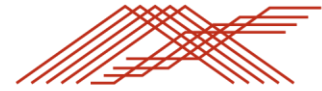


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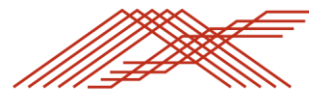


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The Cyprus International Trust

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1.0 Introduction

In 1992, Cyprus enacted the International Trusts Law (Law 69(I) of 1992 as amended by Law 20(I)/2012). This was done to update and modernize the law and establish Cyprus as an offshore and financial center and a serious trusts jurisdiction.

The International Trusts Law of Cyprus builds on the well established English principles of equity and trusts and has created one of the most attractive trusts legal framework in the world. The 1992 Law as amended, ensures that settlors and beneficiaries enjoy the highest possible degree of protection.

A trust arrangement entails the following:

- a) An obligation on the holder of property (the “trustee”)
- b) To manage that property (the “trust property”)
- c) For the benefit of another (the “beneficiary”).

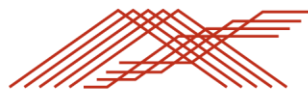
The legal title to the trust property is vested in the trustee by its previous owner (the “settlor”) and the trust property is managed by the trustee in accordance with the instructions of the settlor, which are usually given in writing or expressed in a trust deed (the “trust instrument”). The settlor can be either a natural or legal person. The instructions may also be oral. It is of utmost importance to note that although the trustee has legal ownership of the trust property, it does not belong to him. The beneficial owner/s of the trust property is/are the beneficiary/ies and the trust property is only available to them.

For a valid trust to be created, the following formal requirements should be met.

- a) **Comply with the residency requirements of the International Trusts Law**
- b) **The following three certainties must be present:**
 - 1. Certainty of intention – there must be evidence of the *express intention* of the settlor to create the trust. This is usually evidenced by the trust instrument (it is possible to have orally created trusts);
 - 2. Certainty of subject matter –the *assets* that are to become the trust property must be readily identifiable, i.e. money, property, shares etc;
 - 3. Certainty of objects –the identity of all the *intended beneficiaries* of the trust must be ascertained or ascertainable at the time of setting up the trust.

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- c) Provide the information related to the Trustees to the relevant competent authority as per the September amendment to the law;
- d) if the Cyprus International Trust is created by a will, the formal requirements indicated in the relevant law on wills must be complied with;
- e) Payment of stamp duty of €430;

2.0 The International Trusts Law of Cyprus

The Cyprus International Trust is a trust:

- (a) Whereby the Settlor is not a tax resident of Cyprus during the year preceding the year in which the trust was formed. There is no longer any prohibition on settlors relocating to Cyprus after the establishment of the CIT;
- (b) Beneficiaries may also relocate to Cyprus after a year following the trust creation.
- (c) The trust property can include all kinds of assets situated anywhere in the world and it can comprise of real estate property located in Cyprus;
- (d) At least one of the trustees must be a resident of Cyprus during the whole duration of the trust; In the case the settlor wants to appoint a Trustee who has his resident outside of Cyprus then he must appoint a second trustee who is resident in Cyprus.

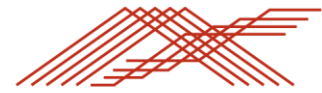
The term 'resident of the Republic of Cyprus' has the same meaning as under the Income Tax Laws of Cyprus i.e. a physical person is considered as a resident in Cyprus if he /she resides in Cyprus for a period which exceeds in aggregate 183 (One Hundred Eighty Three) days in any calendar year. A company is considered as resident of Cyprus provided its management and control is exercised in the Republic of Cyprus.

The amending Law clarifies that within this tripartite relationship the Settlor, or the Trustee or any one or more of the Beneficiaries may now be a partnership of a company.

Moreover, the notion of the Trustee has now been clarified to include those who hold the trust in favour of the beneficiary irrespectively if the Trustee is also the beneficiary and/or for any purpose, which is not solely for the benefit of the Trustee.

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Duration of the CIT

The 2012 Law abolishes all restrictions on the duration of the trusts. The International trust that was established during or after the entry into force of the 2012 Law has no limit on the period over which an international trust may continue to be valid and enforceable. Moreover, excluding express terms of the trust to the contrary, no concession, distribution, payment, holding or disposal of the income or capital of the trust to another trust is invalidated merely by reason that the other trust continues to be valid and enforceable after the date on which the first trust ceased to exist. The perpetuity rules do not apply in the case of charitable or purpose trusts which may continue indefinitely.

