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Professional, Confidential, Trustworthy and Friendly
GCSL - We are here to CONSULT and Serve You!



JACK'S CORNER

It is all 'bout the people: As GCSL celebrates its first year anniversary (see story and photos below), I am in a reflective mood sitting in our Bulgari Bali villa overlooking the Indian Ocean and recovering from Marina's spectacular five course "Sweet 16" Birthday Italian dinner with three of her...well, my...favorite friends - Mssrs. Dom, Montrachet and Gaja! Quite an evening (even better story and photos below). Quite a year. We started in Hong Kong with 11 good folk, who had worked together as a team for many years, and we now have 15...rumor has it I will be evicted soon to make way for more! Anguilla, Belize, Cook Islands, Samoa, Singapore and Shanghai rushed in pretty quickly with our own offices (not just licenses, albeit we now have 7 registered agent, trust and insurance management licenses) and dedicated staff (you know, the people who work for you full-time to make sure things get done for your clients). Nevis will open in June. GCSL now has seven (soon to be eight) thriving offices, approximately 40 full-time staff, approximately 2,000 structures (companies, trusts, foundations, captives, funds and other special purpose vehicles) and a lot of good memories of a whirlwind 12 months! Sitting here watching the wind blow, I realize what I always knew - it is all 'bout the people. To all my "kids" (staff), partners, clients, fiduciaries, bankers, lawyers, accountants, regulators, government officials, Butch, Spike, Gina, Popeye and Caesar (our dogs), office management and other service providers...I want to give my heartfelt, yippee, OkeyDokey thanks to all of you. Year 1 was a blast. Year 2 will see GCSL rockin' the globe, providing a cost-effective and friendly service to our clients, assisting the industry by managing the Asia Offshore Association (see story below about Ho Chi Minh City in October), speaking out about the wrongs we see in the industry (improper "transfer fees" imposed by service providers who just can't compete), saying good things about fiduciaries doing good things for themselves and their clients and generally having fun! I feel like I am 20 something again so be ready y'all because, as the song goes, "you ain't seen nothing yet"!

Onwards and upwards...



GCSL NEWS

1ST YEAR ANNIVERSARY WAS ALL SMILES, LAUGHS, SPICY FOOD AND WINE...JUST FOR A CHANGE 😊

An evening of private dining with spicy Sichuan fare and free-flowing wines set the stage for GCSL's 1st Year Anniversary Celebration. The evening became more fun as Karen, Jacqui, Susan and everyone else passed on finishing the last two bowls of some mouth-burning dish, sauce and all...despite a fairly large cash offer to the victor from Johnson and Tony. Smart ladies as not even Jack would take up the offer!!! No matter;Koutstanding ladies and gents, outstanding!!!



HAPPY SWEET 16TH, MARINA

Marina and I arrived at The Bulgari Bali (www.bulgariresorts.com) Friday afternoon after a typically pleasant flight on Cathay Pacific. Four days, a beautiful villa overlooking the Indian Ocean, ten hours of massages, excellent Italian and Indonesian food, an ocean of fine wines, great workouts and painful yoga... check out the photos ...they try, but do not do justice to this special place on the planet!

JACK VISITS GCSL SHANGHAI

Jack made a quick visit to Shanghai to say hi to Johnson and a few of our clients and colleagues. Things are happening at GCSL Shanghai. 😊



GCSL SAMOA GAL IS SPORTY!!!

Our very own Kuini Moberg will be officiating for the Samoa Swimming Federation during the South Pacific Games. She will be participating in the Opening Ceremony, all of the swimming events (August 27 - September 1, and September 3), and the Closing ceremonies. If we know Kuni;Kand we do;Kthen we are confident her contributions will be extensive;Kparticularly at the closing ceremonies where she will display her excellence at the fine art of 8 ounce curls 😊

AOA HO CHI MINH CITY, OCTOBER 31 TO NOVEMBER 2, 2007

The Asia Offshore Association is revving up its truly Vietnamese cycle-rickshaw for our next conference to be held at The Sheraton Saigon in Ho Chi Minh City from October 31 to November 2, 2007. We are especially honored to have Marshall Langer, an internationally renowned tax expert and member of The AOA Wise Men Committee, as our Keynote Speaker. We also are pleased to have AOA Global Advisory Committee Members Tran Anh Duc (Vietnam), Eric Baier (Austria) and Josh Bennett (USA) speaking on matters relevant to Vietnam and the international arena. We equally are excited to have Brett Ashton (Savills Vietnam) speaking about the booming Vietnam property market. The AOA Executive Committee has decided to have a "Trick or Treat" Opening Cocktail with special young guests from the Christina Noble Ho Chi Minh City Orphanage. Please visit www.asiaoffshore.org to learn more about AOA Ho Chi Minh City - Back to Saigon.

AOA WWW SITE

The Asia Offshore Association is back online with a new look, new functionality, new Executive, Global Advisory and Wise Men Committees. The new Members Only section will be sure to please as it will include articles, country updates and more for our loyal members. Please visit www.asiaoffshore.org for a browse!!! And smile as you no doubt conclude that "Jack's secret weapon" (aka Marina) is the true brains and heart behind the AOA and its new WWW site.



