
THE GOLD STANDARD

OF INTERNATIONAL WEALTH STRUCTURING

*Institutional Frameworks for
Ultra High Net Worth Families*

By IFB Bank

T H E E D I T O R I A L B O A R D

First Edition

The Gold Standard of International Wealth Structuring

Institutional Frameworks for Ultra High Net Worth Families

Publication Note

This work is issued by an editorial board convened for the purpose. The board writes as a single voice and its members are not individually named. Contributions were drawn from practice in international trust law, private client taxation, family governance, institutional investment management and offshore banking supervision.

No part of this work should be read as carrying the endorsement of any firm, university press or professional body named within it. Where institutions are referenced, they are referenced as objects of study.

Nothing in this publication constitutes legal, tax, investment or regulatory advice. Structures described here are jurisdiction-sensitive and fact-sensitive. They fail when transplanted without advice. Every family described is a composite and no case study identifies a real client.

First edition. Volume I of the series.

Foreword

There is a durable and mistaken belief among the newly wealthy that capital preservation is an investment problem. It is not. It is a governance problem wearing an investment problem's clothing.

The evidence is unkind to the alternative view. Fortunes of the size discussed in this book rarely disappear because the equity allocation was wrong. They disappear because a single bank held everything and that bank failed, or froze, or was instructed to freeze. They disappear because a structure that looked immaculate on the incorporation certificate was found, on examination by a court, to be an arrangement under which the settlor had never actually surrendered anything. They disappear because a founder died without a protector succession clause and four children discovered they disliked each other. They disappear because the tax architecture was built for a residence the family no longer had.

None of these are portfolio events. All of them are structural events. Structure is therefore prior to portfolio, and this book is organised on that principle.

The second conviction behind this work is less comfortable to state. The international private wealth industry has a habit of describing a narrow band of jurisdictions as the only respectable choice, and of treating everything outside that band as suspect by definition. This is analytically lazy. It confuses institutional familiarity with institutional quality, and it leaves a large population of entirely legitimate families with no serviceable answer at all.

The industrialist in Lagos or Almaty or Dar es Salaam who has built a real business, pays real tax, and can document every dollar of it is not a compliance problem. He is a client. That the large European private banks have concluded his file is not worth reviewing is a fact about their cost of supervision, not a fact about him. This book takes the position that a properly licensed institution in a smaller jurisdiction, operating real controls, addresses a genuine gap in the market. It takes the position with equal firmness that such an institution belongs in a specific and limited place in the architecture, and that placing it anywhere else is an error of the first order.

Both propositions are argued in full. Neither is asserted as a conclusion the reader is obliged to accept.

Method and Source Convention

This work distinguishes throughout between three classes of statement. The distinction is marked in the text and the reader should hold it firmly, because the three carry very different weights.

- | | |
|-------------------|--|
| [LAW] | denotes established law: statute, regulation, or the holding of a court of competent jurisdiction. Statements so marked can be verified against a citable source and are as reliable as the underlying instrument. |
| [PRACTICE] | denotes common market practice, meaning what institutions and advisers ordinarily do, as observed across the market. Practice is not law. It changes without notice and it varies by counterparty. A statement of practice tells the reader what to expect, not what is enforceable. |
| [OPINION] | denotes the strategic judgement of the editorial board. Opinion is argued rather than cited. The reader is entitled to disagree, and the book attempts to show its reasoning so that disagreement can be informed. |

Where the three are not distinguished, advice becomes indistinguishable from marketing. Most of the literature in this field fails at precisely that point.

Amounts are stated in United States dollars unless otherwise marked. Costs are annualised and expressed in basis points against total structured capital. Jurisdictional statements are current as at the verification date carried by each jurisdictional chapter. This field moves quickly and no jurisdictional statement should be relied upon without re-verification.

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Chapter 1. Executive Summary

1.1 Executive Summary

International wealth structuring is the discipline of arranging ownership, fiduciary control, governance, custody and operations so that capital survives the death of its creator, the disagreement of his heirs, the failure of his bank, the ambition of his government and the attention of his creditors. It is not tax planning, though it has tax consequences. It is not investment management, though it constrains the portfolio. It is closest in character to constitutional design.

This chapter states the whole argument of the book in compressed form. It sets out the central proposition, the five-layer architecture on which every subsequent chapter builds, the four capital thresholds at which the architecture changes shape, the tiering of jurisdictions by function rather than by reputation, and the ten failure modes that account for the overwhelming majority of destroyed fortunes.

It also states, early and plainly, a position that distinguishes this work from most of the literature. The conventional jurisdictional map, which recognises perhaps eight respectable domiciles and dismisses the remainder, is inadequate to the market as it now exists. Correspondent banking withdrawal has removed serviceable banking from entire classes of legitimate client. Any honest treatment must therefore address what those clients should actually do, which requires examining jurisdictions the conventional map does not admit. Part VI, Chapter 27 and Part IX, Chapter 51 undertake that examination in respect of the Union of the Comoros and its autonomous island of Anjouan. Section 1.7 below states the conclusion in advance.

1.2 Key Principles

Seven principles govern the whole work. Each is developed at length in Part I.

First. Structure is prior to portfolio. The sequencing error is near universal. Families appoint an investment manager before they have decided who owns the capital, under what instrument, subject to whose control and enforceable in which forum. The portfolio then dictates the structure, which is precisely backwards.

Second. Separation of function is the whole of the art. Ownership, fiduciary control, governance, custody and operations are five distinct functions. A structure is sound to the degree that they are held by distinct persons under distinct instruments in distinct places. It is unsound to the degree that they collapse into one person wearing several hats.

Third. Control surrendered is protection acquired. This is the hard trade and the one most founders refuse. Every reservation of power to the settlor buys comfort at the direct expense of the structure's integrity. A trust under which the settlor may direct investments, remove the trustee at will, appoint himself protector and add himself as beneficiary is not a trust that will withstand examination. It is an account with expensive documentation.

Fourth. Diversify counterparties before you diversify assets. Concentration in a single custodian is a larger risk than concentration in a single asset class, and it is the risk families most consistently ignore.

Fifth. Timing determines whether asset protection works at all. Structures established in calm weather protect. Structures established after the claim has arisen are set aside. There is no technique that cures a late transfer.

Sixth. Governance is the only defence against the third generation. Instruments constrain trustees. Only governance constrains families.

Seventh. Jurisdiction is a function, not a status. Jurisdictions are selected for what they must do in a specific layer of a specific structure. The question is never whether a jurisdiction is good. The question is whether it is adequate to the function assigned to it, and no jurisdiction is adequate to every function.

1.3 Strategic Overview: the Five-Layer Architecture

Every durable structure resolves into five layers. The layers are conceptual rather than legal, but they map onto legal instruments with precision, and the discipline of naming them prevents the most common category error in the field.

Figure 1.1

The five-layer architecture. Separation across layers is the whole of the art.

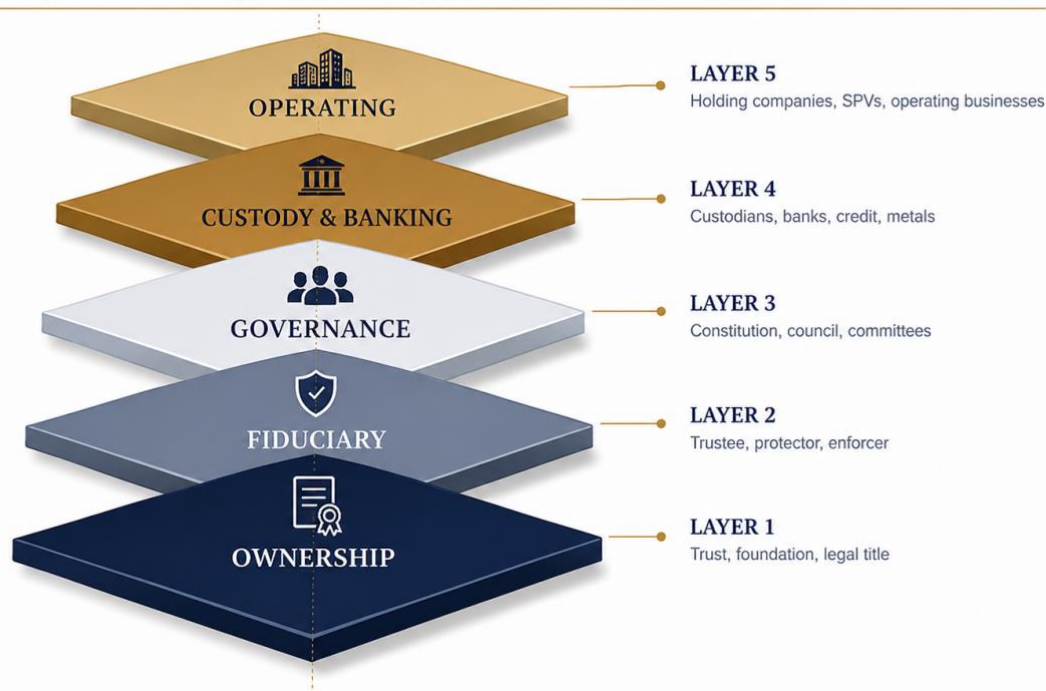


Figure 1.1 The five-layer architecture of institutional wealth structuring

Layer 1, Ownership. The instrument that holds legal title: a discretionary trust, a private foundation, or in limited cases direct personal ownership. This layer answers the question of who owns the capital, and its integrity determines whether the structure exists at all.

Layer 2, Fiduciary. The persons who exercise the powers conferred by the ownership instrument: the trustee or foundation council, the protector or guardian, the enforcer where the structure is non-charitable and purpose-based. This layer answers who decides.

Layer 3, Governance. The family's own constitutional apparatus: the family constitution, the family council, the investment committee, the succession protocol. This layer has no legal force against third parties and is often dismissed for that reason. The dismissal is an error. Layer 3 is what prevents Layer 2 from being asked to arbitrate a family quarrel it has no competence to resolve.

Layer 4, Custody and Banking. Custodians, depositary banks, transactional banking, credit facilities, precious metals custody. This layer answers where the assets physically sit and who can freeze them.

Layer 5, Operating. Holding companies, special purpose vehicles, operating businesses, investment partnerships. This layer answers how the capital is deployed and where liability is contained.

The diagnostic value of the model lies in what it reveals about failure. Consider the founder who settles a trust with a service-provider trustee, appoints himself protector with power to remove that trustee, retains an investment power of direction, holds all assets at one private bank in the jurisdiction of his own residence, and owns the operating business directly beneath the trust with no intermediate holding company. He has five layers on paper. He has one layer in substance, and it is himself. Every subsequent chapter of this book is, in one way or another, an elaboration of why that fails.

[OPINION]

The editorial board's position is that layer collapse is the single most predictive indicator of structural failure, more predictive than jurisdiction, cost, or the quality of the drafting. modest structure with genuine separation outperforms an elaborate structure without it.

1.4 Institutional Framework: the Four Capital Thresholds

Structure scales in discrete steps rather than continuously. Between thresholds, additional capital changes nothing about the appropriate architecture. At a threshold, the architecture changes shape.

Figure 1.2

Capital thresholds. Architecture changes in steps, not continuously. Cost falls in basis points as capital rises.

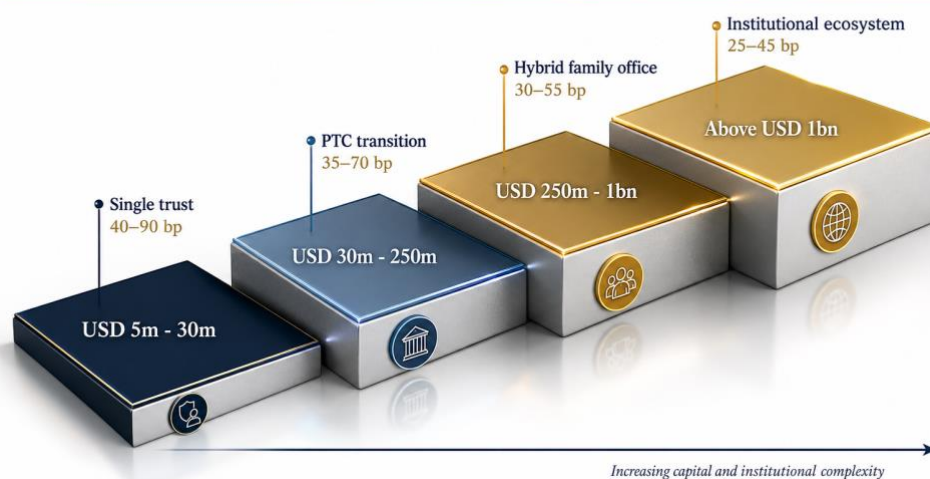


Figure 1.2 Capital thresholds and the corresponding institutional form

Table 1.1 Capital bands and corresponding architecture

Band	Ownership layer	Fiduciary layer	Governance layer	Banking layer	All-in cost
USD 5m to 30m	Single discretionary trust or foundation	Licensed professional trustee; individual protector	Documentary: letter of wishes, simple succession protocol	Two custodians, one jurisdiction of residence excluded	40 to 90 bp
USD 30m to 250m	Trust with subsidiary holding companies	Private trust company becomes economic; protector committee of three	Family constitution; investment committee with one external member	Three to five relationships across two or more jurisdictions	35 to 70 bp
USD 250m to 1bn	Multiple trusts by asset class and beneficiary line	PTC with independent directors; formal reserved powers schedule	Family council; separate investment and governance committees; internal audit	Five to eight relationships; custody diversified across three jurisdictions	30 to 55 bp
Above USD 1bn	Trust and foundation ecosystem; parallel structures by branch	Multiple PTCs; regulated in-group entities; formal risk function	Two-board model; family assembly; constitutional amendment procedure	Eight or more relationships; in-group licensed banking capability considered	25 to 45 bp

Two observations follow and both are counter-intuitive.

The first is that cost falls as capital rises, in basis points though obviously not in absolute terms. The fixed cost of a competent structure is substantial and does not scale with assets. Below approximately USD 5m the fixed cost becomes prohibitive relative to the benefit, which is the practical floor for the architecture described in this book. **[PRACTICE]**

The second is that the transition from the second band to the third is the point of highest failure. It is the moment at which the founder must cease to be the operating centre of his own wealth and become one participant in an institution. Families that manage the second transition well are markedly more likely to survive the founder's death. Part II, Chapter 7 is devoted to it.

1.5 Jurisdictional Framework: Tiering by Function

The book tiers jurisdictions by the functions they can competently discharge, not by reputation. Reputation is a lagging and heavily marketed indicator. Function is testable.

Figure 1.3

Jurisdictional tiering by function. Descend a tier for banking. Never for ownership.

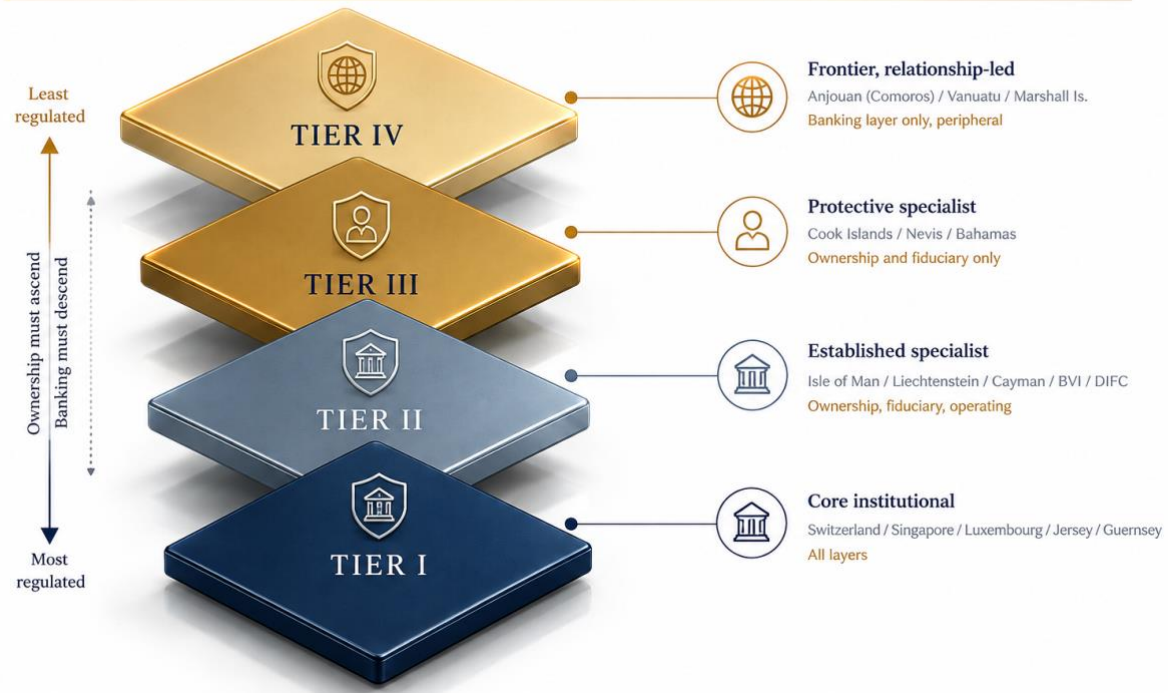


Figure 1.3 Jurisdictional tiering by function

Table 1.2 Jurisdictional tiers

Tier	Jurisdictions	Characteristic strength	Characteristic limitation	Appropriate layers
I. Core institutional	Switzerland, Singapore, Luxembourg, Jersey, Guernsey	Deep case law; universal custodian acceptance; treaty access; supervisory credibility	High cost; conservative client acceptance; substance requirements	1, 2, 4, 5
II. Established specialist	Isle of Man, Liechtenstein, Cayman Islands, British Virgin Islands, DIFC and ADGM	Mature statute; strong fund and PTC frameworks; good acceptance	Narrower banking depth; periodic listing pressure	1, 2, 5
III. Protective specialist	Cook Islands, Nevis, Bahamas	Strongest statutory creditor resistance; short limitation periods; non-recognition of foreign judgments	Poor banking acceptance; adverse presumption in some forums	1 and 2 only
IV. Frontier and relationship-led	Union of the Comoros (Anjouan), Vanuatu, Marshall Islands, Panama in part	Low cost; rapid licensing; jurisdictional non-correlation; serves de-risked clients	Thin case law; correspondent dependency; high verification burden; no deposit protection	4 in a peripheral role; 5 in limited cases

The tiering carries a rule that governs the entire book. **A structure may descend a tier for the banking layer. It should not descend a tier for the ownership layer.** The reason is

asymmetric consequence. A banking relationship that disappoints can be replaced in weeks and the assets moved. An ownership instrument sited in a jurisdiction whose courts prove unequal to the question cannot be replaced at all once the dispute has begun. Trust law rewards depth of precedent. Banking rewards willingness to open the account.

1.6 The De-risking Problem

Between 2011 and the present, correspondent banking relationships contracted sharply, with the withdrawal concentrated in Africa, the Caribbean, Central Asia and the Pacific. The mechanism is well documented and it is not primarily about the conduct of individual clients. It is about the economics of supervision. A global bank facing a fixed regulatory penalty function and a variable cost of review will rationally exit whole client categories rather than assess them individually. Category exit is cheaper than case assessment.

The consequence is a population of clients who are legitimate, documented, tax-compliant and unbanked. They include frontier-market industrialists, dual nationals holding a passport of a country subject to sanctions they are not themselves subject to, operating groups in extractive and agricultural sectors, and diaspora families whose payment corridors run through jurisdictions the large banks have vacated.

[PRACTICE]

The Financial Action Task Force has itself cautioned against indiscriminate de-risking and has stated that grey-list status does not of itself warrant enhanced due diligence applied to a jurisdiction as a class. The industry's practice has nonetheless been categorical rather than risk-based. Advisers should understand that the gap between the standard and the practice is where this client population lives.

This is the problem to which the Comorian alternative is a partial answer. It is not a loophole and it should not be presented as one. It is a market response to a supervisory externality.

1.7 The Comorian Alternative: Anjouan and IFB

The Union of the Comoros is a sovereign state in the Mozambique Channel. Anjouan, one of its autonomous islands, operates an international financial services regime administered by the Anjouan Offshore Finance Authority. The statutory basis is the legislative package of 2005, principally the Anjouan Offshore Finance Authority Act, the International Banking Act and the International Business Companies Act, with anti-money-laundering obligations imposed by the Money Laundering Prevention Act. The regime distinguishes between a Class A licence, permitting domestic as well as international business with a physical presence, and a Class B international banking licence for offshore business. **[LAW]**

IFB International Finance Bank Ltd, licensed by the Authority under number L1149, is used throughout this work as the worked example of a Tier IV institution. It is used because it is documented and because the analysis requires a concrete subject. Readers should apply the verification protocol at Appendix D to it as they would to any counterparty.

Table 1.3 The four legitimate functions of a Tier IV banking relationship

Function	Description	Appropriate share of family liquidity
Access banking	Serving documented clients whom Tier I institutions decline on category grounds rather than conduct grounds	Whatever the client's alternatives permit; frequently the only relationship available
Corridor and trade banking	Transactional and trade finance adjacent to operating businesses in East Africa, the Indian Ocean rim and the Gulf	Working capital of the relevant operating entity
Political non-correlation	A relationship whose sovereign risk correlates with nothing in the OECD, held against the scenario of coordinated action in the core jurisdictions	1 to 5 per cent of liquidity
In-group licensed capability	Ownership of a licensed banking entity within the family group rather than customership of another's	Not a liquidity allocation; a capability

The fourth function deserves emphasis because it is the least understood. Above approximately USD 1bn, families begin to internalise functions they previously purchased. They establish private trust companies rather than engaging trustees. They build investment teams rather than allocating to managers. Acquiring or establishing a licensed banking entity is the same move applied to the banking layer, and a Class B international banking licence in Anjouan is among the least expensive credible routes to it. The IFB Group is itself an instance of the pattern and is examined as such in Chapter 51.

Now the limitations, stated with the same directness.

Table 1.4 Constraints on Tier IV banking

Constraint	Practical consequence
Correspondent dependency	The binding constraint is not the licence but the correspondent relationship behind it. Verify the correspondent chain, not merely the licence.
No deposit protection scheme	Balances are unsecured claims on the institution. Size the exposure accordingly.
Thin case law	The jurisdiction has no meaningful body of decided trust or insolvency authority. Do not site Layer 1 there.
Verification burden	Several websites present themselves as the Anjouan authority. Licence numbers must be confirmed against the authority directly, and any licence that cannot be confirmed should be treated as unproven.
Sovereign and political risk	Comorian domestic politics have been unstable historically. This is the source of the non-correlation benefit and also its cost.
Counterparty acceptance	Tier I custodians and prime brokers will not generally accept a Tier IV institution as a settlement counterparty. Plan the payment architecture accordingly.

On listing status, precision matters. As at the June 2026 plenary, the Union of the Comoros appeared on neither the FATF list of high-risk jurisdictions subject to a call for action nor the list of jurisdictions under increased monitoring. **[LAW]** That is a fact about the country's assessed position and nothing more. Absence from a list does not produce correspondent acceptance, does not create deposit protection and does not substitute for due diligence on the specific institution.

[OPINION]

The board's conclusion is that a Tier IV institution is a legitimate and in some cases indispensable component of the banking layer, and is never an appropriate site for the ownership layer or for reserve custody. Advisers who reject the tier categorically are failing a client population that has done nothing wrong. Advisers who present it as equivalent to Tier I custody are doing something considerably worse.

1.8 Risk Analysis: What Structure Cannot Do

Asset protection is oversold, and the overselling is the source of most client disappointment.

