

ALEXANDROS ECONOMOU
LLC

MEMORANDUM

From: Maria Katsikidou

Date: 15 July 2019

Subject: **Cyprus International Trust**

A trust is a legal arrangement whereby property is bequeathed by one person (the “**Settlor**”) and managed by another person (the “**Trustee**”). The Trustee holds legal title to the trust property and is obligated to hold the property for the benefit of one or more beneficiaries.

The main legal framework governing trusts in Cyprus is a combination of English Law i.e. the Principles of Equity and Statute Law, the Trustees Law of Cyprus (CAP. 193), which is modelled on the English Trustee Act of 1925 and the International Trusts Law of Cyprus (Law 69(I) of 1992 as amended (the “**Law**”).

This memorandum focuses on Cyprus International Trusts (“**CIT**”) pursuant to the Law.

A CIT is a trust where:

- the Settlor and/or the beneficiaries (whether a natural or legal person), other than a charitable institution, may not be Cyprus tax residents in the calendar year preceding the year of the creation of the trust (i.e. they may become tax residents subsequently);
- at least one of the Trustees is a Cyprus resident for the whole duration of the trust.

Trustees include those who hold the trust in favour of a beneficiary irrespectively if the Trustee is also the beneficiary and/or for any purpose, which is not solely for the benefit of the Trustee.

Protector

The Settlor may appoint a person other than the Trustee, the protector, to whom such powers of any nature may be granted by the instrument of creating the trust, including the power to advise the Trustee regarding the exercise of his powers or have a right of consent or veto against the Trustee, as well as the right to cancel the appointment of a Trustee.

Duration of a CIT

A CIT may exist in perpetuity.

Reserved Powers of the Settlor

According to the Law, the Settlor may reserve for himself certain powers and rights over or in the trust property either in his capacity as a Settlor, protector or enforcer of the trust without this to adversely affect the validity or the execution of the trust.

Charitable Trust – Purpose Trusts

The Law outlines under which characteristics a CIT may be recognized as charitable and its recognition is subject to the provisions of the Constitutional Law of the Republic, but it is not affected by the regulation of any other legislation of either the Republic or of another country.

It is further recognized by the Law that a CIT may be created for a specific purpose and such trust is enforceable by the Settlor, his personal representatives or by the enforcer.

Approved Investments by the Trustees

The Law gives extensive powers towards the Trustees as they are vested with such investment powers as if they were the absolute owners of the trust, amongst other, allowing them to invest in both movable and immovable property in Cyprus and overseas, acquire shares in Cyprus and foreign companies etc.

Amendments to the CIT

The Law permits an alteration to the terms of the trust to be enforced as this may be determined in the terms of the trust or after the approval of the Court.

Confidentiality of the CIT

Subject to the AML-related disclosure mentioned below the Law prohibits the disclosure of any information or documents regarding the CIT by the Trustees or any other person. Only the Court may by an order permit the disclosure of such information where the disclosure is of paramount importance for the administration of justice.

Moreover, the Trustees have the discretion (not obliged) whether to disclose any account of the trust to the beneficiaries.

Applicable law

According to the provisions of the Law the Settlor may elect the applicable law to govern the CIT. This may be done either explicitly or apparently and in the latter case it may be determined subject to the surrounding circumstances of the particular case. In the instances where no applicable law has been chosen then the trust will be governed by the law which is more closely related to it. The law provides certain guidelines in order to determine the jurisdiction that is most closely connected with the Trust.

Foreign Trusts

Foreign trusts are enforceable in Cyprus save as in the cases where it is considered to be contrary to the public policy of the Republic.

Registration and AML

A CIT is subject to registration at the Cyprus Bar Association. Also, according to the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007 and 2018, each beneficiary, Settlor, Trustee and Protector, if any, of a CIT will have to be reported to the national central register formed, whereby records of the beneficial owners (and other) of all legal entities (including trusts) registered in Cyprus will be kept (for further information as to who has access to the relevant registry and which information have to be disclosed please see our Memo on UBO Public Registry in Cyprus & Fifth AML Directive).



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