

Reflections

Spring 2005

The newsletter for clients of Fairbairn Private Bank

Welcome to the New Look Reflections

I would like to welcome you all to our first issue of Reflections under our new name of Fairbairn Private Bank. I hope you will find the articles in this issue both informative and interesting.

We start 2005 with our new corporate identity and you will be able to read about the background behind the **Fairbairn** name. It is also likely that during 2005 the **European Union Savings Directive** will take effect and our feature should give you an insight into how this may affect you. This represents a serious change to the treatment of some forms of income received by residents of EU countries and, if you are in this category, I strongly recommend you read this piece.

The technology for debit and credit cards has improved dramatically with the introduction of 'chip and pin'. We include an article that covers the security aspects of the new system,

which I hope you find helpful in guiding you through some of the basic things you can do to help limit any possibility of fraudulent activity.

We constantly strive to provide products that offer outstanding value for money and are specifically designed to meet your needs. In this issue we unveil our new **Strategic Asset Allocation Service**, which delivers discretionary investment management in a new and innovative way, at a highly competitive price.

Talking of striving, we recognise that staff should constantly keep our client service goals at the forefront of their minds and therefore we were very fortunate to have the great sporting hero **Sean Fitzpatrick** visit us in

November. Sean was one of the most successful captains of the legendary All Blacks Rugby Union team and came to share his thoughts on motivation and ways of maintaining success with our departmental managers and supervisors.

Finally, we sign off with a brief glimpse of how we 'let our hair down' this **Christmas**.

I sincerely hope you enjoy this issue of Reflections. It only leaves me to wish all our clients and friends a successful, healthy and peaceful 2005.

Greg Horton
Managing Director, Fairbairn Private Bank

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Guests, staff and dignitaries at the Isle of Man and Jersey launch parties.

Gerrard Private Bank Re-brands to Fairbairn Private Bank

On Tuesday 14 December we officially changed our name to **Fairbairn Private Bank**, and our Jersey based trust company became Fairbairn Trust Limited.

The new name was actually revealed in September at launch parties in both the Isle of Man and Jersey, but the official name change took place in December. Greg Horton, Managing Director, confirmed there would be no change to our dynamic business strategy and we will retain

the same core values and pioneering approach to product innovation and client services on which we have built our reputation.

The "**Fairbairn**" name originates from John Fairbairn, the founder of the financial services giant Old Mutual, our ultimate parent company. Founded in 1845, Old Mutual is now a Fortune 500 and FTSE 100 company, controlling a diverse range of operating companies serving

over three million clients worldwide and with over £130 billion of funds under management.

Greg commented, "It is a wonderful endorsement of our business that our ultimate parent company has permitted us to use its founder's name. It befits a private bank to have the name of its parent company's founder and we are naturally delighted that Old Mutual continues to demonstrate its commitment to our business in such a clear and supportive manner".

Will the EU Savings Directive Affect You?

In the last year, or so, you have probably read about the planned implementation of the EU Savings Directive but all seems to have gone quiet at the moment. This may be due to uncertainty as to whether the Directive will be introduced this year, however we felt that we should let you know the latest and provide a simple guide as to how it may affect you.

This guide is for any individual clients who are residents of the European Union "EU" Member States. Individuals resident for tax outside the EU are generally not affected, although if you hold a passport issued by an EU Member State you should also read on.

A full list of the EU Member States, which of course includes the UK, is provided at the top of page 3. The Isle of Man, Jersey and Guernsey are not part of the EU and so individuals resident in those jurisdictions are not affected.

1. What is the EU Savings Tax Directive ("EUSD")?

At the European Council Meeting in June 2003, EU Member States unanimously agreed that exchange of information, on as wide a basis as possible, should be the ultimate objective of the EU, in line with international developments.

It was, however, agreed that a limited number of named Member States (Austria, Belgium and Luxembourg) would be allowed to operate a transitional withholding tax, but these member states agreed to implement exchange of information as soon as conditions permit.

In order to preserve the competitiveness of the EU financial markets, it was agreed that the EU commission would enter into discussions with key third countries (USA, Switzerland, Liechtenstein, Monaco, Andorra and San Marino) to promote the adoption of equivalent measures in those countries.

2. Will the EUSD affect the Isle of Man and Jersey?

Yes. Within the framework of their constitutional arrangements, the Member States committed themselves to ensuring the adoption of the same measures in all of their dependent or associated territories (for example, Isle of Man, Jersey, Guernsey and the dependent or associated territories in the Caribbean).

3. When will the EUSD take effect?

The requirements for the EUSD are currently expected to come into force on 1 July 2005. This is subject to certain pre-conditions having been met by that date, which are designed to ensure that a "level playing field" is established for those countries and territories affected.



