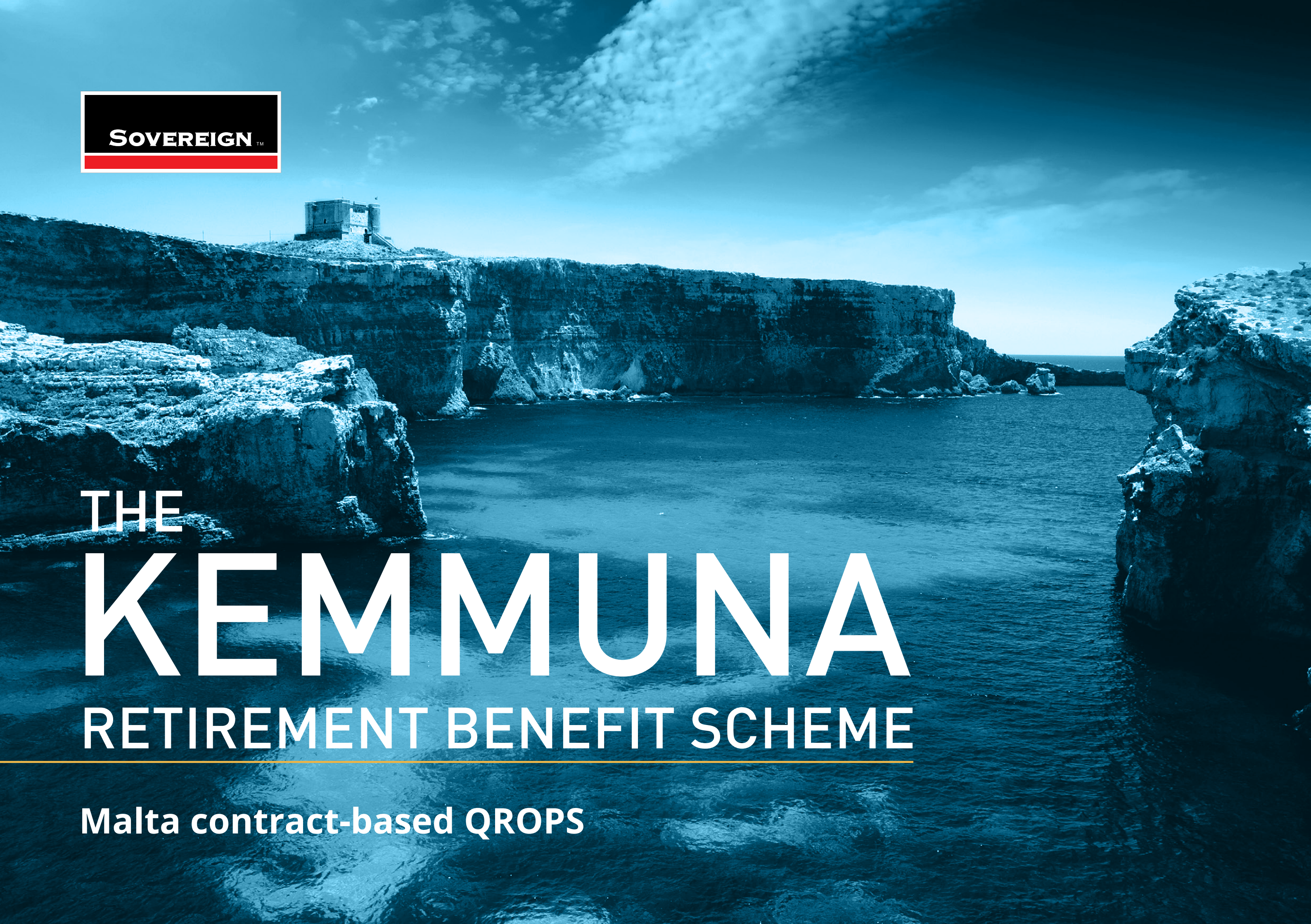


SOVEREIGN™

THE KEMMUNA RETIREMENT BENEFIT SCHEME

Malta contract-based QROPS

SOVEREIGN GROUP –
International Retirement Provider of the Year 2016

“Products that are differentiated from competitors as innovative and backed by consistent service and support”

– International Adviser Product and Service Awards 2016

The Kemmuna Retirement Benefit Scheme

The Kemmuna Retirement Benefit Scheme is a contract-based defined contribution personal pension scheme that is registered with the Malta Financial Services Authority ("MFSA") and meets the requirements set out by HMRC to operate as a Qualifying Recognised Overseas Pension Scheme ('QROPS').

What is a QROPS?