USA UPDATE

PRE-IMMIGRATION TAX PLANNING

Foreigners legally resident in the U.S. ("Resident Aliens") are taxed like U.S. citizens, subject to income tax on worldwide income. Resident Aliens are also subject to U.S. gift, estate, and generation-skipping taxes, but they are denied significant tax exemptions otherwise available to U.S. citizens. Examples include a nominal estate tax exemption for gifts to a surviving non-citizen Spouse and a \$100,000 gift tax exemption, rather than the unlimited exemptions afforded to Citizen spouses. Joint tenancy property held by non-citizens receives disadvantageous estate tax treatment, and there are other tax disadvantages.

A foreigner becomes a U.S. tax resident by having a Green Card, or by simply remaining in the U.S. 183 days or more in any single calendar year, or 183 days as determined over a three-year period by the following formula:

The multiplier is:

Current year.....	1
1st preceding year.....	1/3
2nd preceding year.....	1/6

The Tax obligation on worldwide income is often an unpleasant surprise to the uninformed immigrant. However, for those who have the foresight and good advice to plan before immigrating to the US, and possibly even for those who did not, current law affords significant planning opportunities.

The U.S tax code treats a foreign trust established by a Citizen or Resident Alien as a "grantor trust", meaning that it is transparent for income tax purposes; all trust activity must be reported annually, on Forms 3520 and 3520A, and all trust income is currently taxed. Failure to file timely the required reports carries serious civil and possibly criminal penalties.

However, a Non-Resident Alien, at least five years prior to immigration, might create a discretionary trust in his or her own country or in a low or no tax jurisdiction, to hold assets for investment and for future distributions to U.S. beneficiaries. The Trust must be drafted to meet both foreign and U.S. criteria. If the five year rule is not met, the new resident will be treated as if the assets were transferred into trust on the date U.S. residency commenced, resulting in grantor trust treatment, and therefore to current tax and reporting requirements.

The immigrant may become a US resident without the knowledge or time to take advantage of the five-year rule. There may nevertheless still be some planning opportunities. As an example, the new Resident Alien may have a wealthy family living outside the US, with the desire to establish a foreign Trust for the benefit of the US residents. For example, a foreign Trust established by a foreign Trustor, and which is revocable by that Trustor, could, if it meets other requirements, qualify to make tax-exempt distributions to US beneficiaries. The US beneficiaries must not have any direct ownership or control over the Trustee's discretion to make Trust distributions. However, the receipt by Citizens or Resident Aliens of funds or assets from a foreign trust are reportable, even if not taxable. Any foreign Trust, foreign or domestic, must be considered as part of overall estate planning and should provide for alternatives in the event of the death of the primary US beneficiaries.

The U.S. Resident Alien can receive monetary gifts from foreign sources. While such direct gifts are not subject to US tax, the new rules

require that gifts from foreign sources be reported on Form 3520 with annual tax returns. The reporting required for foreign gifts is much less extensive than that required for foreign Trusts, and does not require the taxpayer to reveal the identity of the individual donor of the gift. Partnerships or corporations, or an "intermediary" for such entity, must however be specifically identified. The IRS reserves the right to require the beneficiary to reveal the identity of an individual donor.

The IRS reporting form excludes reporting of annual gifts from foreign individuals under \$100,000 from foreign individuals or estates.

Unlike U.S. Citizens, the Resident Alien may be in a position to avoid estate tax on assets located outside the U.S. if he or she (or the estate) can establish that the U.S. is not the country of domicile. The U.S. estate tax is based on the concept of domicile, and not on Citizenship. The long term Resident Alien will have to plan in advance to establish foreign domicile, which the U.S. regulations define generally as the place where the Resident Alien intends to eventually return to as a permanent abode. IRS regulations provide some guidance as to requirements to establish a foreign domicile, and each country has its own definitions and requirements, but it must be emphasized that advance planning is critical. The Resident Alien with a foreign domicile will pay U.S. income taxes, but all foreign assets could be excluded from estate taxes on death, particularly important since the Resident Alien will be denied the estate tax exemption available to Citizens if the beneficiary is not a Citizen, including the surviving spouse.

The benefits of foreign trusts for asset protection are beyond the scope of this article, but in the litigious US, sheltering assets from potential business and personal creditors is often of primary concern. Neither a foreign Trustee nor a foreign Trust with US beneficiaries is subject to the jurisdiction of US courts. Furthermore, many offshore jurisdictions have laws which effectively preclude a creditor from reaching the assets even if the creditor were willing to undertake the expense and uncertainty of bringing legal action in that country. Several "tax-haven" countries have adopted extremely short time periods ("statutes of limitation"), some as short as one year, after which a creditor can not reach assets transferred to a Trust regardless of "fraud" as defined in various US statutes. It should be noted that most countries will not protect assets derived through criminal conduct, although tax avoidance may not be included in that category. To be effective, the foreign Trust must preclude the US person's control over Trust assets.

This section on tax planning is only an overview and brief summary of a complex area of United States law. Nothing in this article should be considered legal advice, and interested persons are advised to consult qualified advisors. US tax law is subject to frequent change and interpretation.

