

Qualification Discovery Pack

International Finance and Administration Level 4



Overview

This discovery pack has been created to give you an in-depth understanding of what is involved in studying the International Finance and Administration (IFA) Level 4 qualification suite.

Introduction

The introduction to IFA Level 4 tells you, at a glance, what the qualification suite involves. It provides key details such as entry requirements, study mode, content and benefits of the qualifications.

The short syllabus

The short syllabus provides more details about the qualifications: key features and qualification structure. There is also an overview of the core modules and the two optional specialisms.

Study text sample

We have included a sample from the core modules study text to give you a taster of the subject matter and format of the material that we provide to support your learning.

Sample exam paper

An exam paper adapted from the November 2018 session is included in this pack. This will give you an accurate example of what could be asked in the International Finance and Administration (core module) exam and how it is structured.

Tuition options

We recommend our students take tuition and we have a number of partners who provide tuition in person and through distance learning. We provide a list of our partners.

How to register

The final section of this pack explains how you can register for the IFA Level 4 qualifications.

Introduction



Introduction to International Finance and Administration (IFA) Level 4

Start your career in offshore financial services

Experience/qualifications: No previous experience required

Study mode: Tuition from one of our partners is highly recommended, but you can also self-study using the text

Support: We provide textbooks and support resources such as examiner reports and past papers. Students are also very welcome at our events

Dates: Register anytime. Exams are in June and November

Web: cgi.org.uk/discoverifa4

Completing an IFA Level 4 qualification is your first step into a career in the international finance sector. The IFA Level 4 core modules introduce the offshore finance environment, including products and services; regulation and supervision; taxation and banking; trust and company law and how to provide trust company business services. Optional specialist modules provide the opportunity to take an in-depth look at the topics of accounting and investment.

Content

This is a flexible, step on/step off modular study suite of qualifications which gives you control of your learning. The compulsory core modules take 300 hours of study and each optional specialism takes 150 hours. This means there are four possible qualifications available, which can be awarded depending on your combination of modules from:

- The Offshore Business Environment and Trust and Company law (core modules, 1 exam)
- Accounting (optional specialism, 1 exam)
- Investment (optional specialism, 1 exam)

Benefits

You will gain:

- a strong introduction to the principles of effective trust and company administration;
- understanding of global accounting and investment principles and practices;
- a regulator-approved qualification to enhance your career prospects within the sector;
- essential skills in preventing the harmful effects of financial crime; and
- eligibility to study the IFA Level 5 qualification, if all modules are complete.

The short syllabus



Key features

The International Finance and Administration suite of qualifications:

- are aimed at individuals who are new to the international financial services industry and are undertaking administrator roles or those who have been working in the industry for some time with no recognisable qualification
- are Level 4 qualifications – set at first year undergraduate level
- comprise the following titles:
 - Level 4 Award in International Finance and Administration
 - Level 4 Subsidiary Certificate in International Finance, Accounting and Administration
 - Level 4 Subsidiary Certificate in International Finance, Investment and Administration
 - Level 4 Certificate in International Finance and Administration
- contain core and specialist modules
- present knowledge in a work-related context
- The Chartered Governance Institute UK & Ireland will set and mark all the assessments
- are assessed twice a year – in June and November
- are graded at Pass (P), Merit (M) and Distinction (D) – students whose level of achievement is below Pass will be classified as Fail A, Fail B, Fail C or Fail D, depending on the number of marks achieved.

Prior knowledge, skills and understanding

You do not need to achieve any other qualifications before registering for the Level 4 International Finance and Administration qualification. No prior knowledge, skills or understanding are necessary. There are no formal entry requirements and the qualifications are suitable for non-degree holders, although it is recommended to be working in a relevant occupation.

Assessment

All modules within these qualifications are externally assessed via closed-book examination. The examinations are set and marked by us. See the *Qualification structure* section for further information.

The examinations provide independent assessed evidence of learning. They will also enable you to demonstrate the range of transferable skills you have developed throughout your programme of study by requiring you to apply your knowledge in unfamiliar contexts.

The modules in this syllabus are assessed via **three** closed-book examinations.

- Paper 1: International Finance and Administration – this paper assesses the core modules.
- Paper 2: Accounting – this paper assesses the specialist accounting modules.
- Paper 3: Investment – this paper assesses the specialist investment modules.

The pass mark is 50% for each of the examinations.

Qualification structure

Level 4 Award in International Finance and Administration

This qualification comprises eight core modules and is assessed via **one** 3-hour closed-book examination (Paper 1: International Finance and Administration). The exam will cover content from all eight modules.

You must pass this paper to be awarded the qualification. The pass mark is 50%.

Module number	Core modules	Total hours study time	Description
1	Introducing Offshore Finance Centres	15	This module introduces fundamental topics and issues in the offshore financial services industry, and the types of products and services offered by providers
2	The Legal Environment in the Offshore Financial Services Sector	30	<p>This module highlights the importance of English law in offshore jurisdictions, and the difference between common law and civil law jurisdictions.</p> <p>The module will also examine the elements required to form a binding contract, how to identify a breach of contract and the resulting consequences, followed by some of the potential remedies available when a breach of contract has been identified.</p>
3	Taxation in Offshore Finance Centres	30	<p>This module examines the complexity of taxation and the need for expert tax advice by covering the main types of taxes that affect individuals and entities such as companies, trusts, partnerships and foundations.</p> <p>The module also covers tax planning concepts, the effect of residence and domicile on how individuals may be taxed, and the use of offshore entities to reduce taxation. The module concludes with a look at the difference between tax avoidance and tax evasion, as well as harmful tax practices and measures in place to prevent them.</p>
4	Banking in Offshore Finance Centres	30	<p>This module covers the banking services provided from within offshore centres, the reasons for using offshore bank accounts, how to choose an offshore bank and the drawbacks of banking offshore.</p> <p>The module then looks at choosing, opening and closing a bank account, payment methods and</p>

			systems, and the roles of important bodies in the payments industry. The module concludes with a look at the regulation and supervision of offshore banks, and banking secrecy provisions in offshore centres.
5	Regulation and Supervision of Offshore Finance Centres	45	<p>This module covers the regulation of financial services and the role of the regulator in both the UK and offshore centres. This is followed by a look at data protection issues, criminal insider dealing legislation and market abuse.</p> <p>The module then examines money laundering and anti-money laundering (AML) initiatives, and concludes with the principles of customer due diligence.</p>
6	Creating a Valid Trust	50	This module examines the significance of English law and how the main trust law in offshore centres is based on this. This is followed by how to create and administer a valid trust and the parties involved in this process.
7	Companies and Company Law	75	<p>This module covers what a company is, its main features and how it can be financed. The module examines the main steps involved in forming a company and the documentation required for this process according to the Companies Act 2006.</p> <p>This is followed by a look at the roles, powers and duties of the members, directors, secretary and auditor of a company, and the requirements surrounding meetings and resolutions of the directors and of the shareholders. The module concludes with the ways in which a company is wound up.</p>
8	Other Vehicles and Trust and Company Administration	25	<p>This module covers the key terms used within the trust company business sector and trust company business services provided by offshore service providers. This is followed by key aspects and activities of the role of the trust and company administrator.</p> <p>The module concludes with a look at the wide range of entities that are available in offshore centres, including foundations, partnerships (including those that are legal bodies and those that are not), special purpose vehicles and private trust companies.</p>

Total 300

Level 4 Subsidiary Certificate in International Finance, Accounting and Administration

This qualification comprises eight core modules and four specialist modules. It is assessed via **two** closed-book examinations:

- Paper 1: International Finance and Administration – 3-hour examination covering Modules 1–8
- Paper 2: Accounting – 1½ hour examination covering Modules 9–12.

