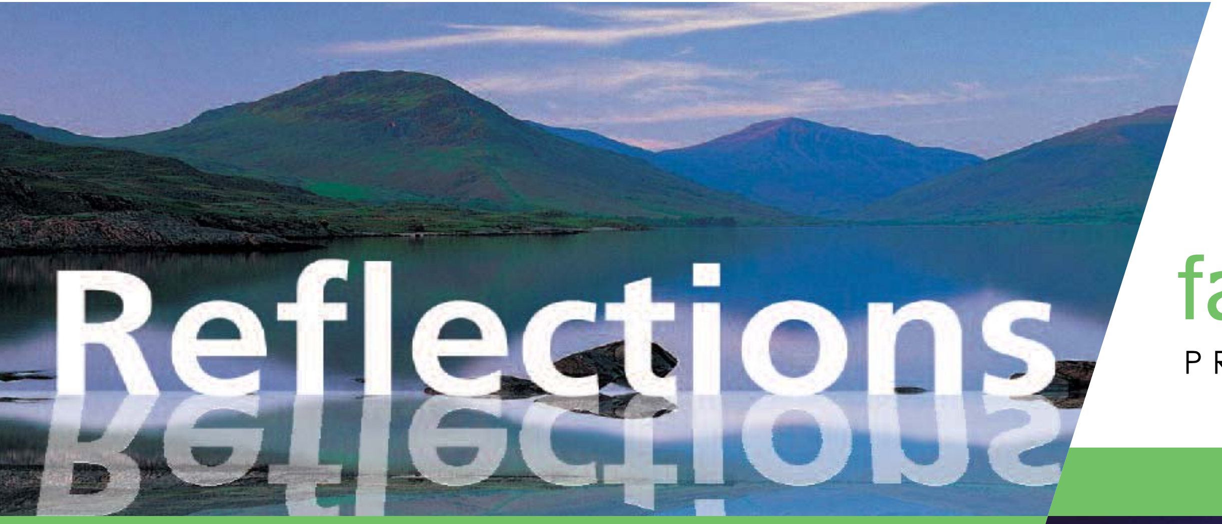


fairbairn
PRIVATE BANK

Autumn 2009

The newsletter for clients of Fairbairn Private Bank

Changes at the top


The view from the top of the London office

Over the last 18 months we have seen a number of significant structural changes in support of our growth and expansionary plans. In August Nedbank took 100% ownership of the bank making them our immediate parent company, however, Old Mutual remain our ultimate parent.

In June, we bid farewell to our chairman, Hasan Askari, who retired from the Old Mutual group, by way of a dinner at Angelus restaurant in London. I'd like to take this opportunity to wish Hasan every success in his retirement and thank him for his solid support over the years. We are equally delighted to welcome Tom Boardman, who is to be appointed our new chairman. We introduce Tom on page 2.

We have also expanded our London team with the arrival of Nigel Hawkins who will be working as a senior private banker in the UK. We include a profile of Nigel on page 2.

As you are aware, we are always keen to obtain your feedback on our products and services, and the time has come for our regular client survey. We conduct the survey every three years, but this year it will be slightly different. On page 2, we introduce the new format and hope you will take the opportunity to air your views.

In this issue we've included a number of articles which we hope will be of interest. On page 3, we discuss the very topical subject of 'quantitative easing' and its impact on the fragile global recovery.

With the launch of new legislation on foundations in Jersey, Debbie Lumsden, from our trust company, takes a look at how they are structured and what benefits they can offer on page 4.

Returning to the Isle of Man, on page 6, Beckie Williams outlines the latest changes to the island's tax laws in relation to the European Union Savings Directive, and explains who will be affected.

On a lighter note, we feature two stories on our sponsorship endeavours around the regions. On page 5, we introduce Craig Boyes who is the rising star of our South African cycling team, having successfully completed a number of gruelling mountain bike events over recent months.

Also on page 5, we report on our recent sponsorship of the breeding programme for the ring-tailed lemurs at Durrell's Jersey headquarters. These programmes are vital to help increase the sustainability of the species in their home environment, which is increasingly threatened by human activity.

I hope you enjoy this issue and please do not hesitate to contact us if you have any subjects you'd like to see featured in the future.