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HONG KONG UPDATE

CARBON EMISSIONS: TRADING HOT AIR TO SAVE OUR PLANET?

The world is getting hotter - what are we doing about it? Delegates recently gathered in Hong Kong - one of Asia's more polluted cities, for a 26 nation conference on global climate change. The task is to find a solution to stop global warming through reduction of carbon emissions into our atmosphere. Carbon emissions are those nasty, foul industrial pollutants emitted by factories and power plants.

The solution agreed by governments within the Kyoto Protocol was a carbon emissions reduction system which empowers governments to setup national carbon emission reduction schemes. Under such schemes, businesses that emit less pollutants are granted Certified Emissions Reductions ("Carbon Credits"). Businesses that pollute more than their limits will be required to pay financially by buying Carbon Credits for "the right to pollute". Therefore, a secondary market has developed for trading of Carbon Credits based on free market principles.

Financial markets have been quick to adopt secondary market trading of Carbon Credits. Nordpool in Europe and Climate Exchange in Chicago cater to participants and investors that trade Carbon Credits as a financial instrument. Hong Kong is a perfect place to create a Carbon Credits market for Asia as Hong Kong already has a pilot emissions trading scheme with thermal power plants in the Pearl River Delta Region.

Emerging markets account for much higher volumes of Carbon Credits compared with the rest of the world. China now accounts for 43% of total Carbon Credits registered at the UN, while India accounts for 12.11%. Global Carbon Credit trading is big business. According to the World Bank, trading volume rose from US\$11 billion in 2005 to over US\$30 billion last year. Investment banks and hedge funds have seen the potential in Carbon Credit trading in China and India.

GCSL recently assisted a client to setup the Mandarin Global Carbon Fund (the "Fund"). The Fund was setup specifically for acquisition of surplus Carbon Credits in China. The Fund manager commented that "There is tremendous arbitrage opportunity since the acquisition cost of Carbon Credits is lower in China than in Europe. We believe the fund can capitalize on the opportunity of lower

abatement costs and wide availability of surplus credits in China which are globally tradable."

Finding a solution to global climate change through market driven system would not only benefit funds and investors. It also would solve a very serious problem with global warming on our planet.

*Contributed by Tony Chan, General Manager - Fiduciary Services, GCSL Hong Kong
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US\$1.1BN IN HONG KONG IPO

Women's footwear manufacturer Belle International Holdings locked up HK\$450 billion (approximately US\$57 billion) and raised US\$1.1 billion in its Hong Kong initial public offering.

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KEEPING IT COMPLIANT...THE GCSL WAY

As part of my duties as GCSL Group Legal Counsel and Compliance Officer, annually I visit all the GCSL offices for training and Group procedural reviews. Yes, this is the good stuff that ensures all GCSL offices are compliant with local and international rules as well as creating a standardized quality of service for our clients. Recently, I visited the GCSL offices in Belize, Anguilla and Nevis where I met Carlo Mason, Carlyle Rogers, Vance Amory and their teams of dedicated staff. I also met with local regulators, banks and lawyers in each of jurisdictions.

I know absolutely NONE of these compliance issues interests the readers of our newsletter at all and so I give you the tourist run-down on each of the locations. While I am not as extensive a traveler as Mr. J.W Flader Jr., my passport is close to three quarters full now and the Boss does have a few years on me.



Belize: Great for adventure tourism. Tubing, caving and jungle walks. Would be fun for those interested in archeological ruins and Central American history. A highlight would have to be the tour to the reclusive Amish community. And sporadic bushfires that light up meters from the side of the road as you are driving.



Anguilla: Best beaches in the world. Best cocktails in the world. Period. Bury the Blackberry, book a week on the beach (Shoal Bay East recommended). And don't move other than to apply sunblock and "Off" mosquito repellent.



St Kitts & Nevis Islands: More of a bit of "something for everyone".

Carlo, Carlyle and Vance made great tour guides (as Puai Wichman does in my past visits to the Cook Islands and Samoa) and I am sure all will extend their local expertise to anyone contemplating a trip to their fabulous Islands (or yes Carlo, "lands" in Belize's case).

Thanks guys for your hospitality and chaperoning. No such incidents as last year when Puai allowed me to fall victim to a large manhole in Samoa's main drag strip in the wee small hours.

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CHINA UPDATE

TAME THE DRAGON

It seems everybody in international business is talking about China nowadays. Whether it is the soaring stock markets, sourcing inexpensive products for international trade or foreign direct investment. This article introduces different ways to do business in China using different entities.

Ride the dragon

For the stock investor looking at China plays, investment opportunities are a plenty. China A shares are red hot, but these are off limits to foreign investors. China B shares are listed on the Shanghai and Shenzhen stock markets, quoted in US\$ and available to foreign investors. Most good Hong Kong stockbrokers can offer services in China B shares. The Hong Kong stock markets offer Red-Chips - companies incorporated in Bermuda, Cayman Islands or Hong Kong that have all their business in China, and H shares - companies incorporated in mainland China and listed in Hong Kong. Most of the large China companies have American Deposit Receipts listed on USA markets. One should be wary of valuations, which are high by international standards, and perhaps heed the words of Mr. Greenspan - "The Chinese market is heading for a dramatic contraction."

