

Cayman Islands: Private Trust Companies

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Introduction

A client wishing to create a trust has to come to terms with the requirement to transfer legal ownership of assets to the trustee. In the context of offshore wealth planning, the trustee may be a service provider's professional trust company, likely to be operating in a foreign jurisdiction. If the client is concerned about taking this step, one solution may be the use of a private trust company (PTC). This is a corporate trustee established for the purpose of acting as trustee of a specific trust or trusts. It is often used as an integral part of the private wealth structuring for those seeking to establish a substantial and long lasting structure for their family or family office. The board of directors can include family members, trusted advisors of the family and local professionals.

Regulatory Requirements

The Cayman Islands has strict regulatory requirements for the conduct of trust business, which is the '*business of acting as trustee, executor or administrator*', but provided certain requirements are met, a PTC is able to operate in the Cayman Islands without requiring a trust licence from the Cayman Islands Monetary Authority (CIMA).

CIMA is responsible for the supervision and regulation of trust business in the Cayman Islands. Subject to certain exceptions, including one for PTCs, as described more fully below, no trust business may be transacted from within the Cayman Islands unless the trust company holds a valid trust licence under the Banks and Trust Companies Act (2021 Revision) (the **BTCA**).

There are two procedures available in the Cayman Islands by which a company may be authorised to act as a PTC. A trust company may obtain a restricted trust licence from CIMA, where the trust company will only conduct trust business in respect of specified trusts, as set out in an undertaking provided to CIMA. The procedure for doing so is set out in the BTCA. Alternatively, the Private Trust Companies Regulations (2020 Revision) (the **PTC Regulations**) provide for a 'fast track' method of registration as a PTC (a **Registered PTC**) which avoids the need for the company to go through the more time-consuming procedures (and more onerous ongoing regulatory supervision) involved in obtaining a restricted trust licence. The Registered PTC is more common and the remainder of this guide focuses on that option.

Pursuant to the PTC Regulations, if a trust company:

- is incorporated in the Cayman Islands; and
- undertakes no trust business other than 'connected trust business',

that company can register as a PTC with CIMA and will be exempt from the requirement of obtaining a trust licence.

'Connected trust business' means trust business in respect of trusts in which the contributors to the trust funds are all 'connected persons' in relation to each other. A person is a 'connected person' in relation to another person if:

- they are in a relationship listed in the Schedule to the PTC Regulations (broadly, any individuals related by blood, adoption or marriage);
- one is contributing to the funds of a trust as the trustee of a trust of which the other is a contributor;
- each is in a group of companies¹; or
- one is a company and the other is a beneficial owner of shares or other ownership interests of that company or of any other company in the same group of companies.

Ongoing Requirements

1. A Registered PTC:
 - (a) must not solicit or receive contributions in respect of trusts of which it is a trustee from the public or persons other than those who are, in relation to each other, connected persons;
 - (b) must maintain its registered office at the office of a company that holds a trust licence granted under the BTCA; and
 - (c) must keep at its registered office and make available for inspection by CIMA at its registered office, in relation to each relevant trust, up to date copies of the trust deed or other documents containing or recording:
 - the terms of the trust;
 - the name and address of the trustee, the settlor, any protector, any enforcer, any contributor and any beneficiary to whom a distribution is made;
 - any deed or other document varying the terms of the trust; and
 - all financial and transactional records of the Registered PTC and its connected trust business.
2. The PTC must register with CIMA and in order to be registered must at the time of registration and annually after that on or before 31 January every year during the continuation of the registration, file with CIMA an annual declaration, declaring:
 - (a) the name of the PTC – the words 'Private Trust Company' or the letters 'PTC' must be included in the name by which the company is to be registered;
 - (b) the names and addresses of the directors of the PTC;
 - (c) the names and addresses of the shareholders or members, if any, of the PTC;
 - (d) the name of the holder of the trust licence providing the registered office of the PTC;
 - (e) that the company is a PTC to which the PTC Regulations apply;
 - (f) that the PTC is in compliance with the requirements of the PTC Regulations;
 - (g) proof of the identification of the directors and shareholders/members.Any changes to the above information must be notified to CIMA within 30 days of the change.
3. There is an initial registration fee of CI\$3,500 (US\$4,268.29) and thereafter an annual fee of CI\$3,500.

Administration

At least one of the directors of a Registered PTC must be a natural person. Other than that, there are no requirements either as to who may act as directors of a Registered PTC or that it must be administered by a licensed trust company, although professional administration is usual and normally recommended. The board may therefore be constituted by family members (or their trusted advisors) alone. This may be attractive to clients who wish to remain closely involved, perhaps where a family business is held in the trust. However the presence of an experienced trust practitioner on the board can be an advantage complementing the knowledge of the family directors. In addition, some licensed trust companies will

¹ 'Group of companies' has the same meaning as set out in Section 3 of the Securities Investment Business Act (2020 Revision).

require, as a condition of agreeing to administer the PTC, that they have a representative appointed to the board.

Ownership

The simplest structure is for the client or members of the client's family to own the shares in the PTC and to hold them in their own names. This may, however, not be attractive to clients for a number of reasons, including taxation, confidentiality or asset protection. It also requires thought to be given as to the devolution of the shares in the PTC on the death of the owner and difficulties may also arise on incapacity.

A common alternative is for the shares of the PTC to be held on the terms of a Cayman Islands non-charitable purpose trust, under the STAR trust regime.

An advantage of using a STAR trust or foundation company as shareholder is that the client has the comfort of knowing that the ownership of the PTC can be perpetual. This is particularly attractive to a client with dynastic ambitions for family wealth.

Another option now being used more frequently is for the PTC to be structured as a Cayman Islands foundation company, which does not need to have any members, so there is no need for there to be a separate non-charitable purpose trust to hold the shares or other membership interests in the PTC.

We can advise on the suitability of a PTC and its ownership structure, incorporate the company and make the application for registration on behalf of clients.

Summary (Registered PTC)

Type of company	Exempted ² or foundation company
Licensing requirements	None
Approval from CIMA	No, but registration with CIMA is required
Annual filings	Yes (annual CIMA declaration and fee)
External audit	No (unless constitutional documents require)
Cayman Islands taxation	None
Number of directors	Minimum of one
Number of shareholders	Minimum of one (exempted company) or none (foundation company)
Cayman Islands resident directors required	No
Cayman administration required	No
Cayman registered office	Yes, with a Cayman licensed trust company

Contacts

A full list of contacts in our International Trusts & Private Client team who specialise in this area can be found [here](#).

² For more detailed information on exempted companies, please see our Guide to Exempted Companies or get in touch with one of your usual contacts or one of the contacts listed below.