

Reflections

Summer 2006

The newsletter for clients of Fairbairn Private Bank

Fairbairn Private Bank

Best Offshore Bank Again

I can hardly believe that we are now over halfway through the year, but what a year it is shaping up to be. Following our success in the 'Best 100 Companies to Work For' listing earlier in the year, we are now delighted to have retained the title of 'Best Offshore Bank' in the annual International Fund and Product Awards hosted at London's Victoria Park Plaza Hotel.

This is now the fifth consecutive year that we have received this prestigious award, and it represents a truly unprecedented achievement across the banking industry. This year we were also very pleased to take the award for 'Best Commitment to Service', the first time a bank has ever won this "all categories award". As a private bank, we pride ourselves on exceptional service standards and it is particularly rewarding for all our team to be recognised in this way.

To add to this, in June I was invited to London again to attend the launch of a new business accreditation. Appropriately launched by

celebrity chef Gordon Ramsey, this "Michelin style" star rating aims to recognise companies for exemplary, excellent or outstanding workplace standards. More details of this latest accreditation can be found on page 4.

Following a lot of interest in his previous article on trusts in our last issue, Daniel Hawson, a director of our Jersey based trust company, now focuses on the essential parties to a trust and some of the potential benefits on page 2.

On the following page, Daniel reviews forthcoming changes in Jersey trust law and their possible implications. While still focusing on Jersey, we also take the opportunity to welcome three new members to our rapidly growing private banking team on page 4.

On page 5, we report on planned changes to industry practice designed to protect consumers from cheque fraud. Although incidences of such fraud are relatively low, there are now some simple steps you can take to protect yourselves from risk.

This is followed by a brief word of thanks to all of you who completed and returned our recent client survey forms. We really appreciate your feedback, which is invaluable in our forward planning. We will be running a full report on our findings in the next issue.

Finally, on page 6, we take a look at the Isle of Man's Learn to Earn initiative, which aims to help young people prepare for the world of work. Four volunteers from our Isle of Man office recently gave their time and support to the scheme.

Very best wishes from all the team and I hope as the summer season draws to a close across the British Offshore Islands, this issue finds you in good heart and health.

Greg Horton
Managing Director,
Fairbairn Private Bank



Barry Besnard, Steve Fox, Vince Raimondo, Lesley Allegro, Nick James, Greg Horton, Tom Smart, Martin Ibanez, Terry MacKay

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Daniel Hawson, director of Fairbairn Trust Limited

An Introduction to Trusts

What is a Trust?

A trust is a confidential legally binding agreement (almost always in writing) whereby the original owner of the assets (the settlor) transfers the legal title of the assets to another (the trustee) who will hold the assets for the benefit of others (the beneficiaries).

The concept of a trust is dependent on the distinction between legal and beneficial ownership, as deeply rooted in common law. In reality the trust will physically hold the assets, but has no beneficial right to these assets.

Who are the essential parties to a trust?

• Settlor

This is the person who provides the assets to create the trust. There can be more than one settlor and assets can be added to the trust over the course of its lifetime.

The settlor normally retains power to appoint and remove trustees. Through a "Letter of Wishes", the settlor has the ability to set out their guidance in relation to the administration of the assets, both during and after their lifetime. Whilst not legally binding upon the trustees, it can serve as a reference guide when making their decisions.

• Trustee

This is a person or a body corporate that takes on the responsibility and legal duty to look after and administer the assets in accordance with the terms of trust, as defined in the trust deed. The trustee has a fiduciary responsibility to preserve and enhance the value of the assets held within the trust and by law is required to act with

due diligence, as would a prudent person, to the best of his ability and skill.

• Beneficiaries

These are the people who are intended to benefit from the assets held within the trust; they can be individuals, corporations, charities, schools etc.

• Protector

This is normally an individual recommended by the settlor to act as a liaison between all parties involved. In many cases, the appointment of a protector can offer the settlor comfort. Various safeguards can be built into the trust deeds whereby protector consent is required in order for the trustees to carry out such functions as making distributions or the appointment of new beneficiaries.

Why set up a Trust?