Using an offshore IBC or limited company as a vehicle for holding shares is quite common. There are no capital gains taxes or taxes on dividends in Hong Kong or in the offshore jurisdiction. The Anguilla IBC or Samoa LLC offers a "cheap and cheerful" vehicle for such investments. Local brokers are fine with opening brokerage accounts for offshore companies and many retail banks will facilitate bank accounts without the need of the owner coming to Hong Kong.

Trade the silk route

Trade with China is thriving. One only has to attend any of the major sourcing expos in Hong Kong, Guangzhou or Shanghai to see the level of trade activity between China manufacturers and foreign traders. For the small and medium size enterprise, the question is how do you effectively setup trading operations?

Setting up a Hong Kong limited company is an excellent start to a trading business. Although more expensive and subject to greater statutory requirements than offshore companies, the Hong Kong company limited by shares is a well accepted trading entity by local, Chinese and international trading partners. Corporate profits tax in Hong Kong is relatively low at 17.5% and is only assessed on profits derived from doing business in Hong Kong. Therefore, as long as the company can evidence that there profits are not derived from doing business in Hong Kong, the company will not pay any profits tax. Trade facilitated by the company directly between China and foreign countries can be claimed as "offshore income" and not subject to profits tax. Hong Kong banks offer excellent online banking services for trading companies and also extend a range of trade related services for the larger clients.

Enter the dragon

For businesses wishing to enter the China market directly, establishing a representative office is the easiest and least costly method. Representative offices are not allowed to conduct profit making activities, whereas non-profit making activities are permissible. Many foreign enterprises seeking partners in China may consider a joint venture entity ("JV"). The Wholly Foreign Owned Enterprise ("WFOE") is a Chinese limited liability company established with 100% foreign capital and is completely under the control of the foreign investor. Minimum registered share capital is normally around USD140,000, but businesses are given 12 months to accumulate this and can be paid in by cash or assets.

Offshore companies used for business in China are also common. Companies incorporated in Hong Kong, Singapore, Anguilla, Belize, Samoa and other similar jurisdictions are increasingly popular as investment holding companies. The Samoa International Company is popular as it can have all incorporation documents in Chinese and has unlimited share capital without additional government fees. Further, these documents can be notarized, apostilled and then legalized by the China embassy in Samoa. In addition, a growing number of the larger international banks in China will open bank accounts for offshore companies.

Exit the dragon

For companies that invest directly in China, there is a formal system in place to remit profits overseas to the parent company. Under the rules of the State Administration of Foreign Exchange, non-residents can remit up to US\$5000 out of China without declaring and foreign businesses can remit US\$50,000 without declaration. Larger remittances require a tax certificate and an approval process.

Remitting funds out of a WFOE or JV is subject to local withholding tax which can run as high as 15% for foreign investors. China has Double Taxation Agreements with a number of countries, including Hong Kong, Macao and Mauritius. Under such treaties, tax rates on certain receipts such as interest, royalties, dividends and capital gains are taxed at a lower rate in China. The use of Double Taxation Agreements requires careful planning.

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CHINA'S LEGAL SYSTEM IN TRANSITION

China's economy and legal system has developed significantly during the last 30 years. An increasingly robust National People's Congress and its Standing Committee have enacted extensive legislation on topics in virtually all areas. These laws have been supplemented by myriad regulations of the State Council, China's leading executive institution, and the central ministries and commissions under it, as well as provincial and local people's congresses and governments. The Supreme People's Court and the Supreme People's Procurate are both now vigorous organizations, albeit, like the State Council, they are subordinate to the National People's Congress. All have issued "interpretations" and other documents, either separately or with each other and with other agencies, that are the substantive equivalent of supplementary legislation. China also has concluded with other governments a large number of bilateral agreements dealing with the domestic legal system and now adheres to many multilateral treaties concerned with international business law and human rights. China now has a nationwide court system including over 3,000 basic courts and almost 200,000 judges. The task of forging this huge and inexperienced group, originally staffed mostly by former military and police officers without legal education but now increasingly recruited from law school graduates, into professionally competent, honest, impartial and independent decision-makers is formidable.

FOREIGN BANKS' BUSINESS IN CHINA TO GROW BY 20% IN 2007

Price Waterhouse Coopers issued a report saying that the business of foreign banks in China will increase as the middle class continues to expand, as investment of foreign banks in China continues to grow and as China further opens its banking sector to the outside world, as it once committed to WTO. Most foreign banks mentioned in the report predict that their business in China will grow by at least 20% this year. The report covers 40 foreign banks that have launched business in China. All 40 banks are optimistic about their business prospects in China and determined to expand their business in China. It is expected that by 2010, the total assets of these banks will double the current figure to reach US\$100 billion and the net profit of these banks will quadruple.

TRADE SURPLUS KEEPS GROWING

China's trade surplus increased more than 74% year-on-year to US\$177.5 billion in 2006, and 88 percent year-on-year to US\$63.3 billion in the first four months of 2007.

