

Establishing a
family office in the
Cayman Islands



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Locations

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At Carey Olsen, we always look at the bigger picture. In the face of opportunities or challenges, our clients know that the advice and guidance they receive from us will be based on a complete understanding of their goals and objectives combined with outstanding client service, technical excellence and commercial insight.

BIGGER PICTURE



Introduction

With its modern legislation, robust judicial system, extensive infrastructure and sophisticated service providers, the Cayman Islands represents an ideal location to establish or relocate a single or multi-family office. In this guide we provide some example family office structures and commentary, together with an outline of indicative fees and annual expenses associated with such structures.

Example family office structures

While each family office is unique, this guide provides a range of different structuring options for high net worth individuals that we have seen work well in practice. These are by no means the only structures that could be used for a family office connected with the Cayman Islands, and there are many more variants and bespoke structures which could be suitable for a single or multi-family office. One of the advantages of the Cayman Islands is that it offers the flexibility to grow, alter, and expand structures as the family office itself evolves.

For each example structure, we have provided a brief overview of some of the potential advantages and disadvantages, as well other considerations we recommend are kept in mind in the course of any structuring exercise. These are not exhaustive lists, but touch on the types of issues that have been at the forefront of our clients' minds over the course of the structuring exercises for which we have been engaged in the past.

Jurisdictional preferences

Our experience is that high net worth families from different jurisdictions may have different structural needs depending on their cultural background, the priority they assign to matters of privacy and security, and the legal arrangements applicable to the ownership of their assets across various jurisdictions. By way of example, a family which places a high degree of importance on privacy and control may find a private trust company/STAR trust model more attractive given the privacy it offers, its constraints on access to information and general robustness under Cayman Islands law. In contrast, families with a strong business

background and excellent commercial acumen may be more than happy with a more simple structure centered on operational companies and holding companies. And, families actually relocating to live in the Cayman Islands may be happy to establish a simple structure based around an ordinary, local company – a very different scenario than that required by large families with cross-border interests who generally prefer multi-layered structures with investment and philanthropic arms.

Fee table

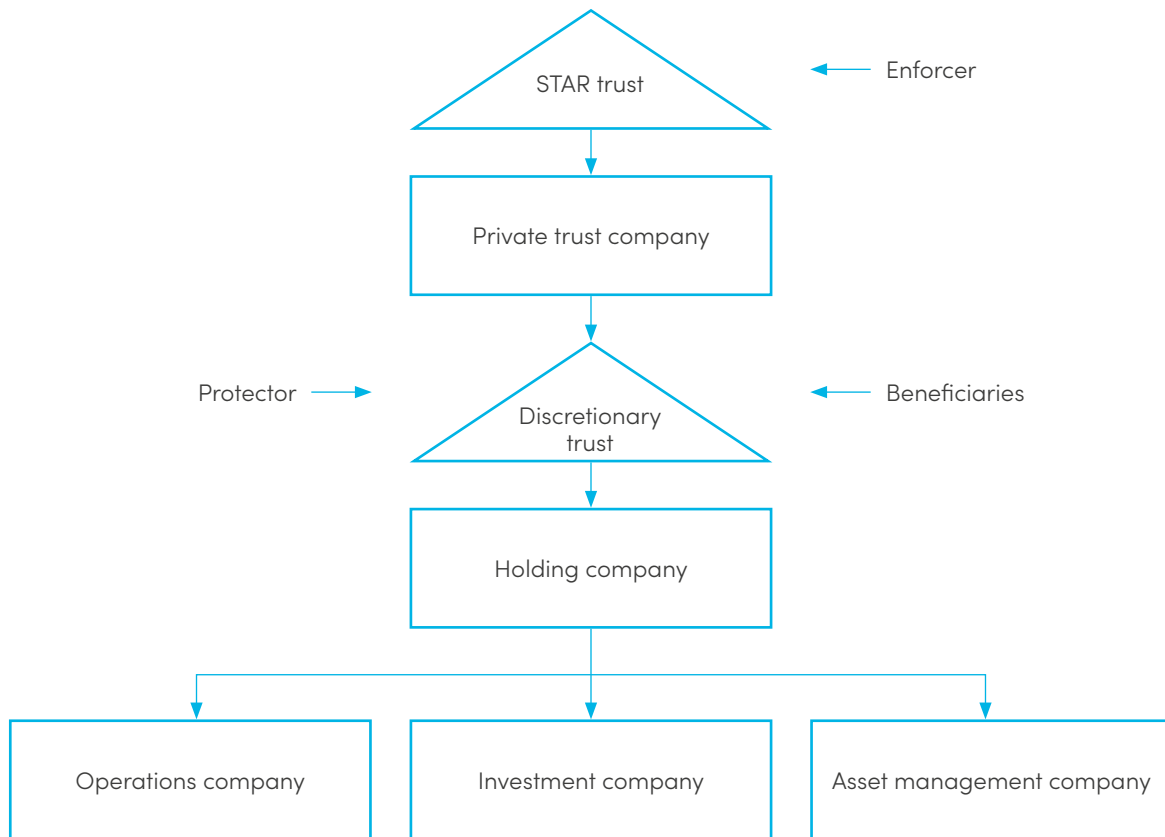
To provide an idea of the different costs associated with the different components of our example structures, we have included within this guide a table which sets out the various statutory registration and licensing fees as well as the likely base costs of establishing each structure and the fees which local service providers such as trustees and company management service providers may charge. Fees can of course vary widely depending on the specific requirements and complexities of the structure and the assets which may be held.

