COLLAS CRILL

Cayman Islands private trust companies

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A Cayman Islands private trust company (**PTC**) is a corporate entity which is incorporated for the sole purpose of acting as trustee of a single or group of 'connected' trusts (as discussed below). Cayman PTCs are regularly incorporated to serve as an effective private wealth structuring tool, due to the succession planning advantages they provide.

This briefing provides a guide to Cayman PTCs, including their key benefits and the regulatory requirements which must be met.

What are the key benefits of establishing a Cayman private trust company?

1. Family control over governance and decision-making

When a person (known as a settlor) establishes a Cayman trust, they must transfer the legal ownership of the assets they wish to settle into the trust to a trustee, who then holds those assets on trust for the benefit of the trust's beneficiaries, subject to the terms of the trust deed. For some individuals, that concept is entirely foreign to them (and indeed might seem bewildering). In that scenario, a Cayman PTC may be the ideal solution.

Rather than appointing a professional trustee company or one or more individuals to act as trustee, the settlor may instead establish a Cayman PTC for the purpose of acting as the corporate trustee of the trust. A Cayman PTC permits the settlor and family members to retain a certain degree of control over the governance of the PTC and the administration of the trust, as they may be appointed as directors and shareholders (or members) of the PTC.

As a result, the settlor and selected family members may determine, subject to the terms of the trust deed, how the trust's assets are administered.

2. Acting as trustee of different trusts

A PTC may serve as the trustee for any number and type of Cayman trusts, including a group of 'connected' trusts. It may also act as the sole trustee of a Cayman STAR trust, which is required to have either a professional trustee company or a registered PTC as the sole trustee, or as one of the trustees. This enables a family to appoint a single trustee for multiple trusts serving different branches of the family within the same private wealth structure. For instance, although each branch of the family might establish its own trust to further its individual goals and objectives, the same PTC may be appointed to act as trustee of all the trusts. Provided that key representatives of each branch of the family are appointed to the PTC's board, it enables the family to adopt a coordinated approach to managing and advancing its broader private wealth and estate planning objectives. Similarly, even if a settlor wishes to establish a Cayman discretionary trust for the benefit of his/her

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family, together with a separate charitable purpose trust to further any philanthropic aims, a single PTC is capable of acting as the trustee of both trusts even though they have been established to further different objectives.

3. Succession planning and continuity

Another key benefit of a Cayman PTC is its ability to enable seamless succession planning and continuity in trusteeship, as a PTC can remain as trustee of a trust indefinitely. Subject to the provisions of its constitutional documents, only the identity of the PTC's individual directors and shareholders might change from one generation to the next, as required.

For example, if a director passes away, the memorandum and articles of the PTC usually provide a mechanism for how a successor director is to be appointed to replace them.
To facilitate a smooth transition when changes to directors or shareholders of Cayman PTCs become necessary, a strong governance framework with robust provisions should be included in the constitutional documents of the PTC. This increases the likelihood of avoiding uncertainty and potential disagreements during periods of change.

4. Complex or high-risk assets

If a settlor intends establishing a Cayman trust to hold or invest in high-risk, speculative or volatile assets, such as operating businesses, digital assets, vintage wine, aircrafts, collections of art or private equity, they may have concerns as to whether a professional trustee company has the requisite expertise to manage such assets effectively. Those concerns may be overcome by incorporating a PTC, as its board can include the settlor, family members and their advisors who possess the specialist knowledge required for such assets.

Regulatory requirements for establishing a Cayman private trust company

Under Cayman Islands law, in order for a company to carry on trust business (which includes acting as a trustee) from within the Cayman Islands, it must obtain a licence from the Cayman Islands Monetary Authority (**CIMA**) authorising it to carry on trust business under the Banks and Trust Companies Act (2025 Revision) (**Act**), regardless of whether the trusts it administers are governed by the laws of the Cayman Islands.

A Cayman PTC, however, is exempt from such licensing requirements, provided it is registered as a PTC under the Private Trust Companies Regulations (2020 Revision) (*as further amended by the Private Trust Companies (Amendment) Regulations, 2024*) (**Regulations**) and it does not conduct any trust business other than 'connected trust business'.

'Connected trust business' includes acting as a trustee (ie providing trustee services) for trusts of which there is one or more contributors to the funds of the trusts who are all, in relation to each other, 'connected persons'.

A person[1] is a 'connected person' in relation to another person if:

- they have any of the relationships specified in the Schedule to the Regulations, such as a spouse, descendant, parent or other familial relationships; or

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- one person is contributing funds to a trust in its capacity as a trustee of another trust of which the other person is a contributor; or
- each person belongs to a group of companies pursuant to the Securities Investment Business Law (2020 Revision) (ie a holding company and its direct or indirect subsidiaries); or
- one person is a company and the other person is a beneficial owner of the shares or other ownership interests of that company or any other company in the same group.