SINO-AFRICA TRADE

In recent years, Sino-Africa trade has increased tremendously. Last year, trade volume between China and Africa reached US\$55.5 billion, up 40% from the year before. China has become the third largest trading partner of Africa, only next to the United States and France. It is expected that in the next three years, trade volume between the two parties will reach US\$100 billion.

CRAZY TURNOVER IN CHINA'S STOCK MARKETS

The combined total value of shares traded on the mainland Chinese market on May 9, 2007 was RMB376.9bn (approximately US \$49bn). The figure was nearly double that of Japan's US\$26.9 billion, and triple the US\$16.5bn combined trading volume of Australia, Hong Kong, Thailand, Singapore, Malaysia, Korea, India, Taiwan, Indonesia, New Zealand and Vietnam. The benchmark Shanghai Composite Index, which tracks both US\$ and RMB denominated shares, ended up 1.6 percent at 4,013.09, an all-time high. Recent efforts by the Chinese authorities, including tripling of the stamp duty tax on share transactions to 0.3%, has had mixed reviews in terms of cooling the market.

CHINA MAY TRIPLE QFII QUOTA TO US\$30 BILLION

A rumor around the markets is that China will triple its quota -- to US\$30 billion -- for overseas institutional investors to buy local currency A shares. China launched the Qualified Foreign Institutional Investor (QFII) scheme in late 2002 as part of moves to open its local currency A share market in Shanghai and Shenzhen, which have set a string of record highs this year.

PROPERTY DEVELOPERS LOOK OVERSEAS FOR FINANCING

Capital is the key to a company's growth, and real estate developers in China are constantly faced with the problem of how to get it, given the limited financing channels and high thresholds that characterize the Chinese financial industry. Hengda Real Estate Group has thus reached out to three international strategic investors, Merrill Lynch & Co., Deutsche Bank, and Temasek Holdings, which have invested US\$400 million in the company. This move further encourages the industry to seek overseas and private funding rather than apply for developer loans at commercial banks in China.

CHINA TRUST LAW

China is primarily a civil law country and yet has a trust law which was enacted on October 1st 2001. The China Trust Law (Trust Law) is designed specifically for regulating Banks, Trust Investment Organizations, and Investment Institutions. The Trust Law contains 7 chapters with 74 articles. This Trust Law permits the trustor (also known as settler or grantor) to be a beneficiary, but the consequence is the trust property will be deemed as his heritage or liquidation property. The trustor is entitled to have a great deal of power over the trust after the trust is established. The trustor, trustee and beneficiary may be a natural or legal person. At present, China does not have any specific laws or regulations governing the qualifications or conduct of trustees, which leaves room for further regulations to be enacted and implemented. The trustee may be a beneficiary, but must not be the sole beneficiary of the same trust. There is no perpetuity period requirement, but if the trustor is the only beneficiary of the trust, the trustor or the beneficiary has the right to rescind the trust. This Trust Law also permits Charitable Trusts. However, the law grants the regulatory body the power to intervene and monitor the operation of charitable trusts. Certain articles of the Trust Law of are interest including the following:

"Article 2: Trust in this Law refers to the act in which the trustor, on the basis of confidence on the trustee, entrusts certain property rights it owns to the trustee and the trustee manages or disposes of the property rights in its own name in accordance with the intentions of the trustor and for the benefit of the beneficiary or for specific purposes."

"Article 3: This Law applies to the trustor, trustee and beneficiary (hereinafter referred to in general as parties to a trust) conducting civil, business or public trust activities within the boundaries of the People's Republic of China."

Articles 11 and 12 indicates that if the trust is established for the purpose of defrauding a specific creditor, then the trust shall be deemed void and creditor will have one year to exercise his/her rights against the trust property.

Of equal interest there are no articles or regulations addressing the tax implications of settling a trust. A point of interest, of course, is that China presently does not have inheritance tax.

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SINGAPORE UPDATE

SINGAPORE: A NEW RACE IN TOWN

With the smell of burning tires and the sound of screeching brakes, the red Ferraris, shiny silver McLarens and bright yellow Renaults power around a 5.2 km street circuit of a Grand Prix; Kone is immediately transported to the windy streets of Monte Carlo.

Except that this time, the action is taking place around the Marina Bay area, whizzing by local landmarks such as the Esplanade and City Hall and the Supreme Court in the small republic of Singapore.

It's now official, after months of speculation - Singapore will host a leg of the Grand Prix circuit next year, with a race to be held in September or early October 2008. Significantly, the race could well be a first in the 60-year history of Formula One in that the race will likely be held at night.

With the Singapore Grand Prix, Singapore will host one of only three street races on the calendar for next year, joining the prestigious ranks of Monaco and Valencia.

Singapore's five-year deal to stage the race, with an option for a five-year extension, is a partnership between Formula One Management boss Bernie Ecclestone and Singapore entrepreneur Ong Beng Seng.

However, the Singapore Government will finance approximately 60% of the cost of staging the race each year, which can reach S\$150 million (approximately US\$75 million).

Night or day, hosting the event brings Singapore untold benefits. As the race continues for the Singapore government to raise her profile as great place to work and play, this race will draw the usual suspects not only in participants but also in the well-heeled spectators. This event would also augur well for the spanking new super yacht marina at Sentosa where many a rich expatriate or investor already play. In fact, just two weeks ago, a 150-foot £30 million super luxurious super yacht sailed into Singapore to attract the serious sailors here.