Validity of the Trust and Asset Protection Planning

The International Trust is irrevocable unless a specific power of revocation is reserved in it and cannot be set aside by the settlor's creditors unless and to the extent that the creditors can show that the trust was made with the intent to defraud them. The burden of proof of such intent lies with the creditors and an action against the trustees to avoid the trust, on grounds of fraud, must be brought within two years from the date when the relevant transfer or disposition of assets is made to the trust.

Section 3 of the Law allows the Cyprus trust to be used as an asset protection vehicle.

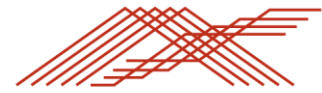
S3(a) A Cyprus non-resident of full age and capacity who sets up a Cyprus International trust is deemed as having the capacity to transfer property. The section goes on to provide that no foreign law relating to inheritance or succession shall be capable to invalidate the trust or affect any transfer relating to the creation of the trust.

S3(b) The Cyprus International Trust is not void or voidable in the case of the settlor becoming bankrupt or insolvent. This provision will not apply if the court is satisfied that the trust was set up specifically for the purpose of defrauding the creditors of the settlor at the time of setting up the trust. The law will also not apply where there were claims on the assets prior to the creation of the trust.

A consideration could be whether, at the time of setting up the trust, the settlor had sufficient property to meet all his liabilities, other than the trust property. If this test is met and provided that the settlor did not anticipate bankruptcy at the time of setting up the trust then the intention to defraud cannot be proven. The burden to prove is on the person alleging the fraud. It must be the creditor and not any other party that was defrauded. No

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definition of creditor is provided in the Law and this remains a question of fact and interpretation by the courts.

S3(c) Provides that any claim under S3(b) above must be filed within a two year period from the date of transfer or disposition of the property to the trust.

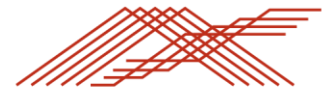
Reserved Powers of the Settlor

When relinquishing control to the trustees while setting up a trust, the settlor may reserve for himself powers specifically drafted into the trust instrument. A new section (s.4A) was introduced in the Cyprus International Trust law clarifying that “Notwithstanding the provisions of any other law or regulation, the retention or granting or disposition to a settlor of an International Trust of any right or interest in the assets of the trust or any of the powers provided in the subsection 2, whether retained or given to the settlor in his capacity as a protector or inspector for the application of the trust or otherwise, shall not in any way affect the validity of the trust or delay the execution of the trust”. The powers referred in subsection 2 under S4 are the following:-

- (a) To revoke, vary or amend the terms of a trust;
- (b) To advance, appoint, pay or otherwise apply income or capital of the trust assets or to give directions therefor;
- (c) To act as, or to give binding directions as to the appointment or removal of a director or officer of any company wholly or partly owned by the trust;
- (d) To give binding directions to the trustee in connection with the purchase, retention, sale, management, lending, pledging or charging of the trust assets;
- (e) To appoint or remove any trustee, enforcer, protector or beneficiary; (f) To appoint or remove any investment manager or investment adviser;
- (g) To change the proper law of the trust or the forum of administration of the trust;
- (h) To restrict the exercise of any power or discretions of a trustee by requiring that they shall only be exercisable with the consent of the settlor;

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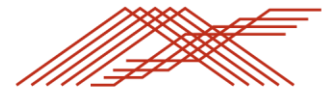
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In exercising these powers, the settlor will not be deemed to be acting in breach of the trust. Where a power as above has been reserved by the settlor or conferred on him in his capacity as protector or enforcer, no intention to defraud may be imputed to the settlor.

Similar provisions to those contained in section 4A are to be found in the laws of other trust jurisdictions, such as the BVI, Guernsey, Jersey, Cayman Islands, Nevis and Bahamas. Although the power to remove and appoint trustees is included in s.4A(2) the lawyer who will be responsible for the drafting of the trust instrument should have regard to Article 2 of the Hague Trusts Convention which provides that 'the reservation by the settlor of certain rights and powers is not necessarily inconsistent with the existence of a trust'.

