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NEWS

HMRC aims its 'biggest gun' at UK tax evaders

BY HELEN BURGGRAF

HMRC is using the biggest gun in its cabinet – the Code of Practice 9 inquiry – to pursue UK residents, particularly many of those whose names have turned up as having accounts with HSBC's Geneva branch, London tax advisers report.

CoP9 inquiries are usually reserved for the most serious cases of suspected tax evasion but, the advisers said, HMRC seems to be using them without its traditional restraint.

CoP9 investigations are civil procedures, although HMRC reserves the right to pursue criminal prosecutions. Interviews with suspected tax evaders are tape-recorded and those under investigation are warned: "You do not have to say anything. But it may harm your defence if you do not mention when questioned something that you later rely on in court."


Strachan: 'not enough research'

HMRC has said in recent months it would be taking a firmer line on tax evaders, citing recent tax amnesty programmes that, it argued, should have given those with undeclared offshore assets a chance to declare.

Grant Thornton UK senior manager of national tax investigations Frank Strachan said: "HMRC says it has done the research on these cases before they register them for CoP9 investigation, but from what I have seen, in some cases the research levels are not what I would expect to see for case of such importance.

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AILO rejects more remuneration research

BY DANIEL JUDGE

Plans for a second round of research into adviser remuneration have been shelved by AILO after members decided against funding it.

Instead, Friends Provident International (FPI) and one other AILO member, currently unnamed, are to jointly finance a new report that will gauge adviser feedback on proposed new product designs.

Acuity, the offshore consultancy firm that carried out the initial research and is conducting the second stage, said adviser reaction to remuneration models built into these products would form part of the research.

Bob Pain, FPI sales director and chairman of the AILO sales committee, said: "AILO research on the future of regular premium remuneration has concluded. This looked at current remuneration received by IFAs in Europe, the Middle East and Asia – that is upfront versus renewal commission. It also showed some possible scenarios of future remuneration to gauge IFA response

"This research was shared in detail with the participating life offices and it was agreed by them that this was useful research and that individual firms now want to take their own approach to the future."

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Guernsey firms challenge IoM QROPS claims

Guernsey QROPS providers have claimed they can offer similar benefits as available under the Isle of Man's new pension legislation, including tax-free lump sums in excess of 30%.

Some pension firms in the island, thought to be the current leading QROPS jurisdiction, have gone on the offensive since details of the Isle of Man's new 50c pension legislation was released, sensing a threat to their dominance.

In particular, a scheme offered by Isle of Man actuary and pension trustee Boal & Co, offering potential lump sums in excess of 30%, has received much attention and led to criticism from rival firms, some of whom believe promoting such benefits is irresponsible and may lead to HMRC intervention.

Roger Berry, managing director of Guernsey QROPS provider CGL and chairman of the local pension body's QROPS committee, said: "50c legislation is very similar to Guernsey's 40ee exemption provision.

"Guernsey has the capacity to do similar things to what the Isle of Man is promoting. It should be used for exceptional circumstances rather than generally.

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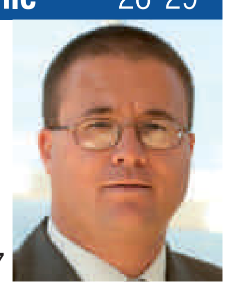
MD profile 22-23

Rocco Sepe Friends Provident's managing director, international, seeks to change perceptions of the offshore industry

Intermediary profile 28-29

Fiduciary Wealth Management Paul Correa explains how his firm has adapted to the changing business climate since 2007



Event round-up 30-31

QROPS Forum Asia Hong Kong financial advisers turned out in force to hear about the latest developments in the QROPS market

Rowland: 'intrusive regime'

Passing of EU's AIFM directive gets lukewarm welcoming

The European Parliament has finally passed the controversial Alternative Investment Fund Managers Directive (AIFMD), putting an end to months of uncertainty.

The directive, often referred to as the 'hedge fund directive', has been over a year in the making and has seen many spats between nations with very differing views on what it should achieve.

The European Fund and Asset Management Association (EFAMA) said the directive is likely to impose increased costs on asset managers, which may be borne by the end consumer, and highlighted the continued work still needed to be done.

It said: "It remains a very complex piece of legislation which regulators and the industry have to now put into practice.

"Ultimately additional costs imposed on investment funds will negatively impact investor returns, which may drive investors to more lightly regulated products with weaker investor protection."

