



Louvre Group

C l i e n t B r i e f

Managing Directors welcome.

Welcome to the fourth Client Brief.

It only seems like yesterday that we were considering the content for the first but, in fact, it was back in March. A lot has happened within the finance industry in Guernsey in the intervening period, with new legislation and regulation, but it has all been very positive and business is continuing to hit record highs.

Guernsey still leads the way in Europe as the centre for **Captive Insurance**; record levels of **Bank deposits** have been recorded being up 23% year on year; and, as you know from these newsletters, the **Fund and Fiduciary sectors** are forging ahead with the funds under management and administration in Guernsey also at new record levels up 40% on last year.

So, against this background of success will there be any changes in 2007? The answer is a most definite yes!

I have asked Haidée Stephens to briefly review 2006 and to highlight the changes in the pipeline for 2007. Haidée steps up to the Board of Louvre Fiduciary Group Ltd. in January and will be closely involved in offering the new opportunities to our clients and intermediaries.

The Louvre Group is also moving forward and into new jurisdictions in 2007, but more of that in our next newsletter.

Derek Baudains
Managing Director



"It is a very funny thing about life: If you refuse to accept anything but the best, you very often get it" **W.Somerset Maugham**



Looking forward to 2007

2007 promises to be a year of even greater innovation and opportunity for financial planners using Guernsey, however, the foundations were laid by the exciting changes of 2006.

2006 began with a relaxation of the rules surrounding the use of **Protected Cell Companies** making them available to the personal tax planner. This was closely followed by the **Incorporated Cell Company** with each cell being a distinct legal entity.

Next we saw a continuation of the introduction of **Intellectual Property Laws** and the instigation of reviews of the **Fund, Trust and Company laws**.

Which brings us nicely to 2007 during which we will see the fruits of these reviews. In the **Fund sector** we can expect to see the focus of regulation shift to the licensed provider making it **quicker and easier for fund managers to establish a new Fund**.

In the **Trust sector**, proposals from the review include the introduction of **Foundations and Purpose Trusts** and on the company side the automation of the company registry.

What will also become apparent is the variety of uses and hybrid corporate and personal tax planning structures that will arise from the changes in 2006.

The potential of two vintage years is yet to be fully explored and you will be able to read more detail of these changes and their applications in future newsletters. But, importantly, they will ensure that during 2007 the finance industry in Guernsey will be forging ahead.

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Private Family Trust Companies - benefits and uses

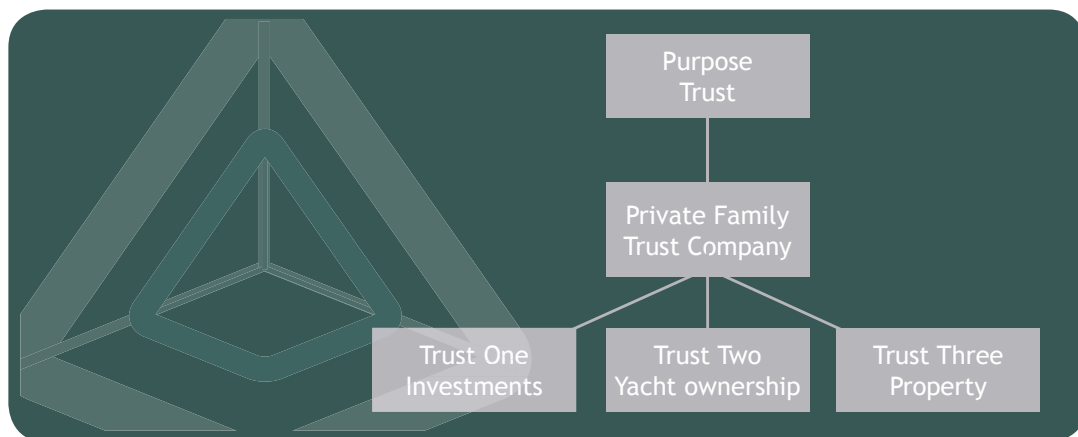
The Private Family Trust Company ('PFTC') is becoming increasingly popular as a tax planning tool for family assets. The principal reasons being the degree of involvement and control that can be retained by family members.

A PFTC is typically a private limited or unlimited liability company, incorporated with a Memorandum and Articles of Association, that specifically provide for the sole purpose of acting as trustee of a family trust (or series of related trusts). The board of directors can, and usually does, comprise of members of the family, including the settlor, and perhaps trusted family advisors.

In this way one of the principal advantages of the PFTC is realised in that the family can actively participate in decisions involving the assets held in trust. This highlights the distinction with, for example, a standard discretionary trust, when legal ownership of assets is passed to a corporate trustee over whom the settlor and their family have no control.

In the same way that control and structuring of the underlying assets of the PFTC is flexible, so is the ownership of the PFTC itself. It is common for either the settlor to own the PFTC directly or for ownership to be split between family members. However, another popular solution is for a **Purpose Trust** to be established, the sole purpose of which is to own the shares of the PFTC for the benefit of the settlor and other family members.

With the above in mind a typical structure for a PFTC may be as follows -



Key benefits

- Allows for a *continued family governance* of assets by the current and future generations
- Allows for the *segregation of assets*, perhaps based on a liability, value, or family member basis. For example, individual trusts (and underlying companies as appropriate) may be established for the education of current children, for grandchildren, to hold potentially wasting assets such as yachts and planes and to hold property and investment portfolios. Portfolios can also be distinguished by those that are high risk and those that are secure.
- A controlling family interest in the family company can be placed into one or more trusts and *direct control still retained* not only over the running of the company but also, perhaps, its future sale (compared to a normal trust where the corporate trustees have this control and there is always the concern in the clients mind that they may, for example, refuse to sell the company at the crucial time).
- There is *no need for the provision of a letter of wishes* or memorandum of intent because the board of directors of the PFTC will be made up of family members who will be making decisions based on family requirements.
- There are *positive practical considerations* in that family members can make quick decisions about the assets, perhaps taking out commercial loans, selling assets or expanding the business.
- Depending on the jurisdiction, the directors may only stand in a fiduciary position in relation to the company and not to the beneficiaries. Family feuds are increasingly common - as are claims against trustees - and the PFTC may limit this exposure especially for future generations of directors.

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