayman market both on this point and also that the Cayman Courts will consistently seek to implement the clear commercial intentions of the parties over perceived technical flaws.

The facts of the case are as follows. The lender granted a loan, and security was taken over shares of a Cayman Islands company owned by a subsidiary of the borrower. The security agreement, as is customary, required that an executed undated share transfer form be provided by the grantor upon the execution of the security agreement, and the directors of the grantor approved unanimously one of their number to sign such document which was provided to the lender.

The borrower defaulted and the lender sought to take possession of the shares (via a receiver) who completed the share transfer form and sought to have the shares transferred into its name. The company whose shares were secured objected, arguing that the transfer form was invalid as the director who signed the blank share transfer form at the close of the transaction was no longer a director at the time of enforcement.

The Court held that it did not matter that the director who signed the share transfer form was no longer a director at the time of enforcement. What mattered was the clear commercial intention of the parties: that the lender should be able to rely on the pre-executed, undated form to enforce its rights if needed. The Court therefore ordered the register of shareholders to be updated to give effect to the transfer.

What are the takeaways from this decision?

Aside from the factual issue — that there is seemingly no obligation of the secured party to ensure that its package of ‘self-help’ deliverables (such as share transfer forms) remains reflective of the current composition of the board of directors of a grantor — the decision reinforces the soundness and market familiarity of Cayman’s approach to share security. Perhaps more importantly, it highlights once again that Cayman is a creditor friendly jurisdiction where the Cayman Courts will give effect to the commercial intentions underpinning international finance transactions.