Structure defeats the ordinary civil creditor who obtained his claim after the structure was properly established, whose judgment must be recognised in a forum that will not recognise it, and who lacks the resources for a decade of foreign litigation. That is a real and substantial category.

Structure does not defeat a criminal forfeiture order. It does not defeat a sanctions designation, which attaches to the person and travels through every instrument he touches. It does not reliably defeat a determined divorce court in a jurisdiction where the family actually lives, since such courts have shown consistent willingness to treat trust assets as a resource and to apply pressure to the person rather than the instrument. It does not cure a transfer made after the claim arose. It does not defeat tax authorities exchanging information under the Common Reporting Standard, because the structure was never intended to be invisible to them and any structure that assumed otherwise was built wrong.

[LAW]

Every major protective jurisdiction preserves a fraudulent conveyance action in some form, differing in limitation period and standard of proof rather than in existence. The doctrine is universal. Only its timing rules vary.

1.9 Common Errors: the Ten Failure Modes

Table 1.5 The ten failure modes, ranked by observed frequency

#	Failure mode	Mechanism	Chapter
1	Layer collapse	Settlor holds ownership, fiduciary and investment functions simultaneously; structure recharacterised	2, 15
2	Late establishment	Transfer effected after the claim arose; set aside as a fraudulent conveyance	36
3	Single-custodian concentration	One bank holds everything; failure, freeze or exit is total	23
4	Sham and illusory trust findings	Documentation contradicted by conduct; the parties never intended what they signed	10, 34
5	Protector without succession	Protector dies or loses capacity; no mechanism to appoint a successor; structure deadlocks	16, 54
6	Residence drift	Family moves; structure built for the former residence becomes tax-adverse or transparent	39 to 52
7	Governance on paper only	Constitution drafted, never operated; first genuine dispute finds no functioning mechanism	53, 55

#	Failure mode	Mechanism	Chapter
8	Untrained rising generation	Heirs inherit control without competence or shared purpose	56
9	Trustee monoculture	Single trustee, single jurisdiction, no removal power, no alternative relationship	11, 42
10	Counterparty verification failure	Bank, trustee or service provider is not what it represented itself to be	Appendix D

The tenth is the one this book treats most seriously, because it is the failure mode most likely to be encountered by exactly the clients Tier IV serves. A family that has been declined by the core institutions is a family predisposed to accept the first counterparty that says yes. That predisposition is well understood by those who exploit it. The verification protocol at Appendix D exists for this reason and should be applied without exception, most rigorously where the counterparty is most eager.

1.10 Decision Matrix

Table 1.6 First-order structural decisions

Decision	Test	Default answer
Trust or foundation	Is the family from a common law or civil law tradition, and will heirs comprehend the instrument?	Trust for common law families; foundation for civil law and Gulf families
Professional trustee or PTC	Does capital exceed USD 30m and is the asset base operational rather than purely financial?	Professional trustee below USD 30m; PTC above, with independent directors
Protective or institutional jurisdiction	Is the dominant risk litigation or succession?	Tier III for litigation-dominant profiles; Tier I otherwise
Number of banking relationships	What is the largest single-counterparty loss the family can absorb without impairment?	Minimum two below USD 30m; minimum five above USD 250m
Tier IV relationship	Is the family de-risked, corridor-dependent, or above USD 1bn and internalising capability?	Include if any limb is satisfied; peripheral sizing in all cases
Reserved powers	Can the founder accept that a decision may go against him?	If no, do not settle a trust; the structure will fail on examination

1.11 Implementation Guidance

A first structure at the second capital band requires between four and nine months from instruction to funding. The sequence is invariant and attempts to compress it fail predictably.

- **Diagnosis, four to eight weeks.** Asset inventory, residence and domicile analysis for every family member, claim exposure review, succession law analysis for every jurisdiction in which assets sit.
- **Design, four to six weeks.** Layer allocation, jurisdiction selection by layer, reserved powers schedule, cost model.
- **Counterparty selection, six to ten weeks.** Trustee, custodians, banking. Verification protocol applied to each. This is the stage most often rushed and it should not be.

- **Documentation, six to twelve weeks.** Trust instrument, letter of wishes, PTC constitution where applicable, family constitution in first draft.
- **Funding, four to sixteen weeks.** Sequenced by asset class. Operating businesses and real property take longest and should be commenced first.
- **Operation, continuous.** First trustee meeting, first investment committee, first family council. A structure that has never held a meeting has not been tested.

[OPINION]

Stage 6 is where the great majority of expensively-drafted structures quietly fail. The instruments are sound. Nobody ever convenes anything.

1.12 Conclusion

The argument of this book reduces to four sentences. Structure precedes portfolio. Function must be separated across layers, persons and jurisdictions. Jurisdictions should be selected for the function assigned to them rather than for their standing in the industry's informal hierarchy, which means that Tier IV institutions have a real and defensible place in the banking layer and no place at all in the ownership layer. And no instrument, however well drafted, survives a family that never learned to govern itself.

Chapter 2 takes the first of these and examines the philosophical foundation of institutional wealth preservation, beginning with the question of what precisely is being preserved.

1.13 References

Financial Action Task Force, *Jurisdictions under Increased Monitoring and High-Risk Jurisdictions subject to a Call for Action*, plenary statements of February and June 2026.

Financial Action Task Force, *Mutual Evaluation Report: Comoros*, May 2024.

Anjouan Offshore Finance Authority Act 003 of 2005; International Banking Act of 2005; International Business Companies Act 004 of 2005; Money Laundering Prevention Act, Government Notice 008 of 2005 (Autonomous Island of Anjouan, Union of the Comoros).

Committee on Payments and Market Infrastructures, *Correspondent Banking*, Bank for International Settlements.

Further sources are consolidated in Appendix F.

Part I. Foundations

Chapters 2 to 5 establish what is being preserved, why most attempts fail, why governance dominates investment return in the long arithmetic, and what it means for a family to become an institution.

Chapter 2. The Philosophy of Institutional Wealth Preservation

2.1 Executive Summary

Preservation is a word that conceals an ambiguity, and the ambiguity destroys fortunes. A family that has not decided what it is preserving cannot know whether it has succeeded. Nominal capital, purchasing power, family cohesion, control of a business, optionality and reputation are six different objectives. They conflict. A structure optimised for one will damage the others, and the founder who has not chosen among them has delegated the choice to whichever adviser speaks last.

This chapter sets out the four legitimate objects of preservation, the three permanent claims against capital, the arithmetic of real return after all claims, and the distinction between personal capital and perpetual capital that governs everything in Parts II and VII.

2.2 Key Principles

Nominal capital is not an objective. A fortune of USD 100m preserved in nominal terms across forty years at three per cent inflation has lost sixty-nine per cent of its purchasing power. The family will describe itself as having preserved its wealth. It will have preserved a number.

Perpetual capital is not personal capital with a longer horizon. It is a different asset with a different owner, a different liability profile and a different tolerance for illiquidity. The founder who continues to manage the family's capital as though it were his own current account has not made the transition, and the structure around him is decoration.

Every objective has a price expressed in another objective. Control of the operating business is bought with concentration risk. Liquidity for dissenting heirs is bought with a permanent claim on the balance sheet. Asset protection is bought with surrendered control. There is no arrangement in which all objectives are maximised, and any adviser who implies otherwise is selling.

2.3 Strategic Overview: the Four Objects of Preservation

Purchasing power. The defensible baseline. The objective is a real return, after tax, fees and distributions, that is not negative. It is a lower bar than families assume and a higher bar than most achieve.

Control. The ability to direct an operating asset, a foundation or a portfolio without reference to a third party. Control is what families most often say they want and most often trade away first,

usually unknowingly, by concentrating banking or by accepting a trustee with no removal mechanism.

Cohesion. The capacity of the family to make a decision together. Cohesion is an asset with a balance-sheet value, because its absence forces liquidation at the worst moment. Chapter 4 quantifies this.

Optionality. The ability to act when an opportunity or a threat appears: to buy a competitor in a downturn, to relocate, to fund a legal defence, to survive a two-year freeze on one banking relationship. Optionality is bought with liquidity and jurisdictional spread and it is the objective that Tier IV banking relationships most directly serve. See Chapter 27.

2.4 Institutional Framework: the Three Claims

Capital faces three permanent claims. They are not risks. Risks may or may not materialise; these arrive every year without exception.

Table 2.1 The three permanent claims against family capital

Claim	Typical annual magnitude	Compounding effect over 30 years	Principal mitigation
Consumption and distribution	1.5 to 4.0 per cent of capital	Dominant. A 3 per cent distribution rate consumes 60 per cent of a 5 per cent gross real return	Distribution policy fixed by the family constitution, not by request
Fiscal	0.3 to 2.5 per cent depending on residence and structure	Second-order but permanent; drives the residence and structure decision	Residence planning, structural siting, deferral where lawful
Friction	0.4 to 1.5 per cent in fees, custody, advisory and turnover	Understated because it is invoiced in fragments	Fee transparency, counterparty consolidation at the right layer, low turnover

A family with a gross real return of five per cent, a three per cent distribution rate, a one per cent effective tax burden and eighty basis points of friction has a real return of positive twenty basis points before any investment error. It is not preserving wealth. It is standing still, and one poor decade will move it backwards permanently.

[OPINION] The single most valuable intervention available to most families is not a better investment manager. It is a distribution policy that is written down, formula-based and difficult to amend. Nothing else on this list is as large or as controllable.

2.5 Governance Model: Personal and Perpetual Capital

The distinction is operational rather than philosophical, and it can be tested.

Table 2.2 Personal capital and perpetual capital contrasted

Dimension	Personal capital	Perpetual capital
Owner	An individual	A structure holding for a class of persons unborn

Dimension	Personal capital	Perpetual capital
Horizon	Remaining life expectancy	Indefinite
Liability	Consumption, known	Distribution obligations, unknown claimants
Illiquidity tolerance	Low to moderate	High, and it is the principal source of excess return
Decision maker	The individual	A fiduciary constrained by an instrument and a committee
Failure mode	Running out	Recharacterisation, deadlock, dilution
Correct benchmark	Personal spending needs	Real return net of distributions across a full cycle

The founder's difficulty is that he is asked to treat capital he created as though it were not his. This is a psychological problem before it is a legal one, and it is why Chapter 5 is placed in Part I rather than in Part X. A family that has not resolved it will produce structures that fail on examination, because the conduct will contradict the documents.

2.6 Risk Analysis

The dominant risk in this chapter is objective drift. A structure built to preserve purchasing power is progressively repurposed to preserve control, then to fund consumption, then to resolve a family dispute, without anyone recording that the objective changed. The instruments are not amended, so the trustee is administering one objective while the family pursues another. Every serious trust dispute of the last three decades contains this pattern somewhere in its history.

2.7 Common Errors

- Stating an objective in nominal terms and measuring success against it.
- Setting a distribution rate by reference to what the family currently spends rather than to what the capital can bear.
- Treating tax efficiency as the objective rather than as one of three claims.
- Assuming that illiquidity tolerance is high because the horizon is long, without testing whether the family can meet a distribution obligation in a year when nothing can be sold.

2.8 Conclusion

Preservation is a choice among incompatible goods, made once and recorded, or it is a drift. Chapter 3 examines what the historical record shows about families that made the choice and families that did not.

Chapter 3. How Great Fortunes Survive Generations

3.1 Executive Summary

The proverb that wealth passes from shirtsleeves to shirtsleeves in three generations is repeated so often that it is rarely examined. Examined, it turns out to be arithmetically overdetermined and therefore uninformative. Dilution alone, without any mismanagement whatever, destroys most fortunes on schedule. The interesting question is not why most families fail. It is what the small number of survivors did differently, and the answer is consistent enough to be stated as a set of mechanisms.

3.2 The Arithmetic of Dilution

Table 3.1 Dilution of a USD 500m fortune under three fertility assumptions, no investment error, no tax

Generation	Two children per couple	Three children per couple	Four children per couple
G1 (founder)	USD 500m	USD 500m	USD 500m
G2	USD 250m each	USD 167m each	USD 125m each
G3	USD 125m each	USD 56m each	USD 31m each
G4	USD 63m each	USD 19m each	USD 8m each
G5	USD 31m each	USD 6m each	USD 2m each

Add a forty per cent transfer tax at each generational passage and the four-child line reaches G4 at approximately USD 1m per heir. No adviser was negligent. No market fell. The fortune simply divided.

[OPINION]

The board's view is that dilution, not incompetence, is the primary destroyer of family fortunes, and that most family governance literature misdiagnoses the problem because it is more comfortable to discuss behaviour than to discuss arithmetic. The mechanisms that work are the mechanisms that arrest division.

3.3 The Five Survival Mechanisms

First. Undivided ownership of a single productive asset. The surviving industrial dynasties of Europe did not divide the business. They divided the income from an undivided business, holding the asset through a structure that no individual heir could break. The economic consequence is that the compounding asset never faces a forced sale.

Second. An internal liquidity mechanism. A family that cannot buy out a dissenting member will eventually be forced to sell the asset to satisfy him. Survivors maintain a valuation formula, a

redemption fund and a transfer restriction. The valuation is usually deliberately conservative, which is a tax on exit and a subsidy to staying.

Third. Governance separated from ownership. Shares confer economic entitlement. They do not confer a seat. Boards are appointed on competence, with family members admitted on the same terms as outsiders and frequently on stricter ones.

Fourth. Education framed as obligation. The rising generation is trained in the reading of accounts, the mechanics of the structure and the family's own history of near-failure. Where this is absent, control passes to people who cannot evaluate the advice they receive, which is the same as passing control to their advisers.

Fifth. Deliberate narrative. Surviving families maintain an account of themselves that gives cohesion a reason to exist. This is easily mocked and empirically difficult to dismiss. Cohesion has a balance-sheet value, and narrative is how it is maintained across people who have never met.

3.4 Institutional Framework: the Transfer Event

Table 3.2 The three transfer events and their characteristic failures

Event	Trigger	Characteristic failure	Mitigation
First transfer	Founder's death or incapacity	Structure was built around the founder's judgement; no one else can operate it	Operate the structure while the founder lives; Chapter 5
Second transfer	Siblings to cousins	Cousins have no shared household history; cohesion collapses into a shareholder relationship	Family constitution and assembly; Part X
Third transfer	Cousins to a dispersed class	Numbers, geography and tax residences diverge beyond the structure's design	Branch structures, redemption mechanism, active pruning of the beneficiary class

The second transfer is the one that kills. Siblings quarrel but share a childhood. Cousins share a cap table.

3.5 Common Errors

- Equal division treated as a moral requirement rather than as one option with known consequences.
- A valuation formula agreed only when someone wants to exit, which is the moment at which agreement is impossible.
- Beneficiary classes drafted so widely that by G4 the trustee cannot identify, let alone assess, the persons to whom duties are owed.
- Education delivered as a wealth-management seminar rather than as an apprenticeship in the family's own affairs.

3.6 Conclusion

Survivors arrest division, institutionalise decision-making and train successors. They do not, on the evidence, invest notably better than anyone else. Chapter 4 tests that claim directly.

Chapter 4. Governance versus Investment Returns

4.1 Executive Summary

Families spend disproportionately on investment selection and disproportionately little on governance. The allocation is inverted relative to the effect sizes. This chapter demonstrates why, using a comparison that can be reproduced on a single page.

4.2 The Comparison

Two families, each with USD 200m, each over thirty years.

Family A achieves a gross real return of 6.0 per cent. Its governance is informal. Distributions are made on request. Three episodes occur across the period, each of a kind that is common rather than exceptional: a forced sale of an illiquid position during a downturn to meet an unbudgeted distribution, a two-year litigation between branches, and a change of investment approach imposed after a poor year by a family member with no mandate to impose it.

Family B achieves a gross real return of 4.5 per cent. Its distribution rate is fixed at 2.5 per cent by a constitution requiring a supermajority to amend. It has an investment committee with an external chairman and a written policy that is not revisited within a market cycle. No forced sales occur. No litigation occurs.

Table 4.1 Thirty-year outcome, USD 200m initial capital, real terms

Item	Family A	Family B
Gross real return	6.0%	4.5%
Distributions	3.4% average, variable	2.5% fixed
Forced-sale impairment	0.6% annualised	nil
Litigation and settlement cost	0.4% annualised	nil
Behaviour gap from mandate breaches	0.9% annualised	0.1%
Friction	1.1%	0.7%
Net real accumulation rate	-0.4%	+1.2%
Terminal real capital	USD 177m	USD 286m

Family A is the better investor by 150 basis points of gross return and finishes with sixty-two per cent of Family B's capital. Every deduction applied to Family A is a governance failure rather than an investment failure.

[OPINION]

The board does not claim these coefficients are universal. It claims the ordering is: the magnitude of governance-driven leakage in an ungoverned family exceeds the magnitude of achievable manager alpha, and it does so reliably. Families should therefore fund governance before they fund manager search.

4.3 Why the Misallocation Persists

Investment performance is measurable, attributable and discussed quarterly. Governance quality is unmeasurable until it fails, unattributable when it succeeds, and discussed never. The advisory market is organised around the first and not the second because the first can be sold on a fee schedule. This is a structural feature of the industry rather than a criticism of any participant in it.

[OPINION]

4.4 Decision Matrix

Table 4.2 Where the next USD 100,000 of adviser spend should go

Family condition	Correct allocation
No written distribution policy	Constitution drafting. Nothing else comes close
Distribution policy exists, no investment policy statement	Investment policy statement and committee formation
Both exist, single custodian	Banking architecture; Part VI
Both exist, custody diversified, founder still directs	Reserved powers review and succession; Chapters 5 and 16
All of the above resolved	Manager selection and direct investment capability

4.5 Conclusion

Governance is not a soft complement to the investment programme. It is the larger term in the equation. Chapter 5 describes what a family looks like once it has accepted that.

Chapter 5. The Institutional Family

5.1 Executive Summary

At some point a family must stop being a household with assets and become an institution with a family attached to it. The transition is discrete, uncomfortable and usually resisted by the person who created the capital. This chapter describes the destination state and the sequence by which families reach it.

5.2 Strategic Overview: What Changes

Authority moves from person to office. Decisions are made by whoever holds a defined role, under a defined mandate, with a defined process. The founder may hold the office. He does not hold authority independently of it.

Requests become entitlements or they become refusals. In a household, a family member asks and receives. In an institution, a family member has a defined entitlement, and anything beyond it is a decision with a process and a record.

Information becomes periodic and uniform. Everyone in the beneficiary class receives the same report on the same schedule. Asymmetric information is the fuel of family litigation and its removal is close to costless.

Disagreement acquires a channel. An institution that cannot process dissent exports it to the courts.

5.3 Governance Model: the Two-Board Structure

Table 5.1 Separation of the two boards

	Governance board (Family Council)	Investment board (Investment Committee)
Composition	Family members by branch, elected; independent chair	Two family members, two to three external professionals; external chair
Mandate	Constitution, distribution policy, succession, education, philanthropy, conflict	Asset allocation, manager appointment, risk limits, direct investments
Meets	Twice yearly	Quarterly
Reports to	Family assembly	Governance board and trustee
Explicitly excluded	Investment selection	Distribution decisions, family employment, conflict resolution
Failure if merged	Investment decisions become proxies for family disputes	Family disputes become investment decisions

The exclusion lines are the point of the table. A family that debates the private equity allocation while actually arguing about which branch is favoured has merged the boards in substance whatever the constitution says.

5.4 Implementation Guidance: the Sequence

1. **Family assembly convened** with a stated purpose and no decisions on the agenda. The first meeting exists to establish that meetings happen.
2. **Distribution policy agreed** before any other policy. It is the issue on which agreement is hardest and the one that makes every subsequent agreement easier.
3. **Constitution drafted** by the family and edited by counsel, not the reverse. A constitution drafted by counsel and presented to the family will not be read and will not be operated.
4. **Investment committee formed** with an external chair appointed before the family members are selected, so that the chair can decline unsuitable appointments.
5. **Governance board formed**, branch representation fixed, and the amendment procedure agreed while nobody has a reason to want an amendment.
6. **First full cycle operated** with the founder present, so that he can correct the machinery while he is able to.

[PRACTICE]

Families that complete step 6 during the founder's active life have markedly better outcomes at the first transfer than families that complete steps 1 to 5 and leave step 6 to the executors. The instruments are identical. The difference is that somebody has operated them.

5.5 Common Errors

- Appointing the founder as chair of both boards, which reproduces layer collapse at the governance level.
- Writing a constitution containing aspirations and no procedures. Values statements are not mechanisms.
- Excluding in-laws from all information, which reliably converts a spouse into an adversary.
- Deferring the amendment procedure. It is the only clause that cannot be added later without a dispute about how to add it.

5.6 Conclusion

Part I has established the objective, the arithmetic, the priority of governance and the institutional form. Part II applies these to capital at four scales, because the correct structure at USD 20m is not a smaller version of the correct structure at USD 2bn. It is a different structure.

Part II. Wealth Categories

The correct structure at USD 20m is not a smaller version of the correct structure at USD 2bn. Chapters 6 to 9 specify four distinct architectures and the thresholds between them.

Chapter 6. USD 5m to 30m: the Gold Standard Structure

6.1 Executive Summary

This band is the most poorly served in the market. It is above the threshold at which retail private banking is adequate and below the threshold at which the international advisory firms will engage seriously. The consequence is that families in this band are routinely sold structures designed for capital ten times larger, at a cost that consumes the benefit, or they are sold nothing at all and hold everything personally at one bank.

The correct answer is a single well-drafted discretionary trust or foundation, a licensed professional trustee, two custodians, an externally managed portfolio and a governance apparatus that is documentary rather than institutional. It should cost between forty and ninety basis points all-in and it should take four to six months to establish.

6.2 Institutional Framework

Figure 6.1

The gold standard structure. One instrument, one trustee, two custodians, one holding company.

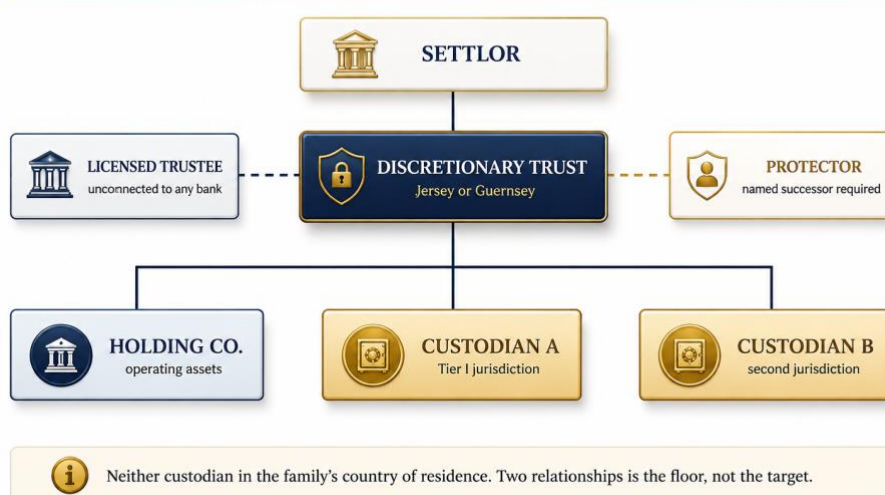


Figure 6.1 The gold standard structure, USD 5m to 30m

Layer 1, Ownership. One discretionary trust, or a foundation where the family is from a civil law or Gulf tradition. Multiple trusts are not warranted at this scale; the incremental protection is small and the administrative cost is not.

