Responses to the MAC consultation on the Tier 1 Investor route

November 2018

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11th November 2013

Migration Advisory Committee

2nd Floor

Fry Building

2 Marsham Street

London

SW1P 4DF

By e-mail (mac@homeoffice.gsi.gov.uk)

Dear Sir/Madam

Re: **The economic impact of the Tier 1 (Investor) route**

We are a firm of Chartered Certified Accountants with significant international expertise. We have been specialising in providing accounting, taxation and other services to foreign nationals and UK companies owned by foreign nationals.

We are advising individuals on UK income tax on arrival to the UK as well as various issues in relation to their UK tax position as they become a "UK resident non-domicile" when they enter the UK border under Tier 1 (Investor) category Visa arrangements.

We would like to express our view in relation to the Government consultation on the economic impact of the Tier 1 (Investor) route and comment on some of the points listed in the consultation paper.

A considerable amount of external funds are brought into the country with significant benefits to the banking sector which eventually flows into the economy of the country but also direct investment into share capital or loan capital in active and trading UK registered companies. Extending the limit of investment from the lower limit available presently set at £1,000,000 will in our view deter the number of investors who are considering the UK as their future residence who may decide to consider alternative destinations for their future settlement.

Apart from the direct initial investment capital which is effectively frozen for a number of years (2-5), the indirect investments in property acquisition, household expense, children's education, financial, legal and professional and associated benefits will surely be adversely affected. All these investors will find their way in perhaps other EU member states who will benefit from the influx of the

investments and will offer the new immigrants full access to the UK via the rear door.

A better way of considering the arrangements to **the UK Investor Category applicants** would be, in our view, to divert either the whole or a major proportion of any initial investment directly to small and medium size businesses in the UK. This would mean the funds would be directly injected into existing businesses which will boost economy, create jobs and see the UK overcoming the present recession successfully. By exercising this approach the enormous funds imported in the UK will have a significant uplift of the economy instantly as opposed to the trickling of these funds through the banking system which is prolonged as long as possible for the banks' own interests.

For these reasons we believe that changes in the investment routes rather than increasing the limits available to applicants for the UK Investment Category would benefit the country.

Yours sincerely,

AVIPA LLP

Dr McKibbin

Dr Malcolm McKibbin BSc MBA DPhil CEng FICE

Head of the Northern Ireland Civil Service

Head of the Office of the First Minister & Deputy First Minister

First Minister and

Deputy First Minister

CALL FOR EVIDENCE ON THE REVIEW ON THE ECONOMIC IMPACT OF THE TIER 1 (INVESTOR) ROUTE

Thank you for your letter of 15 October 2013 on behalf of the Migration Advisory Committee regarding the review on the economic impact of the Tier 1 (Investor) route.

We have investigated whether we have any quantitative information on the numbers of Tier 1 investors that have located in Northern Ireland. We contacted the Home Office in London, and were advised that the Belfast Public Enquiry Office (PEO) does not deal with Tier 1 investor applications, so did not hold any information on this. Belfast PEO do deal with Tier 1 general applications but do not hold information on where Tier 1 General applicants are resident. The PEO deal with a lot of applications from Great Britain so the amount processed there would not be a true reflection on the numbers resident in Northern Ireland. Home Office did a search for Tier 1 Investors with Leave to Remain and there have been none made with a postcode prefix that places it in Northern Ireland. Invest NI is not aware of any recently supported investments that have involved Tier 1 investors.

As regards the threshold set in the early 1 990s, while El million still appears reasonably significant in investment terms, based on the jobs that may be created as a result of this, uplifting the figure for inflation would ensure that the cash return would generate the same purchasing power now as 20 years ago. This suggests that the threshold should be at least 60% higher now (using the GDP deflator), On a rough basis then this would suggest that the threshold could be doubled to ensure that the cash return from the investment is the same in real terms.

I hope you find this helpful,

Yours sincerely

Malcolm

MALCOLM MCKIBBIN

' INVESTORS

Bronze

IN PEOPLE

Call for Evidence on the Economic impact of the Tier 1 (Investor) route Submission to

Migration Advisory Committee

November 2013

Fragomen, Del Reye Bernsen & Loewy, LLP Fragomen Global LLP www.fragomen.com

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Professor David Metcalf CBE

Migration Advisory Committee

2 Marsham Street

London

SWIP 4DF

3 December 2013

Dear David

Thank you for the opportunity to respond to the Migration Advisory Committee's (MAC) latest call for evidence on the economic impact of the Tier (Investor) route.

I write on behalf of Fragomen LLP. Fragomen is the world's largest immigration law firm. We have over 4 offices in 17 countries and provide immigration services across over 170 jurisdictions. Our worldwide private client practice, which I lead, provides immigration advice and assistance to high net worth individuals on residency and citizenship options across the globe.

We have taken care to provide the MAC with a thorough policy response that responds to the questions raised and addresses other issues that we believe the committee should be cognisant of.

Fundamentally, in preparing the response we have had to think about what the government is seeking to achieve in this area, The UK's Tier 1 (Investor) visa should not be viewed in isolation. There is a global market for residency and citizenship by investment programmes and while the UK is a big payer we cannot be complacent. In the last twelve months new residency programmes have been created in Spain, Portugal, Cyprus and Antigua. In Malta a citizenship programme has been created and may make EU passports available in return for a 650,000 Euro donation.

We are not suggesting the UK should sell itself cheaply. UK residence and UK citizenship are valuable commodities, But the government does have a decision to make — do we have an investor visa because we want to attract high net worth migrants, or do we have it for the sake of it being there. Inferences that the Elm threshold is too low might suggest the latter is true, i.e. if we have to have the visa we will make it expensive.

We have assumed that the UK wants to attract high net worth people and have provided policy recommendations that would increase our competitiveness in the market and increase the economic benefits to the country without selling the country shoft.

Our response then forms seven annexes:

The general policy context at Annex A explains how a high net worth migrant interacts with the system and the decisions they take. We provide a number of recommendations that fall outside of the scope of this call for evidence but are nevertheless helpful.

The policy paper at Annex B responds to the questions posed in your call for evidence, This paper also contains other policy suggestions and recommendations.

Annex C contains proposals for increasing certainty by specifying investment vehicles.

Ideas for nudging Tier 1 (Investor) migrants towards more socially useful investment vehicles are at Annex D.

•Annex E draws together the recommendations we have made in each part of this Annex.

We hope that this paper serves your purposes and would be very happy to meet with you or the secretariat to discuss our Ideas further.

I would also like to express our gratitude to [REDACTED] for the time they have spent with Fragomen discussing the Investor category. It is encouraging to see how keen they are to understand how the visa works in practice, beyond the higher level structure and economic benefits.

Yours sincerely

Nadine Goldfoot

Partner

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Annex A [t]- General Policy Content and Commentary

PURPOSE OF PAPER

This paper provides general introductory context to the Tier 1 Investor category. We hope this paper serves to advise the MAC on how an individual high net worth migrant contemplates the Tier 1 (Investor) visa and their considerations at each stage,

INTRODUCTORY REMARKS

The Tier 1 (Investor) route was introduced in 2009, replacing the legacy Investor visa category. Our response will go on to explain the purpose and benefits of the route. At a more practical level the visa category can be best understood with reference to the migrant touch points, the stages at which prospective Tier 1 (Investor) migrants interact with the system. These are:

Choice of investor programme •Visa application

Act of investing on-going compliance

• Extension application

•Settlement and citizenship application

CHOICE OF INVESTOR PROGRAMME

As we explain in Annex B there are a number of reasons why a high net worth person may choose to avail themselves of a Tier 1 (Investor) or similar visa. Many will choose the UK because of our culture, infrastructure, education, security and quality of life, among other features. Others will think very carefully about the benefits of the immigration schemes available in multiple locations.

These migrants will look for certainty, speed, flexibility and stability in the programmes available. The UK has a good story to tell here.

- Certainty — the Tier 1 (Investor) route is wholly objective and if you meet the rules you will get a visa. This is often preferable to subjective schemes available in other European jurisdictions, for instance Austria

- Speed the UK Visa and Immigration Service is rightly proud of the speed at which visas are issued to prospective investors. A Tier 1 visa application will typically take 2 to 15 days other than in Russia. This compares well to almost every other jurisdiction.

Flexibility — the UK system allows a degree of flexibility to choose the size of an investment and the investment vehicle. This is welcome but could be improved by a more agile investment vehicle policy. We elaborate further on this below, However, the 180 day residency requirement is a hard and fast rule and wholly inflexible. Lowering this period and allowing discretion for those who fall outside would make a huge difference for international business people who have to travel.

Stability — unlike Tier 2 of the Points Based System, Tier 1 Investor policy has remained relatively stable since 2009 and there have been no retrospective changes,

Where there have been changes they have been easily explained and generally

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helpful. High net worth applicants do not like nasty surprises and value this stable policy environment,

Recommendation: In implementing any changes to the Tier 1 (Investor) category the Home Office must retain the objectivity of the rules and make no changes retrospectively.

VISA APPLICATION

High net worth applicants look for certainty when considering submitting an application. Again, the UK has a good story to tell.

Visa processing times are broadly consistent and a migrant can have a reasonable degree of confidence that a visa will be returned within 15 days. Some applications do take longer and there is a need for greater transparency when an application is likely to fall outside service standards, although we understand operational leader in UKVI are looking at this. In any event we remain quicker than most jurisdictions.

Decision making is also of a consistently high quality. It is rare that a mistake is made but Entry Clearance Managers are responsive and helpful if an issue does occur.

Successful applicants are awarded a three year visa and can extend in two year blocks thereafter, applying for settlement at the five year mark.

ACT OF INVESTING AND ON-GOING COMPLIANCE

A Tier 1 (Investor) must invest at least Elm in an approved manner within three months of entering the UK. That investment must be maintained until they are awarded settlement or leave the UK.

The UK rewards those who invest over E5m or E 10m with an accelerated route to settlement (three and two years respectively, rather than five years). We tend to find that take up of these options is lower than the Elm option, perhaps inevitably.

Also, where a person is willing and able to invest up to El 0m the decision will often include consideration of interactions with the UKVI. Whether you choose the 25m or E10m option you will only ever need to interact once after entry, at the settlement stage.

Recommendation: By reversing the first two grants of leave, i.e. awarding two years and then three years, the Home Office could nudge a proportion of the E5m cohort to invest 210m. This change would not affect every single migrant but it is simple to implement and would make a difference.

We believe that a reason behind the low take up of the higher thresholds is the current legislation only allows the main applicant to benefit from accelerated ILR; dependant(s) will have to wait at least 5 years before they are eligible to apply for ILR. We understand this has so far caused a lot of investors with families to decide against investing E5m or El 0m.

Recommendation: Allow dependants of those investing E5m or El 0m to apply for ILR in line with the main applicant,

The precise way an investment can be made is catered for in general guidance. This guidance changes rarely and does not contemplate the nuances of large investment types. This is understandable and in some ways desirable — it arguably gives a migrant more flexibility than a list specified by officials.

Where it is not clear whether a particular investment would fit we can email policy officials for a view. Their responses are gratefully received. However, officials cannot realistically be expected to understand every investment type and as a result a layer of uncertainty remains as officials can rarely give definitive approval to a particular investment vehicle or type.

Recommendation: The Home Office could provide a much greater degree of certainty by specifying acceptable investment types in guidance. Officials are not experts in investment and could not reasonably be expected to compile the list. A panel of financial and legal

experts would be better placed to compile the list. Annex C contains a more detailed proposal. The panel would also serve to prevent abuse of the category.

A Tier 1 (Investor) migrant must sustain their minimum investment whilst holding their visa. Failing to do so can lead to a subsequent extension or settlement application being refused. This means that if the value of an investment drops the migrant must top up their funds.

The need to occasionally top up an investment is not impractical in of itself — a fund manager is normally paid to watch over it. However, it does have the perverse consequence of pushing migrants towards low risk, safe investments including bonds. This pushes them away from higher risk but more exciting investments in tech, bio science and other volatile but strategically important sectors. Higher risk investments tend to also yield higher returns which benefits the UK economy as well as the investor, who may way up the return on an investment in the UK against one he or she could benefit from elsewhere.

In addition to "topping up', the requirement to produce periodical valuation reports prepared by a regulated financial institution discourages investors who prefer to invest in private companies, which arguably should stimulate the UK economy much more directly. This is because most regulated financial institutions find it a struggle to value private companies, let alone confirming the market value in writing.

Recommendation: By removing the need to top up investments the Home Office will also remove the key disincentive for migrants looking to invest in these exciting and important sectors. For investment into private companies, the requirement that portfolios of investments have to be certified as correct by a regulated financial institution should be removed. Instead, we submit that it is sufficient to provide audited annual account, or management accounts (as applicable) certified by a UK accountant, showing that investment has been made and not withdrawn beyond the normal course of business.

EXTENSION APPLICATION

Those looking to extend their stay can apply by post or in person where appointments are available. Processing of a postal application would tend to take between two and four months during which time the applicants may not travel. This can cause severe difficulties for internationally mobile business people,

Recommendation: UKVI should consider a priority postal application scheme for Tier 1 (Investor) applications. This scheme already exists in Tier 2 and works very well.

Recommendation: UKVI should also consider returning passports while a Tier I (Investor) application is processed. This passport passback scheme already exists for Tier 2 (IntraCompany Transfer) and also works well.

SEITLEMENT AND CITIZENSHIP APPLICATION

Tier 1 (Investor) migrants normally apply for settlement after two, three or five years. They may then apply for citizenship at the five or (more often) six year mark.

Recommendation: Again, UKVI should consider a priority postal and passport passback scheme for Tier 1 (Investor) applicants at the settlement stage,

Settlement is only available where a person has spent no more than 180 days outside of the UK in each of the five one-year periods prior to their entry. This is not a problem for all investors but does present issues for internationally mobile business people, precisely those the category is designed to attract.

Recommendation: Allowing a settlement applicant to spend over 180 days outside the UK where, for instance, they have overseas business interests will make the category a great deal more attractive. This increased time outside the UK should be 270 days to achieve the best effect, and should apply to all Investor applicants. The more generous provisions could then be extended to citizenship applications.

We understand that the Government will be wary of accelerating citizenship without precedent, the British Nationality Act 1981, would need to be amended in order for the route to British citizenship to be accelerated. This would require an amendment to primary legislation for which there appears no appetite. However, exercising of discretion with regard allowable absences is already provided for in Schedule 1 of the British Nationality Act 1981. Under this provision, the allowable absences for Settlement and Citizenship could be reconciled without any changes to primary legislation.

Ultimately settlement and citizenship are the key prizes for the vast majority of Tier 1 (Investor) migrants. These people are rich and have resources that could reasonably be put to use in the community.

Recommendation: Serious consideration should be put to directing Tier 1 (Investor) migrants to invest their money in Big Society social enterprise projects in return for accelerated settlement, citizenship or a greater number of absences. Annex D contains a proposed policy and rationale,

Annex B - Response to Migration Advisory Committee Questions

PURPOSE OF PAPER

In this Annex we respond to each of the questions posed by the Migration Advisory Committee (MAC).

CONTEXT

The questions set by the MAC are designed to respond to a question put forward by the Minister for Immigration:

qt present, the minimum level of investment for the Investor category is El million but accelerated settlement status can be achieved by investing either 25 million or E 10 million. Migrants may use money loaned to them by UK banks when making their investment. The MAC is asked to consider whether the investment thresholds are appropriate to deliver significant economic benefits for the UK, in pahicular the minimum Elm threshold?"

RESPONSE TO MAC QUESTIONS

We surveyed over a dozen of our Tier 1 (Investor) clients of various demographics in order to respond to the following questions and to help form our recommendations.

Question 1

What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:

0 The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;

The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;

The extent to which these benefits may be affected by the migrant's absences from the UK;

The timeframe over which these benefits may be realised; and

Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.

Fragomen Response

Spending

This survey found that our clients, generally speaking:

Typically invest Elm in order to meet Home Office visa requirements. This Elm typically involves a maximum of 250,000 being invested in property, but not always; and normally spend between E5,000 and E 15,000 per month, The benefit of this investment spending will not fall away when a person is granted settlement. They will continue to spend throughout their time in the UK,

- This money is spent on a variety of goods and services, often at the higher end, Our clients will buy or rent expensive properties, pay expensive private school fees, purchase luxury goods and services and have private health care rather than relying on the NHSw

Housing in particular is a great source of tax revenue for the UK. One of our clients told us that he has spent E 14 million in properties in 3 years. Using an aggregated stamp duty rate of 5%, that's E700K of income for HMRC

Low risk investments

In general our clients place their money in low risk investment vehicles, whether bonds or other corporate investments. This is no accident — the structure of Home Office policy nudges migrants away from higher risk or more volatile investment types. Removing top up requirements would, as explained in Annex A, remove this disincentive.

Trade and absences

It is self-evident that these migrants contribute to two of the four components of gross domestic products — investment and consumption. Many will also contribute towards trade, particularly where they have overseas business interests that interact with their UK interests. These international business people are more likely than most to spend over 180 days per year outside the UK, or at least to need to spend that amount of time travelling.

The rules do enable this greater degree of travel where a person is applying alongside a spouse or partner. We often see business men (and less often business woman) entering as the dependant of their spouse. This allows them to take an immigration benefit from the investment while still travelling as required. While this does work it is an ill-fitting solution that feels rather shoe horned. Increasing the maximum allowable absences for a Tier 1 (Investor) would also attract more active business people and the economic benefits they bring.

Question 2

How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)? The current financial thresholds are as follows:

El million for investors seeking settlement after five years;

E5 million and E 10 million for investors seeking settlement after three and two years respectively.

Fragomen response

Recommendation: We strongly recommend against increasing the investment thresholds for Tier 1 (Investor) migrants.

Only Austria comes close to the IJKs top line E 10m investment threshold and no other country sets the rate as high as Elm for their residency by investment programmes. Australia's threshold is higher at A$5 million (E2.8 million) but it has

many advantages over the UK programme, e.g 4 years to PR, 160 days total residency over this period (i.e. 40 days per year on average) and a much bigger range of investment options.

By increasing the minimum threshold from Elm the UK would ultimately reduce the attractiveness of the category and numbers would fall. That may be a legitimate policy aim if numbers were high but they are not. Increasing the minimum investment threshold would simply make an already niche route even smaller. The responses we received indicate strongly that many clients already find investing El million for 5 years a disproportionately high cost and long wait to get settlement.

This risk is brought to particularly sharp focus as countries across Europe are introducing similar but much cheaper schemes, with more varied choice of investment in order to attract the investors and their money.

Nor do we believe that the UK should lower investment thresholds in order to compete with those jurisdictions. At present the visa is attracting good quality low risk applicants. We would be concerned that by offering visas for smaller investments the robustness of the existing system could be lost, leading to knee jerk responses to perceived abuse further down the line.

In this respect the investment threshold is a red herring. It would be more sensible to concentrate on making the detail of current system work better, by for instance increasing allowable absences for both settlement and citizenship, removing the top up requirements and making the other sensible changes we recommend in Annex E.

Hybrid option

Additionally, the UK should give serious consideration to the introduction of a new hybrid Investor / Entrepreneur category. We see entrepreneurs who are happy to invest and create jobs but do not have an interest in actively running a company in the UK. We also see investors who want to invest in private enterprise, and would not be adverse to a job creation requirement, but are put off by the risk of an investment losing value and having to 'top it up'.

Recommendation: A middle road would capture these groups and create jobs. The 'hybrid visa would be available in return for a E500,000 investment in a new or existing private enterprise. The investor would not need to be actively involved in running the company. Settlement would be available after five years but only where five jobs were created. The Investor would be allowed 270 days absences.

It isn't unrealistic to expect upwards of 100 of these cases each year. That would mean at least 500 jobs being created for UK PLC.

Question 3

What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:

Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospectsj and

Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?

Fragomen response

High net worth migrants move locations for a variety of reasons, chief amongst them being:

Safety and security for themselves, their family and their money;

- Quality of life;

Education; and

Business opportunities.

High net worth migrants looking to move jurisdictions will often weigh these factors across a number of countries but also take migration policy, tax and other important regulatory considerations in to account. The stability and certainty of the UK's regulatory framework makes for a compelling offer.

Question 4

How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:

Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;

- Alternative forms of investment which may deliver greater economic benefits to the UK.

Any potential change in economic benefit for the UK should the requirement for investment to "hold value" be relaxed.

Fragomen response

As an immigration law firm Fragomen could not claim expertise in the relative values of a variety investment vehicles.

In our experience the most important thing is certainty. A high net worth migrant needs to know that a visa, extension or settlement will be granted where an Investment is made in accordance with the rules.

The UK compares well to Austria in this respect, for instance. The Austrian system allows for a passport to be issued if a person has invested Eurol 0m. However, an application will only be submitted after the investment is made and we understand that a high proportion of applications are refused. This uncertainty does nothing to endear the system to potential investors. However, in other jurisdictions where the investment is property related, certainty is offered by value of the initial investment, a fall in the value of the property will not necessarily impact the investors immigration status.

As previously stated the UK can increase certainty for Tier 1 (Investors) by prescribing a list of possible investment vehicles. Our policy proposal is at Annex C.

Annex C - Increasing Certainty and preventing Financial Abuse

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PROPOSAL

That UKVI devolves responsibility for determining acceptable Tier 1 Investor category investment vehicles to an independent expert panel.

The panel would operate under a similar principle to the Exceptional Talent visa for the best artistic and scientific talents — IJKVI cannot be expected to be experts in financial vehicles and so passes the task to those who can.

BENEFITS

Certainty:

It will be clear from the outset whether an investment vehicle will be deemed acceptable.

- High net worth migrants will know before applying that, all other requirements being met, they will qualify for a visa.

- Likewise, high net worth migrants will not invest in the UK for two, three or five years only to have their application for settlement refused.

This certainty, lacking from the current system, will vastly increase the attractiveness of the route increasing direct investment in the UK along with ancillary investments and high end consumption.

A single list would also be easier to administer, providing efficiencies at Post.

A more robust route:

At present the UKVI does not check the legitimacy of source of funds.

All investments must be held in an FCA regulated fund and institutions must perform the necessary checks.

The UKVI holds no sway over these organisations and therefore has a limited ability to take action against if there is abuse.

- An expert panel explicitly tasked with preventing criminal activity could spot problems at an early stage; one would assume that the arrangement could also provide useful intelligence to the authorities.

STRUCTURE

We recommend that the panel is commissioned to produce a list of acceptable investment vehicles every six months.

The list would also set out acceptable evidence of investment, once again simplifying the system.

FCA regulated institutions will be free to put forward investment vehicles for consideration. The FCA, HMT and the City of London seem like obvious members; the City of London Police Force may also have a part to play.

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Annex D - Overseas Investors and Big Society Bonds

POLICY PROPOSAL

- The creation of 'Big Society Investor Bonds' for high net worth migrants.

- The bonds could be held by Government and either:

Invested in the Big Society Bank for five years and locked in with no interest to be used as capital to fund big society and social enterprise projects; or

used as social impact bonds where investors get paid a return for successful projects.

In return investors could benefit from the ability to spend longer outside of the UK without falling foul of allowable absence requirements for both residency and citizenship

The Tier 1 Investor visa is designed to allow high-net-worth individuals to come to the UK where they will make a substantial financial investment in UK bonds, stock or

BACKGROUND

The Tier 1 Investor visa is designed to allow high-net-worth individuals to come to the UK where they will make a substantial financial investment in UK bonds, stock or shares, with the opportunity to settle permanently in the UK thereafter, Background checks conducted by the UK Border Agency and Financial Conduct Authority exist to prevent undesirables taking advantage of the visa.

Since April 2011 a Elm investment will lead to settlement in five years while larger investments of E5m or E 10m will lead to settlement after three years and two years, respectively. Allowable absence rules mean that settlement is only available to those who have spent 180 days or less outside of the UK in each of the five years preceding an application.

If they have been granted settlement an investor can normally apply for British citizenship either five years after arriving in the UK or twelve months after being granted settlement, whichever is longer. They need to have held settlement for at least a year and can normally have spent no more than 450 days outside of the UK in the previous five years, although discretion can be applied for up to 900 days in exceptional circumstances.

These high net worth migrants will tend to make ancillary investments in addition to their mandatory investment. Their consumption will also be disproportionately high, including spending on homes, schooling and others consumables. If their investments are directed to otherwise Government funded social enterprise projects they would be contributing to the three main components of GDP: investment, consumption and public spending.

NUMBERS

	Out of Countr			In count		
	Main	Famil	Total	Main	Famil	Total
Year ending March 201 1	205	375	580	125	125	250
Year endin March 2012	388	626	1,014	187	201	388

PULL FACTORS

The end game for many Tier 1 Investors is becoming a British citizen. Those moving from unstable regimes want security for themselves and their family. Many of the wealthiest migrants are less interested in the return on their investment than in obtaining that security.