Warmest regards
to you all,

Greg Horton
Managing Director,
Fairbairn Private Bank

In this Issue...

Tom Boardman

Nigel Hawkins

New chairman of the board

We are pleased to announce that Tom Boardman is to be appointed as chairman of Fairbairn Private Bank. Tom will take up the role following the retirement of Hasan Askari, who has held the position since 2005. It is proposed that Tom's appointment will be effective in the fourth quarter 2009, on completion of the usual regulatory approval process, and it follows Nedbank's recent increase from 70% to 100% shareholding in Fairbairn Private Bank. However, Old Mutual remains our ultimate parent company through its ownership of Nedbank.

Tom recently held the position of chief executive of Nedbank Group and Nedbank Limited, and was formerly the chief executive and an executive director of Board of Executors (BoE), one of South Africa's leading private banks. His past directorships include Boardmans and Sam Newman Limited, as well as BoE International Holdings Limited and Northwind Investments (Pty) Limited. He is a non-executive director of Mutual & Federal Insurance Company Limited and the Banking Association. He holds a Bachelor of Commerce degree and is a chartered accountant of South Africa.

Tom will maintain his current position as chief executive at Nedbank Group and Nedbank Limited until February 2010, when he will stand down after completing his February 2010 presentation of the bank's 2009 results.

The board is delighted at Tom's appointment and we look forward to benefiting from his extensive experience in the future.

London expansion continues

As part of the ongoing expansion of our London branch, Nigel Hawkins has been appointed as senior private banker.

Nigel joins our London team at a very exciting time for the bank as we continue to expand and raise the profile of our asset management offering in the UK. Nigel's appointment opens up new opportunities and we are all looking forward to working with him.

Nigel brings 17 years of banking and investment experience to Fairbairn Private Bank, starting out with HSBC Bank PLC as a senior regional manager and from there moving to Coutts and Co in London in 2004. Most recently, Nigel was employed as vice president of private banking for Bank of Montreal Private Bank in Canada.

Nigel holds a Financial Planning Certificate from the Chartered Institute of Insurance and has successfully completed a Certificate in Mortgage Advice and Practice (CeMAP).

What do you think about Fairbairn Private Bank?

Now is your opportunity to tell us what you think about our products and services. As part of our ongoing commitment to client service, we are conducting a survey to measure client satisfaction. We would like to identify those areas where we fully meet your needs and those where you would like to see improvements, so your feedback is invaluable to us.

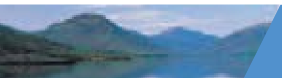
We believe this process needs to be carried out in a professional and impartial manner and have therefore appointed an experienced research agency, The Leadership Factor Ltd, to carry out a telephone survey on our behalf. We will have already written to a selected sample of clients to invite them to take part in the survey.

If you were selected and are prepared to share your views it would be most appreciated. Please be assured you will not be asked to supply any bank account or other confidential information. However, you are under no obligation to take part in the survey.

Prior to conducting a formal large scale telephone survey, we plan to invite a small number of clients to participate in preliminary telephone interviews. The objective of these is to clarify what is most important to you and this will ensure that the main survey focuses on the issues that are most relevant.

Following the preliminary interviews, the main telephone survey will be designed and should last around 10 minutes. Your responses will be treated in total confidence by The Leadership Factor and we will receive only an overall summary of the results. Of course, if there are any particular points that you would like to draw to our attention you can ask for them to be recorded and your name associated with them.

If you have any questions regarding the forthcoming survey, please do not hesitate to contact our client services team on +44 (0)1624 645000.



Uneased by quantitative easing?

Since the credit crunch hit the global community in 2008, countries around the world have been searching for ways to ease the effects of the financial downturn. Having taken interest rates to historic lows, governments have been looking for extra firepower to help combat the global recession. Many have turned to their central banks to pursue quantitative easing (QE) to help address the dangers to the economy by easing the pressure on the banks' balance sheets and increasing the flow and amount of money in circulation.

Often referred to as 'printing money', QE is an extreme form of monetary policy used to stimulate an economy where interest rates are either at, or close to, zero. QE is a solution when the normal process of increasing the money supply by cutting interest rates is not working. In practical terms, central banks purchase financial assets, including government and corporate bonds, from financial institutions (such as banks) using money they have created out of nothing. In turn, the banks are encouraged to lend out this fresh money supply to businesses and individuals, rather than keep it on reserve, thus stimulating the economy. When a loan is made, the money supply expands by the size of the loan and this new money encourages banks to lend further still, ultimately reducing the cost of borrowing and eventually feeding back into the economy through spending.