You must pass both papers to be awarded the qualification. The pass mark is 50% for each exam.

Module number	Core modules	Total hours study time	Description
1 - 8	Core modules	300	See above
Module number	Group A specialist modules – Accounting	Total hours study time	Description
9	The Accounting Environment	37.5	<p>This module introduces the concept and purpose of accounting and how the production of accounting information assists decision making. The module looks at how businesses identify, collect, measure, record, summarise and communicate the financial aspects of their activities.</p> <p>Accounting terminology is also be covered, along with how financial information is reported and assessed for its usefulness in making business decisions.</p>
10	Recording Financial Information	37.5	<p>How do accountants record the financial position of a business? This module looks at the accounting equation that underpins the process and structure of accounting and financial statements, followed by the outputs from business transactions.</p> <p>The module concludes with an introduction to the double-entry system that is the basis for accounting and financial reporting systems.</p>
11	Accounting Controls	37.5	<p>How do you move from processing the information in ledger accounts to producing financial statements for end users? This module covers how to progress from ledger accounts to produce financial statements at the end of the accounting period.</p>

			The module examines the accounting adjustments that have to be made to a trial balance before year-end financial statements can be produced, and introduces the accounting for the purchase, use and disposal of fixed assets. It concludes with a look at internal controls used in conjunction with the double entry to provide a check on the double-entry bookkeeping system.
12	Reporting and Analysing Financial Information	37.5	This module covers the content and purpose of financial statements for sole traders, limited companies and not-for-profit organisations. It looks at how to use accounting ratios to interpret the information in financial statements and to communicate financial information to end users in a meaningful way.
Total		450	

Level 4 Subsidiary Certificate in International Finance, Investment and Administration

This qualification comprises eight core modules and four specialist modules. It is assessed via **two** closed-book examinations:

- Paper 1: International Finance and Administration – 3-hour examination covering Modules 1–8
- Paper 3: Investment – 1½ hour examination covering Modules 13–16.

You must pass both papers to be awarded the qualification. The pass mark is 50% for each exam.

Module number	Core modules	Total hours study time	Description
1 - 8	Core modules	300	See above
Module number	Group B specialist modules – Investment	Total hours study time	Description
13	The Investment Scene	37.5	Save or invest? This module looks at the differences between savings, investment speculation and gambling. It then examines the

			<p>investment market in light of the 2007–08 credit crisis and the resulting global recession.</p> <p>This is followed by an introduction to economic statistics and measurements used to make informed investment decisions, followed by supply and demand theory as applied to markets.</p>
14	Company Formation and Value	37.5	<p>This module covers the different company types and how companies finance their overall operations and growth by using different sources of funds and different strategies, such as mergers and acquisitions.</p> <p>The module then looks at the wider picture that investors need to consider when making investment decisions and the valuable sources of information available to help them make those decisions.</p>
15	Markets, Foreign Exchange and Derivative Products	37.5	<p>This module begins by looking at the role, operation and regulation of stock markets and trading platforms, the procedures around dealing and settlement requirements, and the importance of counterparties.</p> <p>Aspects of the derivatives market – futures, options, warrants and interest-rate swaps – are then examined, as well as pricing, rights and contractual obligations of relevant parties involved and reasons why derivatives are so attractive to investors.</p> <p>The final part of the module covers the money market and its instruments and participants, followed by foreign exchange markets, products and strategies.</p>
16	Bonds and Investments	37.5	<p>This module covers fixed-interest securities (also known as fixed-income securities) such as bonds, corporate bonds and Eurobonds.</p> <p>The module then looks at collective investments available to investors, including how to assess a collective investment and the differences between open-ended and close-ended investments.</p>
	Total	450	

Level 4 Certificate in International Finance and Administration

This qualification comprises eight core modules and eight specialist modules. It is assessed via **three** closed-book examinations:

- Paper 1: International Finance and Administration – 3-hour examination covering Modules 1–8
- Paper 2: Accounting – 1½ hour examination covering Modules 9–12
- Paper 3: Investment – 1½ hour examination covering Modules 13–16.

You must pass all three papers to be awarded the qualification. The pass mark is 50% for each exam.

Module number	Core modules	Total hours study time
1	Introducing Offshore Finance Centres	15
2	The Legal Environment in the Offshore Financial Services Sector	30
3	Taxation in Offshore Finance Centres	30
4	Banking in Offshore Finance Centres	30
5	Regulation and Supervision of Offshore Finance Centres	45
6	Creating a Valid Trust	50
7	Companies and Company Law	75
8	Other Vehicles and Trust and Company Administration	25
Module number	Group A specialist modules – Accounting	Total hours study time
9	The Accounting Environment	37.5
10	Recording Financial Information	37.5
11	Accounting Controls	37.5
12	Reporting and Analysing Financial Information	37.5
Module number	Group B specialist modules – Investment	Total hours study time
13	The Investment Scene	37.5
14	Company Formation and Value	37.5
15	Markets, Foreign Exchange and Derivative Products	37.5
16	Bonds and Investments	37.5
Total		600

Study text sample



CGIUKI Study Text

International Finance and
Administration Qualifications

International Finance and Administration

Carla Channing and Colin Solomon



Chapter two

Offshore financial services

List of topics

1. The offshore financial services sector
2. Key terms
3. Trust and company products available offshore
4. Fiduciary services available offshore
5. Offshore insurance services
6. Legal services available in offshore centres
7. Tax compliance and tax planning
8. Investment management services

Introduction

This chapter discusses the financial services that are typically offered in offshore centres and explains key terms that are often used in the finance industry. It highlights some of the trust and company business products that are available offshore – including trusts, companies, foundations and a variety of partnerships – as well as trust company business services provided in connection with these products.

The chapter also discusses the advantages of captive insurance companies, and describes the legal and taxation services that are available in offshore centres. It concludes with a discussion regarding the types of investment management services that are available offshore and some factors that should be considered when planning an investment portfolio.

1. The offshore financial services sector

The financial services sector in an offshore centre may typically offer the provision of the following services:

- ◆ fiduciary services (comprising of services for the creation and administration of trusts, companies, foundations and other legal arrangements);

- ◆ insurance services including intermediation, fronting and reinsurance;
- ◆ investment management services including discretionary portfolio management, fund management and fund administration and custody services;
- ◆ legal services; and
- ◆ tax compliance and tax planning services.

