

A fountain pen with a silver barrel and a red nib is positioned diagonally across the top left of the image. It rests on a stack of books with a textured, dark red cover. The background is a solid dark red color with a subtle diagonal line pattern. The overall aesthetic is professional and sophisticated.

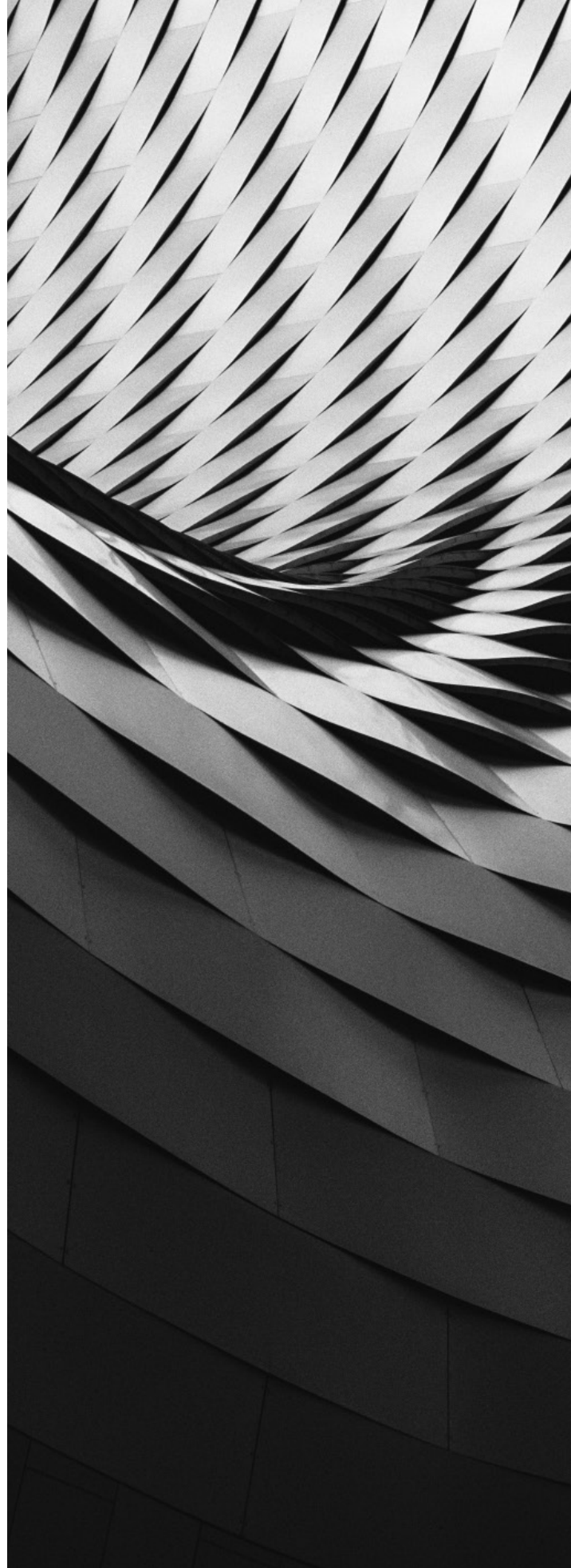
SOVEREIGN™

SOVEREIGN PRIVATE CLIENT

TRUSTS, WEALTH MANAGEMENT AND SUCCESSION PLANNING

CONTENTS

ABOUT SOVEREIGN	5
WHAT WE DO	7
SOVEREIGN TRUST AND TRUSTEE SERVICES	8
SOVEREIGN WEALTH	20
PENSIONS AND RETIREMENT PLANNING	22
RESIDENCE, IMMIGRATION AND CITIZENSHIP	24
FOREIGN PROPERTY OWNERSHIP	29
MARINE SERVICES	30
AVIATION SERVICES	32
SOVEREIGN INSURANCE SERVICES	34
CONFIDENTIALITY AND TRANSPARENCY	36
CONTACTS	38





ABOUT SOVEREIGN

Sovereign began in Gibraltar in 1987 and has since grown into one of the largest independent corporate and trust service providers in the world. We currently manage over 20,000 clients that include companies, entrepreneurs, private investors or high net worth individuals (HNWIs) and their families – and have assets under administration in excess of US\$10 billion.

SOVEREIGN CORPORATE SERVICES

Offers company formation and management across all major jurisdictions, together with the necessary support to assist companies of all sizes to establish and sustain operations successfully.

SOVEREIGN RETIREMENT PLANNING

Designs and administers individual and corporate international pension schemes that offer choice, transparency and portability across multiple jurisdictions.

SOVEREIGN PRIVATE CLIENT SERVICES

Provides trustee services, wealth management and succession planning to internationally mobile families and entrepreneurs.

SOVEREIGN INSURANCE SERVICES

Offers bespoke corporate and personal insurance services for our clients, wherever they are domiciled.

We have established a network of offices or agents in all major international finance centres allowing our clients to access a global service from a local point of delivery. We hold over 30 professional licences to act as corporate service provider and/or professional trustee from the jurisdictions in which we operate around the world.

20+

international offices

20,000+

clients

US\$10B+

assets under
administration





WHAT WE DO

Sovereign's Private Client services assist families and entrepreneurs around the world to structure their assets in a way that will help to grow their wealth now and preserve it for future generations. We advise on all aspects of the design and implementation of structures, using trusts, foundations, companies and funds, in domestic as well as overseas jurisdictions, to hold assets and investments for secure, efficient wealth and succession planning.

While some of our clients are based only in a single location, many are international families with assets and family members spread across different countries. Sovereign has broad experience in managing trusts and estates with complex structures involving assets and beneficiaries in multiple jurisdictions and the legal, tax and compliance issues that arise when the laws of several jurisdictions may apply.

We also provide the support to maximise opportunities and achieve long-term sustainability, from full family office solutions to assistance with tax and regulatory

compliance. This includes, but is not limited to, asset management, accountancy, foreign property ownership, retirement planning, residency, immigration and citizenship, insurance, yacht and aircraft registration and management, as well as specialist tax advice.

First and foremost Sovereign needs to understand your requirements, strategies and goals. We will never recommend any structure that would not be effective if scrutinised by regulators and tax authorities, either in foreign jurisdictions or in your home country. Sovereign provides progressive solutions that will work on both a practical and a legal basis to secure your personal objectives.

This brochure is intended as a general guide to our private client offering. We would always encourage prospective clients to contact their most convenient Sovereign office for an initial consultation. This will be given without fee or commitment. Should you choose to proceed, we will provide accurate time and cost estimates before undertaking any work on your behalf.

Please also visit our website at SovereignGroup.com. You will find updates to this information together with many other items that may be of interest. You may also wish to subscribe to our client newsletters.



SovereignGroup.com

SOVEREIGN TRUST AND TRUSTEE SERVICES

Families have been using trusts to preserve and manage their wealth for the benefit of their heirs for centuries. Trusts provide people with a means of protecting their assets and controlling how they are used after they have been given away. Unlike corporate vehicles, the lack of rigid formal requirements for the creation and operation of trusts, and the tremendous flexibility of trust instruments, make them uniquely useful for estate and succession planning.

