

Understanding Swiss Trust/Financial Company



7, Rue de Hesse
Geneva, Switzerland
Tel : +41 (0)22 566 82 44
Fax : +41 (0)22 320 39 42
Email : info@my-swiss-company.com

Understanding Swiss Trust/Financial Company

Going Public with a Swiss trust company

One of the biggest selling points of a Swiss trust company, as compared to traditional forms of offshore incorporation, is its ability to be traded on some of the world's premier stock exchanges. This ability, however, is often misunderstood by both prospective clients and external observers.

It is true that a Swiss trust company can qualify for stock exchange listing in Frankfurt and Vienna. In order for that to occur, however, the company needs to meet one important criterion – **it has to have been incorporated at least 25 years prior to the date of application**. This important distinction is not always reflected by entities selling such Swiss trust companies; the result is a disappointed client who ends up with an entity that simply cannot fulfill the purpose it was obtained for, and with no recourse to refund.

For this reason, prospective clients of Swiss trust companies are always advised to check with the provider to ensure that the company they're purchasing is old enough to meet the listing requirements. On the more positive side, however, the actual application process is often a mere formality – provided that the company meets the aforementioned age criterion, applications are usually approved within three months.

Understanding Swiss Trust/Financial Company

What is a Swiss trust company?

Introduction

A Swiss trust company is an offshore entity incorporated in Switzerland and owned anonymously through bearer shares which is capable of executing a wide variety of financial operations in the global financial framework. Despite the use of the term “trust”, Swiss trust companies do not focus on asset and inheritance preservation – in fact, although it is certainly one of the possible uses for a Swiss trust company, it is definitely far from being the main one.

Main characteristics of a Swiss trust company

Flexibility

Perhaps the single most salient feature of a Swiss trust company is its flexibility. It is capable of engaging in a wide variety of financial operations and can hold various types of assets, including cash, securities, real estate, etc. Combined with [bearer share](#) ownership and offshore incorporation, this makes Swiss trust companies the preferred solution for asset preservation needs.

However, as alluded previously, asset protection is far from being the main function of a Swiss trust company. This begets a logical question – exactly how are Swiss trust companies used today? The following non-exhaustive list of things a Swiss trust company can do should give the reader some idea about its modern-day uses:

- Participation in the SWIFT interbank system, including sending MT 760 and MT 799 instructions
- Listing on stock exchanges of Frankfurt and Vienna (only for companies older than 20 years)
- Opening and maintaining bank accounts – as well as sub-accounts for third parties – with any institution worldwide
- Lending and borrowing money, as well as issuing safekeeping receipts and promissory notes
- Accepting and investing funds on behalf of third parties
- Functioning as a holding entity for banks, insurance companies, funds, trading companies, and other businesses
- Making and signing contracts, or functioning as an agent or employee

Understanding Swiss Trust/Financial Company

Credibility

Most Swiss trust companies available on the market are so-called “seasoned”, “aged”, or “vintage” Swiss trust companies. All of these terms mean the same thing – that the company in question was incorporated several decades ago. As older companies usually command higher prices due to their rarity, one must ask – is paying extra for an aged company worth it?

Prospective clients are advised to consider the following factors:

- Only Swiss trust companies that are at least 25 years of age can qualify for listing on stock exchanges of Frankfurt and Vienna (see the “[Going Public](#)” post for more information)
- Swiss trust companies retain their date of incorporation upon a transfer of ownership – meaning that a company that has changed hands several times since its incorporation in the 1930s will still remain an 1930s Swiss trust company, rather than resetting the date of incorporation to the year of the last transfer of ownership

Aside from stock exchange listing, aged Swiss trust companies are often used for credibility purposes. Their seasoned date of incorporation gives them greater *gravitas* in dealing with competitors and regulatory authorities alike. A common use for such companies is to function as a holding vehicle for an existing business, allowing them to convey the credibility benefit upon the existing enterprise while also delivering the traditional tax benefits associated with incorporation in offshore jurisdictions.

Understanding Bearer Shares

Bearer shares are a unique tool of corporate ownership. In contrast to regular share certificates, bearer shares do not have a name associated with the holder; in other words, there is no record or any form of paper trail to identify the real owner of a set of shares. This paves the way for highly efficient and entirely legal offshore asset protection solutions that minimize the principal's exposure to risk and legal action.

Understanding Swiss Trust/Financial Company

A Brief History of Bearer Shares

Bearer shares are not a new concept – in fact, studies show that originally they were the main form of corporate ownership. Historically, bearer share ownership was the most solid solution available, as the owner did not have to rely upon paper records to verify ownership (remember, this was before the Internet, or even computers, made electronic storage and transfer of information possible). Combined with unreliable mail, bearer shares were, ironically enough, the safest ownership tool one could find. In fact, early in the 20th century, bearer shares were often equated with cash and treated as such, due to their high liquidity and ease of transfer.

It wasn't long, however, until the full impact of genuinely anonymous ownership became apparent to regulators. While initially bearer shares were conceived to serve a perfectly legitimate function (i.e., to be a tool of corporate ownership at a time when any sort of record was exceptionally difficult to keep), the system was highly prone to abuse. After all, there was little that stopped principals from engaging in illegal transactions and downright fraud, secure behind the veil of anonymity guaranteed by bearer share ownership. As a result, there began a concerted push by regulatory agency to document stock ownership through regular registered shares, creating eventually the present day situation where most companies are owned through registered, rather than bearer, shares. Many countries – including the United States – actually went so far as to ban the issuance of bearer shares altogether.

Bearer Shares and Swiss Trust Companies

Although bearer shares are still commonly used in offshore jurisdictions, Switzerland is unique in that it continues offering bearer share ownership for Swiss trust companies without the credibility questions that typically surround offshore entities in other popular destinations. Or, to put it another way, where investors would think twice before entrusting their assets with a Panamanian offshore bearer share company, a Swiss trust suffers from no such disadvantage, and remains as credible an entity as ever in the eyes of prospective investors and business partners. More importantly, Switzerland has remained true to its tradition of valuing individual privacy, meaning that it has imposed relatively few oversight provisions for the control of bearer share

ownership and distribution. As a result, despite the tumultuous history of bearer shares as a concept, they are still an effective tool of owning and operating a Swiss entity, and of ensuring the perfect anonymity of the principals.