Our connections

In addition to being a full service law firm with an associated registered office service offering, Carey Olsen also has a well-established network of highly skilled advisors who are available to assist in respect of matters such as property purchases, immigration applications, trustee/director/officer appointments, banking and wealth management arrangements, and wider concierge requirements. We would be happy to make any introductions or connections on these fronts as may be required.



Example 1 – Orphan structure



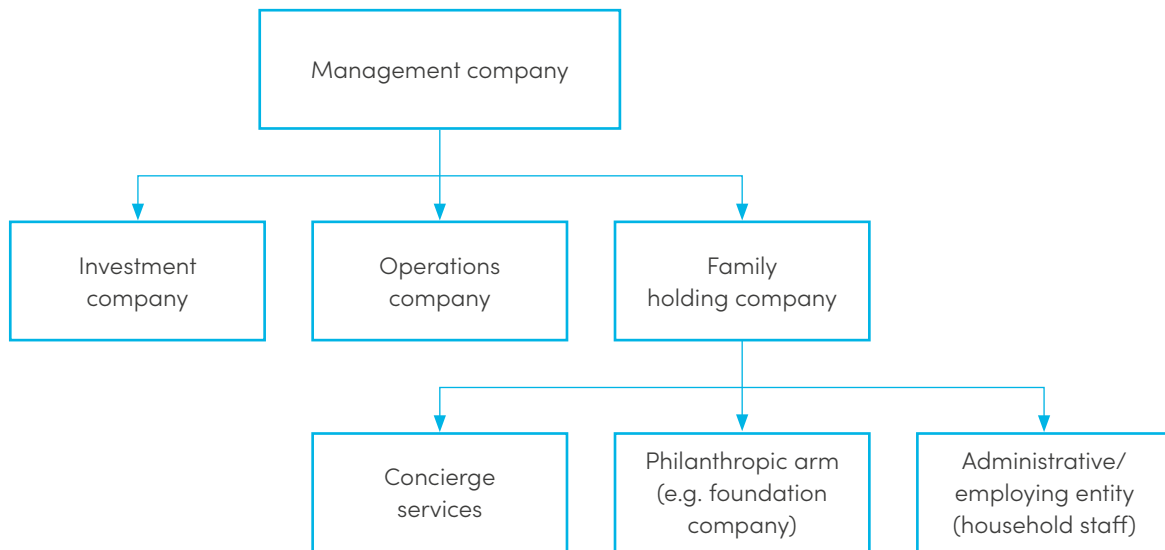
Advantages

- Orphan structure (STAR trust) to hold shares in the PTC rather than those shares being owned by family members etc. Avoids probate and assists with succession planning.
- Ability to have family members on the board of the PTC which acts as trustee and in the protector role (allowing family to retain a high degree of control over the structure).
- A very traditional Cayman structure, familiar to local service providers.
- Flexibility to continue to add to the structure below operational company level as needed.

Disadvantages/other considerations

- Must have a Cayman Islands trust corporation to act as trustee of the STAR trust (not so much a concern given the need to have the PTC administered by a Cayman Islands licensed service provider too).
- STAR trust must have an enforcer (however this can be a family member or someone provided by the service provider).
- High costs to establish and administer compared with more basic structures.

