

Shore to Shore

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Cayman National Opens Representative Office in Panama

Cayman National's representative office in Panama City is now open for business, having obtained its Representation License in February.

The office is headed up by Carlos Guzman, Senior Vice President, who has been charged with marketing the group's services across the whole of Central and South America. Carlos is supported by Simone Lima, VP Latin America, and Aynis Acevedo, Administrative Assistant.

The role of the new office is to represent the Cayman National Group in the region and to direct enquiries, as appropriate, to the administrative centres in the Isle of Man and the Cayman Islands.

Panama

Panama is located in Central America, bordering both the Caribbean Sea and the Pacific Ocean, between Colombia and Costa Rica. Its location on the Isthmus of Panama is strategic. The country has been an independent nation since 1903, and in 1999 took ownership, control and administration of the canal and associated lands and buildings. Its capital is Panama City.

Panama's economy is mainly service-based, heavily weighted toward banking, commerce, tourism, trading and private industries because of its key geographic location. The handover of the canal and military installations by the United States has given rise to new construction projects, following the decision to expand the canal with a

third set of locks at a cost of around USD5 billion. Panama's position in the South American market has strengthened enormously over the past decade. It has been described as "one of the most vibrant economies in the region" with a booming construction sector and strong domestic demand. Whilst the western world is struggling to avoid a recession, Panama achieved GDP growth of 11.2% in 2007 and is forecast to achieve growth of 8.5% in 2008, and 7.2% in 2009.

The Colón Free Trade Zone is the largest in the Western Hemisphere, and accounts for almost all of Panama's exports and more than half of its imports. Panama's economy is also very much supported by the trade and exportation of coffee. The Panamanian currency is the balboa, fixed at parity with the United States dollar.

Panama is one of the most developed countries in Central America, boasting one of the most stable economies and a rapid tourism growth in the Americas. It enjoys a young, new and healthy democracy. It is considered a safe, peaceful and prosperous nation.

For more information, please contact Carlos Guzman by email carlos.guzman@cnifs.com



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BUSINESS AVIATION

on the Isle of Man

In the aftermath of 9/11, there has been an exceptional growth in sales of private and corporate business jets. It is also true that the increasing number of ultra high net-worth individuals globally has also contributed to this trend. Whilst this trend has been more prominent in the USA, it has recently become more widely spread within Europe, Russia and the UAE. It is no longer an elitist toy but an effective way of getting from A to B. Large corporations and entrepreneurs alike find it much more profitable to conduct business in one day by being able to hop between multiple destinations without the need to rely on scheduled flights or be restricted to airports served by commercial airlines.

During 2007, worldwide annual sales of new jets exceeded 1000 aircraft and order books for certain models have been filled for some years to come. Corporate aviation is increasingly providing the business community with a cost effective and flexible alternative to commercial travel with its increasing poor reputation for delayed flights and security queues. The advent of the very lightweight aircraft (VLJ) at an average price of US\$1.4m has made it a much more affordable consideration for businesses or those living the high-life.

On the 1st May 2008, the Isle of Man Aircraft Registry celebrated its first anniversary. During the course of

the year, more than 50 aircraft were registered compared to the original estimate of 12. In June alone this year, 11 aircraft were registered and after only 15 months of operation the total now exceeds 80 registered aircraft.

The Isle of Man provides the only dedicated business aircraft register in Europe but does not accept commercially operated aircraft. The Registry has become yet another phenomenal success for the Island following in the wake of its equally well known Isle of Man Super Yacht Register. The group of companies attracted to the Register in its first year of operation has been very impressive. One of the world's largest business jet manufacturers has recently registered its own company aircraft. With a registry available 24 hours a day, the Isle of Man has now become widely accepted as a one-stop shop for worldwide aviation business.

This is supported by the Island's flourishing banking and insurance based sectors in conjunction with high calibre legal and fiduciary organisations which meet the registration and financing requirements of most aviation activities. Businesses are able to take advantage of the zero direct tax regime and can also benefit from the 0% standard corporation tax on all aviation transactions. Furthermore, there is no Manx insurance premium (usually 5%) which significantly

reduces the cost of operating an aircraft from the Island.