The term **financial services business** describes the carrying on of funds service business, general insurance mediation business, investment business, money service business or trust company business. An organisation that provides financial services business is often referred to as a **service provider**. In many offshore jurisdictions, the provision of financial services business is a regulated activity. This means it may not be carried on except by a business that has been issued with the relevant licence and is supervised by its regulator.

2. Key terms

2.1 Fiduciary relationship

A **fiduciary relationship** is one that is founded on trust and the protection of financial or other interests of another person. A person with a **fiduciary duty** has a duty to act in the best interests of another person. For example, a trustee has a fiduciary duty to act in the best interests of the beneficiaries of the trust, rather than acting in their own best interests.

2.2 Client

'Client' usually refers to the person who approached the offshore services provider to establish a business relationship. However, this is not always the case. A fiduciary services provider may use the term client to describe the **settlor** of a trust even though that person may not be a **beneficiary**; they could also use the term to describe a principal beneficiary who was not the provider of the funds or involved at the outset of the relationship.

In the case of an offshore company, the client may be the major shareholder, or the beneficial owner or underlying ultimate **beneficial owner** (UBO) who retains an indirect ownership interest in the assets of the company where a nominee shareholder of record is used.

The terms client, beneficial owner or **ultimate beneficial owner** are also used sometimes carelessly which can confuse or blur important issues from the anti-money laundering or tax reporting perspectives.

2.3 Entities

The term 'entities' is used to describe legal persons (such as companies) and **legal arrangements** (such as trusts). Rather than referring to trusts, companies, foundations, partnerships and so on, a fiduciary services provider will simply refer to entities under administration.

financial services business

Used to describe the carrying on of funds services business investment business, general insurance mediation business, money services business or trust company business.

fiduciary relationship

A relationship founded on trust. A person with a fiduciary duty has a duty to act in the best interests of another person.

fiduciary duty

A person with a fiduciary duty has a duty to act in the best interests of another person.

settlor

The person who provides trust property whether during their lifetime or by their will.

beneficiary

A person who is entitled by the terms of a trust to benefit from the trust property or in whose favour a discretion to distribute the trust property may be exercised.

beneficial owner

The individual(s) or company that retains a direct or indirect ownership interest in the assets of an entity.

ultimate beneficial owner

The individual(s) that retains a direct or indirect ownership in the assets of a financial product, service, structure or entity, howsoever the legal title is constructed.

legal arrangements

Legal arrangements include fiduciary arrangements such as trusts.

2.4 Structures

The entities that are aimed at meeting the needs of a particular client or group of clients, and which are connected by virtue of their ownership or their assets, are referred to collectively as a structure.

A structure may be very simple (e.g. a company owned directly by a trust) or could be very complex (e.g. it could be multi-layered, could span across jurisdictions and could include a range of different types of entities).

2.5 Overlying trusts/underlying companies

It is common for trusts and companies to be used together as a part of a client's tax or wealth planning. For example, a trust may own 100% of the **share capital** of a company.

In this case, the trust would be referred to as an 'overlying trust' and the company would be referred to as an 'underlying company'. If the underlying company acquired the entire share capital of another company, it would then become the 'overlying company' of that new entity.

2.6 Fiduciary Services Provider or 'Trust company'

A Fiduciary Services Provider is an organisation that conducts trustee and company administration business. The term usually refers to an organisation which offers the full range of fiduciary services (described in section 4 of this chapter). Organisations such as accountancy firms often provide some limited services, such as company formations or the provision of a registered office.

Fiduciary Services Providers may be small or large organisations owned by accountancy practices, legal practices, major international banks or public companies. Alternatively, they may be owned by experienced individuals.

2.7 Service provider

Organisations or individuals that provide financial services business offshore may simply be referred to as service providers.



Test yourself 2.1

Give one example of a 'fiduciary relationship'.

3. Trust and company products available offshore

The main offshore trust and company products include various types of trusts, companies, foundations and partnerships and trusts.

3.1 Trusts

A trust is a legal arrangement whereby a person (the settlor) properly vests (transfers in the correct manner) the legal ownership of assets (later referred to as the trust fund) to another person (the trustee) for the benefit of another person or persons (the beneficiaries of the trust).

The separation of the legal ownership of the trust fund – which lies with the trustee – and the equitable ownership – which lies with the beneficiaries – has many uses in financial planning.

A trust is not a corporate body and thus has no separate legal personality. The trustee administers the trust and contracts the business of the trust in its name but must also specify its **capacity** as trustee. In the offshore environment, the trustee is usually a limited liability company, which provides stability, certainty and continuity for the trust. The terms of a trust depend on the type of trust and are set out in a private document known as a trust deed or a **declaration of trust**.

Trusts may be discretionary trusts where the trustee is given absolute discretion as to who from the class of beneficiaries described in the trust deed will benefit from the trust and in what proportions, if at all. In these cases, the Settlor may provide the trustee with a non-binding Letter of Wishes indicating how the Settlor would like the trust to be operated.

Life interest trusts, also known as ‘interest in possession’ trusts, entitles a beneficiary (the **life tenant**) to an absolute right to enjoy the income arising from the **trust property** during their lifetime. Only on their death may the other beneficiaries (the remainder-men) stand to benefit. In essence, the life interest trust reverts to a discretionary trust upon the death of the life tenant.

The different types of trusts are discussed further in Chapter 13.

3.2 Companies

There are many types of companies, including, companies limited by guarantee, incorporated cell companies, limited liability companies, protected cell companies and unlimited companies. Companies can also be incorporated to be a public or private company.

A company is an association of people referred to as the **members**, who come together usually for business or profit-making purposes. A company comes into existence when it is incorporated by law and company shares are issued to the members who become the shareholders and decide upon and appoint the directors. Upon incorporation, a company has a separate legal personality distinct from that of its **shareholders** and **directors** (i.e. it can sue and be sued in its own name). The role of the directors is to manage the affairs of the company, which enters into transactions in its own name and purchases assets in its own name.

The shareholders own the shares of the company which entitle the shareholders to a corresponding proportion of the profits of the company, provide voting rights in relation to important decisions for the company and provide an

capacity

A party to a contract must have legal capacity (the power legally to enter into it) for it to be enforceable. Vulnerable people such as children do not have capacity.

declaration of trust (in relation to a settlement)

A declaration of the trustee which sets out the terms upon which the trust assets are held and to which the settlor of the trust is not a party.

life interest trust

A trust where an individual (known as the life tenant) has an absolute right to enjoy the trust property or income arising from the trust property during their lifetime.

life tenant

A person who is entitled to benefit from the income of a fixed income trust during their lifetime.

trust property

The property which is held by the trustee on trust for the benefit of the beneficiaries.

member

A person who subscribed to the memorandum of association of a company or a person who has been allotted or acquired one or more shares in a company and whose name has been entered on to the register of members or shareholders.

shareholder

A person who holds legal title to one or more shares in a company.

director

A person appointed by the shareholders to be responsible for the management and control of a company, defined by the Companies Act 2006 as 'any person occupying the position of a director, by whatever name called'.

authorised share capital

The amount of share capital that the company is authorised by its memorandum to issue.

perpetual succession

This refers to the fact that incorporated bodies such as companies remain unaffected by the existence of their owners or controllers and will continue to exist until formally dissolved by law.

entitlement to any return of capital when the company if or when it is liquidated. Thus, and contrary to popular belief, a company is not owned by its shareholders.

