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Features – page 2

70% tax bill for QROPS in residential property

BY DANIEL JUDGE

QROPS invested in residential property face a tax bill of 70% after HMRC apparently issued fresh guidance on scheme rules.

Providers are seeking clarification from the Revenue but it is thought the 'amended' regulations will apply retrospectively, potentially affecting hundreds of expat pensioners.

This will lead to a 70% "taxable property unauthorised payment charge" on schemes invested in residential property.

While it is believed most providers have stayed away from the asset, owing to the fact it is not allowed in UK pensions, several



Berry: 'enormous risks'

QROPS schemes promote it as a permissible asset.

Roger Berry, managing director of Guernsey QROPS provider Concept Group and chairman of the island's QROPS committee, said: "This shows for the umpteenth time that the straightforward benefits of QROPS are plentiful. As

soon as you stray into other areas you are taking enormous risks. It is just one of a number of areas we have stayed away from."

Gary Boal, MD of Boal & Co, which runs QROPS schemes in Guernsey and Isle of Man, said he was aware of numerous schemes that had allowed residential property, adding: "This has always been against the rules."

But Boal disputed that new guidance had even been issued, noting it was more likely some providers had only now realised the scope of existing rules.

HMRC was unable to immediately clarify the situation at the time of going to press.

La Mondiale targets UK with new bond

La Mondiale Europartner, the Luxembourg insurance company, has stepped up its efforts to target UK business with the launch of its Bond 4 European Mobility.

The company, which is the European cross border operation of one of France's largest insurers, AG2R La Mondiale, has developed the single premium product for UK nationals, UK tax residents and non-UK

nationals living in the UK.

La Mondiale said the bond was FSA-approved and fully UK compliant, as well as being transferable between the UK, France and Spain, with further European countries in the process of being added.

The bond is also multi-currency, open architecture and it provides access to both the sterling and euro versions of AGR2's

insurance fund, the Sterling Guaranteed Fund and Euro Guaranteed Fund. According to La Mondiale, in 2008 they returned 4.75% and 4.70% respectively.

Around three quarters of the fund is invested in fixed income, with 10% in property and the remainder in equities. The fund also provides capital protection (see *Company Profile on page 28*).

ZIL slashes its new business jurisdictions

Zurich International Life (ZIL) has cut to ten the number of jurisdictions from which it will accept new business as it continues a retrenchment from so-called grey markets.

The move follows ZIL's decision this summer to impose a ban on new business from 18 Asian and Australasian countries in which it was not fully licensed or regulated.

The latest development means ZIL will only accept new individual business where the proposed policyholder or life assured was resident or had an address in: Bahrain; the Channel Islands (Jersey and Guernsey); Hong Kong; Isle of Man; Qatar; Singapore; Taiwan; UAE and the UK.

In a letter to advisers, Andrew Dawson, ZIL head of cross border sales, said: "Zurich believes the increasing complexity of regulation elsewhere requires resources that are no longer in proportion to the benefits derived from accepting business from these countries."

He added ZIL would not accept any business where the client was a US or Japanese national, regardless of their country of residence.

Fund selector:

17-20

Japan equities

In the past year active funds in this unloved sector have begun to perform, but can the economy too?



Country profile

25-26

Cayman Islands

With a budget black hole to fill, the Caymans will do anything but introduce taxes on its financial sector



Company profile

28-29

La Mondiale This Luxembourg-based, French-owned, cross-border specialist has its sights on the UK market





Bryan Low, managing director, Acuity Consultants

Luxembourg-based La Mondiale Europartner specialises in supporting the financial needs of EU expatriates as they move around Europe. In 2007 the firm entered the UK, which is now its second largest market

Crossing the water

You might be forgiven for not recognising the name of Luxembourg-based La Mondiale Europartner (LMEP) but its recent entry into the UK is the natural extension of its French parent's ongoing strategy of supporting the financial needs of EU expatriates as they move round Europe. Of course, the French connection is well established within the UK market with many British nationals moving to France and French nationals working in the UK.

