OUR TRUST,
YOUR FUTURE

STM GROUP PLC
I hope this short booklet on the role and responsibilities of “trustees” helps you to better understand the concept of a “trust” and how trusts can help to safeguard your capital. STM Group provides trusts from Gibraltar, Malta, and Jersey. Whilst size, solidarity, and reputation of your trustee are important, it is personal service and responsiveness which matter to our individual clients. If you decide to appoint STM as your trustee, we will assign one of our highly qualified and experienced trust officers to you. He or she will get to know your family and understand your financial affairs and aspirations, as a basis for a long-term relationship.

STM Group is independent of any other financial institution. This is underpinned by our status as a public company, listed on the Alternative Investment Market of the London Stock Exchange. This means we are free to choose the bank(s) and investment manager(s) which match your, your family’s, and your trusted adviser’s objectives. If you or your professional adviser would like to arrange a no obligation chat with one of our trust officers, please refer to the contact details provided on the back cover of this brochure.

ALAN KENTISH
Chief Executive Officer
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This booklet is published only as a basis for discussion between clients or potential clients, their professional advisers and STM Group. The information herein is of a general nature and should not be treated as tax, legal or other advice. Every client’s circumstances differ and you should take specific advice from a professional before acting.

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A Trust is not a separate legal entity like a company, but is an arrangement between the parties, recognised and protected by law.

A trust is a legal arrangement or relationship under which a person (an individual or a company), known as the “settlor”, transfers assets, referred to as the “trust fund”, to another person, known as the “trustee” to hold and manage for the benefit of others, chosen by the settlor, called the “beneficiaries”. The transfer, sometimes termed a settlement, is technically a gift.

The trust deed names the beneficiaries and describes when benefits may be paid, how much and under what conditions. The trustee’s duties and powers are also described in the deed.

A trust can be settled by an individual during his/her lifetime or can result from the terms of his/her Will, on death. The terms of a trust deed can be very flexible and will be drafted to meet the objectives of the trust (see page 6 – The different types of trusts).

**SIMPLE TRUST ARRANGEMENT**

Shown above is a typical trust arrangement, where the settlor has transferred cash, some shares and a house, instructing the trustees to hold the assets for the benefit of beneficiaries A and B, who might be children and not old enough to administer the assets themselves. It would be good practice to ring-fence real estate assets within a company whose shares can then be owned by the trustees as part of the trust fund. This serves to protect this kind of asset by segregation.
WHAT ARE THE BENEFITS OF A TRUST?

CONFIDENTIALITY
The trust fund assets are registered in the name of the trustee(s) (as “legal owner”), so that the identities and entitlements of the beneficiaries remain confidential, until assets are distributed to them.

CONTROL OF ASSETS BEYOND THE GRAVE
Trusts are frequently used to determine who will receive income or assets after the settlor’s death, e.g., “I wish all my assets to be held for the benefit of my wife during her lifetime and on her death to be distributed to my three children in equal shares.”

PROTECTION OF CHILDREN / GRANDCHILDREN
Grandparents and parents may want to give or leave money to ensure their (grand) children are adequately provided for, housed, and educated. However, some children may not yet be old enough to shoulder the responsibility of managing what may be substantial wealth (or are in danger of falling prey to “gold diggers”). By transferring funds/assets into a trust during the (grand) parent’s life or under the terms of their Will, on death, they can be sure that the inheritance is safeguarded and managed wisely, until the beneficiaries are ready to take control.

PROVISION FOR THE DISABLED
Some disabilities are so serious that third parties need to be appointed to look after the affairs of the disabled. A professional trustee can manage a fund (for the life of the beneficiary), where family members cannot or where there is concern about continuity.

TAX PLANNING
A trust may, in certain circumstances, help to reduce tax liabilities. Assets held on trust may not be treated as part of a deceased person’s estate, so they can be particularly useful for inheritance tax planning. However, taxation is a complicated area so you should always seek professional advice.

ASSET PROTECTION
Assets transferred to a trustee may be protected against the claims of future creditors, providing the settlor is solvent at the time of making the settlement.