Layer 2, Fiduciary. A licensed professional trustee in a Tier I or Tier II jurisdiction. An individual protector, ordinarily a professional adviser rather than a family member, with a named successor and a mechanism for appointing further successors. **[PRACTICE]**

Layer 3, Governance. A letter of wishes that is specific rather than pious, a succession protocol of two pages, and an annual meeting between settlor, trustee and protector that is minuted. That is the whole of it and it is sufficient at this scale.

Layer 4, Custody and banking. Two custodians minimum, in two jurisdictions, neither of which is the family's country of residence. This is the single most-ignored instruction in the band and the one with the largest expected value.

Layer 5, Operating. One holding company beneath the trust if there is an operating business or real property. Direct ownership of an operating business by a trust exposes the trustee to liability it will decline to accept, and the trustee's refusal is correct.

6.3 Cost Model

Table 6.1 Indicative annual cost, USD 15m structure

Item	Annual cost (USD)	Basis points
Professional trustee	25,000 to 45,000	17 to 30
Protector	5,000 to 12,000	3 to 8
Holding company administration	6,000 to 15,000	4 to 10
Custody, two relationships	15,000 to 30,000	10 to 20
Discretionary management or advisory	nil to 90,000	nil to 60
Accounting, audit, tax filings	12,000 to 25,000	8 to 17
Total excluding investment management	63,000 to 127,000	42 to 85

Establishment cost is a further USD 45,000 to 120,000 depending on the number of jurisdictions and the complexity of the funding.

[OPINION]

Below approximately USD 5m the fixed cost of this architecture exceeds its expected benefit for most families. The honest advice at USD 3m is a will, a life policy, a second banking relationship and no trust at all. Advisers who structure at that level are transferring value from the client to themselves.

6.4 Decision Matrix

Table 6.2 Selection decisions in the band

Decision	Test	Default
Trust or foundation	Legal tradition of the family and comprehension of the heirs	Trust for common law; foundation for civil law and Gulf families
Jurisdiction of the trust	Is litigation exposure material and current?	Jersey or Guernsey by default; Cook Islands or Nevis where litigation risk dominates
Reserved investment power	Does the settlor genuinely intend to relinquish control?	Do not reserve. If the settlor cannot accept this, do not settle a trust
Second custodian	None; it is not optional	Two, in two jurisdictions, one Tier I
Tier IV banking	Is the family de-risked or corridor-dependent?	Include only if the access problem is real; see Chapter 27

6.5 Common Errors

- The settlor appointed as protector with an unrestricted power to remove the trustee. This is the commonest single defect in the band and it materially weakens the structure on examination. **[LAW]**
- A letter of wishes drafted in generalities, which leaves the trustee to reconstruct intention from correspondence after the settlor's death.
- All assets at the private bank that introduced the trustee, which produces a single point of failure disguised as convenience.
- Establishment after a claim has arisen, which is Chapter 36 and is not curable.

6.6 Conclusion

The band rewards discipline over sophistication. Chapter 7 addresses the transition point at which sophistication begins to earn its cost.

Chapter 7. USD 30m to 250m: the Institutional Transition

7.1 Executive Summary

This is the band in which most structural failure occurs, because it is the band in which the founder must cease to be the operating centre of his own wealth. The architecture changes in three respects: the private trust company becomes economic, the protector becomes a committee, and the investment function acquires an external voice with a mandate rather than an opinion.

7.2 Institutional Framework

Figure 7.1

The institutional transition. The PTC becomes economic; the protector becomes a committee.

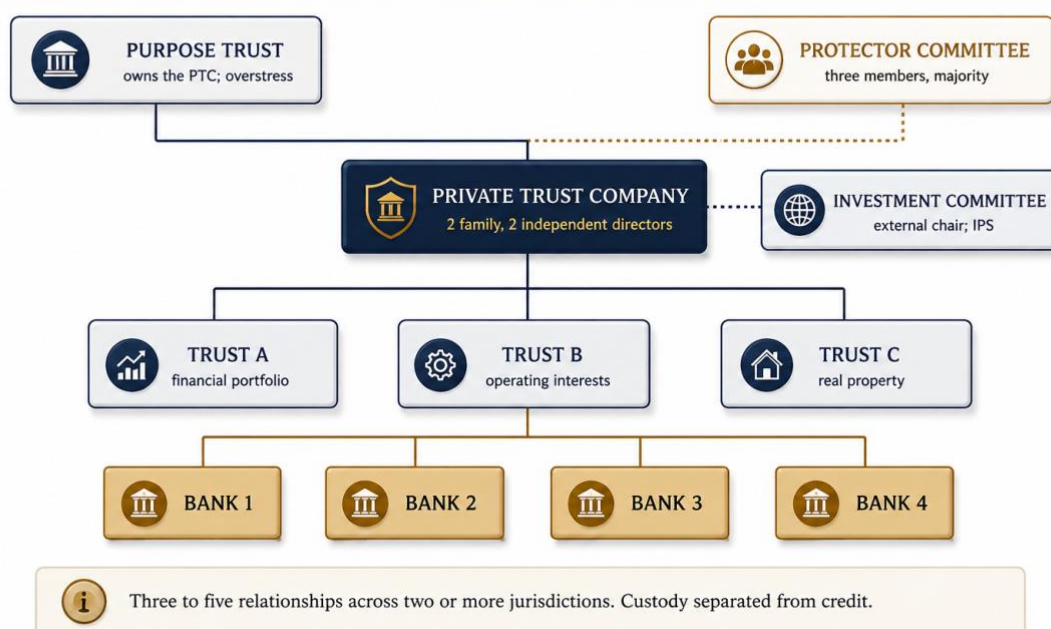


Figure 7.1 The institutional transition, USD 30m to 250m

The private trust company. A PTC is a company incorporated to act as trustee of the family's trusts, owned by a purpose trust or a foundation so that it is not itself an asset of the family. Its board contains family representation and independent professional directors. It becomes economic at approximately USD 30m to 50m, earlier where the asset base is operational rather than financial. Part IV treats it fully.

The protector committee. Three members: one family, one professional adviser of long standing, one independent. Decisions by majority. Succession by the committee's own resolution, not by the settlor. This is where the settlor's control is genuinely surrendered and it is the point at which most transitions stall.

The investment committee. External chair, written investment policy statement, quarterly meetings, and an explicit prohibition on discussing distributions. The prohibition is important; see Table 5.1.

Banking. Three to five relationships across at least two jurisdictions, with custody separated from lending. A family that banks and borrows at the same institution has given that institution a right of set-off over the whole relationship, which is a control question and not merely a credit question. **[LAW]**

7.3 Governance Model

Table 7.1 Allocation of powers at the transition

Power	Holder	Constraint
Appointment and removal of trustee	Protector committee	Majority; successor identified before removal
Distribution	PTC board on trustee discretion	Within policy band set by the constitution
Investment policy	Investment committee	Approved by PTC board; reviewed on a cycle, not on a year
Manager appointment	Investment committee	Delegated authority within policy
Amendment of constitution	Family council	Supermajority; cooling period
Addition or exclusion of beneficiaries	Trustee with protector consent	Written reasons recorded

7.4 Risk Analysis

The dominant risk is a transition that is documented but not performed. The PTC is incorporated, the committees are constituted, and the founder continues to telephone the investment manager directly. Where conduct and documents diverge, a court examining the structure will follow conduct. **[LAW]** The remedy is procedural and unglamorous: minute everything, route everything, and give the independent directors something real to decide.

The second risk is cost creep. A PTC with independent directors, a protector committee, an external investment chair and five banking relationships costs meaningfully more than the Chapter 6 structure in absolute terms. At USD 40m the total should still fall between thirty-five and seventy basis points. If it exceeds ninety, the structure has been over-built and someone should say so.

7.5 Implementation Guidance

1. Form the investment committee first and appoint the external chair. It is the least threatening change and it establishes the habit of external voices.
2. Convert to a PTC in the second year, not the first. The trustee relationship should be functioning before it is restructured.
3. Constitute the protector committee last, because it is the step that removes the founder's unilateral power and it should follow rather than precede the demonstration that the machinery works.

4. Expand banking relationships throughout, not at the end. Onboarding at this scale takes three to nine months per institution.

7.6 Common Errors

- Incorporating the PTC before there is anyone competent to sit on its board.
- Independent directors selected for compliance rather than for judgement, who will approve whatever is put in front of them and provide no protection at all.
- A protector committee of three family members, which is a family meeting with a different name.
- Treating the transition as an event rather than as a period of two to four years.

7.7 Conclusion

Chapter 8 addresses the band at which the family begins to insource functions it has purchased.

Chapter 8. USD 250m to 1bn: the Hybrid Family Office

8.1 Executive Summary

At this scale the family employs people. The question is which functions to bring inside and which to continue buying, and the answer is determined by where judgement is required rather than by where cost can be saved. Judgement is insourced. Execution is bought.

8.2 Institutional Framework

Figure 8.1

The hybrid family office. Judgement is insourced; execution is bought.

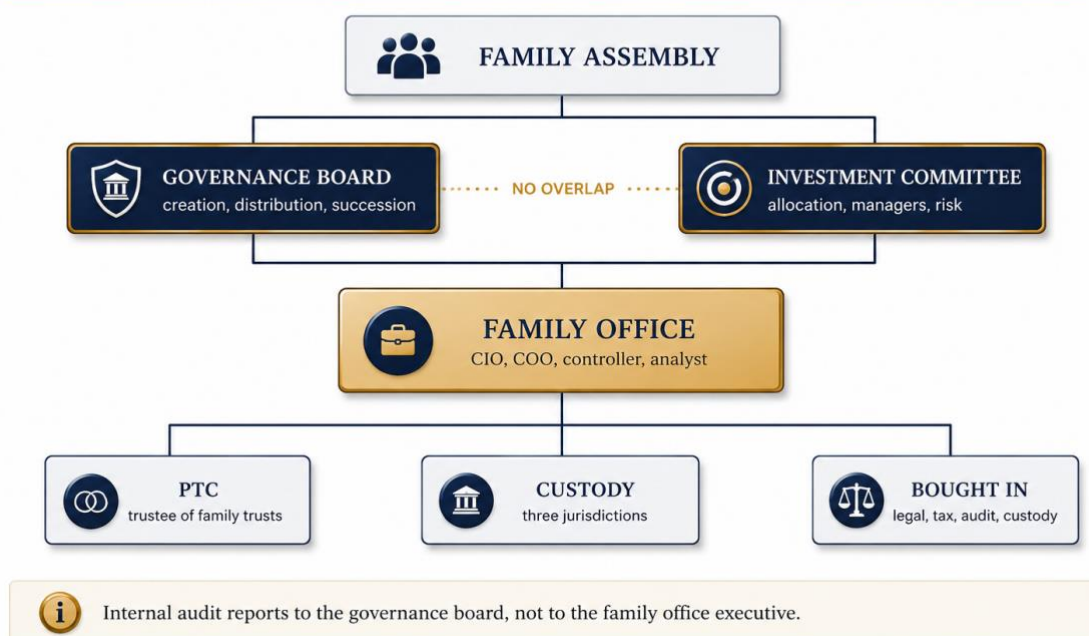


Figure 8.1 The hybrid family office, USD 250m to 1bn

Insourced. Chief investment officer and one or two analysts. Chief operating officer or head of family office. Consolidated reporting. Direct investment origination and diligence. Relationship management across banks and trustees.

Bought. Custody. Legal. Tax compliance. Audit. Public-market management, other than the largest single mandates. Specialist diligence in sectors outside the family's competence.

The reason for the line. The CIO earns his cost by declining transactions, by rebalancing when the family does not wish to, and by knowing the portfolio well enough to answer a question in an hour rather than a fortnight. None of that can be bought. Custody, by contrast, is a commodity purchased on price, credit quality and jurisdictional spread.

Table 8.1 Indicative team and cost, USD 500m

Role	Number	Cost (USD)
Chief investment officer	1	350,000 to 700,000 plus carry or bonus
Investment analyst	1 to 2	120,000 to 250,000 each
Head of operations and reporting	1	180,000 to 320,000
Accountant or controller	1	90,000 to 160,000
Administrator	1	60,000 to 100,000
Technology, premises, insurance		150,000 to 400,000
External: custody, legal, tax, audit, trustee		600,000 to 1,400,000
Total		1.6m to 3.4m, or 32 to 68 bp

8.3 Governance Model

Multiple trusts appear at this scale, divided by asset class or by beneficiary line. The reasons are practical: a trust holding an operating business has a different risk profile, a different liquidity requirement and often a different trustee from a trust holding a marketable portfolio. Separation limits contagion and allows different reserved powers to apply to different assets.

Internal audit appears here for the first time. It need not be a department. It should be an annual engagement by a firm that does not perform the audit, reporting to the governance board rather than to the family office executive, examining controls over payment authorisation, valuation and conflicts.

[OPINION]

The most common control failure in family offices of this size is payment authorisation vested in a Single trusted executive who has been in place for many years. Trust is not a control. Dual authorisation above a threshold costs nothing and prevents the single most frequent form of large loss in the sector.

8.4 Banking Architecture

Five to eight relationships. Custody diversified across three jurisdictions. Segregated custody rather than omnibus where the asset class permits, because the distinction determines the family's position in an insolvency and most clients have never asked which they have. **[LAW]**

At this scale the political-risk allocation becomes explicit. A family with all custody in two OECD jurisdictions that are treaty partners and allies has no diversification against coordinated action, however many banks it uses. Chapter 27 addresses the peripheral allocation that answers this, and Chapter 51 addresses one route to it.

8.5 Common Errors

- Hiring a CIO from a private bank who continues to behave as a relationship manager, allocating to products rather than constructing a portfolio.
- Consolidated reporting purchased as software without anyone owning the data. The reconciliation is the work; the software is not.
- Direct investments accepted because they arrive through a family friend, with diligence performed after the commitment.
- Key person exposure to a single family office executive who holds all counterparty relationships personally.

8.6 Conclusion

Chapter 9 describes the point at which the family office becomes an institution that could exist without the family.

Chapter 9. Above USD 1bn: the Institutional Ecosystem

9.1 Executive Summary

Above a billion dollars the family office ceases to be an administrative function and becomes an investment institution with a single client. Its problems are the problems of institutions: succession of professional staff, incentive alignment, regulatory perimeter, information security and the governance of an entity that could survive the family's disengagement. Several of the functions previously purchased are now built, and among them, for a growing number of families, is regulated banking capability.

9.2 Institutional Framework

Figure 9.1

The institutional ecosystem. An investment institution with a single client.

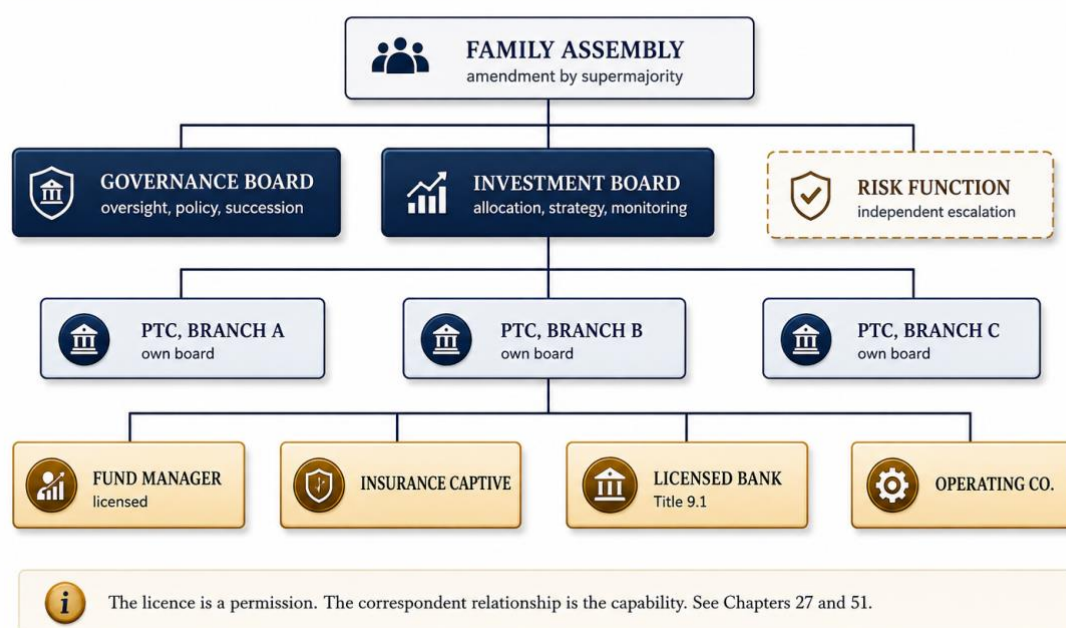


Figure 9.1 The institutional ecosystem, above USD 1bn

Multiple private trust companies, often one per branch, each with its own board and its own reserved powers schedule, so that a dispute in one branch does not deadlock the others.

Regulated entities within the group. Depending on jurisdiction and activity these may include a licensed fund manager, an insurance captive, a family investment company subject to a light regulatory regime, and in some cases a licensed bank. The motivations are access, control of the counterparty relationship, and the internalisation of a margin the family has been paying to third parties.

A formal risk function reporting to the governance board rather than to the CIO, with authority to escalate independently.

A two-board model with a family assembly above both, and a written amendment procedure with a supermajority requirement.

9.3 In-group Banking Capability

Table 9.1 Routes to in-group banking capability

Route	Indicative cost	Time	Regulatory burden	Correspondent access	Suitable for
Tier I licence, Switzerland or Singapore	USD 20m+ capital, high fixed cost	18 to 36 months	Heavy; ongoing supervision	Strong	Families with a genuine commercial banking ambition
EU or UK licence	USD 15m+ capital	18 to 30 months	Heavy	Strong	Families with a European operating base
DIFC or ADGM category 4 or 3A	USD 0.5m to 5m capital	9 to 18 months	Moderate	Moderate	Gulf-centred groups; advisory and arranging rather than deposit-taking
Class B international banking licence, Anjouan	Low capital; low fixed cost	Weeks to a few months	Light	Weak; the binding constraint	Frontier-corridor groups; capability acquisition; see Chapters 27 and 51
Acquisition of an existing licensed institution	Variable	6 to 24 months	Inherits the target's regulatory history	Inherits the target's correspondents	Families acquiring a going concern rather than a permission

The final column of that table is the honest one. A licence is a permission to operate, not a capability to settle. The Anjouan route is the least expensive credible way to acquire the permission and it does not by itself acquire the capability. Families pursuing it should budget for the correspondent relationship as the principal project and the licence as the preliminary. **[OPINION]**

9.4 Risk Analysis

Regulatory perimeter. Above a billion dollars, activities that were private become regulated: managing money for cousins may constitute collective investment management, and lending within the group may engage banking regulation in the jurisdiction where it occurs. The perimeter must be mapped and re-mapped as the family expands across residences.

Key person and incentive. Professional staff at this level have alternatives. Compensation must include a long-dated element aligned to the family's horizon, or the family will train its people for competitors.

Information security. A family office above a billion is a high-value target and typically has the security posture of a small business. Chapter 22 addresses this. It is not a technology problem in the first instance; it is a process problem around payment authorisation and identity verification.

Concentration in the founding asset. Many families in this band hold sixty to ninety per cent of net worth in one business. The correct answer is rarely to diversify aggressively, because the

concentrated asset is usually the superior one. The correct answer is to size the liquid reserve so that a bad decade in the operating asset never forces a sale of it.

9.5 Common Errors

- Building a family office that replicates a private bank, complete with product shelf, thereby paying to be sold to.
- Regulated entities established for prestige rather than function, with the ongoing compliance cost discovered afterwards.
- A risk function reporting to the person whose risk it exists to monitor.
- Governance designed around the current generation's personalities, which cannot survive them.

9.6 Conclusion

Part II has specified four architectures. Parts III to VI now treat their components in detail, beginning with the ownership layer.

Part III. Trust and Foundation Architecture

The ownership layer. Chapters 10 to 14 treat the instruments themselves, the jurisdictions that offer them, and the selection decision.

Chapter 10. The Common Law Trust: Jersey, Guernsey and the Isle of Man

10.1 Executive Summary

The discretionary trust remains the default ownership instrument for common law families and for a substantial share of civil law families who have been persuaded of its merits. Its power derives from the separation of legal and beneficial ownership: the trustee owns, the beneficiaries benefit, and neither owns in the way a shareholder owns. Its fragility derives from the same source, because a court asked whether the separation is real will look at conduct rather than at paper.

10.2 Key Principles

The three certainties. A trust requires certainty of intention, of subject matter and of objects. [LAW] Failure of any of the three means there is no trust, and the assets remain the settlor's. This is elementary and it is still the basis on which structures are unwound.

Discretion is protection. A beneficiary of a fully discretionary trust has no proprietary interest in the assets, only a right to be considered and to require proper administration. [LAW] A creditor attaching that interest attaches very little. A fixed interest, by contrast, is an asset the creditor can reach. Families who ask for certainty of entitlement are asking to dismantle the protection they are paying for.

Reserved powers are a spectrum, not a switch. Jersey, Guernsey and the Isle of Man each permit a settlor to reserve specified powers without invalidating the trust. [LAW] The statutory permission is not the whole question. A structure in which reservation is extensive and the trustee's discretion is nominal invites a finding of sham or illusory trust in a foreign forum that is not bound by the trust jurisdiction's statute.

10.3 Institutional Framework

Table 10.1 The principal common law trust jurisdictions

	Jersey	Guernsey	Isle of Man
Governing statute	Trusts (Jersey) Law 1984 as amended	Trusts (Guernsey) Law 2007	Trustee Act 1961 and Trusts Act 1995
Perpetuity period	Unlimited	Unlimited	Unlimited for trusts created after 1 January 2016
Reserved powers	Extensive statutory list	Extensive statutory list	Permitted, less codified
Firewall provisions	Strong; foreign law excluded on questions of validity and capacity	Strong	Present, less tested

	Jersey	Guernsey	Isle of Man
Purpose trusts	Non-charitable purpose trusts permitted, enforcer required	Permitted	Permitted
Depth of case law	Deepest of the three; substantial Royal Court jurisprudence	Growing	Moderate
Regulator	Jersey Financial Services Commission	Guernsey Financial Services Commission	Isle of Man Financial Services Authority
Tier	I	I	II
Typical trustee fee, USD 50m	45,000 to 110,000	40,000 to 100,000	30,000 to 80,000

10.4 Governance Model: Trustee, Protector, Enforcer

The trustee administers and decides. The protector holds negative powers, principally consent and veto over specified trustee actions and the power to remove and appoint trustees. The enforcer exists only where the trust is a non-charitable purpose trust and there is therefore no beneficiary to hold the trustee to account.

The critical drafting question is whether the protector's powers are fiduciary or personal. If fiduciary, the protector owes duties to the beneficiaries and may be held to account; if personal, he may act in his own interest. **[LAW]** Instruments are frequently silent, and the silence produces litigation. State it.

10.5 Risk Analysis

Sham. A finding that the parties never intended the trust to operate according to its terms. Requires a common intention between settlor and trustee to mislead. Rare, because professional trustees do not ordinarily participate. **[LAW]**

Illusory trust. A finding that, on the true construction of the instrument and the surrounding circumstances, the settlor retained such control that no effective disposition occurred. This does not require dishonest intention and is therefore the more serious practical risk. **[LAW]**

Firewall limits. Firewall statutes bind the courts of the trust jurisdiction. They do not bind a foreign court, which may make orders against the settlor personally, including orders to procure a distribution, enforceable by contempt in the forum where he lives. Chapter 35 treats this.

