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



JACK'S CORNER

I started writing this month's Corner while in New York and, well, this happened...



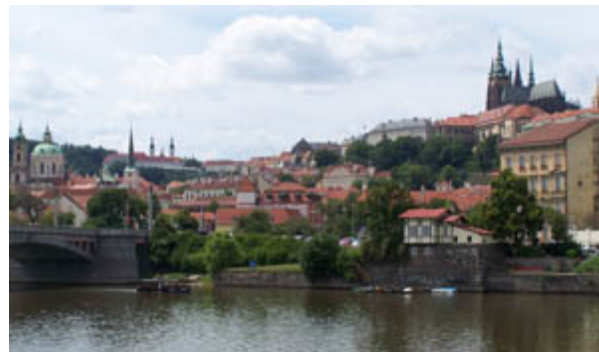
I started again in Vienna and, well, this happened...twice...



I dared to try typing while in the Burgundy wine region, but, well, this happened...



I finally succeeded in Prague knowing full well that Warsaw, Tallinn and Moscow would cause significant problems. My success came despite this happening...



Back to the serious stuff...

GCSL has spent an incredible amount of time recently reviewing, confirming and updating our due diligence procedures. Cathy Odgers, our Group Legal Counsel and Compliance Officer, has visited the GCSL offices for training of staff, reviewed the laws and spoken with the regulators. Simply stated, GCSL takes the due diligence function very seriously to ensure we are in compliance with the regulations to which we are subjected and users of offshore services know what is required. We have been saddened and shocked by the offshore providers who take advantage of their clients now to get the business and then surprise them later with the requirements of due diligence.

If your offshore provider is not asking you for any information or very little, then you may want to ask why. After all, these offshore providers will eventually be audited by their regulator and will need to be compliant. GCSL is actively encouraging regulators in all jurisdictions to conduct such audits as frequently as possible to ensure their offshore providers are compliant with the law and the users of such services are not, unknowingly, being led astray. Do not be put in a position where your offshore provider writes to you six or twelve months after you have started operations and informs you that you have a certain number of days to provide the offshore provider with relevant due diligence or your company will be struck off. Yucky-poooh and we have seen this situation in some of the files transferred to GCSL...not a good situation!!!

Be diligent...do it right now...that is the GCSL way!!!

So let it be written...



GCSL NEWS

GCSL CONTRIBUTES TO THE CENTER FOR FREEDOM & PROSPERITY

GCSL answered the call to contribute some modest funds to the efforts of the Center For Freedom & Prosperity (www.freedomandprosperity.org) to fight the good fight against several anti-international bills being considered by the USA Congress. Go get 'em, Andy & Dan!!!

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.

AOA CONTRIBUTES TO THE CENTER FOR FREEDOM & PROSPERITY

The AOA also stepped up to the plate with the Executive Committee approving a modest contribution to the efforts of the Center For Freedom & Prosperity (www.freedomandprosperity.org) to fight the good fight against several anti-international bills being considered by the USA Congress. Go get 'em, Fellas!!!



GERMANY UPDATE

LIMITED LIABILITY COMPANY BILL APPROVED

According to a bill approved by the German cabinet on May 23, establishing a company with limited liability (a so-called GmbH), the most popular form of company in Germany, will become easier as the Department of Justice plans the most extensive reform since the GmbH was first introduced in 1892.

The proposed legislation, which could take effect in the first half of 2008, will reduce the amount of capital required to establish a GmbH from currently £á 25,000 to £á 10,000. Even a start up without any capital will be possible if the company retains profits until sufficient capital is accumulated with shareholders not receiving any dividend distributions prior to that time.

Unlike the current system, simple setups will not require the involvement of a notary public and the Company Registrar may register companies before other necessary licenses and approvals have been obtained. Furthermore, company headquarters will no longer need to remain in Germany or at the registered location.

