

## TRANSFERS OF EXISTING FIDUCIARY STRUCTURES

During our regular discussions with UK private client advisors it has become increasingly apparent that there is a high level of dissatisfaction with the offshore fiduciaries currently administering their clients' existing offshore structures. The reasons for such dissatisfaction vary, but the more common complaints include:

- poor standards of service;
- inability to handle the implications of Finance Act 2008 (for non-domiciled clients);
- under-performance of investment portfolios managed by associated companies of the offshore fiduciary;
- concerns over the ultimate ownership of bank-owned fiduciaries; and
- strategic decisions by bank-owned fiduciaries to offload lower-value or non-core fiduciary business.

In our experience, offshore fiduciary structures are notoriously "sticky", in the sense that clients faced with such issues often procrastinate over decisions to move their business to new fiduciaries. In the current environment, clients are particularly faced with the dilemma of not wanting to jump "out of the frying pan into the fire" with their new choice of fiduciary. The cost of transferring the administration of existing structures is usually significant and an unwillingness to incur those costs without any confidence that the replacement fiduciaries will be any better than the current ones is clearly a big deterrent, based on feedback that we are receiving from private client advisors. Our policy stated below helps to address the cost factor.

The Praxis Group is in an ideal position to provide an immediate solution to clients of other fiduciaries who are currently considering their future options regarding future administration in

Guernsey and Geneva. This can include transferring the administration either within the Channel Islands or Switzerland, or between those jurisdictions. In recent years Praxis has successfully taken over the administration of a considerable number of structures from Jersey to Guernsey. We are also very happy to look at taking over the administration of structures currently administered in other jurisdictions such as the Isle of Man, Bermuda, the British Virgin Islands and the Cayman Islands.

### So what does the Praxis Group offer?

1. A strong reputation as one of the leading independently-owned fiduciaries in the Channel Islands, established in 1983 and 100% owned by the management team. With a total of more than 125 staff across the Group, more than 50 work directly in the fiduciary companies.
2. A widely-respected Guernsey-based tax team specialising in the use of offshore structures for UK-connected persons, including full tax planning and compliance.
3. An in-house client accounting team which enables us to complete the annual preparation of unaudited financial statements for all entities within acceptable timeframes, and, in conjunction with our in-house tax team, to keep full track of the accumulated income and capital gains of structures administered for UK-connected persons. We have particular expertise in accounting and reporting for highly complex structures, including consolidated reporting for structures with multi-manager investment portfolios.
4. A recently-established trust company in Geneva, administered to the same high

standards as the Guernsey business, and managed by staff with many years of experience in our Guernsey office.

5. Absolute independence from the commercial influences of any banks or asset management houses, leaving us free to use any bank or investment manager.

## **Our Proposal**

The Praxis Group, subject to structures satisfying the criteria described below, is prepared to waive initial acceptance fees for taking on the administration of certain offshore structures. In our experience this can typically cost clients anything from £2,000 to £5,000 (and sometimes more) per entity, depending on the complexity of the structure and the state of the entities being transferred.

To take advantage of this offering, we will first need to briefly assess the existing structure by receiving the following:

- an overview of the structure and of the circumstances of the settlor/beneficiaries/beneficial owners from one of the client's professional advisors;
- a copy of the latest available accounts of the structure; and
- assurances regarding the tax compliance status of the structure.

We will then be in a position to provide a fee estimate for the ongoing administration of the structure and also to confirm whether, based on that information, we would be able to waive our initial acceptance fee for the time incurred in transferring the structure. (Please note that any waiver of an initial acceptance fee would not extend to waiving any time-spent charges for undertaking essential remedial work resulting from

the services provided (or not provided) by the previous fiduciaries). In practice, this will depend largely on the identity of the current fiduciary service provider as we generally know which ones operate to the same high standards as Praxis. If required, we will be willing to provide a quote for fixed annual fees but with clear caveats for any work not covered within that fee quote, and with an annual fee review.

It is important to note that we do not administer trading/re-invoicing/commission-receiving companies, and we also insist on providing the entire board of directors of any company which we are to administer. In exceptional circumstances we may consider acting as co-trustee alongside a similarly-regulated trustee.

## **Why are we waiving take-on fees?**

We are very open about this. Our decision is simply a commercial one. The Praxis Group is largely unaffected by the factors which are severely impinging on many other fiduciary services providers at the moment, including numerous institutional household names. We have identified a clear window of opportunity, with clients of those other providers currently facing unique circumstances.

We see this as an appropriate "investment" in long-term fiduciary relationships. Most importantly, having recently opened an office in Geneva, we currently have the capacity to take on extra work across our Guernsey and Geneva offices. We are

also currently planning to activate a fiduciary licence in Malta to sit alongside our existing fund administration business there. The Praxis Group is fully committed to growth of its fiduciary services businesses, notwithstanding that many of our competitors are taking strategic decisions to downsize their own fiduciary operations.

## Contacts

If you have any clients likely to be interested in this offering, please feel free to contact the following (with no obligation whatsoever):

### Guernsey

**David Piesing, Director - Head of Wealth Structuring**

david.piesing@praxisgroup.com

Tel: +44 (0) 1481 737601

### John Bradley

john.bradley@praxisgroup.com

Tel: +44 (0) 1481 737668

### Praxis Fiduciaries Limited

PO Box 296

Sarnia House, Le Truchot

St. Peter Port, Guernsey

GY1 4NA

www.praxisgroup.com

### Geneva

**Fritha Younger, Managing Director**

fritha.younger@praxisgroup.ch

Tel: +41 (0) 22 319 3150

### PraxisFiduciaries (Switzerland) SA

9-11 Rue du Prince

1204 Geneva

Switzerland

www.praxisgroup.ch

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