QE does not come without risks. There is no guarantee, without forced intervention, that banks will increase lending despite strengthened balance sheets. More importantly, QE can also run the risk of going too far. An increase in money supply to a system has an inflationary effect by diluting the value of a unit of currency. People who have saved money will find it is devalued by inflation; this combined with the associated low interest rates will put people who rely on their savings in difficulty. The devaluation of a currency can affect the international credit rating of the country, which in turn can lower the likelihood of foreign investment. The proverbial 'vicious circle'.

At some stage, QE will have to be reversed. The plan is for central banks to sell the financial assets (government and corporate bonds etc) when economic conditions improve. Presumably this will be when markets have stabilised and inflation has returned, however, these market conditions may not be favourable for selling bonds. Bonds are preferred in a deflationary environment and only through the use of derivative techniques can they make investment returns in inflationary times. The central banks must therefore have confidence in their plans.

Since the Bank of England announced its QE strategy at the beginning of the year, £175 billion has been poured into the UK economy via its activity in bond markets. The Bank of England having recently authorised its latest tranche of £50 billion, has come under some criticism, with the attacks on the strategy labelling it as ineffective and lobbying against further action. Further afield, QE strategies have also been deployed in the G7 countries and others such as Switzerland and Sweden. And at the recent G20 meeting, the finance ministers from the 16 countries who share the euro agreed the stimulus measures should be sustained to maintain fragile recoveries. Officials are pledging to press ahead with their recession-fighting programmes and follow through on their stimulus pledges, even if they face resistance from a public made nervous by mounting debt and inflation fears.

Despite the widespread adoption of QE, opinion is very much mixed as to its success. In the past, the last major country to attempt such a feat was Japan where the policy took years to have a measurable impact. Doubts are perhaps justified due to little evidence of increased borrowing and credit flows, and fears of constricted credit could stifle any economic upturn. However, the apparent failure of QE is not solely due to the banks' reticence to lend. Many consumers are wary of borrowing in the current climate, due to fears over job security and their desire to reduce their own debt.

The Bank of England has said the results of the exercise will not be known until at least nine months from the start of the QE plan, which began in March 2009. Therefore, the impatient among us will have to wait until December, at the earliest, for any evidence of success.

To perhaps answer the critics, the Bank of England has recently produced the first apparent statistical evidence that its QE programme may now be successfully boosting the amount of money flowing around the economy and in people's bank accounts. The Bank's Governor, Mervyn King, is putting some emphasis on this evidence as a sign of the success of QE.

The best test for QE for the foreseeable future may not be how quickly the economy improves but whether it gets no worse. Fans of the 1990s Japanese QE policy say it stopped the Japanese economy sliding deeper into trouble. Only time will tell if the same can be said for the current QE programmes.

Perhaps the end of the QE tunnel is in sight, as nations are now being invited to work hard on developing credible exit strategies from the fiscal, monetary and financial sector support applied over the last year. While not being implemented any time soon, for fear it would disrupt the still fragile economic recovery, the idea is rather to convince markets that everything is under control. And that when the time is appropriate, after the economic recovery has become self-sustaining, the necessary action will be taken to unwind today's potentially toxic mix of easy money and burgeoning public debt.

Debbie Lumsden

A firm foundation

By Debbie Lumsden – Trust Manager

This summer Jersey became the first of the British Crown Dependencies to launch new legislation on foundations. Foundations, which blend features of Jersey companies and trusts, can be used as an investment vehicle for financial planning and private wealth management strategies. The new law will offer the flexibility to structure a foundation to look and operate more like a trust or company, depending on what is required.

What are they?

Neither a company nor a trust, a foundation has some similarities to both. It is an incorporated body that has separate legal personality and can hold assets, transact business and sue or be sued in its own name. It cannot acquire or hold Jersey immovable property and cannot engage in commercial trading unless specified in the objects. A foundation can be designed for a specific purpose and, unlike a company or a trust, does not need shareholders or beneficiaries.