LMEP markets into its four principle regions of Italy, France, Spain and the UK, writing £281m of new single premium business in 2008. In the first 10 months of 2009, new business sales grew to £450m and assets under management reached £2340m. France is LMEP's main market, where it serves the needs of French in-patriates and French nationals about to move

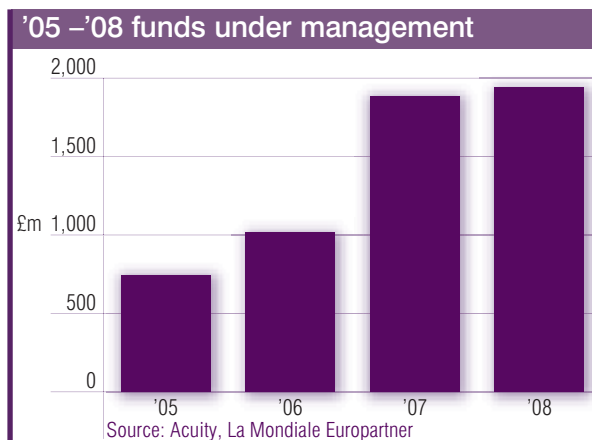
across the EU.

Since its entry into the UK in 2007, the UK has grown to become LMEP's second largest market accounting for 16% of sales in 2008. While sales in the UK remain relatively low compared to the UK market leaders, LMEP's niche strategy of targeting European expatriates and people about to become expatriates has seen sales volumes in 2009 holding up well in challenging economic conditions.

Roots in mutuality

La Mondiale Europartner (LMEP) is the cross-border subsidiary of French mutual assurer AG2R La Mondiale. The Luxembourg company was established in 1989, in a joint venture with the Netherlands-based Aegon Group with the objective of developing expatriate pension business.

Subsequently in 2006,



LMEP took over the Luxembourg operation of Aegon group company Scottish Equitable International's Luxembourg operation which had closed to new business two years earlier. Aegon continues to own 35% of La Mondiale Participations, LMEP's immediate parent company.

competitive, La Mondiale joined forces with AG2R at the beginning of 2008, creating a MAGC (Mutual Assurance Group Company) called AG2R La Mondiale which is the 8th largest personal insurance group in France.

Natural evolution

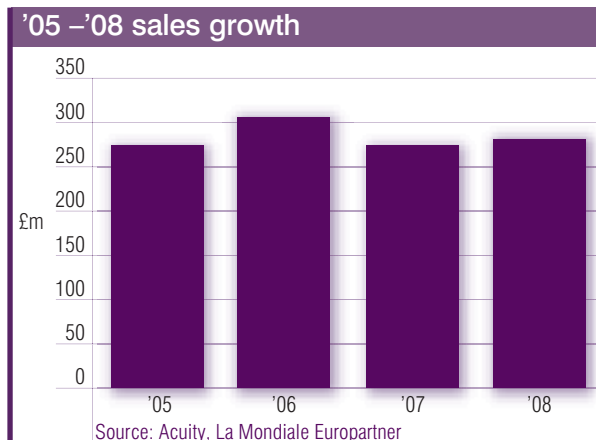
LMEP's French parent company La Mondiale had always followed a strategy of supporting its domestic customers as they moved across borders, and the creation of La Mondiale Europartner in 2002 saw this approach extended to cover wider markets of EU expatriates regardless of their nationality.

Operating from its base in Luxembourg, LMEP has a pan-European proposition that offers expatriates and internationally mobile investors access to life products that provide onshore, compliant and

Joining with AG2R

La Mondiale was established in 1905 in Lille, northern France, to provide pension products to the self employed. For more than a century La Mondiale held true to its mutual principles and continued to grow its business to become one of the largest insurers in France, specialising in pensions and estate planning.

In line with global trends for industry consolidation and the need to grow its business to remain



IA FACT FILE

Company name: La Mondiale Europartner

Ultimate Parent Group: Member of the AG2R La Mondiale Group which has a S&P ranking of A-

Head office location: Luxembourg

Phone: +352 45 85 87 44

Fax: +44 (0)1624 625 900

Number of employees: 97

Core markets: UK, France, Italy and Spain for savings products sold by private bankers in Europe and Pension Plans for expatriate employees

Branches/rep offices: Milan

Key products: Bond 4 European Mobility provides a tax efficient wrapper with a choice of investments in a wide and diverse range of assets:

- Investment via collective investment schemes chosen by the client or managed by a discretionary manager if chosen to invest in a Personal Client Portfolio.

- Open architecture Model with access to Euro Guaranteed Fund, profiles as well as external funds.

