

Managed Trust Companies and Trustee Services Outsourcing

Managed Trust Companies

Managed trust companies and outsourced trustee services offer a cost-effective solution for new and existing businesses and for market entry.

Sharing the resources and experience of an established supplier will cost very much less than setting up and maintaining a stand-alone trust company, yet leaves your options open. It offers an alternative model of service provision for established trust businesses.

This brochure explains the Managed Trust Company and what STM Group could do for you.

Managed Trust Companies

What is a Managed Trust Company (MTC)?

An MTC is a licensed trust company, owned by a bank, financial adviser or other financial intermediary and providing trust services to its clients, but which is managed and administered by an approved, licensed and regulated third party fiduciary services provider (such as one of STM Group's subsidiaries).

The MTC will use the staff, office and intellectual resources of the service provider. However, the branding and name of the MTC will normally be the same or similar to its parent institution. Correspondence with the MTC's clients is on the MTC's letterhead or using the MTC's domain name; telephones are answered in the MTC's name; and the MTC will use the service provider's registered address.

This arrangement is sometimes referred to as "white labelling"

Details of the business relationship between the MTC, its owner and the service provider and the responsibilities of each party are set out in a formal management agreement.

Who would consider an MTC?

An MTC arrangement will often be attractive to banks, trust companies, investment managers, financial advisers, and tax advisers (including lawyers and accountants), which have clients who can benefit from trust arrangements, but where it would not be financially viable to establish their own trustee company.

Some specific examples are:

- Banks, insurance companies and investment managers, who have decided to concentrate on their core business, but want to maintain a strong relationship with their trust clients.
- Trust companies, who wish to extend their services to another jurisdiction, but cannot justify the cost, both financial and in management time, to set up their own office (especially where they do not have an existing client base).
- Onshore specialists, who advise both private and corporate clients on the use of trusts and other tax neutral structures, who want to maintain an ongoing relationship with their clients and close control over the quality of services provided.
- Financial institutions, which have traditionally offered trustee services, who find a stand-alone office is no longer financially viable in the current economic circumstances
- Private banks and investment advisers, who have decided to keep their trustee responsibilities separate from their investment management functions, to avoid potential conflicts of interest.

Managed Trust Companies

What are the benefits of establishing an MTC?

- A financial institution can extend its service / product offering, at a pre-agreed cost, without incurring the expense, long term commitments and risk of setting up and staffing its own office.
- The parent company, or its representative, maintains an ongoing relationship with the clients it introduces to its MTC (either settler or beneficiary). This relationship is often lost where clients are referred to third party trust companies. From the client's perspective, they continue to be serviced by their trusted adviser.
- The parent company will often be involved in deciding the fee levels chargeable by the MTC to its clients. It will benefit from the profit earned by the MTC, to the extent that the fees exceed the management fee agreed with the service provider. Where the MTC generates annuity income, it will build a valuable capital asset for its parent.
- Staffing concerns, especially those arising in a small office, are alleviated. It is the service provider's responsibility to provide holiday and sickness cover and to ensure that there are sufficient authorised signatories on duty at all times
- Once the MTC business reaches critical mass, the parent can establish its own stand-alone office (subject to the duration of the management agreement) and transfer the registered office of the MTC and all its records to the new address.

When might an existing trust company consider becoming an MTC?

Financial institutions, such as private banks and investment managers, may consider converting their existing trust companies to MTC status for a number of reasons :

- The client base is reducing or costs are increasing, to the point where a stand-alone subsidiary is no longer financially viable.
- The financial institution may have increasing concerns about a potential conflict of interest (whether actual or perceived) arising from its responsibility, as a professional trustee, requiring it to act in the best interests of the beneficiaries, whilst at the same time being tied to in-house investment management services.
- If they have difficulty in attracting and keeping qualified and experienced trust officers or guaranteeing continuity of oversight and authorised signatories at all times, especially during periods of sickness, training and holidays.

In the case of a transfer-in of an existing trust company, STM would wish to undertake due diligence on both the trust company and the client records before agreeing to act.

Managed Trust Companies

How STM Group can help you.

STM Group employs over fifty client relationship managers, with experience of trust and company management, in Europe. This gives STM the flexibility to meet spikes in activity or to fill sickness and holiday absences amongst local employees, by seconding experienced staff to where they are needed.

Many of our staff are qualified professionals (Chartered Accountants, Solicitors, Bankers and Trust and Estate Practitioners). Between them they have accumulated many years of experience in managing corporate and trustee structures.

STM Group can provide MTC services in Switzerland and Jersey. In both jurisdictions MTCs can benefit from our local knowledge and connections, especially with the regulatory authorities.

STM's services range from contributing to initial discussions, leading to a business plan for the proposed MTC, to arranging letterhead, business cards, domain name and a dedicated telephone line, answered in the name of the MTC.

Newly established MTCs will benefit from access to STM's intellectual property, built up over many years, including process manuals, forms and customised software, together with a customised anti-money laundering manual (AML) which meets local compliance standards. This means that an MTC can be fully equipped and up and running in an exceptionally short time.

Because of the resources devoted by STM in setting up an MTC, we normally require a three year initial contract period, which is renewed annually thereafter.

The next step.

For an exploratory discussion of the costs and benefits to your business of setting up or converting to a Managed Trust Company please contact one of the following:

Tim Revill, Managing Director
STM Swiss in Zurich
T +41 44 206 60 70

Philip Howarth, Director
STM Fiduciaire in Jersey
T +44 1534 837600

Kirby Dupont, Director
STM Fidecs
T +350 200 50447

STM Group was founded in 1989 and is a leading Corporate and Trustee Service Provider. We have been listed on the AIM market of the London Stock Exchange since March 2007 (STM.L). The group's holding company is in the Isle of Man and we have subsidiaries in Switzerland, Jersey, Gibraltar, Luxembourg, Spain and the BVI. Details of the full range of our services and products can be reviewed on: www.stmgroupplc.com.

STM Group is independent and has no ties (other than arms-length commercial relationships) with any other financial institution. We specialise in administration

of clients affairs. We do not provide investment management services nor advice on investments. So, our services are compatible with the business interests of the institutions, who refer the majority of our clients.

STM in Jersey is regulated by the Jersey Financial Services Commission for the conduct of Trust Company Business under the Financial Services (Jersey) Law, 1998.

STM in Switzerland is regulated by SRO PolyReg and authorised to act as a financial intermediary under the Swiss Money Laundering Act.