Justice Minister Brigitte Zypries announced that the draft will enhance protection for creditors, make German limited liability companies more attractive and guarantee their place in the international arena.

*Contributed by Peter Dehnen, D&P Dehnen GmbH
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HONG KONG UPDATE

HONG KONG 10 YEARS ON - A HISTORICAL REVIEW

July 2007 marks the 10th anniversary of Hong Kong's return to China sovereignty. Hong Kong has had much to celebrate under the rule of China including strong growth of the local economy, unemployment at an all-time low and tourists flooding to the city. This article is a quick walk down memory lane revisiting major events of the past decade that have shaped the Special Administrative Region (SAR) and affected the 7 million people known affectionately as "Hong Kongers."

July 1997: The handover to Chinese rule comes with promises of "50 years, no change" to the people. Mr. Tung Chee Wah is appointed Chief Executive to replace the outgoing governor Chris Patten.

Oct 1997: Asian Financial Crisis. Hong Kong survives the currency devaluation as the government injects US\$15 billion of reserves to defend the currency against hedge funds and foreign market raiders.

1998 - 1999: Not a good period for Hong Kong as the city recovers from the aftermath of the Asia financial crisis. Although not as economically hit as its neighboring Asian countries, the knock-on effect resulted in a 2 year recession for the local economy.

2000: The dot-com bubble hits the SAR as every business jumps onto the cyber-wagon. Tom.com lists at 2000 times over-subscription and a new 2nd board Growth Enterprise Market (GEM) market is created to cater for dot-com investors.

2001: Tech bubble bursts causing stock values to plummet making the GEM board the worst performing bourse in the world by the end of the year.

Feb 2003: SARS virus hits Hong Kong. Major public panic as streets are emptied, hospitals are filled and expats depart by the plane-load. Economy stagnates. Generally, the lowest point in Hong Kong's post handover history.

June 2003: Nearly 1 million people take to the streets to protest against a government increasingly unpopular due to a series of political and economic domestic issues. This high level resignations and restructuring of government provides optimism to the people as government listened.

2004: Tung Chee Wah resigns as Chief Executive. Replaced by Donald Tsang, the Financial Secretary.

2005: China assists in Hong Kong's recovery. CEPA - Closer Economic Partnership Arrangement - integrates China businesses with Hong Kong. China opens the floodgates for tourists to come into Hong Kong using short tourist visas giving a boom to Hong Kong retailers.

2006: Hong Kong enjoys record growth as the SAR benefits from China's economic boom and becomes the financial gateway to China. Hong Kong stock market is the 2nd largest IPO market in the world with major state banks and China companies choosing to list here.

2007: Economy continues to grow and local confidence and prosperity reaches highest post-handover levels while Hong Kong still retains its global number one position as freest economy in the world.

Hong Kong has experienced a rollercoaster ride of a decade. From a personal viewpoint, what stands out during the events of this decade is the resolve of the local people in the face of adversity, honesty in seeking changes when pressed and the entrepreneurialism to capture new opportunities. Resolve, honesty and entrepreneurial spirit are traits we Hong Kongers have learned and they provide the foundation of what makes Hong Kong a leading global city. Happy 10th Anniversary Hong Kong!!!

*Contributed by Tony Chan, General Manager - Fiduciary Services, GCSL Hong Kong
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DUE DILIGENCE (KNOW YOUR CLIENT) REVIEW

In conjunction with my recent trips to Belize, Anguilla and Nevis, the GCSL Group is currently reviewing its due diligence procedures.

Due diligence can loosely be defined as client identification, that is knowing with whom we are dealing and making sure all details given to us by clients and intermediaries are accurate. All of those operating in the offshore industry have to check this information by methods such as obtaining a certified passport copy, address proof or bank/personal reference. Another important collection method is completion and signature of our Company and Trust order forms. Various declarations in the forms are compiled not for GCSL in-house reasons, but because we need the information to comply with the actual law in the jurisdiction in which we are operating at the time and under which our operating license was issued.