Originating as far back as the Roman Empire, foundations have been in common use for many years, particularly in civil law jurisdictions where the concept of trusts is less recognised. Unlike a trust, a Jersey foundation has its own legal personality and a charter that must be lodged with the Registrar of Companies at the Jersey Financial Services Commission. Registering the foundation's existence as a matter of public record provides an additional degree of transparency.

The person or corporate entity who sets up a foundation is known as the founder. They do not need to be named on any public documents and do not need to donate any assets themselves. However, to apply for the incorporation of the foundation they need to instruct a qualified person (ie, someone regulated under the Financial Services (Jersey) Law 1998).

Once assets have been provided to the foundation, all the relationships within the foundation will be governed by its constitution, which comprises two principal documents: the charter and the regulations.

The charter is a public document setting out certain minimum details about the foundation, including its name, which must end with the word 'Foundation', and the objects for which it has been established. The foundation is also governed by regulations, which are a private document setting out the operating rules under which it should be managed and administered. Apart from the charter, all other information relating to the foundation is confidential.

A foundation also requires a council, which is the body responsible for its administration, managing the assets and fulfilling the objects in line with the constitution. The council is similar to a company board of directors and must always include a qualified person. It must consist of at least one individual or corporate entity.

Another mandatory requirement of a Jersey foundation is the appointment of a guardian who has the duty of supervising the council's activities and ensuring that the foundation achieves the objectives set out in its charter. Under Jersey's legislation, the founder or qualified member can also hold the role of guardian, which permits a greater level of control over the assets and also considerable flexibility.

How can they be used?

- For the long term holding of family assets – to protect against fragmentation and third parties gaining control of family businesses which are passed down the generations. There is no perpetuity period so the foundation can exist indefinitely
- For holding single or "wasting" assets, such as a plane or boat, or assets with a volatile market value
- For reservation of powers – for clients wishing to retain a significant degree of control as an alternative to a reserve powers trust
- To appeal to individuals in civil law jurisdictions, such as the Middle East and continental Europe, for charitable / non-charitable purposes
- To administer employee benefits, such as pensions and options
- To own and/or invest in shares, interests and stocks of private companies or other securities
- For existing non-Jersey foundations to become domiciled in Jersey.

For more information on how foundations can be used for financial planning or private wealth management strategies, please contact our trust team on **+44 (0) 1534 823202**.

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The Durrell ring-tailed lemurs

Matchmaking for lemurs

In the latest development in our partnership with Durrell Wildlife Conservation Trust, we are pleased to support a new breeding programme for the Trust's endangered ring-tailed lemurs.

As you may be aware, we sponsor a bachelor group of ring-tailed lemurs who have lived at the Trust in Jersey for many years. However, earlier this year we funded the adoption of two females, which has greatly excited the three existing males – brothers Digit, Fang and Hannibal.

The two females from Chester Zoo are five-year-old Morticia and three-year-old Muriel. Morticia has also brought with her a four-month-old son. Having arrived at Durrell in mid May, the lemurs have now completed their four-week quarantine period and have recently been moved to the park's main Lemur Wood enclosure. In this large natural wooded area, they are in the process of being mixed with Durrell's existing three male ring-tailed lemurs and a family of three red-fronted brown lemurs, who are also new to the Trust.

Senior keeper at Durrell, Tim Wright, commented, "From the moment they were first mixed, they have been eagerly watching each other. Life will probably not be quite so relaxed for the three brothers from now on, as female ring-tailed lemurs are very much the dominant gender of the species. It is hoped that, given time, they will breed."

Durrell has been working with this endangered lemur since 1964 and has bred a total of 38 ring-tailed lemurs between 1974 and 1993. Hopefully, the introduction of the new female lemurs should enable the breeding effort to resume, so Durrell can contribute to the captive population once more.

Rising star for Team FPB

The Fairbairn Private Bank Cycling Team (Team FPB) is fast becoming a force to be reckoned with in the cycling fraternity in South Africa, and a significant contributor to this success is our young star Craig Boyes.

Team FPB was established earlier this year with a newly formed team participating in the gruelling eight-day Cape Epic Mountainbike race. It has subsequently grown in stature and team members, and with it garnered a string of successes in cycling and multisport.