EU Member States: UK, Ireland, France, Germany, Netherlands, Belgium, Italy, Luxembourg, Spain, Portugal, Greece, Austria, Sweden, Finland, Denmark, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

4. So will it affect me?

Yes, if you are an individual resident for tax in an EU Member State.

If you are resident outside the EU but hold a passport issued by an EU Member State then you should fall outside the scope of the EUSD. However, you may be asked to provide proof that you are resident outside the EU.

5. How will it affect me?

If you are affected by these rules, then interest payments made to you by us after 1 July 2005 will be paid net of 15% withholding tax, unless you elect for the exchange of information option (see question 6 below). Of course, this will also apply to any accounts held with banks in the countries that have elected the withholding tax route. This rate of withholding tax will increase to 20% from 1 July 2008 and 35% from 1 July 2011.

If you choose the withholding tax option, none of your details will be disclosed or exchanged - confidentiality will be preserved.

Please note that the withholding tax option referred to above will be known as the **retention tax option** within the UK Crown Dependencies. This is to distinguish the islands from the member states and to reflect the fact that they are not part of the European Union and are not subject to the directive.

If you elect for exchange of information, then no tax will be deducted from interest payments made to you, but details of the amount of interest paid together with certain personal details will be provided to the tax authorities (see question 6 below).

6. How do I elect for exchange of information?

Nearer to the time, we will write to you if you are affected by the EUSD and give you the option to choose the exchange of information option instead of suffering the retention tax. If you choose exchange of information, then no retention tax will be deducted from interest payments made to you. Instead, we will provide only the following details to either the Isle of Man or Jersey Tax Authorities (as applicable):

- Your name
- Your address
- Bank account number
- Details of the level of interest received and
- The period to which the interest relates.

The relevant tax authorities will then, in turn, provide this information to the EU Member State in which you are resident.

7. Will these changes mean that I should pay more tax?

No. On the basis that you are already declaring the interest income to your home tax authorities, these changes will have no impact upon the overall level of tax that you pay. Even if you elect the retention tax option, the 15% retention tax will be available for credit (i.e. offset) against your tax liability in the EU Member State in which you are resident.

8. Does the EUSD just relate to bank accounts?

No, the EUSD also extends to a number of other forms of "savings income". These other areas are interest from, and the proceeds of sale or redemption of, certain bonds, and income from certain types of investment funds.

9. How do these changes affect customer confidentiality rules?

These changes will have no impact upon customer confidentiality if you elect for the retention tax option. If you elect for the

exchange of information your details will be provided to the relevant tax authorities as detailed above in question 6.

10. Is there any way to make this easier for me?

Fairbairn Private Bank has several options available to you, which may simplify your tax position and make the preparation of your tax returns a much easier process. For bank account interest there is a possibility to roll up the interest until closure of the account rather than having this paid monthly or quarterly. This is possible via our Accumulation Account range of instant access or high interest accounts, and means that the interest is only credited and therefore stated on your tax return in the year that you decide to close the account. This may be at any time of your choosing in the future, for example when you retire, when your income level has reduced, or you change your country of residence. Consequently, your tax returns will be simplified and you can plan when you will pay the tax on your savings. Other options include having Fairbairn Private Bank create an offshore insurance bond, which, in many cases, can lead to tax savings that more than justify the cost of this structure. Alternatively, our subsidiary company, Fairbairn Trust Limited, specialises in providing discretionary trusts and / or offshore company structures, which can be a highly effective method of financial planning and are all structures outside the scope of the EUSD.

11. Who can I contact for more information about my personal circumstances?

You should always discuss your individual circumstances with your tax adviser. For information on how Fairbairn Private Bank may be able to help you, contact our Customer Services Team, or your personal or private banker.



Fairbairn Private Bank Gold Visa Card



Sean Fitzpatrick with some of the Fairbairn Private Bank Team

Chip and PIN Comes of Age Attention all Visa card holders!

As you may have noticed, a lot of retailers in the UK are now using new equipment at their points of sale to accept the new "Chip and Pin" Visa cards. You may have already been asked, when using cards issued by other banks, to enter your four digit PIN rather than sign the receipt as you used to and this will soon be the case with your Fairbairn Private Bank Gold Visa card.

You should have already received a leaflet from us called "Chip and Pin - A New Way to Pay" and also your new Fairbairn Private Bank Gold Visa card containing a chip. Upon receipt of your new card and once you've called us to activate it, you will be able to use it at retailers' point of sale, in the same way as you would at an ATM, using your existing PIN. The new card will also provide you with the ability to change your PIN at any bank ATM displaying the Visa logo. Please destroy and discard your old Gerrard Gold Visa card immediately, if you have not already done so.