CONSOLIDATED ASSET MANAGEMENT
Trusts can be a convenient single “wrapper”, holding, managing, and accounting for a very diverse portfolio of assets and providing regular, consolidated financial reports.

PHILANTHROPY
Wealthy families are increasingly setting up their own charitable trusts to benefit social and environmental causes in which they have a particular interest.
THE DIFFERENT TYPES OF TRUSTS

There are many different kinds of trust to cater for the huge variety of circumstances in which they are useful.

Most trusts fall into one of three basic categories:

**FIXED INTEREST TRUST**
Is one where the settlor decides exactly what proportion of the assets, capital gains, and income each of the named beneficiaries will receive and when. A fixed interest trust gives the trustees no choice over who receives benefit from the trust or when, but they still have responsibility for protecting and investing the trust fund.

Examples of a fixed trust might be:

**Trust for a minor – example:**
“School/university fees to be paid for Andrew and Barbara until they reach the age of 23, when the trust fund becomes theirs absolutely, in equal parts.”

**Life interest – example:**
“I wish all income arising within the trust to be paid to my widow, and on her death the trust fund to be distributed 25% to the Royal National Lifeboat Institution and 75% to the Home of Rest for Old Horses.”

**DISCRETIONARY TRUST**
The trust deed gives the trustees discretion as to whom should benefit from the trust fund, how much they should receive and when. In some cases, the trustees’ discretion is limited by the settlor inserting a “class” of potential beneficiaries in the trust deed: example: “beneficiaries means any descendent of Charles Dibbley, who died in 1941” or “any member of the Ely football club”. A settlor drawing up a letter of wishes is not contingent on there being no class of beneficiaries. It is normal for the trustees to ask the settlor to summarise his wishes in a “letter of wishes”, which is not part of the trust deed and can be withdrawn and modified by him/her as circumstances change and provide a set of guidelines that can assist the trustees in the exercise of their discretions.
POWER OF APPOINTMENT TRUST

This is a hybrid between a fixed interest and a discretionary trust. The income beneficiaries and their entitlements are defined. When these entitlements come to an end, the settlor can recommend to the trustees, at that time, to whom and in what proportions the trust fund assets should be distributed. The tax authorities in your country of residence may categorise trusts differently to the above mentioned trusts. For instance, in the UK HMRC use such terms as “an interest in possession trust” meaning any trust where a beneficiary has a legal right to the trust’s income, as it arises. They also use the term “settlor-interested trust”, where the settlor has retained an interest in the assets transferred to the trust, e.g. a settlor transfers the freehold of his house to trustees, but continues to live in it without paying an arm’s-length rent.

OTHER TYPES OF TRUST

CHARITABLE TRUSTS
ASSET PROTECTION TRUSTS
EMPLOYEE BENEFIT TRUSTS
ARE ALL TRUSTS UNIVERSALLY RECOGNISED?

The concept and recognition of the trust is gradually spreading throughout the world.
The law of trusts was first developed in the Middle Ages during the time of the Crusades

Trusts are widely considered to be one of the most innovative contributions to the English legal system and play a significant role in all common law systems (i.e. in those countries which base their legal systems on English law, including the USA and most Commonwealth countries).

In fact, the success of the trust concept has led some civil law jurisdictions to include trusts, or arrangements approximating trusts, into their civil codes.

In 1985, a first step was taken to establish common provisions throughout the world on the law applicable to trusts and to deal with the most important issues concerning the recognition of trusts, through agreement of the Hague Convention on the Law Applicable to Trusts and on their Recognition, which entered force on 1st January 1992.

Italy, Luxembourg, Switzerland, and France have ratified the Convention. Amongst others, Argentina enacted provisions in 1994, the Ley de Fideicomisos, which recognised a type of trust contract and defined the rights and responsibilities of the parties. In 2001, China adopted a Presidential Order entitled “Trust Law of the People’s Republic of China”.