Many UK tax payers, on moving abroad, will have left their UK pension arrangements in place. These pensions remain subject to UK taxation, UK pension laws and any changes that may impact such laws. Under UK legislation introduced in 2004, effective from April 2006, UK citizens who have left the UK to emigrate permanently, and who intend to retire abroad (or who have a demonstrable intention to move overseas), having built up a UK pension fund may transfer their UK pension benefits to a non-UK pension scheme.

Likewise, non-UK citizens who have worked in the UK and built up benefits in a UK-registered pension scheme can move their UK pension overseas if they choose to retire outside the UK. In both cases, the transfer must be made to a QROPS that is recognised by HMRC.

The Kemmuna Retirement Benefit Scheme is a QROPS and attractive to those living or working abroad within the European Economic Area ("EEA"), who will not therefore be subject to the Overseas Transfer Charge ('OTC') that was introduced by HMRC in the Spring Budget of 2017, that may affect such pension schemes.

It is important to note that the OTC will not be triggered provided that the scheme member remains tax resident in the EEA for five full tax years following the date of the transfer to the QROPS.

Why contract-based?

A QROPS may be established as either a trust-based or a contract-based pension scheme.

Contract-based pension schemes are individual contracts between the member and the pension provider. The value of retirement benefits are determined by the amount of contributions that have been made, the period that each contribution has been invested, and the investment growth over this period, less charges.

Kemmuna is a contract-based pension scheme, which makes it a suitable structure for members who are resident in countries that do not recognise trusts. This is particularly relevant for Civil Law countries, such as France and Spain, where the Anglo Saxon trust concept is generally not recognised.

Kemmuna is a pension scheme with clear contractual obligations, making it a secure vehicle for retirement savings. Contract-based pension schemes may also fall outside the wealth tax reporting regimes of many European countries.

Why Malta?

Maltese legislation provides for the setting up of contract-based pension schemes within a robust regulatory framework.

Malta is a member state of the European Union with an established financial services industry.

The World Economic Forum's Global Competitiveness Index 2015-2016 placed Malta amongst the top 20 financial jurisdictions.

The MFSA is the single regulator for the financial services sector in Malta, which incorporates all financial activity including pension schemes and trustees.

Key Benefits

The key benefits of a Malta-based pension scheme are:

- Pension schemes set up in Malta have access to Malta's network of Double Tax Agreements with more than 50 countries, which means that retirement income will only be liable to tax in the member's country of residence.

- Any Pension Commencement Lump Sum ('PCLS') will be paid gross because no withholding tax is chargeable.

- Malta's legislation permits schemes to pay Flexi-Access Drawdown ('FAD') insofar as transfers from UK registered pension schemes are concerned.

- Pension funds may be passed on to a member's heirs upon death without any deduction of tax at source.

- Members have the ability to have their pension fund invested or paid in any major currency.

How does it work?

A member will enter into a contract with Sovereign under which it is agreed that Sovereign will provide that member with retirement benefits in return for contributions made by that member to the scheme.

The contributions are then invested according to the member’s risk profile and investment recommendations, made in conjunction with their financial adviser. Each member has a separate Member’s account within the scheme, which ring-fences their assets and liabilities from those of other members.

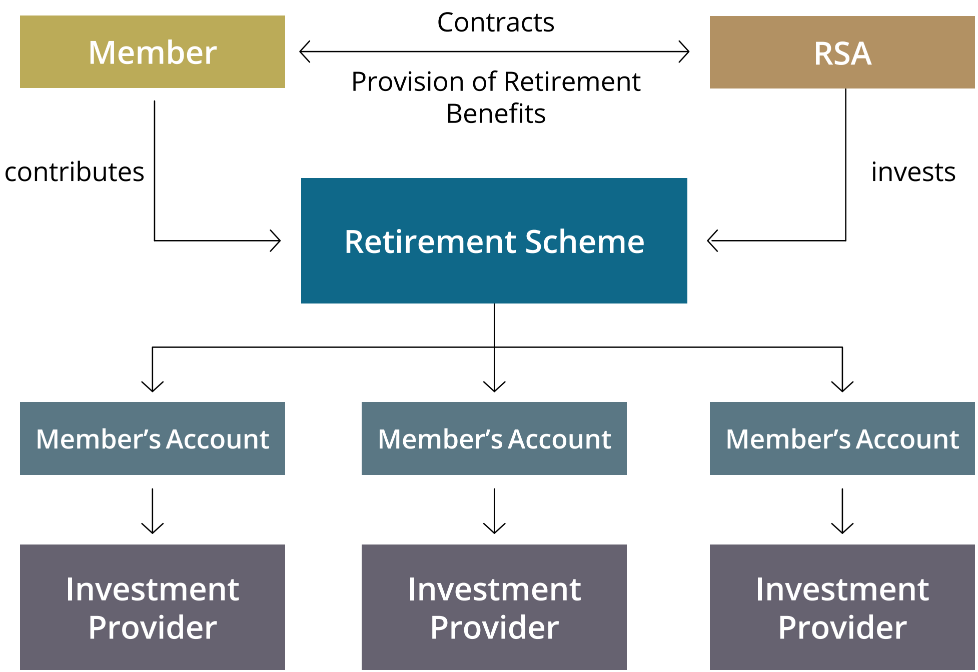
Each Member’s account will have its own investment portfolio which is held by the chosen investment provider.