Regulatory requirements for operating a Cayman private trust company

The Regulations also set out the requirements to establish and operate a Cayman PTC, which include the following:

- **Registration** – A PTC must register with CIMA and pay an initial registration fee of CI$3,500 and thereafter an annual registration fee of CI$4,000.
- **Name** – A PTC must include the words 'Private Trust Company' or 'PTC' in its name when registering, to ensure it can be properly identified.
- **Registered office** – A Cayman PTC must maintain its registered office at the office of a Cayman Islands company which holds the requisite Cayman trust licence. The PTC must keep adequate, accurate and up to date copies of all necessary documents and records of the trust(s) for which it acts as trustee at its registered office, and those records must be available for inspection by CIMA at any time. Those documents include the trust deed, all supplemental deeds, the details of the trustee, settlor, beneficiaries and other relevant persons in relation to the trust and the financial records for the trust. It is an offence for a PTC not to comply with those requirements, failing which it will be liable on summary conviction to a fine of CI$5,000.
- **Annual filing requirements** – A PTC must file an annual declaration with CIMA which includes:
  - the name of the PTC;
  - the names, addresses and proof of identity of the directors and shareholders/members;
  - the name of the trust licence holder providing registered office services to the PTC;
  - confirmation that the company is a PTC for the purposes of the Regulations and that it is compliant with its requirements under the Regulations.

  It is an offence for a PTC to contravene its filing obligations and if in breach it will be liable on summary conviction to a fine of CI$5,000.
- **Directors** – A PTC must appoint at least one natural person to act as a director, but otherwise there is no prescribed number or type of directors who may be appointed, although CIMA recommends appointing at least two natural persons. The composition of the PTC's board of directors can be entirely comprised of the settlor and family members. A PTC's constitutional documents can be tailored to include the necessary mechanism to determine when and how a person can be appointed, and who can be appointed as an additional or successor director. While it is possible for the board to be comprised entirely of the settlor

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and family members, it is generally advisable to include at least one independent professional director. To ensure good governance and maintain the integrity of the PTC's operations, the settlor may wish to consider appointing an independent professional director.

- **No public contributions** – A PTC may only act as trustee of a single trust or a group of connected trusts and it is not permitted to receive any assets from the public or persons other than the connected persons identified above.

Notification of changes – If there is any change in the information provided to CIMA in respect of a PTC, the PTC must inform CIMA within 30 days of such change.

Three ways to incorporate Cayman private trust companies

1. Private company limited by shares – The most common approach is to incorporate a company limited by shares to act as a PTC, which has one or more shareholders. The shares may be personally owned by one or more individuals (such as family members), however this may give rise to certain complications on the individual's death or incapacity in respect of the transfer of ownership of such shares. Alternatively, the shares in a Cayman PTC may be held by another entity such as a Cayman Islands STAR trust or a Cayman foundation company that has been established for the specific purpose of holding such shares, which allows for a seamless continuity of ownership of such shares, as a STAR trust or foundation company may exist indefinitely.

2. Private company limited by guarantee – A PTC may also be incorporated as a Cayman company limited by guarantee which has members rather than shareholders. Such a company does not have any share capital; rather, each member guarantees to contribute a certain (often nominal) sum when the company is wound up and their liability is limited to that nominal sum. When a member passes away, their membership and obligation to contribute the nominal sum are extinguished.

3. Cayman foundation company – A Cayman foundation company may also be established for the purpose of acting as a PTC. Unlike a conventional company limited by shares, a Cayman foundation company may operate as an "orphaned" entity without any shareholders. Alternatively, as discussed above, a Cayman foundation company can be established to hold the shares of a PTC.

Administering a Cayman private trust company

Under Cayman Islands law, although a PTC is not required to be administered by a licensed service provider, in practice, professionally-regulated Cayman Islands trustee and corporate services companies are frequently engaged to provide company administration and secretarial services for PTCs. Such services may include supplying one or more professional directors to the PTC's board (in addition to family members and/or other trusted advisors) who are well-equipped to assist the PTC with its ongoing administration, provide governance support and ensure it complies with its regulatory obligations. Depending on the circumstances, a family may instead have its own family office which is resourced to provide such administration services for the PTC.

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As the establishment and ongoing administration costs (including all relevant legal, accounting and regulatory advice) for a PTC tend to be higher than engaging the services of a Cayman Islands professionally-regulated trustee to act as trustee of a trust, PTCs are best suited to complex private wealth structures or solutions which are tailored to address certain unique circumstances.

For international high net worth individuals or families seeking to manage, preserve and/or grow their wealth for generations to come, a Cayman Islands PTC is an effective tool to facilitate long-term succession planning, whilst affording them a degree of comfort by virtue of the fact they may retain a degree of control over its administration.

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

- ***For more insights like this, explore our dedicated 'Modern families resource centre' which highlights our expertise working closely with ultra-high-net-worth (UHNW) and multi-generational families.***

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[1] 'person' can include an entity with legal personality.

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