The memorandum and articles of association set out the company's constitution. The memorandum of association set out the name of the company, whether it is a public company and the **authorised share capital**. The articles of association of a company set out the rights and obligations of the shareholders.

Companies offer a number of significant benefits for the shareholders. For example, with limited liability companies, the liability of the shareholders is limited to the amount that they have contributed for their fully paid shares or still owe the company in respect of any unpaid shares.

The concept of limited liability facilitates broad share ownership, which has significantly contributed to the ability of businesses to raise capital to fund major infrastructure investments, and business expansion projects, including mergers and acquisitions.

Companies also offer **perpetual succession**, meaning that a company will continue to exist in the event of the death of the shareholders or directors.

Most offshore companies are incorporated as limited liability companies.

The uses of companies incorporated in offshore centres include:

- ◆ holding assets such as property, yachts and aircrafts;
- ◆ holding intellectual property rights;
- ◆ holding investment portfolios;
- ◆ holding real estate;
- ◆ ring-fencing a risk in a particular company; and
- ◆ trading purposes.

Companies are discussed further in Part 7.

3.3 Foundations

Foundations have similar features to both trusts and companies. Foundations have a separate legal personality in the same way that companies do and can contract in their own name. Foundations do not have shareholders and are governed by a Foundation Council rather than a Board of Directors.

Foundations have become increasingly prevalent in offshore centres. While they have been used extensively in jurisdictions such as Panama and Liechtenstein for some time, they were only introduced in Jersey in 2009 and in Guernsey and the Isle of Man in 2013.

The benefits and uses of foundations include the following.

- ◆ Foundations appeal to clients involved with jurisdictions where the concept of trusts is less well known.
- ◆ Foundations do not issue shares and thus offer an enhanced level of confidentiality for ultimate beneficial owners.

- ◆ Foundations offer an enhanced level of confidentiality.
- ◆ Global charities may use foundations for making donations.
- ◆ Clients may wish to use foundations within commercial transactions, especially where an 'orphaned' special purpose vehicle is required.
- ◆ Foundations can be used for international structuring.
- ◆ Foundations are discussed further in Chapter 18.

3.4 Partnerships

A variety of partnership types are offered in offshore centres. General partnerships are not incorporated bodies and do not have a separate legal personality. Instead, they are a contractual arrangement between the individual partners who work together to make a profit. General partnerships have been available for many years.

Other partnership types, such as incorporated limited partnerships and separate limited partnerships are relatively recent developments. Limited partnerships are used extensively in some offshore centres.

Partnerships are discussed in more detail in Chapter 18.

Test yourself 2.2

State four uses of a company incorporated in an offshore jurisdiction.



4. Fiduciary services available offshore

Fiduciary and company administration business is a term that is used to describe the provision of:

- ◆ company incorporation and administration services required to maintain, govern and operate the company;
- ◆ establishment and administration services provided to foundations; and
- ◆ trustee or fiduciary services provided to various forms of trusts.

There are a number of trust company business services that may be provided by a trust company in an offshore centre.

4.1 Acting as a company, a partnership or a foundation formation agent

In some offshore centres (such as Jersey), companies may only be formed for non-residents by a person who is licensed to form companies under the law (e.g. a trust company).

The fiduciary services provider gives assurances to the Registrar of Companies that customer due diligence checks have been completed and that the

companies do not undertake any 'sensitive' activities unless they have been specifically authorised to. Sensitive activities are those which may pose a risk to regulators' need to protect the integrity of the jurisdiction or which may not be in the jurisdiction's best economic interests.

In some offshore centres, such as the British Virgin Islands, service providers make 'shelf' companies available. These are companies that have already been incorporated by the service provider and are instantly available. When approached for a **shelf company**, the service provider simply resigns themselves as directors of the company in favour of the person requesting a company and transfers any shares they hold.

shelf company

A company that has been incorporated by a service provider and therefore is instantly available for use.

reserved companies

A company that is incorporated by service providers and the Registrar of Companies is advised that the company will be transferred to a client within the next six months.

Jersey allows **reserved companies**. These are incorporated in advance, with the service provider advising the registry that the company will be transferred to a client within the next six months. At this point, the service provider must advise the registry of the identity of the **beneficial owner**.

4.2 Acting as, or arranging for another person to act as, a director or an alternate director of the company

Fiduciary service providers often provide individuals (or companies) to act as directors to client entities. The individuals are usually directors or senior members of staff of the service provider. It is common for the service provider or one of its wholly owned subsidiaries to be appointed as corporate directors of client entities. Individuals (or a committee of individuals) who are directors of the corporate director are usually authorised to sign on behalf of the corporate director.

The appointment of a corporate director (as opposed to the appointment of individuals) has some administrative advantages. There is increased flexibility for senior members of staff to sign documentation on behalf of a corporate director. If individuals are appointed as directors, any documentation could not be signed if those members of staff were out of the office on business trips, on leave or had left the employment of the organisation.

4.3 Acting as, or arranging for another person to act as, a secretary

In many jurisdictions, it is a legal requirement that a company has a company secretary. It is not uncommon for the trust company or one of its wholly owned subsidiaries to be appointed in this role. The company secretary often takes responsibility for signing important documentation on behalf of the company, such as its annual return or its tax return.

4.4 Acting as, or arranging for another person to act as, a shareholder or unit holder as nominee for another person

Companies are generally required to notify the Registrar of Companies of the name and address of its shareholders upon incorporation. Some jurisdictions require this information to be provided and updated annually. The identity of the shareholder therefore becomes a matter of public record.

In offshore centres, it is extremely common to issue shares to the service provider, who becomes the legal shareholder on behalf of an underlying beneficial owner. The service provider signs a short private document (a **declaration of trust**) within which they admit and declare that they are holding the shares for a beneficial owner absolutely. The beneficial owner could be the ultimate client or the trustee of an overlying trust with further underlying ultimate beneficial owners. In these circumstances, the trust company is referred to as a **nominee shareholder**.

4.5 Acting as, or arranging for another person to act as, a trustee

A fiduciary service provider is often appointed as the sole trustee of trusts that are settled by non-residents of the financial centre.

The service provider is usually appointed as trustee, although it is not unusual for other wholly owned subsidiaries of the service provider to be appointed. A service provider will typically have a trustee committee whose terms of reference provide for any two individual directors of the service provider to make decisions in relation to the day-to-day administration of the trusts and companies under administration.

4.6 Acting as, or arranging for another person to act as, a partner of a partnership

The services provided are similar to those described in section 4.2.