With the rapid expansion of the Group (we are now up to seven offices in less than a year), it is important that we have as close to standardised due diligence procedures as possible. With that in mind, I have conducted a review of each jurisdiction's legislation and compared it with our current practices.

What has resulted is the conclusion that the law and practice of each jurisdiction (what is happening over the whole offshore industry) sometimes do not match as closely as they should. This will inevitably result in trust companies unsure of the minimum requirements for operation. The advantage GCSL has over other trust companies is that we have actual GCSL employees staffing offices in each of the seven jurisdictions in which we operate. These staff members can examine what is going on in each of their jurisdictions, including recent formal and informal developments, and report back accordingly. All jurisdictions have relevant general Anti-Money Laundering laws, but it is not until the ubiquitous, sometimes either formal or informal, "Guidelines" produced by authorities are examined that we can see what the best practice in each jurisdiction is and apply it to our own policy on collecting due diligence from our clients and intermediaries.

I have now met and spoke personally in-depth with most regulators and am working with staff at the coal face of each GCSL operation to comprise a clear list of items required under basic minimum law in each jurisdiction. These items may vary between jurisdictions and this will hopefully be communicated clearly after the review has been complete.

The grand conclusion is that with tighter rules and restrictions placed on clients that trust companies can accept, it is highly inevitable and beyond our control that all jurisdictions, regardless of their minimum requirements at present, will converge in a short space in time to a level of the toughest of the jurisdictions.

All we can really ask for then are clear procedures and consistency in application across the whole offshore industry.

*Contributed by Cathy Odgers, Group Legal Counsel and Compliance Officer, GCSL Hong Kong.
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MACAU UPDATE

PLAYBOY MANSION TO OPEN IN MACAU

Hugh Hefner, the guy every guy admires and not too few ladies, is planning to open a Playboy Mansion in the bustling "Las Vegas of the East", Macau, highlighting female "bunny" dealers, a villa-style hotel 40,000 square foot mansion and several dozen gaming tables. Playboy claims that 40% of the US\$800 million made in retail consumer sales last year came from Asia.

*Contributed by Tony Chan, General Manager - Fiduciary Services, GCSL Hong Kong
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CHINA UPDATE

TAX REBATE REDUCED OR REMOVED

On June 20, 2007, the China Ministry of Finance announced the export tax rebates on more than 2,800 items will be removed or cut from July 1, 2007. This announcement is considered to be the boldest move yet to rein in exports since China joined the World Trade Organization in 2001. The affected items account for 37% of all export products. Rebates for another 2,268 products, described as "easy to trigger trade frictions", will be reduced to between 5% and 11%. They include garments, toys, steel products and motorcycles. The export tax rebate has been a great incentive to China manufacturers. However, China's increase in exports has surged nearly 28% in the first five months of 2007 and the trade surplus has increased dramatically by approximately 83% to US\$85.7 billion. These increases have caused significant tension among China's major trading partners.

GIANT IT - INTEL'S MOVE IN CHINA

Intel entered the China market in 1985. Now it has over 6,000 employees in China working on assembly, testing, research and development and sales and marketing in 16 major cities. With rapid growth, China is now the second largest market for Intel after the USA. Intel has pledged China investments approaching US\$3 billion in 2007.

MERGER AND ACQUISITIONS IN CHINA FACING SECURITY SCRUTINY

The most recent draft of an anti-monopoly law submitted to the legislature included language requiring foreign investors to apply for approvals from the Ministry of Commerce when they acquire domestic companies that will affect national economic security.