Being able to spend time outside of the UK is also important. Investors tend to be international businesspeople who need to travel frequently. The allowable absence rules can inhibit this.

PROPOSAL

The money is invested in the Big Society Bank or in a new Big Society Bond.

The investment would be locked in for five years and pay little or no interest.

- The money would be held by Government and be used as capital to fund big society and other social enterprise projects.

In return the investors could be rewarded by more generous allowable absences for Settlement and Citizenship.

We cannot judge the proportion of Investors who would choose to put money in the Big Society Bank or bond but: if 100 Investors put Elm each then 2500m would be available for social projects over five years; if all 300 put Elm in each then El.5bn would be available for social projects over five years.

By paying low or nil interest, this is a much cheaper and cost effective way for the government to fund these projects than borrowing via gilts. This will effectively help reduce national debt/budget deficit.

- As Investors leaving the scheme would be replaced the churn would ensure mean that the capital available is unlikely to fall substantially.

Additionally:

Explicitly christening it a 'Big Society Bond' (vs. a standard gilt) would create a marketable brand and allow you to measure its success.

- By limiting the number of bonds available each year, you could create a sense of urgency, nudging them towards early applications,

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APPENDIX A

Social impact bonds launched by government to help poor, BBC news report, 26 August 2011 http://www.bbc.co.uk/news/uk-politics-14663564

Private investors are being asked to fund a new government drive to help families blighted by crime and poverty.

Ministers want philanthropists, charities and other groups to put cash into "social impact bonds".

It is hoped a trial of the scheme in Westminster and Hammersmith and Fulham in London, as well as Birmingham and Leicestershire, could raise up to E40mr

It aims to help break the cycle of deprivation, without costing the taxpayer any more money.

The government has put the annual bill for assisting the UK's most deprived families at more than E4bn a year, representing an average of nearly E 100,000 per family.

They are often affected by multiple issues, such as poor education and drug or alcohol addiction, and ministers are concerned the current focus on treating the problems of individuals creates a costly cycle of deprivation which they find almost impossible to break.

It is hoped the use of social impact bonds, where investors get paid a return for successful projects, can intensively tackle several problems in a family setting.

Announcing the trial, expected to be up and running next year, Civil Society Minister Nick Hurd said it would focus on delivering concrete, measurable outcomes.

"We must not be afraid to do things differently to end the pointless cycle of crime and deprivation which wrecks communities and drains state services," he said.

"Social impact bonds could open serious resources to tackle social problems in new and innovative ways. "

Mr Hurd went on: "We want to restore a stronger sense of responsibility across our society and to give people working on the front line the power and resource they need to do their jobs properlJ/1

"Social impact bonds could be one of many Big Society innovations that will build the new partnerships between the state, communities, businesses and charities and focus resources where they are needed "

Sir Ronald Cohen, co-founder of Social Finance — a company which helped develop the bonds - said the scheme could "revolutionise" the way UK charities deal with social issues.

Social impact bonds, based on the theory that early intervention can help stop more serious problems later on, are already being used to tackle reoffending in Peterborough Prison.

An initial evaluation of the scheme, published in May, found there was demand from the voluntary sector for the idea and it had helped to generate new sources of funding. But it also warned that the contractual relationships underpinning the scheme were "complex".

Citing the scheme as an example, Sir Ronald said not-for-profit organisations with expertise in the justice system would be funded through investments rather than grants.

"If they achieve a reduction of more than 7.5% in the rate of reoffending by these prisoners for a period of six to eight years, then the government pays the capital back, " he said.

"Below that, the capital is lost, and above that the capital gets a yield of 2.5% to 13%."

For Labour, shadow Cabinet Office minister Tessa Jowell welcomed the thinking behind the initiative but said much more detail was needed on how it would work.

"The devil is in the detail," she said.

"What criteria will be applied to financial backers? How will the government ensure they are serious about tackling these problems long term?"

"What indicators will be used to judge the success of these projects and how will the government ensure the payments by results model does not just allow providers to cherrypick members of the target group who are the easiest to help?"

Prime Minister David Cameron set a target to "turn around" up to 120,000 families with multiple problems by the end of the current parliament, a goal critics have warned could be hard to achieve.

Westminster Council said it welcomed the chance to speak to potential financiers about supporting its family intervention programme.

'The kind of outcomes they would be thinking about would be avoiding public care for children because what we know it is very expensive and we do not always have the best results," Natasha Bishop, the council's head of family recovery, said.

"They would also be looking at getting children who have been out of school back into school, pushing up attainment and children not becoming young offenders or reducing their offending".

Annex E - Summary of Fragomen Recommendations

Recommendation: In implementing any changes to the Tier I (Investor) category the Home Office must retain the objectivity of the rules and make no changes retrospectively.

Recommendation: In implementing any changes to the Tier 1 (Investor) category the Home Office must retain the objectivity of the rules and make no changes retrospectively.

Recommendation: By reversing the first two grants of leave, i.e. awarding two years and then three years, the Home Office could nudge a proportion of the E5m cohort to invest El 0m, This change would not affect every single migrant but it is simple to implement and would make a difference.

Recommendation: The Home Office could provide a much greater degree of certainty by specifying acceptable investment types in guidance. Officials are not experts in investment and could not reasonably be expected to compile the list. A panel of financial and legal experts would be better placed to compile the list. Annex C contains a more detailed proposal. The panel would also serve to prevent abuse of the category,

Recommendation: By removing the need to top up investments the Home Office will also remove the key disincentive for migrants looking to invest in private equity in exciting and important sectors.

Recommendation: Allow dependants of those investing E5m or E 10m to apply for ILR in line with the main applicant.

Recommendation: UKVI should consider a priority postal application scheme for Tier 1 (Investor) applications. This scheme already exists in Tier 2 and works very well.

Recommendation: UKVI should also consider returning passports while a Tier 1 (Investor) application is processed. This passport passback scheme already exists for Tier 2 (IntraCompany Transfer) and also works well.

Recommendation: Again, UKVI should consider a priority postal and passport passback scheme for Tier 1 (Investor) applicants at the settlement stage.

Recommendation: Allowing a settlement applicant to spend over 180 days outside the UK where, for instance, they have overseas business interests will make the category a great deal more attractive. This increased time outside the UK should be 270 days to achieve best effect and should apply to all Investor applicants. The more generous provisions could then be extended to citizenship applications.

Recommendation: Serious consideration should be put to directing Tier 1 (Investor) migrants to invest their money in social enterprise projects in return for accelerated settlement, citizenship or a greater number of absences. Annex D contains a proposed policy and rationale.

Recommendation: We strongly recommend against increasing the investment thresholds for Tier 1 (Investor) migrants. Only Austria comes close to the UK's top line El 0m investment threshold and no other country sets the rate as high as Elm for their residency by investment programmes.

Recommendation: A middle road would capture these groups and create jobs. The 'hybrid visa would be available in return for a E500,000 investment in a new or existing private enterprise. The investor would not need to be actively involved in running the company. Settlement would be available after five years but only where five jobs were created. The Investor would be allowed 270 days absences.

Tier 1 Investor Route

I was pleased to be able to attend Wednesday's consultation with the Migration Advisory Committee at Speechly Bircham and it was a pleasure to meet you.

I wanted to take the chance to respond, citing a couple of the issues I felt most pertinent.

It is important to understand the goals of the Tier 1 (Investor) Visa. As I understand, it is to promote investment and to further business activity by non-EU nationals in the UK.

Firstly, the notion of investing £1m in UK gilts for five years does not, in my eyes, serve to benefit the UK economy. Further to this, the way that the investment in gilts is marketed to potential investors as 'cast iron' becomes questionable when the top-up that is currently in place is enforced.

It is understandable why property purchases are not considered to be qualifying investments, as this could only serve to price out local residents from the most expensive areas of the UK. However, I strongly feel that the kinds of investments coming to the UK through the Investor Visa route should help to stimulate new UK business. At present, I see little incentive for investors to keep their money in the UK once the investment criteria have been met. It would be of greater use to accept investment into some of the many successful venture capital funds and schemes that are becoming increasingly present in the UK's financial sector. Investment in these schemes creates employment, stimulates growth and has a far wider effect on the UK economy as a whole when compared to investing in UK government bonds.

Another aspect to bear in mind is the experience the investor has whilst investing in the UK. We must incentivise the investors as far as possible to keep their investments in the UK once the time criteria of the investment have been met. Families and individuals who have made enough money in their home countries and have decided to come to do business in the UK are likely to have had previous success in the world of business. It then follows that they will be both interested and qualified to invest in new UK business.

It is with these points in mind that I would like to suggest that the idea of increasing the investment threshold would have a detrimental effect on the overall amount of investment received under the Investor Visa scheme. Furthermore, I believe that the limited scope of the investment criteria do not serve to stimulate the appetite of interesting and entrepreneurial investors. Broadening the kind of investments that qualify for the Investor route would likely lead to greater inflows of investment and for more sustained periods of time.

I hope that you found the meeting on Wednesday useful and would be happy to talk to you more should you need anything else.

Best regards,

Charlie

PWC

13 December 2013

PricewaterhouseCoopers Legal LLP

pwc

13 December 2013

Dear Sirs

Call for Evidence by the Migration Advisory Committee (MAC) on the Economic Impact of the Tier 1 (Investor) Route

We are pleased to submit PricewaterhouseCoopers Legal LLP's ('PwC Legal') response on behalf of our clients and a number of financial institutions to the MAC's 'Call for Evidence'.

PwC Legal is concerned that amending the Tier 1 (Investor) route drastically will result in a reduction of applications under this route. This would have a negative impact on the UK as Tier 1 (Investor) migrants and their families are beneficial to the UK economy in many ways. We are in regular contact with 15 leading financial institutions and have assisted numerous Tier 1 (Investor) clients with their applications. We have responded to the questions in the consultation which are pertinent to our clients and also provided some broader submissions from financial institutions with which our clients work with, commenting on how future changes may affect the economy on a wider scale.

We specifically request that no information or evidence attributable to us or our clients is used in the published report without previously receiving written permission from PwC Legal. We reserve the right to verify the response and actual wording used, should we decide to agree to make any aspect of our response to the consultation public.

Yours faithfully,

Jurga McCluskey
Partner, Pricewaterhou

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Contents

1, Executive Summary

We believe that significant changes to the Tier 1 (Investor) category could result in overseas investors bypassing the UK as the destination of choice with potentially severe effects for the UK.

Published research on the economic impact of high net-worth immigration is scarce as acknowledged by the MAC. The extremely limited proportion of Tier 1 (Investor) migrants interviewed for the National Institute for Economic and Social Research (NIESR) report mean that the findings do not necessarily reflect the wider Tier 1 (Investor) migrant population and the benefit they bring to the UK. Therefore in preparing this response we have drawn on our own experiences and consulted our Tier 1 (Investor) clients, along with leading financial institutions, for their views on the Tier 1 (Investor) category and the economic impact of high net-worth immigration to the UK.

Since the Points Based System (PBS) was introduced in 2008 there have been 1,470 UK entry clearance visas granted under the Tier 1 (Investor) category. The number of entry clearance applications has steadily risen in recent years with 417 main applicant submissions in 2012 and 530 main applicant submissions in 2013. Even though the Tier 1 (Investor) category accounts for only a small number of migrants per year in proportion to other immigration categories, we believe this group is of particular importance for its role in stimulating UK economy by investment and business opportunities. It is therefore important to consider that any substantial changes to this route may create uncertainty for future investors which could result in slowing the steady uptake of this programme and limiting the direct economic benefits for the UK.

The Tier 1 (Investor) category provides the Government with an unparalleled opportunity to support the growth agenda. The direct contribution to the UK is by way of the investment of El million, 25 million or 210 million in active and trading UK registered companies or Government bonds. More importantly however, the indirect contribution to the UK by Tier 1 (Investor) migrants and their dependents, such as through the purchase of high value real estate, education and private medical costs realised during the lifetime of their investment and beyond, well exceeds that of the initial direct contribution.

In 2012 and 2013 combined, 1,960 PBS dependent applications under the Tier 1 (Investor) category were submitted, which is an important statistic to consider given that High Net Worth Individual's (HNWI's) and their dependents undertake significant expenditure on UK goods and services with respect to both their lifestyle and entrepreneurial activities in the UK. This has the indirect effect of increased revenue for UK businesses as well as increased revenue for HM Revenue and Customs (HMRC) from direct and indirect taxes. HNWI's also contribute to the creation of jobs through their business investments and also the employment of domestic staff in roles such as nannies, housekeepers, drivers and cooks.

In recent times, we have seen economic citizenship/residence programmes become very topical and with many countries looking to introduce their own citizenship/residence programmes for HNWI's, it is vital that the UK's own residence programme remains competitive and attractive. We are therefore of the view that the m•nimum level of investment should be maintained at El million. Further flexibility is also required in order to maximise the economic benefit to the UK. If there is an increase in the minimum investment criteria, significant concessions must be implemented in order to maintain the UK's position as the preferred location for HNWI's. Such concessions could include increasing the permitted number of absences for main applicants. The current requirement to spend up to 185 days in the UK per year is quite high when compared with similar programmes across the world such as Australia, where only 40 days residence per year is required.

Wholesale changes to the Tier 1 (Investor) category would no doubt cause a negative impact on the UK economy as outlined above and undermine the intended purpose of this MAC Call for Evidence which has been to look at ways to increase the overall economic benefit of the Tier 1 (Investor) category for the UK.

2,Responses to consultation questions

Question 1: What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:

(a) The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;

Tier 1 (Investor) migrants bring a significant economic benefit to the UK. It is necessary to understand the aims of these HNWI's in order to utilise their investment in the UK to its full potential. With an ever increasing number of investors wishing to come to the UK it is imperative that the investment options are attractive to the investor and equally benefit the UK.

In our experience, the majority of Tier 1 (Investor) migrants choose to invest in UK Government bonds. However, we are seeing an increasing level of interest from HNWI's looking to invest in corporate bonds, share and loan capital. In particular, we have noticed a number of Tier 1 (Investor) migrants opting to combine Government and corporate bonds to satisfy the investment requirements. For the duration that the investment is held in bonds, the UK Government is able to use the invested funds to finance its activities.

Active, rather than passive investments are increasingly preferable to Tier 1 (Investor) migrants. More often now Tier 1 (Investor) migrants are deciding to set up their own business in the UK and want to invest the El million by way of loan capital in to their own company. A company set up by a HNWI can generate significant economic benefit for the UK, especially if it is profitable, through the payment of taxes including corporate taxes and the creation of jobs. In particular, this is a very attractive proposition for the Chinese market who want to actively invest their funds in business and property.

We understand that the MAC is concerned by the withdrawal of investment funds once the migrant obtains Indefinite Leave to Remain (ILR). The Immigration Rules provide for a 5 year route to settlement following the minimum investment of El million after which an investor is no longer required to invest in the UK. We, however, find that once an applicant has remained in the UK for 5 years and obtained ILR they typically will have made the UK their principal home. This will result in further investment in ways unrestricted by the Tier 1 (Investor) route. A leading bank that we spoke with commented that clients:

"typically maintain their investment for more than 3 years qfter the grant of ILR which indicates that clients will directly contribute to the UK economy long after they obtain ILR. "

(b) The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependant on goods and services in the UK;

A leading financial institution has commented, in response to this consultation that they consider:

"the main benefits of the current Tier 1 (Investor) route to be the indirect economic benefits that comefrom the HNWI's, rather than the investment itself."

Many of those who come to the UK as Tier 1 (Investor) migrants will:

purchase high value residential property here in which to base their families; •
privately educate their children at some of the best educational institutions in the UK;

' pay for private medical treatment from renowned practitioners; • require the assistance of often large numbers of domestic staff; and

spend vast amounts on goods and services within the UK.

In our experience, it is common for Tier 1 (Investor) migrants to purchase UK real estate in excess of 22 million; however, we have known of many property purchases in excess of 25 million and once in excess of 250 million. Additionally, many of the real estate purchases made by our clients do not require any debt financing. Although the majority of the purchase price will fall into the hands of the seller it is important to recognise the substantial charges to Stamp Duty Land Tax (SDLT) that will be generated on the transfer of such a high value property. For example, a HNWI purchasing a 22 million property in their personal capacity will be liable to pay SDLT at a rate of 7%, which amounts to E140,ooo. The seller may also be liable to a tax charge from the sale of their property which generates further cash for HMRC.

It was announced last week by The Chancellor, George Osborne, in the Autumn Statement that from April 2015 foreign property owners (including non-tax residents) will be required to pay tax on any gains in value on UK properties they own, under changes to capital gains tax legislation. This will lead to further benefit for the UK economy through funds raised by taxation.

Not only will Tier 1 (Investor) migrants purchase property but they will also typically spend significant sums renovating the property. For example, the property that our client purchased for 250 million subsequently underwent 2150 million worth of renovations. Such extensive renovations create jobs for builders and decorators for a number of months. HNWI's will purchase quality materials and subsequently furnish their homes to the highest standard with an array of luxury goods. Space is important to our clients and investors will often own more than one property in the UK, each of which will often be fully renovated.

The UK has a well-regarded educational system with many elite institutions to attend. Tier 1 (Investor) migrants will enrol their children into private schooling with many choosing to board in the UK. With children in compulsory education until the age of 18 this generates a significant amount of revenue for UK schools. Although a generalisation, private tuition fees per child in senior school are typically in the region of 230,000 - 240,000 per year for those that board. This excludes many other school fees that will be incurred including admission and uniform. These students then have the opportunity to attend a leading University in the UK, given that 4 of the top 10 global universities are based here. This generates further revenue for the UK education system with tuition fees and student maintenance which will be paid by the Tier 1 (Investor) migrant.

HNWI's seek the attention of private medical practitioners in the UK who will be renovvned in their area of expertise. The cost of receiving private medical attention is often significant and bares no burden on the NHS.

Tier 1 (Investor) migrants will also employ several members of staff in the UK to manage their wealth and support their families. However, it should be acknowledged that HNWI's are facing difficulties due to the abolition of the domestic worker route to the UK. HNWI's will often have trusted personnel in their home countries such as nannies but yet are unable to bring these members of staff to the UK to continue this working relationship. In this instance, HNVVI's will have to recruit from the local market creating employment opportunities.

Whilst we recognise that many of these domestic positions can be filled by those with the right to work in the UK, we strongly believe that there should be an exception to nannies. Children develop a strong bond ˡY4ith their carers over time and it is very important to HNWI's that there is continuity of care. We believe that an exception should be made for the most valued staff of a Tier 1 (Investor) migrant in order to provide a special benefit for those who invest heavily in the UK through the Tier 1 (Investor) route.

In any event, the vast wealth brought to the UK by Tier 1 (Investor) migrants creates employment opportunities, whether for the family, or for a business established by the HNWI. Employment generates taxes and National Insurance contributions to be collected by HMRC and enables further spending of salaries by such employees. Businesses established by HNWI's operating in the UK will also incur corporation taxes, generating additional revenue for HMRC. Such businesses set-up by Tier 1 (Investor) migrants naturally become part of the supply chain and will promote economic growth within the UK.

Tier 1 (Investor) migrants also spend substantial amounts within the UK on luxury goods and sen,'ices, including jewellery, furniture and hospitality. Such HNWI's will not hesitate to spend vast amounts of money on dinning out frequently or on shopping trips to luxury stores such as Harrods and Selfridges. There is a noticeable difference between the spending habits of 'new' and 'old' wealth, however, the fundamental value of spending remains the same and much more than an average UK shopper would on the high street.

The extent to which these benefits may be affected by the migrant's absences from the UK; and

The timeframe over which these benefits may be realised;

Many Tier 1 (Investor) migrants are international businessmen with worldwide business interests. As such these business commitments necessitate the HNWI to travel outside of the UK. The skills that these HNWI's continue to hone overseas can only benefit the UK when such skills are transferred here. The economic benefit to the UK is therefore enhanced by the migrant's absence as the business intelligence that they return to the UK with is key for economic growth.

Commercial Tier 1 (Investor) migrants are also likely to establish a business in the UK, which will generate employment opportunities. However, HNWI's need the flexibility to travel in order to continue running these businesses successfully. These successful UK and overseas businesses ultimately generate wealth for the HNWI which is likely to be spent in the UK.

The Tier 1 (Investor) scheme currently creates too many barriers to HNWI's often putting off potential Tier 1 (Investor) migrants coming to the UK until they are comfortable that they will satisfy the absence requirements. Business needs often remove migrants from the UK, but these absences allow HNWI's to create further wealth and hence benefits the UK if this wealth is then spent in the UK.

The physical absence of a Tier 1 (Investor) does not directly correlate with a reduction in the indirect benefits to the UK. Salaries of employees will continue to be paid, properties will have to be maintained and children will continue to be educated. Much of the expenditure will continue even in their absence. Further, families will need to be cared for in the Tier 1 (Investor) migrant's absence and therefore the purchase of goods, food and beverages will not be affected by their absence.

The indirect benefits of purchasing goods and services can be realised by the economy immediately. The benefit of the specified investment will take the UK longer to realise given it is usually in government bonds and in all likelihood will be outweighed by a Tier 1 (Investor) migrant and their families ultimate expenditure.

(e) Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 Investors in the UK.

It is a condition of leave that Tier 1 (Investor) migrants are unable to rely on p blic funds. Tier 1 (Investor) migrants do not cost the economy in the way which may be perceived with other categories of migrants.

We acknowledge that there are concerns that Tier 1 (Investor) migrants are pricing ordinary residents out of the housing market in parts of London. However, it is important to realise that Tier 1 (Investor) migrants Wpically purchase multi-million pound properties to reside in. Claims that the influx in HNWI's skewing the housing market are not entirely accurate. Such HNWI's are not pricing ordinary residents out of the housing market but rather they stimulate the high end property market.

Question 2: How might these benefits and/or costs be qffected by the currentfinancial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)? The current financial thresholds are asfollows:

El millionfor investors seeking settlement qßer 5 years;

E5 million; and

Æ10 million for investors seeking settlement qßer three and two years respectively.

Many HNWI's who come to the UK via the Tier 1 (Investor) route will choose to invest only the minimum El million, despite them holding the funds available to invest 25 or 210 million. Currently, the UK does not offer sufficient benefits to encourage Tier 1 (Investor) migrants to increase their direct investment to 25 or EIO million other than accelerating the route to settlement. However, given that this accelerated route does not apply to dependant spouses who apply after July 2012; this benefit is not as attractive as it could be. Additionally, they are only accelerating their route to naturalisation as a British citizen by one year and for many the ultimate goal is to obtain British citizenship and hence for those migrants the speed of obtaining permanent residence becomes irrelevant.

When looking at the economic benefit of the investment for the UK it is important that this is not looked at in isolation and the indirect economic benefits of Tier 1 (Investor) migrant and their families are also considered. In our experience and from consulting with leading financial institutions, it is clear that indirect benefits to the economy are equally as important if not more important than the direct investment made. Therefore increasing the threshold is likely to bring limited additional benefits unless the investment requirements are broadened and/or the condition that the investment has to hold value be removed.

It may seem that increasing the thresholds will directly benefit the UK economy with Tier 1 (Investor) migrants required to invest more initially, particularly with respect to those investments in businesses that generate taxes and create jobs. However, this will ultimately have a negative effect on the UK economy with even fewer Tier 1 (Investor) migrants applying under this category resulting in an overall reduction of direct investment and most certainly a substantial decrease of indirect expenditure with less HNWI's and their families residing in the UK.

We strongly argue against any planned increase to the minimum threshold which we feel will result in many future HNWI's looking elsewhere to invest their wealth.

Chinese nationals, in particular, face the challenges created by stringent restrictions on the foreign exchange control of investment funds from Chinese Yuan to Sterling and further restrictions on transferring these funds out of China. Transferring El million already poses a great challenge to Chinese investors, and should the minimum threshold be raised to 22 million the difficulties will only increase. Chinese nationals will be deterred by the increasing difficulty they will face to raise the requisite funds.

Internationally, furthering links between China and the UK, particularly from a business and investor perspective, is high on the UK Government's agenda. Immigration should not be a bar to encouraging investment from this market. China has a lot to offer the UK and we should present HNWI's with an attractive proposition to encourage investment.

In addition, the youth market is important for the UK and any increase in the minimum threshold will surely price students out of the Tier 1 (Investor) market.

From our experience, whilst parents will often gift El million to their children, 22 million may not be gifted so freely. Together with the removal of the post-study work categories, limiting the immigration options for prospective student investors even further will result in a negative impact on the UK economy. A Tier 1 (Investor) migrant we act for, gifted El million to each of their three adult children over the age of 18 in order for the family to reside together in the UK. These children attended University in the UK and one has since gone into business in the UK.