For your security and protection, may we take this opportunity to remind you:

- Please take care to ensure that no one can see your PIN when using the keypad at both ATMs and points of sale.
- If you feel that your PIN may have been observed by somebody, you can go to a bank ATM displaying the Visa logo and change your PIN.
- Avoid making your PIN obvious, guessable or easily identifiable to you. Make it obscure but memorable to you.
- If you have forgotten your PIN, tell us and we'll send you a reminder.

Beware!

Your new Fairbairn Private Bank Gold Visa card containing a chip will help to reduce the chance of fraud but there are also things that you can do to limit the possibility of fraud taking place on your account, such as

- Do not use any ATM that looks unusual in any way.
- Remember that, although you may receive a security call back from us to confirm transactions on your card, we would never ask you to disclose your card number or security number (on the back) over the telephone as we already have that information.
- Never disclose your PIN or security numbers to anybody, including anyone purporting to be a member of our staff.
- Do not disclose any information if you receive a telephone call from someone saying that they are from the Security and Fraud Department at Visa. If you receive a call of this nature, simply hang up and call our Customer Services Team. Any enquiries relating to your Fairbairn Private Bank Gold Visa card would come through us, not direct from Visa.

A Team Talk From Rugby Hero Sean Fitzpatrick

Fairbairn Private Bank recently played host to Sean Fitzpatrick, the highly capped ex-captain of the mighty All Blacks rugby team.

Sean, who was over on the Isle of Man for a few days, visited our Douglas office to deliver a motivational talk to our management team. He then stayed on to lunch with a group of clients. The visit was a relaxed and enjoyable affair with the inspirational New Zealander talking of his experiences of captaining the formidable All Blacks through one of their most successful periods.

Building on success is a key theme for us, having been awarded the title 'Best Offshore Bank' for an unprecedented third year running in the highly prestigious International Investment Offshore Fund and Product Awards.

We were delighted that Sean could join us and share his ideas for building and maintaining a winning formula. It has been a very busy and successful year for us, involving a move of office premises in the Isle of Man and the launch of two new, exciting and innovative services: the Accumulation

Account product range (see our Autumn issue of Reflections and question 10 in our EU Savings Directive feature on page 2) and the Strategic Asset Allocation Service (SAAS) (see page 5 of this issue). The year culminated with a complete re-branding of the Bank. The launch of our new name, Fairbairn Private Bank, provides us with renewed impetus to expand on our success and it was particularly constructive for our management team to discuss techniques applied in sport that could readily be applied within a successful business environment.



$5\frac{1}{2} - \frac{3}{8}$
 $2\frac{13}{16} - \frac{1}{8}$
 $18\frac{1}{8} + \frac{7}{8}$
 $6\frac{1}{2} - \frac{1}{2}$
 $3\frac{1}{32} - \frac{1}{8}$



Craig Blenkinsop, new Chief Financial Officer



New Chief Financial Officer joins the team

Following the Bank's sustained growth and expansion, Craig Blenkinsop has joined us in the newly established role of Chief Financial Officer.

Originally from Kendal, Cumbria, Craig moved to the Isle of Man in 1993. A Fellow of the Association of Chartered Certified Accountants,

he has more than 11 years of experience within the financial sector, holding senior positions at both Scottish Provident International and Aberdeen International (IOM). His most recent position was Chief Financial Officer with FIT Administration (IOM).

Living in Douglas with his wife Lindsey and two children Katherine and Robert, Craig enjoys keeping fit by visiting the gym, running and being walked by the dog. He also describes himself as a poor but enthusiastic golfer. An avid Manchester United fan, he likes to get across to Old Trafford whenever the opportunity arises.

A Flashback to 1977 for the Fairbairn Private Bank Christmas Party

Our recent Christmas party took on a dazzling seventies theme, with flapping flares, glamorous satins and glittery platforms, as the staff dressed up for a spectacular night of murder, mystery and disco!

They called it the decade that taste forgot, but the night certainly proved unforgettable as guests mingled with rock stars, groupies and roadies to help solve a mysterious murder at the glitzy Grit Awards Ceremony 1977.

Over dinner, each table worked as a detective team picking through numerous clues and red herrings to help Jason Side-Vent, from the Scotland Yard Vice Squad, to identify the perpetrator of the crime.

With the sordid murder case finally solved, it was safe again to dance the night away to the smash hits of the seventies!



Seventies night fever!

For further information please contact our Customer Services Team on **0800 289 936** or visit **www.fairbairnpb.com**
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