• Tax Advantages

Should a potential settlor of a trust be non-UK domiciled, there may well be potential to reduce any liability to income tax, capital gains tax and inheritance tax.

• An alternative to making a will

In many ways a trust can be looked on as a flexible will; it can lead to estate duty savings and avoids the emotional upheaval of having to act as executor of a loved one's estate.

• Asset protection

A trust can provide a secure and stable locale through which to safeguard assets against political and economic instability. In addition, persons in professions with a high incidence of litigation, such as doctors, may wish to

ring fence their assets to keep them out of the scope of any legal claim.

• Succession planning

Many family heads wish to provide for the co-ordinated distribution of assets after their death or alternatively to ensure the going concern status of a family business. A trust can enable the settlor to have influence over the family wealth long after they have passed away.

• Forced heirship

In some jurisdictions divesting yourself of assets by setting up a trust can move your assets out of your estate for probate purposes.

• Provide for the infirm or incapacitated

A trust can act in effect as a steward for the infirm or incapacitated beneficiaries - carrying out all manner of functions to assist in their day to day lives.

• Anonymity

A trust can afford the settlor confidentiality, which can be important in the more politically unstable areas of the world. A trust is not a public document.

• Exchange control

Persons living in the more financially fragile regions of the world can achieve protection from the consequences of changes in, or the imposition of, exchange control restrictions.

Should you wish to discuss trusts or any other aspect of offshore planning, please call either Daniel Hawson on +44 (0) 1534 823207 or Justin Thomas on +44 (0) 1534 823251.



Changes in the Jersey Trust Law

On 25th April 2006 the States of Jersey approved what are regarded as the most radical changes to the Trusts (Jersey) Law 1984 since its introduction. The law will now go before the Privy Council for approval and it is imagined that it will be enacted by late 2006.

The main proposed changes to the law are as follows:

1. Provisions have been included to ensure that foreign judgements will not be enforced by the Jersey courts with regard to a Jersey proper law trust. This will be of particular interest in relation to matrimonial issues that have been ruled on in foreign matrimonial courts.
2. Previously the settlor of a trust could reserve certain powers or confer these powers onto persons other than the trustees. The new law formalises this and ensures Jersey's congruence with the stance adopted by many other offshore jurisdictions. For example, the settlor can reserve the power to give directions in relation to the appointment of investment advisors, appoint and remove trustees and have the powers to amend vary or revoke the trust.
3. Currently the law dictates that all Jersey trusts have a 100-year maximum duration, however, the new legislation will remove

this restriction and a Jersey trust will enjoy an unlimited period of existence.

It is envisaged that these amendments to the law will facilitate the growth of the trust sector in Jersey, and also add a greater amount of flexibility in the operation of trusts for our clients.

In future editions of Reflections Daniel will be exploring further aspects of trusts and offshore financial planning.

It's a high five at the Investment Awards

As you saw on our cover, we had a highly successful night at this year's International Investment International Fund and Product Awards, at London's Victoria Park Plaza Hotel in May.

We have established an unrivalled record of success at these leading industry awards, and this year was certainly no exception. In addition to receiving the highly coveted award for "Best Offshore Bank" for the fifth time, the bank also won "Best Commitment To Service", the first bank ever to achieve this accolade. In

addition, we were also highly commended for Best Internet and Technology Provider.

The International Fund and Product Awards, now in their sixth year, are designed to recognise and celebrate all that is best in the offshore arena. This year, the independent professional panel of judges praised the bank for its high standards of service and for its willingness to move its proposition forward.

With eleven outright wins and twelve highly commended awards in the past six years, we

can still claim to have amassed more awards than any other offshore bank at this prestigious financial service industry event.

The most pleasing aspect of this remarkable achievement lies in the fact that it represents an independent assessment by the Financial Services Industry and as well as highlighting the consistency of our approach, it further evidences the strength of the Fairbairn name as a market leader across the British Offshore Islands. This will position us well for our continued growth plans.



