

# United States Private Trust Company

## PRIVATE TRUST COMPANY

A Private Trust Company (PTC) is a corporation established by a particular family for the purpose of acting as trustee of one or more trusts for family members.

## REGULATION

In jurisdictions where trust activity is licensed, a PTC would be prohibited from soliciting trust business from the general public and may only create and administer trusts for a defined family group.

## PTC JURISDICTIONS

A PTC may be incorporated in many jurisdictions, but industry favorites tend to be Bahamas, BVI, Cayman, Bermuda, New Zealand and Switzerland.

## GREATER CONTROL

PTCs give a greater sense of comfort to certain families because they can exert influence over the PTC through seats on the PTC board, or through controlling the shares of the PTC directly or indirectly through a charitable or purpose trust.

## GREATER FLEXIBILITY

Trusts administered by PTCs tend to be more flexible in the permissible scope of activities as well as the types of assets which may be held in trust. This is because the trustee risk is largely born by the PTC itself, and to a lesser extent by the service provider administering the structure.

On the other hand, trusts administered by financial institutions, which tend to be bureaucratic and risk averse, are typically rather inflexible in terms of day to day administration, types of assets that may be held in trust, etc.

## DIVERSITY OF ASSETS

A PTC can create trusts which hold a wide range of assets, including financial assets, private equity, operating companies, artworks, aircraft, yachts, etc.

## TYPICAL USE

PTCs are most widely utilized by very wealthy family groups who wish to hold important financial assets as well as operating businesses, and seek professionals to assist in the administration of such a structure.

## DISADVANTAGES

Due to the relative costs involved in creating and managing PTCs, they are suitable only for a select group of substantial private clients.

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## **ADMINISTRATION**

Typically, PTCs are managed by a trust company under a Service Agreement, which establishes the roles and responsibilities of the service provider, etc.

Family members may sit on the board of the PTC, but since they are typically not experienced in trust administration, the administration is nonetheless delegated to a service provider. If the family members do not wish to sit on the board of the PTC, the service provider normally provides this service as well.

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## **PURPOSE TRUST**

In order to resolve succession issues in the event of the death of the shareholder of the PTC, it is often recommended to establish a purpose trust to hold the shares of the PTC. In addition, creating a purpose or charitable trust to hold the shares of the PTC may distance the family from direct ownership and control over the PTC structure, and may improve the tax position of the family in respect of income arising under the structure.

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## **NOTICE**

CISA is not a legal or tax advisor, this information is general and descriptive and is not intended as legal or tax.