As the Singapore race continues, the Singapore Grand Prix will be yet another important feather in the republic's cap.

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OFFSHORE UPDATE

ANGUILLA'S IMMOBILIZATION OF BEARER SHARES REGIME - A PRACTICAL AND REGULATORY SOUND APPROACH

In June 2006, the Governor of Anguilla, on the advice of the Financial Services Commission (the "Commission"), acting under section 27 of the International Business Companies Act, issued regulations pertaining to the immobilization of bearer shares.

In this month's newsletter, I wish to discuss the thinking of the Commission in so advising the Governor and, in the interest of transparency, to disclose that I was involved in this process of drafting and advising on these regulations in my former position as Deputy Director of the Commission.

The central idea of the Regulations was to achieve the basic objective of ensuring that bearer shares were immobilized, in other words the shares have to be maintained by a custodian, while at the same time doing it in such a manner that it would not be burdensome or impact negatively on service providers specifically or the industry in general. To accomplish this, the Commission decided that all current and future licensees under the Trust Companies and Offshore Banking Act 2000 (TCOBA) and the Company Management Act 2000 (CMA) would automatically qualify as custodians. In addition, overseas agents of licensees of these two Acts would also qualify. To further expand the definition of the term custodian, the Commission added two categories, i.e. a) a foreign regulated person and b) a "catch-all" category that of being anyone who is designated as a custodian in writing by the Commission. This means that even if a person does not hold a licence under the TCOBA and CMA, or is not an overseas agent of such a person, or is not a foreign regulated person, that person can still be designated as a custodian if it meets criteria set by the Commission and the designation is made so in writing.

To date, no criteria has been published to determine how the Commission would address this last category of applicant but it is certain that such applications would be assessed on a case by case basis.

The phrase "foreign regulated person" will be discussed and defined in a subsequent newsletter article since that in itself warrants a separate analysis. However, it is worth pointing out that irrespective of which category the custodian falls under, that designation is void if the person does not have under its direct control facilities for the safekeeping in custody of bearer shares which are satisfactory to the Commission.

The transition period for all bearer shares to be immobilized is the 31st December 2009, thus meaning that registered agents have until then to ensure that companies for which they provide this service to complies with the Regulations.

The Regulations specify the conduct that should occur in relation to bearer shares. Where an IBC issues such a share on or after 30th June 2006, the IBC cannot deliver the share to any person other than to a custodian who has agreed to hold the share.

Where the share is an existing share, the IBC shall on or before the 31st December, deposit it with a custodian who has agreed to hold the share or convert it or exchange it for a registered share. Of course, if the share is cancelled or redeemed, purchased or otherwise acquired by the IBC as a treasury share, this does not apply.

A custodian shall within a period of 14 days of receipt of a bearer share send a written notification to the registered agent of the IBC, stating that it is the custodian of the share that has been delivered to it or deposited with in and that the custodian has identified the beneficial owner of the share and that it has entered into a custody agreement with the beneficial owner of the share. Further, where a custodian desires to cease to act as a custodian in respect of a bearer share of an IBC or ceases to be a custodian, it shall give the registered agent of the IBC and the beneficial owner of the share, written notice of its intention to cease acting as a custodian in respect of the share; but if the custodian is the registered agent of the company, it shall give such notice to the beneficial owner only.

Bearer shares are disabled for any period during which they are held by a person other than a custodian except with respect to an existing share until such share has been placed into custody after the end of the transition period; the share is held by the company provided that the company does not hold it for or on behalf of any other person or the bearer share is to be or has been converted to or exchanged for a registered share; redeemed, purchased or otherwise acquired or cancelled or forfeited.

GCSL Anguilla does not have any IBCs with bearer shares, and actively discourages their use. However, it is worth noting that we stand ready to comply with the new Regulations.

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SAMOA OPPOSES UNFAIR TREATMENT OF OFFSHORE JURISDICTIONS IN STOP TAX HAVENS ABUSE BILL

May 2007 was a sad month for Samoa with the passing away of our Head of State, who had been the leader since independence in 1962. Malietoa Tanumafili II, was instrumental in gaining Samoa's independence - one of the first countries in the Pacific to achieve that status. May he rest in peace. Fittingly, Samoa celebrated 45 years of Independence on 1st June 2007.

As we celebrated our independence, we look across to one of the most developed democracies in the world, the USA, and find that their legislators are proposing laws which are dictatorial and most unfair. There are two bills being introduced, which if enacted, would among other things undermine USA competitiveness, create discriminatory black lists (which clearly is a hangover from the now discredited OECD Harmful Tax Competition Initiative) and violates USA trade obligations.

One such bill is the Dorgan Bill, which targets American companies operating in selected low tax jurisdictions, such as Samoa, and strips away their ability to postpone the imposition of a second layer of tax on their foreign sourced income.