Unlike some other registers, the availability of a neutral nationality registration prefix 'M' is very appealing as it can be transferred between aircrafts. International financier Jim Mellon registered the very first aircraft as M-ELON. This has since been joined by M-AGIC and M-YSKY and more recently M-AJOR and M-INOR, two new Hawker 900XP's which were registered in sequence as they came off the production line.

Aside from its direct economic benefits, the Aircraft Registry adds significant prestige to the image of the Island as an international business location. This recognition is very important and support from the Government continues.

A private-funded project is also underway in the build of a new hangar and facilities next to the existing airport terminal to cater for the demands of the new generation of business aviation.

For more information about how Cayman National can assist in the registration of an aircraft on the Isle of Man, please contact anita.gould-davies@cnciom.com

The Isle of Man Aircraft Registry is a sponsor of the 2nd Annual Future of Business Jets Conference on Thursday 23rd and Friday 24 October 2008 at Jolly Hotel, St. Ermin's, London UK. More information is available at www.quaynote.com



Front Line Philanthropy

Guest Article by Paul Beckett*

Twenty-first century entrepreneurs who have acquired personal fortunes are used to directing their own lives and to making their own decisions. Many of them want to put something back into the societies which have supported their own rise to fame and fortune. But channelling wealth through existing charitable organisations means that the personal touch can be lost. On the other hand insisting on doing things entirely your own way may result in funds being sent to inappropriate institutions for unworthy purposes and therefore being largely wasted.

This is where Front Line Philanthropy can assist.

A charitable trust is formed under Isle of Man law, where the law of charities is ancient but flexible enough to cover most good causes. It is defined as “benevolence, philanthropy or social welfare” which must be “for the public good” (Isle of Man Charities Act 1962). The technical and artificial meaning attached to the idea of “charity” under, for example, English law does not apply in the Isle of Man.

The Isle of Man has one of the most ancient and most stable parliamentary systems of government in the world and its law reflects this. Properly constituted, a charitable trust will in the Isle of Man be immune from attack and immensely strong in its work.

Having first satisfied Isle of Man public registration requirements, the charity can go on to benefit whatever causes have been chosen. It will be tax neutral in the Isle of Man. It can be irrevocable or revocable. The trustees will appoint investment advisors and will pay careful attention to the wishes of the founder.

Instead of benefitting society at one remove, the founder is on the front line as a philanthropist. There will be tangible achievements within his or her lifetime, and the opportunity to guide and inspire the trustees while at the same time being able confidently to rely on their independence of thought and action.

Battle hardened business people eager to fight for the social good need to move up to the Front Line of philanthropy.

For more information, please contact Anita Gould-Davies at anita.gould-davies@cnciom.com



* Paul Beckett practises as a Manx Advocate and as an English Solicitor, and is also qualified as a Solicitor in both Northern Ireland and in the Irish Republic. An Oxford graduate, he has over many years lectured and been published internationally, and is head of chambers at Mannin Chambers in Douglas (www.manninchambers.com). Formerly Honorary Representative of the Isle of Man Government in Switzerland, he continues to hold a number of official posts in the UK.

PANAMANIAN PRIVATE INTEREST FOUNDATIONS

The Panamanian Private Interest Foundation is a legal entity separate from its creators, constituted through one sole donation or several donations that form an independent and autonomous estate for a definite purpose. The Foundation is a legal entity that is different from any other entity known in Anglo-Saxon Law, as a Foundation is not the legal personification of any other person or persons but a body corporate that has no owners (shareholders, participants or partners), which are strictly non-profit organisations. Private Interest Foundations are an excellent choice for the planning of international assets, adapting the European Foundation model into an instrument much more flexible and with undeniable benefits.

