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REVIEW



Listing of Isle of Man Limited Partnerships



back home forward



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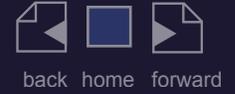
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back home forward



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Introduction

Welcome to the 7th edition of our electronic news review published by Mann & Partners. We hope that the publication is of interest to recipients. Please contact any of the individuals listed on the contact us page with comments for future articles.



Advocate Chris Murphy reviews

recent amendments to the law relating to limited partnerships and the potential for such vehicles to be admitted for listing on the London Stock Exchange.

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REVIEW



back home forward



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Listing of Isle of Man Limited Partnerships

Building on the Island's success as a jurisdiction of choice in relation to AIM flotations, recent legislative changes are likely to broaden the Island's appeal yet further and open up the possibility of the admission for trading on a recognised stock exchange of equity style securities in a partnership business model. A small but potentially significant change in the law has been introduced which allows for the listing of an Isle of Man limited partnership on the London Stock Exchange.

A limited partnership constituted under part II of the Isle of Man's Limited Partnership Act 1909 ("the Act") takes the form of a "traditional" partnership, save that limited partners enjoy, as their name suggests, limited liability. Importantly, an Isle of Man limited partnership does not possess separate legal personality. This is a key distinguishing feature which sets apart the Isle of Man's model of limited partnership from that of other jurisdictions whose laws recognise the concept of a limited partnership.

Under the law prior to its amendment, there were two very significant obstacles in the way of the possible listing of a limited partnership. Firstly, the Act provides that there is an upper limit of

only 20 partners¹ consisting of one or more general partners (who are liable for all debts and obligations of the partnership) and one or more limited partners. This limitation was until recently subject to only three narrow exceptions in relation to certain categories of professional partnerships (lawyers, accountants and stockbrokers).

Secondly, a limited partnership which is close ended in nature (i.e. where the limited partners are unable to redeem their partnership interests) is likely to constitute a collective investment scheme for the purposes of section 30 of the Financial Supervision Act 1988. Consequently, close ended limited partnerships would be considered practically incapable of having limited partnership interests, or security representing them, admitted for trading to a securities exchange.

Isle of Man law has now been changed to address these issues and to render the listing of an Isle of Man limited partnership not only feasible, but in certain situations advantageous.

¹ Section 47(2)



REVIEW



[back](#) [home](#) [forward](#)



[contact us](#)

The Listed Limited Partnerships Regulations 2007 now remove the upper numerical limit on the number of partners in relation to a limited partnership which meets the description contained in the newly added section 30(6A) of the Financial Supervision Act 1988 which provides:

“(6A) no limited partnership formed under the law of the Island shall be regarded as constituting a collective investment scheme if its interests are admitted to the official list of the UK listing authority”.

A new subsection (6B) provides:

“(6B) for the purposes of subsection (6A), “interests” means limited partnership interests of an irredeemable nature however termed together with depositary receipts or similar certificates representing such interests”.

Conceptually, it ought to be possible for partnership interests in a limited partnership to be admitted and publicly traded in the same manner that we are accustomed to seeing in the case of shares in a corporate model. However, despite the obvious parallels, the effect of the law as it stood had the undoubtedly unintended consequence of ensuring that the limited partnership model would not be an appropriate vehicle for listing. This change in the law however opens up a whole new area of possibility and sets the Isle of Man apart as a jurisdiction for innovation.



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REVIEW

Profiles

  
back home forward

 contact us

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March 2008



back home forward



contact us



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