4.7 Acting as, or arranging for another person to act as, a member of a foundation council

In some offshore centres, the provision of a member of a foundation council is a regulated activity. This must therefore be provided by a regulated fiduciary service provider.

4.8 Providing accommodation, correspondence or administrative address for a company, a partnership, a foundation or any other person

Historically, a fiduciary services provider would provide an accommodation address from which it would forward mail to clients or keep it for them to collect. However, this has become less common in recent years due to developments in AML legislation and concerns over tax evasion. As a result, service providers in well-regulated offshore centres have either ceased the practice or seek to understand whether the client has a legitimate business reason for an accommodation address before providing the service.

4.9 Providing a registered office or business address for a company, a partnership or foundation

It is a legal requirement that every company has a **registered office** address, which is notified to authorities. The address notified to the Registrar of

declaration of trust

(in relation to a nominee shareholding)

A short document within which the trustee admits and declares that the shares are held upon trust absolutely for the beneficial owner and in which the trustee undertakes to deal with the shares as instructed by the beneficial owner.

nominee shareholder

A person who is the legal owner of a share and who holds the share absolutely for and on behalf of the beneficial owner.

registered office

The address of a company that has been notified to the authorities (as required by law) as the address to which legal notices can be sent.

Companies (the equivalent of the UK's Companies House) is usually that of the fiduciary services provider that has incorporated the company. Historically, the provision of a 'registered office only' service was seen as a low-risk service and was widely provided in offshore centres for a small fee.

However, fewer trust companies are willing to provide this service alone as regulation standards and money laundering awareness has increased, instead preferring to have full control over the entities under their administration.

4.10 Risk and service providers

The range of services provided affects the level of information to which the service provider is privy. Fiduciary services providers may find themselves providing a registered office for companies that are involved in undesirable activities with connections to high-risk or disreputable jurisdictions. Regulators in well-administered jurisdictions expect service providers to recognise and manage the risks involved and to take steps to ensure that sufficient information about the company and all ultimate beneficial owners is held.

Many service providers have ceased to provide registered office only services. Others have insisted that they are appointed as the secretary for such entities on the basis that they should be privy to additional information. In reality, the appointment as secretary is unlikely to guarantee that they will receive sufficient additional information if the directors are external. In any case, external directors could remove the secretary from its position at any time. Whenever a service provider provides limited services rather than the full range of administration services, there will be additional risks.



Making it work 2.1

Assa Limited

In December 2008, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) reported that Assa Limited, a Jersey company whose registered office was provided by a local trust company, was the parent organisation of Assa Corp, a shell company created and controlled by an Iranian government-owned bank, Bank Melli. It was reported that Assa Limited co-owned a 36-storey skyscraper in New York with Assa Corp, a New York entity. It was alleged that the rental income from the office building was repeatedly transferred to Bank Melli through Assa Limited, in violation of international sanctions to which Bank Melli was subject. There were no reports that indicated that any service other than the provision of a registered office had been provided from within the Island of Jersey. This case highlights the huge risk for reputational damage that the provision of a registered office can present to an individual service provider and to an offshore centre.

4.11 Unregulated services

While the above services may be regulated in the Crown Dependencies and some other offshore centres, they are not regulated in all jurisdictions. In addition, fiduciary and corporate service providers often provide additional non-regulated services. These may include:

- ◆ general administration;
- ◆ operating personal bank accounts for beneficiaries or settlors of trusts;
- ◆ preparing accounts for entities under administration; and
- ◆ providing authorised signatories.

Service providers in well-regulated jurisdictions may find that anti-money laundering regulations still capture such activities even if they are unregulated. Therefore, service providers may need to meet the requirements of those regulations when undertaking such activities.

5. Offshore insurance services

A wide range of insurance services are available from offshore centres. Offshore insurance sectors include:

- ◆ domestic insurance;
- ◆ international insurance; and
- ◆ insurance intermediaries.

International insurance includes:

- ◆ captive insurance;
- ◆ commercial insurance and insurance fronting arrangements; and
- ◆ international life and employee benefits.

Insurance businesses also offer products such as:

- ◆ after the event (ATE) insurance;
- ◆ captive insurance companies;
- ◆ credit insurance;
- ◆ professional indemnity insurance; and
- ◆ reinsurance and transformer cells.

5.1 Captive insurance companies

A captive insurance company is a subsidiary company (one owned by a parent company) formed to insure or reinsure the risks of its parent and/or associated group companies. In effect, the use of captive insurance allows the group to self-insure its risks.

Large companies will typically be faced with a broad range of significant insurable risks and may spend a great deal of money on insurance premiums and require a special type of cover not generally available from conventional insurers, so may set up one or more offshore captive insurance companies to address their specific portfolio of insurance needs.

A number of offshore centres promote the incorporation of captive insurance companies (e.g. Guernsey Finance, a joint industry and government initiative to promote the island's finance sector, claims that Guernsey is the leading captive domicile in Europe and is ranked fourth in the world). It claims that 40% of the leading 100 LSE companies that have established a captive insurance company have done so in Guernsey.

Captives are usually formed to provide alternative risk management solutions to that of the conventional insurance markets. Captive insurance companies generally retain a portion of the overall risk and reinsure the remainder. For example, a large public limited company (plc) that provides employees with permanent health insurance as a part of their remuneration package may set up an offshore captive insurance company into which it pays 'premiums'. Higher health risks would be underwritten and any claims would be paid out of this offshore subsidiary. The plc may benefit from interest generated on the excess funds invested, which would be taxed at a low or zero rate.

Advantages of offshore captive insurance companies include the following.

- ◆ Many offshore centres offer captive insurance companies. They can therefore offer a high level of expertise in dealing with captive insurance.
- ◆ Offshore centres offer a less bureaucratic supervisory insurance regime in some cases.
- ◆ A captive insurance company can be more cost-effective, as premiums charged by commercial insurers include amounts that cover their profit margin and overheads.
- ◆ Captive insurance companies can be used to cover common exclusions from usual insurance policies.
- ◆ Captive insurance companies offer flexibility (e.g. the captive insurance company can take advantage of low rates by reinsuring a relatively large proportion of its risks). The low cost of reinsurance allows a captive insurance company to build its reserve base. At other times, the captive insurance company can retain a larger proportion of its risks, maintaining cover for its parent even when commercial insurance is too costly.
- ◆ Captive insurance companies can make the claims process less bureaucratic and faster than if a third party insurer was involved.
- ◆ Excess net premiums over claims can be retained by the group when it experiences lower claims than expected.
- ◆ The captive can arrange the timing of premium payments to dovetail with the group's cash flow plans.
- ◆ Captive insurance companies may be able to provide cover that is not otherwise available, such as where a risk is too expensive to cover using a common insurance policy or in the case of unusual risks.

Captive insurance companies present disadvantages as well as potential advantages.