QDII EXPANDED TO INCLUDE SECURITIES AND FUND COMPANIES

QDII (Qualified Domestic Institutional Investors) is an investment scheme designed by China for domestic institutional investors authorized by the government to invest in overseas capital markets in accordance with the foreign exchange control system in China. The scheme was launched in 2004 and has resulted in licensing of only 19 banks and 3 insurance companies. The China Securities Regulatory Commission (CSRC) announced on June 20, 2007 that eligible financial firms for QDII now include securities and fund management companies. The main requirements for fund management companies are that they must have net assets of not less than RMB 200 million (approximately US\$26 million) and at least two years' experience in stock investment. As for securities companies, they must have a net registered capital over RMB 800 million (approximately US\$105 million) and at least one year's experience in collective asset management.

WAHAHA VS. DANONE

Wahaha and Danone has been a great case to learn more about culture and economic clashes between the West and China. The dispute started as a disagreement regarding operations and has now grown to be an international legal battle.

Wahaha is now the largest beverages company in China, despite modest beginnings in Hangzhou in 1987 as a sales department of a school-run business. Revenue now exceeds US\$100 million.

In 1996, Danone, a leading Fortune 500 company along with a Hong Kong based investment company (Peregrine) reached an agreement with Wahaha to establish five joint ventures in China. The shareholding arrangement was Wahaha with 49% and Danone and Peregrine with 51%. However, after the Asia financial crisis, Peregrine sold its shares to Danone, which is now the 51% shareholder.

Since Danone taking control of Wahaha's operations, disputes between the two party's management teams have been ongoing. As a result, Wahaha set-up separate companies to exploit the Western part of China. These companies have met with great success including approximately US\$137 million in net profits.

Recently, Danone made a request to acquire the separate companies based on the argument those companies never obtained authorization from Wahaha Danone Joint Venture to use the Wahaha trade mark. The acquisition encountered strong resistance from the Chinese party, as they argued the trade market "Wahaha" was never transferred to the Wahaha Danone Joint Venture.

Danone filed a lawsuit in the USA against the separate companies for illegally selling products that are identical to those sold by the joint ventures. They claim more than US\$100 million in damages. In addition, Danone has filed for arbitration in Stockholm to help resolve the dispute.

On the other hand, Wahaha has also applied for arbitration over a trademark dispute with Danone at the Hangzhou Arbitration Committee for terminating a trademark transfer contract, as they contend the contract with Danone was never approved by China's trademark authority, which means the transfer was invalid and the contract should be terminated.

Watch this space as the Danone v Wahaha dispute is just in its infancy!!!

*Contributed by Johnson Chien, General Manager - Fiduciary Services, GCSL Shanghai
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SINGAPORE UPDATE

FAR EAST SWITZERLAND - REVISITED

Like a repeating groove on an old 45, here we go again. Well, at least Singapore has done it again.

Singapore, once again, yes, yes, has been awarded the highest credit rating by Standard & Poor's (S&P) citing the country's "enduring fiscal and external strengths" and competitive economy as important to its success.

S&P has affirmed its top "AAA" long-term and "A-1+" short-term sovereign credit ratings for Singapore and further added that the outlook for the Republic is stable, reflecting its belief that Singapore will maintain its substantial fiscal and external reserves to withstand any external shocks.

S&P pointed to Singapore's strong net external position as a reason for the high ratings and added that the ratings are also supported by a strong record of political stability and prudent economic management.

S&P's outlook for Singapore includes its expectation that the Republic can keep building on its restructuring efforts and maintain a competitive edge. Singapore's government surplus remains one of the highest in the world, giving it the fiscal flexibility for ongoing restructuring.

On a related matter, and as chocolate is quintessential to the Swiss package, so is the famous Hainanese Chicken Rice to Singapore. Nowhere else in this world can you find a vendor with the perfect concoction of chili, ginger and dark sauce, served with al-dente chicken and perfectly lubricated white rice (notice that the chilli, ginger and dark sauce come first!).

I have enjoyed the last two weeks with Tony Chan from our Hong Kong Office, visiting accountants, consultants, bankers and the like, to refresh them on the beauty and advantages of Anguilla, Belize, Cook Islands, Samoa and all the GCSL offices. This gave me the opportunity to expose Tony to some of the subtleties of the Singapore Chicken rice. Alas, here, I may have gone overboard. Suffice it to say now that he will not feel any urge to eat the delectable dish for quite some time. Ah, the Singapore hospitality.

