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Offshore centres gain from new EU onshore rules

By the end of 2007 all EU member states must incorporate the Third EU anti-money laundering Directive into their national law. Jersey got there in 2001!

A new EU directive preventing terrorists and other criminals from using the international financial system will impose on the EU's onshore finance centres the high levels of care that are normal practice in Jersey.

For example, financial businesses – including trust and company service providers – must identify and verify the identity of customers and beneficial owners (*Article 7*). While Article 32 requires member states to license or register trust and company service providers – and reject any individuals who are not “*fit and proper*”.

Jersey is years ahead of the EU.

The Island's independent Financial Services Commission introduced registration and licensing in 2001.

Key Trust was one of the first to receive a full licence under Jersey's Trust Company legislation. Similarly, the new Directive's demand that trust companies identify

beneficial owners is standard practice for licensed companies like Key Trust.

One benefit of these new rules is that they will help us to cut out red tape, making it faster and easier to accept from our professional partners, new customers “*whose identification has been carried out elsewhere*” (*Directive, paragraph 20*). With onshore centres forced to take the same care as offshore centres, we will be able to use a form of introduction that avoids, in the EU's words “*repeated customer identification procedures, leading to delays and inefficiency in international business*”

This will eliminate having to wade through acres of account-opening compliance documentation – and come as a relief for law-abiding citizens who simply want high quality services delivered professionally in a more secure financial world.

*They protest too much –
comment by Brian Clarke, page 2*



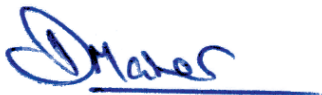
Letter from the Editor

This issue of KeyMail is edited by Dionne Maher, Manager of Key Financial Reporting

Change is here to stay!

Many factors drive change - in every industry. The underlying reasons might be new regulations, or social change, the drive to push costs down or simply clients' demand for higher levels of service. Running a successful financial service business means responding to all these pressures. So we report (*page 5*) on our client satisfaction survey, designed to make sure we are keeping up with your expectations. On page 6 we present our new business, Key Financial Reporting, which will help our professional partners meet their obligations while keeping costs down. And on page 1 we reveal how our onshore counterparts throughout the EU will have to change the way they do things in order to comply with new regulations.

At Key, we believe all this is good. Call it evolution, innovation or improvement, it's the way individuals and society alike change for the better. After all, it's the reason why Key Trust exists: because we believe there's a better way to deliver quality service – and you, our clients, endorse that.



They protest too much

As we report on page 1, the Third EU anti-money laundering Directive is on its way – and already some of the UK's legal eagles are hoisting distress flares.

The International Bar Association protest it will place “*an onerous and disproportionate burden*” on law firms – which should, apparently, be exempted from some of the requirements such as customer due diligence rules. What next? Remove the obligation to tell the truth in court? A leading member of STEP, the Society of Trust and Estate Practitioners, complains that the whole thing is driven by “*international consensus*” rather than national needs – as if money laundering and its attendant evils such as terrorism financing were mere local difficulties.

Jersey has been through all this and come out on top. We and other leading offshore financial centres were the first to meet international pressures for stricter regulation. Devout procrastinators will always want longer periods for consultation and implementation to be delayed beyond the visible horizon. And yes, it may seem cheaper not to invest in proper systems, record-keeping, controls and training. But it's a false economy.

As one of the first Trust Company businesses to be licensed by the Jersey Financial Services Commission, we can show that compliance – requiring complete client identity documentation, for example – has helped us build a sustainable and resilient business. It works both ways, for our clients know who we are, too, and trust us to look after their interests with integrity and probity.

The groans from London entitle us to ask: why would any reputable adviser recommend a client to use an unregulated entity when sound planning allows use of a Trust, Company or Foundation provided and administered from a well-regulated jurisdiction such as Jersey?

Brian Clarke





Defining the essence of the Key Group

An Interview with Brian Clarke,
Key Group's Managing Director

How would you sum up 2005 from Key's point of view?