Bond 4 European Mobility is a multi-currency contract dedicated to mobile investors, cross-border compliant and ruled by Luxembourg strong investor assets protection law

Websites:
www.ag2rlamondiale.lu
advisers@lamondiale.lu

IA UNDER THE SPOTLIGHT



PHILIPPE BURDEYRON, COMMERCIAL DIRECTOR, LA MONDIALE EUROPARTNER

How long have you been MD?
Since 2006.

What is your career background?
I started out working as a consultant for an IFA firm and an insurance company in France. I moved to Luxembourg 10 years ago to assist AG2R La Mondiale develop their proposition to HNWIs in Europe.

What do you see as the key issues facing the offshore life industry over the next two to three years?
Broadening the base of countries in Europe from which cross border compliant solutions can be marketed. Being able to react quickly to changes in legislation and introduce relevant solutions.

What have you set as the strategic direction of the company?
Since 2004 we have focused our development on mobility

of people or assets within a restricted number of European countries in order to provide cross-border tax efficient wrappers. Looking forward, we think the trend of clients wishing to retire or move abroad within Europe will continue to grow. For example France and Spain are the top destinations for UK nationals and we offer compliant tax wrappers in both these countries. There is a growing demand for IFAs with the expertise and knowledge in the cross border market - we try to provide them with transparent and cost-effective solutions. Over the next few years selecting the correct distribution partners is a key issue, and being able to offer English-speaking IFAs compliant solutions in several European countries will be our differentiator.

What are the key challenges facing you now?
While our brand is well known in French-speaking markets, one challenge is to raise our profile in the English-speaking market. Another challenge is to develop further our group pension proposition aimed at expatriates working for multinational companies. We currently face

an increasing number of enquiries from specialised IFAs and consultants. As expatriates look for bespoke services they, and their advisers, can benefit from our experience in servicing wealthy clients.

What makes your brand and company unique/special?
Offering a multicurrency, open architecture, cross-border tax wrapper makes us unique. Also the financial crisis makes our main funds (€, £ and \$) offering an annual minimum guaranteed return very attractive for clients looking for a safe investment with a superior return to banking products. These types of funds are the principal form of saving in France. There is a need for us to communicate the benefits to IFAs. Being Luxembourg-based is ideal for dealing in the cross-border market (strong and efficient regulation to protect clients' investments).

How would you describe your company culture?
La Mondiale Europartner is truly international and multilingual (16 different nationalities). The multicultural team is able to operate in several European countries.

transparent opportunities for tax mitigation. The company's Luxembourg location and multinational team of almost 100 people means that it is able to provide services to advisers and clients on a pan-European basis in a range of languages and with knowledge of local cultures, tax rules and regulations.

LMEP focuses on two business streams, firstly marketing cross-border life assurance policies as wealth management solutions for expatriates, and secondly marketing multi-currency group pension contracts.

This allows an employer to easily establish a regular savings plan for employees located outside their home country, often in multiple locations around the world.

LMEP distributes its products primarily through private bankers across Europe, where it has agreements in place with over 50 custodian banks, and also through IFAs in the UK.

UK market entry

A historically continental European product and service offering meant that the UK expatriate market was not on LMEP's radar

until 2007. Attracted by the scale of cross-migration activity between France and the UK, LMEP has developed and fine-tuned a product to the needs of the Anglo Saxon market.

In 2008 LMEP started promoting its products to advisers and their clients with a French connection. La Mondiale's corporate sponsorship of a team competing in the Tour De France has also provided LMEP with a unique opportunity to raise awareness of its brand in the UK market.

Expatriate pensions

In addition to serving the wealth management needs of expatriate clients, LMEP offers a multi-currency group pension contract allowing employers to establish a regular savings plan for expatriate employees located in multiple locations around the world.

The International Retirement Savings Plan is a flexible multi-currency group pension contract that has an extensive choice of asset types and

investment managers and accepts both regular and additional contributions, with service and administration provided by a dedicated multilingual support team.

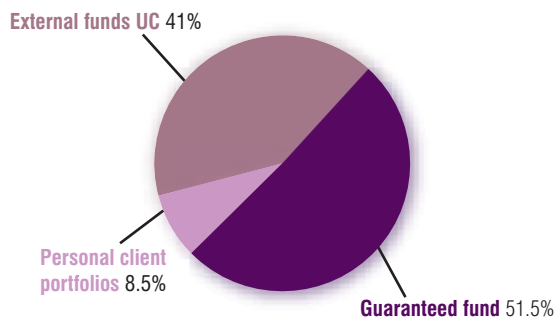
LMEP's UK market entry is still in its early days and the company's strategic focus in the short term is fixed firmly on establishing LMEP as a niche provider of EU-compliant wealth management solutions for IFAs who have expatriate clients.