*Contributed by Lawrence Fong, Managing Director, GCSL Singapore
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SINGAPORE - A BOOMTOWN FOR MILLIONAIRES

Singapore has officially become the fastest growth market for millionaires. According to the annual wealth report from Merrill Lynch, the number of Singaporeans with over US\$1 million in liquid assets grew by 11,000 to 66,660. That's a staggering 21% growth in Singapore millionaires market in 2006. Interestingly, India was in 2nd place with 20.5% growth and Indonesia was 3rd with 16% growth. Where is all the money coming from? According to the report, 51% of wealth was invested in real estate investments (including REITS) as well as the booming stock markets. Notably only 12% of Asian wealth is parked in conservative interest yield deposits reflecting the Asian passion for stocks and property. GCSL's modest office is looking forward to serving the growing ranks of millionaires in the Lion City of Millionaires!!!

*Contributed by Tony Chan, General Manager - Fiduciary Services, GCSL Hong Kong
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OFFSHORE UPDATE

ANGUILLA: THE CONCEPT OF A "FOREIGN REGULATED PERSON" UNDER THE ANTI-MONEY LAUNDERING REGULATIONS 2006

Like all the other UK Overseas Territories such as the BVI, Cayman and Turks and Caicos Islands, Anguilla has Anti-money Laundering Regulations, (the "AML Regs") which set-out a regulatory framework for company service/formation agents, trust companies, offshore banks, funds, captive insurance managers, fund administrators and other persons involved in the international financial services industry.

These AML Regs speak mainly to the identification procedures. All those to whom they apply, as stated above, must follow the AML Regs when dealing with clients/customers for business. So, for example, the AML Regs apply to the company formation agent who has a client who wants an IBC and they apply equally to an insurance manager who has a client who wants to establish a captive insurance company.

The AML Regs specify the identification procedures to be established and maintained, the records to be kept, internal reporting and training procedures as well as other matters pertaining to offences etc. They also provide a mechanism whereby due diligence can be held by someone other than the company formation agent, trust company, offshore bank or other financial services industry professional mentioned previously. Of the three options available, the most important is the concept of the foreign regulated person and it is to this peculiar character that I will now turn.

The term is defined in section 1(1) of the AML Regs as follows: "foreign regulated person" means a person:

1. that is incorporated in, or, if it is not a corporate body, has its principal place of business in, a jurisdiction outside Anguilla ("its home jurisdiction");
2. that carries on business outside Anguilla that, if carried on in Anguilla, would be relevant financial business within the meaning of the Regulations;
3. that is subject to legislation in its home jurisdiction that, in respect of the business specified in paragraph (b) above, is in the opinion of the Money Laundering Reporting Authority at least equivalent to these Regulations; and
4. that has been approved by the Commission.

It is important to understand clearly what this means in fact and practice. The first thing that must be noted is that the term can refer to either a corporate entity or a natural person. In Anguilla, individuals can hold licenses as company formation agents, trustees etc. Of course, the usual practice is not to do so because of the potential legal exposure and liability associated with such a decision.

Relevant financial business as defined in the Regulations refers to the following activities:

1. banking business as defined under the Banking Act 2005;
2. offshore banking business as defined in the Trust Companies and Offshore Banking Act 2000;
3. company management business as defined in the Company Management Act 2000;
4. insurance business and intermediary business as defined in the Insurance Act 2004;
5. acting as the administrator or manager of a mutual fund within the meaning of the Mutual Funds Act 2004; and
6. carrying on any business, or undertaking any activity, for which a licence is required under the Securities Act 2001.

