STM Life

THE STM

INTERNATIONAL LIFE BOND

CONTENTS

02 What is a Life Bond?
02 STM Life and Gibraltar
03 The security of your life bond and the Protected Cell Company
04 The International Life Bond
05 Key benefits for the International Life Bond Policyholder
06 Key characteristics of the International Life Bond
07 About STM Life
08 How to apply
08 Further information

In the current economic climate it is more important than ever that you have a strategy that protects the value of your assets.

Tax efficiency and security of assets are likely to be amongst your primary objectives. In response to the demands and needs of our clients, STM Life has developed the International Life Bond ("ILB") in conjunction with leading Tax Counsel.

What is a Life Bond?

A life bond or 'wrapper' is a specialist type of life assurance policy that is intended to provide a secure, tax efficient way in which to administer, protect and build your wealth. The Bond structure allows for a wide range of assets to be held within the bond resulting in greater flexibility in the ultimate choice of assets. In addition, the Bond has a level of life cover.

STM *Life and Gibraltar*

STM Life Assurance PCC Plc ("STM Life") is based in Gibraltar and has developed, in conjunction with leading Tax Counsel, a life bond to meet your needs called the International Life Bond ("ILB").

Why Gibraltar?

Gibraltar's progressive development as a leading international financial centre owes much to its high regulatory standards, combined with the flexibility of a small jurisdiction and the availability of a quality infrastructure at low cost.

Gibraltar is self governing on internal matters. Its democratically-elected Parliament has the power to make laws "for the peace, order and good government of Gibraltar".

Gibraltar observes high standards of supervision and financial regulation. The Gibraltar Financial Services Commission (FSC) is the regulatory authority for financial services providers operating in and from Gibraltar. Under the Financial Services Commission Act 2007, the FSC is required to match UK supervisory standards where European Union law applies. STM Life is licensed and regulated by the Gibraltar Financial Services Commission.

The security of your life bond and the Protected Cell Company

In today's volatile markets, it is important to ensure that your assets are held in as secure a structure as possible. It is for this reason that STM Life has been established as a Protected Cell Company (PCC).

A protected cell company is a corporate entity which holds assets in one or more segregated cells. The purpose of such a structure is to separate the assets in each cell from those in the other cells. Each cell is only liable for its own debts and not for the debts of any other cell within the company.

In Gibraltar the Protected Cell Companies Ordinance was passed in July 2001. STM Life believes that the advantages of Gibraltar as a jurisdiction coupled with the PCC structure create the best possible protection of the assets within the life bond.

Specifically:

- STM Life is structured as a Protected Cell Company (a "PCC") subject to the provisions of Gibraltar's Protected Cell Companies Act 2001. This means that STM Life may create legally recognised "cells" within the company in order to segregate and protect each policyholder's assets. Each cell has its own designation (the policy number) and it is the duty of the directors to keep the assets and liabilities of each cell separate (and therefore accounted for separately). The legislation prohibits the assets of a cell to be used to satisfy any liability not attributable to that cell. In the event that the liabilities of a cell exceed the value of its assets, the shortfall will be payable from the solvency capital of STM Life.

- STM Life is licensed under Gibraltar's Insurance Companies legislation which incorporates the provisions of the EU's Third Life Insurance Directive (Gibraltar is within the EU). STM Life meets the capital and solvency rules laid down by the directive. The company is subject to continuous regulation by the Gibraltar Financial Services Commission.

- STM Life only undertakes unit linked business. In other words, with the exception of the additional death benefit, the company's total liability to its policyholders can never exceed the value of the assets it holds in the underlying cell.

THE INTERNATIONAL LIFE BOND

In response to the demands and needs of our clients, STM Life has developed the International Life Bond ("ILB") in conjunction with leading Tax Counsel.

The ILB is a single premium, unit-linked, whole of life assurance policy issued by STM Life. The Bond is designed to hold assets in a secure, tax neutral environment whilst giving the policyholder the option of taking a regular income and capital when required.

STM Life is the legal and beneficial owner of the assets within the ILB and the policyholder has a contractual relationship with STM Life, the terms of which are set out in the standard policy terms and conditions for the Bond. It is this separation of ownership that can confer tax advantages to the policyholder.