- ◆ The establishment of a captive insurance company involves a capital commitment of funds at the outset.
- ◆ The captive is exposed to claims arising and may make substantial losses. Risks should only be placed in a captive if a tolerable claims record is contemplated.
- ◆ An offshore captive insurance company involves the delegation by the parent company to the directors of the offshore insurance company. The parent company will therefore need to satisfy itself that the offshore company has qualified staff with sufficient expertise and recognition of exposure to risk.

Test yourself 2.3

State three advantages of establishing a captive insurance company.



6. Legal services available in offshore centres

Many offshore centres offer legal services. Law firms can provide independence to commercial transactions. They can also provide or facilitate comprehensive cross-border legal advice and provide a range of fiduciary services to HNWIs and corporate entities undertaking business.

Trustees often seek advice in relation to multi-jurisdictional structures. It is unlikely that a trustee would be familiar with the laws of every jurisdiction: therefore, it is wise for them to take legal advice in order to ensure that entities under their control do not break any foreign laws. It also ensures that any additional requirements are considered, such as exchange controls that may restrict the outflows of money when dealing with certain jurisdictions. The bodies responsible for promoting offshore centres will often state the number of first-tier law firms or multi-jurisdictional law firms that operate from within their location.

Offshore law firms are often licensed to conduct trust company business as a part of the legal services provided. Some do so only for specific reasons: for example, a law firm may deal with the formation of a company in connection with a property purchase, but otherwise it might operate a subsidiary company to provide fiduciary and corporate services or make referrals to a reputable third party fiduciary service provider. Law firms are often involved with estate planning. This involves passing wealth to a client's intended beneficiaries, such as the next generation of a family. A law firm would play a key part in ensuring that any structure is sufficiently robust to ensure that only the intended beneficiaries benefit and that any persons who should not benefit would have difficulty challenging the established arrangements.

It is common for law firms to be consulted by settlors and fiduciary services providers when trusts are established and they are often involved in the preparation of trust deeds. Law firms are also consulted throughout the life of a trust – for example, when a deed of addition of beneficiary (or exclusion) is required, or when varying the terms of a trust.

Some law firms have franchise or licence arrangements with fiduciary services providers whereby they provide the trust company with template documentation on an annual basis, allowing them to use it free of charge or for an annual fee. The trustee is more likely to contact the law firm that provided the documentation should a future legal issue ever arise.

Law firms will also give advice in relation to complex structures and strategies, such as when planning captive insurance companies or when listing a company's shares on a stock exchange or for corporate mergers and acquisitions.

Law firms are often consulted in connection with the registration of assets such as ships, yachts, aircrafts and trademarks or other intellectual property. It has become more common for law firms to provide briefings, free seminars and technical updates to the financial services industry, This helps keep finance professionals informed and promotes the services of the law firm.

7. Tax compliance and tax planning

Offshore trust companies rarely provide tax advice or tax planning services, although some do have in-house advisers. Instead, tax advisers are usually stand-alone businesses or form a part of a legal or accountancy firm. A local tax planning firm with international reach and particular expertise of the onshore jurisdictions that has close links to the offshore centre are particularly useful to offshore service providers.

Offshore taxation services fall into two broad categories: tax planning and tax compliance.

7.1 Tax planning

Tax planning as part of an organisation's overall business strategy involves the avoidance of tax risks while benefitting from legal opportunities to minimise tax liabilities.

Tax planning includes the review of a person's financial affairs and is an essential element of any estate planning. Many of the trust company business products discussed in section 3 of this chapter may be used as a part of a person's tax planning arrangements. Professional tax management involves the monitoring of each major corporate transaction – such as mergers, acquisitions and the purchase of assets – and identification of tax implications from an early stage.

Tax services for investment funds cover a wide range of activities, including:

- ◆ advising on the initial structure of funds and managing tax residence and permanent establishment issues;

- ◆ advising on interpretation and reaction to tax legislation from all over the world;
- ◆ obtaining clearances or ruling from tax authorities on behalf of funds;
- ◆ preparing tax reportage for fund investors;
- ◆ providing guidance on how to make tax-efficient investments into many different jurisdictions; and
- ◆ handling any tax compliance obligations.

7.2 Tax compliance

Tax compliance involves the preparation of tax returns for individuals and entities or the provision of information to tax authorities. Offshore tax compliance services may involve assisting clients of service providers who are the subject of a tax investigation or assisting clients to take advantage of disclosure facilities such as the Liechtenstein disclosure facility.

Many offshore entities have no tax to pay from within the offshore centre as they are exempt or taxed at a zero rate. Therefore, it is not always necessary to involve a tax adviser in the preparation of the local tax return, as this may simply involve confirming that there are no locally resident beneficial owners or local assets or income (usually with the exception of local bank interest) connected with the entity.

While offshore centres typically provide local tax neutrality, the non-resident clients who make use of offshore financial products, entities and structures must disclose their use of these services to the relevant domestic tax authorities because it would be illegal to evade tax deliberately by directing capital or revenue flows to offshore locations. Onshore governments are increasingly focussing on ways to minimise the use of offshore centres to avoid tax and have closed many formerly legitimate loopholes in their tax laws so that they are able to capture more tax revenue domestically.

The USA introduced FATCA to capture international tax information for US citizens wherever they reside globally. There has also been international cooperation in recent years to coordinate the extensive automatic exchange of tax information by introducing CRS across the OECD member countries, including many offshore centres, so that tax authorities are automatically informed of foreign products and services including trusts, offshore companies and other entities and structures used by their residents.

Test yourself 2.4

State two ways in which legal services may be used within the offshore business environment.



8. Investment management services

The offshore investment business sector includes the management, administration and custody of open- and closed-ended collective investment funds, as well as discretionary and non-discretionary asset management.

Stockbroking, the provision of investment advice and performance monitoring may also be provided from within offshore centres.

A collective investment fund is one where investors pool their capital within a single fund for the purposes of investing to meet a defined investment objective. The fund will typically appoint a specialist investment manager, the fund manager, to select the investments of the fund and to apply any investment restrictions required by the fund or the investors. Where there are many investors, there may also be a separate fund administrator engaged to manage the fund legal structure and the process of investing into the fund, and a fund custodian is usually engaged to hold and administer the investment assets of the fund independently of the fund manager and fund administrator.

8.1 Fund management, administration and custody

Fund management involves the professional management of the assets of funds. Offshore centres have been popular locations for collective investment schemes for many years. They are also popular choices for private funds for institutional and professional investors. As a result, there are many fund managers and other investment professionals in offshore centres.

Traditionally, funds have been established as either open-ended or closed-ended investment companies or as unit trusts. Some offshore centres are known for their specialised private investment funds, hedge funds and other alternative investment funds designed for expert investors, and these funds may include the use of PCC, ICC or SPC companies as the basis of their legal structure.

Retail funds including unit trusts or open-ended investment companies start off with a pool of cash from a number of investors. A professional fund manager invests the pool with the intention of providing a better return than the individuals could achieve if they were to make an investment themselves.

The funds are invested in accordance with the fund's particular objectives. Units or shares in the funds are issued to the investors in proportion to the amount invested.