Although many of the tax benefits that were associated with trusts have been eroded in recent years by anti-avoidance legislation, they still offer great advantages – particularly for individuals who are changing, or planning to change, their domicile, residence or citizenship; those with families resident abroad; those seeking asset protection; and those whose principal motivation is not to avoid taxation but to dispose of their estate on death freely and without recourse to a lengthy and expensive probate procedure.

THE 'TRUST' CONCEPT

At its simplest, a trust is an arrangement whereby property or assets are transferred from one person (the 'settlor') to another person (the 'trustee') to hold the property for the benefit of a specified list or class of persons (the 'beneficiaries'). A trust can be created solely by verbal agreement but it is usual for a written document (the 'trust deed') to be prepared. This evidences the creation of the trust, sets out the terms and conditions upon which the trustees hold the trust assets and outlines the rights of the beneficiaries.

The practical advantages of a trust are gained from the distinction that is drawn between the formal or legal owner of property, the trustee, and those people that have the use or benefit of the property, the beneficiaries.

It is vital that the trustee remains independent and exercises proper control over the trust property. A trust may be deemed to be invalid if the settlor continues to exercise power over the trust assets by retaining benefit or control, or by giving directions to the trustees.

Those unfamiliar with the trust concept are often concerned by the idea of transferring ownership of their property to a trustee. This concern can be alleviated if the trust concept and the distinction between legal and beneficial ownership is properly understood and it is clear that the trust is governed by a reliable trust law that can be enforced in a reputable jurisdiction.

Trust law imposes strict obligations and rules on trustees. There is a basic rule that a trustee may not derive any advantage, directly or indirectly, from a trust unless expressly permitted by the trust – for example, where a trust provides a professional trustee with the right to charge for its services. Full disclosure of the basis and amount of charges is required.

- Trustees must follow the trust deed and are subject to very strict rules governing the way in which their powers and discretion may be exercised. The courts regard a trust as creating a special relationship that places the most serious and onerous obligations on the trustee.
- Best interests of beneficiaries – Trustees must at all times exercise their powers in the best interests of the beneficiaries of the trust, and disregard the interests of others, including the settlor.
- Act prudently – Whether or not a trustee is remunerated, he or she must act prudently in the management of trust property and will be liable for breach of trust if – by failing to exercise proper care – the trust fund suffers loss. In the case of a professional trustee, the standard of care that the law imposes is higher. Failure to exercise the requisite level of care will constitute a breach of trust for which the trustees will be liable to compensate the beneficiaries. This duty can extend to supervising the activities of a company in which the trustees hold a controlling shareholding.



TYPES OF TRUSTS

Trusts are inherently flexible. They can take many legal forms and have multiple practical applications. The following legal forms are among the most commonly encountered:

- Bare Trust

Under a 'bare' or 'simple' trust, a trustee holds legal title to assets on behalf of a beneficiary who has absolute and immediate right to the assets. The trustee would not typically have any active duties to perform. Bare trusts may be created orally but are usually established by way of a simple document known as a 'Declaration of Trust'.

Bare trusts are commonly used to transfer assets to minors who lack legal capacity to deal with those assets. The trust typically endures until the beneficiary reaches majority, at which stage the assets are transferred absolutely. A bare trust may also be useful in circumstances where an individual wishes to acquire shares without that acquisition becoming a matter of public record. To maintain confidentiality, legal title to the shares is vested in a trustee to hold on behalf of the true owner.

Bare trusts are 'look through' for tax purposes, such that the beneficiary, rather than the trustee, remains liable for any taxes arising.

- Discretionary Trust

Under a discretionary trust, the trustee may pay or apply income and/or capital of the trust for the benefit of specified beneficiaries in such manner or proportions as the trustee may, in its absolute discretion, decide. Discretionary beneficiaries do not

have an interest in trust assets and may not compel the trustee to exercise its discretion in their favour.

To assist the trustee in the exercise of its discretion under a discretionary trust, the settlor of the trust may provide a 'memorandum of wishes' detailing how he would like the trust assets to be distributed. However, it should be noted that the memorandum of wishes is merely a guide and imposes no legal obligation on the trustee to exercise its discretion in a particular manner.

The tax implications of establishing a discretionary trust can be significant and therefore specialist tax advice should always be obtained.

- Fixed Interest Trust

Under a fixed interest trust - sometimes called an 'interest-in-possession' trust or a 'life-interest' trust - the trustee has no discretion in the distribution of assets. Beneficiaries of the trust have a predetermined, fixed interest in a specific portion of the income or capital of the trust.

A beneficiary may be granted a present entitlement to the income of the trust for a specific period of time, for example, their lifetime. On the expiration of that 'limited interest', the trust assets vest automatically and absolutely in a specified beneficiary. It is also possible for the settlor to provide for a succession of limited interests before the ultimate vesting of the assets.



USES OF TRUSTS

These trusts can be used individually or as part of an overall strategy. A properly drafted and managed trust can confer advantages under any or all of the following headings:

- Estate planning

Failure to plan your affairs in advance of death can mean leaving your estate in disorder, to be sorted out by your successors – often at great expense and inconvenience. Many people seek to order their affairs by making a will. Under this arrangement the named executors must apply for a grant of probate, take possession of the assets and distribute them according to the terms of the will. Such arrangements can result in lengthy delays (even a simple estate may take a year to be wound up), high administration costs (typically around 4% to 6% of the total value of the estate), and often tax liabilities.

The best alternative to a will is for the individual to set up a trust during their lifetime. Many people do not want their assets to pass outright to their heirs, whether chosen by them or as prescribed by law, and prefer to make more nuanced arrangements. These might include: providing a source of income, but not capital, for a spouse for life; making provision for the education of children but not letting them have access to capital until later in life; or providing a fund to protect members of the family in the event of sudden illness or other calamities. A trust is probably the most satisfactory and flexible way of making arrangements of this kind.

- Tax planning

Assets transferred into trust are no longer considered as belonging to the settlor, so the income and capital gains generated by those assets are taxed according to the rules governing the legal owner – the trustee(s). Inheritance tax can be eliminated because the trustee(s) continue in existence after the death of the settlor. Anti-avoidance legislation in the home country of the settlor or in the location of the trust assets may seek to counteract this outcome, but a correctly structured and administered trust may offer substantial tax efficiencies.

- Confidentiality

Proving a will is a public procedure. Domestic authorities will need to receive a complete list of all the property owned by the deceased in order to assess the amount of estate duty payable before the property can be transferred to the executors for distribution. This procedure is entirely unsuitable for those who wish to keep details of their assets confidential. The only other legal form of transfer is via a trust and this would generally save estate duty and keep the trust assets confidential.

- Asset protection

Trusts can be one of the most effective ways of protecting assets. In simple terms, assets transferred to a properly constituted trust no longer form part of the settlor's property and therefore cannot be seized if a settlor gets into financial difficulties. A court may, under certain circumstances, order the transfer into trust to be set aside and the trust assets returned to the settlor, but a trust can form an important part of a risk-mitigation strategy.

