



Legal Briefings

Cayman Islands – Private Trust Companies

A Private Trust Company (**PTC**) is an entity that is established with the sole purpose of acting as a corporate trustee to a trust or a number of trusts, provided those trusts are "connected". The term "Connected trust business" means trust business where the settlors of funds to the trusts are all "connected persons" in relation to each other. PTCs afford high net worth individuals a greater control over their assets and have become extremely attractive for families seeking to manage their wealth effectively.

The regulatory basis for the operation of trust companies in the Cayman Islands is found in the Banks and Trust Companies Act (2021 Revision) as amended (**BTCA**) and the Private Trust Companies Regulations (2020 Revision) as amended (**PTCR**). These regulations provide for the establishment of the two types of PTCs recognized in the Cayman Islands which are (i) the Licenced PTCs and (ii) the Registered PTCs.

Licenced PTC – requirements

A Licenced PTC has to obtain a valid licence from the Cayman Islands Monetary Authority (**CIMA**) before conducting any trust business within or outside the Cayman Islands. This requirement is subject to exemptions guaranteed under the PTCR which provide an avenue for PTCs to operate without a licence as long as they are registered with CIMA and fulfill the following conditions:

- i) They are incorporated in the Cayman Islands; and
- ii) They conduct no trust business other than connected trust business.

The licence granted by CIMA for a Licenced PTC is known as a Restricted Trust Licence and it authorizes the holder to undertake trust business only for persons listed in any undertaking which accompanies the application for the licence. CIMA will only grant a license to a PTC if it has:

- i) a place of business in the Cayman Islands approved by CIMA which will be its principal office in the Cayman Islands; and
- ii) two individuals or a body corporate, approved by CIMA, resident or incorporated in the Cayman Islands to be its agent in the Cayman Islands.

Licenced PTC – key features

Some of the key features of a Licenced PTC include:

- i. The minimum net worth of the PTC should be twenty thousand dollars (C1\$20,000) which is approximately US\$24,400.
- ii. If incorporated under the Cayman Islands' Companies Act (**Companies Act**) the PTC is under an obligation to have its accounts audited annually by an auditor approved by CIMA. The audited accounts are required to be forwarded to CIMA within three (3) months of the end of the financial year of the PTC unless an extension has been sought.

- iii. The PTC must have a minimum of two individual directors at any given time, one of whom must have extensive knowledge and experience in trust business. CIMA usually does not approve corporate directors to sit on boards of Licenced entities.
- iv. The disclosure of beneficial ownership and control is required on application of a licence.

Registered PTC - requirements

The Registered PTC is founded under the provisions of the PTCR. The main requirements for this type of PTC include:

- i. It must maintain a registered office at the office of a company that holds an unrestricted Trust licence provided for under the BTCA;
- ii. It must allow CIMA, at any given time, to inspect all its documents and records or that should be held at the registered office;
- iii. It must keep at its registered office and make available for inspection at its registered office, in relation to each relevant trust, adequate, accurate and up to date copies of the trust deed or other documents containing or recording the terms of the trust, names and addresses of the settlor, protector, enforcer, contributor to the trust, any beneficiary to whom a distribution is made from the trust, any deed or other document varying the terms of the trust and all financial transactional records of the PTC and its connected trust business;
- iv. It must file an annual declaration with CIMA every year declaring the name of the PTC, the name and addresses of the directors, shareholders (if any), the name of the holder of the Trust licence providing the registered office of the PTC, that the Company is a PTC which does not require a licence to carry on connected trust business and that the PTC is in compliance with the requirements of the PTCR;
- v. It must file with CIMA, the identification of the directors and shareholders of the PTC;
- vi. The PTCR prescribes that a natural person must be appointed as a director for the PTC;
- vii. The PTC must include the word "Private Trust Company" or the letters "PTC" in the name by which the company is registered under the Companies Act;
- viii. It must not solicit or receive contributions in respect of trusts of which it is trustee from the public or persons other than those who are, in relation to each other, connected persons.