Greg accepting the Best Companies accreditation

Rhoda Acton joins the Jersey team

Fairbairn Private Bank gets the star treatment

The bank has just gained a new first by becoming the first British Offshore Island based organisation to gain a prestigious star rating in a new business accreditation. Launched in June by the internationally renowned chef, Gordon Ramsey, at the Berkeley Hotel in London, the Best Companies workplace accreditation takes the format of a "Michelin style" star system with one, two or three stars, signifying exemplary, excellent or outstanding working environments.

We are one of only 256 companies across the entire UK to have received this accolade acknowledging a new standard of excellence in workplace and workforce support. The bank is in distinguished company and shares its star rating with industry giants such as Cadbury Schweppes, Vodafone Ltd,

PricewaterhouseCoopers LLP and Volkswagen Group UK.

In order to adopt a consistent approach, sixteen questions were analysed from confidential staff surveys and a process of statistical normalisation was used in order to compare both large and small companies. This ultimately provided a single index score and a set of absolute standards that can consistently be applied year on year. In addition, it enables company performance to be measured right across the spectrum of UK corporate entities.

The questions used for the accreditation focus on workplace engagement and aim to show the level to which employees feel personally involved with their organisation. The eight key factors measured are

wellbeing, personal growth, fair dealing, company leadership, employees' feelings towards their manager, team and company, and what the company gives back to society. The star ratings will be awarded on the same fixed standard in future years, thereby ensuring qualification will remain constant as it will be based on an index score derived from the same core questions each year.

As you can imagine, this type of exposure is hugely beneficial to our company as it reflects our deep-rooted commitment to our organisation and to providing a genuinely high quality and enjoyable workplace environment. Our ability to now use the Best Companies star logo will undoubtedly further assist us in our aim to attract the best quality candidates to join our growing and highly professional team.

New additions to the Jersey based Private Banking Team

Due to the continuing growth of business, our private banking team is expanding accordingly and Rhoda Acton is the latest recruit. Rhoda has joined as a private banking assistant from HSBC International and has over five years experience in the banking industry.

In addition to welcoming Rhoda, we also look forward to welcoming Glen Arnett as a private banker who has over 10 years finance industry experience, most recently with HSBC International, and Lina Da Costa from SG Hambros. Lina will be replacing Georgina

Clapham following her promotion to become a personal banker. Both Glen and Lina are scheduled to join us during September.



If you would like more information on these forthcoming changes, please contact our customer services team on **+44 (0)1624 645000**.

We will include a full report on the results of the survey in our next issue.



Left to right: Ian Galloway, Julie Creer, Helen Gaines, Lynn Kelly, John Quayle (Head teacher of St Ninian's School)

Staff volunteer for Isle of Man 'Learn to Earn' Initiative

Four members of staff from the bank recently volunteered their time and expertise to assist the Isle of Man's 'Learn to Earn' programme at a local high school.

Learn to Earn is a one-day seminar or five part programme designed to give 13 – 15 year old students an activity-based introduction to the relationship between learning and the attainment of personal goals. The programme helps students to explore the concepts of success, independence and employment, and shows the importance of education in preparing them for the future.

With the guidance of a teacher and a volunteer business partner, such as our own Lynn Kelly, Erica Robinson, Helen Gaines and Julie Creer, students learn about the connection between education and their

personal aspirations. They create budgets, learn to understand the costs of living on their own, and they explore types of careers to match their lifestyle expectations.

As a result of participating in the Learn to Earn programme, students gain:

- an economic awareness of the link between what they do at school and their future life prospects;
- social skills – raising motivation, participation in schooling and employability skills;
- the chance to look at career opportunities and the skills required to meet their future goals;
- "hands-on" experience – learning through completing a range of activities;

- the opportunity to consider what they want from life and what success means to them.

Ian Galloway, Chief Executive of Junior Achievement Isle of Man, says of Learn to Earn:

"We have successfully conducted this programme for more than 700 students in the past year. Our success has been due to the dedication and enthusiasm of the volunteers who, with the support of their employers, have helped deliver the programme across the Island."

We were delighted to give our staff members the chance to volunteer for such a worthwhile programme. Teaching the next generation such invaluable skills ensures that they are better prepared for their lives and careers, which can only be a good thing for the employment market and must be a sound investment in the future of the local community.

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

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