

Minerva launches Diversified Deposit Service

For many years Minerva has operated a pooled client money scheme, whereby deposits are placed in Minerva's name on behalf of individual clients. The scheme has a number of features and benefits, chief amongst which is the concept of spreading bank risk across more than one institution.

During 2008, changes in anti-money laundering legislation obliged us to review the operational arrangements of this scheme. In particular it would no longer be acceptable for Minerva alone to hold "KYC" (know your customer) information on the ultimate owners and others associated with the structures we administer. As a result, complying with the changes would involve KYC data being shared with all the participating banks.

It concerned our Treasury team that the cost and bureaucracy involved in meeting this requirement had the potential to undermine the many benefits of the scheme. They struck upon an innovative solution whereby one lead bank acts as the conduit into the wider banking group and detailed negotiations followed. It has been agreed that Barclays will hold underlying client owner KYC and warrant to the participating banks that regulatory requirements have been satisfied. This highly desirable outcome avoids the significant costs associated with creating and administering multiple direct bank relationships on behalf of the structures we administer for our clients.

Our Treasury review coincided with a period of unprecedented turbulence in the banking sector, throughout which we fielded many queries from clients concerning bank risk, and the steps Minerva could take to reduce this. This served to reinforce our strong belief that spreading bank risk through the use of a pooled arrangement was highly effective, however that we should reduce specific bank risk still further by increasing the number of banks with whom the "pool" of funds is placed.

At this time of heightened anxiety around the security of bank deposits we thought it timely to profile the enhancements we have made to pooled client money scheme which we have now styled the Diversified Deposit Service.

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The participating institutions are all household names being Barclays Private Clients International, Royal Bank of Scotland, ABN Amro, Bank of Scotland International (Lloyds Banking Group), Bank of India, and Standard Bank. We have consciously limited participation to global banks maintaining a presence in Jersey as the Island's Regulators have over many years, built an enviable record of allowing only the best rated banks to operate from Jersey, and as a consequence have avoided some of the problems seen in other jurisdictions.

Spreading risk is a fundamental element of the Diversified Deposit Service however aside from giving greater peace of mind, there are significant other benefits as the service:-

- Avoids the adverse consequences of achieving diversification by individual splitting of deposits which has the effect of reducing the potential interest return and increasing administration costs, both to the detriment of the overall return
- Provides clients with real time reconciliation and book keeping of bank entries at no administration cost.
- Reduces the significant and growing cost of satisfying individual bank's requirements for documentation and underlying client "KYC"
- Allows Minerva to use its collective buying power, negotiating competitive rates for cash and foreign exchange transactions which may not otherwise be available when we act for an individual company or trust
- Enables Minerva to maintain close working relationships with a small number of core banks, and to improve service and overall returns as a result

The Minerva Treasury team has enormous depth of experience in banking, deposit taking, lending, and structured product matters, capabilities which allow the team to provide Minerva's client directors and administrators with highly professional support. Globally the Treasury team is headed by David Ryan however the Diversified Deposit Service and routine Treasury matters are the responsibility of Jackie Kean, Minerva's Jersey based Treasury Manager.

Looking ahead, all Sterling deposits currently held under the existing Minerva Treasury pooled client money scheme will be moved to the Diversified Deposit Service so as to benefit from these enhanced arrangements. Should you wish to know more about the Diversified Deposit Service, then please contact either your normal Minerva contact person, or **Jackie Kean**, (jackie.kean@minerva-trust.com).