Before increasing the investment threshold the Government should consider the value of the lost revenue and economic benefit to the UK over the lifetime that these HNWI's would remain in the UK. If we do not provide sufficient benefit to overseas investors they will seek an alternative scheme within the European Union which will give them access to the UK without the need to invest here.

Question 3: What are the prime motivations for investing in the UK in preference to other countries? How are these motivations qffected by:

(a) Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic grovvth prospects; and

The UK Government has made it clear that the UK is 'open for business', with recent reforms ensuring that the UK maintains its position as a leading hub of international commerce. The UK's versatile and broad legal framework compliments the increasingly favourable and stable tax landscape which is extremely attractive for those investing in the UK.

The UK's tax regime is very attractive for non-domiciled individuals who become UK resident (broadly speaking all Tier 1 (Investor) migrants are non-domiciled in the UK) who become UK resident as they do not need to pay tax on their foreign income and gains provided that they do not remit them to the UK and provided they make a remittance basis claim. It is important to note that a Tier 1 (Investor) migrant will relocate to the UK for the long term, with the ultimate goal of obtaining British citizenship, and as such they must pay a 230,000 charge for each year they claim the remittance basis after having been UK resident for seven out of the previous nine tax years, and a 250,000 charge each year once UK resident for 12 out of the previous 14 tax years. This provides further economic benefit to the UK. Additionally, the UK has a business-focused tax regime and is to become even more attractive as corporation tax is reduced between now and 2014 to 21%.

A high degree of government involvement in countries such as Kazakhstan can make doing business quite burdensome, and the relatively uncertain application of the rule of law adds to that burden.

Russia's tax and political environment has changed over the years and there is a greater level of bureaucracy in particular where the government is making it harder to move money abroad. While countries around the world are lowering or eradicating exchange controls, Russia is increasing them. There is also a concern for Russians as foreign bank accounts that are not approved by Russia are subject to a tax of 200% of the fund invested. Conversely, the UK is one of Europe's most competitive locations for business and acts as a gateway to the European Union to facilitate trade.

Given the restrictions imposed by the home countries of some Tier 1 (Investor) migrants, it is clear to see the appeal of relocating to and investing in the UK. The UK is one of the leading business destinations in the world and has expertise in a range of diverse markets such as manufacturing, professional services and financial services. The UK provides a wealth of investment opportunities. Like every economy, the UK suffered as a result of the financial crisis but it proved resilient and current talk is of return to normal growth levels. The UK is encouraging foreign investment but it is not doing so to raise short term funds, which makes it a more stable option for long term investment by HNW1's.

Much of the UK's popularity stems from its history and stable banking system, unlike Cyprus, whose HNWI's suffered significantly in the aftermath of the Eurozone crisis. Depositors lost a significant proportion of their deposits through a 'haircut' to save the Bank of Cyprus. HNWI's are confident in the UK markets and want to invest here.

Generally the ease of doing business in the UK is widely acknowledged and the UK must retain its competitive edge to keep attracting investment.

(b) Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?

Whilst the UK attracts direct investment, for many Tier 1 (Investor) migrants it is in fact the nonbusiness factors that will draw them to the UK.

As the UK is respected politically and economically, HNWI's prefer to invest in a stable nation from which to conduct their affairs. The Tier 1 (Investor) category has been in place for a number of years with over 1,400 applicants to date investing through this established programme. London is considered the top global city for HNWI's and is predicted to remain so in ten years' time according to the 2012 Wealth Report published by Knight Frank and Citi Bank. For many, the cachet and feeling of security that comes with residing in the UK is still enough to make it a preferred destination.

Across the world, countries in the developed and emerging markets recognise the economic benefit of attracting wealthy investors to their jurisdictions. At the same time, countries such as Russia and Kazakhstan, whose citizens face restrictions on visa free travel to other countries, and many other states in the grip of prolonged political turmoil, are seeing their citizens investing abroad to gain greater freedom of travel and security for themselves and their family.

The UK is well known for being a multicultural society with racial and religious tolerance. It has an established, well-regarded educational system (4 of the 10 top global universities are based in the UK), and state funded healthcare to a very high standard, although in our experience HNWI's utilise private medical care. Along with declining crime rates, this provides a stable environment to raise a family which is a major factor for HNWI's. London is also a major hub for global travel. The Tier 1 (Investor) programme allows travel outside the UK enabling HNWI's to continue to undertake their business activities on a global scale, although a relaxation of the absences criteria would make the route even more attractive.

Question 4: How might the economic benefits and/or costs of the Tier 1 (Investor) route be qffected by the currentforms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:

(a) Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted; b) alternative forms of investment which may deliver greater economic benefits to the UK; and c) Any potential change in economic benefit for the UK should the requirement for investment to "hold value" be relaxed.

For some Tier 1 (Investor) migrants, the current specified forms of investment are fit for purpose and any further restrictions, without any flexibility offered in terms of other benefits, will result in the Tier 1 (Investor) category becoming less attractive and overtaken by other economic citizenship/residence programs across the world. For others, the investment options are not sufficiently broad.

An example of a key flexible offering is by differentiating between active and passive investments. HNWI's would be more willing to invest in active investment opportunities if there are greater incentives than currently proposed.

Currently, the majority of Tier 1 (Investor) migrants are investing through UK Government bonds rather than through share or loan capital in active and trading registered companies. The requirement to maintain the level of the investment is the reason HNWI's choose the straightforward government bonds option.

According to a leading financial institution:

"Clients arefocussing on bonds simply because there tends to be less volatility in value. If they become less concerned about values dipping below a certain level, they would be more likely to invest in regular UK listed companies."

One alternative would be to allow investments/donations into more specific development/charitable funds as the current specified investment types neither meet the clients' broader investment objectives nor seem to add significantly as a direct benefit to the UK economy. Many HNWI have philanthropic aims that can be further utilised for the direct benefit of the UK.

According to a leading financial institution:

"the goal for HNWI's tends to be capital preservation to avoid the portfolio having to be topped up so the choice of investments is largely dictated by this. The need to top up would also need to be removed to reduce the focus on capital preservation which would otherwise still drive most clients to the gilts or loan capital route. "

A relaxation of the specified forms of investment will attract further HNWI's to the UK which will ultimately result in positive direct and indirect economic benefits to the UK. Currently, funds must not be invested through an offshore company or trust and must not be held in offshore custody.

According to a leading financial institution:

"Clients should also be able to custodise their UK investments outside of the UK. "

Another way to relax the specified forms of investment would be to allow funds to be invested in openended investment companies, investment trust companies or pooled investment vehicles as long as it can be evidenced that the investment is made within the UK. This is a benefit to the financial institutions who have the responsibility of investing the funds on behalf of the HNWI as it provides them with more freedom to invest.

According to a leading financial institution:

"pooled investmentsfunds (should be allowed) to generate greater returns and more tax revenue."

We often find clients looking to invest in property companies and relaxing this requirement would provide further options for HNWI's and aid the wider UK population. Should the Government not want to lift the restriction in its entirety it may consider enabling certain property companies to qualify under the Tier 1 (Investor) route. For example, specifying that Tier 1 (Investor) migrants may only build affordable housing or alternatively, build a proportion of affordable housing in comparison with any other form of development.

We suggest that the MAC consider not only the specified forms of investment but look to see how the Government may relax the restrictions on who can apply for the Tier 1 (Investor) visa. For example, reducing the restrictions on employment e.g. allowing professional sportspersons to apply for a Tier 1 (Investor) visa would increase the applicants applying under this category and directly increase the economic benefit.

Users of the Tier 1 (Investor) route

Previous experience and reasons for coming to the UK:

Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes? For example, your previous country of residence; your field of expertise or business; investments you have made outside the UK.

In our experience, those applying to enter the UK through the Tier 1 (Investor) route are typically from Russia and the CIS region, Kazakhstan, Saudi Arabia or the United Arab Emirates. Increasingly the UK is also attracting the interest of HNWI's from China.

Many of our clients were entrepreneurs in their previous country of residence and have maintained their business interests in these countries since coming to the UK. These HNWI's have built their wealth through a multitude of industries including retail, property, oil, finance or otherwise. These HNWI's are also often senior board members or executives within large national and international companies.

In our experience, these HNWI's internationally diversify their investments, often owning properties in their previous country of residence as well as holiday homes elsewhere. Aside from property they actively participate in business or make further financial investments.

Why did you choose to use the Tier 1 (Investor) route?

British citizenship is the ultimate goal for some Tier 1 (Investor) migrants. It is a privilege to hold British citizenship, the value of which is recognised by HNWIs. The UK, offers residency rights to HNWI's and subject to meeting certain criteria, such as, good character and absence requirements, the ability to naturalise as a British citizen.

In the long-term the route to British citizenship is far more attractive than purchasing a passport through an economic citizenship scheme which offers a direct route to citizenship in exchange for investment. Those HNWI's who enter the UK as Tier 1 (Investor) migrants are typically visa nationals, meaning travel is hindered by the need to obtain a visa. A British passport enables the holder to visa-free travel around most of the world which provides greater flexibility in travel and particularly encourages business travel.

What were your reasons for choosing to invest in the UK in preference to other countries?

The UK is a safe haven for Tier 1 (Investor) migrants both politically and culturally. The UK is a politically stable country with a world renowned and respected legal system. For many, coming to the UK through the Tier 1 (Investor) scheme, political stability is not typical in their home country. HNWI's coming to the UK have worked hard to achieve their business acumen and wealth. It is rewarding to have the chance to raise your family in the UK, which for many is seen to provide a wealth of opportunities, more so than the home countries of HNWI's.

Pove

The UK is recognised as a multi-cultural and cosmopolitan society. Those HNWI's residing in the UK benefit from an open and diverse society welcoming different cultures. The UK also has a wellregarded educational system with many elite institutions to attend.

Whilst coming to the UK enables those HNWIs to benefit from the leading services that are offered, a key factor for choosing to invest in the UK is the stable banking system. London continues to be the world's leading financial hub and importantly investors trust the UK banking system.

Your residence in the UK:

How long have you been resident in the UK? How long have you been resident in the UK under the Tier 1 (Investor) route?

Those acquiring visas through the Tier 1 (Investor) route are generally doing so either through entry clearance in their country of origin or are switching In country from the Tier 4 (Ceneral) student category. Those who obtain entry clearance will have typically visited the UK a number of times prior to applying for residence through the Tier 1 (Investor) route. Many remain resident in the UK for at least 6 years in order to naturalise and then indefinitely beyond obtaining British citizenship.

Tier 1 (Investor) migrants who switch in-country may have been in the UK for three to four years completing higher education prior to switching. They will then remain in the UK for the duration of the time to naturalisation, and then again post the award of citizenship.

Are you renting, or have you purchased, a property in the UK for you and your family to live in?

Although it is possible to rely on a property as the "balance of funds" we notice that many WNWJ's prefer to invest El million in specified investments and then purchase a property separately to this.

Tier 1 (Investor) migrants typically acquire one, if not more, properties within in the UK to reside in. These additional properties are often country homes or coastal retreats and in some cases homes for adult children dependents. Space is important for many migrants which come at a premium in London, meaning that homes outside of London are also necessary purchases. As mentioned above it is common for Tier 1 (Investor) migrants to buy properties for their dependents. With reference to one of our clients, the property of the Tier 1 (Investor) migrant was in excess of 22 million and they subsequently purchased additional properties for their three dependents with each property in excess of 22 million. This is a substantial investment in the UK from one Tier 1 (Investor) rmgrant, without considering the value of subsequent renovations and expenditure.

Chinese HNWI's are an exception to the above examples. Property is extremely important to Chinese HNWI's as tangible assets and evidence of worth is important to them. Typically, such HNWI's will make much smaller property investments as they would rather invest in property as part of their investment or use the property as a business asset. The business property restrictions contained in the Immigration Rules hinder the intentions of Chinese investors.

On average, how many months do (a) you and (b) your dependants spend in the UK each year?

As British citizenship is the ultimate goal for clients, they are conscious not to have absences in excess of the requirements for naturalisation contained in the British Nationality Act 1981. This means that within a five year period migrants should not spend more than 450 days outside of the

UK, with no more than 90 days absence in the final year. Most of our clients bear the requirements for naturalisation in mind when considering the time they spend in and out of the UK.

The requirements for settlement and naturalisation mean that Tier 1 (Investor) migrants typically spend 6-9 months per year within the UK. This can cause great difficulty for those with business interests around the world, especially for those with young children who want to take their children abroad during school holidays.

Although the absence requirements for naturalisation continue to apply, it is common for dependants to spend increasing amounts of time outside of the UK.

In particular, as dependents are not subject to an absence requirement for settlement it is common for a spouse to apply as the main applicant and the HNWI to apply as their dependant due to their need to travel for business purposes. The dependant is not required to disclose their absences at the point of settlement and can travel freely without limitation. The time spent out of the UK will be considered at the point of naturalisation. If absences are an issue the dependant can either wait to naturalise as the spouse of a British citizen or will require discretion to be exercised.

Dependent children will typically attend school in the UK and remain here for the term time duration. They will travel abroad during school holidays.

What impact does the requirement to be resident in the UK for at least 185 days a year have on you?

Entrepreneurial investors are significantly constrained by this requirement. HNWI's would typically have to conduct their international business travel, go on personal holidays and visit family around the world within 180 days per year if they were the Tier 1 (Investor) main applicant. Whilst 180 days may be enough for holidays or work it is typically not enough to facilitate both types of absence for many HNWI's. The requirement is extremely restrictive to the detriment of hardworking individuals who provide for their family in the UK through their work overseas. They then want to spend holidays with their family but are at risk of exceeding their absence limit.

In our experience, the requirement to spend at least 185 days within the UK during each calendar year has acted as a deterrent to applying to the UK as a Tier 1 (Investor) migrant. Where HNWI's are aware that they are unable to satisfy the residence requirement they have delayed their application for several years until they believe they may be in the position to reside in the UK within the rules. These HNWI's believe they will be able to spend the requisite timein the UK in the future as there business interests will be scaled back. The scaling back of overseas business interests is surely a detriment to the UK and HNWI's should not be penalised for their entrepreneurial activities outside of the UK.

Ideally, how many months a year would you wish to spend in the UK?

The exact time spent in the UK differs between each migrant and the activity that they are involved in overseas. The time spent in the UK will also differ each year.

The absence requirement should not be lifted in its entirety. We do agree that there should be a restriction on absences from the UK. It is our belief that the value that Tier 1 (Investor) migrants bring to the UK has been misunderstood, particularly as the main benefit is indirect to the UK through a HNWI's expenditure. To further encourage this investment and attract people to the UK additional benefits need to be provided to Tier 1 (Investor) migrants.

Given the restrictions of the absence requirement we would suggest the introduction of a "pay-as-yougo" system, whereby it is possible to purchase additional days absence. This generates additional revenue for the UK and enables HNWI's to facilitate international travel when required. The option to buy days outside of the UK will be welcomed by Tier 1 (Investor) migrants if it enables them to ultimately settle in the UK. We and HNWI's acknowledge that they will still need to satisfy the requirements for naturalisation separately; however, achieving settlement is still attractive to HNWI's and the future of their family.

What was the value ofyour investment when applying under the Tier 1 (Investor) route:

El million, providing a settlement qualifying period of 5 years; 25 million, providing a settlement qualifying period of 3 years; or EIO million, providing a settlement qualifying period of 2 years?

Our clients are high and ultra-high net worth individuals. Despite this wealth those who pursue the Tier 1 (Investor) route to the UK typically choose to invest in the El million category. This is not to say that we do not have experience of clients investing in the accelerated category, however the majority of those that did, did so pre July 2012 when all family members could settle in the UK at the same time.

What was your rationale for choosing to invest at the level you did?

Does the duration of your invesünent align with the settlement qualifying periods?

As previously suggested, the main reason many apply to the UK under the Tier 1 (Investor) route is to ultimately gain British citizenship. Increasing the investment value only accelerates the HNWI's route to settlement. It does not accelerate the route to naturalisation in the same way, which is what most HNWI's are concerned by.

There is no real benefit to investing the additional funds, particularly given the restricted specified investments which provide the Tier 1 (Investor) migrants with limited returns. HNWI's prefer to invest the minimum El million and invest their other resources elsewhere to provide them with a better return.

Since the changes to the Immigration Rules effective from July 2012, the accelerated route also presents an additional problem for those Tier 1 (Investor) migrants with a dependant spouse. Whilst the settlement of the Tier 1 (Investor) migrant and their children can be accelerated by an increased investment it is not possible for the dependant spouse to benefit from this acceleration. Many HNWI's are deterred from investing the additional funds on the basis that it is not possible for their husband or wife to settle at the same time.

The benefits to Tier 1 (Investor) migrants must be increased in order for the accelerated routes to settlement to become more popular.

Typically, investment duration does align with settlement qualifying periods as this is a pre-requisite for ILR. If, however, there were alternative specified forms of investment (i.e. active investments) this would encourage HNWI's to invest further in the UK contributing to a direct economic benefit.

(c) Did you source the investment funds via a loan from a UK regulated financial institution?

In our experience Tier 1 (Investor) migrants use their personal wealth rather than relying on a loan from a UK regulated financial institution.

It is much simpler for clients to rely on their own investment funds, particularly as bank loans are more difficult to obtain. The lender is not able to take security against the investment, as this will not satisfy the requirements of the Tier 1 (Investor) route. Taking security against the borrower's assets also poses a problem for the lender as the assets will often be held overseas.

10. (i) What did you choose to invest in? What was the rationale for your choice of investment?

In our experience, our clients mainly invest in UK Government bonds. Investing in bonds is simpler with the only requirement being the maintenance of the value. The relevant investment bank will typically monitor the value and advise the HNWI's if any top up is required. Tier 1 (Investor) migrants, therefore, do not have to actively monitor the portfolio themselves.

(ii) Would you have preferred to invest in alternative instruments to qualify for the Tier 1 (Investor) route? If so, in what instruments would you have preferred to invest?

In preparing this response we have spoken with a number of financial institutions who manage the investment portfolios of Tier 1 (Investor) migrants. These institutions were all in agreement that:

"the investment options need to be moreflexible so as to enhance the return on investment. "

The Tier 1 (Investor) requirements are typically not aligned to client's wider investment strategy. HNWI's generally have philanthropic aims that they wish to fulfil. It has been suggested that an option for investment be a donation to a specific development fund or charity. A donation to a charity will bring significant benefit to the UK. Such charities could be targeted at areas such as youth unemployment. In order for this option to be viable, the requirement to maintain the investment will have to be removed; otherwise HNWI's will continue to invest in bonds based on simplicity and reduced risk of further investment if investment reduces below the minimum threshold over time.

Investment in social enterprise could be explained further as a potential way to create additional value to the UK.

Have you invested in alternative instruments in addition to your investment for the purposes of meeting the immigration requirements? If so, how much have you invested in (a) property and (b) other instruments?

Many of our clients invest solely in bonds for ease. If they were to hold their investment in other forms this will either be through property or simply held as cash on deposit.

Some clients choose to invest in shares although this requires active monitoring — much more closely than a bond or loan capital portfolio would require.

Do you have any other business interests in the UK? (For example the establishment of a new business or a UK branch of your existing business).

Tier 1 (Investor) migrants, and their adult dependants, are extremely entrepreneurial and tend to engage in business activities outside of their investment for immigration purposes. Our clie ts have established numerous businesses within the UK, which operate in a variety of industries including property development, oil brokerage and media.

There is an increasing trend for dependant spouses to set up their own business interests in the UK. In particular, the dependant spouses of Tier 1 (Investor) migrants are establishing their own fashion, beauty and design businesses. Some have become successful fashion designers in the UK and another individual has set up a popular designer furniture shop in Knightsbridge.

Chinese HNWI's have a strong desire to invest in property. Culturally, they appreciate a return on the properties they have invested in whether this be through rental income or otherwise.

The Tier 1 (Investor) route provides HNWI's with such freedom to create their own businesses and forge a business in the UK market.

Other economic activity in the UK:

Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why. If the value of your investment has fallen, have you "topped up" your investment? If so, by what proportion or value?

There has been little movement in the investment value, particularly for those who have invested in bonds. Bonds provide little return to the HNWI.

We have had clients who have been required to top up their investment, particularly those who invest close to the minimum El million threshold as they are more susceptible to the impact of any fluctuations.

Do you employ anyone in the UK? If so, how many people do you employ and in what roles are they employed (For example, office manager, domestic assistance)?

Tier 1 (Investor) migrants employ several members of staff in the UK to manage their wealth and support their families. However, HNWI's are facing difficulties due to the abolition of the domestic worker route to the UK. Tier 1 (Investor) migrants have trusted staff in their home countries but yet are unable to bring these members of staff to the UK to continue this working relationship.

Tier 1 (Investor) migrants encourage job creation in the UK, and require staff to fulfil roles, which are not limited to, chauffeurs, bodyguards, chefs, personal assistants, housekeepers, nannies, building contractors, decorators and employees of their businesses. High net worth families residing in the UK typically have a family office in the UK which is a business established to run the affairs of the family. These family offices will also require staff who will be required to deal with the most sensitive affairs of the Tier 1 (Investor) migrant.

Although not employed by the Tier 1 (Investor) migrant directly, it is worth considering the roles they maintain in the luxury goods and services world.

Excluding direct housing costs (rental or mortgage payments), how much do you, and your dependants, spend during an average month on goods and services in the UK? Please select one band for each of column (i), (ii), and (iii) in the table below.

Commenting on the average expenditure of our clients is particularly confidential and sensitive. However, we are in the position to comment generally on the expenditure of such clients.

Aside from the direct housing costs Tier 1 (Investor) migrants have to spend a significant amount of money to run and maintain their places of residence. This comes at a significant cost given the size and value of the properties.

Education systems are a key reason for them coming to the UK. Most, if not all, dependent children that we have dealt with through the Tier 1 (Investor) route have been enrolled into private education. This is at a significant cost to the HNWI, especially as these children will commonly board at the school. One client has nine children, six of who are already attending private school with the remaining three to follow. The fees for each child, within this one family, to complete fourteen years of school education, plus a further three years of University education, will be significant and a great indirect economic benefit to the UK. Whilst not every family is this large there will often be multiple children who will be privately educated.

Tier 1 (Investor) migrants also expend substantial amounts on private medical insurance and professional services within the UK.

Luxury goods constitute a major part of a HNWI's expenditure. We know that one Russian national we represent spent 2500,000 in one morning at Harrods. Such HNWI's will spend vast amounts on designer clothes and accessories, expensive cars and designer furniture. These HNWI's will dine out at acclaimed restaurants multiple times a week and will indulge in vintage wine. Such HNWI's may invest in wine cellars to hold vintage wine collections and purchase high value antiques.

Despite this exorbitant expenditure and its benefit to the UK, well known financial institutions are drawing from the Tier 1 (Investor) marketplace. A leading investment bank commented to this response that:

"clients who buy and hold bonds are not attractive to banks".

The types of investment permissible under the Tier 1 (Investor) route are not attractive to financial institutions; particularly those HNWI's who only invest El million. The portfolios of Tier 1 (Investor) migrants are bland, with low returns. It is not worthwhile for financial institutions to deal with such accounts, particularly given the due diligence involved and requirement to monitor the value of the accounts.

Tier 1 (Investor) migrants require financial institutions to open investment accounts for their portfolios. With the declining interest this poses increasing difficulty for HNWI's. This should support the argument for diversifying the permissible investment types. Not only will diversification benefit the Tier 1 (Investor) migrants but it will benefit the financial institutions and encourage more to accept the deposits of El million Tier 1 (Investor) migrants.

Yourfuture intentions:

14. Have you, or do you intend to, extend your stay in the UK? If so, do you intend to seek (a) settlement or (b) citizenship for you, and your family, in due course?

As mentioned throughout this response, British citizenship is the ultimate goal for HNWI's. Tier 1 (Investor) migrants and their families will aim to settle before naturalising as British citizens and continuing to establish their life here.

*National Institute for

Economic and Social Research report

For the purpose of the study, NIESR interviewed 20 Tier 1 migrants, 7 of which were Tier 1 investors, a comparatively small number to the 471 successful applications in 2012, which has increased to over 500 in 2013. The Tier 1 (Entrepreneur) route is known to have had a troubled history with the submission of several dubious applications and the fact that it attracts a different profile of person to the Tier 1 (Investor) Route. Therefore, the NIESR report is an inaccurate reflection of the Tier 1 (Investor) Route, due to the small number of Tier 1 (Investor) migrants interviewed and the lack of distinction made in the qualitative research between Tier 1 (Investor) and Tier 1 (Entrepreneur) migrants.

The fundamental conclusions of the report do not accord with our experience of the Tier 1 (Investor) Route, in particular, the suggestion that HNWI's found property prices too high and were reluctant to buy until they were more certain of the market. In our experience, Tier 1 (Investor) migrants Will spend anything from 22 million up to 250 million on a property and therefore will be personally required to pay 7% SDLT on each property. Tier 1 (Investor) migrants will often buy multiple properties, namely for their families. We note that one client bought a property for themselves, their parents and 3 of their dependent children who had attained the age of 18 and each property was worth over 22 million, totalling over 210 million.

