



CONFERENCE

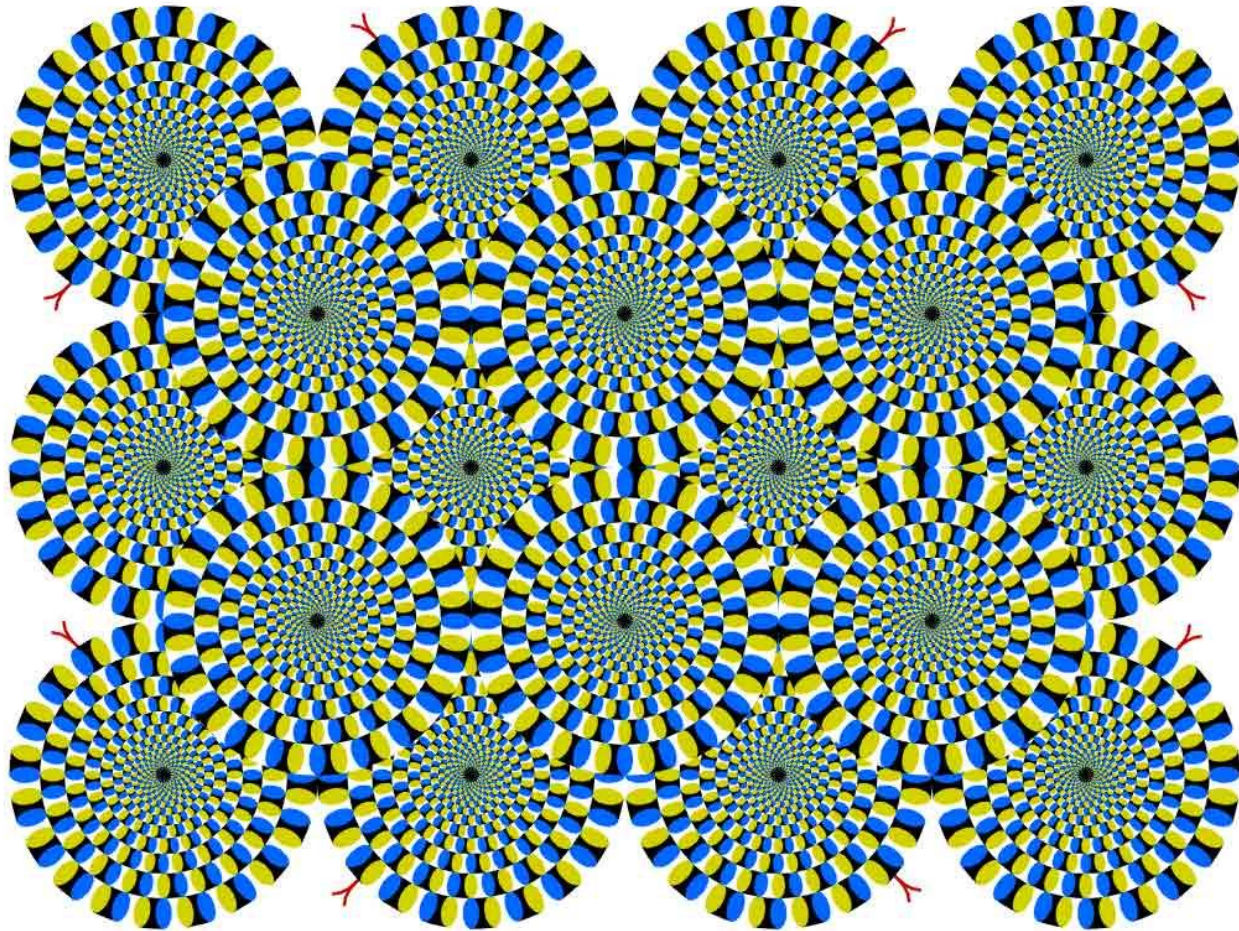
CHAOS - THE NEW NORMAL

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cha·os the·o·ry



Chaos Theory

A Unified Theory of Muppet Types



http://www.slate.com/articles/life/low_concept/2012/06/what_kind_of_muppet_are_you_chaos_or_order_.html

Why is the chaos theory relevant to you ?

- Small (compliance) issues may lead to major consequences down the line
- Human relationships are complex and sensitive
 - Once a conflict arises it can be difficult to resolve
- Key is to have a balance of relationships and to get it right
- Easy to say - hard to do; particularly in fields of Trusts and Funds

What is a Trust ?

- What it is not is a ‘legal person’
- It is a series of relationships, traditionally between:-
 - Settlor
 - Trustee
 - Beneficiary/Beneficiaries
 - Protector (possibly)
- All of whom have a relationship with the trust assets

The Traditional Trust

- The Three Certainties:-
 - Intention
 - Subject
 - Object

The Trust today

- STAR & VISTA trusts
- TCI Special Trusts
- Purpose Trusts
- Charitable trusts
- Pension Trusts
- Investment Trusts etc...

What is a Fund ?

- A supply of capital belonging to numerous investors used to collectively purchase securities while each investor retains ownership and control of his/her/its own shares.