10.6 Common Errors

- Reserving an investment power and then exercising it in a manner inconsistent with the trustee's own recorded view.
- Appointing a protector without specifying whether the office is fiduciary.
- No mechanism for the appointment of a successor protector, which deadlocks the structure on the protector's death. See Table 1.5, failure mode 5.
- Assuming a firewall provision protects against an order made against the settlor personally. It does not.

10.7 Conclusion

Chapter 11 addresses the jurisdictions that have legislated specifically against creditor enforcement, and the price they pay for it.

Chapter 11. The Protective Statutes: Cook Islands, Nevis and the Bahamas

11.1 Executive Summary

A small group of jurisdictions has legislated deliberately to make foreign creditor enforcement difficult. The statutes are effective at what they do. The cost is borne in the banking layer, where Tier I institutions apply enhanced scrutiny or decline outright, and in the litigation layer, where a foreign judge may draw an adverse inference from the choice of jurisdiction. The instruments are correct for a narrow set of clients and are oversold to a much wider one.

11.2 Institutional Framework

Table 11.1 The protective jurisdictions compared

	Cook Islands	Nevis	Bahamas
Principal statute	International Trusts Act 1984 as amended	Nevis International Exempt Trust Ordinance 1994 as amended	Trustee Act 1998; Fraudulent Dispositions Act 1991
Limitation for fraudulent transfer claims	1 to 2 years from cause of action	1 to 2 years	2 years
Standard of proof for creditor	Beyond reasonable doubt	Beyond reasonable doubt	Balance of probabilities
Recognition of foreign judgments	Not recognised; creditor must relitigate locally	Not recognised; bond required to commence	Limited
Local bond or security to sue	No	Yes, statutory deposit	No
Depth of case law	Moderate; the most litigated of the three	Thin	Moderate
Tier	III	III	III
Bank acceptance	Poor to moderate	Poor	Moderate

The mechanism is not secrecy. It is procedural: a short limitation period, a criminal standard of proof applied to a civil allegation, non-recognition of foreign judgments, and a requirement that the creditor litigate in a distant forum using local counsel. A creditor with a USD 2m claim will not pursue it. A creditor with a USD 200m claim and a determined lawyer may.

11.3 Risk Analysis: What the Statutes Do Not Do

They do not prevent a foreign court from ordering the settlor to procure repatriation of assets, nor from imprisoning him for contempt when he does not. The reported cases in this area are instructive and uncomfortable, and any adviser recommending a protective trust should describe them to the client in terms. **[LAW]**

They do not defeat criminal forfeiture, sanctions designation or a well-advised divorce court in the family's home jurisdiction.

They do not cure a transfer made after the claim arose. The limitation period runs from the cause of action, and a transfer made when the creditor is already at the door is vulnerable everywhere. Chapter 36.

[OPINION]

The board's position is that protective trusts are appropriate for professionals with genuine and continuing liability exposure, established years before any claim, and inappropriate as a general-purpose ownership layer. The banking friction alone is disqualifying for most families, and the adverse inference in a foreign forum is a real cost that is almost never disclosed at the point of sale.

11.4 Implementation Guidance

Where a protective structure is used, the ownership layer sits in Tier III and the banking layer does not. Assets are held through an underlying company in a jurisdiction that custodians accept, with the Tier III trust owning the company rather than the securities. This preserves the statutory protection and removes most of the onboarding friction. **[PRACTICE]**

11.5 Conclusion

Chapter 12 turns to the civil law instrument that performs a similar function through a different legal mechanism.

Chapter 12. The Civil Law Foundation: Liechtenstein and Panama

12.1 Executive Summary

The foundation is an orphan legal person with no shareholders, established by a founder, governed by a council according to statutes and by-laws, for the benefit of named or determinable beneficiaries or for a purpose. For families from civil law traditions, and for most Gulf families, it is comprehensible in a way the trust is not, and comprehension by the heirs is a structural virtue rather than a convenience.

12.2 Key Principles

A foundation owns itself. There is no beneficial owner in the trust sense. This simplifies certain analyses and complicates others, particularly beneficial ownership registration, where regulators require the identification of persons who do not exist in the instrument's own terms. [\[LAW\]](#)

The council is the decision-maker, and the founder's reserved rights, where any, are stated in the by-laws. The same control paradox applies as in Chapter 10: extensive founder rights weaken the structure.

Forced heirship is the principal battleground. Civil law jurisdictions reserve fixed shares of an estate to certain heirs. Whether a foundation defeats those claims depends on the law applicable to the succession, the timing of the endowment, and the forum. Liechtenstein applies a limitation period to claw-back claims by forced heirs; the analysis is fact-specific and no general statement should be relied upon. [\[LAW\]](#)

12.3 Institutional Framework

Table 12.1 Foundation jurisdictions compared

	Liechtenstein	Panama	Jersey (foundation)
Statute	Persons and Companies Act (PGR), reformed 2009	Law 25 of 1995	Foundations (Jersey) Law 2009
Minimum endowment	CHF 30,000	USD 10,000	No minimum
Supervision	Financial Market Authority; supervised and unsupervised forms	Light	Jersey Financial Services Commission
Guardian or protector	Optional; mandatory for supervised forms	Optional	Guardian mandatory
Beneficiary rights to information	Statutory, can be modified	Limited	Limited by statute; guardian holds oversight
Case law depth	Substantial	Thin	Growing
Bank acceptance	Strong	Moderate to poor	Strong
Tier	II	IV to III	I
Typical annual cost, USD 50m	35,000 to 90,000	8,000 to 25,000	40,000 to 95,000

Panama's low cost is real and its limitations are real. Bank acceptance is materially weaker than Liechtenstein's, the supervisory framework is lighter, and the jurisdiction has periodically appeared on international listing exercises. It is used well as an operating-layer holding vehicle and used badly as an ownership layer for substantial capital. **[OPINION]**

12.4 Governance Model

The by-laws are the operative document and they are usually private, whereas the statutes are filed. This division is a drafting opportunity and a drafting trap: matter placed in the statutes is public, and matter placed in the by-laws may be amended by the council in ways the founder did not anticipate unless the amendment power is constrained.

The Jersey foundation is a hybrid worth noting. It is a civil law form enacted in a common law jurisdiction with a mandatory guardian, and it gives civil law families a comprehensible instrument with Tier I supervision and Tier I bank acceptance. For Gulf and continental European families it is frequently the correct answer and it is under-used. **[OPINION]**

12.5 Common Errors

- Founder's reserved rights so extensive that the foundation is transparent for tax purposes in the family's residence.
- By-laws that never name a successor to the founder's rights.
- Panama foundations used to hold marketable securities directly, producing repeated onboarding failure.
- Assuming a foundation defeats forced heirship without an opinion on the applicable succession law.

Chapter 13. Asian and European Structures: Singapore and Luxembourg

13.1 Executive Summary

Singapore and Luxembourg are not principally trust jurisdictions. They are platform jurisdictions, where the ownership layer, the fund layer and the substance requirements are addressed together, and where the attraction is a combination of treaty access, regulatory credibility and a deep professional market.

13.2 Singapore

The trust. Trustees Act as amended; licensed trust companies regulated by the Monetary Authority of Singapore. Perpetuity period of one hundred years. Strong confidentiality provisions, subject to the usual exchange-of-information obligations. **[LAW]**

The Variable Capital Company (VCC). A corporate fund structure permitting segregated sub-funds with ring-fenced assets and liabilities, used by families to house multiple strategies under one umbrella with a single administrator and auditor. Its use as a family investment vehicle rather than as a commercial fund has grown substantially. **[PRACTICE]**

The family office tax incentives. Sections 13O and 13U of the Income Tax Act provide exemptions for funds managed by a Singapore family office, subject to conditions on assets under management, local business spending, professional headcount and local investment. The conditions have been tightened repeatedly and any statement of the current thresholds dates quickly. Verify before relying. **[LAW]**

Assessment. Tier I. Excellent bank acceptance, deep custody, credible supervision, and a genuine substance requirement that is a cost for families who want a jurisdiction rather than a home.

13.3 Luxembourg

The SPF (société de gestion de patrimoine familial), a private wealth management company for passive holding by individuals, exempt from income tax but excluded from treaty access.

The SOPARFI, an ordinary holding company with full treaty access and participation exemption, which is the workhorse of European family holding structures.

The RAIF and SCSp, fund and limited partnership vehicles used for family private-market programmes and for co-investment with third parties.

Assessment. Tier I for the operating and fund layers, and a European base for families with European assets. Substance requirements have hardened considerably and a Luxembourg entity with no local decision-making is a liability rather than an asset. **[LAW]**

Jurisdiction	Complexity	Cost	Bank acceptance	Asset protection	Political risk	Tax efficiency	Governance	Succession	Litigation resistance	Scalability	Institutional acceptance
Jersey	3	2	5	4	5	4	5	5	4	5	5
Guernsey	3	3	5	4	5	4	5	5	4	5	5
Isle of Man	3	3	4	4	5	4	4	4	4	4	4
Liechtenstein	3	2	4	4	5	4	4	5	4	4	4
Singapore	4	2	5	3	5	5	5	4	3	5	5
Luxembourg	4	2	5	3	5	5	5	4	3	5	5
Cayman Islands	3	3	4	4	4	4	4	4	4	5	4
British Virgin Islands	2	4	3	3	4	4	3	3	3	4	3
Cook Islands	3	3	2	5	4	3	3	3	5	3	2
Nevis	2	4	1	5	3	3	2	3	5	2	2
Bahamas	3	3	3	4	4	4	3	4	4	3	3
Panama	2	5	2	3	3	4	2	3	3	2	2
United Arab Emirates (DIFC, ADGM)	3	3	4	4	4	5	4	4	3	4	4
Anjouan, Union of the Comoros	1	5	1	2	2	4	2	2	2	1	1

13.4 Decision Guidance

Table 13.1 Platform selection

Family profile	Indicated platform
Asian operating business, family resident in Asia	Singapore; VCC where multiple strategies
European operating business, EU beneficiaries	Luxembourg SOPARFI beneath a Jersey or Guernsey trust
Gulf family, wants a comprehensible instrument	Jersey foundation, or DIFC foundation with regional substance
US-connected beneficiaries	Neither without US counsel; the analysis is driven entirely by US rules
Frontier-market operating group	Structure per Chapter 51; platform choice is secondary to banking access

Chapter 14. Comparative Analysis and Selection Matrix

14.1 The Full Comparison

Scores are on a five-point scale where 5 is strongest. They express the editorial board's assessment and are offered as a starting point for discussion rather than as a finding. **[OPINION]**

Table 14.1 Ownership-layer jurisdictions, full comparison

The final row is included for completeness and to make an argument by contrast. Anjouan scores well on cost and poorly on almost everything the ownership layer requires. It appears in this book because of what it offers the banking layer, which is a different question examined in Chapter 27, and it should not appear in the ownership layer of any structure described in this work.

14.2 The Selection Sequence

1. **Identify the dominant risk.** Litigation, succession, political, fiscal or fragmentation. One will dominate.
2. **Select for that risk,** from Table 14.1, weighting the corresponding column.
3. **Test bank acceptance** before instructing anyone. A jurisdiction the family's custodians will not onboard has failed regardless of its legal merits.
4. **Test comprehensibility.** If the heirs will not understand the instrument, they will be governed by whoever explains it to them.
5. **Test substance.** Every Tier I and Tier II jurisdiction now requires real decision-making locally. Budget for it or select elsewhere.
6. **Document the reasoning** in a memorandum retained with the instrument. In fifteen years nobody will remember why, and the memorandum is the difference between a structure that is maintained and a structure that is abandoned.

14.3 Conclusion

Part IV addresses the fiduciary layer that operates whichever instrument is chosen.

Part IV. Private Trust Companies

The fiduciary layer, insourced. Chapters 15 to 17.

Chapter 15. Purpose, Economics and Threshold

15.1 Executive Summary

A private trust company is a company incorporated for the sole purpose of acting as trustee of one family's trusts. It replaces the professional trustee with an entity the family influences without owning, and it exists to solve a problem professional trustees cannot solve: the administration of assets that require judgement the trustee is unwilling to exercise.

15.2 Why Families Form Them

Concentrated and operating assets. A professional trustee holding ninety per cent of a trust fund in one private company is exposed to a duty to diversify it has no commercial reason to accept. It will either seek indemnities, insist on diversification, or resign. A PTC board that includes people who understand the business can hold the position properly. This is the strongest reason and it is sufficient on its own. **[PRACTICE]**

Speed. Direct investments and co-investments run on transaction timetables. A PTC board can convene in a day.

Continuity. Professional trustee businesses are bought and sold. A family that has changed trustee three times in fifteen years through no decision of its own has lost institutional memory each time.

Cost, above a threshold. Below roughly USD 30m a PTC costs more than the trustee it replaces. Above USD 100m the arithmetic reverses decisively.

15.3 Institutional Framework

Table 15.1 The ownership question

Ownership of the PTC	Effect	Assessment
Family members directly	PTC shares are family assets; defeats much of the structure; succession problems on death	Not recommended
Purpose trust with an enforcer	PTC is ownerless; no succession issue; standard market solution	Recommended default
Foundation	Equivalent effect; preferred for civil law families	Recommended
A licensed trust company	Simple, but reintroduces the third-party dependency the PTC was formed to remove	Situational

Regulatory position. Several jurisdictions provide exemptions from trust company licensing for PTCs that act for a single family and do not solicit business from the public, usually subject to the

requirement that a licensed administrator provides registered office and administration services. The conditions differ by jurisdiction and are amended regularly. Verify before incorporation. **[LAW]**

Table 15.2 Indicative annual cost of a PTC, USD 150m structure

Item	Annual cost (USD)
Licensed administrator, registered office, company secretarial	35,000 to 70,000
Independent directors, two, at 25,000 to 60,000 each	50,000 to 120,000
Purpose trust trustee and enforcer	12,000 to 25,000
Audit and accounts	15,000 to 35,000
Directors' and officers' insurance	15,000 to 45,000
Total	127,000 to 295,000, or 8 to 20 bp

15.4 Common Errors

- A PTC formed for prestige, with a board of family members who have never read a trustee's duty.
- No directors' and officers' cover, leaving independent directors personally exposed and making good candidates impossible to recruit.
- Administration performed informally by the family office, which defeats the licensing exemption in several jurisdictions.
- Minutes that record decisions without recording the reasons for them, which is the only record that assists in a later challenge.

Chapter 16. Governance: Directors, Protectors and Reserved Powers

16.1 The Board

A functioning PTC board has between four and six directors: two family, two independent professionals, and where appropriate one executive of the family office. The independent directors are the structure. Their function is to be capable of saying no, and a board recruited on the basis that it will not is worse than no board, because it manufactures a record of deliberation that did not occur.

Table 16.1 Independent director selection

Criterion	Test
Competence	Has held fiduciary office elsewhere and can describe a decision they took against the wishes of the family concerned
Independence	Fees from this family below a stated proportion of personal income; no other commercial relationship with the family
Availability	Able to convene within 48 hours; attends in person at least annually
Succession	Fixed term, renewable, with a staggered rotation so the board never changes entirely at once
Removal	By the protector committee or the purpose trust trustee, never by the family unilaterally

16.2 Reserved Powers

Table 16.2 A standard reserved powers schedule

Power	Typical holder	Fiduciary?	Notes
Appoint and remove trustee	Protector committee	Yes	Successor identified before removal takes effect
Add or exclude beneficiaries	Trustee with protector consent	Yes	Written reasons recorded
Approve distributions above a threshold	Protector committee	Yes	Threshold stated in figures, indexed
Change governing law	Protector committee	Yes	Supermajority; rarely exercised, essential to have
Approve sale of the founding asset	Protector committee and family council	Yes	The clause that prevents the irreversible decision
Investment direction	Investment committee under delegation	Yes	Delegated by the board, not reserved to the settlor
Amend the reserved powers schedule	Protector committee	Yes	Supermajority and cooling period

The instrument must state whether each power is fiduciary or personal. Silence is the error. **[LAW]**

16.3 Risk Analysis

Deadlock. Two family branches, two directors each, no casting vote. The remedy is an odd number of directors, an independent chair with a casting vote, or an external referral mechanism, agreed before it is needed.

Capture. Independent directors who derive most of their income from one family become dependent directors over time. Fixed terms and fee caps address this imperfectly and are better than nothing.

Regulatory drift. PTC exemptions are conditional and the conditions change. An annual confirmation from the administrator that the exemption remains available should be a standing agenda item.

Chapter 17. Failure Modes and Case Studies

17.1 Case Study: the Board That Never Refused

Composite. No real family is described.

A European industrial family formed a PTC in the second generation with two independent directors recruited by the family's long-standing lawyer. Over eleven years the board approved every proposal put to it, including three distributions substantially outside the policy band and the pledge of trust assets to secure borrowing by a company owned personally by one branch. On the founder's widow's death, the disadvantaged branch sued.

The court's difficulty was not the pledge. It was the eleven-year record showing a board that had never varied a proposal. The minutes recorded attendance and resolutions and no reasoning. The independent directors were found to have failed to exercise independent judgement, and the pledge was set aside with costs.

The lesson. A board that has never refused anything has not demonstrated independence; it has documented its absence. Minutes should record the question, the alternatives considered and the reason for the conclusion. Where a proposal is modified, record the modification.

17.2 Case Study: the Protector Who Died

Composite.

A settlor appointed his brother as protector with power to remove the trustee. No successor was named and no appointment mechanism was drafted. The brother died four years after the settlor. The trust was left with a trustee that could not be removed by anyone and a beneficiary class that had lost its only means of holding it to account. An application to the court took eighteen months and cost more than the protector's fees for the trust's entire life.

The lesson. The successor mechanism costs one paragraph. Its absence is failure mode 5 in Table 1.5 and it recurs constantly.

17.3 Case Study: the PTC That Was Not Exempt

Composite.

A family incorporated a PTC in a jurisdiction offering an exemption from trust company licensing conditional on administration being provided by a locally licensed firm. To save cost, administration migrated to the family office over three years. On a routine regulatory enquiry the exemption was found to be unavailable, the PTC had been acting as an unlicensed trustee, and the validity of four years of trustee acts required a court application to confirm.

The lesson. Exemptions are conditional. The condition is the price of the exemption and it is not optional. **[LAW]**

17.4 Conclusion

Part V addresses the operating apparatus that sits beside the fiduciary laye

Part V. Family Offices

Chapters 18 to 22. The operating apparatus: what it does, who staffs it, how it is controlled, and how it fails.

Chapter 18. The Single Family Office

18.1 Executive Summary

A single family office is an operating business whose only client is the family. It exists to insource judgement, to consolidate information and to hold counterparty relationships institutionally rather than personally. It becomes economic at approximately USD 250m, earlier where the asset base is operational or where the family's affairs span many jurisdictions.

18.2 Functions

Table 18.1 Family office functions and the insource decision

Function	Insource threshold	Rationale
Consolidated reporting	USD 100m	Nobody else has an incentive to reconcile across custodians
Investment policy and oversight	USD 250m	Judgement; cannot be bought without conflict
Direct investment origination and diligence	USD 400m	Deal flow depends on being known as a principal
Cash and liquidity management	USD 250m	Materially affects return and is invisible to external managers
Custody	Never	Commodity; buy on credit quality, price and jurisdiction
Tax compliance	Never	Specialist, jurisdiction-specific, liability-bearing
Legal	Never, except an in-house counsel above USD 2bn	Conflict and breadth
Public-market management	Rarely	Cost of a competitive team exceeds the achievable edge
Concierge and lifestyle	Situational	Real demand; keep it budgeted separately or it consumes the office

The last row deserves attention. Lifestyle services expand to consume whatever staff exist. Segregating the budget and the reporting line prevents the investment function being progressively converted into a travel desk. **[OPINION]**

18.3 Governance Model

The family office executive reports to the governance board, not to an individual family member. Where the reporting line runs to one person, the office serves that person and the other branches learn to work around it, which is how information asymmetry begins.

18.4 Common Errors

- The office established without a written service agreement, so that its scope is whatever the loudest family member last requested.
- Compensation with no long-dated component, producing turnover in the only roles where continuity has value.
- The founder's personal assistant promoted to run the office. Loyalty is not the qualification.

Chapter 19. Multi-Family and Virtual Models

19.1 Comparison

Table 19.1 Family office models

Model	Typical capital	Annual cost	Control	Conflict risk	Best suited to
Single family office	Above USD 250m	30 to 70 bp	Full	Low	Families wanting insourced judgement and privacy
Multi-family office	USD 30m to 500m	50 to 110 bp	Partial	Moderate to high where the MFO also manufactures product	Families below the SFO threshold
Virtual family office	USD 20m to 150m	25 to 60 bp	Full over selection, none over execution	Low	Families with a competent principal and time
Hybrid	USD 150m to 600m	35 to 80 bp	Full over judgement functions	Low	The common destination; Chapter 8
Embedded in the operating business	Any	Opaque	Full	High	Nobody, though many end up here

The final row is not facetious. A large number of families run the office out of the operating company's finance department, which commingles the family's affairs with a company that may have minority shareholders, creditors and a future buyer. It should be separated before it must be.

19.2 The Multi-Family Office Conflict Test

Ask three questions. Does the MFO earn anything from the products it recommends, including retrocessions, placement fees or carried interest? Does it act as custodian or introduce exclusively to an affiliated custodian? Is its fee schedule a single line item the family can compare with an alternative? If the answers are yes, yes and no, the family is buying distribution and calling it advice.

[OPINION]

Chapter 20. Operational Design and the Investment Committee

20.1 The Investment Policy Statement

The IPS is the family office's constitution and it should be short enough to be read. It states the objective in real terms, the distribution requirement it must fund, the strategic asset allocation with permitted ranges, the liquidity floor, the rebalancing rule, the delegation limits, the prohibited investments and the review cycle.

Table 20.1 Delegation limits, indicative for a USD 500m portfolio

Decision	Authority	Limit
Rebalancing within stated ranges	CIO	No limit
Manager appointment, public markets	CIO with chair's concurrence	Up to 3% of portfolio
Manager appointment, private markets	Investment committee	Any
Direct investment	Investment committee, unanimous	Any; family council notified above 5%
Breach of range	Investment committee	Must be cured or ratified within 90 days
Change of strategic allocation	Investment committee, governance board ratification	Not more than annually

20.2 Meeting Discipline

Papers circulated five working days in advance. Any proposal not in the papers is not decided at that meeting. Minutes record reasoning. An annual meeting reviews the committee's own decisions from three years earlier, which is the only mechanism that reliably improves decision quality and the one almost nobody operates. **[OPINION]**

Chapter 21. Reporting, Controls and Internal Audit

21.1 Consolidated Reporting

The requirement is a single statement of the whole balance sheet, in one currency, on one valuation basis, at one date, including illiquid holdings at a stated and consistent methodology. Families routinely have this for public markets and not for the rest, which means they do not have it.

Table 21.1 The control set

Control	Specification	Failure it prevents
Dual payment authorisation	Two signatories above a stated threshold; no exceptions for urgency	Internal fraud and payment-diversion fraud, the two largest loss events in the sector
Call-back verification	Any change of bank details verified by telephone to a previously held number	Business email compromise
Segregation of duties	The person who instructs payments does not reconcile them	Undetected misappropriation
Independent valuation of illiquids	Annual, by a firm not otherwise engaged	Valuation drift and misreporting
Counterparty review	Annual re-verification of every bank, trustee and administrator; Appendix D	Counterparty failure and fraud
Access review	Quarterly review of who holds authority over each account	Departed staff retaining access
Internal audit	Annual, reporting to the governance board	Everything above, not done

[PRACTICE]

Payment-diversion fraud, in which an instruction to change bank details is fabricated and the payment is made to the fraudster, is the most frequently reported large loss in family offices. The call-back control defeats it almost entirely and costs nothing. Its absence is close to universal.