- **Avoiding forced heirship**

Many civil law jurisdictions and countries of Islamic tradition have 'forced heirship' provisions, which create a legal obligation to distribute a certain percentage of a deceased's assets to their next of kin and/or children. If forced heirship rules are at odds with your intentions, a trust will enable a wider or different distribution of the estate.

- **Protecting the weak**

A trust is a useful vehicle for people who may want to provide for those who are unable to manage their own affairs, for instance infant children, the aged, the sick or disabled. Trusts can allow for the independent support of those who require it most.

- **Preserving family assets**

Preserving family assets, or growing them, is often a motive for setting up a trust. An individual may wish to ensure that wealth accumulated over a lifetime is not divided up amongst the heirs, but rather is retained as one fund to accumulate further. A trust offers a mechanism for preserving family assets while having the flexibility to allow payments to beneficiaries as the need arises. This can be further enhanced with a unified fund for investment/asset management.

- **Continuing a family business**

An entrepreneur who has built up a business will often be concerned to ensure that it continues after his or her death. If the shares in the company are transferred to trustees prior to death, a trust can be used to prevent the unnecessary liquidation of a family company and to ensure that the individual's wishes are observed. These might include provision for payments

to be made to members of the family from dividend income, with the trustees retaining the shares and keeping the company operational except in special circumstances justifying sale of control or liquidation. This may be particularly advantageous where family members have little business experience of their own or where they are unlikely to agree on the correct way to manage the business. This is never more applicable than in an Initial Public Offering (IPO) situation. The creation of a pre-IPO trust for major family or employee shareholdings can offer a raft of individual benefits.

- **Increased flexibility**

The best-laid plans can rapidly become obsolete due to unforeseen circumstances but a discretionary trust can provide a mechanism for managing property that is capable of adapting as conditions demand. No beneficiary has any fixed or absolute interest in the trust assets under a discretionary trust. Instead, the settlor can simply nominate a class of beneficiaries and give the trustees discretionary powers to distribute trust assets as and when they see fit. Beneficiaries only have a contingent interest and ordinarily would avoid any tax liability until such time as they receive a distribution.

WHERE TO ESTABLISH A TRUST?

There are a number of different countries worldwide that have enacted trust legislation but the quality and suitability of that legislation can vary. When selecting the best jurisdiction for establishing a trust it is important that it offers:

- A strong tradition of enforcing trusts
- An English common law system
- An established reputation for trust business
- Modern legislation, including contemporary trust concepts
- Low or no taxation for trusts.

Some countries are not recommended due to legal or political uncertainties or because their courts or professionals have limited trust experience. Other jurisdictions, whilst being noted for their expertise, have not kept pace with the modern trust legislation that offers additional benefits and protection to trust assets. Other countries are unsuitable because of their high tax regimes.

Although there are other jurisdictions offering similar advantages, Sovereign recommends that Gibraltar, Hong Kong, Guernsey, Malta, and the Isle of Man are amongst the best available. Gibraltar, in particular, has introduced strong asset protection legislation. Sovereign Trust (Isle of Man) Limited, Sovereign Trust (Gibraltar) Limited, Sovereign Trust (Guernsey) Limited, Sovereign Trust (Hong Kong) Limited, Sovereign Trust (Malta) Limited, Sovereign Trust (Cyprus) Limited, Sovereign Trust (Mauritius) Limited and Sovereign Straits Trust Limited in Singapore Limited are fully licensed to act as professional trustees in their respective jurisdictions.

DISADVANTAGES AND SOLUTIONS

i. Irrevocability

It is incorrect to assume that trusts cannot be revoked. Trusts can be made revocable but this usually has consequences in respect of tax, estate duty, asset protection and stamp duty. Revocability is a matter to be discussed when the terms of the trust are considered.

ii. Loss of control of assets

Many potential settlors are reluctant to transfer assets to trustees because they fear relinquishing their control. For those who wish to continue to exercise effective control over the trust assets after the transfer, careful planning – together with an understanding of the fundamental legal requirements of a trust – is required if the trust is to remain valid or useful for its intended purpose. If a settlor retains too much control, there is a risk that the trust will not be effective and the settlor will continue to be regarded as the legal owner. If this happens all the advantages of having the assets held in trust may be lost.

However, there are degrees of control and information rights that may be retained to give comfort to a settlor:

- Memorandum of Wishes

When setting up a discretionary trust it is common for the settlor to indicate to the trustees how the settlor would have dealt with those assets if he had retained ownership. The trustees will make a comprehensive note of these wishes in a written memorandum, to which they will refer when dealing with the trust property. The wishes of the settlor will not be binding on the trustees but, in practice, trustees would be reluctant to deviate unless a change in circumstance or other matters would make it clearly disadvantageous to the beneficiaries to act in such a way.

- **Protector**

A 'protector' may be appointed to exercise some degree of control over the trust property. It is usual for a trusted friend, family relative or professional adviser of the settlor to be appointed as protector, but it is also becoming increasingly common to use the services of a professional trust company. For this reason Sovereign is able to serve as a professional protector, utilising our trust expertise, where we are not retained to act as trustees.

In our view, it is unwise for a protector to be given anything other than negative powers – that is, limited to vetoing identified decisions or actions of the trustees. A protector that is empowered to direct the trustees actively might be deemed as a "quasi-trustee", which could have harmful consequences for the trust, especially if the protector is resident in a high tax country.

- **Two-tier company and trust structure**

Greater flexibility can sometimes be achieved if the underlying assets are owned by a company that is in turn owned by a trust. The settlor, or an appointee of the settlor, can act as the director of the company, enabling them to exercise day-to-day control over the underlying assets with minimal interference or need to refer to the trustees. This two-tier structure can be used to good effect in certain circumstances but could have tax and other disadvantages if the director of the company is resident in a high tax country.

- **Joint trustees**

A trust can be structured using joint trustees such that the agreement of both is required for any action. The second trustee could be the settlor or a company controlled by the settlor. Again, there may be negative tax or

other consequences resulting if the settlor is resident in a high tax country. Alternatively, a 'check and balance' may be obtained by having two different professional trust corporations acting as joint trustees. This can be cumbersome and expensive but it may be suitable for certain trusts.

- **Private Trust Companies**

A Private Trust Company (PTC) is a company formed for the specific purpose of acting as trustee of a single trust or a group of related trusts. Family members can participate in the management of the PTC and therefore in the decisions that need to be taken by the PTC as trustee, including decisions relating to the control and management of companies owned by the trustee. Such participation would not be possible if the trustee was a third party professional trust company.

A third party professional trust company may not be in a position to offer the settlor the degree of flexibility and the speed of response that they require and its employees cannot be expected to be as familiar with the business of companies owned by the trust as the family members themselves. Decisions may have to be referred internally or external advice obtained before they can be put into effect.

These issues can be largely avoided by using a PTC structure. Directors familiar with the business can make the decisions and, if a change of direction is desired for the management of the trust, this can be achieved by changing the board of the PTC. A PTC can therefore provide greater comfort for the settlor that his or her objectives in creating the trust will be met.