During this period Team FPB, with the help of ATC Multisport, South Africa's largest multisport club, has actively sought to identify young athletes with potential, and assist in some small way in developing this sporting talent. In line with this program, 19 year-old Craig joined the team four months ago. He has been a keen cyclist from an early age and over the past few years has become a familiar face at the front of the field in Western Cape Mountainbiking events. His dedication to cycling has helped him overcome some life challenges and we are pleased that his training and sheer drive is responsible for putting Team FPB on the podium in the most recent races of the season.

When not working hard to complete his final year of school, he is on his mountainbike or training with his coach, Line Griffiths, who has also worked with the World Champion Bulls Mountainbike Team. Craig's most recent podium achievement was at the National Cross-Country Mountainbiking Championships. He will be joined for the remainder of the season by an additional development athlete as Team FPB take on the Karoo to Coast Mountainbike Race and the Cape Pioneer Stage Race. He will also be part of a Fairbairn Private Bank team in the highly competitive Coronation Double Century Cycle Race next month, where some of South Africa's top multisport athletes have joined the team as guests for this 12-person team endurance race.

Team FPB continues to raise the bank's profile in the very popular local cycling and multisport arena, as well as promoting the associated charities which it supports in South Africa.

Craig Boyes

Beckie Williams

Isle of Man tax reforms announced

By Beckie Williams - Private Banker

The Isle of Man Treasury recently announced that from 1 July 2011, EU resident individuals who hold Isle of Man based bank accounts and who are subject to the European Union Savings Directive (EUSD)* will no longer be able to choose the "retention tax" (also known as "withholding tax") option. Instead, the Isle of Man Treasury will move to automatic "exchange of information" and the retention tax option will be withdrawn on the above date for Isle of Man accountholders. If you have already chosen the exchange of information option, you will not be affected by these changes.

The move to automatic exchange of information is another step towards greater international tax co-operation and enhanced transparency, and acts as a clear indication of the island's commitment to high standards of regulation. The Isle of Man is widely regarded as leading the way in how small jurisdictions with financial centres should operate, and the move has been welcomed by many, including the UK government.

The announcement follows the island's achievement of "white list" status on the OECD's (Organisation for Economic Co-operation and Development) list of countries complying with the global standard for tax co-operation and exchange of information, which was published earlier in the year. Jersey also achieved white list status and both jurisdictions are working to enhance their reputations as well-regulated financial centres even further.

It is expected that many other offshore financial centres will also switch to exchange of information by 1 July 2011, rather than introducing the increased rate of withholding tax which would otherwise rise to 35% (from the current rate of 20%) on the above date. The Isle of Man Treasury has chosen to exchange information rather than introduce the increased level of withholding tax.

Under the automatic exchange of information provisions, banks resident in the Isle of Man will be required to provide details of individual account holders and the interest received. In practice, this means that we will collect details including your name, address, bank account number, tax identification number and country of tax residence. These details, together with the amount of interest received and the period to which the interest relates, will be passed to the Isle of Man tax authority, which in turn will pass this information to the tax authority in your country of residence. Disclosure will occur on an annual basis.

*To help identify whether you are affected by the EUSD, please use the flow chart provided in the client information section of our website at www.fairbairnpb.com

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For further information, please complete your details, tick the appropriate boxes and either fax this to +44 (0) 1624 627218 or send to: Client Services Team Fairbairn Private Bank St Mary's Court 20 Hill St Douglas Isle of Man IM1 1EU.

Title ______________________

Surname ______________________

Forename(s) ______________________

Address for correspondence ______________________

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Telephone number ______________________

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Email address (if applicable) ______________________

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Your account number with us (if applicable) ______________________

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I would like further information on the following Fairbairn Private Bank services:

- ☐ Accumulation account
- ☐ Gold status Visa card
- ☐ Fixed term deposit service
- ☐ Foreign exchange service
- ☐ Structured deposit service
- ☐ Lending
- ☐ Focus – integrated banking and investment service
- ☐ Self-managed pension
- ☐ Insurance bond wrapper
- ☐ Old Mutual funds
- ☐ Discretionary investment management service
- ☐ Alternative investments
- ☐ Discretionary – bespoke portfolio
- ☐ Trust and corporate services

☐ **Via email** ☐ **Via post**

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Please complete overleaf for
further information on any of
the Fairbairn Private Bank services.