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**OFF-SHORE AND ON-SHORE PRIVATE TRUST COMPANIES:
 COMPLEMENTARY STRATEGIES**

MARCH 2004

ISSUE	ON-SHORE STATE REGULATED	ON-SHORE UNREGULATED	OFF-SHORE	
			U.S. CLIENTS/NON-U.S. CLIENTS*	
OVERALL ASSESSMENT	FLEXIBLE	LESS FLEXIBLE	LESS FLEXIBLE	FLEXIBLE
1. Private Trust Company Authority				
Express PTC Authority (Powers Vary)/ Regulatory Experience/ Commitment to Concept	Many States/ Varies/ Varies	Several States/ NA/ Varies	Many Countries/ Varies/ Varies	Many Countries/ Varies/ Varies
2. Uses and Purposes				
Federal Tax Planning o Insulation from U.S. Taxes o Insulation from Non-U.S. Taxes o Trust Administration Deductibility	o Secondary (non-U.S. clients) o Secondary (non-U.S. clients) o Primary	o Secondary (non-U.S. clients) o Secondary (non-U.S. clients) o Primary	o Primary o Primary o N/S	o Primary o Primary o N/S [†]
State (U.S.) Tax Planning o Trust o Entity	o Primary o Secondary	o Primary o Secondary	o Secondary o N/S	o Secondary o N/S
Asset Protection from o Creditors o Country Risk	o Secondary o Primary	o Secondary o Primary	o Primary o Primary	o Primary o Primary
Privacy for o Family Identities o Assets	o Primary o Primary	o Primary o Primary	o Primary o Primary	o Primary o Primary
Trustee Succession	o Primary	o Primary	o N/S	o N/S
Operations Risk Management o Protect Family Members/Advisors ▪ Legal Standard Conversion ▪ Formal Risk Management o Protect Family Assets ▪ Formal Risk Management	o Primary o Primary o Primary	o Primary o Secondary o Secondary	o N/S o N/S o N/S	o N/S o N/S o N/S

ISSUE	ON-SHORE STATE REGULATED	ON-SHORE UNREGULATED	OFF-SHORE	
			U.S. CLIENTS/	NON-U.S. CLIENTS*
Optimize Control Over ○ Trust Asset Decisions ○ Other Discretionary Decisions (e.g., amendments, division) ○ Quality of Client Services	○ Primary ○ Primary ○ Primary	○ Primary ○ Secondary ○ Primary	○ Primary ○ N/S ○ N/S	○ Primary ○ Secondary ○ Primary
Trust Administration ○ Quality ○ Flexibility ○ Cost	○ Primary ○ Primary ○ Secondary	○ Primary ○ Primary ○ Primary	○ Primary ○ Secondary ○ Secondary	○ Primary ○ Primary ○ Secondary
Investment Account Management ○ Trusts ○ Individuals ○ Affiliated Entities/Funds ○ Charitable Entities	○ Primary ○ Primary ○ Primary ○ Primary	○ Secondary ○ N/S ○ Secondary ○ Secondary	○ Secondary ○ N/S ○ N/S ○ N/S	○ Secondary ○ N/S ○ N/S ○ N/S
Investment Entity Administration ○ Taxable ○ Charitable	○ Primary ○ Primary	○ N/S ○ N/S	○ N/S ○ N/S	○ N/S ○ N/S
Family Office Services (Agency and Advisory)	○ Primary	○ Primary	○ N/S	○ N/S
Family Unity & Governance Center/ Generational Succession ○ Family member participation ○ Family member development ○ Enhanced family governance/ strategic planning	○ Primary ○ Primary ○ Primary	○ Secondary ○ Secondary ○ Primary	○ N/S ○ N/S ○ N/S	○ Primary ○ Primary ○ Primary
3. Special Features				
Interstate/International Offices	Yes	N/S	N/S	
SEC Exemptions ○ Investment Advisers Act ○ Investment Company Act	○ All securities ○ All securities	○ No ○ No	○ Non-U.S. securities ○ Non-U.S. clients	
S-Corporation/LLC (PTC entity)	Yes/Some states	Yes/Maybe	No	
Formal Risk Management	Yes	Optional	Optional	

