

# Limited Liability Partnership (LLP)

## Invitation to comment

The FSC invites comments on Limited Liability Partnership (LLP), particularly on the issues related to LLP set out in the Concept paper and listed below.

Comments are most helpful if they:

- (a) comment on the questions / issues as stated;
- (b) contain a clear rationale; and
- (d) describe any alternative that the FSC should consider, if applicable.

The FSC will consider the comments received in writing by **20 March 2013**.

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## Questions / Issues for respondents

### ***1. Use of the LLP structure***

Some jurisdictions, for instance some states in the US, restrict the use of the LLP structure to professionals, such as lawyers and accountants while others will impose conditions

Should the LLP legislation restrict the use of the LLP structure to professionals only? If not, why and what alternative do you propose?

### ***2. Registration Requirements***

2.1 Should the LLP legislation allow a partner of the LLP to pay for his contribution in kind, as long as the information is properly disclosed in the registration document?

2.2 Should a limited liability partnership be required to include the words “Limited Liability Partnership” or the abbreviation “LLP” in its business name and letterheads?

Should the LLP legislation limit the number of partners in the Limited Liability Partnership?

### ***3. Disclosure and Reporting Requirement***

- 3.1 Should a limited liability partnership be required by law to have its accounts audited and filed with the regulators?
- 3.2 Should the law require a limited liability partnership to prepare financial statements that comply with the prescribed accounting standards?

### ***4. Liability of a partner***

While a partner in a limited liability partnership will not be personally liable for the malpractice of other partners in the firm, should the partner who is negligent and fraudulent be subject to unlimited personal liability according to general principles of law?

### ***5. Dissolution and winding up***

- 5.1 Do you agree that the death or bankruptcy of a partner should not automatically dissolve the limited liability partnership? If not, why and what alternative do you propose?
- 5.2 Should the Court be allowed or not to wind up a limited liability partnership if it is satisfied that: (a) the limited liability partnership is unable to carry on business in conformity with the partnership agreement; or (b) it is equitable to do so?
- 5.3 Should a limited liability partnership be allowed to wind up voluntarily if all the partners agree to do so?
- 5.4 Should the law prescribe a procedure for voluntary winding up? If not, why and what alternative do you propose?

### ***6. Financial provision for creditors***

Should a limited liability partnership maintain arrangements with one or more banks or insurance companies to pay a certain amount to the person responsible for winding up the affairs of the limited liability partnership upon its dissolution, for the benefit of creditors of the limited liability partnership? If not, why and what alternative do you propose?

## ***7. Professional Indemnity Insurance***

Whether there should be mandatory requirements for professional indemnity insurance when professionals make use of the LLP structure? If yes, how can this be implemented?