Under the terms of the ILB, STM Life will appoint an Investment Adviser from an approved panel to advise on the investment of the underlying assets. The Policyholder will be entitled to indicate the overall investment objective of the ILB but they will not be entitled to give any instructions to STM Life or to the Investment Adviser with regard to the composition of the bond. STM Life has received legal advice that by only receiving such an indication of the overall investment objective of the Bond from the Policyholder, it should not cause the ILB to be treated as a Personalised Portfolio Bond for UK tax purposes.

The benefits of the policy are directly linked to the value of the underlying investments within the policy. Quarterly detailed transaction statements will be sent to you to enable you to monitor the progress of your investments.

Key benefits for the International Life Bond Policyholder

This life bond is an alternative structure to a trust, company or pension scheme, in which to hold investments and other private assets.

Some specific benefits include:

Confidentiality

STM Life is subject to a strict code of confidentiality and will only disclose information when required by Law or the Courts. The assets held within the ILB are treated as the assets of STM Life Assurance PCC Plc, Gibraltar.

Investment flexibility

A wide choice of assets may be owned by the policy. For example, cash, property, land, shares in an open-ended investment company, units in an authorised trust, shares in an investment trust, private company shares, hedge funds, experienced investor funds and other assets as agreed by STM Life.

Investment visibility

The wide variety of assets available to the Bond can be held in a single structure and accounted for in one detailed consolidated report.

Timing

The Bond can be surrendered or partially surrendered at any time. If, for example, the Policyholder is a UK resident and the Policy is surrendered at a time when they are non-UK tax resident, it is possible that the underlying investments may be distributed free of any UK tax.

Wealth accumulation

The assets held within the policy can accumulate in a tax efficient environment. For UK residents, income and capital gains arising within the policy should not be attributed to the policyholder under the UK's anti-avoidance legislation, which seeks to counter certain tax advantages. In many countries, the income and gains accruing to the ILB are not taxable on the Policyholder as they arise, but are taxed on encashment of the bond. In addition to this and to encourage saving, some countries tax gains on encashment of policies in a very favourable manner.

Withdrawals free of immediate UK tax

If the policyholder is a UK resident, you can make an annual withdrawal of up to 5% of the total premiums paid into the policy. This is free of immediate UK tax, up to a maximum of 100% of the premiums over a 20 year period. If not used in any one year then this amount can be carried forward and used in subsequent years. This is particularly beneficial as the withdrawal of funds from other non-UK structures is usually deemed, in the UK, to be taxable income or gains.

Risk factors

The actual value of the policy will depend upon the performance of the underlying investments. The value of the investments may fall as well as rise. This may adversely as well as favourably affect the value of your investment.

Should the Policy be surrendered, the Policyholder will receive the value of the underlying assets of the Policy less any applicable charges and fees. If regular withdrawals are made which exceed the growth in the value of the policy, the value of the bond will fall.

Intending Policyholders must take professional advice as to the suitability of the ILB in their specific circumstances. STM Life is not in a position to provide such specialist advice and we therefore only make our products available through approved advisers. If you do not have an adviser who is knowledgeable about life bonds, we will be pleased to give you details of suitable advisers.

KEY CHARACTERISTICS

Key characteristics of the International Life Bond

1. Life/lives assured

The ILB is available on a single or joint life basis to anyone between the ages of 18 and 75 provided they are not subject to legislation which prohibits this type of investment. The policy can cover the lives of several people (of different generations) and only becomes payable on the death of the defined life/lives assured. The policy is not available to citizens of the United States of America or its territories and possessions.

2. Life cover

The total amount payable on the death of the defined Life Assured is the value of bond plus an additional death benefit equal to one per cent of the Bond value (up to a maximum of £2,000).

3. Premium

The policy is established by a single lump sum premium but ad-hoc premiums can be added at a later date. The premium may be in cash and can also include the possible transfer "in specie" of assets. Please note that the minimum premium is £100,000 which must include at least £10,000 in cash. It is important to ensure that a cash balance is maintained within the policy to cover charges and withdrawals.