ISSUE	ON-SHORE STATE REGULATED	ON-SHORE UNREGULATED	OFF-SHORE	
			U.S. CLIENTS/	NON-U.S. CLIENTS*
Tailored Family Roles	Yes	Yes	No	Yes
Confidentiality				
o Customers/Customer Accounts	o Yes	o Yes	o Yes (Most Countries)	
o Application	o Yes (Best States)	o Yes	o Yes (Most Countries)	
o Owners/Managers	o Yes (Best States)	o Yes	o Yes (Most Countries)	
o PTC Financials	o Yes (Best States)	o Yes	o Yes (Most Countries)	
4. Requirements				
Application Timing Estimate/Fees	Usually short/Modest	None	Usually short/Modest	
Application Burden Estimate	Low to Moderate (Best States)	None	Low to Moderate (Best Countries)	
Application Documents/ Financial Projections	Varies/ Typically 3 years projections	None	Varies/ Rarely required	
Publication/Public Hearing Required	Varies	None	Varies	
Convenience and Needs/ Other Special Requirements	Usually not applicable	None	Usually not required	
Local Organizers/Directors	Usually not required	Not required	Some usually required	
Fidelity Bond/ D&O Insurance	Often required	Not applicable	Not required	
Minimum Capital	\$300,000-\$3,000,000	Safe Harbor: Regulated PTC Minimums	\$12,000 and up	
Investment of Capital	o Some States: "Investment securities" o Some States: Prudent Investments o Some States: Combination	Prudent Investments	Varies	
Costs (Rough Estimates)				
o Formation Legal Fees	o \$100,000-\$250,000	o \$25,000-\$50,000	o \$25,000-\$50,000	
o Annual Compliance Costs	o \$25,000-\$50,000	o \$10,000-\$50,000	o \$5,000-\$20,000	
o Annual Local Office Costs	o \$25,000-\$50,000	o \$25,000-\$50,000	o (included in preceding)	
Principal/Headquarters Office Requirements	o Part-time officers (Best States) o Small office (Best States)	o Part-time officers o Small office	o Part-time officers o No office (Best Countries)	

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Examination Frequency/ Typical Costs	Every 18 months (typical)/ \$5000-\$15,000	None	Varies
SEC Investment Adviser Registration	Exempt	Required	Not Exempt
Permitted Clientele	<ul style="list-style-type: none"> o Any trust o Any individual o Any entity 	An extended family and related entities	An extended family and related entities
Trustee Performance Standards	Same as other trustees	Same as other trustees	Same as other trustees
Risk Management <ul style="list-style-type: none"> o Policy and Procedure Manual o Fidelity Bond/D&O, E&O o Regulatory Examinations o Audited Financials/Trust Audits o Compliance Officer 	<ul style="list-style-type: none"> o Required o Required/Often required o Required o Often Required o Required (part-time) 	<ul style="list-style-type: none"> o Prudent o Highly desirable o None o Prudent/Prudent o Depends on assets/functions 	<ul style="list-style-type: none"> o Prudent o Highly desirable o Varies o Prudent/Prudent o Depends on assets/functions
5. Substantive Trust Law			
Investment Standard	Prudent Investment	Prudent Investment	Prudent Investment
Dynasty Trusts Authorized	Yes (Best States)	Yes (Best States)	Yes (Some Countries)
Asset Protection Trusts	Some States	Some States	Some Countries
Governing Instrument Controls Over State Law Limitations	Yes (Best States)	Yes (Best States)	Yes
Choice of Law Flexibility	Yes (Best States)	Yes (Best States)	Yes
Trustee Delegation/ "Mini-Trustees" Authority	Extensive (Best States)/ Extensive (Best States)	Extensive (Best States)/ Extensive (Best States)	Extensive(Best Countries)/ Extensive (Best Countries)
Ability to Use/ Invest in Affiliates (Duty of Loyalty exceptions)	Yes (Best States)/ Yes (Best States)	Yes (Best States)/ Yes (Best States)	Yes/ Yes
Common Trust Fund Authority	Excellent	Not Available	N/S
Trust Alternative Dispute Resolution	Good (Best States)	Good (Best States)	N/S
Trust Representation (Absent Beneficiaries)	Good (Best States)	Good (Best States)	Poor (Common Law)
Modern Income and Principal Act	"Power to Adjust" and "Unitrust Conversion" (Best States)	"Power to Adjust" and "Unitrust Conversion" (Best States)	N/S

ISSUE	ON-SHORE STATE REGULATED	ON-SHORE UNREGULATED	OFF-SHORE U.S. CLIENTS/NON-U.S. CLIENTS*
6. Jurisprudential			
Courts Assessment	<p>Small States:</p> <ul style="list-style-type: none"> o Limited body of law (flexibility?) o Judges drawn from/serve small populations o Local counsel should be consulted <p>Large States:</p> <ul style="list-style-type: none"> o Large body of law (rigid precedents?) o Judges drawn from/serve large and small populations o Local counsel should be consulted 	<p>Small States:</p> <ul style="list-style-type: none"> o Limited body of law (flexibility?) o Judges drawn from/serve small populations o Local counsel should be consulted <p>Large States:</p> <ul style="list-style-type: none"> o Large body of law (rigid precedents?) o Judges drawn from/serve large and small populations o Local counsel should be consulted 	<ul style="list-style-type: none"> o Most countries draw on English common law o Often right of final appeal to Privy Council in England o Local counsel should be consulted
Legislature Assessment	Very Responsive (Best States)	Very Responsive (Best States)	Very Responsive (Best Countries)
Trust & Estates Bar Assessment	Varies/Excellent (Best States, small and large)	Varies/(Best States, small and large)	Varies

Expanded version of chart prepared for the
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† “N/S” denotes “Either not applicable or not significant”.

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