Incredibly exciting – for two reasons: first, we fully achieved our budget forecast. While some of our new business gained came from unexpected sources, the overall result was almost exactly as projected. Second, achieving our forecast results meant that we could implement plans to expand our business.

In January 2005 we took on and refurbished new bigger premises, moving in at the beginning of April. At first, having five times more floor area almost felt too spacious. But three additional senior people have now joined us, and that makes for a very comfortable fit. We still have space to add another four people.

Why has Key been more successful than many other fiduciary firms?

Three main factors. Historically, quality has been fundamental to everything we do, with the result that we do not lose clients. Next, our unique business model is based on genuinely personal service with total transparency, in particular as to fees. We define what is needed to deliver the service and quote a fixed fee for doing the work. The outcome is a fee contract agreed in advance, so our clients get what

they want, with no unpleasant surprises. Time charging or charging a percentage of assets are, frankly, forms of stealth tax that is quite inappropriate for a fiduciary. The third element is that we recognise our high-value private clients' complex administration situations need expert attention. Therefore, we do not employ juniors. Instead, every client has a senior administrator, usually at director level, who personally carries out the administration for the client.

These differences mean that when our professional partners transfer clients to us from other firms, we often hear that our services are like *"a breath of fresh air"*.

The fiduciary profession is said to be facing challenging times. What are your views?

Looking at things from the clients' perspective, they want diversity and specialisation. The days of a big firm trying to do everything are over. We are in the age of the specialist independent who seeks out the best of the best for each client. Having significantly greater wealth means clients can take advantage of investment positions and diversification that are not feasible for the mass affluent market, which in any case mainly benefits

the institution rather than the investor! Our knowledge network allows us access to a fine range of specialists and we are able to add genuine value to the client relationship. Furthermore, the legislative pressures that were forced on the offshore jurisdictions have made them superior to their onshore counterparts.

To sum up, we are raising the quality of what we do and diversifying our range of services.

What do you think defines the essence of Key?

Three characteristics above all: a commitment to delivering timely and fair value services to our clients; the priority of maintaining client relationships delivered by senior experienced personnel; and a focus on working in partnership with leading professional advisers from major firms to deliver high-quality services to clients anywhere in the world.

These principles distinguish everything that the Key Group does. They give our business steady growth momentum that is encouraging for our people and satisfying for our clients.



Richard Poingdestre



Tina Franklin



John Perkins



Matthew Machon

Key people

Promotions

The third person ever to join Key Trust was **Richard Poingdestre**, who came to us after some 12 years at SG Hambro. Richard was very soon appointed an Associate Director, and as many of you will know, he does a superb and conscientious job looking after client administration. In recognition of this, we are delighted to announce that Richard became a Director and full Board member in July 2005.

A more recent joiner, **Tina Franklin**, has been with us for some 2 years – during which time she has been steadily progressing towards full ACCA status. Now that Tina is half-way through the examinations process, we are pleased to recognise her achievements by promoting her to Manager with special responsibility for the production of annual financial statements on all our engagements.

Arrivals

When Brian Clarke, Key Group's Managing Director, was working in the Trustee Department of a Merchant Bank in the 1970s he noted that one of the best-run

sections was under the supervision of **John Perkins**. Some twenty-five years later they are working together again. John joined the Board of Key Trust in July 2005, with special responsibility for administration and business development. Previously a Director of Equity Trust, John brings a wealth of experience, and further strengthens our continuity planning.

We are also delighted to welcome **Dionne Maher**, who joins us from Geneva where she was with JP Morgan. Dionne, who has 18 years' offshore experience, is heading up our new business, Key Financial Reporting – which delivers expert back-office support to firms providing fiduciary services.

Matthew Machon joined us in early 2005 as an Administration Manager working alongside Richard Poingdestre to further strengthen the administration team. With some 10 years' experience, he holds the Society of Trust & Estate Practitioners Diploma in Trust Administration.