The most common uses for a private foundation include:

- Acting as a holding company, in the ownership of shares, interests and stocks of private companies.
- Ensuring succession planning between generations, and to ensure continuity of family businesses.
- Guaranteeing payments or distributions to family members for subsistence, education, clothing and other living expenses, or to enable children or grandchildren to benefit from the wealth of previous generations.
- Distributing assets or earnings to other individuals (either friends or loved ones) designated as Beneficiaries of the Foundation.
- Acting as the administrator of employee profit distribution plans and employee pension plans.
- As a substitute for a will, thus avoiding complicated inheritance procedures and any provisions on forced heirs.
- As a vehicle for collecting royalties and other types of returns.
- As an investment vehicle, including cash, stock markets, real estate and art works.
- Providing protection of assets against different adverse situations.



ADVANTAGES

Foundations have certain legal advantages that make them attractive for offshore use:

- They are not subject to any form of taxation in the Republic of Panama (except for an annual tax charge of US\$300). Consequently, they are exempted from income tax, estate tax, real estate tax, inheritance tax and sales tax.
- The Private Foundation Law mandates that strict confidentiality must be maintained, even after termination. Failure to do so may result in imprisonment of up to six months and a fine of up to US\$50,000, not precluding the corresponding civil liability.
- The identities of the real Founders, Beneficiaries or Protectors are protected.
- There are no annual income returns or financial reporting requirements.
- There is no requirement to hold annual meeting of the Foundation Council, Founders, Protectors or supervisory bodies.
- There are no restrictions on the maximum assets allowed.
- Contributions to the Foundation Assets do not need to be deposited as a requirement for the constitution of the Foundation, and there is no maximum period of time for the endowment to be made.
- There is no limitation whatsoever as to perpetuities, accrual of capital and other restrictions that are enforced in similar legal entities of other jurisdictions such as Anglo-Saxon type trusts.
- The Foundation may (non-habitually) carry out any kind of civil or commercial transactions, anywhere in the world and in any currency.
- Founders, members of the Foundation Council, Beneficiaries and Protectors or Superintendents may be natural persons or corporations of any nationality domiciled anywhere in the world.
- Founders need not be Foundation Council members.
- Founders, Protectors or Superintendents and members of the Foundation Council may be Beneficiaries of the Foundation.
- Founders and Foundation Council Members may hold their meetings anywhere in the world and may be represented thereat by proxy.
- Accounting records may be kept in Panama or abroad.
- Foundations from other jurisdictions may change their domicile to Panama and continue existing as Panamanian Private Foundations, or vice versa.



Offshore
advantages for
foundations
from other
jurisdictions

Elements of Private Foundations

A Private Foundation consists of the commitment of one or more “founders” to transmit assets of at least US\$10,000, that they have undertaken to contribute or donate which, together with any other assets contributed by “third parties,” may be managed by a “Foundation Council”, overseen or not by “protectors” (known in the law as “supervisory bodies”) for the benefit of the “beneficiaries.”

The Founder may be one or more persons, whether natural persons or bodies corporate, Panamanian or foreign. The administration of a Foundation is entrusted to the Foundation Council, which is charged with the fulfillment of the Foundation’s aims and objectives under the supervision or not of a “Protector.” Save if the Foundation Council should be a body corporate, the number of members comprising it shall not be less than three, of any gender or nationality.

The legislation on Foundations refers to “supervisory bodies” that are made up of natural persons or bodies corporate that may be appointed in any way. In most cases, such bodies consist of one sole person known as the “Protector.” In practice, the Protector is usually the client himself or someone he trusts. His functions are specified in the Foundation Charter. His main functions are the supervision of the Foundation Council, demanding and receiving the Statement of Account, adding or removing beneficiaries and authorizing the acts of the Foundation Council.

The Foundation’s aims and objectives consist, in the last instance, in benefiting the foundation’s “Beneficiary” or “Beneficiaries.” Such Beneficiaries have the right to receive the earnings or interest earned by the Foundation Assets, and to receive the Foundation Assets upon fulfillment of the conditions set down in the Foundation Charter.