We do not accept NIESR's findings that Tier 1 (Investor) migrants are less likely to have dependent children. The majority of our clients have multiple dependent children, all of whom are privately educated. One client has 9 children, all of whom will be privately educated. A recent study by the Independent Schools Council (ISC) demonstrated the value of international migrants to the Private Education system, as pupil numbers at private schools outside of London and the Southeast have fallen, whereas international migrants have significantly contributed to the rise in pupils in London and the Southeast. [i]

We ultimately do not consider the NIESR report a valuable source of data, due to the small percentage of Tier 1 (Investor) migrants interviewed for the purpose of the study and the lack of distinction made between the findings of Tier 1 (Investor) and Tier 1 (Entrepreneur) routes. The unreliabil'ty of the study is demonstrated in the discontinu•ty between the fundamental conclusions of the study and our own findin .

ihttp://www.isc.co.uk/Resources/Independent%20Schools%20Council/Research%20Archive/Annua 1%20Census/2012/ISC_Census_2012_Final.pdf

5, Concusion

Following consultation with our clients, financial institutions and our own experiences, we firmly believe that in order to fully understand the economic benefit to the UK, the MAC should consider equally the direct investment required as part of the visa process and any indirect economic benefits as a result of Tier 1 (Investor) migrants and their families residing in the UK.

We understand that the MAC Call for Evidence is considering the impact of amending the current specified forms of investment and investment thresholds. We would suggest that any recommendations to amend the current Immigration Rules be taken with a view of including additional benefits for current and prospective Tier 1 (Investor) migrants ensuring that the Tier 1 (Investor) category remains attractive and competitive compared to other schemes across the world.

Recommendations

Residency requirements for settlement can have a significant impact on the attractiveness of the Tier 1 (Investor) category. There are already concerns that the annual 185 day residence requirement is too strict and hinders international entrepreneurs' ability to further their international business interests, Flexibility on absences can be factored into the Tier 1 (Investor) category by differentiating between active and passive investors. For example, a greater level of absences could be permitted for those investing in active and trading UK companies. A system of payment for higher level of absences ("pay-as-you-go" system) per year could also be considered to increase the flexibility that is required. This is particularly important in light of alternative economic citizenship programmes, such as Cyprus and Malta, where there are no residency requirements at all and Australia where it is only 40 days.

A key aspect to the attractiveness of the Tier 1 (Investor) category is the ability to fast track the path to settlement. The increased 25 million and 210 million level of investment does not have a significant bearing on the ultra-HNWI's. However, since the UK immigration rule changes in July 2012, a spouse must be a PBS dependant and residing in the UK for 5 years before they are eligible for settlement. Therefore, the restriction on the Tier 1 (Investor) migrants spouse qualifying for accelerated settlement means that these increased levels of investment are generally not considered to be worthwhile given the dependant spouse will not be able to also benefit. This restriction must be abolished in order to encourage HNWI's to use the accelerated routes to settlement and increasing the direct economic benefit to the UK.

We encourage the introduction of additional forms of investment. It is necessary to increase the benefits to HNWI's to encourage their investment in the UK rather than in a more favourable scheme elsewhere. For the reasons outlined above, the alternative investment types that we consider to be most attractive to HNWI's and economically beneficial to the UK include the following:

Property investment companies;

Investment in pooled schemes or open-ended funds if it can be proved the investment has been spent in the UK; and

Charitable donations.

We also suggest that the MAC reconsider the requirement for investments to be custodised in the UK as this creates unnecessary obstacles for HNWI's.

The Immigration Rules currently prohibit those who have held Tier 1 (Investor) status in the previous 12 months prior to submitting a fresh application as a Tier 1 (Investor) migrant. This is known as the "cooling off' period. We fail to see the benefit of this rule to any party and from our experience it genuinely impacts those Tier 1 (Investor) migrants who have been granted leave to enter or remain, however, miss the deadline to make the investment in the UK owing to external reasons such as a financial institution's red tape. We would recommend that this "cooling off' requirement be abolished.

We are supportive of increasing the attractiveness of the Tier 1 (Investor) category by allowing domestic workers to accompany HNWI's to the UK.

The anomaly of prohibiting professional sportsmen and women from utilising the Tier 1 (Investor) category should also be abolished.

Overall, our recommendation would be to maintain the current investment thresholds whilst allowing greater flexibility of investment types and further benefits for the HNWI's ensuring that the UK scheme remains competitive.

Mishcon

Summary

Mishcon de Reya is a well-known law firm which, amongst other areas, specialises in advising high net-worth global clients wishing to secure residency by investment in the UK. We already undertake a significant amount of work for applicants under the Tier 1 (Investor) category, and believe we are one of the few practices almost exclusively focussed in this area. Our exposure to the needs and motivations of such clients allowed us to lobby effectively; formulating proposals which led to the creation of the £5 million and £10 million investor categories. Our comments below in response to this request for Consultation are therefore based on our considerable exposure to applicants from a diverse range of geographies.

In these recessionary times competition for the world's global billionaires is fierce. We believe the following changes are necessary to ensure the UK remains not just competitive but compelling enough to attract such applicants who bring significant benefits in addition to their financial muscle:

- A recognition that the applicants travel extensively and regularly and the current residence requirements are the single biggest deterrent to applicants investing money in the UK. That they need to spend 6 months annually is citied as the single most common reason to not apply for Investor status. We therefore recommend an urgent reduction in the number of days spent in the UK to obtain ILR from 180 to 90 days.

- Relaxation of the minimum investment threshold where any loss of value of investments solely due to market fluctuations.

- Driving the investment into funds which have a direct impact on the UK economy. For example following Canada's lead whereby investment is targeted to regional initiatives which create employment or specific investment funds such as 'infrastructure' or 'health' which will allow the Government to point to specific benefits of such immigrants.

Consultation questions and responses:

1. What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:

- **The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;**

In our experience, as a direct result of the 'hold investment' rule, the investment (almost without exception) is placed into Government bonds and gilts which offer a very low rate of return. Our clients are entrepreneurs and therefore highly commercial and would prefer investments that offer a potentially higher rate of return. The bonds options would not generally be our clients' preferred investment route nor, more significantly, be the investments that would be recommended as financially advisable by FCA regulated banks. Government bonds and gilts have limited impact on the wider UK economy or UK corporates.

We believe that if the rules were changed to enable the original investment of either £1 million, £5 million or £10 million to fluctuate due to market forces, it would liberate investors to invest in more commercially valuable propositions. This would therefore create wider economic benefits to the UK (as the funds would involve investments in growth/future business areas which create employment). Additionally, if the investor is generating a good return on their investment there is less reason for them to pull their money out of the investment at the earliest opportunity. As a result, the UK would stand to benefit from the investment for a longer period of time.

- **The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;**

Mishcon has recently conducted a survey of 24 clients who are residing here under the Investor Visa to assess why they come to the UK, and what benefits they bring. Whilst 24 may not sound a large sample, it is the most tangible survey of those who have actually obtained investor status. The findings on the indirect financial benefits are as follows:

- 71% have investments (aside from property) worth between £1m - £5m o 29% have businesses which employ between 10 and 100 people

- 75% of respondents' monthly spend for self and family is up to £100,000 and 21% between £100,000 and £200,000
- 79% spend up to £100,000 per year on professional services in the UK o 63% have private medical insurance o 42% have made charitable donations
- 83% have recommended to friends and acquaintances that they come to UK

- **The extent to which these benefits may be affected by the migrant's absences from the UK;**

It is normal for the migrant to base themselves in the UK with their family. Whilst business demands for the individual to travel extensively do result in absences - and that remains one of the issues with the current requirements - the migrant does not need to be physically present in the country for their spending habits to continue. The migrants' family and spending habits continue as normal and items such as running the household; professional services; luxury goods shopping, and other expenditure as outlined above, continue whilst they are out of the country.

- **Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.**

In our experience there are limited direct or indirect costs to the UK economy as a result of Tier 1 investors. The client profile is 'time-poor' and 'cash-rich'. These investors tend to be self-made millionaires, with global business interests, possess high disposal income with accompanying spending habits, send their children to private school and possess private medical insurance. They are tax resident and therefore generate income for the Exchequer.

2. How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)?

In our view the £1 million, £5 million and £10 million levels for investors are set at the right levels to attract individuals to invest in the UK.

Some people argue that the £1 million threshold should be increased; however we do not believe it should be increased. In our experience this route is widely used by parents who gift this sum to their children to secure their future as a UK citizen. These individuals have attended private school and university in the UK and already view themselves as 'British' in every way after such a lengthy period of residence, having spent the majority of their formative years in this country. The £1 million route is the right level for the parents of these individuals to gift their children and also sends out the message that the UK welcomes these individuals as potential wealth creators of the future.

However we also believe that there is a sufficient demand for a £20 million 'Super Investor' route in return for expedited citizenship rights. The above survey also showed that:

- 79% of respondents would be willing to invest more in the UK if it sped up the citizenship process. Of this 79%, the following would be prepared to invest £20m if it allowed them to:
    - obtain ILR after 12 months: 54%
    - only spend 90 days in UK each year to get ILR: 58% o obtain British Citizenship after 3yrs: 67%

Creating a further category for individuals willing to invest a minimum of £20 million, in return for expedited citizenship rights, would be a cost-free mechanism for the Government to encourage greater direct investment into the UK economy. We have estimated that this measure could raise approximately £1-2 billion of new investment annually. It would also be possible to stipulate that the investment should be retained for five years, even if the citizenships rights were granted after the three years we believe would make such a level of investment attractive.

Competition for the world's global billionaires is fierce. The introduction of this change would send a powerful signal that Britain is open for business and genuinely seeking to attract the brightest and the best. We know that other countries including Spain, Malta and Portugal have already implemented similar schemes to attract investors and therefore it is critical that the UK can compete and attract this investment.

3. What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:

- **Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and**

- **Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?**

The above survey asked respondents to list their prime motivations for investing in the UK in preference to other countries. The order of importance for choosing UK came out as follows:

1. Rule of law
2. Security of assets
3. Schooling
4. Stable government
5. Language
6. Business environment
7. Culture/sport/entertainment
8. Obtain EU time zone

4. **How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:**

As we set out in our answer to question two, creating a further category for individuals willing to invest a minimum of £20 million would be a cost-free mechanism for the Government to encourage greater direct investment into the UK economy. We have estimated that this measure could raise approximately £1-2 billion of new investment annually. This additional investment could be invaluable to the Government in tackling the country's current economic difficulties, particularly if the investor could be targeted strategically to support British business and create employment.

In order for this super investor route to work effectively, two things would be necessary:

1. Driving the investment into funds which have a direct impact on the UK economy. For example, a UK small and medium enterprises (SME) fund could potentially bring a much needed boost to SMEs struggling to secure financial backing from the banks and subsequently create jobs; a social housing fund would encourage the expansion of affordable homes in the UK as well as create UK jobs; UK Trade and Investment (UKTI) could identify large national infrastructure projects that need private investment; or a similar scheme to the Canadian 'Regional Investment Fund' model could be set up. In Canada, Citizenship and Immigration Canada (CIC) divides migrants' investments between participating provinces and territories for projects to develop their economies and create jobs for five years.

2. A relaxation of the 'hold value' investment rule which drives investment into Government bonds and gilts rather than riskier portfolios which could have a higher return and therefore be more attractive to the investor as well as have a greater impact on the UK economy.

Additionally, if the investor is generating a good return on their investment there is less reason for them to pull their money out of the investment at the earliest opportunity. Therefore potentially the UK stands to benefit from the investment for a longer period of time.

It is also worth noting that the same changes would bring greater benefits to the UK if implemented under the existing £1 million, £5 million and £10 million routes.

Laura Devine Solicitors

Laura Devine Solicitors

Response to MAC call for evidence on the economic impact

of the Tier 1 (Investor) route

29 November 2013

Introduction

Laura Devine Solicitors (LDS) is one of the foremost immigration law practices in the UK, ranked in ‘band 1’ by all legal directories and recognised for its sheer number of first class practitioners. Described by Chambers Global as ‘a transatlantic powerhouse’ and recognised for its work with high net worth clients, LDS has its main office in London and an associate office in New York, each specialising in both UK and US immigration and nationality law and representing clients from all over the world. We act for a significant number of Tier 1 (investor) clients.

The firm’s partners are thought-leaders in the sector. Our lawyers are regular commentators on immigration topics in specialist publications such as the Law Society Gazette and Tottels Immigration & Nationality Law Bulletin as well as the general media and hold key positions in the immigration sphere outside the firm. For example Laura Devine sits on the Immigration Committees of both the Law Society and the International Bar Association and for many years Sophie Barrett-Brown has represented the Immigration Law Practitioners’ Association (an organisation with almost 1000 members, most of whom are legal representatives), including at various meetings/in correspondence with the Home Office on investor issues, in particular having been Chair of ILPA between 2007 and 2012. Sophie has specialised in Tier 1 matters (and the predecessor categories pre Points-Based System) since the 1990’s and has been ILPA’s co-trainer on Tier 1 Investors and Entrepreneurs since the inception of the Points Based System. LDS is also a member of the UKTI Advisory Network and advises on immigration issues relating to both corporate and high net worth individual inward investment in the UK.

Accordingly our knowledge of Tier 1 (Investor) migrants is far-reaching, not only though our own practice and the client we directly represent but also through representing the views and experiences of hundreds of other lawyers and their clients through the other organisations we work with.

We have worked with approximately 75 investors directly (and advised other related parties such as wealth managers in a multitude of circumstances related to investors).

We have conducted reviews of 20 of our recent investor matters (ranging from client at initial grant, extension and ILR stages), including a client survey, to inform this submission with direct client feedback in addition to our observations from our extensive experience in this sector.

The views expressed in this document reflect our experience of working with a diverse range of clients, and the Home Office, since the inception of the original investor category in 1994 and include points many clients have raised with us directly.

Preliminary comments

There are important considerations as to the government's objectives and its view on the purpose of the Tier 1 (investor category).

Potentially this migrant group certainly may (and often do) bring skills and business experience to the UK. However, whilst this is often one of the incidental benefits of the scheme, we would not consider that this is, nor should it be, the *purpose* of the scheme; there are other categories the purpose of which is to attract/accommodate skilled migrants and those establishing businesses in the UK. Indeed the origins of the investor category, pre points based system (the overall design of the scheme has otherwise remained largely unchanged), even precluded work activity in the UK – a restriction that was lifted under PBS to make the scheme more attractive – but highlighting that business was not the intended purpose of the category. The Investor category, in our understanding of the category from the many years we have interacted with the Home Office regarding both PBS and pre-PBS iterations of it, was intended to attract investment funds into the UK and in so doing offers successful applicants the benefit of a highly flexible status.

Flexibility is one of the key drivers for this client group; they do not want to be constrained by an obligation to engage in any particular business or employment activity, but want the freedom to be able to do so. 80% of respondents to our investor survey cited flexibility of status as a main reason for choosing the Tier 1 (Investor) route. There has been some suggestion that applicants whose activity in the UK also falls within the purpose of another category should use that category and that use of the investor route for such individuals is somehow a misuse of the route; such as those who are studying and could use Tier 4, senior executive who are transferring to the UK and could use Tier 2, those who are setting up businesses and could use Tier 1 Entrepreneur. This somewhat misunderstands migrants; migrants rarely look to a single scheme allied to a single purpose – indeed they rare have only a single purpose; they look for the best route for themselves and their families – the answer to which is derives from a balance of cost, administrative ease, flexibility of status and future opportunities. We consider it to be critical that the Tier 1 (investor) route retains its flexibility if it is to attract high value migrants to the UK.

There are 4 principal disincentives to the investor route, in particular to investment at the higher levels:

1. Dependants: Following the changes in the Rules on indefinite leave to remain (ILR) for dependants in July 2012 (resulting in dependants no longer be eligible for ILR at the same time as the Investor using the accelerated routes to settlement), for virtually

all our clients who could have invested at the £5 million or £10 million levels, this has been the single most influential factor in their decision not to do so. 100% of our investor clients with children cited this as the primary reason for not investing in the accelerated settlement options. These findings are also borne out by our wiser experience on a daily basis when advising ultra-high net worth clients and observing their consequent investment decisions. We would strongly recommend that the Rules be amended to restore the position that dependants can be granted ILR in line with the main applicant (subject to having held leave as a dependant for at least 2 years). However, if no such change in the Rules is made, this further increases the importance of creating other incentives (and the attractiveness of those other incentives) to encourage investment at the higher levels. (Please see Question 2 for further discussion on this topic).

2. Citizenship: the accelerated routes to ILR have no corresponding acceleration on eligibility to naturalise; a £1 million investor will spend a minimum of 6 years in the UK (having to spend 12 months with ILR after the qualifying 5 years period to attain ILR), whereas both the £10 million and £5 million investors (having attained ILR after 2 years and 3 years respectively), will still need to spend 5 years in the UK before becoming eligible to naturalise (ie. qualifying 1 year earlier than £1 million investors). It is a very individual matter, depending upon the priorities and preferences of each client, but our advice to clients has to be that there is very little advantage to be gained in investing £10 million over £5 million, and indeed fairly limited advantage over the basic £1million (unless the applicant has been residing in the UK for a number of years prior to becoming a Tier 1 (Investor) or is/will be married to or in a civil partnership with, a British citizen at the material time, in order to become eligible to naturalise within 12 months of obtaining/upon obtaining accelerated ILR). Whilst we would observe that offering an accelerated route to citizenship, for example in similar terms to the existing 3 year residence requirement for souses/partners of British citizens would undoubtedly generate vastly greater interest in the high levels of investment (50% of investors surveyed who were able, but chose not to, invest at the higher levels cited this as one of the reasons), we recognise that such an approach is unlikely to be favoured and would again highlight the importance of introducing other incentives in the absence of this key incentive.

3. 180 days maximum absence per year: The strict application of a 180 annual limit on absence is too limiting for some investors, particularly those who are very active in international business (often the very wealthiest investors) due to their need to travel to attend to international business interests; applicant affected by this who are able to invest at the £5 million or £10 million level choose not too because ILR is not attainable for them, they will instead need to extend their leave to remain under Tier 1. Of course, where there is a spouse/partner (provided that they themselves do not have extensive business travel needs), this difficulty can be ameliorated to some degree by making the partner the main applicant, who is subject to the £180 day limit, and the business traveller the dependant, who is not subject to the 180 day rule. However even here, this solution may be appealing to £1 million investors but is not usually attractive enough to secure the higher levels of investment due to the above mentioned disincentive of dependants no longer benefiting from ILR in line with the main applicant. Further, not all applicants conveniently have a spouse/partner to benefit from such a strategy!

Greater generosity/flexibility on absences could be applied – potentially only to the 'super-investors' thereby providing an incentive to invest at the higher level. Rather than allowing all investors a higher level of absence regardless of circumstances, a discretionary policy model could be adopted similar to that operated in naturalisation applications, setting out factors to which weight would be given for discretion to be exercised; this has worked effectively (and the guidance is very clear/transparent etc) in the nationality context. In particular, we would advocate that a strict annual limit should not be applied, rather an average across the qualifying period, to allow for applicant who have an unusually high level of absences in one year but lower absences in other years (again this is the model used in naturalisation cases).

4. Type of investment – government bonds/portfolio of shares are very unexciting investments and investors would often prefer to apply their wealth to greater use in more interesting investments, and just keep the minimum £1 million in the prescribed investments. Please refer to question 4 for further comments on types of investment.

Questions

1. **What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:**
   - **The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;**
   - **The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;**
   - **The extent to which these benefits may be affected by the migrant's absences from the UK;**
   - **The timeframe over which these benefits may be realised; and**
   - **Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.**

The typical benefits we observe are as follows:

- Direct benefit of the investment whether by way of funding to government by the purchase of government bonds or supporting UK business. However, greater direct benefit will be achieved if changes were made to the permitted forms of investment and/or the specified evidence (see question 4, below).

- Consumer spending by Investors and their families is significant (including when they are outside the UK and their families remain here).

- Investors tend to be significant users of UK professional services – lawyers, accountants, business consultants, architects.

- Many invest in businesses in the UK (over and above investment in shares to meet Tier 1 criteria), stimulating business growth and productivity, particularly at a time when adequate bank lending remains inaccessible for many businesses.

- Most of our investor clients create employment in the UK. Virtually all our clients have a number of personal staff in the UK; typically this includes nannies, house keepers, chauffeurs, gardeners, PA's. Some investor clients generate employment in the UK in their own businesses or others they invest in.

- Our investor clients are usually significant contributors to charities, patrons of the arts and support other community projects/activities (60% of respondents to our survey).

- In our experience of our own client base, negative socio-economic impacts are negligible and outweighed by positive impacts. All our investor clients to our knowledge have relied on private medical insurance and do not use the NHS (though they are entitled to do so). All our investor clients with children of school age use private education, not the state sector (although they are entitled to do so).

- our investor clients informed us that absences have a limited impact on expenditure, particularly those with dependants; even when travelling they continue to have expenses in the UK such as school fees, domestic staff, business staff, rent/mortgage/utilities/maintenance work on properties even when not physically in the UK. Retail spending is obviously reduced to some degree when not physically in the UK but these clients tend to be large/high value consumers when they are in the UK and again dependants' retail spending continues when the main applicant is overseas.

The time frame for the realisation of benefits varies significantly depending upon the benefit and the investor's circumstances. Many clients for example will choose to cease investing in gilts following the grant of ILR but will typically invest in other investments in the UK, continuing the benefit to the UK albeit by different means. Consumer and charitable spending has an immediate an ongoing effect, even after the qualifying investment has ceased. Employment of domestic/personal staff is typically fairly immediate and similarly remains ongoing. Investment in business and employment of workers is typically realised over a longer term but again continues even where the investor ceases to invest in the original qualifying investment.

2. **How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)? The current financial thresholds are as follows:**
   - **£1 million for investors seeking settlement after 5 years;**
   - **£5 million and £10 million for investors seeking settlement after three and two years respectively.**

   Numerous discussions with the Home Office since 2008 to date, at which disappointment has often been expressed by Home Office Officials on the relatively small (albeit significantly growing) number of Tier 1 (investor) applicants, may suggest that the government wishes to see an increased number of investors. Comments made by the MAC during the consultation process however suggest that attracting a greater number of investors may be less of a consideration than the level of quality of each investor.

   We would strongly advocate against any increase in the £1 million threshold level. As you will be aware, in comparison with other investor schemes internationally, the UK threshold is relatively high. Whilst this is balanced to some extent by the relative attractiveness of the UK as a destination country, there is increasing international competition for high value migrants and an increase in the threshold level is likely to reduce the number of Tier 1 (investor migrants) (though some of these may choose to apply in other UK immigration categories, particularly the Tier 1 (Entrepreneur) category). There is a significant risk that any increased benefit of a higher level of qualifying investment may be negated by the reduced number of participants in the scheme (loosing not only the qualifying investment to the UK but perhaps even more significantly) the wider socio-economic contributions of each investor and their dependants).

   We would suggest that attention should instead be focussed on attracting more investors and in particular more ‘super investors’; including ‘converting’ a significant proportion of those past and future applicants at the £1 million level into higher level investors, as well as applying those investments to greater benefit for the UK by making changes to the types of permitted investment.

   One approach to consider would be to reduce the threshold levels for the ‘super investors’. The current threshold levels are too high relative to the benefits of the higher level investment (solely being accelerated ILR, with all of the limitations of that benefit, as already observed). For example investment levels of £3 million (settlement in 3 years) or £6 million (settlement in 2 years) would generate much greater interest. A balancing exercise, between reducing the level of the threshold and the extent of the benefits will be necessary; if no other incentives are provided, a greater reduction of the threshold levels would be needed to encourage more super-investors where as if additional incentives are put in place for super-investors a lesser (or even no) reduction in investment threshold could achieve the same increase in super-investor applicants.

One option for investors who are concerned that their dependants cannot be granted accelerated ILR in line with them is to apply for their spouse as an investor in their own right (note that where both parents are granted accelerate settlement, the dependent children do not have to complete 5 years as dependants and are granted ILR in line with the parents). We would reiterate that the single most effect way to encourage the higher levels of investment is to allow dependants to be granted ILR in line with the Investor. However if this step is not taken, consideration could be given to permitting a level of additional investment for the spouse/partner, lower than that of the main applicant, for accelerated settlement for a spouse. For example, if the main applicant is investing at the level of £5,000, their spouse could be permitted to access the accelerated ILR at the same time if investing an additional £2.5 million, pending a combination investment of £7.5 million. Applicants could be linked together in a similar way to entrepreneurial pairs under the Tier 1 Entrepreneur route, both having to apply as principal applicants, naming each other (and in this context also proving the spouse/civil partner/unmarried partner relationship) in each partners application and enabling them to rely on a shared fund (in this context, not the very same sum of money as is the case for Entrepreneurs but a composite sum – higher than for a single applicant but not as high as double). This approach may help to remedy the disincentive of disconnect between investors' and their dependants' status, encouraging more investors to invest at the £5 million and £10 million level, whilst also stimulating higher levels of investment for the additions for the spouse/partner.