Further, international case law 8 indicates that, if a settlor is to choose a power which he should not reserve for himself that would be the power to remove and appoint trustees.

Mention must also be made to the well-known Jersey case of Rahman v. Chase Bank where the Jersey Court held that, although the trust deed purported to give the trustees discretion over the trust property, the settlor had given directions to the trustees which they had slavishly followed. The trustees were therefore found to be no more than the settlor's nominees and the assets were in effect available to the settlor's heirs.



3.0 Types of Trusts

Trusts are divided in the following main categories:

3.1 Private Trusts

- a) Expressly created by the settlor.
- b) Can be created by deed, in writing, by will and, with some exceptions, orally.
- c) The intention of the settlor must be made absolutely clear. The three certainties listed in paragraph 1 above must be present. The beneficiaries have enforcement powers in respect of the trust.

3.1.1 Express Private Trusts

Express trusts are, as their name suggests, expressly created by the settlor. They can be created by deed, in writing, by will and, with some exceptions, orally. The intention of the settlor must be made absolutely clear. The three certainties listed in paragraph 1 above must be present.

3.1.2 Resulting Trusts

Resulting trusts arise from the implied, rather than the express intention of the settlor. This intention can be inferred by the way the settlor acts or behaves.

3.1.3 Constructive Trusts

They are imposed by law independently of what anyone intended.

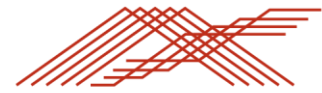
An example of a constructive trust would be where A gives money to B to hold for C. If B then gives the money to D and D knows that B was holding the money for C, then D will be construed as to also hold the money on trust for C. These are trusts that arise from the implied intention of the settlor and will either be resulting or constructive trusts.

3.1.4 Implied Trusts

These are trusts that arise from the implied intention of the settlor and will either be resulting or constructive trusts.

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3.2 Charitable Trusts

There is no legal definition of what constitutes a charity. Usually a trust that is set up for the relief of poverty, the advancement of education or religion or any other purpose that is beneficial to the community is considered to be a charitable trust. In particular they are set up for certain public purposes. They are enforced at the suit of the Attorney General acting on behalf of the state. It is possible to set up an international charitable trust in Cyprus under the International Trusts Law.

3.3 Fixed Trusts

These are trusts where the share or interest of the beneficiaries in the trust property is specified by the settlor.

3.4 Discretionary Trusts

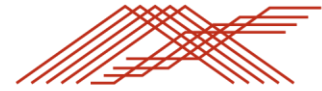
These are trusts where the trustees may, at their discretion determine what share or interest of the trust property should go to each member of a class of beneficiaries.

Although the various types of trust vary in complexity, the common feature or basic Structure is as follows:

1. The Settlor is the person who creates the trust; he is the owner of the initial property placed under trust; he has the assets and places the same into the trust.
2. The Trustee/s is the person/s (individual or company) who agree/s to hold the trust assets (the 'trust assets) in its/their name for the benefit of the Beneficiary/ies under the terms of the trust.
3. The Trustee has the legal title to the trust assets whereas the Beneficiary has beneficial or equitable title to the trust assets. Save in cases of bare trusts the Beneficiary is usually unable to have a say in the management of the trust property or the termination of the trust.
4. The Protector (is not compulsory but if appointed, it) is the person that has the power to restrict key powers of the trustee, such as the power to add beneficiaries to the trust.

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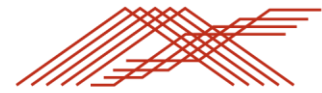
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5. The Enforcer (could be the Protector) is the person or persons whose duty is to enforce an international trust for a non-charitable purpose in accordance with the CIT

A trust may be created by the owner of property upon his death, by a testamentary disposition of the property into the trust accompanied by a letter or wishes but it is more appropriate and common that the trust is created during the lifetime of the owner of the property by a trust instrument/deed. A trust created through a testamentary disposition would not avoid inheritance laws or taxes where applicable, whereas a disposition of the trust property during the Settlor's lifetime avoids such problems.

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4.0 Trustees

Appointment and Discharge of Trustees

Trustees are appointed by the settlor. There are no rules as to how many trustees should be appointed in respect of each trust although it is advisable to appoint more than one trustee. A trustee does not have to accept the appointment and may refuse to act as trustee either expressly or by implication.