Chapter 22. Cybersecurity and Artificial Intelligence in the Family Office

22.1 The Threat Model

The family office is a small business holding data of extraordinary value: identity documents, structure charts, banking mandates, travel movements and the personal details of children. It is targeted by criminals for money and by others for information. Its defences are typically those of a ten-person company.

Table 22.1 Priority controls, in order of return on effort

Priority	Control	Effort
1	Hardware security keys for all staff and principals on all accounts	Low
2	Call-back verification of all payment instructions	Low
3	Separate device or account for banking, used for nothing else	Low
4	Encrypted, offline backup tested by restoration annually	Low
5	Removal of family travel and location data from all shared systems	Low
6	Managed endpoint detection across all devices including personal	Moderate
7	Annual penetration test and phishing simulation	Moderate
8	Formal incident response plan with named external counsel and forensics firm on retainer	Moderate
9	Segregated document storage with access expiry	Moderate
10	Cyber insurance, having read the exclusions	Low

22.2 Artificial Intelligence

Applied usefully: reconciliation across custodian statements, first-pass diligence document review, drafting of routine correspondence, monitoring of news and regulatory change across a portfolio of jurisdictions, and translation.

Applied dangerously: any use that places identity documents, structure charts or banking details into a third-party system without a contractual position on retention and training. Any use that generates a legal or tax conclusion relied upon without professional review. Any use of voice or video that increases the family's exposure to impersonation.

The impersonation problem deserves separate statement. Voice cloning from publicly available recordings is now trivial. A family office that authorises payments on a recognised voice has no control at all. The call-back procedure must be to a previously held number and must include a question whose answer is not discoverable. **[PRACTICE]**

Where a group publishes AI-assisted content or operates AI-facing client surfaces, disclosure obligations may apply under the European Union's artificial intelligence legislation and

comparable regimes elsewhere. Groups with any European nexus should determine their position rather than assume it. **[LAW]**

22.3 Conclusion

Part VI turns to the layer where the assets physically sit.

Part VI. Banking Architecture

Where the assets physically sit and who can freeze them. Chapters 23 to 27.

Chapter 23. The Multi-Bank Doctrine

23.1 Executive Summary

Single-custodian concentration is the third most frequent failure mode in Table 1.5 and the one families find most surprising, because the relationship feels like a source of security rather than a source of risk. It is both. A banking relationship provides access, credit and service. It also provides a single point at which the family's entire balance sheet can be frozen by an instruction the bank did not originate and cannot refuse.

23.2 Key Principles

Separate custody from credit. A bank that holds the assets and extends the loan has a right of set-off across the relationship and, usually, a contractual right to demand additional collateral on its own valuation. **[LAW]** The family that has both at one institution has given that institution a decisive position in any disagreement.

Count jurisdictions, not banks. Four relationships in two countries that are treaty partners and allies is one jurisdictional exposure wearing four names. The question is not how many banks but how many independent legal systems must act before the family loses access.

Assume the freeze, not the failure. Bank insolvency is rare in the institutions this book contemplates. Account freezes pending review are common, take weeks to months, and are not appealable in any practical sense. The architecture should be designed so that a freeze on the largest single relationship is an inconvenience rather than an emergency.

Figure 23.1

Banking architecture by capital band. Count jurisdictions, not banks.

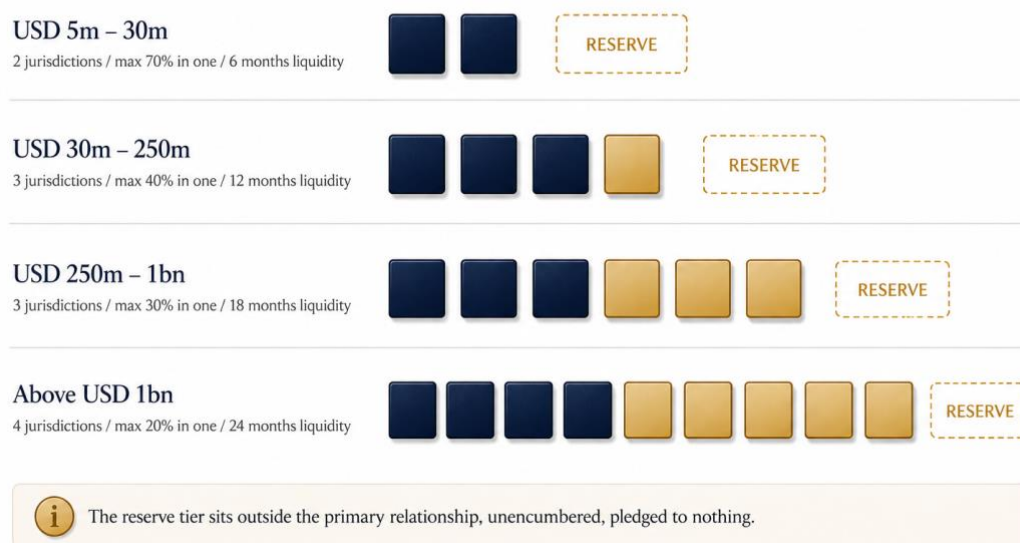


Figure 23.1 Banking architecture by capital band

Table 23.1 Minimum banking architecture by band

Capital	Relationships	Jurisdictions	Maximum single-counterparty share	Liquidity outside the primary relationship
USD 5m to 30m	2	2	70%	6 months of distributions
USD 30m to 250m	3 to 5	2 to 3	45%	12 months
USD 250m to 1bn	5 to 8	3 to 4	30%	18 months
Above USD 1bn	8+	4+	20%	24 months, plus an unencumbered reserve

23.3 Risk Analysis

Set-off. Cross-collateralisation clauses are standard and are usually broader than clients realise, extending across accounts of related entities. Read them and negotiate them; at scale they are negotiable. **[PRACTICE]**

Rehypothecation. Where the family borrows against securities, the agreement may permit the bank to use those securities. The client's position in an insolvency changes materially depending on whether it does. Ask, in writing, and keep the answer.

Concentration through the custodian's own network. Two banks may clear through the same correspondent and hold at the same central securities depository. Diversification at the relationship level can be undone at the infrastructure level. Chapter 24.

23.4 Common Errors

- Opening the second relationship only after the first has caused a problem, at which point onboarding takes months the family does not have.
- Maintaining small dormant accounts as a diversification measure. An account with USD 50,000 and no activity will be closed for commercial reasons before it is needed.
- Holding the emergency liquidity at the same institution as the credit facility.

Chapter 24. Custodian Diversification and Segregation

24.1 Segregated and Omnibus Custody

In an omnibus arrangement client securities are held in a pooled account in the custodian's name at the depository. In a segregated arrangement the client's holdings are individually identified. The difference is invisible in normal conditions and decisive in an insolvency, where the omnibus client may face a pooled shortfall and a delay of years while an administrator reconstructs entitlements. **[LAW]**

Segregated custody costs more and is not available for every asset class or market. Families above USD 250m should hold the reserve portfolio segregated and should know, for every other holding, which arrangement applies. Most do not.

Table 24.1 The custody due diligence questions

Question	Why it matters
Segregated or omnibus, by market?	Determines position in insolvency
Which sub-custodians are used in each market?	The chain is only as strong as its weakest link, which is often in an emerging market
Is rehypothecation permitted under the agreement?	Determines whether the assets are still the client's in a stress
Which entity is the contracting party, and where is it incorporated?	The brand is not the legal entity; resolution regimes differ
Which resolution regime applies, and are client assets excluded from bail-in?	Determines exposure to a statutory write-down
What is the notice period for termination by the custodian?	Determines how long the family has to move on being exited

24.2 Implementation Guidance

Map the chain once, in a single diagram, from the family entity to the ultimate depository in each market. The exercise takes a competent operations person two weeks and it routinely reveals that a portfolio held at five banks depends on two sub-custodians and one clearing system. **[PRACTICE]**

Chapter 25. Liquidity, Credit and Lombard Facilities

25.1 The Liquidity Ladder

Table 25.1 The four liquidity tiers

Tier	Instrument	Access	Purpose	Indicative size
Operating	Current accounts, money market funds	Same day	Distributions and expenses	3 to 6 months of outflow
Reserve	Short-dated sovereign bills, term deposits, laddered	Days	Distribution continuity through a freeze or a downturn	12 to 24 months of outflow
Contingent	Undrawn committed facilities	Days, subject to conditions	Opportunity and defence	5 to 15% of net worth
Strategic	Marketable securities available for sale	Weeks	Large opportunity; last resort	Balance of liquid portfolio

The reserve tier is the one that prevents forced sales, which are the largest single quantified leakage in Table 4.1. It should be held outside the primary banking relationship, in an instrument that is not collateral for anything.

25.2 Lombard Lending

Borrowing against a marketable portfolio is inexpensive, flexible and dangerous. The danger is not the rate. It is that the lender determines the collateral value, may change advance rates without negotiation, and may call at the moment the collateral is least saleable.

Rules of use. Never above forty per cent loan-to-value on a diversified portfolio, and considerably less on a concentrated one. Never with the lending bank also holding the reserve tier. Never to fund distributions, which converts a temporary shortfall into permanent borrowing. Facilities documented as committed rather than on demand, accepting the higher cost. **[OPINION]**

Chapter 26. Precious Metals Custody and Digital Assets

26.1 Gold

Gold serves one function in a family balance sheet: it is an asset whose value does not depend on the solvency or the cooperation of any counterparty, provided it is held in a form where that is true. Most gold exposure does not meet that condition.

Table 26.1 Forms of gold exposure

Form	Counterparty risk	Jurisdictional risk	Liquidity	Suitable as
Exchange traded fund	Full; a securities entitlement in the custody chain	Follows the custody chain	High	Portfolio exposure, not insurance
Unallocated account	Full; an unsecured claim on the bank	High	High	Not recommended for the insurance function
Allocated account at a bank	Low, but held in the banking system	Follows the bank	Moderate	Acceptable
Allocated storage outside the banking system, segregated, audited	Minimal	The vault's jurisdiction	Moderate	The insurance function
Physical possession	None	The family's own jurisdiction	Poor	Small tactical holdings only

The distinction between allocated and unallocated is the whole question and it is regularly not understood by holders. An unallocated account is a claim on a bank denominated in gold. It is not gold. **[LAW]**

Vault jurisdiction should not duplicate the family's principal custody jurisdictions. That is the point of holding it.

26.2 Digital Assets

The custody question dominates and it has no comfortable answer. Self-custody transfers the risk from a counterparty to the family's own operational security, which is usually worse. Third-party custody reintroduces counterparty risk in a sector with a poor record of it.

Position. Where a family holds digital assets, they belong with a regulated custodian in a Tier I jurisdiction, with segregated wallets, proof of reserves and insurance whose exclusions have been read, sized at a level the family can lose entirely without consequence. Multi-signature arrangements with keys held in different jurisdictions by different persons are appropriate above material size and require a written key-succession protocol, without which the assets are destroyed on a death. **[OPINION]**

Beneficial ownership, tax and reporting treatment differ sharply by residence and change frequently. No general statement should be relied upon. **[LAW]**

Chapter 27. Banking Outside the Core: Frontier Jurisdictions, De-risking and the Union of the Comoros

27.1 Executive Summary

This chapter addresses the part of the banking layer that most of the literature does not discuss. Correspondent banking withdrawal has removed serviceable banking from a large population of legitimate clients. The response of the advisory industry has largely been to treat those clients as unadvisable. That is not advice; it is an absence of it. This chapter sets out what the frontier banking tier actually offers, what it cannot offer, and how to use it without pretending it is something else.

27.2 The Mechanism of De-risking

A global bank faces an asymmetric cost function. The penalty for an undetected financial-crime failure is very large, public and personal to its executives. The revenue from a single frontier-market private client is small. The cost of assessing that client properly is substantial and cannot be recovered. The rational response is not better assessment. It is category exit.

The consequence is documented and it is not contested: correspondent relationships have contracted markedly since the early 2010s, with the withdrawal concentrated in Africa, the Caribbean, Central Asia and the Pacific. Whole payment corridors have thinned. **[PRACTICE]**

The Financial Action Task Force has cautioned repeatedly against indiscriminate de-risking and has stated that jurisdictions under increased monitoring should not attract enhanced due diligence as a class. **[LAW]** The industry's behaviour has nonetheless been categorical. The gap between the standard and the practice is where this client population lives, and closing it is not the family's problem to solve.

Table 27.1 Who is affected

Client type	Why declined	Conduct issue?
Frontier-market industrialist with audited accounts	Country of operation on an internal prohibited list	No
Dual national holding a passport of a sanctioned state, not designated	Nationality screening applied categorically	No
Extractive or agricultural operating group	Sector risk rating	No
Politically exposed person's family, no adverse findings	PEP status treated as prohibitive rather than as enhanced	No
Diaspora family with payments through a thinned corridor	Corridor exited	No
Client with genuine adverse findings	Adverse findings	Yes

Only the final row is a client this book declines to assist. The distinction matters and is routinely not made.

27.3 The Frontier Banking Tier

Tier IV institutions are licensed banks in small jurisdictions with light supervisory regimes, low capital thresholds and rapid authorisation. The tier includes the Union of the Comoros through the autonomous island of Anjouan, Vanuatu, the Marshall Islands and several others. The Anjouan regime is treated here because it is the most active and because it illustrates the tier's characteristics clearly.

The regime. The statutory framework rests on the legislative package of 2005: the Anjouan Offshore Finance Authority Act 003 of 2005, the International Banking Act of 2005, the International Business Companies Act 004 of 2005, and the Money Laundering Prevention Act enacted by Government Notice 008 of 2005. Class A licences permit domestic and international business with a physical presence; Class B licences authorise international banking only. Supervision is exercised by the Anjouan Offshore Finance Authority, which operates separately from the Central Bank of the Comoros. [\[LAW\]](#)

Listing position. As at the plenary of 19 June 2026 the Union of the Comoros appeared on neither the FATF list of high-risk jurisdictions subject to a call for action nor the list of jurisdictions under increased monitoring. [\[LAW\]](#) A mutual evaluation of the Comoros was published in May 2024. Absence from a list is a statement about assessed position and about nothing else. It does not produce correspondent acceptance and it does not substitute for diligence on the specific institution.

Figure 27.1

The correspondent chain. The licence is not the constraint.

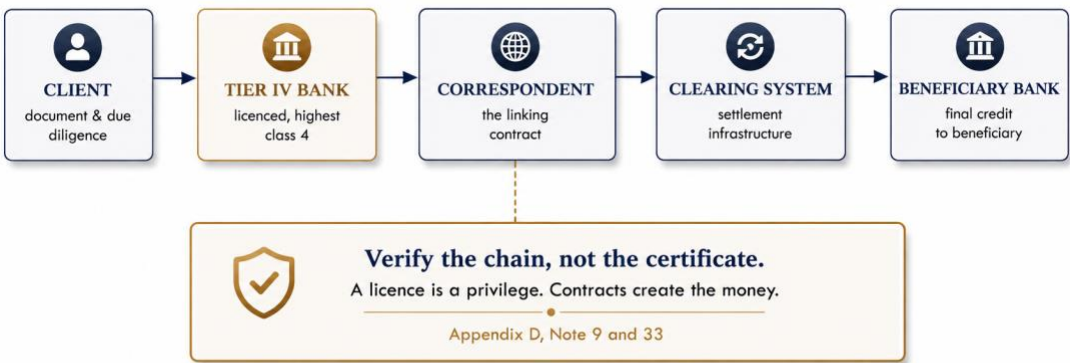


Figure 27.1 The correspondent chain, and where a Tier IV relationship actually sits

27.4 The Four Legitimate Functions

Table 27.2 Functions of a Tier IV banking relationship

Function	What it delivers	Sizing	Principal limitation
Access banking	A functioning account for a documented client the core has declined on category grounds	Whatever the client's alternatives permit	The correspondent chain determines what the account can actually do
Corridor and trade banking	Payments and trade finance adjacent to operating businesses in East Africa, the Indian Ocean rim and the Gulf	Working capital of the relevant entity	Corridor-specific; not a general payment capability
Political non-correlation	A relationship whose sovereign risk correlates with nothing in the OECD	1 to 5 per cent of liquidity	Comorian political risk is the price of the benefit
In-group licensed capability	Ownership of a licence rather than customership of another's	Not a liquidity allocation	The licence is the preliminary; the correspondent relationship is the project

The third function is the one most relevant to families who are not themselves de-risked. A family with custody spread across five banks in three OECD jurisdictions that share treaty relationships, alliance structures and sanctions policy has diversified against commercial failure and not against coordinated state action. A small allocation to an institution outside that perimeter is insurance against a scenario with a low probability and an unbounded cost. It is sized accordingly: one to five per cent, held in cash, expected to earn nothing.

The fourth function is the one most relevant above USD 1bn. Families at that scale insource what they previously bought. A Class B international banking licence is among the least expensive credible routes to a banking permission, and it is used by families whose operating businesses generate genuine transaction volume in corridors the core will not serve. IFB International Finance Bank Ltd, licensed under number L1149, is examined as the worked example in Chapter 51.

27.5 Risk Analysis: What the Tier Cannot Do

Table 27.3 Constraints, stated without qualification

Constraint	Consequence for the family
Correspondent dependency	The binding constraint is not the licence but the correspondent bank behind it. Verify the chain. A licence with no working correspondent is a certificate
No deposit protection scheme	Balances are unsecured claims. Size them as such
Thin case law	No meaningful body of decided authority on trusts, insolvency or fiduciary duty. Never site the ownership layer here
Counterparty acceptance	Tier I custodians and prime brokers will not generally accept the institution as a settlement counterparty. Payment architecture must be planned around this
Verification burden	Multiple websites present themselves as the Anjouan authority. Licence numbers must be confirmed with the authority directly. Any licence that cannot be confirmed is unproven

Constraint	Consequence for the family
Sovereign and political risk	Comorian domestic politics have been unstable historically. This is the source of the non-correlation benefit and also its cost
Reputational transmission	Some counterparties will apply enhanced scrutiny to the family because of the relationship. Budget for the explanation

[OPINION] The board's conclusion, stated once and relied upon throughout: a Tier IV institution is a legitimate and in some cases indispensable component of the banking layer, and is never an appropriate site for the ownership layer or for reserve custody. Advisers who reject the tier categorically fail a client population that has done nothing wrong. Advisers who present it as equivalent to Tier I custody do something considerably worse.

27.6 Implementation Guidance

1. **Establish the need.** Is the family de-risked, corridor-dependent, seeking political non-correlation, or acquiring capability? If none of the four applies, the relationship has no function and should not be opened.
2. **Verify the institution before anything else.** Appendix D. Confirm the licence with the authority directly. Confirm the correspondent chain. Confirm the audit arrangements and ask to see the most recent audited accounts. An institution that will not answer these is answered.
3. **Size the exposure to a total loss.** Ask what the family's position would be if the balance were unrecoverable, and hold no more than that.
4. **Segregate the function.** The Tier IV relationship holds working capital, corridor payments or the non-correlation reserve. It does not hold custody, it does not hold the reserve tier, and it does not lend against the portfolio.
5. **Document the rationale.** A memorandum on file explaining why the relationship exists will be requested by a Tier I counterparty, an auditor or a successor generation, and its absence is expensive.
6. **Review annually** against the same criteria used to open it.

27.7 Common Errors

- Treating a licence as a capability. It is a permission.
- Placing custody of marketable securities with a Tier IV institution, which produces settlement failure and, in a stress, an unsecured claim.
- Accepting an institution because it accepted the family. The eagerness of a counterparty is inversely correlated with the diligence it has performed, and the family that has been declined everywhere is precisely the family most exposed to this.
- Concealing the relationship from other counterparties, which converts a defensible arrangement into an undisclosed one.

27.8 Conclusion

Part VII turns from where the assets sit to how they are invested.

Part VII. Investment Governance

Chapters 28 to 33. Not a manual of investment selection, which is well served elsewhere, but of the decisions a family institution must make and the constraints under which it makes them.

Chapter 28. Strategic Asset Allocation for Perpetual Capital

28.1 Executive Summary

Perpetual capital has one structural advantage over every other pool of money: it need never sell. That advantage is realised only if the liquidity architecture makes forced selling impossible, which is a governance decision rather than an investment decision. Allocation follows from it.

28.2 The Framework

The allocation is derived from three inputs and nothing else: the required real return after distributions, the maximum tolerable drawdown before governance breaks down, and the liquidity floor that guarantees the family never sells under duress.

Table 28.1 Indicative strategic allocations by capital band

Asset class	USD 5m to 30m	USD 30m to 250m	USD 250m to 1bn	Above USD 1bn
Global public equity	45%	38%	30%	25%
Sovereign and investment grade credit	25%	18%	14%	12%
Private equity and direct	0%	12%	20%	24%
Private credit	0%	6%	8%	9%
Real assets: infrastructure, timber, agriculture	5%	10%	14%	16%
Real estate	12%	8%	6%	5%
Gold and precious metals	5%	4%	4%	4%
Hedge and absolute return	0%	0%	0%	2%
Cash and reserve tier	8%	4%	4%	3%
Expected real return, gross	3.8%	4.4%	4.9%	5.2%

The progression across bands is driven by capacity to bear illiquidity and by access to private-market opportunities on acceptable terms, not by risk appetite. A family with USD 20m holding

twenty per cent in private equity has bought the illiquidity without the access, and will pay retail terms for a diluted product.

28.3 The Drawdown Constraint

The binding constraint on a family portfolio is not volatility. It is the drawdown at which the family stops behaving as an institution. That number is discoverable by asking the question directly, in a calm year, and recording the answer.

Table 28.2 Governance response to drawdown, agreed in advance

Peak-to-trough drawdown	Prescribed response
Up to 15%	None. Rebalance per policy
15 to 25%	Investment committee meets; no change to strategic allocation permitted
25 to 35%	Distribution reduced to the policy floor; reserve tier drawn; strategic allocation unchanged
Above 35%	Governance board convened; formal review permitted; changes require ratification and a written record of reasoning

The purpose is to remove the decision from the moment. A rule agreed in a calm year and followed in a bad one is worth more than any manager the family will ever hire. **[OPINION]**

Chapter 29. Private Equity and Direct Investment

29.1 The Access Problem

Returns in private markets are dispersed far more widely than in public markets, which means the median manager is not an acceptable outcome. A family that cannot access upper-quartile managers should not be in the asset class, because it will bear the illiquidity and the fees for a return it could have obtained more cheaply elsewhere. **[PRACTICE]**

Access is bought with size, with a reputation for reliability across cycles, and with time. It is not bought with a placement agent.

29.2 Direct Investment

Families are systematically over-confident about direct investment because they succeeded in one business and infer general competence. The record does not support the inference.

Table 29.1 Direct investment discipline

Rule	Reason
Invest only in sectors where the family has operating experience	The family's edge is knowledge, not capital; capital is a commodity
Never invest in a transaction introduced socially without the same diligence as any other	This is the origin of the majority of large direct-investment losses
Size any single direct position below 3% of net worth	Concentration is already present in the founding asset
Require a written investment thesis stating what would falsify it	Prevents the retrospective reconstruction of reasoning
Require governance rights proportionate to the cheque, or decline	A minority position with no rights is a donation with paperwork
Set a review date and honour it	Direct positions are held indefinitely by default because nobody owns the sell decision

29.3 Fee Discipline

At scale, terms are negotiable and families under-negotiate. Management fee on invested rather than committed capital, a European waterfall rather than a deal-by-deal one, a preferred return that is genuinely preferred, and full transparency on fees charged at the portfolio-company level are all obtainable by an investor of size who is prepared to walk. **[PRACTICE]**

Chapter 30. Infrastructure, Timber and Agriculture

30.1 Why Real Assets Suit Perpetual Capital

Long-duration real assets match the liability profile of perpetual capital more closely than any other class. They produce cash flows linked to inflation, they are difficult to expropriate remotely, and their illiquidity is a source of return rather than only a cost, provided the liquidity architecture makes it bearable.