Registered PTC vs. Licenced PTC

i. **Fees**

The initial registration fee for a Registered PTC is US\$4,268.29 (CI\$3500) and thereafter an annual registration fee of the same amount is applied to be paid before the 31st day of January every year. The application fee for a Licenced PTC is US\$2,439.02 (CI\$2000) and the fee paid on the grant of a licence and subsequently every year is US\$8,536.59 (CI\$7,000).

ii. **Net worth Requirements**

The regulations do not prescribe a minimum net worth requirement for the Registered PTC. The Licenced PTC, on the other hand, is required to have a minimum net worth of US\$25,000 (CI\$20,000).

iii. **Audit**

There is no requirement for the Registered PTC to file audited accounts with CIMA. The Licenced PTC is under an obligation to file its audited accounts annually with CIMA by an auditor approved by the Authority.

iv. **Directors**

A Registered PTC is required to have a natural person appointed as director, but the PTCR is silent on the minimum number of directors. CIMA however recommends a minimum of two individual directors. It is a mandatory requirement for a Licenced PTC to have at least two natural persons appointed as directors on the Board of the PTC. There is no requirement for the directors to be approved by CIMA.

v. **Timing**

A Registered PTC can be up and running within three to four business days from the day the application for registration has been submitted to CIMA. The turnaround for processing an application for a Licenced PTC is six to eight weeks from the date the application was submitted to CIMA.

The Registered PTCs have gained more popularity in the Cayman Islands as CIMA has noted a steady increase in the number of PTCs seeking to be registered over the past eight (8) years based on the table below which has been published on the CIMA website.

Trust (Fiduciary) Licensees & Registration Statistics

	Q1 2024	2023	2022	2021	2020	2019	2018	2017
Unrestricted Trust Companies	56	56	58	56	57	56	56	57
Restricted Trust Companies	55	56	56	58	60	59	57	61
Nominee Trust Companies	21	21	24	25	25	29	29	29
Total Trust Companies	132	133	138	139	142	144	142	147
Registered Controlled Subsidiaries	48	46	44	42	44	46	44	39
Registered Private Trust Companies	152	152	145	144	145	132	131	129

Shareholders of a PTC

The shares of a PTC are commonly held by one or more individuals, or by a company limited by guarantee or in a STAR Trust. It is advisable to use a corporate entity as opposed to an individual because in the event of death, the devolution of shares may take a long time owing to the probate process.

Benefits of using PTCS

Registered PTCs are regularly used by high net worth families in their wealth structuring for a number of reasons:

1. they protect confidentiality and are lightly regulated when compared to using a large and highly regulated international financial institutions as trustee;
2. they provide a comprehensive framework under which family members and advisors can be involved in decision making (by being on the board of Directors of the PTC) which gives room for flexibility as families can tailor the PTC based on their personal needs and objectives;
3. they can avoid the complications of succession when used in conjunction with a STAR Trust (i.e. a STAR Trust can be used to hold all the shares of the PTC).

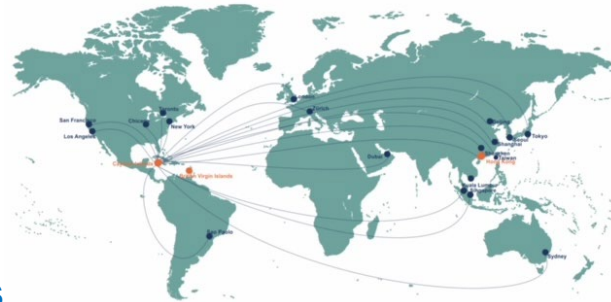
- The speed at which a PTC can be established (i.e. 3-4 days), and the relatively low cost of operation have made PTCs extremely attractive to HNW families and their advisors.

Further Assistance

This publication is not intended to be a substitute for specific legal advice or a legal opinion. If you require further advice relating to the formation of a Cayman Islands Private Trust Companies, establishing family offices or protecting private wealth generally, please contact us. We would be delighted to assist.

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