If none of the appointed trustees of a particular trust accept the appointment, then the trust property will revert by resulting trust back to the settlor or his personal representatives. Under the 1955 Trustees Law, the courts may in certain cases discharge or replace trustees and appoint new ones.

Trustees' Main Duties

- a) to administer the trust property prudently; and
- b) to comply strictly with the terms of the trust.

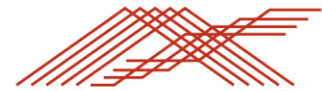
The general rule is that the trustees do not have the power to vary the terms of the trust under any circumstances. The only case when they may vary the trust is when all the beneficiaries are of full age and capacity. The beneficiaries can then authorise the trustees to deal with the trust property in a different manner to that specified in the trust instrument.

In trusts where the beneficiaries belong to certain specific classes (i.e. unsound of mind, incapacitated, infant) the court may vary the terms of the trust if satisfied that the variation is in the best interests of the beneficiary. The trustees in their private lives may not act in any way that brings them in conflict with their duties as trustees. They are also not allowed to make any profit from their position as trustees unless they are expressly authorised by the trust instrument. Also, with some limited exceptions, they may not delegate their duties. The exceptions provided for in the law include the right to employ a solicitor, a banker etc.

Under section 8 of the Law, the trustees of an International Trust have extensive investment powers, which ensure, that the Trustee is capable of performing his tasks. Some of the most important powers are: to make capital distribution, to borrow, to guarantee, to

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mortgage, to employ, to invest/lend money, to make payments for/on behalf of beneficiaries as well as to advance money to another trust.

Pursuant to the amended section 8, by virtue of the 2012 Law, the powers of trustees have been extended even further; namely with the amendments the Trustee may hold, maintain or invest in movable and immovable property in Cyprus and abroad, including shares in companies incorporated in Cyprus.

Trustees' Liabilities

Any action taken by the trustee that is in excess of their powers or contravenes the terms of the trust instrument is a "breach of trust" and the trustee is personally liable for the full extent of any loss incurred as a result of such a breach.

Trustee services

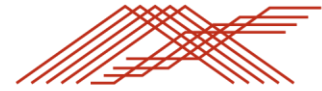
They manage the trust property and follow the settlor's wishes as expressed to them in the letter of wishes.

Costs

There are no stamp duties on the settlement of the property in a Cyprus trust. A stamp duty of euro €430 is payable on the creation of an international trust.

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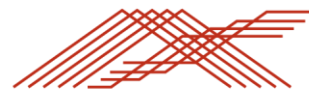
5.0 Beneficiaries

The beneficiaries have the right to enjoy their interest in the trust property. In the case of breach of a private trust, the beneficiaries may bring an action in court to force the trustees to administer the trust property in accordance with the terms of the trust. The following actions are available to them:

1. They may pursue a personal action against the trustees;
2. They may be able to follow the trust property itself or to claim anything into which it has been converted. This is an equitable claim and the beneficiaries may try to trace the trust moneys even where the trustee has mixed it with his own money. The beneficiaries are held to have a first charge on the traced assets. But there are limitations to this as the tracing must end where
 - i) no traceable product can be found,
 - ii) or where the trust is traced in a bona fide purchaser without notice of the trust,
 - iii) or they may be able to institute criminal proceedings against the trustees.

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6.0 Cyprus International Trust Benefits:

A. Tax benefits

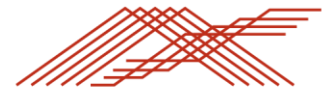
- a. Income, gains and profits from non-Cyprus sources are exempt from income tax, capital gains tax, special defence contribution or any other taxes in Cyprus.
- b. Worldwide income, profit and gains are taxable in Cyprus only where the beneficiary is a Cyprus tax resident; beneficiaries who are non-residents of Cyprus are taxed only on Cyprus sourced income in accordance with the Cyprus income tax laws.
- c. Dividends, interest or royalties received by a CIT from a Cyprus international business company are not taxable and not subject to any withholding tax.
- d. Trust capital received in Cyprus by a foreigner resident or retired in Cyprus from trusts not resident in Cyprus is not taxable on the trustee.
- e. There is no estate duty or inheritance tax in Cyprus.
- f. The CIT may be used to distribute untaxed income in Cyprus to the beneficiaries, that is to say, family members.
- g. Pre-migration: persons who have the intention to migrate to a high tax jurisdiction may obtain tax advantages in their new country by protecting assets in a CIT in