The fund manager's responsibilities include selecting, buying and selling investments, calculating the value of the fund (daily in many cases) and may include issuing units to new investors or buying units back at the unit prices.

In managing the fund, the fund manager must observe the investment objectives and restrictions of the fund, and is expected to carry out due diligence on any investments that are selected for acquisition by the fund.

The fund manager will also issue periodic reports to all unit holders covering the fund's activities and current investments.

Where a fund administrator is appointed, it will establish and maintain the legal entity of the fund, including submitting regulatory and tax reporting. The fund administrator will also control subscriptions into the fund and redemptions from the fund, maintain investor accounts and issuing contract notes and statements and deal with general investor queries. The fund administrator will also be responsible for carrying out customer due diligence on investors and managing the anti-money laundering and sanctions risks of the fund.

The investments of the fund are normally held independently of the fund manager and fund administrator by a separate fund custodian, usually a large or reputable bank who provides security and controls over the investments of the fund and the movement of cash within the fund, ensuring that the interests of the fund and investors are protected.

8.2 Portfolio management services

Private portfolios are managed for the benefit of one individual or entity. Many trusts and companies hold investment portfolios that are professionally managed by an investment (or portfolio) manager.

Portfolio managers often specify a minimum sum that they are willing to manage on behalf of any particular client. Portfolio managers who provide services to clients of trust companies may allow lower minimum investments owing to the relationship that they have with the trust company. Portfolio valuations and reports are typically produced for clients on a quarterly basis. A more personal service may be provided for wealthy clients with reports produced on a more frequent basis.

There are three types of portfolio management services available. These include execution-only, advisory management and discretionary management.

Execution-only

Investors may deal through a broker on an 'execution only' basis if they know which securities they want to purchase or sell. Customers who deal on an execution-only basis are not given any advice by the firm when they make investment decisions. The only responsibility of the firm is one of 'best execution' – implementing the customer's investment decisions at the best price available.

Advisory management

Advisory customers are those to whom the firm provides advice and investment management services. However, the customer always makes the investment decisions.

Discretionary management

This service involves the customer empowering the investment manager to exercise discretion regarding the buying, retaining and selling of investments in order to meet the client's objectives. Offshore trustees or companies most commonly appoint an investment manager on this basis as they may not necessarily have the skills to manage an investment portfolio themselves.

The appointment of an investment manager on a discretionary basis does not absolve trustees or directors of their duties to monitor the investments.

It is common in offshore centres for corporate service providers to appoint independent consultants to review investment portfolio performance upon receipt of portfolio valuations. This offers some additional comfort that the portfolio is being managed properly.



Test yourself 2.5

State three types of portfolio management services available.

Portfolio planning

The following is a non-exhaustive list of factors that should be considered when planning an investment portfolio.

- ◆ The accessibility of the investment. Some clients may need to be able to access the funds at relatively short notice or in the case of an emergency.
- ◆ The client's attitude to risk.
- ◆ Ethical investment requirements.
- ◆ Family circumstances – for example, whether there is a dependent child or spouse to provide for.
- ◆ Income or capital growth requirements.
- ◆ The client's investment time horizon.
- ◆ Sufficient protection against inflation (e.g. cash does not usually form a large part of an investment portfolio for significant periods of time).
- ◆ The tax efficiency of the investment portfolio.

Asset allocation

Investment portfolios usually include an element of cash, fixed-interest securities and equities to spread the investment risk. The proportion of the split between these elements will reflect economic factors and each client's circumstances and requirements such as attitude to risk. The investments will usually be made across a range of jurisdictions, industries and possibly currencies. Investment managers should aim to achieve the maximum return while taking as little risk as possible.

Cash

Cash forms an important part of any portfolio because it provides:

- ◆ funds to meet expected expenditure (such as trustee fees);
- ◆ funds to meet extraordinary expenses;
- ◆ a fund that can be used to take advantage of market opportunities as they arise; and
- ◆ a shelter during times of significant volatility.

Fixed-interest securities

As the name suggests, fixed-interest securities pay a fixed amount of income. When interest rates go up, the capital value of fixed-interest securities falls. Fixed-interest securities usually provide a higher rate of return than cash.

Equities

Equities are usually the most volatile elements of a portfolio. However, they also provide the greatest potential for capital growth over the long term. Equities are usually spread over a range of geographic locations and industries, providing diversification and reducing risk.

Chapter summary

- ◆ The offshore financial services sector typically offers: insurance services; investment management services; legal services; tax planning and compliance services; and fiduciary and administration services relating to trusts, companies and other entities.
- ◆ Offshore trust company business products include companies, foundations and partnerships and trusts.
- ◆ Fiduciary business services include: acting as a company or partnership formation agent; acting as a director, secretary or nominee shareholder; acting as a trustee or partner or a member of a foundation council; and providing a registered office or administrative address to a company, partnership or foundation.
- ◆ A fiduciary services provider will face additional risks whenever it provides limited services, such as only providing a registered office.
- ◆ Offshore insurance services usually offer a wide range of insurance products such as ATE insurance, reinsurance and captive insurance companies. Captive insurance companies provide self-insurance cover to large commercial Groups and represent an alternative risk management solution to the conventional insurance markets.
- ◆ Offshore legal services include the provision of legal advice in connection with: simple and complex structures; as a part of a person's estate planning involving trust company business products; when planning insurance strategies such as captive insurance companies; or when listing a company's shares on a stock exchange.
- ◆ Offshore taxation services broadly fall into two categories: tax planning and tax compliance. Tax planning involves the avoidance of tax risks and benefitting as much as possible from legal opportunities to minimise taxation liability.
- ◆ Investment management services offshore include fund management – often in relation to collective investment schemes – or private portfolio management services on an execution-only, an advisory or a discretionary basis.

- ◆ Portfolio planning involves the consideration of a number of factors about the investor, such as accessibility of the investments, attitude to risk, capital or income requirements, family circumstances and taxation consequences. Portfolios usually contain an element of cash, fixed-interest securities and equities.

Test yourself answers

Test yourself 2.1

The relationship between a trustee and a beneficiary is an example of a fiduciary relationship.

Test yourself 2.2

Four uses of a company incorporated in an offshore jurisdiction are:

- ◆ holding assets such as property, yachts and aircrafts;
- ◆ holding intellectual property rights;
- ◆ holding real estate; and
- ◆ trading purposes.

Test yourself 2.3

Three advantages of establishing a captive insurance company are:

- ◆ Many offshore centres offer captive insurance companies. They can therefore offer a high level of expertise in dealing with captive insurance.
- ◆ In some cases, offshore centres offer a less bureaucratic supervisory insurance regime.
- ◆ A captive insurance company can be more cost-effective, as premiums charged by commercial insurers include amounts that cover their profit margin and overheads.

Test yourself 2.4

Ways in which legal services may be used within the offshore business environment are:

- ◆ law firms can provide independence to commercial transactions;
- ◆ law firms can provide comprehensive cross-border legal advice and fiduciary services to HNWIs and corporate entities undertaking business; and
- ◆ offshore law firms are often licensed to conduct trust company business.