All policies will be denominated in Sterling although other freely available currencies can be used as a premium and these will be converted to sterling at the current exchange rate as agreed by STM Life.

4. Investment adviser

An approved Investment Adviser appointed by STM Life will select the asset portfolio.

5. Investment policy

The policy can hold any assets which are considered to be suitable by STM Life. For an asset to be available, it must be structured or described within the following list:

- Units in a Unit Trust, shares in an Investment Trust, Shares in an Open Ended Investment Company.
- Property which STM Life has appropriated to an internal linked fund.
- Holdings in other funds including Experienced Investor Funds, Property Funds and Hedge Funds.
- Private company shares.
- Any other assets specifically agreed by STM Life.

6. Sub-policies

The policy can be divided into a number of identical sub-policies known as "segments" permitting greater flexibility. For example, this can allow individual segments to be surrendered in order to realise capital without having to cash in the entire policy.

7. Surrender

The policy can be surrendered and the investment fund distributed, less applicable charges and fees, at any time.

8. Transferability

The policy can be assigned to any other person, subject to approval by STM Life.

9. Valuation reporting

The value of and income from the ILB can rise and fall in line with the value of the investments held within the policy. Policyholders will be provided with detailed quarterly valuations. Other valuations can be provided when requested by the Policyholder but STM Life reserves the right to deduct from the Current Account any fees or charges for providing an ad hoc valuation.

About STM Life

STM Life Assurance Company PCC Plc is a wholly owned subsidiary of STM Group Plc, the cross border financial services provider.

STM Group Plc is listed as a public company on the AIM market of the London Stock Exchange. STM's original business was founded in 1989 and is now one of the larger trust, pension and company (including insurance company) managers in Gibraltar. STM Group Plc specialises in planning both for private clients moving to work, live or retire overseas or making cross-border investments, and for entrepreneurial, predominantly owner-managed, businesses, expanding into or re-locating to other, frequently lower tax jurisdictions.

More information on the STM Group is provided on www.stmgroupplc.com.

STM Life was incorporated in March 2008 and is licensed and regulated by the Gibraltar Financial Services Commission. STM Life was established in response to the growing needs of STM Group's clients and the intermediaries with whom we work.

STM is repeatedly asked to deliver tailored solutions to meet private client advisers' financial and tax planning needs to ensure effective tax and succession planning for their clients. The guiding principles of STM Life are quality of service, reliability and responsiveness.

STM Life Assurance PCC Plc is a protected cell company as defined under Gibraltar Legislation: Protected Cell Companies Act 2001. In this regard each policy is designated as a separate cell, with the assets and liabilities of each cell being legally segregated from the assets and liabilities of other cells. This legislation gives further consumer protection between the policyholders.

The guiding principles of STM Life are quality of service, reliability and responsiveness.

HOW TO APPLY

How to apply

Simply consult your Adviser and complete the application form. Your Adviser will send it, together with your premium to STM Life. You will need to complete the financial questionnaire and provide documentary proof of identity, such as a copy of your passport. Once all documents have been received and your application accepted, your Policy documents will be sent to you. You will have thirty days following receipt of your Right to Cancel Notice in which to change your mind. You will be told of your cancellation rights in greater detail in the Key Features document.

Further information

The information contained in this brochure is based on STM Life's understanding of current law and taxation practice and is intended for general guidance only. Whilst every care and attention has been taken to ensure the accuracy of the contents of this publication any reader should not act upon it without seeking specific professional advice. STM Life cannot accept responsibility for its interpretation or any subsequent changes.

This brochure should be read in conjunction with the appropriate key features document, the terms and conditions document and the appropriate application form.

STM Life may be contacted via telephone between the hours of 9.00am to 5.30pm, Central European Time, during normal working days in Gibraltar or via post, email or facsimile as per the details below.

Postal Address:	STM Life Assurance PCC Plc Montagu Pavilion, 8–10 Queensway, Gibraltar.
Email Address:	info@stmlife.com
Telephone:	+ 350 200 70713
Facsimile:	+ 350 200 74081