B. Asset Protection

- a) The CIT may be used to protect assets from risks arising in tort, contract or otherwise in relation to transactions entered into by the Settlor. Types of claims may include negligence, breach of contract, claims of spouses or former spouses, expropriation, breach of statutory duty and so on.
- b) A CIT or a transfer of trust assets may only be set aside by the settlor's creditors to the extent that it is proven to the satisfaction of the court that it (the CIT) was made with the intent to defraud creditors. The burden of proof is on the creditors who must prove that the CIT was made with intent to defraud them and that they were creditors at the time of the making of the CIT. An action must be brought within a period of two years from the date when the transfer or

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disposal of assets was made by the settlor to the CIT and only with regard to those assets and not any assets transferred earlier.

C. Confidentiality and reporting

- a) Registration of the CIT is optional and therefore confidentiality is safeguarded.
- b) There are no reporting requirements in Cyprus for the CITs.
- c) The trust may hold shares of a Cyprus company with Cypriot nominee shareholders who will hold the shares of the company for the real owner, i.e. the

D. Complicated family structures/managing family wealth/estate planning

- a. The CIT is ideal for high net-worth individuals with somehow complicated family structures, like for instance, divorced spouses and children from different
- b. Because of the economic crisis managing family wealth by means of a CIT has gained great importance because of the way families wish to distribute property.

E. No exchange control regulations are applicable to the CIT.

F. The CIT duration can be indefinite.

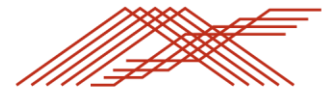
G. The Cyprus law is the proper law of the CIT.

a. If the chosen law of the CIT is the law of Cyprus, then Cyprus is under an obligation to protect that trust. All questions relating to CITs are to be determined in accordance with the laws of Cyprus without reference to the law of any other jurisdiction. This protects against the application of foreign laws such as forced heirship laws. It further provides for greater control, protection and security over the CIT.

b. The new legislation specifies that the CIT or the disposition of trust assets will not be void or voidable or capable of being set aside or be subject to any implied terms and in no circumstances will the capability of the settlor, the trustee, the protector or the beneficiary be subjected to any obligations or be questioned. When the CIT contains a choice of law clause in favour of Cyprus law, the provisions of the CIT law will be applicable irrespective of any other conflict of law provisions in force in Cyprus. This is a fundamental rule which must be abided by as a matter of public

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H. The trust instrument is subject to stamp duty only in the amount of EUR430.

Cyprus has become a popular trust jurisdiction because of the:

- Complete tax exemptions;
- Short limitation period (two years) for challenging a trust;
- No need for any kind of registration;
- Complete confidentiality;
- Low cost of establishment and administration;
- Availability of competent professional trustees;
- Flexibility in adopting foreign law.

Examples of Cyprus International Trust uses

i) As a vehicle for management of funds

Investment Trust Funds, Banks etc may through the use of a Cyprus International Trust and a Cyprus International Business Company that acts as a Trustee manage funds on behalf of their Clients.

ii) As a vehicle of holding property which cannot personally be held

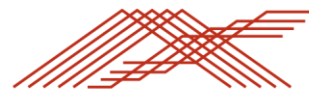
A minor may not be able to hold property in his own name but a Trustee can often hold and manage it on its behalf until its maturity in order to take the control.

iii) As a vehicle of establishing collective investment

A Cyprus International Trust can be used as a vehicle by several persons to make joint investments. The trust can provide the basis of their co-operation and can regulate their relationships and the sharing of the financial results of their joint venture.

iv) As a vehicle of protection against high taxation

For Clients/Settlors residing in high taxation jurisdictions it is possible to minimize their taxation on income or wealth by transferring their property to a Cyprus International Trust in order to be able to take advantage – (as under a proper tax structure)- of the beneficial extensive double taxation network of Cyprus and the non-taxability of any income of the trust in Cyprus.