More startling is the Stop Tax Havens Abuse Bill, which provides for a blacklisting of offshore jurisdictions which seeks to expand the ability of the USA to secure information exchange. The effect is to ultimately discourage and penalize USA citizens from engaging in various economic activities with offshore jurisdictions including Samoa (this affects those who shares are not traded on a recognized stock exchange), if such persons are unable to rebut a presumption that such activity was in the furtherance of tax evasion, securities fraud or money laundering.

Not only is there an arbitrary blacklist, but the Bill creates a presumption that the USA person is engaged in tax evasion, securities fraud or money laundering via the listed offshore jurisdictions. For a jurisdiction to be exonerated from this Bill, they are to have a treaty or information exchange with the USA, which provides for "prompt, obligatory and automatic exchange of information". What most people may not know is this is the same sort of information exchange protocol that the EU has been trying to get the USA to agree to, but without much success. It appears that for Senators Levin, Coleman and Obama, automatic exchange of information is acceptable only if it facilitates an inward flow of information.

The response by the Government of Samoa is to lobby through Samoa's Mission to the United Nations in New York, as well as seek assistance from Congressman of American Samoa, Faleomavaega Eni Hunkin.

Samoa is actively joining the chorus of nations that believe such legislation is harmful to the USA and the global economy.

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BELIZE: TRUST AND SERVICE PROVIDERS LEGISLATION

In last month's newsletter, I had indicated to you the introduction of new legislation, the Trust and Service Providers Act. We now turn our attention to what I believe is one of the most important reasons for this Code. The National Assembly felt it prudent not to re-invent the wheel, and therefore adopted a Due Diligence Paper issued in October 2001 by the Basel Committee, to the extent that the Paper's recommendations are relevant to non-banks. Therefore, proper procedures need to be had in relation to the following considerations:

1. Customer identification;
2. Verification of identity of customer;
3. Risk profiling of customers (taking into consideration who might be a politically exposed person, for example);
4. Establishing the source of wealth;
5. Establishing the source of funds;
6. Ongoing monitoring of a customer's activities;
7. Adequate documentation to meet KYC requirements.

These are some of the basic due diligence requirements of Service Providers in Belize. However, there are other requirements found in Section 6, which looks at "corporate governance". The following matters are raised by that section:

1. compliance with recognized general standards of corporate governance in respect of both the business itself and each company, partnership, trust and other legal entity ("the client(s)");
2. compliance with national regulations with respect to money laundering and the financing of terrorism;
3. compliance with all relevant and applicable financial regulatory standards;
4. compliance with all relevant and applicable domestic statutory requirements/obligations (e.g., companies law);
5. compliance with recognized standards in respect of directors/trustees responsibilities.

Those are the obligations and requirements that Service Providers are supposed to show that they are in compliance with. Finally, there is even more than before, as part of the effort to ensure that Belize is viewed as a credible jurisdiction, importance placed on the maintenance of know your client information within Belize. This responsibility falls squarely on the shoulders of the service Provider, be that service trust settlement or company formation.

On another note, on Friday the 25th May 2007, the National Assembly passed into law a bill requiring the mandatory registration of trusts as well as the creation of a Trust Registry. This will be a properly manned Registry, overseen by the International Financial Services Commission, and the details of the Registry operation will become more transparent soon. I will make it at least part of the subject of next month's Belize report, as these are interesting times in Belize.

In keeping with that theme, "interesting times", I wanted to comment on the recent demonstrations which took place in Belize. The Government here wished to take on, as a sovereign guarantor, responsibility for the loan of a private hospital, which was unable to pay its debts but could still function as a viable entity otherwise (is that possible??). The government did this, but without the knowledge of some members of the cabinet, and this drew the wrath of the opposition, to the point where supporters of both parties found themselves outside the building of the National Assembly. There were reports of some stones being thrown, and the police eventually had to disperse the crowd with teargas.

I was asked if this would negatively impact on the trust and company formation industry that is slowly becoming a part of the Belizean economic landscape. To that I answer no, and here is why. Take a look at any well respected democracy today, and you will see a country where in very recent times there have been demonstrations, sometimes ending in violence, sometimes not. In the 1960s, the United States had race riots. Did we see the downfall of the US economy? Certainly not. Just a few months ago, there was a serious march, in Los Angeles and in New York, concerning the Immigration Bill which was then being debated. Did we see the downfall of the US economy. Again, certainly not. There have been times when serious damage has resulted due to demonstrations, but again, the economies in which these demonstrations have occurred have continued to survive, and in fact thrive, in some cases.

The same thing with Belize. In fact, I looked on the entire episode with great joy, because although there was some violence, with stone throwing and the tear gas, what eventually occurred was that there was such widespread opposition to the proposed loan guarantee placed before the National Assembly, that it was finally removed by the Prime Minister. I was happy, not because of the removal of the loan, but because it was an expression of political maturity on the part of the people, who stood their ground and ensured that their political representatives heard their voice. With some of the wars being waged in the world today, and what we hear on the news, some folks in other countries can't seem to get their leaders to hear them. We here in Belize are happy because we have seen an exercise in true democracy, where the majority voice their view, and the leaders have to listen. How more democratic could life get?! You gotta Belize it!!!

