



COOK ISLANDS TRUST
CORPORATION LTD

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SETTLEMENT AND ADMINISTRATION OF A COOK ISLANDS TRUST

Preparation

CIT will work with a settlor's attorney to draft a Trust Agreement to suit the current situation. Typically the attorney will use their precedent to include specific tax or estate planning considerations, or specific requests regarding distributions and beneficiaries. CIT will review to ensure it is comfortable with the agreement and that it can obtain maximum benefit from Cook Islands law. Alternatively we can provide a standard trust agreement which can be modified to suit a particular clients situation.

In this process the optimum structure for holding the assets should be discussed in detail. All parties should obtain a clear understanding of what assets are to be contributed to the Trust, and how those assets are to be held. Decisions include whether there will be a domestic trustee, whether a domestic entity will be used (such as an LLP or LLC), if so in where should it be formed, whether offshore bank accounts are required at the outset etc.

The settlor(s) and any domestic trustees should gather the necessary Know Your Client documentation. Both the Trust Relationship Form and the Form A – Individual Information need to be completed.

The Settlement

The settlor(s) should review the Trust Agreement carefully with their attorney and ensure that they understand the provisions, and are comfortable with how it works.

The settlor(s) then settle the Trust by executing the Agreement, and transferring the initial (often nominal) assets to the Trust. The settlor(s) also sign an affidavit of solvency at this time. The Domestic Trustee also signs the Agreement.

The original Trust Agreement, affidavit of solvency, and Know your Client documentation are sent to CIT. CIT signs the Agreement as foreign trustee and

registers the Trust in the Cook Islands. A full package of completed documentation is returned to the client and their attorney.

Transferring the Assets

This stage will depend entirely on the particular structure and the particular assets to be contributed to the Trust. This is the main funding of the trust structure. Steps undertaken at this stage can include:

- Formation of local or foreign entities to be owned by the Trust
- Creation of bank accounts for the Trust (whether foreign or domestic)
- Transfer of property to the Trust by the settlor(s)
- Funding of bank and/or investment accounts
- Transfer of property to the underlying entities

Ongoing Administration

This is often overlooked, but is just as crucial as the settlement of the Trust itself. We have identified five key requirements for proper and efficient trust administration.

- (a) The trustees must keep formal records of all trustee decisions;
- (b) A domestic trustee must keep the foreign trustee (CIT) informed of any actions they have taken and provide us with copies of any documents they have signed on behalf of the trust;
- (c) The trustees must keep basic financial records for the trust;
- (d) The trustees should ensure that any tax reporting requirements are met. This may involve the appointment of a CPA or tax lawyer to file returns on behalf of the Trust; and
- (e) All trustees must be kept informed about any potential liabilities, litigation, or events that may impact on the trust or be a threat to the trust assets. Such threats may be against the settlor(s), their business, against a beneficiary of the trust, or against a third party.

Annual Renewal of Registration

A Cook Islands Trust obtains the protection of Cook Islands law by virtue of being registered. The registration must be renewed annually in order to maintain this protection.