Under the Money Laundering Reporting Authority Act 2000, which allowed for the AML Regs to be issued, the Money Laundering Reporting Authority designates certain jurisdictions as having legislation equivalent to these Regulations. To date, only OECD member countries along with Hong Kong and Singapore are on this list of jurisdictions. The Commission, however, is in the process of updating and therefore adding more jurisdictions to it. GCSL has made recommendations to this effect and expect that several of our jurisdictions will indeed be added.

Finally, the Commission has to approve each potential "foreign regulated person." The Commission has recently issued guidelines as the basis upon which a decision shall be granted designating an applicant as a "foreign regulated person." I shall discuss the criteria in a subsequent article but it is important now to focus on the practical significant of the grant of this designation.

Business introduced to a service provider by a foreign regulated person must be assessed in terms of due diligence in the same manner as business coming directly to the service provider. However, the foreign regulated person is allowed, under the AML Regs, to give to the service provider, an undertaking verifying that he/she/the firm, has indeed conducted the necessary background checks and thus the due diligence is maintained by him/her/the firm. This does not absolve the foreign regulated person from complying with the AML Regs, but rather that the due diligence can be kept by the foreign regulated person. For clients who are very sensitive regarding where due diligence is maintained especially where the clients are unfamiliar with Anguilla as a jurisdiction, the foreign regulated person concept allows the clients' fears and concerns to be addressed while at the same time ensuring that Anguilla's regulatory regime is adhered to, the laws of Anguilla are respected and proper identification of the clients is done. GCSL Anguilla stands ready to assist any service provider to apply for and receive this designation and to work with them to develop their business and the industry in Anguilla for

the benefit of all parties concerned.

*Contributed by Carlyle Rogers, Managing Director, GCSL Anguilla
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BELIZE: THE TRUSTS (AMENDMENT) ACT 2007

On May 30, 2007, the National Assembly of Belize passed the Trusts (Amendment) Act, 2007. There were many notable amendments to the existing law. The first significant change is that no longer do we in Belize have what was called exempt trusts, but we now have international or offshore trusts. As Shakespeare wrote, though, "what's in a name? That which we call a rose by any other name would smell as sweet." The very same definition of an international trust is that which previously applied to an exempt trust has been left intact for the international trusts. Also of primary importance is the fact that now every trust that is settled under the laws of Belize will be required to be registered, as per what is now known as Section 65B of the Trusts Act. The Settlor, Trustee or the newly created office of Trust Agent, must register said trust. Please note however, that if the trust deed is being signed by any of the parties outside of the jurisdiction of Belize, it must be notarized.

The procedure for registration is simple: the Trust deed will be registered by one of those persons filling out the application form and then submitting it, along with an affidavit from the Trust Agent stating the name of the Trust, the date of settlement, the Trustee, the Protector, the Trust Agent and that the documents are being kept with the Trust Agent at wherever they have their offices. The Trust Agent is a person or entity that has been granted a license by the International Financial Services Commission of Belize.

The Director-General of the International Financial Services Commission is now the Registrar of the newly created International Trusts Registry. The trust must be registered at this registry, but the trust deed is not kept at the Registry. What is kept at the Registry is the application and the affidavit of the Trust Agent, which has the basic information, as indicated above. If one had previously volunteered to register a trust, then the entire trust deed would need to be submitted to the Supreme Court Registry. This has resulted in even further privacy for the Settlor and his trust arrangement. Easier access could then be had to the actual trust deed and all its provisions. Now, should ever such an order be granted by the court, the individual will gain access, but then there will be no idea as to how the Settlor has provided for the beneficiary, and what if anything the trust has provided for.

