

SOVEREIGN PRESS RELEASE

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SOVEREIGN TRUST (HONG KONG) LIMITED RESPONSE TO SCMP ARTICLE ON US TAX FRAUD CRACKDOWN

“Hong Kong and HSBC under scrutiny as US cracks down on American tax cheats” which appeared in the online edition of the South China Morning Post on 5th January (as *‘HK and HSBC under scrutiny as US widens net’* in the print edition) made reference to an IRS investigation into Sovereign Management and its US-based clients. We wish to make it clear that the Sovereign Management referred to has no connection whatsoever with Sovereign Trust (Hong Kong) Limited or its associated companies within The Sovereign Group. The Sovereign Group is fully compliant with the IRS’s requirements under FATCA and is not aware of any of its companies being the subject of any investigation.

This article does however bring to light the necessity for tightening controls for corporate service providers and trust management companies in Hong Kong. Hong Kong has long promoted self-regulation and enjoyed the freedom of a laissez faire economy but with the taxation landscape continuously changing and the increased difficulty in opening up bank accounts for companies owned and operated by foreigners, tighter regulations could well help give banks the confidence that corporate service providers are a perfectly acceptable source of business for the banks. This is the way it tends to work in the many well regulated offshore financial centres.

Should Hong Kong continue to prefer minimal regulation, we recommend clients to use professional directors from reputable corporate services providers who apply rigorous anti money laundering policies (often because they are licensed and regulated in many other jurisdictions). Banks should welcome this approach as when professionals are in control they can and do provide a first line of defence for the prevention of money laundering and tax fraud. Hong Kong based banks in our view should only open bank accounts for offshore companies when these are managed by professionals. Banks in offshore financial centres such as Guernsey and Isle of Man do not open accounts for client operated companies. In the absence of government regulation, enhanced self-regulation of the corporate services industry can only be good for clients and Hong Kong.

Notes To Editors

About Sovereign

Sovereign's core business is setting up and managing companies, trusts, pensions, insurance and other structures to meet the specific personal or business needs of its clients. Typically these needs would include tax planning, wealth protection, property ownership and facilitating cross border business.

The first Sovereign office opened in Gibraltar in 1987 and we now have offices or agents in all the major international finance centres. We have also developed a wide range of supporting services such as wealth management, specialist tax advice, yacht and aircraft registration, credit cards, fund formation, pension services, residence and citizenship applications, as well as trademark and intellectual property registration and protection.

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