

# Keeping One STEP Ahead

Trusts & Estate Planning With STEP

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## TRUSTS & ESTATE PLANNING – ITALY

*Carmine Carlo, MPO Trustee S.p.A.*

Carmine Carlo of MPO Trustee, the first Italian ltd. trust company exclusively specialized as Trustee, details the rising application of trusts in Italy, where it is still a relatively new financial practice.

**Q Please introduce yourself and your role.**

I am a chartered accountant and a member of the Trust Commission of the Order of The Chartered Accountants of Milan, I am also a member of the association Il Trust in Italia (Trust in Italy). I have over ten years of experience in tax, inheritance and legal and corporate advisory. During my career I have worked with noted international law firms, and have extensive experience as a speaker, publicist, and lecturer in studies relating to Trusts and international taxation. Since 2010 I have been the chairman of MPO Trustee ltd, the first Italian independent ltd. Trust company, exclusively specialized as Trustee.

**Q Can you tell us more about MPO Trustee Ltd. and how you assist clients?**

We are an independent Italian Trust company consisting of professionals with decades of experience in the field of Trust. MPO Trustee is a project that was born in 2008, when Italy was finally introduced to a tax legislation surrounding Trusts. The main activity of our company is to set up and manage Trusts, mainly family and guarantee Trusts. Thanks to our highly experienced professional team, we are able to offer our clients comprehensive counseling about all aspects of Trusts such as: fiscal, legal, commercial and family

management. Our work is characterized by maximum transparency and continuous dialogue with the supervisory Italian authorities.

**Q What makes your company stand out from others?**

First of all I have to point out that, in Anglo-Saxon countries Trusts have been a normal thing for centuries, but until the early 90s, the Trust was not recognized by Italian law; in our country it became valid to all intents and purposes at the end of 2007, when a method of calculating the tax charges was finally agreed upon. From a Trust point of view, we are talking about a new market, which, thanks to our company and to a few other Trust entities, has become well known in Italy. We are proud to say that in two years of activity, thanks to our low fees, professionalism and transparency-guaranteed by our board of directors, are managing Trust-based assets of over €50m, achieving the first place in the Italian market. Finally, we expect the Italian Trust market to increase because clients are starting to learn the benefits that a Trust can offer, such as inheritance, sales, distributions of shares and so on.

MPO Trustee is a stand out because of our...

**Reliability** – MPO Trustee is the first Italian

Trust company with a board of directors having a joint signature for the management of the Trusts of which we are the Trustee. The six members of the board are highly specialized in the field of Trusts, and are members of The Commission of the Legislation for the Heritage Protection.

**Transparency** – MPO Trustee employs a unique software for annual reporting that enables us to manage capital and the income of our managed Trusts efficiently and with clarity for our clients. The software meets the needs of the EEC Directive IV and is in line with the rules for the accountability of the Trustee as laid down by the Hague Convention and reinforced by the Order of the Italian Chartered accountants.

**Independency** – MPO Trustee is working in absolute independence, without any constraints from banks, foundations, insurance or professional associations.

**Control** - We have have a series of comprehensive measures for all administrative and accounting procedures that allow us to be very precise in the management of the Trusts.

**Professionalism** - We are continuously improving our activity in order to offer and guarantee our clients the best Trust management service, striving to be a Trustee

tailored to the needs of our clients.

**Security** – In order to guarantee our clients, we have entered into an insurance policy specifically for the activity of a Trustee with Lloyd's of London, a world leader in the management of professional risk.

**Reach** - Our registered seats are in Milan and Naples, but we also operate in the whole Italian territory, and have subsequent seats in Trieste and Meda.

**Q You are members of STEP- why is this important?**

The Society of Trust and Estate Practitioners is the leading worldwide professional body for practitioners in the fields of Trusts, estates and related issues, being a member of the society offers a host of opportunities for professional growth and continuing competence.

**Q What are the different types of Trusts, and how can they be beneficial?**

The Trust is an instrument of private autonomy, it is extremely flexible and can be used in many different industries, such as finance, commercial, family and inheritance.

A Trust can be set up, for example, to protect a disabled child or a minor. The parents, married or not, can manage and protect their heritage, by allocating part of their assets in a Trust in order to guarantee the descendants the resources necessary for a decent life, even after their death.

Another example comes in an event in which the Settlor wishes to implement a generational transfer of a family business, in order to maintain an efficient and continuous management of the company and ensuring

fair treatment to all descendants. Often, when the descendants take over, the business suffers because not everyone has what it takes to manage its operation, but with the Trust, an entrepreneur can decide in advance (on the basis of the knowledge and skills of each decedent) who to assign the management functions to, providing that everyone gets adequate income from the investments.

The use of the Trust, as an alternative means to traditional forms of warranty, is of considerable interest given that it protects to the same measure the creditor as the debtor, giving certainty of the fulfilling of the contracts underlying their relations. In addition, it lets a large degree of discretion and freedom in the choice of the goods to be placed under warranty. It's particularly efficient in the set up of a Trust as a substitution of the mortgage registration in the hypothesis of the acquisition of a property by making a bank loan. The property can be given in a Trust having as beneficiary the bank, up to the amount of the credit, and as a residual Beneficiary the Settlor itself, for the residual part, without having to recur to a legal prosecution that is usually characterized by excessive formalism, extensive duration, and an uncertainty of outcome.

**Q Have you had any interesting cases recently?**

A not well-known but very interesting case is the use of the Trust by following the model of an escrow account. The set up of a Trust as a substitution of the traditional forms of guarantee, such as the use of the mechanism of deposit, allows protection for all parties involved due to the certainty of the existence of a sum set aside. It can be used, for instance, in case of the purchase of a property, the initial deposit can be put in a trust fund by the

buyer, which transfers it to the seller only in the event of a positive outcome of the negotiations, if the deed is not signed the sum gets back to the potential buyer.

**Q If you could what would you change about the industry?**

It's difficult to change the mechanics of such such big and important industry, but in my opinion the diffusion of the Trust could help to set free stagnant consumption and investment in order to boost the economy, especially in crisis situations.



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