Table 30.1 Real asset characteristics

Asset	Real return expectation	Inflation linkage	Duration	Principal risks
Core infrastructure, regulated	4 to 6%	Strong, often contractual	20 to 40 years	Regulatory and political; concession renegotiation
Timber	3 to 5%	Moderate	25 to 60 years	Biological, fire, price cyclicity; a genuinely optional harvest
Row-crop farmland	3 to 5%	Moderate to strong	Indefinite	Water rights, climate, foreign-ownership restriction
Permanent crops	5 to 8%	Moderate	15 to 30 years	Operational intensity; price collapse in single crops
Renewable generation	5 to 8%	Contracted then merchant	20 to 30 years	Offtake counterparty; merchant price exposure post-contract

Timber deserves a specific note. Its distinguishing feature is that the harvest decision is optional: a standing forest that is not felled continues to grow. This gives the owner an unusual ability to decline to sell into a weak market, which is precisely the property perpetual capital should value.

[PRACTICE]

30.2 Ownership Restrictions

Agricultural land is subject to foreign-ownership restrictions in many jurisdictions, and infrastructure is subject to national-security screening in most. Both must be addressed in the structure before the investment, because retrofitting ownership through a permitted vehicle after acquisition is expensive and sometimes impossible. **[LAW]**

Chapter 31. Private Credit and Venture Capital

31.1 Private Credit

The asset class has grown rapidly and its record through a genuine default cycle at current scale is short. Families should size it as credit rather than as a bond substitute, should understand where in the capital structure they sit, and should note that reported volatility is a function of valuation policy rather than of underlying risk.

Questions to ask. What proportion of the portfolio is payment-in-kind? What is the loan-to-value at origination and today, on whose valuation? What is the manager's realised default and recovery record, not the market's? What happens to fees if the fund extends?

31.2 Venture Capital

Appropriate for families above USD 250m, sized so that total loss is immaterial, accessed through managers with genuine access rather than through funds that buy secondary allocations at a markup. The principal error is treating venture as a return-seeking allocation rather than as an optionality allocation with a wide and left-skewed distribution.

Direct angel investment by family members should be funded from personal distributions rather than from the family portfolio. This removes an endless source of governance friction and costs nothing. **[OPINION]**

Chapter 32. Sovereign Debt, Gold and Cash Management

32.1 The Reserve Portfolio

The reserve tier exists to guarantee that the family never sells a growth asset under duress. Its design follows from that single purpose.

Table 32.1 Reserve portfolio construction

Requirement	Specification
Issuer quality	Sovereign or supranational, highest ratings only. Corporate credit is not a reserve asset
Currency	The currency of the family's distribution obligations, not the currency of its sentiment
Duration	Laddered, one week to three years; no duration risk beyond three years in the reserve
Custody	Segregated, outside the primary banking relationship, unencumbered
Jurisdiction	At least two, not both within the same treaty and alliance perimeter
Size	12 to 24 months of distributions plus fixed costs, per Table 23.1
Prohibited	Pledged as collateral for anything; invested in anything with a redemption gate

The prohibition on pledging is the one families breach, usually inadvertently, by holding the reserve at the same institution that provides the Lombard facility, where the standard documentation extends security over the whole relationship. **[LAW]**

32.2 Currency

The family's balance sheet should be denominated in the currency of its obligations. A family distributing in euros and holding in dollars is running an unhedged currency position it has not authorised, sized at the whole portfolio. State the policy currency in the investment policy statement and hedge the reserve tier fully; hedging the growth portfolio is a separate and more debatable question.

Chapter 33. Risk Management and the Drawdown Constraint

33.1 The Risks That Matter

Table 33.1 Risk register for a family balance sheet

Risk	Measure	Control	Owner
Forced sale	Reserve tier coverage in months	Reserve floor in the IPS, tested annually	Investment committee
Counterparty	Largest single-custodian share	Limits per Table 23.1	Investment committee
Concentration	Largest single position and largest single sector	Position limits; excludes the founding asset, which is governed separately	Investment committee
Currency	Net exposure by currency against obligations	Policy currency and hedge ratio in the IPS	CIO
Liquidity	Proportion redeemable within 30, 90 and 365 days	Illiquidity budget by band	CIO
Valuation	Proportion of NAV marked by the manager rather than independently	Independent annual valuation of illiquids	Internal audit
Governance	Number of decisions taken outside policy in the year	Annual review of decisions from three years prior	Governance board
Political and jurisdictional	Assets recoverable if the largest jurisdiction acts adversely	Jurisdictional spread; Chapter 27	Governance board
Operational and fraud	Payments made without dual authorisation	Controls per Table 21.1	Internal audit
Key person	Functions dependent on one individual	Documented succession for every role	Governance board

The final four rows are the ones absent from most family risk reporting, and they contain the losses.

33.2 Stress Testing

Four scenarios, run annually, in writing:

- **Equity markets fall forty per cent and stay there for three years.** Can distributions be maintained from the reserve without selling? For how long?
- **The largest banking relationship freezes all accounts for six months.** What is inaccessible, and what breaks?
- **The founding operating asset pays no dividend for three years.** What is the effect on distributions and on the family's cohesion?
- **The family's principal jurisdiction of residence imposes exit taxation or exchange control.** What is outside its reach, and what is the plan?

The value is not in the numbers. It is that the questions have been asked once, calmly, and the answers written down.

33.3 Conclusion

Part VIII addresses the risks that structure exists to defend against, and the limits of that defence.

Part VIII. Asset Protection

Chapters 34 to 38. What structure defends against, what it does not, and the single variable that determines which.

Chapter 34. Civil Litigation and the Limits of Structure

34.1 Executive Summary

Asset protection is the most oversold service in private wealth and the disappointment it produces is predictable, because the promise made at the point of sale is not the promise the structure can keep. A properly constituted structure raises the cost, the duration and the uncertainty of enforcement to a level at which most creditors settle or withdraw. It does not make assets unreachable. Anyone who says otherwise is describing a product that does not exist.

34.2 What Structure Actually Defeats

Table 34.1 Creditor categories and structural effectiveness

Creditor	Structural effectiveness	Reason
Ordinary commercial creditor, claim arising after establishment	High	Cost and duration of foreign enforcement exceed the claim
Tort claimant, claim arising after establishment	High to moderate	Same, unless the claim is very large and insured litigation funding is available
Contractual counterparty with a personal guarantee	Low	The guarantee is a direct personal obligation; the structure is irrelevant to it
Divorcing spouse in the family's home forum	Low to moderate	The court acts on the person; Chapter 38
Tax authority of the family's residence	Very low	Information exchange, transparent-entity rules and personal liability
Sanctions authority	None	Designation attaches to the person and travels through every instrument
Criminal forfeiture	None	Mutual legal assistance and proceeds-of-crime regimes reach through structures
Creditor whose claim predates the transfer	None	Fraudulent conveyance; Chapter 36

The pattern is clear enough to state as a rule. Structure defeats creditors who must find and enforce. It does not defeat authorities who can compel the person.

34.3 The Cost of Enforcement as the Actual Mechanism

A creditor holding a judgment in one jurisdiction against assets held by a trust in another must, in a firewall jurisdiction, relitigate from the beginning under local law, with local counsel, against a

professional trustee funded from the trust, within a short limitation period, sometimes to a criminal standard of proof, occasionally after posting a bond. [LAW] The expected cost of that exercise commonly exceeds the recoverable amount. That calculation, and not invisibility, is what protects the assets.

It follows that the protection is proportionate to the claim. A USD 3m claim will not be pursued. A USD 300m claim, with a well-funded plaintiff and a contingency-fee firm, may be.

Chapter 35. International Enforcement and Recognition of Judgments

35.1 The Three Routes a Creditor Takes

Direct recognition. Registration of a foreign judgment under a treaty or statutory regime. Firewall jurisdictions exclude this for trust matters. **[LAW]**

Relitigation. Suing again in the trust jurisdiction on the underlying cause of action. Available, expensive, and constrained by limitation periods that in Tier III jurisdictions are very short.

Action against the person. The route that works. A court in the jurisdiction where the debtor lives orders him to procure repatriation of the assets, or to exercise a power, or to instruct the trustee. Non-compliance is contempt, enforceable by imprisonment. Firewall statutes have no application to an order made against a person present in the forum. **[LAW]**

[OPINION]

Any adviser recommending a protective structure who does not describe the third route to the client has misdescribed the product. The board's position is that this disclosure should be made in writing and acknowledged.

35.2 The Impossibility Defence

A debtor ordered to procure repatriation may respond that compliance is impossible because the trustee will not comply and he cannot compel it. Courts examine this with scepticism, particularly where the impossibility was created by the debtor after the claim arose. Where the structure has genuinely been in place for years, the trustee is genuinely independent, and the debtor genuinely holds no power to compel, the defence has succeeded. Where any of those is untrue, it has not. **[LAW]**

This is the strongest practical argument for surrendering control genuinely rather than nominally. The reservation of powers that feels like prudence is the fact that defeats the defence.

35.3 Duress Clauses

Instruments in protective jurisdictions commonly include a provision that the trustee shall disregard any direction given by a person acting under duress, including a court order. Their effectiveness is jurisdiction-specific and they do not assist the person subject to the order, who remains in contempt. They protect the assets, not the client. Clients should be told which. **[LAW]**

Chapter 36. Fraudulent Conveyance and the Timing Rule

36.1 The Rule

A transfer made with intent to defeat, hinder or delay creditors may be set aside. Every jurisdiction of any standing has a version of this. Jurisdictions differ in the limitation period, in the standard of proof, in whether intent must be proved or may be inferred, and in whether the creditor must have been a creditor at the date of transfer. They do not differ in having the rule. [LAW]

Table 36.1 Comparative fraudulent transfer provisions

Jurisdiction	Limitation period	Standard of proof	Creditor must exist at transfer?
England and Wales	No fixed period under section 423 Insolvency Act 1986	Balance of probabilities	No
Jersey	Customary law and statute; case-specific	Balance of probabilities	Generally yes
Cook Islands	1 to 2 years from cause of action	Beyond reasonable doubt	Yes, and claim must be specific
Nevis	1 to 2 years	Beyond reasonable doubt	Yes
Bahamas	2 years	Balance of probabilities	Yes
United States, Uniform Voidable Transactions Act	4 years, or 1 year from discovery	Clear and convincing for actual intent	No, future creditors may claim

The English position deserves emphasis because it is frequently overlooked by families with any English connection: there is no fixed limitation period for the statutory claim, and the claimant need not have been a creditor when the transfer was made. [LAW]

36.2 The Badges of Fraud

Courts infer intent from a recognisable pattern: transfer of substantially all assets, transfer to an insider or a structure controlled by the transferor, retention of possession or benefit, concealment, transfer shortly before or after a claim arose, inadequate consideration, and the transferor's insolvency following the transfer. [LAW] Any two are uncomfortable. Any four are decisive.

36.3 The Practical Rule

Establish in calm weather. The single question that determines whether asset protection works is whether the structure predates the claim by a comfortable margin. Nothing in the drafting compensates for its absence, and the family that comes to this book with a claim already in existence should be told that the window has closed and that the correct advice concerns settlement rather than structure. [OPINION]

Chapter 37. Political Expropriation and Sanctions Exposure

37.1 Expropriation

Direct expropriation is now rare. The modern forms are indirect: exchange control preventing the export of value, discriminatory taxation, forced local partnership, licence non-renewal, and the compulsory sale of an asset at an administratively determined price.

Table 37.1 Mitigation of political risk

Mitigation	Effect	Limitation
Assets outside the jurisdiction before the risk crystallises	Decisive	Requires acting early, which families resist
Bilateral investment treaty protection through the holding jurisdiction	Real; arbitration is available	Requires structuring before the dispute; treaty shopping after the event fails
Political risk insurance	Real for defined perils	Expensive; exclusions material; usually for operating assets
Jurisdictional diversification of custody	Decisive for financial assets	Chapter 23
Second residence or citizenship	Decisive for the person	Timing; and does not move the assets

Treaty structuring is worth a specific note. Whether an investment enjoys protection under a bilateral investment treaty depends on the nationality of the holding entity and on whether it has genuine substance. Interposing a Luxembourg or Dutch holding company before an investment is made can materially change the family's position in a later dispute; interposing it afterwards will be treated as abuse. [\[LAW\]](#)

37.2 Sanctions

Sanctions are not a risk that structure addresses. Designation attaches to the person and to entities they own or control, ordinarily by reference to a threshold interest or to control in fact. A trust does not sever the connection where the designated person is a settlor with powers, a beneficiary with an entitlement, or a controller in substance. [\[LAW\]](#)

What families can properly do. Understand where their nationality, residence and business exposure place them. Maintain relationships in more than one sanctions perimeter, since the measures of one bloc are not the measures of another. Ensure the structure is documented well enough that a bank asked to review it can reach a conclusion quickly rather than defensively. Most account freezes in practice arise from a bank's inability to understand a structure rather than from a legal prohibition, and that is a curable problem. [\[PRACTICE\]](#)

What families cannot do. Use structure to conceal a designated interest. This is a criminal matter in every relevant jurisdiction and no part of this book should be read as addressing it.

Chapter 38. Divorce, Forced Heirship and Corporate Liability

38.1 Divorce

The matrimonial court in the family's home jurisdiction is the most effective adversary a trust structure faces, because it acts on the person and because it has broad discretion. Courts have treated trust assets as a resource available to a spouse, have made orders calculated to induce a trustee to distribute, and have applied contempt sanctions to secure compliance. **[LAW]**

Table 38.1 What actually protects against matrimonial claims

Measure	Effectiveness	Notes
Pre-nuptial or post-nuptial agreement	High in most jurisdictions, subject to conditions	Independent advice, full disclosure, no duress, and timing well before the wedding
Trust established long before the marriage, by a third party	High	An inherited trust the spouse never benefited from is a much stronger position
Trust established during the marriage, benefiting both spouses	Low	Treated as a nuptial settlement and variable by the court in many jurisdictions
Excluding the spouse from the beneficiary class after the difficulty begins	Very low, and prejudicial	Reads as a badge of fraud
Jurisdiction of the trust	Moderate	Firewalls do not bind the matrimonial forum

The instruction that matters is prosaic: the agreement, drafted properly, signed early, with independent advice on both sides. It is worth more than the entire structure. **[OPINION]**

38.2 Forced Heirship

Civil law and Sharia succession regimes reserve fixed shares to specified heirs. Whether a trust or foundation defeats such a claim depends on the law applicable to the succession, on the timing of the disposition, and on the forum. Firewall statutes in Tier I trust jurisdictions expressly exclude foreign forced heirship rules from questions of the validity of a disposition to the trust. **[LAW]** They cannot prevent a court in the deceased's own jurisdiction from making orders against assets or persons within its reach.

The practical position is that a trust established years before death, funded with assets outside the forced-heirship jurisdiction, administered in a firewall jurisdiction, is a strong position. A disposition made shortly before death of assets located in the forced-heirship jurisdiction is not.

38.3 Corporate and Professional Liability

Operating businesses generate liability. The structural answer is containment: each operating business in its own company, real property in separate companies from operations, and no cross-guarantees beyond what lenders genuinely require. Families routinely give group guarantees because a bank asked for them, thereby connecting entities that were separated at some expense.

Professional liability for practitioners is the classic case for a Tier III protective trust: continuing exposure, long tail, established years in advance of any claim, with a modest and clearly ring-fenced portion of net worth.

38.4 Conclusion

Part IX applies the analysis jurisdiction by jurisdiction.

Part IX. Jurisdictional Analysis

Chapters 39 to 52. Each chapter follows the same format: a data panel, an assessment, the layers for which the jurisdiction is suitable, and the watch points. All statements are current as at the verification date and this field moves. Re-verify before relying.

Verification date for the whole of Part IX: 2 August 2026.

Chapter 39. Switzerland

Table 39.1 Data panel

Tier	I
Role	Custody, banking, credit, residence
Ownership instruments	No domestic trust law; recognises foreign trusts under the Hague Trusts Convention
Regulator	Swiss Financial Market Supervisory Authority
Deposit protection	CHF 100,000 per depositor per bank
Bank acceptance of foreign structures	Excellent, with rigorous onboarding
Political risk	Very low
Residence regime	Lump-sum taxation available in most cantons to non-working foreign nationals; negotiated cantonally
Substance requirement for entities	High
Typical private banking minimum	USD 5m to 50m depending on institution

Assessment. Switzerland remains the deepest private banking market in the world and the reference point for custody quality, credit against securities, and multi-currency capability. It ratified the Hague Trusts Convention and recognises foreign trusts, but has no domestic trust statute, so the ownership layer sits elsewhere while the custody layer sits here. **[LAW]**

Onboarding is slow and thorough, which families experience as friction and should understand as the reason the jurisdiction retains its counterparty standing. A structure that Switzerland will onboard is a structure most other places will onboard.

Use. Layers 4 and 5. Residence for families seeking a stable European base. Not layer 1.

Watch points. Automatic exchange of information applies fully; the jurisdiction's historical association with confidentiality is obsolete and clients who select it for that reason have selected it for a property it no longer has. Lump-sum taxation is politically contested and has been abolished in individual cantons by referendum.

Chapter 40. Singapore

Table 40.1 Data panel

Tier	I
Role	Ownership, custody, fund platform, family office base, residence
Ownership instruments	Trust under the Trustees Act; VCC for fund structures
Regulator	Monetary Authority of Singapore
Perpetuity period	100 years
Deposit protection	SGD 100,000 per depositor per bank
Bank acceptance	Excellent
Political risk	Very low
Family office incentives	Sections 13O and 13U of the Income Tax Act, subject to conditions amended frequently
Substance requirement	High and rising; local headcount and spending conditions

Assessment. Singapore is the most complete single-jurisdiction answer available to an Asian family: ownership instrument, custody, fund platform, family office base and residence in one place, under a regulator with genuine standing. The concentration is also its weakness, since a family with everything in Singapore has excellent counterparty quality and no jurisdictional diversification.

The family office incentive regime is real and its conditions have been tightened repeatedly, with rising thresholds for assets under management, professional headcount and local business spending. Any figure stated here would be stale before it was read. Obtain current confirmation.

[LAW]

Use. Layers 1, 2, 4 and 5 for Asian families. Layer 4 for others.

Watch points. Substance is a genuine cost, not a formality. Trust law is less developed than in Jersey and the body of decided authority is thinner.

Chapter 41. Luxembourg

Table 41.1 Data panel

Tier	I
Role	Holding, fund platform, European base
Instruments	SOPARFI, SPF, RAIF, SCSp, SICAV
Regulator	Commission de Surveillance du Secteur Financier
Treaty network	Extensive; participation exemption
Deposit protection	EUR 100,000
Bank acceptance	Excellent
Political risk	Very low
Substance requirement	High; directors, premises and decision-making locally

Assessment. Luxembourg is the European holding and fund jurisdiction of first resort. The SOPARFI with participation exemption and full treaty access is the workhorse beneath European operating assets; the SPF serves passive private holding but is excluded from treaty benefits. Fund vehicles house family private-market programmes and co-investment with third parties.

Substance requirements have hardened considerably under European anti-abuse measures. A Luxembourg entity whose decisions are made elsewhere is a liability. **[LAW]**

Use. Layers 5 and, through fund vehicles, part of layer 4. Rarely layer 1.

Watch points. European anti-abuse developments continue. Structures dependent on treaty access require periodic review rather than one-time opinions.

Chapter 42. Jersey and Guernsey

Table 42.1 Data panel

	Jersey	Guernsey
Tier	I	I
Trust statute	Trusts (Jersey) Law 1984	Trusts (Guernsey) Law 2007
Perpetuity	Unlimited	Unlimited
Foundations	Foundations (Jersey) Law 2009, guardian mandatory	Foundations (Guernsey) Law 2012
Firewall	Strong; validity and capacity governed by Jersey law	Strong
Reserved powers	Extensive statutory list	Extensive statutory list
Regulator	Jersey Financial Services Commission	Guernsey Financial Services Commission
PTC regime	Exemption available subject to licensed administration	Exemption available
Case law	Deepest in the offshore world	Substantial and growing
Bank acceptance	Excellent	Excellent

Assessment. These are the default ownership jurisdictions for common law families and for many others. The combination of a modern statute, a strong firewall, an established PTC regime, a credible regulator and a deep bench of professional trustees and local counsel is not replicated anywhere else at the same quality. Jersey's Royal Court has produced the most substantial body of trust jurisprudence outside England.

The Jersey foundation deserves separate mention as the instrument that gives civil law and Gulf families a comprehensible form with Tier I supervision. It remains under-used relative to its merits.

[OPINION]

Use. Layers 1 and 2, by default, for most families in this book.

Watch points. Cost. Economic substance requirements for companies. Trustee consolidation, which means the family should retain a removal power and a relationship with an alternative provider.

Chapter 43. Isle of Man

Table 43.1 Data panel

Tier	II
Role	Ownership, fiduciary, insurance
Trust statute	Trustee Act 1961; Trusts Act 1995; Perpetuities and Accumulations Act 1968 as amended
Perpetuity	Unlimited for trusts created after 1 January 2016
Regulator	Isle of Man Financial Services Authority
Bank acceptance	Good
Political risk	Very low
Cost relative to Jersey	20 to 35 per cent lower

Assessment. A credible and less expensive alternative to Jersey and Guernsey, with a smaller professional market and a thinner body of case law. Particularly strong in captive insurance and in structures with a British nexus. For families whose dominant risk is succession rather than litigation, the saving is real and the loss of depth is tolerable.

Use. Layers 1, 2 and 5.

Watch points. Fewer trustees of genuine scale, which reduces the family's options on a removal.

Chapter 44. Liechtenstein

Table 44.1 Data panel

Tier	II
Role	Ownership through foundations, banking
Instruments	Stiftung (foundation), Anstalt (establishment), Treuhänderschaft (trust)
Statute	Persons and Companies Act, substantially reformed 2009
Minimum endowment	CHF 30,000
Regulator	Financial Market Authority
Deposit protection	CHF 100,000
Bank acceptance	Good to excellent
Political risk	Very low
EEA membership	Yes, giving access to European financial services passporting

Assessment. The foundation jurisdiction of first resort for continental European families. The 2009 reform modernised beneficiary rights, supervision and the position of the foundation council. EEA membership combined with a Swiss customs and currency union gives an unusual combination of European access and Swiss stability.

Forced heirship claw-back is subject to a statutory limitation period and the analysis is fact-specific. Obtain an opinion; do not rely on general statements. **[LAW]**

Use. Layers 1, 2 and 4.

Watch points. Small professional market. Cost comparable to Jersey.

Chapter 45. Cook Islands

Table 45.1 Data panel

Tier	III
Role	Protective ownership only
Statute	International Trusts Act 1984 as amended
Limitation for creditor claims	1 to 2 years from cause of action
Standard of proof	Beyond reasonable doubt
Foreign judgments	Not recognised; creditor must relitigate
Bank acceptance	Poor to moderate; onboarding friction is material
Case law	The most litigated protective jurisdiction
Political risk	Moderate; small state, New Zealand association

Assessment. The original and still the strongest asset protection statute. It works through procedure rather than secrecy: short limitation, criminal standard, non-recognition of foreign judgments, and the requirement to litigate at a distance. It is correct for professionals with continuing liability exposure and incorrect as a general ownership jurisdiction.