The Beneficiaries may be natural persons or bodies corporate and are appointed in the Foundation Regulations. The Beneficiaries may sue the Foundation in exercising their legitimate rights concerning the Foundation Assets, demand the judicial removal of the Foundation Council members, demand the rendering of accounts and object to any acts of the Foundation that impair their rights. The Beneficiaries are not the Foundation’s owners or creditors, such that they may not claim rights from it aside from those granted in the Foundation Charter, the Regulations and/or the resolutions of the Foundation Council.

For more information on Panamanian Foundations, please contact Carlos Guzman at carlos.guzman@cnifs.com



Family Offices

Overview

A traditional family office is a private company that manages investments and trusts for a single family Group. Such companies provide property management, day-to-day accounting and payroll activities, and management of legal affairs. Additional personal services might be provided, such as managing household staff and making travel arrangements.

For the wealthiest of families, the establishment of a family office arrangement is an obvious solution to the complex wealth management problems that arise. However, not every family can afford a stand-alone arrangement, and Cayman National's family office services can provide the perfect solution which binds together the key aspects of the family office structure, but in an affordable way. Our aim is to provide a personalised wealth solution that helps preserve the interests of family members, using the unbiased and open architecture wealth management practices, for the purpose of growing, preserving and eventually transferring the family's wealth to future generations.

Cayman National's family office service is available either in the Cayman Islands or the Isle of Man, depending on the client's preferred time zone. Solutions involving both centres can be devised.

The Cayman National Family Office Service

Typically, by the time a family has identified its need for a more structured approach to its financial affairs, it will have grown into a complicated puzzle, one that is complex and difficult to manage, and one where it is increasingly difficult to monitor the performance (or otherwise) of assets. This structure will

undoubtedly include investments, such as shares in family companies, property, perhaps many banking relationships around the globe, different investment advisers, tax advisers, property managers, and on so.

Our aim is to add structure and control to the solution, without necessarily changing core relationships that currently exist. We also think it important that the solution we devise does not restrict your future options.

We achieve these aims in a number of areas:

Family Office Structure

The kernel of the family office is the Private Trust Company ("PTC"). This is the overarching holding company of the family's assets. The PTC can be incorporated in either the Isle of Man or Grand Cayman. Depending on family circumstances, it may make sense to hold the shares in the PTC through a trust. Cayman National can provide technical and administrative services to both the trust and the PTC. Our solution is fully portable; should family circumstances change, it is possible to re-domicile the PTC in another jurisdiction, or to change the administrators of the PTC. Alternatively, as the family office grows, the PTC can be administered 'in house'. This arrangement does not tie you into the Cayman National Group.

Below the PTC, a number of holding companies and/or single purpose companies can be structured, depending on need and circumstances. Family trading businesses can be introduced; structures to own aircraft, yachts or property can feature, and the arrangement can also enter into joint ventures with other parties. There is

inherent and almost unlimited flexibility in this arrangement.

Family Council

This is a key cooperative way of making decisions that affect all family members. Depending on individual circumstances, the family council can be involved in all major decisions, or just some, leaving the patriarch or matriarch to handle others. We can work closely with the family council to ensure that decisions, once agreed, are implemented speedily and efficiently.

Wealth Management

Cayman National can help facilitate a consolidated approach towards management of the family's wealth. Using our wealth management expertise, we can provide high level asset allocation services which can be used to validate existing investment managers. If required, we can help the family council identify 'best of breed' investment managers for their wealth. Our skills in strategic asset allocation can assist in helping the family outline their wealth objectives, risk tolerance and expectations, leading towards the development of an agreed strategy both for capital growth and income.

Our extensive experience in the hedge fund sector can assist in the appropriate use of alternative investment classes and structured products.

The overarching aim should be to preserve and enhance wealth in the long term, and across generations. Too often, investment managers focus on short term performance. We can help balance the need to actively and continually benchmark performance against these longer-term planning requirements.

Risk Management

Family offices can be faced with many legal and investment challenges, and can come under stringent regulatory scrutiny. These issues become more pronounced in the case of multi-generational families, with members based in various countries, who hold assets globally. The mitigation and balancing of risk is of paramount importance for many family office clients. We can help to identify potential risks for the family and take measured steps to protect against such risks going forward.