We would also strongly suggest, as indicated above, additional incentives are needed if more investors are to be encouraged to invest at higher levels. Such incentives could be in addition to reducing the thresholds or in the alternative - but we would observe that if no reduction in the thresholds is introduced, the greater the other incentives would need to be in order to have effect.

Such incentives could also be based around the type of investment; 'super-investors could be permitted for example to invest in a wider range of products, including for example pooled investments vehicles

3. **What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:**
    - **Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and**
    - **Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?**

Given the financial means of this client group, personal preference, as opposed to need, is a more significant influence than any other client groups. Accordingly non-economic reasons are often important primary factors for investors choosing the UK, albeit that economic factors are commonly also part of the attraction.

For our investor clients with children one of the primary drivers for all is the education system in the UK, and the lifestyle and cultural experience the family will benefit from in the UK. 100% of investor clients surveyed also had dependent children and cited education as a main reason for choosing the UK.

For applicants from certain jurisdictions, Russia being a key example, political landscape (in the context of the rule of law and absence of corruption in administration, gathering perceptions of ‘fairness’ and a stable environment for business) is one of the most common attractions.

60% of responsendts stated that economic cliemte/business opportunities was a factor.

Proximity/access to Europe is also a common theme for both business and lifestyle reason scored highly.

For most clients, it is no single factor but the particular combination of factors that the UK is able to offer that make it the preferred destination for clients over other investor schemes internationally; despite the often higher cost and lesser status (limited leave rather than directly to ILR or even citizenship).

4. **How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:**
    - **Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;**
    - **Alternative forms of investment which may deliver greater economic benefits to the UK.**
    - **Any potential change in economic benefit for the UK should the requirement for investment to “hold value” be relaxed.**

You will appreciate that our views reflect our knowledge as legal specialists and feedback clients provide to us is the course of our work with them about how immigration laws stage and influence their decisions; we are not financial advisers. On approach to this question therefore focus more upon what changes are likely to encourage greater investment, with the economic benefits that follow from that.

Greater direct and indirect benefits would be achieved if changes were made to the permitted forms of investment and/or the specified evidence, to incentivise higher levels of investment and a greater number of investors.

Evidential difficulties act to constrain investors’ choice of investment, even in relation to types of investment that are already permitted. For example, investors are permitted to invest in actively trading registered UK companies. Paragraph 62A states that:

‘"Active and trading UK registered companies" means companies which:
(a) have a registered office or head office in the UK;
(b) have a UK bank account showing current business transactions; and
(c) are subject to UK taxation.’

This therefore includes all types of UK registered company (subject to meeting the above), which includes private companies limited by shares; private companies limited by guarantee;
private unlimited companies; and public limited companies. However, the only accepted evidence of the investment (required when applying for an extension) is a 'portfolio report' (or letter containing the same information as a report) issued by a UK financial institution. Clearly an investor who has invested in a private limited company by purchasing shares will not usually be able to produce a 'portfolio' report from a UK financial institution as the nature of the investment is not one that would usually be made through an institution in this way or be subject to a portfolio report since the shares are not publically traded. Therefore despite the Rules permitting wider business investments, the evidential requirements drive investors who wish to invest in businesses to invest in PLCs. Private UK companies would therefore be able to benefit from access to greater investment funds if the evidential requirements were amended to facilitate investments in private limited companies, genuinely boosting the growth and development of British businesses, rather than a portfolio of shares in major PLCs (Marks & Spencer, BP, BT etc) less in need of inward investment. Obviously such investments represent a higher risk for investors, however it is not the function of the Home Office to manage investment risk, applicants should take professional advice before making any investment.

Some of the currently excluded investments, such as pooled investment vehicles, should be permitted. The Rules indicated that investments in open-ended companies, investment trust companies or pooled investment vehicles is not permitted because such investment cannot be guaranteed to be in the UK. However, we understand that this concern should be relatively straightforward to overcome, by the institutions offering such products limiting the scope of permitted investments by such funds to those that qualify under the immigration rules (e.g. a managed Gilts fund). We would submit that this should be altered for all Tier 1 (Investors), however it is also potentially another are whether the benefits of the higher level investments could be further differentiate form the basic £1 million investor level to create additional incentives

Many of course will still choose to invest in government bonds as the most risk averse approach and we would strongly recommend that this remains an option so that cautious investors are not deterred from investing in the UK.

100% of investors we surveyed stated that security of investment was the key reason for their choice of investments (not all opted for government bonds (though the majority did), some chose a mixed portfolio of gilts and shares and some chose shares only)

For a Tier 1 (investor), it cannot be forgotten that, however bold and sophisticated an investor they may be, security of their qualifying investment will inevitably be a greater priority than for other investments they may choose to make; this is because the consequences of losses in the investment are far great than simple financial loss, it can result in complete disruption to their and their family's home, education and business life in the UK as they can lose their UK immigration status.

In this context, it should be noted that three provisions in the Immigration Rules now combine to further exacerbate a highly risk averse approach to investments (generally resulting in the purchase of government bonds) for Tier 1 (investors). 1. an investor who's portfolio drops in value is currently required to 'top up' the fund before the next reporting period (para); failure to do so results in the refusal of their extension; 2 an invest whose investment in the UK drops below £750,000 is now liable to have their leave to enter or remain in the UK curtailed (following changes to the immigration Rules in (previously curtailment only applied where they had failed to make the investment within 3 months); 3) investors whose portfolios drop in value and who therefore are unable to meet the extension requirements or who have their leave to remain in the UK curtailed for that reason the present 'topping up' requirement, combined with recent changes to the curtailment provisions in the Immigration Rules

We would recommend that the topping up requirement be abolished in relation to market fluctuations (as opposed to withdrawal of funds) and that this element of the curtailment provisions be amended accordingly. Again, whilst we strongly support this change for all investors you may also wish to consider this as one of the possible incentives to apply only to 'super investors'.

4. Funds in a portfolio abroad

In our experience, British Diplomatic Posts will generally accept statements/letters from financial institutions confirming funds held in an investment portfolio as evidence of the required funds for investment in the UK. However, the current guidance does not in fact clearly provide for such evidence.

Paragraph 62(1) allows for a portfolio report or a letter with a breakdown of investments from a UK registered financial institution (thereby limiting this evidence to investments already in the UK).

Paragraph 62(2) allows for alternative evidence if the portfolio is managed outside the UK, but does not list financial institution statements/letters amongst the alternative types of documents (only bond documents, share documents or accounts of the individual companies in which the investments are made are detailed).

Paragraph 62(3) and 62(4) deal with "bank" statements and letters respectively, making no reference to "financial institutions".

Westminster Wealth Management

Tier 1 Investor Visas: Points for Consideration

An examination of the Factor affecting the Tier 1 (Investor) Visa Portfolio

19TH October 2013

Westminster Wealth Management LLP

The development and increasing economic prominence of the world's emerging nations in recent years has bought about an explosion in the number of High Net Worth individuals with multinational business interests and personal affairs who are globally mobile. With this mobility often comes the desire to relocate to a country that meets the lifestyle requirements of the wealthy. The UK for a number of reasons, including, quality of education for both children and adults, political stability, commercial popularity, trusted legal system and property rights, has become one such location that has witnessed an influx of the wealth who wish to relocate.

With the increase in Visa applications for the United Kingdom and the ever ebbing tide of political sentiment to grant such applications, it is imperative to ensure that prospective entrants are pursuing the appropriate application route given their circumstances.

There are many different routes to Visa applications. The most expedient and most frequently successful route for High Net Worth Individuals is the Tier 1 Investor . Amir Zaidi, Head of Immigration at Westkin Associates believes: "The UK government has ensured that the Tier 1

Investor Visa program remains the quickest and easiest way of not only obtaining a visa for the United Kingdom but also for gaining permanent residency and a British Passport for High net worth individuals and their families."[i]

The Tier 1 process for "High value migrants"[2] offers a number of classifications depending on the perceived 'value' of the applicant. This can range from 'Exceptional Talent' to 'Graduate

[2] www.ukba.homeoffice.gov.uk

Entrepreneur'. Of the 5 categories available this paper will focus on the 'Investor' category of Tier 1 applicant as this is the route that is most often used for High Net Worth private clients.

Tier 1 (Investor) Category

'The Tier 1 (Investor) category is for high-net-worth individuals who want to make a substantial financial investment in the UK.[3]

Designed for applicants outside of European Economic Area (EEA) or Switzerland[4] this is a points based system that bypasses a lot of the requirements that more conventional applicants are obligated to meet. Primarily applicants under this route are not required to speak the English language; neither will applicants need to show maintenance funds to prove their sustainability in the UK. For further reading please see the guidance on High-Value Migrants on the UK Border Office website.

Additional benefits include bringing dependents with you and the pursuit of settlement in the UK mean that, for High Net-Worth applicants, the Tier 1 (Investor) path is proving an ever more popular route. Although detailed in its requirements the core criteria for a Tier 1 Investor applications is a minimum investment of £1m into specified UK institutions.

"[The investor must] Have invested not less than £750,000 of your capital in the UK by way of UK Government bonds, share capital or loan capital in active and trading UK registered companies other than those principally engaged in property investment; and have invested the remaining balance of £1 million in the UK by the purchase of assets or by maintaining the money on deposit in a UK regulated financial institution."[4]

'Fast Track' routes are available that will allow applicants to apply for Indefinite Leave to Remain sooner for an increased level of investment of either £5 million or £10 million. For the purposes of this paper we shall focus on the £1 million base-case scenario as this has proved to be the most popular investment level.

Investors, if wishing to apply for indefinite leave to remain, must maintain the value of their investments at a minimum £750,000 and report on this value on a quarterly basis. Should the portfolio fall in value, the applicant will have until the end of the next quarter, in which the fall in value below the threshold occurred, to 'top-up' the invested funds to the required level of £750,000. It is in our view this quarterly reporting requirement

[3] http://www.ukba.homeoffice.gov.uk/visas-immigration/working/tier1/investor/
[4] http://www.ukba.homeoffice.gov.uk/visas-immigration/working/tier1/investor/

along with the requirement to ensure a minimum value at each period end, which provides the most interesting practical consideration for investors, advisors and interested parties. As such we shall focus on this throughout this paper.

When we look at the post 2008 investment landscape we can see that the increased level of volatility in markets has made it more challenging to achieve steady rates of real return. Simon Tabb, Investment Director at Investec Asset Management describes markets as ‘have [ing] now moved into more volatile cycles than we have traditionally seen’[ii]

The increasing correlation between different elements of the market and the widespread belief that we have entered a period of increased volatility has resulted in capital preservation, a fundamental requirement of the Tier 1 (Investor) application, becoming ever more ‘in vogue’ within the investment industry.

This paper aims to look at the conflicts that occur through this application process as the need to invest meets the need to preserve capital against the back drop of volatile markets and inflation.

We will also explore the further issues that occur as a result of the restrictions that are placed on investors seeking to qualify for a Tier 1 application. It is not the scope of this paper to comment on the suitability or correctness of the permissible investments, but to highlight issues that occur as a result of them and emphasise the factors that should be taken into consideration when pursing a Tier 1 application.

This paper aims to review the impact that Capital Preservation has on investment decisions

The impact that these decisions then have on portfolio values

Less popular alternatives that are available

How a thorough understanding of client’s knowledge and needs in the context of a Tier 1 application will allow for optimum portfolio performance.

4

Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance 07/13, Sec. 11

Capital Preservation

The qualification criteria for a Tier 1 investor application state that 75% of the funds that are to be invested, need to be made into qualifying investments.

"58. We specify the type of investment we consider, so that money is invested in ways that help to stimulate growth in the UK as directly as possible. You must have invested not less than £750,000 of your capital in the UK by way of UK Government bonds, share capital or loan capital in active and trading companies that are registered in the UK. You may include investment held in foreign currencies."[5]

All of the qualifying investments are UK centric, in that they in some way involve investment into a UK institution or company and they all carry and element of investment risk. In this reference I refer to risk as market risk, although it is accepted that there are other forms of risk that the aforementioned qualifying investments are exposed to, however we will discuss other types of risk throughout this paper.

It can reasonably be seen that when mandated to take a level of risk to achieve a specific outcome ceteris paribus a level headed investor will take the minimal level of risk to achieve a set outcome. The investment managers surveyed confirmed that in around over 75% of Tier 1 applicants the investor chooses to make use of a low risk portfolio such as 100% Gilt holdings.

"If the value of your investments is reduced by fluctuations in share prices, it must be corrected by the next reporting period, so that the overall value of these investments is maintained throughout your leave."[6]

Above, it is clearly stated that should a portfolio fall below the 75% (£750,000 in the majority of cases) the applicant will have to invest further capital to 'top-up' the portfolio to the required level. This will therefore mean that in order to meet the investment criteria, an applicant is forced to put extra capital into an investment that they are aware that has just fallen in value.

It is traditionally viewed that the more cautious the investor, the less palatable they will find any fall in value, which is often why the most cautious of investors are only willing to accept the lowest forms of investment risk. Consequently cautious investors are more likely to react the most severely to any downside shocks; often choosing to

[5] Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance, Sec. 58 07/2013
[6] Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance, Sec. 66 07/2013

withdraw some or all of their capital from the falling asset for fear of further downside. Whilst a conventional approach, this is not a tactic that is available to a Tier 1 investor who has to maintain a minimum portfolio balance to meet the application criteria.

At the other end of the market is the most risky investor or the Adventurous investor. For this investor, it is the appreciation of capital that is their primary concern. They are aware that they may lose some or all of their capital (and in the most the risky, leveraged based examples they may lose significantly more than their initial capital). They again may react severely to any downside shock in the market, but in the other direction. The most adventurous of investors may see a fall in an asset price as a buying opportunity believing that the asset is undervalued and therefore worth buying whilst it is cheap, before it again rises in value. This approach is known as 'doubling-down', a term loosely taken from the card game Black Jack, meaning to increase your stake in a set game.

As seen above, should the portfolio fall in value the applicant must then top up the portfolio to make sure it meets the minimum threshold level. This top up, of course, must go into qualifying investments, therefore meaning that the applicant must either purchase the asset that has fallen in value or purchase an alternative asset. In the case of the original holdings being in Gilts this would therefore mean that the applicant would need to purchase an asset that they know has fallen in value and therefore accept that it may fall further in value; causing an even greater loss to capital Alternatively they will be forced to purchase a higher risk asset class.

Consequently our cautious Tier 1 applicant who is most concerned with capital preservation is faced with adopting the investment strategy of the most speculative investor, doubling-down on his holdings in the event of a market shock, or acting with even less 'perceived' reason and picking a traditionally more risky asset class as an alternative. As a result an accountant's view to the cost of negative performance in a portfolio is not just that the cost of loss but double that; as capital equivalent to the loss is then re-injected into the portfolio, which will have to come from the applicant's assets base external to this investment.

Neither option seems a suitable reaction for a cautious investor, but over the 3 month window within which they must address the correction these are the options available.

This is one of the crucial factors in the construction of a Tier 1 portfolio and one that may detract investors from equity based investments.

Gilt Investment through Tier 1 applications:

One the key restrictions on the Tier 1 investor visa is the range of qualifying investments; it must be assumed that these restrictions are there for good reason. It is simple to see from the range of permissible investments that the aim is to encourage investment into the UK economy. It is not within the parameters of this paper to explain the benefits of investment in an economy and the positive impact that occurs as a result. However for this policy to be efficient, the allocation of capital must be done so in a fashion that will be effective and meaningful given the type and level of investments. There is no point in placing a restriction on the investments if those restrictions do not achieve the desired results or the level of capital that is directed to a particular asset class is insignificant in comparison the level of capital that is already invested in the sector.

We have seen the reason why the vast majority of applicants who make use of the Tier 1 (Investor) Visa do so with a cautious approach to investment risk. This often means that the portfolio recommended by investment managers will consist largely of Gilts of varying duration. For example HSBC state their lowest risk Tier 1 portfolio as '100% UK Government Gilts'[7]. The next 'traditional' asset up the risk spectrum that is allowable would be Corporate Debt. Despite the apparent size of the institutions that issue debt, such as Tesco plc. BskyB and Barclays Bank; the perceived level of risk is considered to be significantly higher. This leads to some investment managers being unwilling to use Corporate Bonds as the back bone of the more cautious investment profiles.

Gilts are an approved assets class (for Tier 1 Investors) meaning that policy makers must feel they represent a suitable for vehicle for investment into the UK economy. There is no doubting that the purchase of Gilts by an overseas investor can be seen as an investment into the British economy and moreover the British Government, but is this an investment that is needed and will it have the positive impact on the economy that is desired?

Anyone familiar with microeconomic theory or the work of John Locke[8] will follow: that an increase in demand for Gilts will, ceteris paribus, increase the price. This will have a knock on wealth effect for those who already hold Gilts in their portfolio, which would include a significant majority of both institutional and retails investors. Further knock on effects include price stability, as a result of constant demand, which will act as a market indicator for a strong a buoyant economy

[7] HSBC: HSBC Wealth Specialist Service – Investor Visa Service 07/13

[8] John Locke: Some considerations of the Consequences of Lowering Interest Raising the Value of Money (1691)

Of those surveyed the vast majority felt that most Tier 1 investors made use of a cautious portfolio when making their qualifying investment; we shall come one to see that capital preservation is a key motivator for clients during this process. If a significant number of Tier 1portfolios consist entirely or significantly of Gilts within their most cautious portfolios; logic would suggest that the Gilt market receives the largest allocation of Tier 1 investor capital.

With c. 530 applications approved last year and the majority of applicants looking to make use of the more cautious investment approach, according to those investment managers surveyed; it is not unreasonable to assume that somewhere between £300m and £500m was invested into the UK Gilt market in the past year through Tier 1 Visa applications.

When taken in comparison the size of the Gilt market, which currently stands at £967.6 billion[9]. It can be seen that these extra investments will create an almost minimal impact on the market and will do little to affect long run prices.

A further examination of the net flows in the Gilt market highlights one of the largest current investors in this space is the UK government. The policy of Quantitative Easing that has been undertaken since late 2008 has seen the UK government purchase over £370 billion of Gilts[10] from banks. This equates to an average of £74bn per annum of Gilt purchases since the policy began; over 150x the level of investment that has been made by Tier 1 applicants. At this level of investment one could be forgiven for asking whether the Government needs Tier 1 investment into Gilts, with it representing such a small element of the overall Gilt market.

Would the allocation of Tier 1 capital not be better served investing into other aspects of the UK economy that do not receive such weighty stimulus packages? As markets are all too aware the stimulus package will of course come to an end, at which point the Gilt market will no longer be propped up by the UK government and the added inflows of Tier 1 capital maybe more greatly needed.

However as the policy has been running for 5 years and at present markets feel has another 12 months to run on it; one can question whether Gilts really offer the safe haven for Tier 1 capital that the inflows suggest, or whether it is merely a case of the being the best of a bad bunch.

[9] United Kingdom, Debt Management Office: The size of the Gilt Market 19/10/2013
[10] This is Money, www.thisismoney.co.uk: Cheap Gilts Losing Edge, Sam Dunn, 14/06/2013

The goal of capital preservation could be seen as much of a legal requirement for Tier 1 investors as a desire. However there is a risk that this may be achieved at the expense of a 'real' rate of return.

By many it is seen as the bare minimum of investing that one has the same purchasing power after 5 years as the day that one started. Any return that is achieved above inflation is therefore the 'real' return and will lead to capital appreciation.

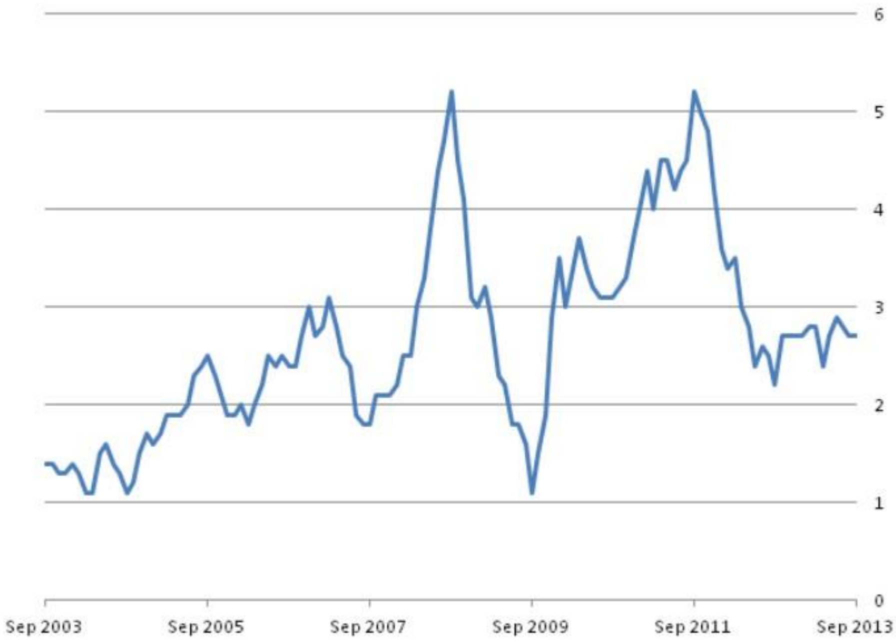
This level of return should be considered when looking at the portfolio of the Tier 1 investor. It would be naïve to assume that the capital that makes up the portfolio would not have been invested elsewhere during this time frame. Therefore a prudent investor should aim to minimise the opportunity cost of forgoing alternative investment options, particularly where capital has derived from nations where the rate of interest that could be achieved on deposits is significantly higher than it is in the UK.

However a Tier 1 investor, by the nature of their application will have future exposure to the cost of living in the UK. Therefore any measure of a real rate of growth must be benchmarked against the rate of inflation in the UK rather than that of the applicant's home nation.

Figures published by the Office for Nation Statistics[11] show that their leading measure of inflation for the UK, the Consumer Price Index (CPI) puts inflation in July 2013 at 2.8 – 2.9% p.a. down from highs in 2011 of over 5%. Although on a relative low to recent years this rate of inflation hampers investors seeking a positive real return whilst minimising risks.

UK Consumer Price Index percentage change over 10 years[12]

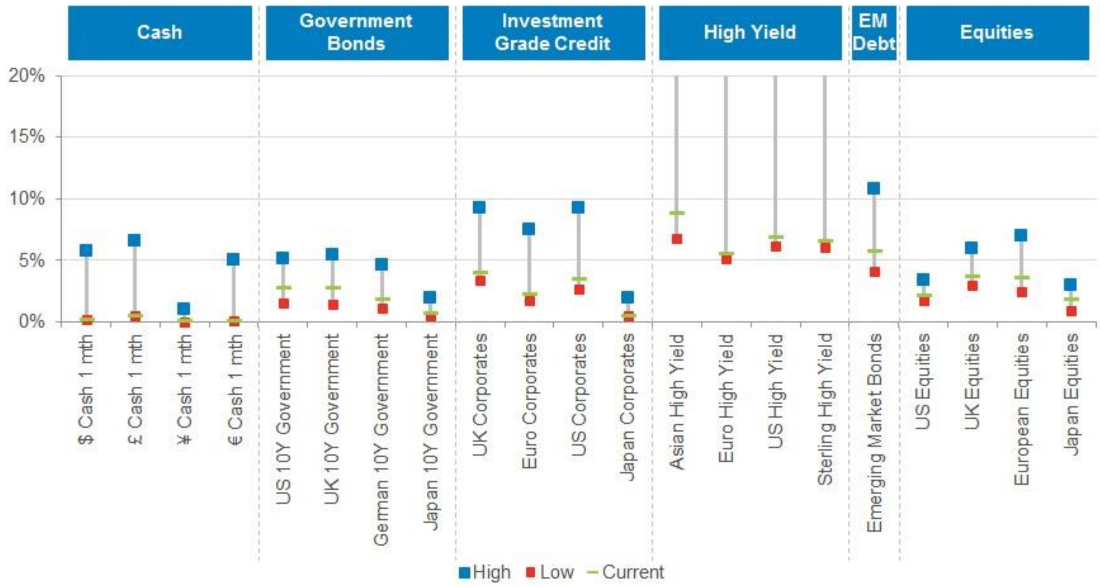
[11] Office for National Statistics: Growth in Inflation Steady in September 2013: 15/10/2013
[12] Office for National Statistics: Growth in Inflation Steady in September 2013: 15/10/2013



Current Gilts yields (the level of coupon received in relation to price paid) vary on the length of time until maturity, with longer duration Gilts offering a higher coupon in compensation for the length of time they will be held, due to greater uncertainty and opportunity cost.