The reported contempt cases arising from Cook Islands structures should be described to any client considering one. **[LAW]**

Use. Layer 1 only, with an underlying company in an acceptable jurisdiction to solve the banking problem. Never layer 4.

Watch points. Bank onboarding. Adverse inference in foreign forums. Distance and time zone in an emergency.

Chapter 46. Nevis

Table 46.1 Data panel

Tier	III
Role	Protective ownership; LLC
Statute	Nevis International Exempt Trust Ordinance 1994 as amended; Nevis LLC Ordinance
Limitation	1 to 2 years
Standard of proof	Beyond reasonable doubt
Bond to commence proceedings	Statutory deposit required
Bank acceptance	Poor
Case law	Thin
Political risk	Moderate

Assessment. Statutorily aggressive and practically constrained. The bond requirement is a genuine deterrent to speculative claims. The thin case law means that the statute's operation in a contested matter is less predictable than the Cook Islands.

The Nevis LLC is used more often than the trust, as a charging-order-protected vehicle beneath a trust elsewhere.

Use. Layer 1 in narrow circumstances; layer 5 as an LLC. Never layer 4.

Watch points. Bank acceptance is the worst of the Tier III group. Reputational transmission to the family's other relationships is real.

Chapter 47. United Arab Emirates: DIFC and ADGM

Table 47.1 Data panel

Tier	II
Role	Ownership, foundation, family office base, residence
Instruments	DIFC and ADGM trusts and foundations; family office regimes
Legal system	Common law, within the financial free zones only
Regulator	Dubai Financial Services Authority; Financial Services Regulatory Authority
Personal taxation	No personal income tax; corporate tax regime introduced federally
Bank acceptance	Good within the region; moderate outside
Political risk	Low to moderate
Substance	Genuine presence required for the family office regimes

Assessment. The free zones have built credible common law systems with their own courts and a growing body of decided authority. For Gulf families the combination of a comprehensible foundation, local courts applying common law, no personal income tax and physical proximity is compelling.

The relevant question for a European or American family is whether the jurisdiction's counterparty standing outside the region is sufficient. It is improving and it is not yet Jersey.

Use. Layers 1, 2 and 5 for regional families; residence for many.

Watch points. The federal corporate tax regime and its interaction with free-zone structures continues to develop. Sanctions and correspondent-banking scrutiny of the wider UAE market has been elevated at times and affects onboarding elsewhere.

Chapter 48. United Kingdom

Table 48.1 Data panel

Tier	I for law and courts; unfavourable as a residence for structured wealth
Role	Governing law, dispute resolution, real property, education
Trust law	The origin of the modern trust; deepest jurisprudence
Residence taxation	Substantially reformed; the historic remittance basis for non-domiciled individuals has been replaced by a residence-based regime
Inheritance tax	40 per cent above the threshold; long-term residence brings worldwide assets into charge
Section 423 Insolvency Act 1986	No fixed limitation period for transactions defrauding creditors
Bank acceptance	Excellent
Political risk	Low, with material fiscal policy volatility

Assessment. English law remains the most sophisticated body of trust jurisprudence in existence and is frequently chosen as the governing law of instruments administered elsewhere. English courts are a forum of choice for commercial disputes.

As a residence for structured wealth the position has changed materially and adversely. The reforms to the taxation of non-domiciled individuals have removed the arrangement on which a generation of international families relied. Any family with a UK connection requires current advice; nothing written more than a short time ago can be relied upon. **[LAW]**

Use. Governing law, dispute resolution, real property held through appropriate structures. Residence only with current advice.

Watch points. Section 423 has no fixed limitation period and does not require the claimant to have been a creditor at the time of the transfer. This is the most underestimated exposure for families with English connections. **[LAW]**

Chapter 49. United States

Table 49.1 Data panel

Tier	I, with a distinct rule set
Role	Custody, investment, domestic asset protection trusts, residence
Domestic asset protection trusts	Available in a number of states including South Dakota, Nevada, Alaska, Delaware
Perpetuity	Abolished or extended in several states
Reporting	Does not participate in the Common Reporting Standard; operates FATCA
Estate tax	Applies to US situs assets of non-residents at a low threshold
Bank acceptance	Excellent domestically
Political risk	Low, with material policy volatility

Assessment. The United States is the largest and most liquid custody market and, for non-US families, a jurisdiction requiring specialist advice at every step. US situs assets expose non-resident aliens to federal estate tax at a threshold that surprises most families. Any US person in the beneficiary class transforms the analysis entirely and requires US counsel from the outset rather than as a review.

The domestic asset protection trust statutes of several states are effective within the United States and their effectiveness against a judgment from a sister state remains contested. [\[LAW\]](#)

Use. Layer 4. Layers 1 and 2 only with US counsel leading.

Watch points. A single US beneficiary, a US green card holder in the family, or a period of US residence changes everything. Ask the question before designing anything.

Chapter 50. Panama and Monaco

Table 50.1 Data panel

	Panama	Monaco
Tier	III to IV	II
Role	Foundations, holding companies, shipping	Residence, banking
Instruments	Private interest foundation under Law 25 of 1995	No trust law; recognises foreign trusts under a specific statute
Personal taxation	Territorial	No personal income tax for most residents; French nationals excepted
Bank acceptance	Moderate to poor	Good
Political risk	Moderate	Low
Residence requirement	Various programmes	Substantial deposit and genuine residence

Assessment. Panama's foundation is inexpensive and its bank acceptance is materially weaker than Liechtenstein's. It works as an operating-layer holding vehicle and is a poor choice for the ownership layer of substantial capital. Its listing history has affected onboarding for structures connected to it.

Monaco is a residence jurisdiction with good banking and no ownership instrument of its own. It requires genuine residence and a substantial deposit. It has been subject to increased international monitoring in recent cycles, which affects onboarding elsewhere and should be checked currently.

[LAW]

Use. Panama: layer 5 only. Monaco: residence and layer 4.

Chapter 51. Union of the Comoros: the Autonomous Island of Anjouan

51.1 Executive Summary

This chapter examines a jurisdiction that most works of this kind do not treat at all. The omission is a choice, and it is defensible only if one believes that the clients the jurisdiction serves are not worth serving. This book does not believe that. What follows is an assessment on the same terms applied to every other jurisdiction in Part IX, with the same willingness to state limitations.

Table 51.1 Data panel

Tier	IV
Role	International banking; corporate vehicles
Sovereign	Union of the Comoros; Anjouan is an autonomous island
Principal statutes	Anjouan Offshore Finance Authority Act 003 of 2005; International Banking Act of 2005; International Business Companies Act 004 of 2005; Money Laundering Prevention Act, Government Notice 008 of 2005
Regulator	Anjouan Offshore Finance Authority, operating separately from the Central Bank of the Comoros
Licence classes	Class A: domestic and international, physical presence required. Class B: international banking only
Minimum capital	Set by the Authority rather than fixed by statute
Licensing timeline	Weeks to a few months
Deposit protection	None
FATF status of the Union of the Comoros	Not listed as a high-risk jurisdiction subject to a call for action, and not under increased monitoring, as at the plenary of 19 June 2026
Mutual evaluation	Published May 2024
Bank acceptance of Anjouan-licensed institutions by Tier I counterparties	Weak; the binding constraint
Case law on trusts and insolvency	Effectively none
Political risk	Moderate to high

51.2 What the Jurisdiction Actually Is

Anjouan operates a licensing regime for international banking, insurance, corporate and related financial services, established by the 2005 legislative package and administered by the Anjouan Offshore Finance Authority. The Authority is constituted by the autonomous island's government and operates independently of the Central Bank of the Comoros in respect of the licensing and supervision of international financial services. **[LAW]**

The regime's distinguishing features are low cost, rapid authorisation and light ongoing supervision relative to Tier I and Tier II jurisdictions. Those are the same feature described three ways, and the

feature is a trade: capital and supervisory intensity are exchanged for speed and cost. Whether the trade is acceptable depends entirely on the function for which the licence is being used.

51.3 The Verification Problem

The most important practical fact about this jurisdiction is that its register is impersonated. Several websites present themselves as the Anjouan authority. Entities that hold no licence at all describe themselves as Anjouan-licensed. A client who has been declined by every institution in the core is precisely the client most likely to accept a certificate at face value.

Table 51.2 The verification protocol for an Anjouan-licensed institution

Step	Action	Failure indicator
1	Obtain the licence number and the exact registered legal name	Reluctance, or a name that differs from the trading name without explanation
2	Confirm the licence directly with the Authority, using contact details obtained independently rather than supplied by the institution	Institution insists on introducing you to the regulator
3	Identify the correspondent bank or banks and confirm the relationship independently	Correspondent will not be named
4	Obtain the most recent audited financial statements and identify the auditor	No audit, or an auditor that cannot be traced
5	Identify the ultimate beneficial owners and the directors, and screen them	Ownership described as a trust with no further detail
6	Test a small payment in and a small payment out before funding	Delay or excuse at the withdrawal stage
7	Confirm whether client assets are segregated and on what legal basis	No answer, or an answer that conflates segregation with record-keeping

Step 6 is the one that discriminates. An institution that receives readily and returns slowly has told you everything. **[OPINION]**

51.4 Worked Example: IFB International Finance Bank Ltd

IFB International Finance Bank Ltd holds an Anjouan banking licence under number L1149. It is used in this book as the worked example of a Tier IV institution, and the reason for using a named institution rather than an abstraction is that the analysis is only useful if it can be applied.

Applied to any such institution, the questions are those in Table 51.2 and the assessment turns on the answers rather than on the licence. The reader is invited to run the protocol rather than to accept a conclusion. That instruction is the substance of this section and it applies to IFB exactly as it applies to any other counterparty in the tier.

The pattern the institution represents is worth noting separately from the institution. A family group that holds a banking licence within its own structure has internalised a function it would otherwise purchase, in the same way that a private trust company internalises the trustee function. The economics are similar: below a threshold the internal option costs more than the purchased one, and above it the position reverses. What differs is that a trustee function can be internalised without a correspondent bank, and a banking function cannot.

51.5 Assessment

Suitable for. The banking layer, in the four functions set out in Table 27.2: access banking for de-risked clients, corridor and trade banking, political non-correlation at one to five per cent of liquidity, and in-group licensed capability above USD 1bn.

Unsuitable for. The ownership layer, in every case and without exception. There is effectively no decided authority on trusts, fiduciary duty or insolvency, which means that a dispute would be resolved without the guidance that makes an outcome predictable. Also unsuitable for reserve custody, for the safekeeping of marketable securities, and for any function where the family's position in an insolvency matters.

The binding constraint. A licence permits an institution to operate. It does not permit it to settle. Correspondent banking access determines what a Tier IV institution can actually do for a client, and correspondent relationships in this tier are fewer, more expensive and less stable than in the core. Any family or group considering this route should treat the correspondent relationship as the project and the licence as its preliminary. **[OPINION]**

51.6 Watch Points

- Comorian domestic politics have been unstable historically and the autonomy arrangements of the islands have been contested. This is the source of the non-correlation benefit and simultaneously its principal risk.
- The absence of the Union of the Comoros from FATF listings is a statement about assessed position at a point in time. Positions change at each plenary and should be re-checked.
- Reputational transmission is real. Some Tier I counterparties will apply enhanced scrutiny to a family because of the relationship. The correct response is disclosure and documentation rather than concealment.
- The jurisdiction's international company vehicles are sometimes proposed for the ownership layer on cost grounds. Refuse.

Chapter 52. The Comparison Matrix

Table 52.1 Full jurisdictional comparison, all criteria

Jurisdiction	Tier	Compl exity	Co st	Bank accept ance	Asset protec tion	Polit ical risk	Tax efficie ncy	Govern ance	Succes sion	Litigat ion resist ance	Scala bility	Institut ional accept ance
Switzerl and	I	3	2	5	3	5	3	5	4	3	5	5
Singapo re	I	4	2	5	3	5	5	5	4	3	5	5
Luxemb ourg	I	4	2	5	3	5	5	5	4	3	5	5
Jersey	I	3	2	5	4	5	4	5	5	4	5	5
Guerns ey	I	3	3	5	4	5	4	5	5	4	5	5
Isle of Man	II	3	3	4	4	5	4	4	4	4	4	4
Liechte nstein	II	3	2	4	4	5	4	4	5	4	4	4
UAE: DIFC, ADGM	II	3	3	4	4	4	5	4	4	3	4	4
Cayman Islands	II	3	3	4	4	4	4	4	4	4	5	4
Cook Islands	III	3	3	2	5	4	3	3	3	5	3	2
Nevis	III	2	4	1	5	3	3	2	3	5	2	2
Bahama s	III	3	3	3	4	4	4	3	4	4	3	3
Panama	III to IV	2	5	2	3	3	4	2	3	3	2	2
Monaco	II	3	2	4	3	4	5	3	3	3	3	4
United Kingdo m	I	4	2	5	3	4	2	5	4	3	5	5
United States	I	5	2	5	4	4	3	4	4	4	5	5
Anjouan , Comoro s	IV	1	5	1	2	2	4	2	2	2	1	1

Scores are on a five-point scale where 5 is strongest. Cost is scored inversely, so 5 denotes lowest cost. These are the editorial board's assessments and are offered for discussion. **[OPINION]**

Reading the matrix. No jurisdiction scores well on everything, and any that appeared to would be mis-scored. The correct use is to identify the two columns that correspond to the family's

dominant risks and to select on those, subject to a floor on bank acceptance, because a jurisdiction the family's counterparties will not onboard has failed whatever its other merits.

The bottom row illustrates the argument of this book in a single line. Anjouan is the cheapest jurisdiction in the table and the weakest on almost every criterion that the ownership layer requires. It appears here because cost and speed are genuine properties with genuine uses, and because a reference work that omitted the tier would be describing a market that does not exist.

52.1 Conclusion

Part X returns to the family itself.

Part X. Family Governance

Chapters 53 to 58. The layer with no legal force against third parties and the largest effect on outcomes.

Chapter 53. The Family Constitution

53.1 Executive Summary

A family constitution is a written statement of how the family will make decisions about its capital. It is not legally binding on third parties and it is usually not legally binding on the family either. Its force comes from having been agreed, in advance, by people who did not yet know which side of a future dispute they would be on. That is a weaker mechanism than a contract and a stronger one than good intentions, and in practice it is the difference between a family that resolves a disagreement and one that litigates it.

53.2 What It Must Contain

Table 53.1 The constitution's mandatory content

Section	Content	Failure if omitted
Purpose	What the capital is for, stated in one paragraph	Every subsequent disagreement becomes a disagreement about first principles
Membership	Who is a family member: blood, adoption, marriage, former spouses, and the position of each	The in-law question surfaces at the worst moment
Distribution policy	Formula, floor, ceiling, and the circumstances in which each may be varied	The single largest source of conflict
Governance bodies	Composition, mandate, term, and what each is forbidden to decide	Boards merge and investment decisions become proxies for family disputes
Employment policy	Whether family members may work in the business, on what terms, and who decides	Nepotism disputes, which are never actually about competence
Exit and liquidity	Valuation formula, redemption mechanism, transfer restrictions, funding	Forced sale of the founding asset to satisfy one member
Conflict resolution	Escalation ladder ending in binding arbitration, with a named institution	Litigation, publicity and permanent rupture
Information	What each member receives, when, and in what form	Asymmetric information, which is the fuel of every family dispute
Amendment	Threshold, cooling period, and who may propose	The clause that cannot be added later without a dispute about how to add it

53.3 Implementation Guidance

The family drafts and counsel edits. A constitution written by lawyers and presented for signature is signed, filed and never operated. The drafting process is where agreement is actually manufactured, and outsourcing it removes the only part that matters. **[OPINION]**

Expect twelve to twenty-four months. Expect the distribution policy to consume half of it. Agree the amendment procedure early, while nobody has a reason to want an amendment.

53.4 Common Errors

- Values statements without procedures. "We value stewardship" decides nothing.
- Unanimity requirements, which give every member a veto and therefore give the most obstructive member control.
- Silence on former spouses, which is the omission most likely to produce litigation involving children.
- A document too long to be read. Twenty pages is generous. Sixty pages is a filing.

Chapter 54. The Family Council and the Protector Committee

54.1 The Family Council

Composition by branch, elected by the branch rather than appointed by the founder, with fixed and staggered terms. An independent chair is worth the cost, because the chair's function is to prevent the loudest member from setting the agenda and no family member can perform it.

Mandate. Constitution, distribution policy within the formula, succession, education, philanthropy, conflict, and the appointment of family representatives to other bodies. Explicitly excluded: investment selection.

Cadence. Twice yearly, with papers circulated in advance and minutes recording reasoning.

54.2 The Protector Committee

Three or five members, never an even number. One family, one long-standing professional adviser, one genuinely independent. Its powers are those in Table 16.2 and its defining characteristic is that it holds negative powers: consent, veto, removal. It does not administer.

Table 54.1 Protector committee design

Question	Answer	Reason
Fiduciary or personal office?	State it explicitly in the instrument	Silence produces litigation
Who appoints successors?	The committee itself, by resolution	Removes the settlor's posthumous control and prevents deadlock
Quorum and majority	Simple majority of a three-member committee, two of three	Prevents one member paralysing the structure
Removal of a committee member	By the remaining members plus the trustee, on stated grounds	Prevents capture
Remuneration	Modest and fixed	Unpaid protectors disengage; well-paid protectors become dependent
Conflict	A member with a personal interest recuses and the decision proceeds	Otherwise a conflicted member blocks by abstaining

Chapter 55. Investment and Governance Committees

Treated operationally in Chapter 20. Two points belong here, in the governance rather than the operating context.

The separation is the mechanism. Table 5.1 sets out the two-board model. Its purpose is to ensure that a family argument about fairness does not arrive at the investment committee disguised as a debate about the private equity allocation. Where the boards merge, this happens invariably and neither function is performed.

Family representation on the investment committee is a training position as much as a governance one. Two seats, rotating, with a term long enough to learn and short enough to circulate. Over fifteen years this produces a generation that can read a portfolio, which is the cheapest education available and the one most families skip. **[OPINION]**

Chapter 56. Education of the Rising Generation

56.1 What Is Actually Being Taught

Not investment management. Three things: how to read the family's own accounts, how the structure works and why it was built that way, and the family's history including its failures. The third is the one that produces stewardship, and the one families are most reluctant to teach because it involves admitting things.

Table 56.1 A curriculum by age

Age	Content	Format
12 to 16	Money, budgeting, the difference between income and capital. Nothing about the family's size	Household, not institutional
16 to 21	The operating business and what it does. Reading a profit and loss account	Site visits; a summer working at the lowest level
21 to 25	The structure: what a trust is, who the trustee is, what a beneficiary may and may not expect	A written primer and a meeting with the trustee
25 to 30	Balance sheet, investment policy, distribution formula. Observer seat at the investment committee	Formal, with an examination in substance if not in name
30+	Governance office, with a defined term	Election by the branch

56.2 Disclosure

The question of when to tell children the size of the family's wealth has no general answer, and the two failure modes are symmetric. Disclosure too early produces a young person whose ambition has been removed. Disclosure too late produces an adult who learns from a document, or from a stranger, and who concludes that the family conceals things.

A workable rule. Tell them the structure before you tell them the number, and tell them both before they hear either from someone else. **[OPINION]**

56.3 Common Errors

- Education delivered as a wealth-management seminar by the family's bank, which teaches the bank's product range.
- Only the heir apparent educated, which guarantees that the others are governed by advisers.
- Spouses excluded entirely, which converts them into adversaries with incomplete information.

Chapter 57. Philanthropy and the Charitable Vehicle

57.1 Function

Philanthropy performs three functions in a family institution and only one of them is charitable. It provides a purpose around which a dispersed family can agree when it can agree on nothing else. It provides governance training with low stakes. And it gives the family a public identity distinct from its commercial one.

Table 57.1 Vehicle selection

Vehicle	Jurisdiction	Control	Cost	Best for
Charitable trust	Jersey, Guernsey, England	High	Moderate	Families wanting perpetual endowment with family trustees
Charitable foundation	Liechtenstein, civil law jurisdictions	High	Moderate	Civil law families
Donor-advised fund	Various	Advisory only	Low	Families starting; low commitment, low governance value
Operating foundation	Local to the activity	High, with an operating burden	High	Families running programmes rather than making grants
Purpose trust	Jersey, Cayman	High	Moderate	Non-charitable purposes; requires an enforcer

The donor-advised fund is the correct starting point and the wrong destination. It provides no governance training because there is nothing to govern. **[OPINION]**

57.2 Governance

Give the rising generation a real budget, real discretion and a requirement to report on outcomes rather than on amounts disbursed. A philanthropic committee with USD 250,000 and genuine authority teaches more than an observer seat on a USD 500m portfolio.

Chapter 58. Succession and the Transition Event

58.1 The Three Transitions

Restated from Table 3.2: founder to siblings, siblings to cousins, cousins to a dispersed class. The second is the one that kills, because siblings share a childhood and cousins share a cap table.

58.2 The Transition Checklist

Table 58.1 What must exist before the first transition

Item	Status test
Constitution operated for at least one full cycle	Minutes exist for two family council meetings and four investment committee meetings
Successor protector identified and the appointment mechanism drafted	Named in the instrument, with a mechanism for further successors
Trustee relationship independent of the founder	The trustee has declined at least one request and the structure survived it
Distribution formula tested	At least one distribution made under the formula rather than by request
Successor generation able to read the accounts	Demonstrated, not assumed
Valuation formula agreed for the founding asset	Written, with a named valuer and a method
Liquidity to fund one branch exit	Reserve tier or committed facility sized to it
Key counterparty relationships held institutionally	Every bank, trustee and adviser has met someone other than the founder
Letters of wishes current	Reviewed within twenty-four months
The founder has been absent from a full decision cycle	Deliberately, and the machinery ran

The last row is the test that matters and the one most founders decline. A structure that has never operated without its creator has not been tested, and the first test will occur at the moment when failure is least recoverable.

58.3 The Founder's Own Transition

The founder is asked to accept diminishing authority over capital he created, in favour of people whose competence he doubts, on a timetable set by his mortality. Framing this as a governance requirement is accurate and useless. It is a personal transition and it usually requires a role: chair emeritus, custodian of the family narrative, chair of the philanthropic committee. The role should be real and it should not carry a veto. **[OPINION]**

58.4 Conclusion

Part XI applies the whole of the framework to seven composite families.

Part XI. Case Studies

Chapters 59 to 65. Seven composite families. No real client is described and no real institution other than those named in the public record is identified. Each case follows the same format: the position, the diagnosis, the structure, the cost, and what went wrong or would have.

Chapter 59. The First-Generation Entrepreneur

Position. Founder, 54, sold a logistics business for USD 42m net. Resident in Germany. Two children aged 19 and 22. Everything at one Swiss private bank, which introduced him to a trustee it also owns. No structure. A pending warranty claim under the sale agreement, capped at USD 6m, unresolved.

Diagnosis. Three problems in order of urgency. The warranty claim means the asset protection window is closing, and any transfer now must be defensible as ordinary planning rather than as evasion. The single banking relationship is a concentration exposure and also a conflict, since the bank, the custodian and the trustee are one group. The children have no education and no framework.