Test yourself 2.5

Three types of portfolio management services are:

- ◆ advisory management;
- ◆ discretionary management; and
- ◆ execution-only.

Sample exam paper



International Finance and Administration

Adapted from the November 2018 exam paper

Section A

Answer **all** the questions in this section.

Continue your answers on the continuation sheets at the back of the booklet, if necessary.

- 1 What is a progressive tax system? (1 mark)
- 2 What is the difference between a personal cheque and a banker's draft? (1 mark)
- 3 The 14 British Overseas Territories (BOT) are territories under the jurisdiction and sovereignty of the United Kingdom; they are the parts of the former British Empire that have not been granted independence or have voted to remain British territories.

Is this **true** or **false**?

(Tick **one** box only)

 True
 False (1 mark)
- 4 Which of the following is **not** an operational objective of the Financial Conduct Authority?

A Consumer protection
B Integrity
C Low pricing
D Competition (1 mark)
- 5 What is meant by the term 'perpetuity period'? (1 mark)
- 6 What do pre-emption rights mean to existing members of a company? (1 mark)
- 7 In the context of the incorporation of a company, what is a 'statement of compliance'? (1 mark)
- 8 What role does a guardian generally perform in respect of a foundation, where one is required? (1 mark)

- 9 Give **two** disadvantages that large international companies may experience after setting up an offshore captive insurance company. (2 marks)
- 10 Which one of the following is **not** one of three certainties required for a trust to be valid when established?
A Object(s)
B Capacity
C Subject
D Intent(ion) (1 mark)
- 11 Describe the Paym payment system. (2 marks)
- 12 Name **two** of the four possible equitable remedies that a court might award in a breach of contract case. (2 marks)
- 13 Give **two** examples of when the Prudential Regulation Authority might utilise a judgement-based approach to regulation and supervision of the businesses it is responsible for. (2 marks)
- 14 Name **two** purposes for which a charitable trust might be established. (2 marks)
- 15 What is a 'special purpose vehicle'? (1 mark)

Total for Section A = 20 marks

Section B

Answer **all** the questions in this section.

Continue your answers on the continuation sheets at the back of the booklet, if necessary.

- 16 Explain what is meant by:
(a) Offshore centre (3 marks)
(b) Tax haven (3 marks)
(Total: 6 marks)
- 17 Current accounts have a number of features. List **six** features a current account would usually offer. (6 marks)
- 18 Explain the **three** main stages of the traditional model of money laundering. (6 marks)
- 19 Explain how a trustee might justify refusing to provide information requested by a beneficiary. (6 marks)

- 20 Outline the role of the chairman, in a meeting of the board of directors of a company. (6 marks)
- 21 A company administrator's role will often include the preparation and submission of company formation documentation to the Registrar of Companies. Outline **four** aspects of this role. (4 marks)
- 22 Outline the features of a Limited Partnership (LP). (6 marks)
- 23 Explain the typical format of a trust deed or instrument. (6 marks)
- 24 Explain how a Limited Liability Partnership (LLP) and its partners are assessed for taxation purposes in the UK. (4 marks)

Total for Section B = 50 marks

Section C

Answer **two** questions only.

Continue your answers on the continuation sheets at the back of the booklet, if necessary.

- 25 Discuss why the Financial Services Authority (a predecessor to the Financial Conduct Authority) introduced the Retail Distribution Review (RDR). Include in your answer three separate ways RDR was intended to address the causes of 'problems', in relation to the provision of advice to the retail investment market. (15 marks)
- 26 The effectiveness of any statute depends to some extent on the interpretation given to it by the courts, especially where the wording of the statute is ambiguous. As a result courts have developed a number of basic principles of statutory interpretation which, although referred to as rules, are instead different approaches to statutory interpretation.
- Explain how the four main general principles might be applied by a court. (15 marks)
- 27 Nigel, a potential client, who is both UK resident and domiciled, is considering settling a trust. He has told you that he is in his late 80s and in worsening health. The potential trust will be endowed with the majority of his UK assets.
- Prepare a letter to Nigel discussing the rules relating to potential inheritance tax (IHT) charges (both immediate and those arising at pre-determined intervals) that currently apply, after a lifetime gift or transfer has been made to a trust that exists to restrict tax avoidance. In your letter, explain how matters would differ if Nigel was non-UK resident and domiciled and possessed non-UK situs assets. (15 marks)

Total for Section C = 30 marks

Section D

Answer **two** questions only.

Continue your answers on the continuation sheets at the back of the booklet, if necessary.

- 28 Often those who promote the use of trusts focus on the advantages the use of a trust can offer. Many Business Development Directors are very skilled in this regard. There are inevitably also disadvantages which should be considered fairly and constructively, to allay any fears.

Analyse the disadvantages that a settlor may face in utilising a trust.

(15 marks)

- 29 Recent accounting scandals have featured criticism of auditors.

Discuss the difficulties that auditors face in fulfilling their duties and explain their rights.

(15 marks)

- 30 You work for an offshore service provider (OSP) and one of your clients has come to you in confidence to discuss some concerns they have about a board meeting they attended not being properly convened, including failure to circulate relevant documents such as agendas and minutes.

They explain that the agenda and supporting documents were not circulated prior to the board meeting and the minutes were very brief and did not reflect the matters discussed.

Advise the client on what would be the consequences for the directors of a company given the failures listed above and what implications this would have for the company's activities.

(15 marks)

Total for Section D = 30 marks

Total for paper = 130 marks

Tuition options



Tuition partners

The IFA Level 4 qualifications can be studied independently, or with the support of a tuition partner. Our partners provide tuition through face-to-face and online/ distance learning. Our recommended tuition partners, denoted by 'R', are required to regularly demonstrate that they meet the Institute's expectations with regards to enrolment and exam performance.

Registered partners		
	Face-to-face	Online
Global distance learning partners	Y*	Y
BPP Professional Education, Jersey R	Y*	Y
BPP Professional Education, Guernsey R	Y*	Y
Campbell's College R	Y*	Y
First Intuition, Guernsey R	Y*	Y
First Intuition, Jersey	Y*	Y
UK		
Campbell's College R	Y	Y
British Virgin Islands		
Financial Services Institute at H Lavity Stoutt Community College	Y	N
Channel Islands		
BPP Professional Education, Jersey R	Y	Y
BPP Professional Education, Guernsey R	Y	Y
Chapter One, Jersey R	Y	Y
First Intuition, Guernsey R	Y	Y
First Intuition, Jersey	Y	Y
Isle of Man		
Manx Professional & Educational Services Limited (MPES)	N	Y
Ultratech Associates	Y	N
Jamaica		
Jamaica Stock Exchange	Y	Y
Mauritius		
Pronumeris Training Centre	Y	Y
Sagittarius	Y	N
The Gambia		
GFS Business Development	Y	N

Discover more: cgi.org.uk/rtp

*Face-to-face services are only offered in specific locations.

How to register



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Discover how qualifying in governance, or training those in your organisation, can help to build your company's resilience and success.

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