Example 2 – Corporate structure with divisions



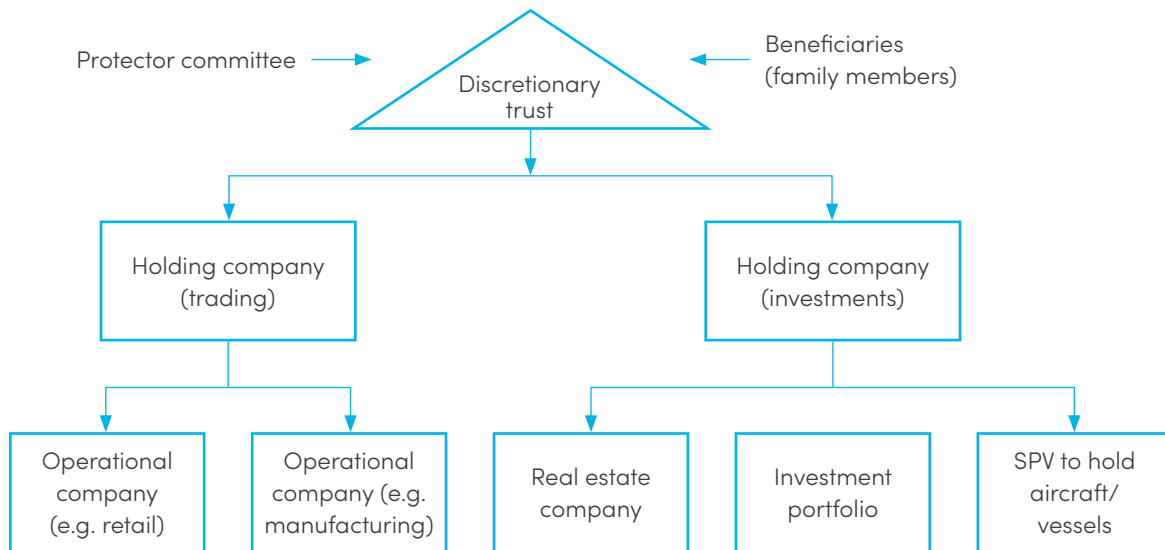
Advantages

- Simple and cost effective when compared with more complicated structures.
- Allows full control to be held by family through seats on the boards of the various companies.
- Promotes segregation of different arms of the family business into separate company vehicles (which can potentially be managed by different family members).
- Avoids higher fees and administration associated with trust structures.

Disadvantages/other considerations

- If the shares in the management company are to be held by individual family members, this could lead to probate issues in the event of death or incapacity. Having those shares held through a trust may be preferable.
- Having shares in the management company held directly by family members may have tax implications.
- Will likely require at least a registered agent/registered office to be provided by a local service provider.
- If beneficial ownership registers become public, it may be possible to find out which family members hold the shares in the holding company. This may be another reason to consider using a trust to hold the shares in the holding company.
- May not be sufficient to provide for successive generations to assume control without bespoke articles of incorporation (which may not necessarily remain private) or by separate written agreement.