Structure. Jersey discretionary trust settled with USD 30m, retaining USD 12m personally to meet the capped warranty exposure in full, which removes the fraudulent conveyance argument entirely. Licensed trustee unconnected to any bank. Individual protector, a long-standing tax adviser, with a named successor and an appointment mechanism. One Luxembourg SOPARFI beneath the trust for the private-market programme. Second custodian in Singapore, funded to forty per cent within twelve months. Letter of wishes specific on education funding and on the treatment of the two children's differing circumstances.

Cost. Establishment USD 78,000. Ongoing USD 96,000, or 32 basis points on USD 30m, before investment management.

What would have gone wrong. Settling the full USD 42m would have left him unable to meet the warranty claim from personal assets, producing exactly the badges of fraud described in Chapter 36. Retaining the exposure in full is what makes the structure defensible, and it cost him nothing but patience.

Chapter 60. The Industrial Family in the Fourth Generation

Position. German family manufacturing business, EUR 900m enterprise value, 31 family shareholders across four branches, three of whom work in the business. Held through a family holding company with a shareholders' agreement drafted in 1974. Two branches want liquidity. One branch wants to sell the business entirely. Dividends have been suspended for two years to fund a capital programme.

Diagnosis. This is a governance failure presenting as a valuation dispute. There is no redemption mechanism, no valuation formula, no distribution policy and no forum in which the disagreement can be resolved other than a shareholders' meeting where the majority defeats the minority annually. The suspension of dividends without a policy is what converted a grumble into a campaign.

Structure. Family constitution drafted over eighteen months by a committee of eleven, with the branches represented in proportion to numbers rather than to shareholding. Valuation formula fixed at a discount to an independently determined enterprise value, deliberately conservative so that exit is expensive and staying is rewarded. Redemption fund capitalised at EUR 40m from a sale-and-leaseback of two properties, funding branch exits over ten years at a capped annual amount. Distribution policy of forty per cent of consolidated net income, with a floor and a mechanism for suspension requiring a supermajority rather than a board decision. Family council with an independent chair. Two branch representatives added to the supervisory board on the same competence criteria applied to external members.

Cost. EUR 1.4m over two years, principally advisory and valuation. Against an enterprise value of EUR 900m, sixteen basis points, once.

What went wrong. The 1974 agreement was adequate for eight cousins and inadequate for thirty-one. It was never revised because revision required unanimity and one branch always declined. The lesson is Table 53.1, final row: the amendment procedure is the clause that cannot be added later.

Chapter 61. The Technology Founder at Liquidity

Position. Founder, 37, USD 310m realised in a secondary sale, a further USD 900m in unvested and restricted stock. US citizen resident in Singapore. Unmarried, no children. Substantial concentration in one listed security. Approached by nine private banks in six weeks.

Diagnosis. The dominant risk is concentration, and the second is the US tax position, which governs everything and requires US counsel to lead. The third is that he is being sold to by nine institutions simultaneously and has no framework for evaluating any of them.

Structure. US counsel leads. Given US citizenship, the offshore trust analysis is transformed: a foreign non-grantor trust is unavailable in any useful form and the planning runs through US-domestic vehicles, charitable structures and the timing of realisations. Singapore family office established under the applicable incentive regime with genuine local substance, headcount and spending, providing the operating platform without attempting to solve a US tax problem it cannot solve. Concentration addressed through a programmed disposal over thirty months with collar structures on the restricted portion. Four custodians, three jurisdictions. Reserve tier of USD 30m, unencumbered, outside the lending relationship.

Cost. Establishment USD 640,000. Ongoing USD 3.1m including the family office team, or 24 basis points against realised capital.

The lesson. A single US person in the picture changes the entire analysis, and the correct first question of any engagement is whether anyone in the family is a US person. Ask before designing anything. See Chapter 49.

Chapter 62. The Real Estate Dynasty

Position. Third-generation family, USD 620m of commercial real estate in four countries, held in fifty-one single-asset companies across three holding jurisdictions accumulated over forty years without a plan. LTV of fifty-eight per cent across the portfolio, with cross-guarantees given to two lenders covering entities in different countries.

Diagnosis. Liability containment has been destroyed by the cross-guarantees, which connect entities that were separated at some cost. Refinancing risk is concentrated in two lenders. The holding structure has accreted rather than been designed and nobody in the family can produce a chart of it.

Structure. Group chart produced first, which took four months and revealed nine dormant entities, two with unresolved tax filings. Consolidation into a Luxembourg SOPARFI holding platform with national property companies beneath, retaining single-asset separation at the property level. Cross-guarantees renegotiated at refinancing, accepting fifteen basis points of additional margin to remove them, which the family had never attempted because it had never been quantified. LTV reduced to forty-two per cent through the sale of three assets. Lender count increased from two to five. Ownership layer moved to a Guernsey trust holding the SOPARFI.

Cost. USD 2.2m over three years, principally legal and tax. The margin cost of removing cross-guarantees is USD 540,000 annually and is the best money the family spends.

The lesson. Structural containment given away for a small pricing concession is rarely recovered without a refinancing event. Price it before agreeing to it.

Chapter 63. The Royal Family Office

Position. A Gulf ruling family branch, USD 4.2bn, of which USD 1.1bn is direct holdings in regional operating businesses and USD 3.1bn is a financial portfolio. Multiple wives and eleven children across two generations. Sharia succession applies. Political exposure is by definition elevated. Assets in eleven jurisdictions.

Diagnosis. Three interacting problems: succession under a regime with fixed shares, political and expropriation risk that no structure fully addresses, and a scale at which the family office is an institution requiring professional governance.

Structure. Ownership layer split. Assets intended to follow Sharia succession held so that they do, without an attempt to defeat the regime, which would be both ineffective and objectionable. Assets outside that treatment held through a Jersey foundation established years earlier and funded with non-regional assets, with a guardian committee including two non-family members. DIFC foundation for regional holdings, using the free zone's common law courts. Two private trust companies, one per generation, with independent directors of genuine standing.

Political risk addressed through jurisdictional spread rather than through instruments: custody across five jurisdictions in four legal systems, with a non-correlation allocation of USD 60m, about two per cent of liquidity, held outside the OECD perimeter in cash, per Table 27.2. Bilateral investment treaty protection obtained for two infrastructure holdings by restructuring the holding chain before the investments were made.

Cost. USD 14m annually, all in, or 33 basis points.

The lesson. Structure does not defeat a succession regime the family accepts on principle. What structure does is determine which assets fall inside that regime and which do not, and the determination must be made long in advance and documented.

Chapter 64. The Private Equity Principal

Position. Founding partner, 61, USD 380m net worth, of which USD 240m is carried interest in five vintages and USD 90m is co-investment alongside the funds. Continuing professional liability exposure. Resident in the United Kingdom. Two children.

Diagnosis. Illiquidity is severe and understated: only USD 50m is genuinely available. Professional liability is continuing and long-tailed, which is the classic case for protective structuring. The UK residence position has been transformed by reform and requires current advice. Carried interest is subject to specific and shifting rules.

Structure. Cook Islands trust settled with USD 35m, holding a British Virgin Islands company that holds the marketable portfolio, which solves the custody onboarding problem described in Chapter 11. Settled nine years before any claim and funded from realised proceeds rather than from carry. Guernsey trust for the remaining structured assets, with a Luxembourg SCSp for co-investment. Reserve tier of USD 18m unencumbered. Pre-nuptial agreements procured for both adult children before marriage, which the family regarded as intrusive and which is worth more than the entire structure.

Cost. USD 340,000 annually, or 9 basis points, which is low because most of the balance sheet is carry and cannot be structured.

The lesson. The protective trust works here precisely because it was established when nothing was pending, funded modestly, and paired with a Tier I structure holding everything else. Chapter 11's constraint is respected: Tier III in the ownership layer, nothing in the banking layer.

Chapter 65. The Frontier-Market Industrialist

Position. East African family, USD 190m, built over thirty years in agricultural processing and logistics across four countries. Audited by an international firm. Fully tax-compliant in the country of operation. Two European private banks closed the family's accounts within eight months of each other, both citing internal policy and neither alleging anything. A third declined onboarding without interview. Payments to European suppliers are being made through a chain of intermediaries at a cost the family estimates at USD 400,000 a year.

Diagnosis. This is not a compliance problem. It is the de-risking problem described in Chapter 27, and the family has been failed by an industry that treated a category as a conclusion. The operating business is real, the accounts are audited, the tax is paid and no adverse finding exists against anyone.

Structure, in three stages.

Stage one, remediation. A structured file assembled before any further application: audited accounts for five years, a source-of-wealth narrative with documentary support at each step, a group chart, tax clearances from each operating jurisdiction, and independent screening reports on each principal. This alone changed the outcome of the next two applications, because most declines in this category arise from a bank's inability to reach a conclusion quickly rather than from a legal prohibition. **[PRACTICE]**

Stage two, banking architecture. A Mauritius relationship for regional treasury, obtained on the strength of the file. A Tier IV relationship for corridor payments and trade finance, selected after running the protocol in Table 51.2 in full, including the small payment out at step six. Sized to working capital only. A DIFC relationship obtained eleven months later for the family's investment portfolio, which is where the reserve and the marketable securities sit.

Stage three, ownership layer. Jersey trust holding a Mauritius company holding the operating groups, with a Guernsey-resident licensed trustee and an independent protector. Deliberately Tier I, deliberately not the jurisdiction of the banking relationship, and deliberately conventional, because the family's remaining problem is credibility with counterparties and an unconventional ownership layer would compound it.

Cost. Establishment USD 210,000, including the remediation file. Ongoing USD 620,000 or 33 basis points, against an intermediary cost of USD 400,000 a year that has now been eliminated.

The lesson. This case is why Chapter 27 exists. A Tier IV relationship solved a real problem for a legitimate family that had been refused elsewhere, and it solved it in the banking layer only, sized to a function, selected after verification, with the ownership layer placed as far up the tiering as the family could reach. Both halves of that sentence are the argument of this book.

65.1 Conclusion

Part XII provides the operational instruments.

Part XII. Appendices

Appendix A. Implementation Checklists

A.1 Diagnosis Checklist

Completed before any structure is designed. Every item is a question with a written answer.

#	Item
1	Is any family member a US person by citizenship, residence or green card? If yes, stop and instruct US counsel
2	Tax residence and domicile of every family member, current and for the preceding six years
3	Full asset inventory by legal owner, jurisdiction of situs and liquidity
4	All liabilities, including guarantees, contingent obligations and warranty exposures
5	Every existing or reasonably anticipated claim, with quantum and status
6	Succession law applicable to each family member, and any forced heirship or Sharia regime
7	Matrimonial regime of each married family member, and any existing agreements
8	Existing structures, with instruments, and the identity of every trustee, protector and director
9	Every banking relationship, with balances, credit facilities and security granted
10	The largest single-counterparty exposure as a percentage of liquid assets
11	Distribution requirement in cash terms for the next five years
12	Whether the family has ever been declined by a financial institution, and on what stated basis

A.2 Annual Governance Checklist

#	Item	Owner
1	Family council met at least twice; minutes recorded reasoning	Council chair
2	Investment committee met at least four times	IC chair
3	Distributions made within the policy formula; exceptions documented	Trustee
4	Letters of wishes reviewed within 24 months	Settlor or family council
5	Protector succession mechanism confirmed operable	Protector committee
6	Counterparty re-verification completed for every bank, trustee and administrator	Family office
7	Custody arrangements confirmed: segregated or omnibus, by market	Family office
8	Single-counterparty share within the limit in Table 23.1	IC
9	Reserve tier at the stated months of cover, unencumbered	CIO
10	Four stress scenarios run and documented	CIO
11	Dual payment authorisation tested; call-back procedure tested	Internal audit
12	Regulatory perimeter reviewed against any change of residence	Counsel
13	PTC licensing exemption confirmed still available	Administrator

#	Item	Owner
14	Economic substance requirements met in every jurisdiction	Administrator
15	Independent valuation of illiquid holdings obtained	Internal audit
16	Decisions taken three years ago reviewed for quality	Governance board

Appendix B. Implementation Roadmaps by Capital Band

B.1 USD 5m to 30m

Month	Action
1 to 2	Diagnosis per A.1. US person question resolved
2 to 3	Jurisdiction and instrument selected; reasoning memorandum written
3 to 4	Trustee selected after interviewing three, none introduced by an incumbent bank
3 to 5	Second custodian onboarded. Begin now; it takes longest
4 to 6	Instrument and letter of wishes drafted and executed
5 to 9	Funding, sequenced. Real property and operating interests first
9 to 12	First trustee meeting held and minuted. Structure now tested

B.2 USD 30m to 250m

Month	Action
1 to 3	Diagnosis. Investment committee formed with external chair appointed first
3 to 6	Investment policy statement drafted and adopted
6 to 12	Banking expanded to three to five relationships across two jurisdictions
12 to 18	Family constitution drafted by the family, edited by counsel
18 to 24	PTC incorporated; independent directors recruited; D&O cover placed
24 to 30	Protector committee constituted; settlor's unilateral powers released
30 to 36	First full cycle operated with the founder present

B.3 USD 250m to 1bn

Month	Action
1 to 6	As B.2, plus consolidated reporting built and reconciled
6 to 12	CIO recruited. Head of operations recruited
12 to 18	Custody diversified across three jurisdictions; segregated custody for the reserve
18 to 24	Trusts divided by asset class or branch; separate reserved powers schedules
24 to 30	Internal audit engaged, reporting to the governance board
30 to 36	Two-board model operating; family assembly convened

B.4 Above USD 1bn

As B.3, plus: regulatory perimeter mapped across every residence; risk function established reporting to the governance board; multiple PTCs by branch; long-dated compensation for professional staff; in-group regulated capability assessed against Table 9.1, with the correspondent relationship treated as the project rather than the licence.

Appendix C. Decision Trees

C.1 Master Structuring Decision

1. Is any family member a US person? **Yes** to US counsel, stop. **No** continue.
2. Is there an existing or anticipated claim? **Yes** the protection window has closed; advise on settlement and structure only what is defensible. **No** continue.
3. Is the family from a common law tradition? **Yes** trust. **No** foundation, or Jersey foundation for Tier I supervision with a civil law form.
4. Is litigation the dominant risk, with continuing professional or operating exposure? **Yes** Tier III ownership layer with an underlying company in an acceptable jurisdiction. **No** Tier I ownership layer.
5. Is capital above USD 30m, or is the asset base operational? **Yes** private trust company. **No** licensed professional trustee.
6. Can the founder accept a decision going against him? **No** do not settle a trust; the structure will fail on examination. **Yes** proceed.
7. Are two custodians in place in two jurisdictions? **No** do this before anything else. **Yes** proceed.
8. Is the family de-risked, corridor-dependent, seeking political non-correlation, or above USD 1bn and acquiring capability? **Yes** consider a Tier IV banking relationship, sized and verified per Appendix D. **No** do not open one; it would have no function.

C.2 Banking Relationship Decision

1. What function does this relationship perform: custody, credit, transactional, reserve or non-correlation? If the answer is unclear, do not open it.
2. Does it duplicate an existing jurisdiction? If yes, is the counterparty quality materially better? If no, choose elsewhere.
3. Will custody be segregated? If not, does the function tolerate omnibus treatment?
4. Will this relationship also provide credit? If yes, it must not hold the reserve tier.
5. Has the verification protocol in Appendix D been completed? If not, do not fund.
6. What is the maximum share of liquid assets this relationship will hold, per Table 23.1?

C.3 Distribution Decision

1. Is the request within the policy formula? **Yes** trustee pays. **No** continue.
2. Is it within the discretion delegated to the trustee under the reserved powers schedule? **Yes** trustee decides and records reasons. **No** continue.
3. Does it exceed the protector consent threshold? **Yes** protector committee decides. **No** continue.
4. Does it require reduction of the reserve tier below its floor? **Yes** refuse, or convene the governance board. **No** proceed.
5. In all cases: record the reasoning, not merely the decision.

Appendix D. Counterparty Verification Protocol

Applied to every bank, trustee, administrator, custodian and adviser at appointment and annually thereafter. Applied most rigorously where the counterparty is most eager.

Table D.1 The protocol

#	Step	Failure indicator
1	Obtain the exact registered legal name, jurisdiction of incorporation and registration number. Note where the trading name differs	Reluctance; or a trading name presented as the legal name
2	Obtain the licence or authorisation number and the identity of the regulator	Vagueness about which regulator
3	Confirm the licence directly with the regulator, using contact details obtained independently. Never through a link or contact supplied by the counterparty	The counterparty offers to introduce you to its regulator
4	Confirm the regulator itself is the genuine authority. Where more than one body claims the role, resolve it before proceeding	Multiple bodies presenting as the authority; see Chapter 51
5	Identify the correspondent bank or custodian behind the institution, and confirm the relationship independently	Correspondent will not be named
6	Obtain the most recent audited financial statements. Identify and verify the auditor	No audit; or an auditor that cannot be traced to a real practice
7	Identify the ultimate beneficial owners and every director. Screen each	Ownership described as a trust or nominee with no further detail
8	Establish whether client assets are segregated, on what legal basis, and what the client's position would be in an insolvency	Segregation conflated with record-keeping
9	Obtain and read the contractual documents: set-off, rehypothecation, termination notice, governing law and forum	Standard terms presented as non-negotiable at any size
10	Test with a small payment in and a small payment out before funding	Delay or excuse at the withdrawal stage. This is the discriminating test
11	Obtain two references from existing clients of comparable profile	References unavailable or all connected to the introducer
12	Document the whole exercise and retain it. Repeat annually	No file, which means the exercise did not happen

[OPINION]

Step 10 discriminates better than steps 1 to 9 combined. An institution that receives readily and returns slowly has answered every question that matters.

Appendix E. Glossary

Allocated account. Precious metals holding in which specific bars are identified as the client's property, as distinct from an unallocated account, which is an unsecured claim on the institution.

Class A and Class B licences. In several offshore banking regimes, a distinction between licences permitting domestic and international business with a physical presence, and licences permitting international business only.

Correspondent banking. The arrangement by which a bank without direct access to a payment system settles through another bank that has it. The binding constraint on Tier IV institutions.

De-risking. The withdrawal of banking services from a category of client or jurisdiction on grounds of the cost of supervision rather than of the conduct of the individual client.

Discretionary trust. A trust in which no beneficiary has a fixed entitlement, only a right to be considered and to require proper administration. The absence of a proprietary interest is the source of the protection.

Enforcer. The person who holds a non-charitable purpose trust's trustee to account, there being no beneficiary to do so.

Firewall provision. A statutory provision directing that questions of the validity of a trust and of dispositions to it are governed by the law of the trust jurisdiction, excluding foreign law. Binds the courts of the trust jurisdiction only.

Fraudulent conveyance. A transfer made with intent to defeat, hinder or delay creditors, liable to be set aside. Universal in some form; jurisdictions differ in limitation period and standard of proof.

Illusory trust. A finding that the settlor retained such control that no effective disposition occurred. Requires no dishonest intention, and is therefore more dangerous in practice than sham.

Layer collapse. The condition in which two or more of the five layers are held by the same person, so that separation exists on paper only.

Lombard facility. Credit secured on a portfolio of marketable securities, with the lender determining collateral value and advance rates.

Omnibus custody. Client securities pooled in the custodian's name at the depository, as distinct from segregated custody.

Perpetual capital. Capital held for an indefinite horizon on behalf of persons including the unborn, distinguished from personal capital by owner, horizon, liability profile and illiquidity tolerance.

Private trust company (PTC). A company incorporated to act as trustee of one family's trusts, ordinarily owned by a purpose trust or foundation so that it is not itself a family asset.

Protector. The holder of negative powers over a trust, principally consent, veto, and the removal and appointment of trustees. May be a fiduciary or personal office; the instrument must say which.

Reserved powers. Powers retained by the settlor or conferred on a third party rather than vested in the trustee. Permitted by statute in the principal jurisdictions; extensive reservation weakens the structure.

Rehypothecation. The lender's use of collateral securities for its own purposes, materially affecting the client's position in an insolvency.

Reserve tier. Unencumbered short-dated sovereign holdings sized to twelve to twenty-four months of distributions, held outside the primary banking relationship, whose function is to make forced selling impossible.

Sham. A finding that settlor and trustee shared a common intention that the trust should not operate according to its terms.

Substance. The requirement that an entity have real decision-making, personnel and premises in its jurisdiction of incorporation. Now enforced in every Tier I and Tier II jurisdiction.

Tier I to Tier IV. This work's classification of jurisdictions by the function they can competently discharge. See Table 1.2 and Chapter 52.

Appendix F. Bibliography and Sources

F.1 Legislation and Instruments

Trusts (Jersey) Law 1984, as amended. Trusts (Guernsey) Law 2007. Foundations (Jersey) Law 2009. Trustee Act 1961 and Trusts Act 1995 (Isle of Man). International Trusts Act 1984 (Cook Islands), as amended. Nevis International Exempt Trust Ordinance 1994, as amended. Fraudulent Dispositions Act 1991 (Bahamas). Persons and Companies Act (Liechtenstein), as reformed 2009. Law 25 of 1995 (Panama). Trustees Act (Singapore); Variable Capital Companies Act 2018 (Singapore); Income Tax Act (Singapore), sections 13O and 13U. Insolvency Act 1986 (England and Wales), section 423. Uniform Voidable Transactions Act (United States). Hague Convention on the Law Applicable to Trusts and on their Recognition 1985.

Anjouan Offshore Finance Authority Act 003 of 2005; International Banking Act of 2005; International Business Companies Act 004 of 2005; Money Laundering Prevention Act, Government Notice 008 of 2005 (Autonomous Island of Anjouan, Union of the Comoros).

F.2 Institutional Sources

Financial Action Task Force, *Jurisdictions under Increased Monitoring and High-Risk Jurisdictions subject to a Call for Action*, plenary statements, February and June 2026.

Financial Action Task Force, *Mutual Evaluation Report: Comoros*, May 2024.

Financial Action Task Force, guidance on correspondent banking services and on the unintended consequences of the FATF standards.

Committee on Payments and Market Infrastructures, Bank for International Settlements, *Correspondent Banking*.

Financial Stability Board, reports on correspondent banking relationships.

Organisation for Economic Co-operation and Development, Common Reporting Standard and associated commentary.

F.3 Note on Method

Statements in this work are tagged `**[LAW]**`, `**[PRACTICE]**` or `**[OPINION]**` per the convention set out in the front matter. Legislative references are given by name and, where known, by year and number; readers requiring citation to a specific provision should obtain current consolidated texts, since amendment in this field is frequent and the consolidations available commercially are not always current.

Where a proposition appears without a tag it is definitional or descriptive. Where a proposition is tagged `**[OPINION]**` it represents the editorial board's judgement and the reader is invited to disagree.

No case study in Part XI describes a real family. Composites were constructed to illustrate recurring patterns and any resemblance to an identifiable family is unintended.

F.4 Verification Discipline

Every jurisdictional statement in Part IX carries the verification date of 2 August 2026. Listings, tax regimes, substance requirements and family office incentive thresholds change on a timescale of months. A reader relying on this work more than twelve months after that date should treat Part IX as a framework for enquiry rather than as a statement of the current position.

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Closing Note

The argument of this booklet has been stated four times, in Chapter 1, at the close of Part I, at the close of Part VI and here, and it has not changed.

Structure precedes portfolio. Function must be separated across layers, persons and jurisdictions. Jurisdictions are selected for the function assigned to them rather than for their standing in the industry's informal hierarchy, which means that Tier IV institutions have a real and defensible place in the banking layer and no place at all in the ownership layer. And no instrument, however well drafted, survives a family that never learned to govern itself.

The fourth sentence is the one that decides. Everything before it is machinery.