It is usual and advisable to have at least one director who is a trust expert because running a trust company is very different to running a standard company. To avoid arguments that a trust is a sham, we believe it is vital to have expertise on the board to add substance and credibility to the PTC and to ensure that the PTC – and the trust(s) it administers – is run correctly.

The directors of the PTC must remember that all decisions that they take in relation to the trust must be in the interests of the beneficiaries as a whole. They should not be unduly influenced by their personal circumstances or desires.

More important than the constitution of the board will be the ultimate ownership of the PTC because this will, if the owners feel it necessary, allow them to remove directors and replace them. However the settlor will retain a significant degree of control if they are acting as sole or majority shareholder or alternatively the guarantor member of the PTC. Careful consideration of the overall trust, PTC and family structure must therefore be undertaken if the objectives of settling the trust are to be met.

Many jurisdictions specifically exempt PTCs from the requirement to be licensed and regulated, provided that the PTC acts solely as trustee of a specific trust or group of trusts, and does not solicit from, or provide trust company business to, the public. In most cases there is also no requirement to submit any reports or accounts to any statutory body of either the PTC itself or of the trusts for which it acts.

The costs of establishing both a PTC as well as the trust or trusts for which it will act are generally higher than the cost

of simply establishing a trust. However the ongoing costs may be less than the trustee fees that would be charged by an independent third party trustee. This is particularly the case where the trust assets are very substantial because independent trustees will often charge fees based on a percentage of the assets.

iii. Costs

It is often assumed that the costs of running a trust are prohibitive. It is true that many of the major banks and other financial institutions charge substantial fees for setting up a trust while also charging a percentage of the trust assets in annual administration fees together with basis points fees for the underlying trust's cash investments.

The fees charged by independent trust companies are generally more reasonable and make trusts affordable even to relatively modest estates. As specialists, independent trust companies offer a more tailored approach that will allow settlors and beneficiaries to achieve their objectives. It also means they can be consulted on technical matters and are free to select the best investments for the trust without being under pressure to place trust money with in-house investment advisers to secure disguised remuneration.



FAMILY INVESTMENT COMPANY (FIC)

UK Inheritance Tax (IHT) is a major issue for individuals who are UK-domiciled or who hold assets within the UK. This will include many expatriates even if they have been non-UK resident for many years. IHT applies at a rate of 40% on the total value of a worldwide estate above the tax-free threshold of £325,000 (the 'nil-rate band').

'Potentially Exempt Transfers' (PETs) enable an individual to make gifts of unlimited value that become IHT exempt provided that the donor survives for seven years. Care must be taken that the transferor does not continue to receive a benefit from the gifted property or the 'Gift with Reservation' (GWR) rules can apply and the property will still be liable to IHT on the transferor's death.

Many individuals seek to minimise their IHT exposure and do not envisage needing the capital in their own lifetime but, at the same time, are unwilling to give assets away and rely on family members to maintain them. A 'Family Investment Company' (FIC) provides a mechanism for retaining control of assets while their value, or most of it, is transferred. In addition to IHT benefits, FICs can also offer substantial income and capital gains tax benefits.

Shares generally have three distinctive characteristics: voting powers; the right to receive income in the form of dividends; and the right to capital (e.g. ownership of the underlying assets). It is, however, possible to create shares that carry only one or two of these characteristics and it is this flexibility that enables an FIC to minimise IHT exposure.

A FIC is a private company. The structure of a FIC can have many variations but, in a typical scenario, an individual could transfer assets into a FIC in return for its shares, which might be divided into three different classes:

- Class 'A' shares that carry votes, but no right to capital or income
- Class 'B' shares that carry rights to income and capital, but no votes
- A 'Golden Share' that carries management rights in respect of directors, shareholders and the share structure.

The founding shareholder ('the founder') will transfer cash and/or other assets into the company in exchange for all the issued shares. The rights attaching to the 'Golden Share' would be entrenched in the Memorandum and Articles of Association (M&As) of the company from the outset.

The 'Golden Shareholder' would generally be an independent professional trustee, such as Sovereign, which would have the power to dismiss and appoint new directors and would have to authorise a disposal of shares or a change in the share structure.



The FIC relies on four key principles to mitigate the UK tax exposure:

1. The transferor will inject capital (cash or other assets) into the company as share capital in exchange for shares. The shares he/she acquires should broadly have the same value as the capital contributed. There is therefore no loss to their estate for IHT purposes.
2. The gift of the shares to other family members should qualify as a PET and therefore should not fall within the founder's estate after seven years from the date of the gift.
3. There should not be an issue under the GWR rules because the arrangement should be treated as a carve-out, which means the founder is taxed only on the value of the shares that he/she retains (subject to surviving for seven years).
4. Transferring shares to other individuals reduces the value of the shares retained as a direct proportion to the whole value of the issued shares.

A further substantive advantage of an FIC is that it removes the need for the costs and delays associated with the probate process after death. An FIC enables the transferor to arrange their affairs while they are still able to supervise the process rather than leaving it to executors.

Sovereign has developed two types of FIC: an onshore model that is suitable for UK residents; and an offshore version that can be used by expats residing overseas, typically in countries with a source-based tax system such as Hong Kong and Singapore.

'Onshore' model

This utilises a UK company and a UK trust. The transferor transfers cash and other assets into a UK company in exchange for the A, B and Golden shares. The A shares are retained, the B shares can then be gifted to the transferor's heirs and the Golden share is gifted to a UK trust.

Provided the transferor lives for a further seven years, there will be no IHT charge and the initial transfer will attract only a small CGT charge. The value of the Golden share will be under the nil-rate band.

Income and gains accruing to UK companies are subject to corporation tax (CT) at 19%, reducing to 17% from 1st April 2020. With no requirement to distribute profit to shareholders, UK companies provide UK residents with effective tax deferral from income tax.

'Offshore' model

If the transferor is non-UK resident then the offshore model should be considered. Provided the founder remains non-resident in the UK, the only UK tax issue to consider would be the GWR rules.

The basic version of the offshore model is the same as the onshore model, except an Isle of Man company and an Isle of Man trust are used in place of a UK company and UK trust. This ensures that the income and gains accruing to the FIC, and any distributions made to the trust, will not be taxed in the Isle of Man.

In addition to the A and B shares, the FIC can also issue redeemable preference shares. These carry only rights to income and can be retained by the transferor provided that he/she does not intend to return to the UK.

Often the spouse of a UK expat will be a foreign national who is non-UK domiciled. In certain cases, this allows the FIC to be used in conjunction with an Excluded Property Trust (EPT).



SOVEREIGN WEALTH

Sovereign Wealth provides asset management solutions as part of Sovereign's Private Client Services offering. Our goal is to help our clients grow their wealth, enjoy it and pass it on to future generations.

IMPARTIALITY

Sovereign Wealth is not tied to any single investment manager or private bank and is committed to delivering genuinely objective and impartial financial guidance, as well as enhanced levels of oversight and security.

As an independent financial consultancy, Sovereign Wealth does not hold client money in its own name. All assets are held securely by major recognised custodians.