Example 3 – Family trust with underlying corporate structure



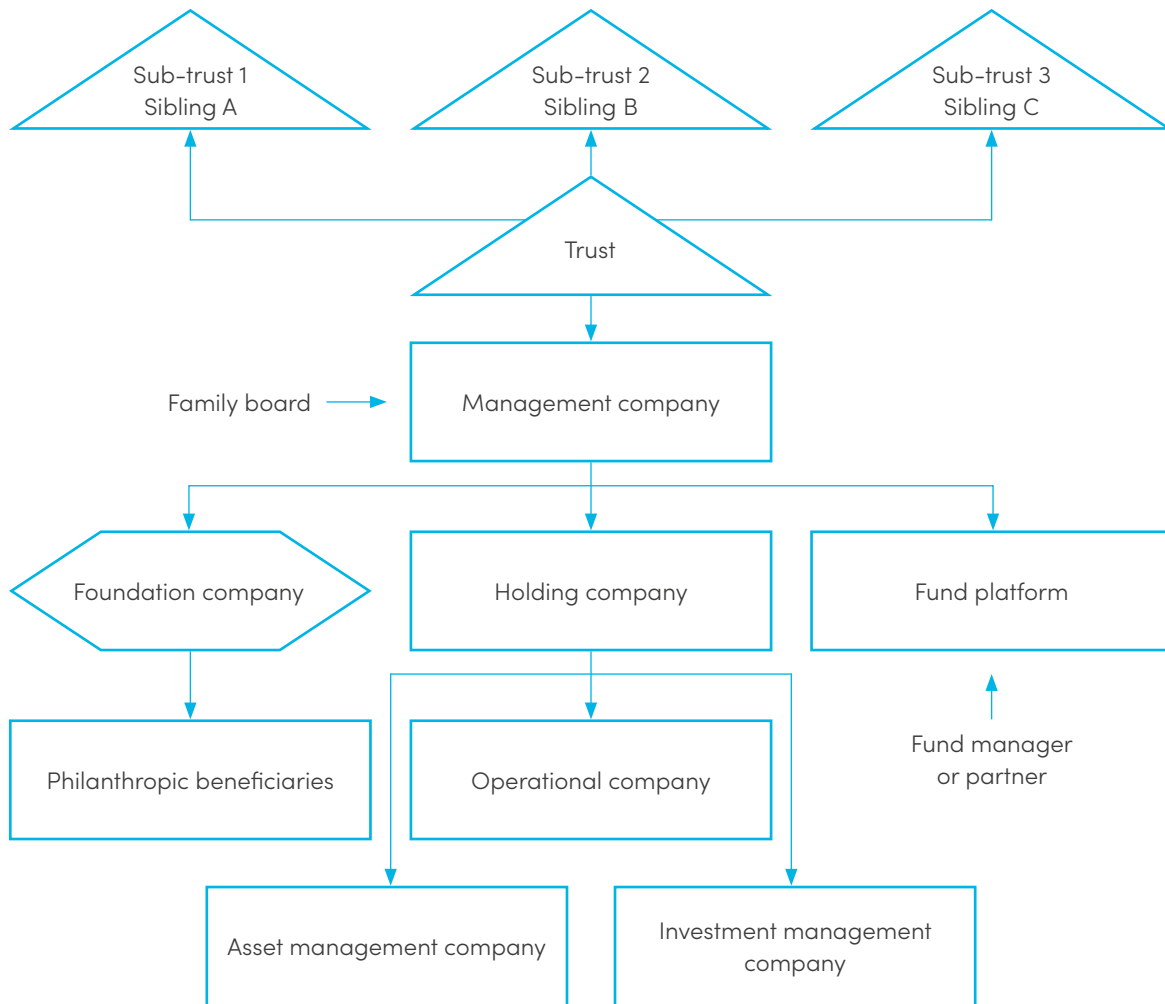
Advantages

- Fairly simple structure.
- Lower cost to establish and administer.
- Separates investments from trading businesses.
- Family can provide directors at holding company level or below as a means of retaining control.
- Trust does not require a Cayman Islands trustee but families will usually use a local professional trust company.

Disadvantages/other considerations

- May not provide a sufficient framework for larger and multi-generational families. Using sub-trusts may be a good addition to provide for separate family members under the same trust.
- Worth considering whether powers should be reserved to settlor or a committee of family members at trust level to enable them to direct investments and make other key decisions concerning the trust assets.
- In the event of a family dispute, it may not be ideal to have all of the companies held within one trust structure. Using separate trusts to hold the trading businesses and the investments may be an option to address this.

Example 4 – Multi-layer, mixed use structure



Advantages

- Use of a Cayman foundation company can offer additional flexibility, and may be attractive to families from civil law countries where foundations are more common.
- Having sub-trusts can assist in segregating the distributions between family members/family branches.
- Structure allows for distinct segments of the family business while still under the same umbrella.
- Introduction of fund platform for sophisticated HNW families.

Disadvantages/other considerations

- Potentially higher costs of establishment due to the use of sub-trusts and given foundation companies are less common and require the appointment of a “qualified person” in the Cayman Islands to oversee the foundation company.
- Administration costs and annual fees may also be higher given the multiple layers.
- Can also be structured such that the persons who would be beneficiaries of the sub-trusts can be beneficiaries of the foundation company.

Indicative fees

Examples of fees associated with the establishment and maintenance of Cayman Islands structures, which may vary depending on service provider and the nature of the particular structure, as well as changes to legislation or market practice over time.

Category	Anticipated fees (approximate and in USD)
Registered office fees, per annum	\$1,500 to \$2,000
Company incorporation fees (including incorporation of a foundation company)	\$800 to \$1,000, note that the registered office provider may also charge a "take-on fee" that could range from an additional \$1,000 to \$2,000
Annual company registration fees	\$855
Annual director fees	Fees vary greatly. Basic holding company may attract fees of a few thousand dollars. Fees will be significantly more for directorships of operating companies or companies in more complex structures.
Fee for appointments in respect of a foundation company	Annual fees of \$5,000 to \$25,000 for appointment as a Qualified Person, but may increase depending on nature of the structure. The role of Secretary of the foundation company may attract annual fees of between \$10,000 and \$30,000, also dependent on the nature of the wider structure.
Trustee fees (annual)	Very basic discretionary trusts may attract fees of a few thousand dollars. Fees increase exponentially depending on structure and extent of trustee's duties. Trustees in family office structures with significant oversight duties can charge annual fees upwards of \$50,000 to \$100,000 and beyond. Take-on fees are usually charged.
Enforcer fees	\$2,500 per annum for a basic STAR Trust. Range varies, and increases generally between \$2,000 and \$5,000 depending on structure.
Investment manager/bank charges/wealth management assistance	All vary hugely depending on institution, portfolio, and extent of mandate.
Legal fees	All quoted on a case by case basis, and dependent on complexity of the structure, the type of trust or other entity being established, and the extent of advice required as to structuring options and bespoke drafting.



PRONTO LUNCH



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