COLLAS CRILL

Guide to Cayman Islands STAR trusts

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Part VII of the Cayman Islands Trusts Act (2021 Revision) (**Trusts Act**) permits the creation of a special type of trust, commonly known as a 'STAR trust', which is unique to the Cayman Islands.[1]

STAR trusts have formed part of Cayman Islands law since the Special Trusts (Alternative Regime) Act 1997 (Special Trusts Act) came into force.

The attraction of Cayman STAR trusts is the flexibility afforded to them by the statutory framework which distinguishes them from ordinary trusts. They often appeal to settlors who may be unfamiliar with the concept of a trust who wish to limit the disclosure of information to family members and create a legacy which is not subject to forced heirship regimes.

There is a statutory obligation to ensure that the trustee of a STAR trust must be, or include, a trust company licensed to conduct trust business in the Cayman Islands.

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Duration of STAR trusts

As a Cayman STAR trust has no perpetuity period, it may last indefinitely or for a specified period. The ability to exist in perpetuity was previously a unique advantage of Cayman STAR trusts and charitable trusts, as other types of 'ordinary' trusts were subject to the rule against perpetuities. However, since the enactment of the Perpetuities (Amendment) Act, 2024, any type of Cayman trust may now exist indefinitely if its terms expressly disapply the rule against perpetuities.

Beneficiaries

STAR trusts may be established to benefit persons or purposes (charitable and non-charitable) or both, of any number or kind, provided that they are lawful and not contrary to public policy. For instance, a settlor may wish to establish a STAR trust to benefit members of their family, in addition to advancing certain philanthropic purposes and investment or commercial activities.

A key feature of a STAR trust is the separation of a beneficiary's interest under the trust from the right to enforce its terms. Unlike ordinary trusts, beneficiaries of a STAR trust do not usually have the right to enforce the terms of the trust, bring court proceedings or have a right to information and/or trust records, unlike other

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types of trusts. Similarly, the beneficiaries of a Cayman STAR trust do not have any right to collectively agree to vary and/or terminate a STAR trust in accordance with the common law rule in Saunders v Vautier which generally applies to ordinary Cayman trusts.[2]

Enforcer

Every Cayman STAR trust is required to have an enforcer, and it is possible to have more than one enforcer. This requirement applies irrespective of whether the STAR trust has beneficiaries and/or purposes as its objects.

The settlor of the STAR trust will generally appoint a trusted person or professional service provider to act as an enforcer, whose appointment is recorded in the trust deed. Whilst it is also possible for a beneficiary to act as an enforcer, a beneficiary should not use their role as the enforcer for personal gain.

The enforcer's role is to oversee the actions of the trustees and, where necessary, take enforcement action to hold the trustees accountable in accordance with their fiduciary duties under the terms of the STAR trust, the Trusts Act and at common law. The Trusts Act provides that the enforcer of a STAR trust has the same rights as a beneficiary of a traditional Cayman trust; rights that a beneficiary of a STAR trust does not possess. That is, an enforcer has the right to initiate administrative and other actions, make court applications in relation to the STAR trust, and to be informed about the terms of the trust (which includes the right to receive information concerning the trust and its administration, and to inspect and obtain copies of trust documents).

This structure can be advantageous where the settlor wishes to limit a beneficiary’s rights under the trust while granting those same rights to a trusted third party.

The terms of the STAR trust may specify that the enforcer has either a duty or a right to enforce the STAR trust. Unless there is evidence of a contrary intention, an enforcer is deemed to have a fiduciary duty to act responsibly with a view to the proper execution of the STAR trust.

For example, recent jurisprudence has confirmed that an enforcer has standing to seek the Court's blessing of a momentous decision involving the proposed exercise of their fiduciary powers on the same basis as a trustee, [3] and that they may also take a robust position in trust litigation such as by seeking adverse costs orders against beneficiaries whose conduct has caused the trust fund to incur significant expense.[4]

Uncertainty

Under common law principles, in order to create a valid trust in the Cayman Islands, there are 'three certainties' which must be satisfied, namely, there must be certainty as to:

1. the intention to create a trust,
2. the property which is held on trust, and
3. the objects who are intended to benefit under the trust.

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As non-charitable purpose trusts may not have easily identifiable objects, section 103(1) of the Trusts Act expressly provides that a Cayman STAR trust is not rendered void by uncertainty as to its objects or mode of execution. However, if any such uncertainty were to arise, it can be resolved pursuant to the terms of the STAR trust or, failing this, by applying to the Court to reform or otherwise remediate the uncertainty to preserve the validity of the STAR trust.

Reforming a STAR trust – the cy-près doctrine

The common law doctrine of *cy-près* evolved in the context of charitable trusts and allows a court to modify the terms of a trust for the purpose of enabling the trust to be performed, as closely as possible, in accordance with the settlor's intentions.

Another distinctive feature of a Cayman STAR trust is the ability to modify the trust when its administration becomes wholly or partially impossible, impracticable, unlawful, contrary to public policy, or obsolete due to changed circumstances, such that it no longer fulfils its general intent. This feature is codified in section 104 of the Trusts Act.

In such circumstances, the terms of Cayman STAR trusts may provide that a specified person, typically the trustee, has the power to reform the trust, which may include modifying its purposes. Under the Trusts Act, if the STAR trust cannot be reformed according to its terms, the trustees may apply to the Court to reform the trust cy-près.

Common uses of a STAR trust

Given their special features, STAR trusts in the Cayman Islands can be used for multiple purposes, including, but not limited to:

- holding the shares in private companies (for example, underlying companies of a trust) or in a private trust company which in turn acts as a corporate trustee of one or more trusts;
- holding luxury, high-risk and/or depreciating classes of assets, including cryptocurrency and digital assets, yachts, aircraft and artwork;
- preventing or restricting beneficiaries from obtaining information or bringing court proceedings;
- engaging in philanthropy; and
- commercial transactions or orphan structuring.

This briefing is intended to provide a general overview of Cayman Islands STAR trusts. For specific advice, please contact a member of our team.

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[1] "STAR" is an acronym taken from the first letters of the words "**S**pecial **T**rusts **A**lternative **R**egime".

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[2] [1841] EWHC J82, (1841) 4 Beav 115.

[3] AA v JTC (Cayman) Ltd 2024 (1) CILR 386.

[4] *In the matter of the G Trust (Unreported judgment – Kawaley J – 24 December 2024); In the matter of the G Trust [2025] CIGC (FSD) 59.*

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