THE SOVEREIGN WEALTH PROPOSITION

The international market offers an abundance of investment options and opportunities, many of which appear to be highly attractive. It can be extremely time consuming to research and carry out appropriate due diligence in order to make the right choice.

Sovereign Wealth cuts through this by delivering a simple and refined proposition suitable for both retail and sophisticated investors.

The minimum entry level is £50,000 as a lump sum investment or £25,000 for regular savers plus a minimum of £1,000 per month thereafter.

Key components of any Sovereign Wealth investment proposal include:

- Security and engagement with strong financial institutions
- Portability and an absence of exit penalties or 'lock-in' periods
- Clear, competitive and transparent fees
- Regular valuations and oversight of performance, using suitable benchmarks
- Portfolio reviews at agreed intervals
- A dedicated relationship manager to assist with all queries.



FEE STRUCTURE

By harnessing the collective strength of its clients, Sovereign Wealth is able to negotiate significant discounts and the best possible terms with leading investment managers and investment platforms. All fees will be discussed and agreed at the outset.

WHO CAN WE HELP?

Sovereign Wealth offers asset management solutions for individuals, companies, occupational pension funds, personal pension schemes, trusts and other structures.

HERITAGE

Sovereign Wealth is the trading name of Sovereign Asset Management Limited, which has successfully provided asset management services to its client base since its formation in 2000. Sovereign Wealth's head office is in Gibraltar, a well-regulated financial services centre that has the status of a British Overseas Territory.

REGULATION

Sovereign Wealth is regulated by the Gibraltar Financial Services Commission (FSC) in compliance with the Markets in Financial Instruments Act as an investment adviser, pension adviser and insurance intermediary.

PENSIONS AND RETIREMENT PLANNING

Saving for a comfortable and prosperous retirement should be at the top of your financial planning list, wherever you live and work, because life expectancy is higher today than ever before. Pensions are also one of the most tax-efficient ways to save, particularly for higher-rate taxpayers. A flexible retirement plan can help you accumulate long-term capital and provide a worthwhile return while taking advantage of pension-related tax benefits.

For the internationally mobile individual, there are many additional aspects of retirement planning to consider and it is essential that the chosen solution should be correctly structured to suit your circumstances. Operating across a number of jurisdictions worldwide, Sovereign provides a “one-stop shop” for retirement planning. We offer local and international retirement planning products and solutions, for individuals and corporates.

Recent UK legislation has given expatriates significant advantages – but many people remain locked into plans that do not make full use of these benefits. We will assist you to find the most cost-effective and appropriate solution to suit your personal circumstances, objectives, resources and risk profile.

Sovereign is a market leader in the provision of international pensions. We won the International Adviser Global Financial Services Awards 2019 award for International Retirement Provider.

Sovereign were recognised for innovation, continued investment, service and commitment to the industry sector.

Our proposition encompasses both personal and occupational schemes, and includes:

- Recognised Overseas Pension Schemes (ROPS)
- Qualifying Recognised Overseas Pension Schemes (QROPS)
- Qualifying Non-UK Pension Schemes (QNUPS)
- Guernsey Retirement Annuity Trust Schemes (RATS) – local and international solutions
- UK Self-Invested Personal Pension Schemes (SIPPs)
- IOM Self-Invested Personal Pension Schemes
- UK Small Self Administered Schemes (SSAS)
- International Corporate Pension Plans (IPPs)
- International Corporate Savings Plans (ISPs)
- International Personal Retirement Plans (IRPs)
- End of Service Gratuity Schemes (EOSGS)

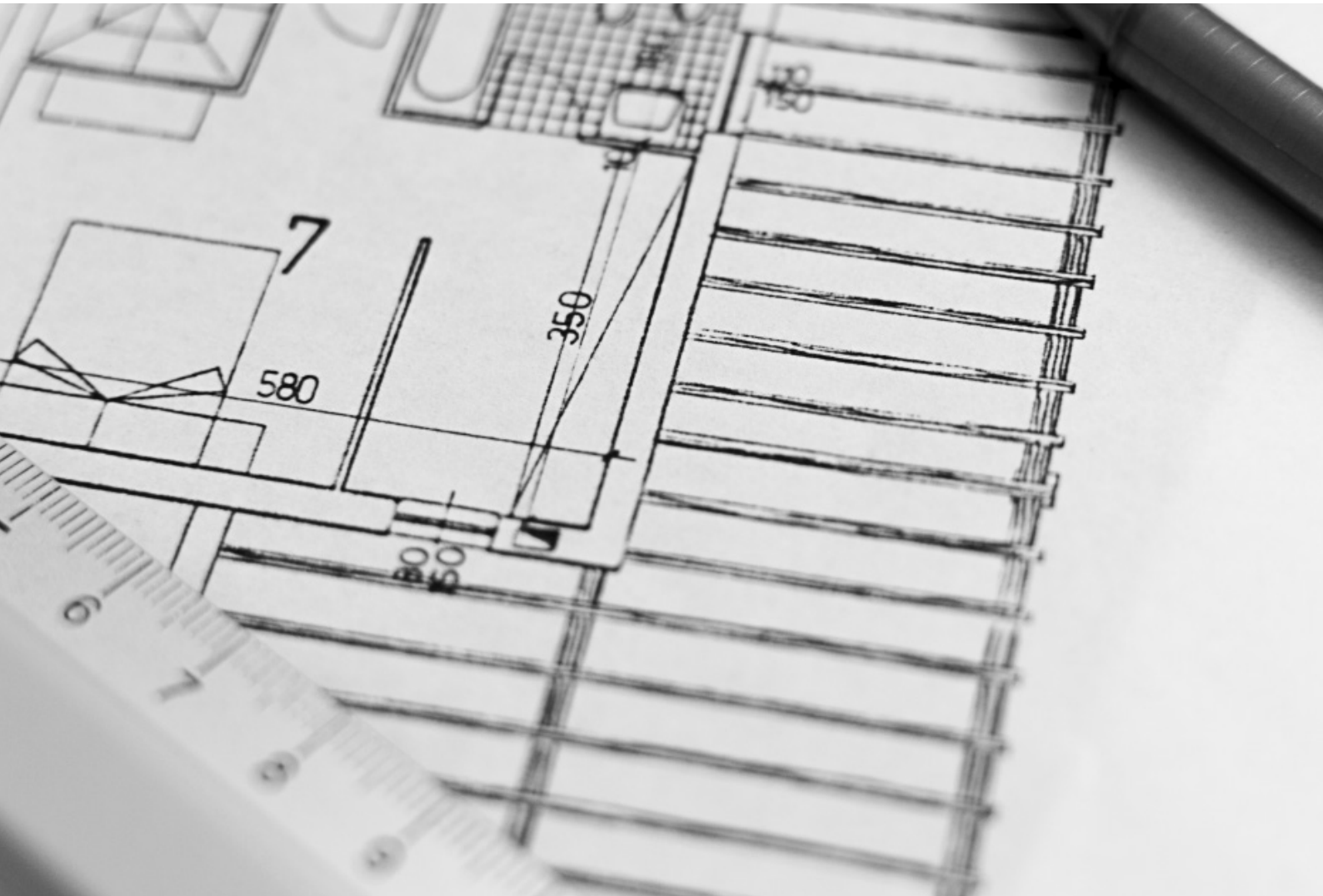
In addition to product provision, Sovereign's services cover a broad spectrum including scheme administration, technical pensions' know-how, pension transfer guidance, investment management, actuarial services, tax planning and wealth structuring.

