



Executive Entities Act

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Private Client & Offshore Services, Bahamas

📌 **Executive entity**

📌 **Comment**

Executive entity

With the Executive Entities Act 2011 the Bahamas has added an innovative product to its portfolio of financial services legislation, by encapsulating services currently offered in the realm of wealth management within a legal entity.

Section 3 of the act provides for an executive entity that is established by charter "to perform only executive functions".

The definition of 'executive functions' under the act includes any "powers and duties of an executive, administrative, supervisory, fiduciary and office holding nature". These include (but are not limited to) acting as:

*"(i) an enforcer, protector, trustee, investment advisor and the holder of any other office of any trust; and
(ii) the holder of any office of any legal person."*

Some key characteristics of the executive entity are that it has neither shareholders nor beneficiaries nor an enforcer. The executive entity:

- has limited liability;
- has no capital requirements;
- can be established for a definite or indefinite period; and
- has a governing body which is comprised of officers or a council or both.

It is not a vehicle for holding assets, can only hold shares in another entity which carries out executive functions (eg, shareholder of a private trust company) and can only perform executive functions in relation to structures which are either domiciled in or regulated under Bahamian law or established in a jurisdiction that is specified in the First Schedule to the Financial Transactions Reporting Act.

Comment

The executive entity can act as an effective governance tool to carry out executive functions while protecting confidentiality in wealth preservation structures such as purpose trusts, foundations and private trust companies.

The client has the opportunity of appointing himself or herself or other individuals as officers or council members of the executive entity, with a view to maintaining a grip on his or her interests, and the individuals in turn benefit from limited liability.

The executive entity offers flexibility and, as the first entity of its kind, demonstrates the Bahamas' continued commitment to provide solutions for clients and to reinforce its position as a leader in the area of private wealth management.

For further information on this topic please contact Arthur Seligman at Lennox Paton by telephone (+1 242 502 5000), fax (+1 242 328 0566) or email (aseligman@lennoxpaton.com).

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