With the price of Gilts inflated through the increased demand from the Governments stimulus package, yields are forced down, thus offering artificially low rates of return. This summer, 2 year Gilt yields stood at c.0.46%, 5 year at c.1.53% and 10 year atc. 2.71%[13]. It is not difficult to see therefore that holding any of the above in a portfolio would only act to provide a negative real return on an investment, before charges are imposed by a portfolio manager. It also assumes that the price at the time of redemption has remained unchanged; a factor which is unlikely to be the case if the current stimulus package has come to the end and the artificially high level of demand has been withdrawn from the market.

[13] Bloomberg: www.bloomberg.com; Market Data/ Rates & Bonds/ UK Gilts. 19/10/2013



Source: Datastream, BofA Merrill Lynch Bond Indices - Redemption Yields, MSCI Equity Indices – Dividend Yields (31 December 2004 to 30 August 2013, Japan Corporates from 30 September 2005).

The chart above illustrates that it is not just Gilts that have seen suppression in their yields. With significant increases in asset prices, yields across the board have reduced.

This means that other UK based alternatives to Gilts have seen their yields compressed therefore creating similar issues in relation to generating a real rate of return, it is however appreciated that the extent to which this is the case varies across the various assets classes.

If a Tier 1 investor is cautious in their investment approach and concerned by the loss of their capital, then surely an investment that is highly likely to produce negative 'real' returns would be the last place that an investor would look?

This negative real return, would on paper detract investors from this asset class and force them to consider alternative options. With the constraints imposed on Tier 1 investors this would leave relatively few options, Corporate Bonds or UK equity are the most commonly used alternatives. One could argue that the Government's policy of Quantitative Easing has acted to encourage Tier 1 investment into the less popular, but more beneficial parts of the UK economy. By making the traditional 'cautious' asset classes unappealing to a Tier 1 investor they are forced, in the search of a positive return, to look to more risky assets classes; a trend that is occurring throughout the global investment market place. One could therefore commend George Osborne for a job well done, subtly forcing the hand of the Tier 1 investor towards a more 'direct' UK investment. However if we are realistic, Chancellor Osborne is slightly more preoccupied with forcing markets rather than Tier 1 hands.

The results of State intervention will be felt even more severely by the Gilt holder further down the line. With interest rates at a record low and inflation believed to be the inevitable aftermath of Quantitative Easing, the Monetary Policy Committee will at some point deem it necessary to raise interest rates to curb inflationary pressure. A rise in interest rates will therefore make Gilts a less attractive investment, as their rate of return will no longer be as competitive. This will therefore cause their price to fall.

"The current duration on the UK Gilt index is 9, which means a 1% increase in interest rates will mean the index will fall 9%. So a traditionally low risk asset class can provide a loss to the investor just by a slight increase in interest rates."[14]
This would mean a £67,500 drop for our Tier 1 investor, a hole which would then have to be filled by 'topping up'. It is of course worth noting that as the price falls the yield will therefore increase, therefore increasing the chance of a real rate of return.

If we know that at some point interest rates will rise and that this rise will have a negative impact on a Gilt Portfolio The Tier 1 investor who is using Gilts for their perceived cautious nature is having to accept that they will deliver a negative real rate of return and will run the risk of a downside shock should interest rates rise.

Does this therefore mean that they do not care about the value of their capital, an opinion that is often adopted by the jealous or the ill-educated, or is it more likely that there are other influences in the mind of the Tier 1 investor which sway them away from riskier asset classes?

The cautious investor is typically classified as being most concerned with the preservation of capital, it is the risk of value of their capital being reduced that shapes their investment decisions. Certain elements of this are true with all investors; however others are more focused with the opportunity to make money than the risk of losing it.

Although the downside to holding Gilts is the potential of a negative 'real return'. This may not be sufficiently harmful to the Tier 1 investor's position when compared to the perceived alternatives, which in this case are traditionally viewed as Corporate bond and Equities. Asset classes that are traditionally viewed as more volatile than Gilts, whilst also providing the potential for a positive real return. However it is this volatility that, for a 'normal' investor would be ridden out over an extended time horizon, is forcing the Tier 1 investor to throw further capital into the pot, and therefore tying up a greater proportion of their asset base in the Tier 1 application process.

[14] Interview: Volatility of Gilts, Jonathan Day, Co-Fund Manager BNY Mellon Global Bond Fund, Bank of New York Mellon, 19/10/2013

It could therefore be argued that a Tier 1 investor will presently select a Gilt portfolio, not through a lack of understanding or interest in a negative ‘real return’, but purely as a selection of ‘the lesser of two evils’.

The 4th Class

With a seeming lack of choice present amongst the qualifying asset classes of Gilts, Corporate Bonds and Equities one should remember that a fourth less explored qualifying investment are unlisted UK registered trading companies.

Although some Tier 1 investors do make use of this avenue through personal interest or business connections; it is often the volatility in this area that detracts investment from this avenue. With unlisted companies traditionally being smaller than their main exchange listed counterparts, they are often more susceptible to market shocks and therefore suffer more volatile movements in share price, which as we have seen earlier is not something that a Tier 1 applicant is able to ride out.

There are however, qualifying UK registered trading companies that do exist and whose aim is to tackle this very problem. The issues that face Tier 1 investors are not held by themselves alone. For a number of years those facing significant Inheritance Tax bills have turned to low volatility, qualifying companies to invest in, which will provide relief from IHT whilst at the same time providing a steady ‘real’ rate of return.

With the ever increasing demand from the Tier 1 space a smaller number of qualifying companies have now emerged specifically designed the cater for the Tier 1 applicants investment portfolio. These companies, whose revenue sources are generated from qualifying industries and are sufficiently removed from non-qualifying industries such as property, have arisen as an alternative to traditional assets classes.

Exclusion Criteria for Registered Trading Companies under the Tier 1 (Investor) Program

- business or company is engaged wholly or mainly in dealing in securities, stocks or shares, land or buildings, or in making or holding investments
- business is not carried on for gain
- business is subject to a contract for sale, unless that sale is to a company which will carry on the business, and the sale is made wholly or mainly in consideration of shares in the company buying the business
- shares in the company are subject to a contract for sale or the company is being wound up, unless the sale or winding up is part of a reconstruction or amalgamation to enable the business of the company to be carried on

These companies offer well diversified business models that allow for predictable income streams through qualifying trades. They are specifically designed for Tier 1 investment, therefore providing peace of mind that the returns from the company will remain qualifying. Traditional IHT based models have made use of forestry, ticketing and debt funding to provide these stable income streams, all predictable business models with limited variables and defined outcomes.

Companies operating in the Tier 1 space have chosen similar tactics in sourcing their revenue, allowing them to deliver linear-like returns to investors. Although modest, many have successfully achieved a revenue stream net of fees that is above inflation. This therefore allows for a positive 'real' return that is generated on a predictable basis, from a diversified income stream.

One could therefore argue that this would present a perfect compromise between Gilts and Equities, offering a positive 'real' return whilst at the same time displaying significantly lower volatility than capital markets. However one should consider all angles when examining asset classes. Many investments that offer linear returns, may by the nature of their construction, fail to offer the same flexibility in their return profile. They may be slow in responding to external factors such as changes in interest rates. This may mean that any sudden change in market conditions will lead to the return profile no longer being positive in real terms. However this, it can be seen, is the problem with a number of real asset classes and therefore it is often the liquidity of these that helps determine the price.

An appropriately diversified and flexible investment solution that makes use of UK registered trading companies, may act well to diversify a client's portfolio away from a significant concentration in one asset class.

It is worth noting that as previously discussed the impact of QE may be an increase the in the rate of inflation and therefore this may act to reduce the attractiveness of nearly all 'fixed interest' asset classes as the level of return that is perceived as 'real' is reduced further. With inflation at its current level of 2.9%[15] sourcing the appropriate investment is key to a positive portfolio that will, minimise volatility whilst still meeting the qualification criteria.

These external influences and qualification rules mean that the otherwise simple investment decision is skewed. It is only through the appreciation of factors that affect an investment, can an appropriate investment recommendation be made.

<u>The need to know clients.</u>

As we have seen, with a number of investment options each displaying their own characteristics, it is necessary for a Tier 1 applicant to have a comprehensive understanding of the options and the possible outcomes that are available to allow for a fully informed decision to be made.

With any retail investor; the range of knowledge and experience varies enormously from case to case and even those who are at the top of their industry may not have had the necessary exposure to financials markets to make educated decisions. Whereas others maybe so deeply entrenched into one aspect of the financial system that, although fully able to comprehend the various assets, may not fully understand the choice and diversity that is available; as well as the interplay between them.

Further to this, those applicants who do have previous investment experience may only have done so when aiming for specific objectives, such as retirement planning, which has such an extended time horizon that the issues of volatility and risk are diluted. Consequently the need to fully educate the applicant first on the qualification criteria, secondly on the measures of compliance to these criteria and the consequences of not meeting them and finally on the asset classes that are available to achieve these outcomes.

Only when an applicant has fully understood each option in terms of its return profile, volatility and risk profile; including the interplay between them, can they decide how they would like to construct a

portfolio. Even with this understanding an applicant may still not be fully comfortable with deciding on the level of risk that they are willing to take, especially when the investment has specific criteria that it is aiming to achieve.

The investment industry often aims to 'tease out' a client's thoughts on this subject, by asking a series of questions that will produce both qualitative and quantitative data, to help ascertain a client's attitude to risk. However these questionnaires can often be brief in their design and often one questionnaire is applied to a broad range of investment vehicles or investment goals.

An anecdotal example would focus on a client's tolerance for loss, asking:

'At what level of loss would you start to become concerned about the performance of an investment?' Citing answers: a) 0%-5%, b) 5-10%, c) 10-15%, d) 15-20%, e) 20% +.

Any of these answers, depending on the investor, would be acceptable with the naturally more adventurous investor being able to ‘stomach’ a larger loss in the hope that there will be an eventually greater appreciation in value.

Crucially though it is exactly this sort of question that is obsolete in relation to a Tier 1 applicant. As we know, any reduction in value below the initial investment would instantly cause a problem and therefore require action. This concern, as previously discussed, is a function of the investment criteria rather than the applicants overall tolerance for risk. Such questions therefore, in an attempt to ‘tease out’ the applicants view on investment risk, may lead a client to take a higher level of investment risk within their investment visa assets than they would otherwise be comfortable with. As they may then, not be willing to ‘double-down’ on the investment that has fallen in value.

The reluctance to 'double- down' on an investment therefore may lead to an applicant risking or even in-validating their application. Fully aware of this, the applicant will have no choice but to go against their investment style or beliefs to achieve their application.

If at the outset an appropriate and bespoke approach to understanding an applicant’s wants, needs and attitude to investment purely in the context of an Investor Visa is taken; then appropriate asset allocation may be achieved in a much more coherent and transparent fashion.

Such a discussion will most effectively be carried out through the use of relevant examples. The relevancy of each example will, of course, be dependent on a specific applicant’s circumstances; however a generic framework of discussion points will help facilitate this.

For example if a client is only willing to take the bare minimum level of risk, and this was to be achieved in the traditional market view - through the use of short dated Gilts offering a low level of volatility. Then a client as we have seen may well be facing a negative rate of 'real' return. Given that nearly all Gilts are currently trading at above 'par' (the value of capital that will be returned at the end of the term) an initial loss is inevitable, combined with a yield that is lower than inflation will mean that 'real' losses will mount up.

Should the forecast real loss over the 5year term be in the region to 3% then this starts to become significant levels of real capital. In a discussion on this area an adviser would be well served to point out that given current market conditions by making use of the lower risk portfolio the applicant is guaranteeing a negative real return. Confirmation by the applicant of such statements as:

"I would to take the lowest risk possible even if this will result in a meaningful loss to my capital in real terms, given current market conditions."

Whilst I appreciate it is often impractical to construct questions and statement for applicants in such stark terms. Educating them to understand the pecuniary costs involved is crucial to allowing them to make an educated investment decision.

It would likewise be worthwhile to discuss volatility in terms of the client's affordability and their ability to make the required 'top-ups' to their portfolio. Should they be willing to make use of more volatile investment choices; an explanation in terms of the amount of capital that they may need to add to a portfolio should it suffer a market shock would help to manage expectations.

Whilst the window for correcting falls in portfolio values is significant, there still may be the need to add further capital to 'top-up' funds. Outlining that, should a portfolio fall in value by 6%, an applicant would need to add a further £45,000, to their portfolio to keep their application on track.

Given the affluent nature of applicants, this cost may not be a significant problem; however it is important to ensure that they both understand the risks and the consequences of volatility and prepare with spare capital for that possibility.

Conclusion

The Tier 1 (Investor) Visa process demonstrates the impact of external controls on an investment portfolio. The interplay between the limited investment selection and the maintenance of capital value means that real asset growth can be the casualty.

- We have seen that the adoption of a simple low risk portfolio may cause a negative real return. If this return profile is assured at the outset, can we really call this 'investing'? Are the needs of the client really being met?
- A traditional Tier 1 investor is concerned with meeting the application requirements, they are aware of the downside risk under these rules and therefore the funds invested can be seen as 'Cautious Capital' that is often allocated to Gilt portfolios.
- The 'topping-up' rule under the Tier 1 investor application, forces the hand of the investor to tie up further capital into a portfolio that they know to have fallen in value, in effect, doubling-down; an investment characteristic of the most risky investor and not that of the traditional cautious investment profile of the Tier 1 investor.
- Gilt portfolios unless very long-dated are failing to deliver a real rate of return given current inflation rates, this therefore means that the 'Cautious Capital' is accepting a fall in its real value over the term of the investment.

- The prevailing threat of a rise in interest rates will eventually result in a drop in the price of Gilts forcing the applicant to 'top-up' under the Tier 1 investor rules. This will however increase the yield of the Gilts that are held in the portfolio.
- The consideration of *all* asset classes in the construction of a Tier 1 portfolio will increase the potential for a positive real rate of return whilst at the same time limiting the level of volatility and the need the 'double-down'
- There is a real need to educate the applicant in all aspects of the Tier 1 investor options, as well as the consequences and potential costs of these portfolios.

The aim of an investment portfolio should be to achieve positive real returns. If this can be achieved through a better use of all asset classes that are available, tailored to the individual investment needs of the applicant given the nature of the portfolio; 'real' rather than 'administrative' value is also achieved from the investor's portfolio.

Understanding the aims and needs of the portfolio in relation to the client's objective will help to define the characteristics of the assets classes used. Combined this with an understanding of the clients investment knowledge and attitude to risk will help ensure that the portfolio meets the expectations of the client. It will also help to identify gaps in either knowledge or expectations of the client and therefore allow for these to be catered for or corrected.

High Net Worth investors require bespoke solutions to their needs in every aspect of their financial life; the process for building a suitable investment portfolio is not a simple one, however a comprehensive approach to both understanding the client and the investment instruments that are available will ensure that the optimum portfolio is constructed and executed.

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Tier 1 Investor Route

Tier 1 Investor Route: An Attempt at Economic Analysis[15]

This note is about the likely effect of immigrants who enter the UK through the The Tier 1 (Investor) category which is currently described by the Home Office as being “for high-net-worth individuals who want to make a substantial financial investment (£1m) in the UK”. At the moment the most common such route seems to be the purchase of £1m of gilts, which can be subsequently sold after 5 years.

The impression is sometimes given that it is obvious that such immigration is beneficial to the receiving country – they are included under the more general category of “high-value migrants”.

The alleged benefits are not entirely clear. This route seems to date from 1994 at least but the motivation for it – if it ever existed – seems to have been lost in the mists of time. It seems likely it is for three possible reasons:

a. Tier 1 Investors as Consumers: to the extent that they are resident they spend income in the UK and hence provide employment to UK natives.
b. Tier 1 Investors as Investors, most commonly as buyers of Gilts
c. Tier 1 Investors as Taxpayers

The purpose of this note is to consider these ways in which Tier 1 investors might affect economic outcomes, considering these three roles separately.

Tier 1 Investors as Consumers

Most models of the impact of immigration assume that the immigrants are workers whose main impact is through the labour they supply. In contrast, in the case of investors, they are providers of capital and consumers.

It is perhaps taken as obvious that anyone spending money in the UK must be ‘creating jobs’[16] – such a view would not be supported by economic theory.

In many ways, such a view is simply the flip side of the ‘lump of labour’ fallacy which holds that an increase in the immigration of workers must cause job loss for natives because there is a fixed number of jobs given by demand. It is a fallacy because – in

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16 See for example the heading to the Boris Johnson article (possibly not written by him) “We should be humbly thanking the super-rich, not bashing them. As well as creating jobs and giving to charity, the wealthy should be hailed as Tax Heroes” http://www.telegraph.co.uk/comment/columnists/borisjohnson/10456202/We-should-be-humbly-thanking-the-super-rich-not-bashing-them.html.

the medium to long-run at least – employment is determined by supply-side more than demand-side factors.

Similarly the view that the immigration of consumers must add to jobs because they are adding to demand is fallacious for the same reasons – it is wrong to assume the level of employment is determined by demand alone.[17]

Let's consider some simple models of what we would expect to be the effect of allowing wealthy individuals with a source of income outside the UK to be resident in the UK. We consider two models – one in which there are only produced goods and another in which there is a good (think of housing) which is not produced and is in inelastic supply.

A Model with Traded and Non-Traded Goods

If the economy has only one type of good, produced both in the UK and abroad (so is tradeable) then the presence of a wealthy individual in the UK will have no impact for good or ill. The extra expenditure in the UK that comes from their presence (and is in the balance of payments as a capital inflow) will simply be same as the reduction in net exports.

To have the possibility of a non-zero effect would seem to require at least two types of goods, one traded and one non-traded. So let us consider a model of this type.

Assume that UK employment in the traded good sector is given by L_t and that output produced in the traded good sector is given by $F_t\left(L_t\right)$. Assume that this good is traded in an internationally competitive market so the price of the traded good P_t is exogenous to the UK. Labour demand in the traded good sector will satisfy:

$$P_t F_t'\left(L_t\right) = W \qquad (1)$$

In what follows it will be useful to consider variations in traded good sector employment and the wage and differentiating (1) gives us:

$$d\ln L_t = \varepsilon_t d\ln W \qquad (2)$$

Where ε_t is the elasticity of labour demand in the traded goods sector.

[17] There are perhaps some arguments that the economic situation of the last few years had been an unusual period in which demand factors influence employment more than normal. But the Investor route is much older than that.

Assume that UK employment in the non-traded good sector is given by L_n and that output produced in the traded good sector is given by $F_n\left(L_n\right)$. The price of the non-traded good, P_n, will be determined domestically but labour demand in the non-traded good sector will satisfy:

$$P_n F_n{}'\left(L_n\right) = W \tag{3}$$

Where we have assumed that labour can move freely between both traded and non-traded goods sectors so that the wage is equalized in the two sectors.

In what follows it will be useful to consider variations in traded good sector employment, the non-traded-goods price and the wage and differentiating (1) gives us:

$$d\ln L_n = \varepsilon_n\left[d\ln W - d\ln P_n\right] \tag{4}$$

Where ε_d is the elasticity of labour demand in the traded goods sector.

On the supply of labour we make the simplest possible assumption, namely that there is an inelastic supply of labour L to the economy which can work in either sector i.e. we have:

$$L_t + L_n = L \tag{5}$$

Differentiating this we have that:

$$d\ln L_t = -\frac{\beta}{1-\beta} d\ln L_n \tag{6}$$

Where β is the share of non-traded employment in total employment. One could easily relax this assumption – to allow for some elasticity in the supply of labour or a 'wage curve' with some unemployment and the results would qualitatively be the same.

Now let us turn to the demand for products. To keep things simple assume that all consumers whether UK workers, UK capitalists or the Tier 1 investor themselves have the same homothetic preferences so that we can represent their indirect utility function by $v\left(P_t, P_n\right)Y$ where Y is their income. This means that demand for the non-traded good will be given by:

$$X_n^d = -\frac{\partial \ln v\left(P_t, P_n\right)}{\partial P_n}\left[WN + \Pi + M\right] = x_n^d\left(P_t, P_n\right)\left[WL + \Pi + M\right] \tag{7}$$

Where WN is the income of UK workers, Π the profits of UK firms and M the total expenditure of the Tier 1 Investor in the UK that we treat as exogenous (though conceivably could be a choice variable for them).

Demand equals supply in the non-traded goods sector means that (7) can be written as:

$$F_n(L_n) = x_n^d(P_t, P_n)\left[P_n F_n(L_n) + P_t F_t(L_t) + M\right] \quad (8)$$

Differentiating this we have that:

$$\alpha_n d\ln L_n = -\eta_n^d d\ln P_n + s_n d\ln P_n + s_m d\ln M \quad (9)$$

Where α_n is the share of labour in non-traded output, η_n^d is the own-price elasticity of demand for non-traded goods, s_n is the share of non-traded goods in total income and s_m is the share of the tier 1 investors in total income.

The two labour demand curves, (1) and (3), the labour supply equation (5) and this market-clearing condition for non-traded goods (8) give us 4 equations in the 4 unknowns (L_t, L_n, W, P_n). As usual we do not explicitly need the market-clearing condition for the traded goods sector because of Walras' Law.

We model the increase in Tier 1 investors (as consumers) as an increase in M and consider the impact on the UK economy. Using (2), (4), (6) and (9) we can solve for the change in the endogenous variables as a function of $d\ln M$. This leads to:

$$d\ln L_n = \Delta^{-1} s_m d\ln M > 0 \quad (10)$$

Where:

$$\Delta = \alpha_n + \left(\eta_n^d - s_n\right)\left[\frac{1}{\varepsilon_n} + \frac{\beta}{1-\beta}\frac{1}{\varepsilon_t}\right] \quad (11)$$

Which it is reasonable to expect should be positive (this is a sort of stability condition)

$$d\ln L_t = -\frac{\beta}{1-\beta}\Delta^{-1} s_m d\ln M < 0 \quad (12)$$

$$d\ln P_n = \Delta^{-1}\left[\frac{1}{\varepsilon_n} + \frac{\beta}{1-\beta}\frac{1}{\varepsilon_t}\right] s_m d\ln M > 0 \quad (13)$$

$$d\ln W = \frac{1}{\varepsilon_t}\frac{\beta}{1-\beta}\Delta^{-1} s_m d\ln M > 0 \quad (14)$$

Intuitively what will happen is clear – the presence of the immigrants in the UK increases the demand for non-traded goods, leading to a reallocation of labour from the traded goods sector (like manufacturing) to the non-traded goods sector (like household services). As the UK now produces fewer traded goods the current account of the balance of payments deteriorates but this is made up by the money being brought into the country by the immigrants. This reallocation of labour requires an increase in the price of non-traded goods and the wage.

How does this affect the welfare of natives? The increase in the wage makes one think that UK workers must be better off but the increase in the price of non-traded goods acts to off-set this. Using the indirect utility function we can write the total change in log utility of UK workers as:

$$d\ln U = \frac{\partial \ln v}{\partial \ln P_n} d\ln P_n + d\ln Y = -\gamma_n^d d\ln P_n + d\ln W \quad (15)$$

Where γ_n^d is the share of non-traded goods in total expenditure. Using (13) and (14) this can be written as:

$$\begin{aligned} d\ln U &= \left\{ -\gamma_n^d \left[\frac{1}{\varepsilon_n} + \frac{\beta}{1-\beta}\frac{1}{\varepsilon_t} \right] + \frac{1}{\varepsilon_t}\frac{\beta}{1-\beta} \right\} \Delta^{-1} s_m d\ln M \\ &= \left\{ -\frac{\gamma_n^d}{\varepsilon_n} + \frac{1-\gamma_n^d}{\varepsilon_t}\frac{\beta}{1-\beta} \right\} \Delta^{-1} s_m d\ln M \end{aligned} \quad (16)$$

Which is ambiguous in sign i.e. the change in the welfare of UK workers may be positive or negative. Let us consider some special cases:

Special Case 1: Constant Returns in Both Sectors

This is the case where $\varepsilon_t = \varepsilon_n = \infty$ in which case (13) and (14) tell us that $d\ln P_n = d\ln W = 0$ which implies from (16) that $d\ln U = 0$.

This can be readily understood. If there is constant returns to scale in the traded goods sector then the labour demand curve (1) becomes:

$$P_t A_t = W \quad (17)$$

Which fixes the wage independent of anything else. The labour demand curve in the non-traded goods sector (3) then becomes:

$$P_n A_n = W = P_t A_t \quad (18)$$

Which fixes the non-traded goods price independent of anything else. So no prices or wages are changed by the influx of Tier 1 investors. There is still a shift in employment from the influx – from traded to non-traded sectors.