Sovereign has established itself as a market leader in international pensions through substantial investment in its network, administration systems and infrastructure. This multi-jurisdictional capacity, combined with the technical knowledge provided by its in-house specialists and qualified actuaries, enables it to cater for any alterations to a member's situation over time, providing suitable options should residency and/or other circumstances change.

Sovereign's pensions' administration teams in Guernsey, the Isle of Man, Gibraltar, Malta and the UK work together with dedicated

relationship managers in key global hubs – including the Middle East, Far East, UK and South Africa – to ensure that service can be maintained to clients and introducers around the clock. Sovereign Group is authorised, wherever necessary, by financial regulators to conduct pensions business.

For further details on pensions and retirement planning, please see Sovereign's dedicated website.





RESIDENCE, IMMIGRATION AND CITIZENSHIP

Citizens of countries that are politically or economically unstable often wish to emigrate or acquire an alternative citizenship or residency as an insurance policy – in case things at home take a turn for the worse. If such individuals have money to invest, then it makes sense to do so in countries that will give them a formal status in return.

Many countries encourage immigration by HNWIs, through citizenship by investment (CBI) or residency by investment (RBI) schemes – often known as ‘golden passports’ and ‘golden visas’ respectively. These are characterised by the provision of access to citizenship or residency in exchange for specified investments and via a clear delineated process.

The key drivers for applicants typically include:

- **Mobility** – the flexibility to travel more freely, as and when you choose, without visa restrictions
- **Security** – a ready alternative if habitual residence or primary citizenship is lost or revoked
- **Quality of life** – access to improved healthcare, education and infrastructure
- **Diversification** – investment in a country with clear ownership laws, stable currency, an effective legal system and consistent tax rules
- **Legacy** – improved long-term opportunities for the investor’s family
- **Tax** – potential access to more favourable tax regimes and tax treaty networks.

Sovereign Group has more than 30 years' experience of working with clients from all over the world through its global office network. Many face restrictions on their commercial and personal freedoms because they lack the ability to travel freely or to do business when and where they want.

RBI and CBI schemes provide an opportunity to acquire a second passport or alternative residence, quickly and legally, and with minimum disruption to your life. Sometimes described as the "new alternative investment", you should consider acquiring them long before they might be needed in an emergency.

WHERE CAN SOVEREIGN ASSIST?

European CBI and RBI programmes offer greater security and benefits than many other equivalent schemes and are now among the most popular worldwide. The specifics and costs may vary, but the principle is the same: the applicant must invest money in property or businesses, buy government bonds or make a cash contribution, in exchange for citizenship or residency within the EU.

Some EU member states do not offer citizenship outright to investors but instead operate 'golden visa' programmes that reward investors with residence permits that can eventually lead to citizenship – typically after a period of five years.

Sovereign has selected the best European programmes and has prioritised those jurisdictions in which it also has an office. In these locations it is able to offer a 'one-stop-shop' for RBI and CBI applications, providing assistance in submitting an

application without the need to outsource any aspect to a third party. We will also be able to indicate the expected time frames based on the specific circumstances and the nature of your application.

In addition, in those jurisdictions where an RBI or CBI scheme requires an applicant to purchase a property, Sovereign has signed exclusive agreements with real estate companies and developers to ensure that our clients have access to the best selection of properties, whether they plan to live in them or to retain them for investment purposes.

SOVEREIGN CBI PROGRAMMES

- Cyprus Investment Programme
- Malta Individual Investor Programme (MIIP)

SOVEREIGN RBI PROGRAMMES

- Cyprus Permanent Residency Permit (PRP)
- Gibraltar 'Category 2' Residence Programme
- Malta Residence and Visa Programme (MRVP) & Global Residence Programme (GRP)
- Portugal Golden Residence Permit Programme

SOVEREIGN CBI AND RBI SERVICES

The process of obtaining citizenship or residency consists of a series of important steps that need to be implemented carefully and at the right time. Sovereign has a wealth of international and local expertise and a high success rate of delivering grants of citizenship or residency within a minimum time frame.

Sovereign will assist clients to identify the most suitable investor programme to match their individual circumstances and requirements and will advise on the most effective way to meet the investment criteria. Sovereign will then manage each step of an application and structuring of the investment to ensure that all submissions are executed correctly and at the right time.

Through our global office network, Sovereign can provide clients with a seamless service in both their current location, as well as in the target country for residence or citizenship. Each country has a different set of requirements that applicants must fulfil but the following requirements are common to all such programmes:

- Applicants are required to have a clean criminal record
- Applicants are required to show the legal source of their investment funds
- Applicants are required to invest in one of the government-approved options – qualifying real estate, businesses, government bonds or a national economic fund.

Sovereign only works with investors who have passed its internal due diligence checks, which are similar to those used

by the government authorities. Police clearance records from authorities in the applicant's country of origin and in country/countries where the applicant has resided must be provided at the preliminary stage.

Applications will have to be submitted in the correct language and any documents in another language will need to be accompanied by an authenticated translation. All documents must be submitted in original or be officially certified. Certifications should be authenticated by an apostille or validated by the appropriate government department.

Sovereign will assist with identifying the best available options for investment, provide a legal overview of purchase agreements and/or relevant documents and advise on any tax implications. We will also run a pre-clearance check with the responsible authorities and, where necessary, assist with the incorporation of holding company structures.

In respect of application submissions, Sovereign will:

- Assist with the preparation of all required documents
- Check the citizenship/residency application packs to ensure they are complete and up to standard
- Monitor the status of the applications and provide continuous follow-up.

Once citizenship or residency is granted, Sovereign will assist with the process of obtaining the passport, residency or identity card to the applicant and all family members.

For further information please see Sovereign's Citizenship and Residency brochure and our website.





FOREIGN PROPERTY OWNERSHIP

Sovereign assists many of its clients with the acquisition of real estate worldwide. We advise on tax and structuring and can manage the transaction process and financing arrangements. With our regional knowledge of property ownership laws and regulations, along with our tax planning expertise, we can help clients to reduce any potential exposure.

Most people who own or intend to own property abroad will not be fully conversant with local legal procedures or taxes – stamp duties, municipal and wealth taxes – and may not fully recognise the longer term implications in terms of potential exposures to capital gains tax, inheritance tax or forced heirship rules. Substantial benefits may be derived through the use of corporate, trust or foundation structures to address these issues.

Issues that would-be buyers need to consider include:

- The purpose of the property
- Who will live there
- The legal status of the owner.

Sovereign has long experience in structuring foreign real estate ownership. We appreciate that each family presents a unique set of circumstances and will work to balance their residence requirements with their estate planning needs and to structure ownership of real property to the family's advantage.

