



RBC Wealth Management: World-Class Trust Services from the Cayman Islands

With a wide range of trust and other fiduciary services available, delivered by some of the world's leading financial institutions and trust companies, it is easy to see why many high net worth individuals and professional advisors rank the Cayman Islands ("Cayman") among the top jurisdictions for trust services. RBC Wealth Management ("RBC") has a strong presence in Cayman, employing a team of trust professionals who are dedicated to servicing the complex financial and estate planning needs and requirements of clients from all corners of the globe.

About the Cayman Islands

Cayman is located in the northwestern region of the Caribbean Sea. With a population of over 52,000 and a total land mass of 100 square miles, Cayman comprises three islands: Grand Cayman, Little Cayman and Cayman Brac. Grand Cayman is the largest of the Islands, occupying 76 square miles, and is home to the majority of the country's financial institutions and trust companies.

Whilst small in geographical terms, Cayman is regarded as a heavyweight in global finance, boasting the world's fifth largest financial center. As such, finance, together with tourism, forms the backbone of the economy, with a large proportion of the Cayman's population being employed in the industry.

Cayman is a self-governed British Overseas Territory with their own democratically elected parliament comprising judicial, executive and legislative branches. The legal system is based on English common law.

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Why establish a trust in the Cayman Islands?

Sophisticated and modern trust statute

Trust law in Cayman has been carefully constructed to allow for the establishment and administration of robust, yet flexible, trust and fiduciary structures, which can be tailored to meet the needs and requirements of individuals and their families. Never standing still, Cayman has shown on a number of occasions that they are prepared to amend their trust law to cater for the evolving needs of the industry. A range of structures can be established under Cayman trust law including:

STAR trusts

STAR trusts are a very useful tool for estate planning and asset protection and can be used for charitable and non-charitable purposes. A STAR trust is a form of purpose trust that removes the right of beneficiaries to enforce the trust and places it with a specially appointed enforcer. An enforcer can also be a beneficiary, but this is not a requirement.

STAR trusts are not subject to the general trust principle, which states that a trustee who holds shares in a company needs to take a positive role in the affairs of that company. Therefore, it is possible for the STAR trust to be settled in such a manner that the trustee is under no obligation to interfere in the management of the company. Unlike other structures established under Cayman trust law, a STAR trust can exist in perpetuity.

Reserved powers trusts

A reserved powers trust (“RPT”) is ideal for clients who may be uncomfortable with the prospect of relinquishing total control over certain elements of the management of the assets held in trust. The Trusts Law (2001 Revision) now contains specific statutory guidance as to what trust powers may be retained by a settlor of a trust without compromising the validity of a trust under Cayman law.

These powers can either be reserved by the settlor or granted to a third party, but not the trustee. RBC has reviewed the settlor powers permitted by law, and through consultation with legal counsel, we have identified several specific powers that we are prepared to include in trusts for which we act as trustee. These powers are:

- Power to revoke, vary or amend a trust
- Power of appointment of income
- Power to remove and add beneficiaries
- Power to give the trustee binding directors in relation to the investment of trust property.

Such powers should only be retained or granted to a third party after careful consideration of the tax position in the jurisdiction in which the person who is being granted such power resides.

Private trust companies

Private trust companies (“PTCs”) are viewed by many as being the ideal structure for ultra high net worth clients who would like their family to create a long lasting dynastic structure which retains greater control over decisions made in relation to the trust and family wealth.

Discretionary trusts

The discretionary trust is the most common form of trust utilized in offshore jurisdictions and provides flexibility with respect to the succession planning needs of a settlor. For example, settlors may not know, at the time of creating a trust, the size and timing of any inheritance they wish to provide for their intended heirs. The discretionary trust allows the trustees to select which of a named class of beneficiaries will benefit and when. The settlor can provide guidance in this regard through a Letter of Wishes which can be amended at any time.

Given that no single beneficiary has a vested interest in the income or capital, the discretionary trust can, depending upon the jurisdiction in which the settlor and the beneficiaries are resident, also provide an opportunity to mitigate taxes with respect to income and capital gains arising and to shelter assets from estate and inheritance taxes.

Trusts have traditionally been used over the centuries to preserve wealth for future generations. However, in today’s litigious environment, trusts have an even more important role to play in protecting wealth from unforeseen claims. Such claims may arise from creditors whose claims do not exist at the time the trust is created but may arise many years afterwards. Alternatively, claims may arise from a marital dispute or relationship breakdown. Properly structured and with the right advice, trusts can protect assets from such claims.

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Infrastructure

Many leading accounting and legal firms have a presence in Cayman meaning that the local financial institutions and trust companies have access to essential third-party services and advice. The telecommunications and power infrastructure is modern, robust and able to handle the sophisticated and high volume transactions that are associated with the complex and bespoke offshore structures in which Cayman specialises.

Regulation

To ensure that the quality of trust services delivered through the Cayman remains consistently high, financial institutions and trust companies resident in the Island are subject to supervision and regulation from the Cayman Islands Monetary Authority (CIMA). In addition, Cayman is responsive to the requirements of the Organisation for Economic Cooperation and Development (OECD), the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF).

Location

Cayman is ideally placed for maintaining relationships with clients and advisors based throughout the world.

RBC in the Cayman Islands

History and growth

RBC has had a presence in Cayman since 1972 and is currently the largest non-Caribbean based financial services provider on the Island. Our team has steadily grown over the years to more than 75 employees, who provide a range of services to private clients including private banking and credit, captive insurance banking, fund administration, investment advisory and discretionary investment.

The personal trust team in Cayman is almost 30 strong, with many employees holding legal or accounting designations and specialist credentials in the fields of trust and estate planning.

Expertise

RBC's trust team in Cayman serves clients based in jurisdictions throughout the world. Given the Cayman's close proximity to the Americas, the team has extensive expertise and experience in managing the needs of the clients from the region, both culturally and in terms of estate planning.

Service commitment

With a full complement of client service professionals in our offices, we are fully committed to working with our clients to provide exceptional service levels. Our objective is to establish and maintain a long-term relationship that fully satisfies client needs and expectations.

We work closely with each client and their professional, legal and accounting advisors, to review their unique financial situation and to determine what structures/vehicles will meet their estate planning needs.

Cultural awareness and language capabilities

RBC's people reflects its diverse client base. Wherever a client is located, we frequently have a professional who speaks their language, understands their culture and can recognize their unique requirements. We try to always communicate with clients in their preferred language. Our trust team has resources dedicated to persons who wish to communicate directly with the trustee in Spanish, Portuguese or French.

Disaster recovery plan

RBC has a tested disaster recovery plan, which is designed to ensure minimum disruption to the delivery of our services. This is an especially important consideration when choosing a Cayman service provider.

Global network

In addition to being one of the largest financial services providers in the Cayman, we can also call upon the expertise and knowledge of over 80,000 employees in more than 30 financial centres around the world as and when required, allowing us to provide complex and multi-jurisdictional structures to meet the needs of our international clientele.

Size and strength

Clients choosing RBC in the Cayman as their trustee can take comfort in the fact that they are in safe hands. RBC has over C\$600 billion* in assets under administration and a market capitalization in excess of C\$60 billion* and strong credit ratings (AA- Standard & Poor's, Aaa Moody's).

*As at 30 April, 2009.

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Royal Bank of Canada, which operates under the brand name of RBC, is Canada's largest bank, one of North America's leading financial services companies, and among the largest banks in the world as measured by market capitalization. Through a network of over 30 offices worldwide, RBC's international division provides comprehensive wealth management services to high net worth individuals and institutions resident in over 150 countries.



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