At that time, common law deemed property to be indivisible due to the influence of Roman and civil law. In order to crusade in the Holy Land, Crusaders transferred legal title to their lands to a “trustee” that would “manage” their estates during their absence. Upon their return, the Court of Chancery would attend to the Crusaders’ petitions to have their assets returned when the trustee refused to honour their word to do so. This gave way to the creation of the law of equity, an essential ingredient of today’s trusts under common law.

The treatment of trusts varies from country to country. Add to this the wide variety of personal circumstances of both the settlor and beneficiary, and it becomes imperative to take advice from a lawyer or trust expert in your country of residence. Will a trust settled by you be legally recognised? By transferring assets into a trust, will you contravene fixed inheritance rights in the appropriate Civil Code, which may apply to you and your family?
WHERE SHOULD I SET UP MY TRUST?

Trusts can be established in any country where the legal system is based on common law or where the concept of the trust has been imported into local law.

In these places, if there is any dispute, the settlor and the beneficiaries can appeal to the local courts to settle the matter.

Gibraltar, Malta, and Jersey all have trust laws. In addition, the courts of these jurisdictions can look to a well understood body of international case law for precedents.

An important consideration, when choosing a location, is the tax treatment of trusts and trustees. Most trusts, settled by expatriates, are located in countries where there is either no income or capital gains tax or where trusts settled by non-residents for the benefit of non-residents are specifically exempt from tax. Examples are Gibraltar, Malta, and Jersey.

It is likely that the settlor and the beneficiaries will want to stay in regular touch and may want to meet with the trustees. The trust should be located in a finance centre with good communications, both digital and physical, with the country of residence of the interested parties.

Finally, it is important that professional trustees should be subject to strict regulation by the local Financial Services Authority or Commission.
WHO CAN ACT AS A TRUSTEE & WHAT ARE THEIR RESPONSIBILITIES?

Many people see being a trustee as a formality, but this is not the case. The role carries with it a high level of responsibility and requires a thorough knowledge of trust law and practice. Choosing who to appoint as a trustee may be one of the most important financial decisions you will make.

Most people setting up a trust decide to use a professional trustee in whichever location they have chosen as most suitable. A professional trustee is an individual or, more normally, a company, with staff qualified in trust matters who offer trustee services for a fee. The professional qualification for trust practitioners worldwide is Trust and Estate Practitioner (“TEP”) – see www.step.org.

Appointing a corporate trustee means that the management of your trust is not dependent on individuals who may die unexpectedly, or whose circumstances may change, so they are unable to carry out their duties. As the assets in the trust are registered in the names of the trustees, a change of trustee can be time-consuming, expensive, and disruptive.

In all reputable finance centres, professional trustees are required, by law, to be regulated by the local Financial Services Authority or Commission. You can normally check that the trust company which you are dealing with is licensed by looking at the “regulated entities” section of the local FSC/FSA’s website.

Licensing is necessary to protect the public and the reputation of the finance centre. Regulators will only issue licences to trust companies where:

- persons associated with the licensed entity are “fit and proper persons” to carry on the business (this involves in-depth checks by the authorities into the applicant’s past activities)
- the trust company meets the minimum requirements as to resources (solvency capital, premises, management, and staff)
- they are satisfied with the manner in which the business is organised, including the systems of control, record keeping, and the clear separation of trust assets from the trust company’s own assets
- they are satisfied with the level of practical experience of the persons who effectively control the business and the continuing professional development of the staff
- the trust company is independently audited, by an approved audit firm
- they are satisfied with the adequacy of professional indemnity (negligence) insurance cover

Trustees are frequently engaged to protect the interests of investors or lenders, particularly in the case of unit trusts and syndicated loans. Investors/lenders usually require an independent, impartial, and professional custodian to hold assets as security for their investment/loan. Trustees also frequently act as “escrow agents”, holding funds in commercial transactions, until the other side has performed in accordance with the contract terms.

The most important aspect of all is that your relationship with your trustees should result in peace of mind given that they will always act in the best interest of the beneficiaries and the trust fund.
HOW DOES A TRUST WORK IN PRACTICE AND WHAT SORT OF COSTS ARE INVOLVED?

