

The prohibition of trust services

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The sanctions extended to the professional services that form an important part of Zug's economy. From October 2022, the European Union prohibited the registration of trusts for Russian nationals and residents and the provision of trustee, director and similar services to such trusts. Switzerland adopted the prohibition.¹ Trustees and fiduciaries in Zug and elsewhere had to end their mandates for Russian clients or apply for exemptions. The prohibition affected a part of the wealth management industry that Part F described. Its implementation raised difficult questions about the treatment of existing trusts, whose assets could not simply be returned to the settlors or beneficiaries without the consent of the authorities.

The trust practitioners of Zug, many of them members of STEP, the international association of trust and estate practitioners, have had to review their client books since 2022. Besides examining the nationality and residence of settlors and beneficiaries as well as the control of structures through protectors and advisers, they must consider the risk that assets have been transferred to relatives or trusted persons to avoid listing. The sanctions have accelerated a trend in the trust industry towards greater transparency and more extensive due diligence, which the register of beneficial owners will reinforce.

1 Notes

1. Germany Trade & Invest, "Chronologische Übersicht über EU-Sanktionen gegenüber Russland", gtai.de: the 8th package introduced the restrictions on trust services (Art. 5m of Regulation 833/2014). Federal Council, press release of 23 November 2022, admin.ch (nsb id 91875): Switzerland adopts the measures of the EU's eighth sanctions package, in force from 18:00 that day. ↩

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