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COOK ISLANDS - A NOT SO KNOWN MUTUAL FUNDS JURISDICTION

The Cook Islands is not a well-known jurisdiction for mutual funds, but the fact is that it has a thriving mutual funds business, promoted publicly in Australia and the South East Asia region. A number of highly recognizable financial institutions already use the Cook Islands for this purpose. At GCSL, we believe its time that the rest of the world became aware of the unique qualities of doing mutual funds business out of this South Pacific jurisdiction.

An International Company is the most commonly used vehicle for the establishment of a mutual fund. The advantages of using an International Company is that it allows for a flexible capital structure, very strong confidentiality provisions (there is no requirement for a public record of shareholders) and, for those who already administer mutual funds, there is minimal on-going administrative requirements which translates into minimal costs.

Make no mistake, mutual funds are subject to the due diligence requirements of the Cook Islands, but what is remarkable is the relative ease with which mutual funds can be established and administered in the Cook Islands, compared with other more high profile jurisdictions. There are some interesting administrative provisions in the Cook Islands legislation, which makes this jurisdiction attractive for this type of business. For example a registered company auditor is required to be appointed within 90 days of incorporation, but there is no requirement to file audited accounts with the Registrar. There are many other advantages provided for under the International Companies Act of the Cook Islands.

Flexibility in the corporate structure and ease of administration extends to the mechanical aspects of share redemptions. For example, shares may be redeemed at the request of the shareholder at prices based upon the net asset value or any other calculation if prescribed in the Company's Articles of Association. It is possible to create a mutual fund which is closed-ended at the outset, but which will become open-ended at a future date by the happening of a specific event. There are no restrictions on how a mutual fund can be structured - so long as compliant with Cook Islands law.

Where there is a public offering of shares, then a prospectus must be approved. However, where a prospectus is registered in an approved jurisdiction for the purpose of raising money from the public in that jurisdiction, it is unnecessary for the prospectus to be approved in the Cook Islands so long as a copy of the prospectus is filed with the Registrar within 28 days of registration or filing in the approved jurisdiction.

Approved stock exchanges include Australia, New Zealand, Hong Kong, Indonesia, Singapore, Taiwan, Malaysia, Thailand and the USA. The Registrar has the power to extend the list of approved jurisdictions.

Where there is no offer of shares to the public, there are no statutory rules or regulations governing the content of offering documents. However, at GCSL, we will insist that measures are taken to ensure that the offering documents make fair and adequate disclosure of all facts, which are likely to influence investors.

Of course, it goes without saying that an International Company is exempt from any form of taxation in the Cook Islands including stamp duty, capital gain tax, capital duty, and withholding tax.

The fact is that the Cook Islands is a jurisdiction waiting to be discovered for its mutual funds business with services to match any other more well-known mutual funds jurisdictions. At GCSL, we have the infrastructure and the know how to set up a mutual fund for your clients at very competitive costs.

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TIDBITS

The things that make us smile, frown and generally make life interesting...

OUR MONTHLY QUOTE THAT MADE US SMILE

"An enemy will agree, but a friend will argue." Chinese Proverb...ah, grasshopper

PREGNANCY SYMPATHY SUIT!?

We were gawking at a photo of and reading about this suit, which apparently helps men to learn what it feels like to be a pregnant woman, and well, uh, hmmm...nah, sorry, please just take our word for it...we are very sympathetic, really!!!

CONGESTION PRICING...AT US\$8 PER DAY, IT WON'T STOP THE INVESTMENT BANKERS

We were laughing as we read about Manhattan's plan to charge US\$8 per car driving south of 86th Street make it US\$80 and you just might stop the investment bankers...US\$8 would only stop, well, the good people who are already taking the subway or bus!

A TAXING PROBLEM...UNLESS YOU HAVE SQUILLIONS

We were reading an interesting article regarding the games companies play with their friendly tax departments. One major international oil and gas company has outstanding tax audits in Malaysia and the USA dating back to 1983 and 1989, respectively. With nearly USD4 billion of tax benefits held in reserve, it is no wonder they are playing out this game for as long as possible. Win and their financial statements get a huge boost. Loose and, well, ouch!!! It is good to be mega-wealthy, eh?

FOR THE MUSICIANS OUT THERE

We were reading a funny article about drummers in the American Way in-flight magazine on a jump from New York to St. Louis, and we thought a few of the punts taken at drummers were worthy of print...

- What do you say to a drummer in a three piece suit? Will the defendant please rise.
- What do you call someone who hangs around musicians? A drummer.
- Did you hear about the drummer who got into college? Neither did I.
- What's the best way to confuse a drummer? Put a sheet of music in front of him.
- What's black and blue and lying in a ditch? A guitarist who's told too many drummer jokes! 😊

GETTING BEAT...WE LOVE TO LAUGH AT OURSELVES 😊

We were out for a late night stroll in one of Vancouver's bar districts soaking up the local culture when a middle age man obviously not

doing too well in his chosen profession said "I bet I can you where you got your shoes." We were wearing hooves purchased in Monte Carlo so felt confident of trumping this fella of the streets so we said "no you can't." Well, the fella then said "you got them on your feet". We smiled, laughed at ourselves and gave the down-on-his-luck fella sufficient funds for the week;Kwe really enjoy laughing at ourselves 😊 !!!

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