No one sets up a trust structure for its own sake. Your financial adviser will tell you whether it could be appropriate for you.

STM Group’s professional trustees are happy to work with your personal, legal, and tax advisers to ensure that your trust meets, as closely as is possible, your aspirations. As with all financial institutions, we will need to undertake due diligence/know your client procedures before setting up a trust, which will include understanding the source of the funds which you intend to transfer in.

Once you have set up your trust, STM Group will assign to you an experienced client relationship manager (“CRM”), who will have a thorough understanding of the trust and its purpose. Your CRM will be happy to talk to you at any time, during office hours, about both the trust and the assets which the trustees hold. You will also be introduced to a director of the trust company, who actively monitors all transactions (the “four-eyes process”) and whom you can contact, should you want to discuss strategic matters or any possible changes to your trust (subject to the terms) or letter of wishes.

All professional trustees charge fees which reflect the level of their responsibility and the nature and amount of work involved. Fee scales vary from country to country depending on the local cost base. Your chosen STM professional trustee company will be pleased to provide an illustration of the likely fees, based on our understanding of your specific needs.

If you do not have independent financial advisers, STM has the capability to advise you on financial structuring that suits your circumstances.
THE FIRST STEP IN SETTING UP A TRUST IS TO TAKE ADVICE ON:

- what type of trust best suits your circumstances
- who you want to benefit from the trust, to what extent, and when. Will you want flexibility to change your wishes as your family’s circumstances change?
- where the trust is best located for ease of communication
- if you are from a civil law country, will forced inheritance rights apply (i.e. the right of your children and spouse to fixed shares of your estate)?
- what are the tax implications of transferring assets into a trust? For instance, if you have held the assets for a long time, you may be subject to tax on any capital gain since you acquired them (a transfer into a trust is usually treated as a disposal to a third party)
- what are the ongoing tax implications for both you as settlor, the trustee during the life of the trust, and for the beneficiaries?
OUR TRUST, YOUR FUTURE
WHY CHOOSE STM GROUP AS YOUR TRUSTEE?

For over 25 years STM Group PLC, a multi-jurisdictional financial services group listed on the Alternative Investment Market of the London Stock Exchange, has provided independent fiduciary services and asset structuring to high-net-worth individuals and corporate institutions.

A CHOICE OF LOCATIONS, A RANGE OF SERVICES
The Group is large enough to provide a wide range of financial services through STM subsidiaries in a number of financial centres, but small enough to maintain a personal and flexible relationship with clients. We see our clients as people and families, not file numbers. We can currently provide trustee services through our subsidiaries in Gibraltar, Malta, and Jersey.

OBJECTIVITY
As professional trustees, in order to discharge our duties, it is essential to be objective at all times. This objectivity ensures that we always arrive at the best possible solution for the trust fund and its beneficiaries.

INDEPENDENCE, MEANING NO CONFLICT OF INTEREST
STM Group is independent of and has no affiliation with any other institution. No part of the group offers investment advice. So, as trustees, we do not have a conflict of interest, but are free to decide which investment managers best meet the needs of the beneficiaries and the wishes of the settlor.

KNOWLEDGE, SKILL AND EXPERIENCE
The directors and client relationship managers, who work in our trustee subsidiaries, are very experienced (some have been employed in the trust sector for more than 30 years). Most are professionally qualified, either as trust and estate practitioners or chartered accountants.

A “CAN DO” APPROACH WITH A MINIMUM OF JARGON
Our aim is to simplify, as far as we can, a complicated area of the law and to provide benefit. We realise that without continually adding value through the trustee relationship, we will lose your business. We are pleased to say that a high proportion of our new clients result from referrals from existing clients.

VALUE FOR MONEY
Unlike many professional trustees (especially those related to banks), our trustee’s fees are based on the level of our responsibility and activity, not an annuity income based on the value of the underlying assets.

Find out more about OUR TRUST SERVICES: www.stmgroupplc.com