Through our global office network we have built particularly close relationships, over many years, with lending institutions, leading agents and foreign lawyers, enabling us to offer our clients a seamless and consistently high-level of service when acquiring real estate across the world.

UK property is a particular area of expertise. Sovereign can assist clients in the sourcing, financing, acquisition and ownership structuring of residential, 'buy-to-let', commercial and development properties, regardless of the client's domicile or their current country of residence.

MARINE SERVICES

Gibraltar-based Sovereign Marine Services (SMS) provides a wide range of maritime and professional services to yacht owners, managers and brokers worldwide. As the marine division of Sovereign, RAY combines the expertise of a dedicated team focused on meeting the needs of yacht owners together with Sovereign's expertise in corporate ownership and tax planning, as well as enjoying access to a global office network that includes Malta, the Channel Islands, the UK, the Isle of Man, Cyprus, the UAE, Singapore and Hong Kong.

Initially established to register vessels under the British Red Ensign, SMS now registers, administers and manages yachts – pleasure and commercial – on a worldwide basis. It also specialises in the provision of ownership structures, VAT and tax planning, yacht importation, safety and technical management, marine insurance and finance, crew administration and payroll, accounting and banking, foreign exchange and international payments.

Registration is the principal test of a vessel's nationality. Yacht owners must give careful consideration to selecting the most suitable Port of Registry to ensure that it reflects their profile and needs. Each Port of Registry has different regulations in place, offering its own advantages and, in some cases, disadvantages. SMS will assist yacht owners to make the right decision according to their particular circumstances.

Registration of a yacht in the name of a company rather than an individual can provide enhanced confidentiality of ownership, as well as a means to pass assets on to heirs without liability to estate duties or inheritance tax.

Legitimate mitigation of potential VAT liabilities is generally available to owners of both pleasure and commercial yachts, particularly if the yacht is purchased through a corporate structure. The options will depend on a full assessment of a yacht's ownership structure and operational requirements, as well as the personal financial circumstances of the owner. SMS is able to assist and guide owners as to the most suitable options and, if required, obtain independent VAT advice. In particular SMS has extensive experience of assisting owners with:

- The European Union's "temporary importation" (TI) procedure, which enables non-EU resident owners of yachts that are non-EU flagged to use the yacht freely in EU waters for the permitted period of 18 months.
- Malta or Cyprus yacht leasing schemes, which allow owners intending to operate a yacht for their private use to pay VAT calculated on the percentage of the time that the vessel is deemed to sail in EU waters and for them to obtain a VAT-paid certificate on termination.
- The Malta or Cyprus special VAT schemes for short-term yacht chartering.

For buying or selling a yacht, SMS can liaise on behalf of a client with agents and brokers and will arrange for all the necessary documentation to transfer the title and successfully complete the purchase or sale.

Included in SMS' comprehensive range of services are the following:

- Corporate ownership
- Worldwide yacht registration
- VAT and tax planning
- Marine insurance and finance
- Accounting and banking
- Crew administration and payroll
- Safety and technical management
- Yacht importation



AVIATION SERVICES

RegisterAnAircraft (RANA) is the aviation division of Sovereign. Combining the experience acquired over 30 years in the field of aircraft registration and offshore company management, London-based RANA offers a complete range of professional and highly tailored services to aircraft owners and operators worldwide.

Aircraft can be registered in the name of the owner, but registering an aircraft in the name of a company or special purpose vehicle (SPV) can provide a number of distinct advantages. Access to corporate limited liability and enhanced levels of confidentiality may be the most immediate, but a company structure also offers significant potential benefits in respect of inheritance tax and succession issues, as well as reducing transfer fees in any future sale of the asset.

RANA's services are primarily tailored to private clients with corporate jets, turboprops or helicopters but we can also assist commercial passenger and freight operators as well as general aviation entities and fliers.

All such corporate structures must comply with the current legislation in the home country of the beneficial owner and with international standards. With over 30 years' experience in the field, Sovereign is well placed to advise on these issues.

Whether a client is purchasing a new or a used aircraft, or simply re-registering an existing aviation asset, RANA will liaise with aircraft manufacturers, brokers, technical specialists and registries.

RANA is able to advise on the most appropriate registry for your aircraft. Key considerations will be the proposed use and operating base of the aircraft, the cost of registration, customer service and ease of process, geographical location and language.

In addition to its comprehensive knowledge base, RANA has developed good contacts with aircraft registries in Europe, the Caribbean, the US and elsewhere. Once an aircraft has been registered, RANA can further assist with ongoing liaison with aircraft registries, technical representatives and aircraft managers with particular reference to annual inspections and certifications.

 [REGISTERANAIRCRAFT.COM](https://www.registeranaircraft.com)

RANA's offering to clients who operate, or who are looking to acquire aviation assets, covers five clearly defined services, which together add value at each state of the ownership chain or can be provided on a one-off basis to fulfill a particular requirement:

- Worldwide aircraft registration
- Ownership structures
- Aviation insurance
- Aircraft finance
- Aviation consultancy and photography.

For clients looking to purchase corporate aircraft, RANA will undertake an initial assessment of the requirements – including current flying and the intended operating model (using the aircraft solely for private/corporate use or for charter when not required). Based on the findings of this initial assessment, RANA will:

- Identify suitable aircraft models in respect of passenger accommodation, typical range and the intended operating base.
- Suggest other solutions if ownership is not practical or cost effective by exploiting links with aircraft charter brokers, providers of fractional ownership or hours-based flying programmes.

Our aviation consultancy covers the spectrum from general advice on commercial and corporate aircraft types through to researching available airframes for individual owners or airline operators. RANA has access to extensive worldwide databases and other sources of information and is able to recommend technical specialists to appraise used airframes. We can also recommend suitable managers for the aircraft in respect of both operations and ongoing technical support.



SOVEREIGN INSURANCE SERVICES

Insurance is one of the most effective ways to manage any risks that could diminish your lifestyle. Developing an insurance portfolio that will not only protect your assets but also provide liquidity is a vital part of the wealth management equation. Sovereign Insurance Services (SIS) provides the insurance component of the Sovereign's Private Client product suite.

SIS is positioned to offer the full range of insurance broking services that any Sovereign client may require. Our role is to work for our client, not the insurer, and to provide the most suitable insurance products for your needs at the most competitive pricing levels available in the international insurance markets.

Licensed by the Gibraltar Financial Services Commission, SIS has developed strategic partnership arrangements with underwriters and partners throughout the international insurance sector to ensure we can meet our client's insurance requirements.

Our range of insurance products includes, but is not limited to, the following:

- Bespoke international insurance programmes for high value homes, including collections of valuables such as jewellery, artworks, antiques and classic cars
- Corporate liability programmes including Directors and Officers (D&O) Liability Insurance, Professional Indemnity (PI) Insurance and Cyber Insurance
- Commercial Insurance – Public Liability Insurance, Employers' Liability Insurance and Legal Protection Insurance
- Office insurance packages – Office Buildings and Contents Insurance, Business Interruption Insurance, Liabilities
- Corporate and Private Healthcare/ Medical Insurance
- Key Person Insurance
- Personal Accident and Illness Insurance, Disability Insurance and Income Protection Insurance
- Marine and Yacht Insurance
- Private and Corporate Aircraft Insurance
- Kidnap and Ransom Insurance.