The other significant development in Belizean trust legislation is the creation of the office of Trust Agent, by virtue of section 65E. Previously one had only the office of Trustee to deal with, but now, the Trust Agent position has been created, one which must be licensed by the IFSC to engage in the business of offering trust services. Therefore, the very same trust company also has the responsibility of being the Trust Agent. The Trust Agent must be responsible for the acceptance of any legal service on behalf of the Trustee and the Protector of the trust, and must keep a register, showing the name of the Trust, the date of settlement, the name of the trust, date of registration of the trust, name(s) of the trustee(s), name of Settlor, name of protector (if any), names and addresses of all the beneficiaries, initial funds settled, additional funds settled, changes in beneficiaries, change of protector, original trust instrument and any amendments thereto.

These are some of the changes to the Trust law now in place, as the amendment came into force on the 15th day of June, 2007. There will be some teething pains, but rest assured that the law has changed for the better. In the next newsletter I will go into some more changes wrought by the amendment. Enjoy, and should you desire a copy of the amendment, feel free to contact me.

*Contributed by Carlo Mason, Managing Director, GCSL Belize
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COOK ISLANDS: PROTECTING YOUR ASSETS USING AN INTERNATIONAL COMPANY

It is no secret that the mere act of incorporating a company is itself a form of asset protection. By incorporating a corporate vehicle, you are simply isolating the business entity and therefore the risk of commercial enterprise from yourself personally. This is asset protection in its purest form!

We are all aware of how the concept of asset protection has become developed in trusts, where the legal ownership of an asset is isolated from the use and enjoyment of same. The basic idea of asset protection using trusts as the vehicle of choice, has evolved over the years (well lets make that centuries) where today all offshore jurisdictions that have embraced the idea of asset protection trusts, have more or less become uniform in their approach and use of these creatures of equity.

A common clause you will find in many trust instruments where asset protection is a prime motivation are what is typically referred to as "flight clauses". A flight clause provides a mechanism for a change of trustee (and in some cases situs of the trust), upon the happening of an event likely to compromise the assets of a trust. In particular a trustee may be automatically replaced by a trustee in another jurisdiction, upon the happening of specified events without any action or consent on the part of the trustee being replaced. Specified events are typically an unwanted action such as a creditor attack against the trust. Most asset protection trust instruments will have common terms such as "Specified Event", "Specified Person" or even "Expropriation".

In the Cook Islands, legislators wanted to extend this flight clause concept to corporations incorporated under the International Companies Act. They devised an ingenious provision in Section 228B of that Act which specifically allows a Cook Islands' International Company to state in its articles of association that membership of the International Company will change automatically upon the happening of a specified event. The specified event can be any event whatsoever and may include actions which are a result of attempts by a foreign government to adversely impact upon a membership interest. Upon the occurrence of a specified event, the membership interest will automatically vest in a specified person. If it all sounds familiar to what you would read in a trust instrument - you would be absolutely correct because these are typical words in a "flight clause" found in asset protection trusts, but which have been adapted for corporate use.

Section 228B provides a distinctive advantage to the use of a Cook Islands' International Company. Apart from the usual benefits of a corporate vehicle, this provision provides a whole new dimension to a Cook Islands company particularly to those who have concerns about preserving corporate assets as against creditors and foreign governments.

For those service providers in civil law jurisdictions who have difficulty coming to grips with the concept of trusts - this is an ideal vehicle to use as the alternative for asset preservation objectives.

*Contributed by Puai Wichman, Managing Director, GCSL Cook Islands
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SAMOA: BANKING CENTRE OF THE FUTURE?

GCSL Samoa has noticed an increase in the number of enquiries as to the establishment of International banks in the jurisdiction. This interest in Samoa is not surprising. Samoa has gained a reputation as a no-nonsense and well regulated jurisdiction - thanks to the guiding hand and sheer hard work of the people at the Samoa International Financial Authority ("SIFA"). Headed by the very capable Erna Vaai, Samoa has matured into a jurisdiction that is gaining recognition as more than just an IBC jurisdiction. Astute offshore advisors are recognizing the value of setting up an offshore bank under the International Banking Act 2005 of Samoa.