Shared features of Trusts & Funds

- Distance between the source of funds, ownership and management
- Regulated in jurisdiction of incorporation
- Often managing funds invested in or assets located in other jurisdictions
- Clients may be HNWIs and/or families - not always easy to deal with
- May be sophisticated and bespoke structure
- Pressure to perform

Problems common to trusts and funds

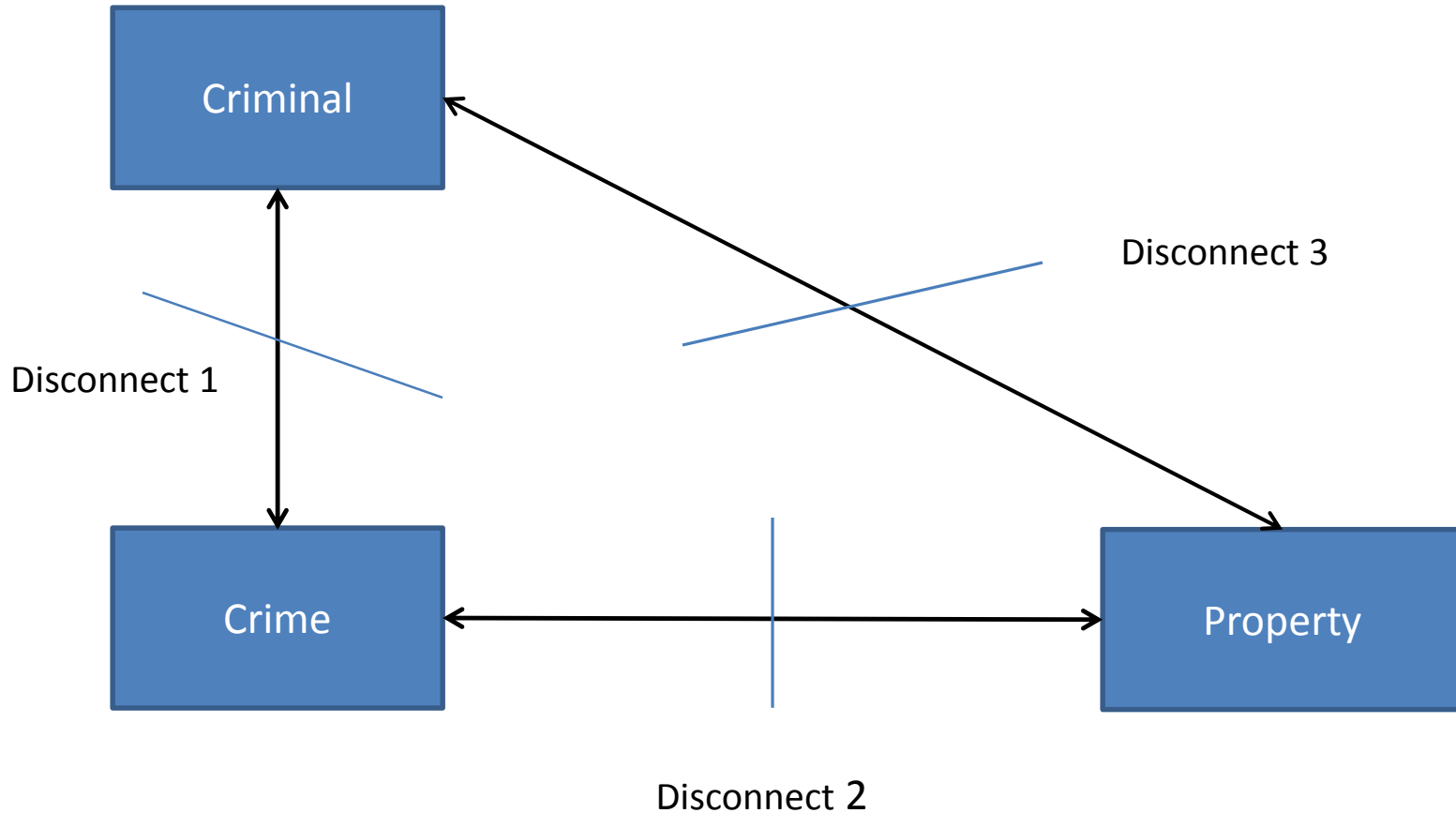
- May be subject to or of fraud, corruption, bribery and theft
- May not be what they seem:-
 - Trust - might be a sham, void for uncertainty
 - Fund - might be a Ponzi Scheme,
- May be attractive as means or part of mechanism to launder money/fund terrorism
- Money is often already in system - does not fit traditional ML model

ML, Trusts & Funds

1. Succeed in perpetrating a crime
2. Avoid detection
3. Benefit from the crime
4. Retain the benefit of crime

The 'A New Model of Money Laundering'
Stephen Platt - Criminal Capital
(How the Finance Industry Facilitates Crime)

A new ML model



Potential conflicts

- Fund manager remuneration linked to ROI
- Trust manager remuneration linked to value of assets under management
- Long term clients/family relationships; challenging clients
- Changing regulations - ever moving goal posts
- Upset clients leads to upset managers leading to an upset board - **Chaos**

Case study of Chaos

TURKS AND CAICOS **Weekly News**

Olint's Smith admits 23 charges in US

OLINT con artist David Smith is facing life behind bars after pleading guilty to 23 fraud and money laundering charges in Florida.

The 41-year-old Jamaican national is said to have ripped off more than 6,000 people – including many in the TCI – in an elaborate \$220m Ponzi scheme...

A statement from the Association of Concerned Olint Members (ACOM) previously estimated there were around 10,000 Olint members with total indebtedness of up to \$2bn...

How might you avoid chaos?

- Understand your structure
- Understand your product
- Understand your client(s)
- Appreciate & understand your fund administrators and trust managers
- Appreciate & understand the issues they have to deal with.

How might you avoid chaos (2) ?

- Explain reputational risk affects everyone
- Be there at the beginning
- Explain the future - proactive risk management
- Be part of the same team



THANK YOU

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