CONFIDENTIALITY AND TRANSPARENCY

Generally, in all countries that follow English common law there is an implied duty for management companies, bankers and other professionals to keep their clients' affairs confidential. In some countries this common law duty may be supplemented by local legislation that imposes criminal penalties on those who breach confidentiality or attempt to get others to do so.

Confidentiality, of course, is very different from secrecy. In the past two decades there have been a number of international initiatives – listed below – that are designed to increase transparency. When fully implemented, these initiatives will see 'secrecy' disappear completely but this will not concern structures and arrangements that are legally and fiscally compliant.

Structures can still provide efficiencies. Legitimate planning that utilises compliant structures has always been and remains effective. Expert advice is essential not just to ensure the correct planning but also to demonstrate that you have taken care to achieve tax compliance. Anyone with concerns over their existing arrangements would be well advised to contact their nearest Sovereign office for review.

KNOW YOUR CUSTOMER (KYC) PRINCIPLES/DUE DILIGENCE

The Financial Action Task Force (FATF) developed a series of Recommendations that are recognised as the international standard for anti-money laundering (AML) and combating the financing of terrorism (CFT). First issued in 1990, the FATF Recommendations have been revised to ensure that they remain up to date and relevant, and they are intended to be of universal application. As a result, all corporate and trust service providers and financial institutions have a statutory duty to implement KYC procedures for all clients, new and old. Clients must expect to supply proof of identity, proof of residential address and references. They must also explain the source and business purpose for any substantial movement of funds. Compliance with these standards brings additional costs and inconvenience but is entirely unavoidable. KYC is now mandatory under local and international regulations and/or laws.

AUTOMATIC EXCHANGE OF INFORMATION (AEOI)

- OECD Common Reporting Standard (CRS)

At the G20 summit in 2013, the world's 20 largest economies mandated the OECD to create a single global standard for the automatic exchange of information. The CRS provides for annual automatic exchange between governments of financial account information, including balances, interest, dividends and sales proceeds from financial assets, reported to governments by financial institutions and covering accounts held by individuals and entities, including trusts and foundations. As of May 2016, over 100 jurisdictions around the world had committed to implement the CRS. More than 50 began their first exchanges in 2017, with the remainder following in 2018.

- US Foreign Account Tax Compliance Act (FATCA)

FATCA, which was enacted in 2010 and came into effect in 2014, is designed to target non-compliance by US taxpayers using foreign accounts. It requires foreign financial institutions (FFIs) and certain other non-financial foreign entities to report information to the IRS, either directly or via their local revenue authority, about financial accounts held by US taxpayers, or held by foreign entities in which US taxpayers hold a substantial ownership interest. If not, they will be subject to withholding on withholdable payments. FATCA compliance will differ depending on whether or not an FFI is in a country with an intergovernmental agreement (IGA) with the US. There will be further differences according to the type of IGA – Model 1 or Model 2 – and whether the IGA has provisions requiring US reciprocity.

BENEFICIAL OWNERSHIP

In April 2016, the UK, Germany, France, Italy and Spain announced a pilot scheme to exchange beneficial ownership information relating to “companies, trusts, foundations, shell companies and other relevant entities and arrangements”. It will be exchanged “in a fully searchable format” and will include “information on entities and arrangements closed during the relevant year. The exchange is to operate as a pilot, during which participating economies will explore the best way to exchange this information with a view towards developing a “truly global common standard”. Ultimately, the system should develop into one of “interlinked registries containing full beneficial ownership information”.

WHATEVER YOUR NEEDS – CHOOSE SOVEREIGN

The Sovereign Group has been involved with the set-up and administration of an estimated 30,000 structures worldwide since 1987. We now employ, directly, well in excess of 400 trained and experienced staff throughout the world, and there are many more staff working in our joint ventures and managed operations.

We have established a compelling, specialist offering in the provision of private client services that few of even the largest international legal or accountancy firms can match. The depth and breadth of this offering means we have built up a huge reserve of in-house knowledge, expertise and experience. There is very little that we haven't seen before and there are few areas where we cannot be of help.

This brochure sets out Sovereign's core specialisations but there is much more we can do to help and we would be delighted to do so. If we can't assist our clients with an aspect of their personal or business affairs, we will almost certainly know someone who can. So whatever your need, just ask and we will do our best.

CONTACTS

ASIA

CHINA, BEIJING

Tel: +86 (0)10 5661 7052
china@SovereignGroup.com

CHINA, SHANGHAI

Tel: +86 21 5211 0068
china@SovereignGroup.com

HONG KONG

Tel: +852 2542 1177
hk@SovereignGroup.com

SINGAPORE

Tel: +65 6222 3209
sg@SovereignGroup.com

CARIBBEAN

BAHAMAS

Tel: +1 242 322 5444
bh@SovereignGroup.com



EUROPE

CYPRUS

Tel: +357 25 733 440
cy@SovereignGroup.com

GIBRALTAR - TRUST & PENSIONS

Tel: +350 200 76173
gib@SovereignGroup.com

GIBRALTAR - MARINE SERVICES

Tel: +350 200 51870
marine@SovereignGroup.com

GIBRALTAR - INSURANCE SERVICES

Tel: +350 200 52908
sis@SovereignGroup.com

GIBRALTAR - SOVEREIGN WEALTH

Tel: +350 200 41054
sw@SovereignGroup.com

GUERNSEY - TRUST & PENSIONS

Tel: +44 1481 729 965
ci@SovereignGroup.com

ISLE OF MAN -

TRUST & PENSIONS

Tel: +44 1624 699 800
iom@SovereignGroup.com

MALTA - TRUST & PENSIONS

Tel: +356 21 228 411
ml@SovereignGroup.com

PORTUGAL

Tel: +351 282 340 480
port@SovereignGroup.com

SWITZERLAND

Tel: +41 21 971 1485
ch@SovereignGroup.com

UNITED KINGDOM, LONDON

Tel: +44 20 7389 0555
uk@SovereignGroup.com

UNITED KINGDOM - AVIATION SERVICES

Tel: +44 20 7389 0555
rana@SovereignGroup.com

UNITED KINGDOM, WIRRAL

Tel: +44 151 328 1777
ukcorporate@SovereignGroup.com

MIDDLE EAST & AFRICA

BAHRAIN

Tel: +973 17 1515 71
bahrain@SovereignGroup.com

MAURITIUS

Tel: +230 244 3210
mu@SovereignGroup.com

SAUDI ARABIA

Tel: +966 114 537 7096
ksa@SovereignGroup.com

SOUTH AFRICA

Tel: +27 21 418 2170
sact@SovereignGroup.com

UNITED ARAB EMIRATES, ABU DHABI

Tel: +971 2418 7640
ad@SovereignGroup.com

UNITED ARAB EMIRATES, DUBAI

Tel: +971 4 270 3400
dubai@SovereignGroup.com



SovereignGroup.com

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