v) As a vehicle of protection against spendthrift beneficiaries

The Cyprus International Trust can be used as vehicle of protecting family fortunes for future generations by safeguarding capital and avoid it being frittered away by spendthrift beneficiaries.

vi) As a vehicle of managing profit sharing & pension schemes

Through the use of a Cyprus International Trust, Companies can provide pension schemes benefit plans and profit sharing arrangements declaring their employees as one class of beneficiaries. The Trust provides a most effective method of grouping and sharing benefits and it has also the additional advantage of being able to cover any specific circumstance.

vii) As a vehicle of investing in business overseas

A Client who wishes to invest in business overseas but wishes to ensure that the profits and dividends are not remitted to the country of his residence, may establish a Cyprus International trust in order to use it as a vehicle for his investment.

viii) As a vehicle of asset protection

By establishing a Cyprus International Trust, a Client/Settlor can protect his assets against possible expropriation laws, future claims of Governments, claims from creditors, law suits or international blocking or freezing regulations in his home country.

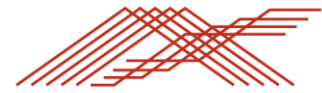
In addition assets can be transferred to a Cyprus International Trust to protect the interests of a beneficiary e.g. sheltering the Inheritance of a daughter from claims in case of divorce or from the disposal of same by the son in law.

ix) As a vehicle of promoting causes and charities

Through the establishment of a Cyprus International Trust a Client/Settlor can provide for a charity, promote a religious or artistic cause or establish a foundation to support a worthy project.

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7.0 Registration

Amendments after 2013 affecting Cyprus International Trusts

As part of maintaining an attractive trust jurisdiction and at the same time remaining compliant with European Law and anti-money laundering laws and regulations the Cyprus Parliament has passed laws amending the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 and the International Trusts Law of 1992 to 2012.

Trust Registry

The main amendment which clients need to be aware of is the creation of a Trust Registries which will be maintained by 3 Cyprus regulatory authorities; namely the Cyprus Securities and Exchange Commission, the Cyprus Bar Association and the Cyprus Association of Certified Accountants.

For the purposes of ensuring that such information contained in the Trust Registries remains confidential, only the 3 abovementioned authorities will have access to such information and will not be made publicly available in under any circumstance.

What information must be provided to the Trust Registry

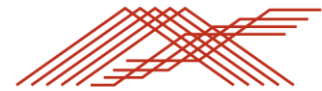
1. The name of the Cyprus International Trust;
2. The name and the full address of the Trustee or Trustees of the Cyprus International Trust at all relevant times;
3. The date when the Cyprus International Trust was established;
4. The date of any change in the governing law to the Cyprus International Trust occurred;
5. The date of termination of the Cyprus International Trust.

What details need to be verified?

As per art.7 of the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 Persons providing services of management and administration to trusts are obliged to verify the details and the true identity of the beneficial owners of trusts, including the following categories:

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1. Trustees;
2. Settlers;
3. Beneficiaries or class of beneficiaries;
4. Protectors, if any;
5. Investment consultants, accountants, tax consultants, if any;
6. Activities of the trust;
7. Any other person that exercises the effective control on the trust.

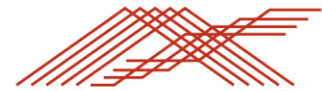
As the Cyprus International Trust must have at least one (1) Cyprus-resident Trustee, it will be the responsibility of that Trustee to notify the relevant competent authority fifteen (15) days after the creation of the Cyprus International Trust or in case where Cyprus law becomes the governing law of the Trust. Any amendment that follows must also be notified to the competent authority not later than fifteen (15) days of such amendment.

How long will the information be kept on the Trust Register after the termination of a Cyprus International Trust?

The information will remain in the Trust Register for a term not exceeding 5 years after the termination of the Cyprus International Trust.

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8.0 Our services

We advise the client on the creation, management, administration and termination of the trust in accordance with the settlor's wishes

We advise clients and trustees about issues arising in relation to a CIT, trustee powers, beneficiary rights

We advise on the draft and set up of the trust including the draft of all the required legal documents in accordance with your instructions

Setting it up only requires a few days. A stamp duty is payable at the rate of €430 when setting up the CIT as well as €30 for the registration of the trust.

Our setting up fees varies in accordance with the complexity of the trust. The same applies in relation to our annual administration fees.