The passing of the directive has been met with an at best lukewarm response in many quarters.

Amanda Rowland, partner at PwC, said: "It is a strong reminder that a much more intrusive regulatory regime is on its way – through this directive and a raft of other changes in Europe and beyond."

DFSA to tighten Dubai rules on financial goods promotion

BY SIMON DANAHER

The Dubai Financial Services Authority (DFSA) has announced plans to introduce regulation which will widen restrictions on the promotion of financial goods and services.

The proposed Financial Promotions Prohibition, which will be enforced in the Dubai International Finance Centre, is to be loosely based on the UK's 'Restrictions on financial promotion' and will prohibit any financial promotions by unauthorised people or companies.

There are already some restrictions in place on the promotion of financial products but the DFSA said its proposals are "designed to create a comprehensive regime covering financial promotions relating to financial services and financial products" which fall outside its current rules.

Examples of where the DFSA intends to extend its current rules include around the promotion of investment advice in relation to specific securities or funds, investment research, corporate finance advice, underwriting and market making. The DFSA said it will also cover credit facilities and deposit products, profit sharing investment accounts and insurance products.

In a statement it said: "The proposals fill a gap in the regime and provide the DFSA with a power to bring enforcement action against persons making financial promotions which breach the rules, which at present we cannot effectively do.

"This will enable us to better police the [DIFC] perimeter, an area where we have had issues."

Threadneedle Dubai venture continues global push

UK fund manager Threadneedle Investments has opened a Dubai office, from which it is targeting sovereign wealth funds and institutional investors.

The office opened in May but it has not been widely publicised.

Derek Angus, who heads the Middle East operation, said: "We have made this move on the basis of our long-term belief in the region and its prospects for growth. We are seeing an increasingly sophisticated institutional investor population seeking sustainable performance and diversification."

The move is part of a wider strategy by Threadneedle to increase its global reach and distribution. The company has enjoyed success in the UK and selected European markets but is not so widely known in other parts of the globe.

Last year it acquired a Luxembourg fund range from a Standard Chartered subsidiary from which to carry through these ambitions, which have also seen William Lowndes, former head of US and Asian distribution, move to Hong Kong to focus solely on the Asian region.

David Chinnery, meanwhile, is leading a push by Threadneedle into the Australian market.

Hamon unveils absolute return product

Hong Kong-based Hamon Asset Management has launched an absolute return fund targeting risk-adjusted returns in Greater China.

The Hamon Greater China Absolute Return Fund, which is open to European and Asian investors, will be managed by the firm's local China specialists Nina Wu, Lisa Jiang and William Liu.

It will employ the same stock ideas as the existing Hamon Greater China Fund, managed by the same team, but will also have the flexibility to hedge against risk by utilising cash and index futures as well as using some individual company shorts.

Wu: 'exciting opportunities'

It will invest in China's A, B & H markets, as well as the Hong Kong and Taiwanese markets, and Chinese companies listed in overseas markets.

Nina Wu, fund manager and investment director, said: "We are seeing many exciting investment opportunities in the Greater China region. With our 'bottom-up', 'non-market capitalisation constrained' stock selection approach, we will pick the growing companies with attractive valuations and catalyst to drive their prices.

"We recognise liquidity and risk level aversion play important roles in determining share prices, so we will have the flexibility to use cash and futures to hedge our long investments."

NEWS IN BRIEF

Guernsey goes on defensive over QROPS

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"Frequently, review by HMRC follows [the promotion of such schemes] with the potential to lose 'approval' of said schemes and all the difficulties that result."

The controversy over the Manx legislation has come as Guernsey's Parliament last month approved a measure to increase the maximum tax-free lump sum available in normal circumstances from 25% to 30%.

Greenwood to head Creechurch Capital

John Greenwood, former CEO of Thomas Miller Investments IoM, is set to take the helm at newly created wealth management firm Creechurch Capital. The Isle of Man-based company was set up by investment director and principal Glen Cochrane, another former Thomas Miller employee, and received its licence in August.

Gibraltar firms to pay for Marrache collapse

Around 100 financial services companies in Gibraltar must pay up to £36,281 each to cover the government's costs of handling the administration of Marrache & Co, the law firm that collapsed earlier this year amid fraud allegations. The Gibraltar Financial Services Commission said that it has received government approval for a so-called special levy of £800,000.

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