The above Act provides for three classes of banks: an "A", "B1" and "B2" international banks. What distinguishes each class is the amount of capitalization required with an A class bank needing unimpaired paid up capital of US\$10,000,000; a B1 needing US \$2,000,000; and a B2 needing US\$250,000 of paid up and unimpaired reserves. A B2 bank is not permitted to accept deposits from the public.

The usual prudential and physical presence requirements apply to all classes. Physical presence is defined in the Act as "a place of business maintained by the international bank and located at a fixed address, other than a post office box or electronic address in Samoa and at which location the bank -

1. employs one or more individuals full-time; and
2. maintains operations and banking related records."

There are additional requirements in the event that the bank wishes to carry on domestic banking business in Samoa.

It is worthy to note that, while there already are a number of International Banks in Samoa, the application process is both extensive and thorough, with SIFA keen to maintain the integrity of the jurisdiction by ensuring that applicants not only have the financial means, but also possess the necessary skills to operate and manage a bank.

SIFA is a very approachable and pragmatic regulatory body and will advise and lead applicants through the licensing process. However, make no mistake - SIFA will not take short cuts in determining the suitability of applicants. This approach has proven to be a winning formula and serves Samoa well for a future as a recognized international banking centre in the Pacific.

*Contributed by Laura Fepuleai, Manager, GCSL Samoa
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TIDBITS

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

OUR MONTHLY QUOTE THAT MADE US SMILE

"Over a long distance, you learn about the strength of your horse; over a long time, you learn about the character of your friend."
Chinese Proverb.

GOOD COP, BAD LAWYER

We recently read about the good cop, bad lawyer and have to say this almost made us reconsider our professional qualification 😊 An officer of the law was being cross-examined by a defense attorney during a felony trial. The lawyer, as expected, was attacking the policeman's credibility;Kwell, sorta. Smile as you read;K

Lawyer: "Officer -- did you see my client fleeing the scene?"

Cop: "No sir. But I subsequently observed a person matching the description of the offender, running several blocks away."

Lawyer: "Officer -- who provided this description?"

Cop: "The officer who responded to the scene."

Lawyer: "A fellow officer provided the description of this so-called offender. Do you trust your fellow officers?"

Cop: "Yes, sir. With my life."

Lawyer: "With your life? Let me ask you this then officer. Do you have a room where you change your clothes in preparation for your daily duties?"

Cop: "Yes sir, we do!"

Lawyer: "And do you have a locker in the room?"

Cop: "Yes sir, I do."

Lawyer: "And do you have a lock on your locker?"

Cop: "Yes sir."

Lawyer: "Now why is it, officer, if you trust your fellow officers with your life, you find it necessary to lock your locker in a room you share with these same officers?"

Cop: "You see, sir -- we share the building with the court complex, and sometimes lawyers have been known to walk through that room."

The courtroom erupted in laughter, and a prompt recess was called.

Let's hear it for the cop!!!

KIDS SAY THE NICEST THINGS

We recently read about an eight year old who lost her tooth and wrote the following letter to the tooth fairy:

Dear Tooth Fairy,

I'm so glad I lost this tooth! I spent a month trying to pull it out. OH! By the way, when do you think I'll get my molers? You can look in my mouth if you want to. Can you talk to my dentist about all the money he's costing my mom? Thank you. Well I better stop talking so you can grab my tooth and go to the other kids.

AND WE THOUGHT WE HAD HEARD EVERYTHING...

We recently read with a sudden urge about the woman arrested for shoplifting who told the police she had bypassed the line and headed for the door because her irritable bowel syndrome was acting up. Oh, my, what POOPYcock!!!

A SEXY STORY

We could not stop smiling about the modern day Bonnie & Clyde team, who stole a cop's truck, thought they were in the clear, stopped to address their sexual desires, ran out of gas while engaging in the necessary and tried to escape on foot when the cop found the truck stalled in a parking lot. The fella got away while the gal had to answer grand theft charges. Hmmm, we guess chivalry is dead 😞

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