Who is eligible to join?

Kemmuna is open to both residents and non-residents of Malta, provided that the prospective member is not UK tax resident. If they are currently UK tax resident, they must intend to cease being tax resident in the UK within 12 months of submitting an application form.

The minimum amount required to set up an account within the scheme is £25,000.

How is Kemmuna structured?



What contributions can be made?

A member is required to make an initial contribution to meet the consideration in the contract entered into with the RSA.

Contributions in cash, as well as contributions by way of transferring existing assets *in specie* (provided that these assets are in accordance with the scheme's investment restrictions and MFSA rules) are accepted.

Personal Contributions	Employer Contributions	Transfer of Existing Pension
• contributions made directly by members • source of wealth will need to be provided in order to verify the source of the contribution	• contributions made by members' employers • *ad hoc* lump sum payments or regular contributions	• transfers of an existing pension including pensions comprising funds from UK registered pension schemes

What are the investment options?

The Scheme is subject to investment restrictions imposed by the MFSA's licensing conditions. Investments must also be made in accordance with a member's risk profile.

The investment portfolio must have investments that are liquid and diversified. There are a wide range of investment options available.

Investment Guidelines are issued to each member and their investment adviser on application.

What are the retirement options?

If the pension consists of UK relevant transfer funds, then ...

The minimum retirement age is 55 and a PCLS of up to 25 per cent of the value of the pension fund will be available from that age.

Following payment of any PCLS, a member will be able to take FAD payments, which means that 100 per cent of the remaining pension fund is available for withdrawal. This can be distributed at the frequency of a member's choice.

If the pension does not consist of UK relevant transfer funds, then ...

The minimum retirement age is 50 and a PCLS of up to 30 per cent of the value of the pension fund will be available from that age.

Following payment of any PCLS, a member will be in Capped Drawdown such that the maximum level of annual income will be subject to rates set by the UK Government Actuary's Department. This can be distributed at the frequency of a member's choice.

What happens on death?

Upon the death of a member the RSA can, subject to Maltese legislation and the specific requirements of relevant UK legislation, pay any residual balance in the pension fund to a member's nominated beneficiaries. It is always recommended that a member takes specific independent tax advice when considering the options available to them upon death.

Why choose Sovereign?

EXPERIENCE

Sovereign opened its first office in 1987 and has since grown into one of the largest independent corporate and trust services providers in the world. It currently manages over 20,000 structures for a wide variety of clients and has assets under administration in excess of US$10 billion.

Its global office network, its independence, its reputation for excellence in scheme administration, and its record of innovation and technical expertise has propelled the Sovereign Group to become a market leader in the transfer and provision of international pension schemes.

TRANSPARENCY

Sovereign's retirement solutions offer clear and competitive fee structures. There are no hidden charges. This has enabled it to built its reputation as a transparent pension provider on which its members rely.

Sovereign offers retirement benefit schemes from a number of locations and gives members the option to switch seamlessly within this range without charge. This allows it to take a 'best fit' approach to suit personal circumstances and the size of pension funds.

Why choose Sovereign?

SUPPORT

Sovereign's multi-jurisdictional capacity, combined with the technical knowledge provided by its in-house specialists and qualified actuaries, provides all the support needed to ensure the seamless transfer of pension assets.

It also enables Sovereign to cater for any alterations to a member's situation over time, providing suitable options should residency or other circumstances change.

ACCESSIBILITY

Sovereign's pensions administration teams in Guernsey, the Isle of Man, Gibraltar, Malta and the UK work together with dedicated relationship managers in key global hubs, including Europe, the Middle East, Asia and Africa, to ensure that service can be maintained to clients and introducers around the world and around the clock.

Sovereign operates in jurisdictions that provide for secure, reliable and well-regulated pension administration. It is authorised, wherever necessary, by financial regulators to conduct pension business.

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