The company will continue to establish itself in similar niche market segments in Spain and France, build on its presence in the Italian market through its branch in Milan, and is also already registered to operate in Luxembourg, Portugal, Spain and Belgium.

Some may see it as a bold step for a Continental European insurer to make the hop across the English Channel, but with its niche approach to well-defined EU expatriate markets and solutions providing tailored benefits, it is well positioned to meet adviser and client needs. IA

“ Attracted by the scale of cross-migration activity between France and the UK, LMEP has developed and fine-tuned a product to the needs of the Anglo Saxon market ”

'08 sales split by key product



Source: Acuity, La Mondiale Europartner

UK expats choosing to retire overseas rather than return

BY DANIEL JUDGE

UK expats who move overseas to live and work are increasingly choosing not to return home, according to research by Isle of Man bank Alliance & Leicester International (ALIL).

The cost of retiring in the UK was cited as a major factor for expats deciding not to return, ALIL said. It highlighted a recent estimate that it cost expats more than £400,000 to do so, according to website www.lifetrust.com.

France remains the top retirement spot, with 18% of those surveyed naming it as their country of choice, followed by Spain,

with 13%. The UK was only just behind; 12% of the 600 expats surveyed by ALIL said they would return home to retire.

Almost 60% of expats intended to retire in Europe in order to be close to their families, found ALIL, which noted 10% of respondents said the major bar to remaining outside the UK was being away from friends and family.

Expats intended to fund their lifestyle overseas through a variety of methods (see table). Better quality of life, weather and value for money were the three top reasons for wanting to retire overseas.

But retiring abroad does

not come without worries. Among expats' main concerns were the quality of medical care and facilities, followed by general medical issues – including dealing with an emergency in a foreign language.

IA FACT BOX

UK EXPAT SOURCES OF RETIREMENT FUNDING

Savings: 27%

UK State Pension: 23%

Private pensions: 20%

Rental income from property: 6%

Sale of residential investment property: 6%

Equity release: 2%



Nigel Green, chief executive, the de Vere group, says that despite the current turbulence in the international market, there are many opportunities ahead

IA OPINION

Crisis is an opportunity for the international market

It is fair to say that the international marketplace could be called “challenging” by many advisers. In my view, the reality is in fact exactly the opposite; opportunities for international IFAs are tremendous.

The topic of increased regulation has been a focal point politically and in the media of late, which can only be a positive thing for clients and consultants alike. It is vital that today's IFAs have the training to be able to service the public in the way they deserve and I believe that regulation will ensure this occurs. This in turn will improve public perception of the industry.

Today's international client needs financial advice more than ever. Among many needs, pension planning is perhaps the greatest. The facts of the current crisis are frightening; 450 of the largest European companies have a combined

pension deficit of €1.55trn. In addition, governments worldwide are struggling to support ageing populations. It is not only important, but absolutely vital, that IFAs show clients how to plan their money carefully and effectively.

Taxation will increase in the coming years as governments attempt to pay off vast debts accrued during economic crisis. This should swell the international expatriate market, providing yet another opportunity for IFAs.

Over the past two years, financial institutions have been forced to improve their product range to attract new clients – this also presents us with more opportunities.

In summary, the past two years may have been challenging for international IFAs but the future stands to offer many fantastic opportunities.

NDO income may be less than hoped for

The UK New Disclosure Opportunity (NDO) has failed to attract significant numbers of undeclared offshore accounts, according to tax advisers, leading to speculation it will not generate the £500m forecast.

Some tax consultants have blamed its apparent lack of success on HMRC for failing to sufficiently publicise the ‘amnesty’.

If tax practitioners are correct and people have

not come forward in large numbers, upper estimates that the NDO would raise up to £1bn may prove wildly optimistic.

According to some commentators it could generate less income than a similar amnesty two years' ago which only raised around £400m.

The deadline to signal an “intention to disclose” under the NDO was 30 November. While HMRC

has not revealed any data on uptake, tax professionals say there have been surprisingly few inquiries from those who would benefit from the scheme.

Andrew Watt, managing director, tax disputes and investigations for accountancy firm Alvarez & Marsal Taxand, said: “There is definitely a perception in some quarters that the NDO is a bit of a dead duck.”

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