

## The Cyprus International Trust; Ongoing Reporting Obligations & Transparency vs Confidentiality

A Cyprus International Trust is an English common-law based legal vehicle, utilised by high-net-worth individuals for asset protection

By **Katrien de Poorter**, 4th September 2024

### **Introduction to a Trust**

A Trust is a legal relationship recognised by equity. It arises when property (“the Trust Fund”) is transferred by a person (“the Settlor”), to another person or persons (“the Trustees”). The Trustees are obliged to hold this property for the benefit of others (“the Beneficiaries”) and must act at all times in the best interest of the Beneficiaries.

The interests of the Beneficiaries are set out in the instrument creating the Trust, this is known as the Trust Deed. However, it is worth noting that there are other controlling interests which are implied or imposed by law.

Some Trusts may also have a Protector, who has the power to oversee the activities of the Trustees and to provide comfort to the Settlor and/or the Beneficiaries.

A Cyprus International Trust is an English common-law based legal vehicle, utilised by high-net-worth individuals for asset protection, tax planning and wealth management. It provides confidentiality and security, and enjoys the benefits of the republic of Cyprus’ attractive tax system.

### **Requirements for the Creation of a Valid Cyprus International Trust (CIT)**

A CIT, as defined by the Law, must meet the following criteria:

- The Settlor, whether a physical or legal person, must not be a resident of Cyprus during the calendar year, which precedes the year of creation of the Trust;
  
- The Beneficiaries, either physical or legal persons with the exception of a charitable institution, must not be residents of Cyprus during the calendar year, which precedes the year of creation of the Trust;
  
- At least one of the Trustees must be a resident of Cyprus throughout the Trust's existence.

When establishing Trusts in Cyprus, service providers are required to obtain standard Know Your Customer (KYC) documentation including but not limited to, full supporting documentation of the initial Trust property and any assets that will form part of the Trust at any stage. This documentation must also include evidence of the identity, size and source of wealth of the Settlor, the Trustees, the Beneficiaries (or information on the class of Beneficiaries, including the Beneficiaries to whom any distributions have been made pursuant to the Trust), and others associated with the Trust, as well as information on the activities of the Trust, and keep this information available for inspection by the relevant supervisory body on request.

Service providers must put in place adequate arrangements to segregate and account for clients' funds, and they must comply fully with the Anti-Money Laundering (AML) Law. They are subject to continuous monitoring in this regard, and the Cyprus Securities and Exchange Commission (CySEC) may appoint inspectors to investigate their affairs.

Each of the supervisory body for the purposes of the Administrative Service Provider (ASP) Law (CySEC, the Cyprus Bar Association (CBA), and Institute of Certified Public Accountants (ICPAC) of Cyprus) are required to maintain a register of Trusts established by the service providers they regulate containing the following information:

1. the name of the Trust;
2. the name and full address of every Trustee at all relevant times;
3. the date of establishment of the Trust;
4. the date of any change in the law governing the Trust to or from Cyprus law; and
5. the date of termination of the Trust.

Any Cyprus-resident Trustee of a Trust governed by Cyprus law is obliged to notify the relevant supervisory body of the relevant information within 15 days of the creation of

the Trust or the adoption of Cyprus law as the law governing the Trust, as applicable. Subsequent changes in any relevant information, including termination of the Trust or a change in the governing law from Cyprus law, must similarly be notified within 15 days. In the event of termination of the Trust or a change in the governing law from Cyprus law, the register will indicate that the Trust has been terminated and the information on the Trust will be kept for 5 years.

Section 61C of the AML Law provides for the creation of a register specifically for express Trusts and other similar legal arrangements. The Trust Register is maintained and supervised by CySEC. Following the Court of Justice of the European Union (CJEE), access to information submitted to the Beneficial Owner (BO) register was suspended for the general public. The persons listed in Table 1 below shall, in any case, have access to the information concerning the Beneficial Owner(s) through the electronic BO register:

The basic Beneficial Ownership information to be submitted in relation to Trusts and other similar legal arrangements with the register is the following:

name and surname of the Beneficial Owner, including fathers name;

1. date and place of birth;
2. nationality or nationalities;
3. residential address;
4. the number, type and country of issuance of the Beneficial Owners' identification document;
5. date of death (if applicable);
6. the nature and extent of the rights held directly or indirectly by each Beneficial Ownership;
7. the Beneficial Owner's role in the Trust or similar legal arrangement identity of the Settlor;
8. any other information or supporting documents deemed necessary by CySEC for the purpose of identifying Beneficiaries depending on the category of Beneficial Ownership as defined in the relevant sections of the AML Law.

Access to the Beneficial Ownership information is available only to the following persons:

**Competent Supervisory Authorities:** the Central Bank of Cyprus (CBC), the Cyprus Securities and Exchange Commission (CySEC), the Superintendent of Insurance, the Institute of Certified Public Accountants of Cyprus (ICPAC), the Cyprus Bar Association (CBA), the Real Estate Registry Board, the National Betting Authority, The National Authority of Gambling and Casino Supervision, the Tax Commissioner

Without restrictions

**Other Relevant Authorities:** the Unit of combating Money Laundering (MOKAS), the Customs Department, the Tax Department, the Police, the Treasury of the Republic of Cyprus, Audit Office of the Republic of Cyprus, the Internal Audit Service, Directorate General Growth of Ministry of Finance, the European Commission, the European Court of Auditors, the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO)

Without restrictions

<b>Obligated Entities:</b> credit institutions, financial institutions, natural or legal persons acting in the exercise of their professional activities (i.e., auditors, external accountants, tax advisors, notaries and other independent legal professionals and company service providers)	In the context of applying customer due diligence and identification measures have access to the <b>name, month and year of birth, nationality and country of residence</b> of the BO as well as to the <b>nature and extent of the beneficial interest</b>
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Finding the right balance between full transparency in line with compliance requirements and the respect for private life, confidentiality and protection of personal data is an obligation that rests not only on all professional bodies but also on regulators.

### **Our Services**

Dixcart has been providing professional expertise to organisations and individuals for over 50 years.

We are an independent group and are proud of our experienced teams of highly qualified, professional staff who offer international business support services around the world.

Dixcart Management (Cyprus) Limited can assist you in every step of the creation of a Cyprus International Trust (CIT) including:

- Advising clients about the creation of a CIT, including proposing structure ideas for creating and operating a CIT,
  
- Assisting in drafting all required legal documents,
  
- Advising clients and Trustees about issues arising in relation to a CIT, Trustee powers, beneficiary rights and interpretation of Trust deeds.

For further information about establishing a Cyprus International Trust, please contact **Charalambos Pittas** or **Katrien de Poorter** at the Dixcart office in Cyprus: **[advice.cyprus@dixcart.com](mailto:advice.cyprus@dixcart.com)**.