Special Case 2: Constant Returns in Traded Sector, Decreasing Returns in Non-Traded Sector

This is the case where $\varepsilon_n < \infty = \varepsilon_t$ in which case (13) and (14) tell us that $d\ln P_n > 0 = d\ln W$ which implies from (16) that $d\ln U < 0$ i.e. workers are worse off.

This can be readily understood. If there is constant returns to scale in the traded goods sector then the labour demand curve (1) becomes:

$$P_t A_t = W \qquad (19)$$

Which fixes the wage independent of anything else. But the transfer of labour from the traded to the non-traded goods sector means that the price of non-traded goods must rise given decreasing returns to scale there.

Special Case 3: Decreasing Returns in Both Sectors with Identical Elasticities of Labour Demand

This is the case where $\varepsilon_t = \varepsilon_n = \varepsilon < \infty$ in which case (16) can be written as:

$$d\ln U = \frac{\beta - \gamma_n^d}{\varepsilon(1-\beta)} \Delta^{-1} s_m d\ln M \qquad (20)$$

So that the sign of the effect on workers' welfare depends on whether β, the share of non-traded employment in total employment, is greater or smaller than γ_n^d, the share of non-traded goods in total expenditure.

These examples show that there is no clear presumption that the influx of Tier 1 investors is beneficial to the UK workers through the channel that the wealthy investors are residing in the UK and spending money here. The clearest prediction is that the influx of Tier 1 investors will cause a reallocation of employment away from traded and towards non-traded goods sectors, not something that is generally thought of as a good thing.

A Model with Housing

It is often alleged – especially at the moment – that foreign investors (most of them probably non-resident) drive up the price of housing especially as the supply of housing in the UK is relatively inelastic. Let us consider a model to think this through.

To make things simple assume there is a just one good (which is traded) in the economy but there is also housing which is in fixed supply and is not produced by labour. The price of the traded good, which we will denote by P, will be fixed in world markets and, given total labour supply, this then fixes the wage, both independent of the presence of Tier 1 investors. Assume there is constant returns in this sector so all income is wages. But the price of housing, denoted by P_h, will typically respond to the presence of tier 1 investors. If the supply of the flow of housing services is H, then demand equals supply in the market for housing must, by analogy to (7) satisfy:

$$H = -\frac{\partial \ln v(P, P_h)}{\partial P_h}\left[WL + P_h H + M\right] = x_h^d\left(P, P_h\right)\left[WL + P_h H + M\right] \qquad (21)$$

From this we can derive how the price of housing will respond when there is an increase in M caused by Tier 1 investors. Differentiating (21) we will have:

$$0 = -\eta_h^d d\ln P_h + s_h d\ln P_h + s_m d\ln M \qquad (22)$$

Which implies that:

$$d\ln P_h = \frac{s_m d\ln M}{\eta_h^d - s_h} \qquad (23)$$

Where η_h^d is the own-price elasticity of demand for non-traded goods, s_h is the share of non-traded goods in total income and s_m is the share of the tier 1 investors in total income. As before, it is natural to assume that $\eta_h^d > s_h$ which is a sort of stability condition so that an increase in M leads to an increase in house prices.

How are UK citizens affected by this change? If one is a worker who does not own any housing, the impact of the Tier 1 investors must be negative – the wage does not change but the price of housing rises. But some UK citizens are also owners of housing.

Let us consider the change in utility of UK citizens as a whole. The change in log utility must be given by:

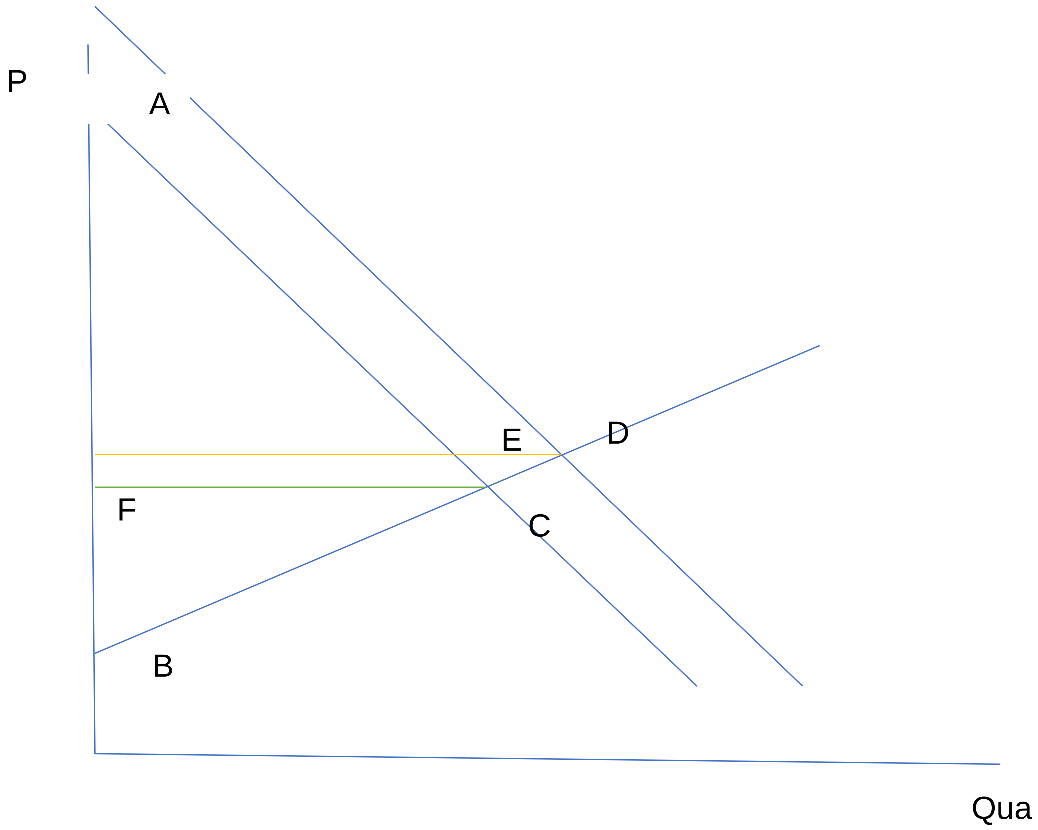
$$d\ln U = \frac{\partial \ln v}{\partial \ln P_h} d\ln P_h + d\ln Y = -\gamma_h^d d\ln P_h + s_h d\ln P_h = \left(s_h - \gamma_h^d\right) d\ln P_h = 0 \qquad (24)$$

Where γ_n^d is the share of housing in total expenditure which must equal the share of income from housing. So there is no net benefit or loss to UK citizens from the Tier 1 investors but there are distributional effects – workers lose and home-owners gain.

Tier 1 Investors as Buyers of Gilts

Now consider the likely impact of Tier 1 Investors not as consumers but as investors. In practice it seems that Tier 1 Investors mostly choose to satisfy the 'investment' criterion by purchasing £1m of gilts that must be held for at least 5 years. There is some evidence that they regard this as distorting their investment decisions from what they would otherwise have been. But, even if this is the case, this does not mean it benefits the UK citizen.

To think through the impact of this policy it is perhaps useful to first consider a market for an abstract good with demand and supply as represented in the Figure below:



Assume that the lower demand curve drawn is the initial one and the equilibrium will be at point C. The total consumer and producer surplus will be the area ABC. Now suppose the demand for the product is artificially raised to be the new demand curve which is shifted to the right by an equal amount. This causes the equilibrium in the market to shift form point C to point D. The price rises and the quantity sold also rises though by less than the shift in demand.

What happens to welfare? We will assume that one does not care about the welfare of the person with the extra demand (the Tier 1 investor in our case). So total consumer surplus remains the area under the original demand curve i.e. the area AEF. Note that this falls i.e. domestic consumers are made worse off. But producer surplus rises to be the area BFD. Putting this together one obtains the result that the gain in welfare is the triangle represented by the area DEC.

Simple demand and supply theory tells us that the change in price from the extra demand for gilts is given by:

$$dP = \frac{1}{\varepsilon^d + \varepsilon^s} \frac{dM}{Q} \qquad (25)$$

Where ε^d is the elasticity of the demand curve, ε^s is the elasticity of the supply curve, dM is the size of the increase in demand and Q the size of the market. The change in quantity is given by:

$$dQ = \frac{\varepsilon^s}{\varepsilon^d + \varepsilon^s} \frac{dM}{P} \qquad (26)$$

The total change in welfare can be written as $0.5 * dP * dQ$ which can be written as:

$$\frac{1}{2} \frac{\varepsilon^s}{\left(\varepsilon^d + \varepsilon^s\right)^2} \frac{dM^2}{PQ} \qquad (27)$$

i.e. it depends on the size of the extra demand in relation to the size of the market and the elasticities of the supply and demand curves.

All of this has been about an abstract market, but what would we expect if the market is that for UK gilts. In this case the 'price' is the inverse of the interest rate. So we would expect the extra demand for UK gilts from Tier 1 investors to lower the interest rate. This will benefit those who are borrowers (the UK government and, behind that, UK taxpayers and citizens) but will harm those who are lenders (i.e. the owners of gilts) who may also, directly or indirectly, be UK citizens. This is the equivalent of the transfer of surplus from buyers to sellers in the abstract example.

How large the welfare effect will be depends on the elasticity of supply and demand curve for UK gilts which in turn are likely to depend on how close a substitute is UK government debt for other types of debt. This topic is one actively considered by macroeconomists at the moment (for example, has quantitative easing reduced interest rates?) and I think it is fair to say that it is not a question on which there is a strong consensus.

But it is perhaps worth thinking about a number of special cases. First, if UK government debt is a perfect substitute for the government debt of some other countries (e.g. the US) and the rate of return on this debt is unaffected by UK policy (because it is small in relation to the size of the US) then the demand curve for UK government debt will be perfectly elastic ($\varepsilon_d = \infty$) and the welfare gain from the Tier 1 investors will be exactly zero. This case might be thought to have some plausibility because the interest rates on UK and US government debt do move very similarly.

That is one case, but it is worth considering an extreme case to make the point that the even in this case, the benefits might not be large. Suppose that one thinks that QE has reduced UK interest rates – an optimistic estimate would be that £1bn of QE has reduced interest rates by 5 basis points for 1 year. In this case a Tier 1 investor, purchasing £1m of gilts would be expected to reduce interest rates by the amount $0.05.\frac{1}{1000}$-basis points. If the government is issuing £150bn of new debt this lower interest rate should be applied to that which means that the benefit to the UK government from the purchase of gilts by the Tier 1 investor is given by:

$$\frac{0.05}{100}.\frac{1}{1000}.150000 = £0.075m = £75k$$

Which is probably not a very high price to charge for the rights to UK membership. Even this is almost certainly an over-estimate for a number of reasons:

- It focuses on the change in surplus from a reduction in interest rate for the borrower and completely ignores the fact that savers are made worse off
- It applies to unusual times when the government deficit is unusually large.
- If the Tier 1 investor sells the gilts after 5 years then the effect will then be reversed – the value of having £75k for 5 years is less than £10k

Hence, it is hard to escape the conclusion that the benefit to UK citizens from a Tier 1 investor buying £1m of gilts is tiny.

This analysis has assumed that the Tier 1 investor buys gilts. What happens if they buy other forms of capital e.g. shares in a UK company. A similar analysis could apply – if one thinks that free capital mobility around the world means there is a world interest rate then this investment will simply displace other capital investment producing no benefit to the UK economy at all.

<u>Tier 1 Investors as Tax-Payers</u>

To the extent that Tier 1 investors pay UK tax this will be a benefit to the UK citizen (though needs to be set against any public services the consume). How much tax is being paid by them is a question that should be examined – I do not know the answer to this question.

Conclusion

The benefits to the UK citizen from the Tier 1 investor route are not obvious – they need to be given more careful consideration than seems to have been the case in the past.

It is hard to escape the conclusion that UK citizenship is in effect being 'sold' to these individuals but that the price being charged is not high, certainly nowhere near what one would expect the price to be if one auctioned UK passports. Of course the idea of selling UK passports may not appeal to many people and the current system of investor visas hides that this is what we are doing but in hiding it, probably sells them at a very low price.

CS Global Partners

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Introduction

CS Global Partners (CSGP) has great pleasure in submitting this evidence to the Migration Advisory Committee.

CS Global Partners is a leading international legal advisory company with many years of experience in international citizenship and foreign direct investment. We advise clients directly on investment opportunities which may lead to citizenship and residency. One of the common solutions that we can suggest to our clients is the Tier 1 (investor) route.

The proposal has been prepared with the purpose to provide CS Global Partners' responses to the questions posed by the Migration Advisory Committee in their call for evidence concerning the economic impact of the Tier 1 (Investor Route).

The proposal will include the following:

Introduction to CS Global Partner's experience with the Tier 1 (Investor) route

Response to Migration Advisory Committee's call for Evidence concerning the economic impact of the Tier 1 (Investor Route)

Overview of CS Global Partners and the Advisory team

Introduction to CS Global Partner's experience with the Tier 1 (Investor) route

CS Global Partners has many years of experience dealing with wealthy investors looking to enter the UK; those living in the country; as well as those looking to obtain citizenship abroad, but residing in the country. Our evidence is based on our direct experience with these individuals as well as our professional knowledge of the global market for investor residency and citizenship.

Origins of investors

Specifically with regard to Tier 1 investors, we predominantly find that these individuals originate in emerging markets. We take enquiries from clients in Russia, China, India and South Asia with an increasing number of clients coming from Africa, in particular Nigeria.

Many of our clients are seeking educational opportunities for their family and to benefit from life in the UK (as was well documented in the NIESR report). One of the interesting questions that can only be answered over time is the primary motivating factor for residency in the UK and whether this is obtaining citizenship in the UK, or merely leave to remain. We anticipate that those of our clients who do take up the Tier 1 (Investor) route will remain in the UK following the required period of residency, at least until their children finish schooling.

We find that whilst many of our clients have the goal of attaining citizenship in the UK, many of the investors are businessmen who are too busy to stay in the country for the required number of days, and thus the application is submitted in the spouse's name and the patriarch remains a dependent on the visa. This allows the de facto investor the freedom to travel globally whilst ensuring that the spouse and children are able to fulfil the requirements for the visa and settlement.

In many cases the patriarch does not even join the application due to the onerous residency requirements, opting instead for an alternative citizenship in order to facilitate his international lifestyle and easily visiting his family in the UK. He is likely, however, to bring some of his business to the UK and will maintain a private bank account and have some investments in the country.

Naturalisation

Many clients will refrain from obtaining UK citizenship although they desire the permanent residence due to their own home country's response to dual citizenship and whether it is allowed or not is always a factor that they consider. Russian clients, for example, are willing to ensure that their family get citizenship whereas many Indian clients are reluctant to give up their citizenship and would rather opt to obtain permanent residence rather than citizenship. This is also a factor of particular concern for Chinese clients. Whether they are motivated by the aim to naturalise affects the commitment of the family to maintaining their required number of days in the UK.

The UK investment route as opposed to others

Reputationally, the UK Tier 1(Investor) opportunity ranks as one of the most desirable in the world and it has been the favoured jurisdiction by wealthy Russian and Indian clients for many years, preceding the introduction of the Tier 1 scheme. Chinese clients have only recently started to favour the UK as a jurisdiction due to the Canadian investor visa program closing down and the unattractiveness of the American EB5 program as many are reluctant to fall within the reach of American taxation. This drives clients to the UK as a destination.

Clients have historically preferred the UK as a jurisdiction for their children's education, and the Tier 1(investor) option has become a chosen route as a result of this, although we often see the parents giving this investment amount to their grown children who can then benefit from it. In particular, Chinese clients, who traditionally sent their children to US universities are preferring the UK education system.

The low uptake of the route (530 successful candidates in year ending Q2 2013) is probably due to the high investment requirement which is still a significant amount of money to liquidate and invest in a relatively low performing investment opportunity, particularly for clients from emerging markets who have become wealthy in the last 10-15 years. In the last 18 months we have seen many EU countries introduce residence programs that lead to citizenship for a much lower investment of circa €500,000.

There is one recent development which falls within our specific expertise which we predict will have an impact on the UK Tier 1 (Investor) and (entrepreneur) options in the near future, although it is difficult to predict exactly how this impact will look. This is the Maltese Citizenship by Investment program. It is likely to have an impact on the number of people whose choice of the Tier 1 Investor route is primarily because they want to access the UK market. Under this program, investors are able to pay a donation of €650,000 (£550,000) to the Maltese government (plus government fees of €25000 per dependent) and will be issued a Maltese passport with full EU access within a number of months. We suspect that when the program enters into force:

- People who would otherwise be looking to choose an investor visa program will hold back to see how the Malta program goes, and whether it is reliable and quick and not plagued by issues of corruption.
- However, we predict that many investors who are looking to obtain citizenship will prefer the UK passport over the Maltese one and are still likely to choose to invest the threshold investment amount in order to ensure that their families can ultimately gain UK citizenship.
- Moreover, many shrewd investors are hesitant to donate such a significant amount of money to a small government.
- Notwithstanding the Maltese program, many of the people who would have chosen Malta as an alternative are likely to still choose to immigrate to the UK and as a result Britain will still reap the indirect benefits of having these individuals in the country. However if the British government wants to still attract the investment funding, it will need to ensure that its program remains competitive in order to attract these individuals.

The motivation for obtaining citizenship by investment in Malta is likely to differ from the motivations for obtaining a Tier 1(Investor) visa as we expect very few of the new Maltese nationals will take up residence in that country or develop ties to it, whereas the focus of the UK Tier 1 (Investor) visa programme is designed to attract individuals and encourage them to develop some form of roots in the country.

Response to Migration Advisory Committee's call for Evidence concerning the economic impact of the Tier 1 (Investor Route)

1.1 The **direct benefits** resulting from the migrant's investment in the UK

Evidence suggests that the government's direct benefits from the program are limited due to the small number of investors and the relatively low returns on the gilts option. Post the global economic crises, there is reduced liquidity in the market, tighter foreign exchange regulations, therefore making it more difficult to access £1million in cash to be tied up for five years with a negligible return.

Where investors have taken up the opportunity to finance the investment with a loan, there is little direct economic benefit to the government as often the money is not in the country and is unlikely to ever be invested into the country (although smaller amounts may be invested in business endeavours within the country).

A balance needs to be struck which caters to the needs of the government and those of the investor.

Due to the relative newness of the program, it is difficult to assess whether our clients who have not opted for the loan route will leave their money in the country after their settlement comes through. They will possibly reinvest their money in alternative investments with higher yields, such as property, or investments in businesses and shares. Some will become familiar with the UK market, identify gaps in services or products and begin their own businesses catering to those gaps, bringing additional finances into the country or reinvesting their other investment into these businesses. We predict that a portion of the money will also be used to invest abroad, particularly back into the markets from the client's country of origin.

1.2 The **indirect benefits** from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK

As far as the government approach of attracting the 'best and brightest' individuals with high human capital value, the Tier 1 route generally attracts individuals with proven track records as successful businessmen and entrepreneurs. These are model citizens who are further motivated by their visa requirements to comply with the law to the letter.

These benefits have been quite well documented in other reports, and include:
Consumer production – clients buy luxury goods often through intermediary businesses and often seek services from a wide variety of professionals. They shop at high end retail stores and dine at Michelin star restaurants, drive luxury cars in the congestion zones and have professionals offering discrete services in their business and financial matters.

However there are some investors who are less free with their money, they are unlikely to live flashy lifestyles and will seek to buy new build properties in a non-zone 1 location and live a quieter life. However, even these are likely to access private health care and spend their money on sending their children to the best schools and universities.

One of the primary attractions of London is still its education. Many of our clients are choosing the UK as a destination for the education of their children, from an early age. This allows the children to fulfil the visa requirements for settlement before they reach university age. They will often send their children to exclusive schools and educate them to a graduate level in the country. We see clients preferring primary schooling in the UK to the same in other jurisdictions such as Canada and the US. They prefer to send their children to countries where English is spoken over those that speak other languages.

Ancillary to the education needs, these investors often hire private tutors to assist with their children's education. Our clients will spend anything between £1,000 - £40,000 per month on extra classes and activities for their children in order to ensure that they succeed in their schooling and secure entrance to top academic institutions.

These children grow up to become professionals, with established links and networks in the country and are likely to work for at least some period in the UK.

Many investors also come to the UK for its excellent private health care and are willing to pay for services and skills that they are unable to obtain in their own country.

Given the fact that they need to live in the country for five years, many investors are likely to invest in property whilst they are residing here which may have positive impacts on the country depending on where they buy. (The low present number of Tier 1 (investors) makes it unlikely that this group alone is responsible for pushing the price of houses up beyond the reach of the general populace, which is more likely related to the attraction of the UK to foreign and UK celebrities and sportspeople).

In situations where the whole family relocate to live in the UK for the duration of the visa, they will seek to employ staff to assist in their households, as well as engaging with intermediary professionals, family offices and concierge services to assist with their family needs. Due to the tightened regulation around bringing their family staff from their origin country, these individuals are seeking to engage local employees instead of relocating their home staff.

Another indirect benefit relates to linking together countries. Investors are likely to encourage extended family to visit the UK for tourism. During these visits families will come to the UK, eat in the local restaurants, shop in the local stores, and attend West End productions, promoting the country and culture abroad. This extended family contact is important as people with familial ties to investors in the country are more likely to come to the UK to work and study for themselves.

Investors bring with them connections to markets that are rapidly growing and developing ties, especially to their own countries. They are often doing business in several different countries, and tend to have interests in several different markets, with an increasing number with interests in other international business hubs, like Dubai, Hong Kong and Singapore.

Many are migrating for lifestyle, business and family reasons, but they do not tend to sever ties with their home countries, and investors will usually frequently visit their home countries, taking back UK products to their home country and bring back from products from it. This increases trade between the country of origin and the UK and creates a market for foreign goods both at home and abroad. This is particularly valuable with linking countries that do not have close ties to the UK.

The longer an individual spends in the UK the more they are likely to spend more of their holidays in the UK, returning to their home countries less. Particularly if the children of the investors marry in the UK and choose to settle. Whilst they maintain ties with their country, the likelihood of returning to their home country in the long term is less important and at least part of the family unit will often choose to remain in the UK indefinitely.

All of these factors involve the migrants choosing to spend money in the UK over a sustained period. By requiring the investors to spend a significant amount of time in the country, it encourages the migrants to develop roots in the country. However the inflexibility of the 180 days rule is difficult for businessmen with global interests and a balance needs to be struck between these factors.

1.3 The **timeframe** over which these benefits may be realised

These benefits, particularly the indirect ones are felt over a period of years which is much longer than the 5 years of investment. Children's education is likely to outlast the required number of years for the settlement visa. And the families are likely to develop ties to the UK that will last beyond the investment time. However the investment itself is likely to not last in the same form outside of the 5 year period.

1.4 **Direct and indirect costs** to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK

The actual costs to the UK economy are also difficult to measure after such a short period. The majority of wealthy clients are not likely to rely on the public health care system and other forms of social care. They will most likely send their children to private education. This means that public funding is not likely to be necessary to support these families.

These types of investors will do pre-immigration planning to ensure that they have the lowest tax exposure possible. However, if they do start businesses within the country, they will employ people, pay for professional services, and pay the requisite taxes at that point.

Moreover, many do claim the VAT on some of the products back when they leave the country to go abroad, and this may undermine some of the value of the consumption spending that they do during their time in the country.

2. How might these benefits and/or costs be affected by the **current financial thresholds** for the Tier 1(Investor) route? Evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)?

With the tightening up of the entrepreneur route, and the increase in rejections, sometimes on unusual and subjective grounds, we would expect to see more advisors encouraging clients who have the means towards the investor route rather than risking rejection on relatively unpredictable grounds. This may see a growth in the uptake of the investor visa. Also it is growing in reputation as people are beginning to reach the renewal stage of the program.

Increasing the threshold is likely to price the product out of the market, as five years is a long time to tie up £2million or £5million in liquid assets. It will also exclude the growing number of new millionaires from across Asian and Africa who will not yet be able to afford a higher threshold, or are not able to liquidate their assets easily to make the £2million or more cash investment.

The ultra-rich are likely to opt for the Malta program rather than abide by the strict days requirement for citizenship. Although a small amount of them would be willing to invest a higher amount regardless.

Reducing the threshold amount may be an interesting offer as it may encourage a broader number of individuals to take up the scheme. Where this amount would need to be in order to have the maximum economic benefit to the country is difficult to accurately determine due to market uncertainty created by the entry into the market of new investor immigration programs every month.

3. What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:

3.1 Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and

The investors are significantly affected by the applicable tax regime and value the UK because of its flexibility. Investors have comfort in knowing that they have a 7 year period before they are domiciled and with careful planning do not need to pay additional taxes in the UK.