Our new website

Sharing knowledge is fundamental to the way we provide our services.

As our Clients' Charter of Rights states: *"We will clearly explain, report and inform our clients in all we do. We invest time and effort to ensure our personnel have extensive industry knowledge and share this information with our clients."*

Our new website demonstrates this principle in action. You will find it packed with useful content and easy to navigate. We invite you to see for yourselves by visiting www.key-trust.com

If you would like us to add specific topics in future, please let us know via the website's contact page.



Your views on our performance

At Key Trust we believe the best way to ensure we deliver on our promise of timely and fair value services is to ask you, our clients, what you think.

So in spring 2005 we sent a questionnaire to every client by post – gaining an exceptional response rate of 35%. Market research specialists describe this as “quite remarkable” and “well above average”. It is also immensely helpful because it provides meaningful results. Your response enabled us to donate £1,000 to the Jersey Re-Build Sri Lanka Fund on our clients’ behalf – see next article for more about this.

We are quietly pleased that your responses show we are getting most things right. You gave us 94% or higher positive ratings on every question – up to 100% performance on overall evaluation. It is particularly gratifying that 100% of respondents said they would be happy to recommend Key Trust.

We also asked you to state where we could improve our service. Your single most frequent comment was that – despite telecommunications and email – you would prefer more face-to-face meetings. We are responding positively, as you would expect.

Our new client acceptance procedure will in future include “How often would you like a meeting?” For existing clients, we will put the same question in the covering letter with their next annual Financial Statements and Report.

The other issue was a request for more frequent reporting. Our policy is to have all clients’ accounting records up-to-date within 2 weeks of each month-end. So frequent reporting is in effect already available on demand. But if you would like reports at shorter intervals, please let us know.

On the subject of reporting, during the next 12 months we will be introducing encrypted reporting by email for those clients who would like this. More details about this new service will be available in our next Newsletter.



Kirinda Nursery School

A new charity

Fiona Willing (Brian’s P.A.) was in Sri Lanka when the 2004 Boxing Day Tsunami struck. On her return to Jersey in January 2005, she and a group of friends formed the ‘Jersey Re-build Sri Lanka Fund’.

Fiona is the Charity’s Secretary. To date they have successfully raised approximately £20,000, and concentrate their efforts on projects in remote areas that receive less help from the Government. Their first completed project was the re-building of a school in Kokkilai, in north-east Sri Lanka. Their second project, a nursery school for 120 children in Kirinda, south-east Sri Lanka, where 13,000 lives were lost, is now complete (*see photo above*).

Key Trust is delighted that our people become involved with this sort of activity and we have been pleased to donate £1,000 to the Charity. We believe it is worthy of support not only because it concentrates on areas that are not otherwise getting any help, but also because it involves Sri Lankan people in the work, whose local expertise maximises the value of the Charity’s projects.

For more details contact fiona.willing@key-trust.com

Key Financial Reporting Specialist services for fiduciaries

Proactive protection for professional trustees

KFR's comprehensive investment monitoring service provides the protection that professional trustees need against claims following poor investment performance – even when the work was delegated to an independent investment manager.

KFR's investment monitoring service evidences proper care. It covers the written Policy Statement that guides the Investment Manager, together with specialist evaluation of the investment performance: from comprehensive portfolio monitoring to asset allocation, diversification, performance against benchmarks, the quality of holdings, volatility and analysis of the risk taken to achieve the returns.

Timely Accounting and Financial Reports

Bookkeeping is the bedrock of good administration, yet it is so often the poor relation, trailing the administrator's other work. Outsourcing the bookkeeping recovers the situation. Volume surges, scalability and cost of the support services cease to be problems when the work is contracted to KFR.

For more information about KFR's services, please contact Dionne Maher, Manager of Key Financial Reporting: dionne.maher@key-trust.com, telephone +44 (0)1534 630500.

Operating model