Philanthropy

More and more successful families wish to use their wealth to make a positive difference to the world. In the past, family philanthropy would have taken the form of a simple gift to charity, or quite likely the establishment of a grant-making foundation in a specific country. Many families now have connections around the world and this in turn requires a more sophisticated and performance-focused approach.

Philanthropists today expect to take full advantage of the value of their charitable investments. They look for maximum tax-efficiency to ensure that more of their money finds its way to the people who need it.

To this end, Cayman National is well placed in assisting clients in the formation of charitable trusts and foundations, and in the structuring of tax-efficient funding.

Education and Succession Planning

A key goal of any family is to preserve wealth over the long term; to avoid the old adage of 'rags to rags in three generations'. There are two critical aspects to this, and we can assist in both. The financial education of successive generations is

critical to the sustainability of wealth. Younger members of the family can become increasingly more involved in the decision making processes, in a controlled manner.

Cayman National can also offer a key advisory role to the family; one that is loyal, enduring, and impartial.

Administration, Monitoring and Reporting

This is a key role provided by Cayman National. We can provide all administration services for the various elements within the family office structure. We can provide an accounting and reporting service for single structures within the arrangement or on a consolidated basis at the PTC level. The use of an independent firm to provide these services can help avoid conflicts of interest, and can provide the requisite level of disclosure at different levels within the family.

Using our teams of accountants and specialists in portfolio valuations, we can provide reporting services to as detailed a level as the client requires.

Our expertise in running structures to hold assets – be they property, investments, trading companies, aircraft/yachts or works of art – can be brought into play to the extent required by the needs of the family. But, and this differentiates our service to that of the traditional in-house family office, you only pay for the services you need.

For more information, please contact Ian Bancroft by email ian.bancroft@cnciom.com

“The legacy that you leave is not simply the inheritances left to your heirs. It is a part of you that lives on in the hearts and minds of others, after you are gone. It symbolizes the influence you had on your family and loved ones and the impact you had on society”



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Cayman Islands

Cayman National Bank Ltd., Cayman National Trust Co. Ltd., Cayman National Securities Ltd., and Aon Cayman National Insurance Brokers Ltd. are all registered and have their head offices in the Cayman Islands. See prior page for address details.

The Cayman Islands Monetary Authority has licensed the Cayman National businesses as follows:

Cayman National Bank Ltd. is licenced to provide full banking services.

Cayman National Trust Co. Ltd. is licenced to conduct international banking, corporate and trust service and fund services business.

Cayman National Securities Ltd. is licenced to conduct investment and securities business.

Aon Cayman National Insurance Brokers Ltd. is licenced to conduct insurance brokerage business

Isle of Man

Cayman National Fund Services (Isle of Man) Limited is registered in the Isle of Man, company No 114740c, and has its registered office at Cayman National House, 4-8 Hope Street, Douglas, Isle of Man, IM1 1AQ, British Isles.

Cayman National Fund Services (Isle of Man) Limited is licenced by the Isle of Man Financial Supervision Commission for investment business.

Cayman National Bank and Trust Company (Isle of Man) Limited is registered in the Isle of Man, company No 25966, and has its registered office at Cayman National House, 4-8 Hope Street, Douglas, Isle of Man, IM1 1AQ, British Isles.

Cayman National Bank and Trust Company (Isle of Man) Limited is licensed by the Isle of Man Financial Supervision Commission to take deposits, carry on investment business and to provide corporate and trust services.

Panama

Cayman National Bank Ltd., Oficina de Representación is based in the Republic of Panama, and has its office at Ocean Business Plaza, Oficina 1502, Calle 47 y Aquilino de la Guardia, Marbella, Panamá, Republica de Panamá.

The Oficina de Representación is licenced by the Superintendencia de Bancos of Panamá to be a representative office for Cayman National Bank in promoting Cayman National's products and services throughout the region.