People are also attracted by the ease of doing business and the general stability of the UK market (notwithstanding the global economic recession). Other business factors such as time zone, proximity to other trading areas, and legislative regimes are also pull factors. Moreover, the UK is still seen as a reliable destination for safe investments. The legal system in the UK is well regarded and trusted by investors who favour litigating under English law.

3.2 Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?

These are all important, albeit difficult to quantify. Education remains important as does the stability of the UK government, and intrinsic rule of law.

It is important to our Russian and Chinese clients especially that their children learn to speak English and have excellent education.

The cosmopolitan nature of London and its high fashion centres and the availability of luxury goods is attractive to investors whose family members would still choose to shop in the original luxury department stores.

Furthermore, London is such a varied environment, full of so many different languages and cultures and is relatively welcoming to foreigners and easy to integrate into expat communities within the city which is also important for investors.

4. How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, **how you would measure the relative benefits** of different investments and **over what time periods**, please provide evidence to demonstrate:

4.1 Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;

4.2 Alternative forms of investment which may deliver greater economic benefits to the UK

4.3 Any potential change in economic benefit for the UK should the requirement for investment to “hold value” be relaxed.

The government could introduce a higher price threshold with a correlated relaxation of the number of days required under the investor visa, possibly even a direct route to citizenship based on a substantial contribution to the Government.

Alternatively, the government could allow the investments to be more ‘risky’, allowing greater returns to the investors, and encouraging experienced investors to invest their money as they wished. Furthermore, if the investment is allowed to decrease in value according to normal market flows without jeopardising their visa status this would also encourage investors to invest more freely across the market, potentially with greater benefit to the overall economy.

The government could introduce a new opportunity to encourage investors to make a monetary donation to identified areas of need, particularly to development of industry in rural areas or donations to pre-identified charities which carry some of the burden of the country. The donation would need to be closely tied to a core need in British society so that the scheme can be clearly identified as adding direct value to the country and tying investors to the country. In return for their donation investors should be granted expedited ILR alternatively an expedited route to citizenship. This would promote the direct investment of money to the country which would remain in the country and be freely disposable by the government or charities involved. However this scheme would need to be carefully crafted to ensure that the links to the country justified the lower requirements on the investor.

We expect that relaxing the hold value would generate a higher number of individuals who would not be worried that market uncertainty would invalidate their visas.

Overview of CS Global Partners and the Advisory team

CS Global are a group of investors and professionals with many years of experience in citizenship matters. The team consists of a panel of consultants with experience in legal services, immigration, government consulting, property investment, fiduciary services, and banking. The firm has partners across Africa, Asia, Caribbean, Europe and the Middle East.

Areas of expertise

We are experts in all leading international citizenship and residency programs. Moreover, we offer ancillary services such as:

Government Advisory Practice: We provide counsel on economic growth, sustainability initiatives and social development policy to governments and agencies, ensuring effective investor immigration strategies that boost the fiscal benefits of the countries involved. Our work ethic is bolstered with the utmost efficacy and due diligence at its core, ensuring a portfolio of trusted relationships and case studies that are government led and business leader weighted.

International Residence Solutions: Our service offer for residence solutions will allow your clients to review the world's premier business led territories through a lens of unparalleled expertise. Our team of international partners are tier 1 professionals in the fields of tax, immigration and citizenship law, in addition to international private law and real-estate issues - amongst others.

Financial Concierge Solutions: Our guidance continues beyond the point of your clients receiving their passports, providing them with the relevant advice and assistance to manage the final stages of their citizenship comfortably and effectively. We nurture business and societally relevant relationships at local, national and international level, ensuring that your clients are are plugged into a support network in their chosen region from the moment they receive citizenship or residency

International Consultancy: Our service spans multiple global territories where we have worked at local and government level to create programmes that solve pivotal business challenges. Our solutions range from effective tax planning to fluidity in travel - Issues that can define the future success of international entrepreneurs and business leaders. Subsequently, we deliver residence and citizenship solutions that are regionally specific in their focus, responding to location complexities before they arise.

Foreign Direct Investment: We facilitate and develop relationships between potential investors and government bodies around investment initiatives that are mutually beneficial for economic growth and investor returns. Our counsel is unbiased, reinforced with economic growth policies at its core, and supported at local and national level.

Henderson Rowe

It was a pleasure seeing you last week.

The Henderson Rowe Investor Visa Committee (“IVC”) has met to discuss the economic impact of the Tier 1 (investor) visa and the implications of the Government asking the Migration Advisory Committee (“MAC”) to review the minimum level of investment.

Economic Impact

- Difficult to ascertain - however many of our original tier 1 clients are sending us greater amounts of money to manage.

- Families bringing wealth to UK can only be positive for both local and national economy, schools etc

Raising the Minimum Investment

- With only 530 visas granted in the past year the current minimum is not in our opinion over subscribed

- Only one £10m visa was awarded in 2012.

Improvements

- Remove/reduce the onus of AML from investment firms. If the visa has been awarded surely this is a stamp of approval for bringing funds into the UK.

- Underline the risks evident across all asset classes – too many immigrants do not understand short term risks to capital in gilts.

- Create a register for approved investment companies – some immigrants are being pitched some schemes which we feel may contravene the rules.

I hope this helps.

****

Henley Partners

Call for Evidence on the Economic impact of the Tier 1 (Investor) route

Submission to Migration Advisory Committee

Nov 13

About Henley & Partners

Henley & Partners is the global leader in residence and citizenship planning. Our clients are wealthy individuals and families, as well as their advisors worldwide, who rely on our expertise and experience in this specialized area. Our highly qualified professionals work together as one team in over 20 offices around the world.

Henley & Partners also runs an important government advisory practice. Its assignments range from strategic consulting to assistance in the design and operation of investment-related immigration programs.

Recent assignments include the Government of Malta and the Government of Antigua and Barbuda, where Henley & Partners acted as special advisor to design, implement and administer the Citizenship-by-investment program for these countries.

In the UK, Henley & Partners has experience of working with well over 400 Tier 1 Investor visa holders since 2005.

Evidence of the Indirect Benefit of Tier 1 Investors in the UK

We have analysed a sample of 13 clients and either interviewed them or used our intimate knowledge of their affairs to present some case studies of Tier 1 Investor visa holders. The key findings are shown below and the data table is in the Appendix.

Direct Investment

- All clients invested under the £1m category except one (£5m)
- 54% of clients invested in Gilts and 46% into a mixed portfolio of Gilts and Corporate Bonds

Dependants

- Each applicant had, on average, 2.3 dependants

Education

- Each applicant had, on average, 1.6 children in private school. Assuming a conservative average of £20,000 fees over only 5 years, this is equivalent of £160,000 expenditure in the

  UK

Expenditure on Goods and Services

- On average, each applicant spend £280,000 per year on general goods and services in the UK. Over 5 years this is £1.4m which, when a multiplier effect of 2 or 3 is taken into consideration, would equate to £2.8 or £4.2m contribution to the UK economy.
- Applicants spend, on average, £60,000 in professional fees related to their relocation (lawyers, tax advice, conveyancing)
- Each applicant employs, on average, 1.8 personal staff in the UK

Property

- Applicants purchase residential property of £2.7m on average. (It it worth noting that it is often argued that foreign buyers of UK prime property pushes the house prices up. However, it is worth noting that there is no residency restriction on foreign buyers purchasing UK property and therefore Tier 1 investors are not necessarily a direct cause
- As a result of the property purchases, applicants pay, on average, £150,000 in stamp duty to HMRC and spend, on average, £220,000 on renovations
- 40% of property purchases are mortgaged thereby generating banking activity

Financial, Business and Charitable activity

- Additional financial investments in the UK are, on average, £1.3m
- 46% of clients have, or are planning to, open a UK business. 2 clients generated 10 jobs in the UK each
- 2 clients are heavily involved in charitable work in the UK giving both time and money to the charities they support

Context and competitive landscape

We believe that our client case study data demonstrates the economic benefit of the Tier 1 Investor category to the UK economy is high and that the benefit is currently delivered by the indirect expenditure and investments rather than the qualifying investment.

Given their contribution to the economy, we believe it is vital to attract and retain at least the current level of Tier 1 Investors and therefore it is important to understand the competitive landscape given that a number of countries around the world have recently introduced residency and citizenship by investment opportunities.

Key alternative European countries include:

Country	**Type**	**Amount**	**Investment**
Portugal	Residency	€500,000	Real Estate
Spain	Residency	€500,000	Real Estate
Hungary	Residency	€250,000	Government Bonds
Malta	Citizenship	€650,000	National Development Fund
Cyprus	Citizenship	€5,000,000 (+ €500,000)	Bank, Company, Real Estate (+ residential Real Estate)

The Malta Individual Investor Citizenship Program introduces a step-change in the options open to international investors. In return for a €650,000 contribution an applicant can achieve EU citizenship. The conclusions below should be considered in the light of this dramatically changing landscape.

Conclusions and recommendations for consideration by MAC and the Home Office

Direct Investment – financial levels

- Currently the economic benefit to the UK economy from the Tier 1 program is being delivered by the indirect benefits of high net worth individuals and their families residing in the UK via investments, business activities and expenditure. It is not being delivered by the direct investment of £1m, £5m or £10m itself due to the fact the applicants tend to invest in Gilts or very low risk Corporate Bonds. Not only does this delivers negligible value to the UK economy but also negative real returns to the investors

- Therefore increasing the level to £2m or £3m would deliver no additional benefit to the UK economy
- In fact, we believe that this would be detrimental to the UK as it would introduce uncertainty in the market and unnerve potential applicants who view the UK as a stable and reliable destination.

Direct Investment – investment type

- In order to introduce significant benefit to the UK economy via the direct investment we have two key recommendations:

(1) Introduce a hybrid between the Tier 1 Investor and Tier 1 Entrepreneur at a level of, for example, £500,000 which could be channelled into SME companies via Venture Capital or into regeneration areas via Enterprise Zones.

There are some important points to note about this potential category which are lessons learnt from other schemes around the world (USA and Canada/Quebec for example):

- The investment should not be expected to produce any return and ideally should be structured as a pure contribution by the applicant. Experience has shown that where the funds need to be returned to the investor then the managers of the fund are reluctant to spend it and the cash remains utilised and wasted.
- There is often a mis-conception that reducing the amount (for example from £1m to £500,000) is de-valuing the country offering the residency benefit. However, it should be noted that a £1m repayable investment in a safe asset is significantly cheaper to the investor than £500,000 put at risk or contributed.
- Investors are generally willing to put their finances at risk but there should be no risk to their immigration status due to factors outside of his control. e.g job creation requirements (as per EB-5 scheme in US and Tier 1 Entrepreneur in the UK)

Some comments on what the investments might go into under this £500,000 scenario:

Venture Capital – investing directly into businesses is a difficult process and open to abuse. Therefore this would need to be directed via a special Fund managed or overseen by the Government. Venture Capital in itself is difficult to get right and examples of this in the past, such as the Regional Development Agencies, were on the whole not successful. However, there are quasigovernmental funds in operation now which could be enhanced or emulated such as Angel Co-Funds, Big Society Capital and Start-Up Loans which would enable overseas investors' money to reach SMEs or social projects in the UK and deliver a real impact.

Infrastructure Projects / Enterprise Zones- investing directly into specific ringfenced strategic projects via a stand-alone Fund which are economically and socially important is another option. By putting a cap on the number of investors to meet the investment requirement of a specific project (for example 100 investors for a £50m project) the process is relatively simple to manage and execute. Projects such as the Royal Docks Enterprise Zones in the East of London which is developing a whole new region of London or regeneration projects in areas such as Tottenham High Road could also be worthy recipients of this money which investors would be pleased to participate in.

(2) Remove the “valuation maintenance” and “top-up” requirements under the £1m, £5m and £10m scenario to encourage applicants to invest in riskier assets (such as UK equities) which deliver more economic benefit to the UK. As long as there is evidence that the money has not been removed by the investor (such as a letter from a FCA registered portfolio manager) then an investor should not be penalised if the value of his investment has fallen.

Additional Policy Considerations for Tier 1 Investor category

While the Home Office is reviewing the Tier 1 Investor category, we believe it is worthwhile considering the following which we do not believe would impact the economic benefit to the UK and would serve to maintain the attraction and competitiveness of the UK to high new worth investors:

- Recognise the “financial residency” which the Tier 1 Investors clearly demonstrate but reduce the “physical residency” requirements to be at least 90 days in any year
- Reduce the residency requirements to qualify for citizenship to 6 months per year (which can be done without any changes to Citizenship Law)
- Bring the accelerated route to Indefinite Leave to Remain for the spouse in line with the Main Applicant under the £5m or £10m route.

We trust that you have found our submission useful and would welcome the opportunity to discuss these issues further with MAC to bring both our UK and global experience of residency and citizenship by investment to the table during the review of the Tier 1 Investor category.

Appendix – data collected from Tier 1 Investor visa holders

	Client 1	Client 2	Client 3	Client 4	Client 5	Client 6	Client 7	Client 8	Client 9	Client 10	Client 11	Client 12	Client 13
Direct Investment													
£1m, £5m or £10m	£1m	£1m	£1m	£1m	£1m	£1m	£1m	£1m	£5m	£1m	£1m	£1m	£1m
Qualfyiung investment? (Gilts etc)	Gilt	Gilts	Gilts	800k in gilts, balance - property	800k in gilts and corporate bonds, balance - property	£1 m in gilts	£1 m in gilts	£1 m in gilts	£3,8 mln in gilts/bonds, balance in property	800k in gilts and corporate bonds, balance - cash	800k in gilts, balance - property	800k in gilts and corporate bonds, balance - cash	800k in gilts and corporate bonds, balance - cash
Dependants & Residency													
No of dependants	1	3	4	0	1	4	4	0	2	3	0	5	3
Education													
No of children in a UK private school	0	2	3	0	1	3	2	0	1	4	0	4	1
No of children in UK University	0	0	0	0	0	0	1	0	0	1	1	0	0
Personal Consumption													
Approx annual consumption on consumption goods and services	£60,000	£280,000	£400,000	£250,000	£250,000	£400,000	£400,000	£250,000	£300,000	£400,000	£100,000	£400,000	£150,000
Expenditure on professional fees	£15,000	£60,000	£50,000	£100,000	£50,000	£30,000	£30,000	£80,000	£120,000	£80,000	£40,000	£120,000	£40,000
No of personal staff employed	0	2	2	2	3	3	2	2	3	3	0	0	1
Property													
Value of main property purchased	£575,000	£3,300,000	£7,250,000	£2,000,000	£1,800,000	£7,000,000	£1,700,000	£1,700,000	£3,500,000	n/a	£710,000	n/a	£1,000,000
Stamp duty paid	£14,000	£100,000	£218,000	£140,000	£90,000	£490,000	£180,000	£180,000	£245,000	n/a	£28,400	n/a	£30,000
Mortgaged? (Y/N)	Yes	Yes	Yes	No	Yes	Yes	no/yes for 2nd property	No	No		No		No
Approx spend on renovations	£15,000	£80,000	£1,500,000	£50,000	£80,000	£500,000k	£500,000k	£50,000	£150,000	n/a	£35,000	n/a	45000
Annual rent of main property (if not purchased)	n/a	n/a	n/a	permanently LIVED IN 5 STAR HOTEL FOR OVER A YEAR before purchase	n/a	£200,000 pa before purchase	n/a	n/a	n/a	£520,000	£26,000pa before purchase	£130,000	n/a
Value of additional properties purchased	n/a	£240,000	n/a	PLANS TO BUY HOUSE OVER £2M	n/a	n/a	£1,9mln	n/a	n/a	n/a	n/a	n/a	n/a
Business Activity & Other Investments incl Charity													
Additonal financial investments	n/a	£180,000	n/a	£500,000	£500,000	£650,000	£300,000		£5,000,000	£5,000,000	£300,000	£300,000	£300,000
Established UK business? (Y/N)	Planning to	Yes	Planning to (want to accumulate £3-4mln first to invest)	Yes	No	No	No	Yes	No	No, but planning to	No	No	No
Sector	Computer equipment	Education Consulting	IT	Medical				Web					
No of jobs created	n/a	1	n/a	5 full-time and over 5 part-time				over 10 full-time					
Charitable activity	Involved in several UK charities since 2009: 1) Royal United Hospital Bath NHS by helping at the hospital coffee shop 2) Freewheelers EVS Blood Bykes by delivering blood and other medical supplies at weekends and participating in fundraising 3) The Bradfordians dramatic society by helping with the stage assembly and arrangements 4) Currently undertaking Skill for life training with IAM, a road safety charity.	Supports two charities: Gift of Life and Chance for Life by donating £5,000 per year and hosting Russian orphan children for a week stay in UK and participation in arts activities, such as Shakespeare days.		Yes						Yes			

Newland Chase

Dear Sirs,

Thank you for the opportunity to allow interested parties to provide a response to the above consultation.

We are grateful to have the opportunity to share our findings with you and implore the Migration Advisory Committee to consider our response and suggestions.

We submit this response together with other interested parties which includes wealth managers from well-known financial institutions and views of the clients who is currently under the Tier 1 (Investor) route. In particular, Tier 1 Global Investments Limited.

About Newland Chase

Newland Chase is regulated by the OISC (reference number F200400027).

Our primary client base is multi-national corporate bodies and their employees predominantly in the Oil and Gas and IT industry. We also have experts in the Private Client route specifically helping individuals with entry and stay under the Tier 1 (Investor) and Tier 1 (Entrepreneur) route. Key individuals are also published experts under Tier 1 (Investor) route.

Our team consists of Non-Practising Barristers and Solicitors, Level 3 OISC and Level 1 OISC advisors.

Response

1. What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking into account the following factors:
   - The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;
   - The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;
   - The extent to which these benefits may be affected by the migrant's absences from the UK;
   - The timeframe over which these benefits may be realised;
   - Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.

   The majority of Tier 1 Investor applicants are purchasing Gilts which have a direct benefit to the UK Government. The financial service providers managing these funds are typically receiving .05 to 1.0% per annum in management fees and in some cases there are one off set up fees to introducers or advisors of between 1-2%. These fees and charges equate to a benefit to the financial providers of up to €10k per annum. Given that there are around 500 applications / investments per year this equates to a benefit to FCA regulated firms of around f5million per annum in management and other fees, assuming the majority are investing in a Gilt portfolio.

Tier 1 Investor visa applicants in our experience are also purchasing property with values in excess of flmillion and are making further financial investments with their assets. Tier 1 applicants are making a commitment to live in the UK with their family and as such are contributing directly to the UK economy for the purchase of a range of goods and services, including in our experience private education for their dependants.

The above is certainly true from the illustration of clients we have recently acted for in the past and in particular, to these 3 distinct applicants:

a. Miss K is a Russian national who has been in the UK under the Tier 4 (General) category. Upon graduation and despite having found potential employment, she decided to switch her status to become a Tier 1 (Investor) client. Her application was granted in August 2013. Since then, Miss K has invested over f800,OOO in UK treasury guilt and the remainder of the El.2 million her father has gifted to her, has been left as a deposit at one of the major banks in the UK.

   We understand from her that she has moved to Edinburgh and is currently finalising the purchase of E300,OOO property in the UK.

b. Ms Y is a Chinese national who entered the UK as a Tier 1 (Investor) migrant. She brought along with her, her child. Due to the commitments of her husband's business, her husband was only able to join Ms Y 6 months after her entry.

   Since her entry to the UK, Ms Y has brought with her no less than El.5 million and has invested in no less than E790,000 in UK Treasury gilts. She has purchased a property worth over E400,000 in Birmingham and is currently looking into purchasing her second home.

   As Ms Y and her family have always enjoyed a very high standard of living, she intends to bring further capital into the UK to ensure her lifestyle in the UK will be catered for.

c. Ms L is also a Chinese national who entered the UK as a Tier 1 (Investor) migrant. Her family accompanied her, with her husband being the sole breadwinner in the UK. They also have 3 children aged 5, 7 and 13.

As of 21 November 2013, Ms L has invested over f850,000 in UK Treasury gilts with a minimum 5 year term. As far as we understand, 2 of the children are in private education in Reading paying a sum of no less than E30,OOO per annum. The family has also purchased a property at the market value of El.25 million recently.

Moreover, although Ms L's husband's main businesses are based in China, he has committed himself to reside in the UK and has already prepared a capital reserve of over f6 million to be brought over to the UK. He intends to purchase a stake in a secondary school in the private sector for f2 million and to invest fully the remainder of the E4 million in the UK to ensure the family can receive a stable income in the future. He also intends to move his multi-million pound company to be based in the UK in order to be closer to his family.

From the above 3 examples which are indicative of the majority investor migrants we deal with, it is difficult to refute the benefit they bring to both the UK public and private sectors.

Firstly, the minimum investment threshold of at least f750,000 will be used to purchase Treasury or Government bonds, enabling the government to benefit from a

low interest rated loan for at least 4 years and 9 months (assuming the investment is made at the end of the 13 week period permissible under immigration rules). At present, according to the FT, a 5 year bond rate yield from an investor is around 1.57% before tax, management fee and charges. That is to say, the Government would only have to pay an investor a sum of only E 11,775 interest (based on a f750,000 investment) after 5 years.

Based on the current figures of around 530 entry visas issued in the four quarters to 2013 Q2, the UK Treasury could benefit from having at least f397 million capital injection from migrants every year rolling for at least 5 years at a time.

Secondly, the indirect benefits associated with investors in the UK are tremendous. Taking the housing market for example, and again taking the above 3 cases, each of the migrants has already purchased a property or is planning to purchase a property in the UK.

The value of the properties differ but for illustration purposes, if we take an average property value of f650,OOO from the above 3 cases, the UK can potentially benefit from at least €344.5 million in house purchases (based on 530 applicants per year).

Furthermore, the UK Government can benefit under SDLT received from house purchases. Taking the f650,000 average house price as an example, the government will benefit from at least f25,OOO per home purchased by an investor.

This could potentially total to a sum of around €13.25 million of receivable SDLT should all 530 investors purchase a property.

The benefit received by the UK can be seen almost immediately with little to no associated costs to the economy apart from the NHS and Schools (assuming the investors do not have private medical insurance and/or have their children attend private school).

2. How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)? The current financial thresholds are as follows:

El million for investors seeking settlement after 5 years;
E5 million and EIO million for investors seeking settlement after three and two years respectively.

If the minimum investment is increased from flmillion this will have an adverse effect on the amount of funds available to the applicant and the direct benefit to the UK economy. The income to financial institutions from fees will increase but the number of applicants seeking this visa route will most likely drop significantly.

Although we do not have empirical evidence to confirm that the number of investors will greatly change should the threshold be revised, we do however have experience with discussing the options of the Tier 1 (Investor) route with clients.

Whilst El million to most of these applicants is not considered to be too high, it is less competitive than other European investment routes and/or north American investment routes. By way of example, the Canadian investment route allows applicants to obtain permanent residence following an investment under their federal investment route of f800,000. Most European countries offer an investment programme requesting investments of between 300,000 — 500,000 Euros. In this respect, the UK is already less attractive to these investors, but one great factor drawing investors into the UK is the perception that the UK has a stable financial/political system.

As such, it is not unreasonable to believe that whilst increasing the investment threshold will no doubt impact on the number of investments entering the UK as there is an array of different alternatives, lessening the investment amount will also attract an unexpected growth in the number of investors.

3. What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:

Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and

Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?

The main motivation in our experience is to improve the applicant's quality of life. The attraction of the Investor visa is that the funds remain in the control of the applicant during the qualifying period and they are free to amend or change their investment or to withdraw funds if there is a change in their circumstances.

Most of the applicants we are aware of, in particular with the 3 cases identified above, are motivated by the prospect of economic growth in the UK rather than simply investment for visa purposes alone.

In Ms L and Ms Y's case above, their views are slightly different as they believe the UK can provide their children with a better than average education. They continue to believe that the UK education system is much more transferrable and recognisable abroad than that of other nations.

Language is often quoted as a plus factor as many of the investors we deal with are highly educated and may well have already spent time in the UK studying, or indeed in other English speaking countries. Given that English is spoken widely across the world and is a second language for many nations (India for example), this appears to factor strongly in the decision making process.

4. How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:

Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;

Alternative forms of investment which may deliver greater economic benefits to the UK.

Any potential change in economic benefit for the UK should the requirement for investment to "hold value" be relaxed.

Relaxing the investment criteria to include for example more mainstream collective investments will widen the investment options and diversify the risk associated with investing large amount of funds in a single investment class.

The Entrepreneur visa already allows an applicant to make an investment in an existing UK private or public company and we believe it is unlikely that an Investor applicant would choose this form of investment given the large amount of funds required to be invested.

However, whilst an Investor under the Tier 1 (Investor) route allow applicants to invest in share holdings in private limited company, we have found that clients are particular worried to invest in this way due to the heavy evidential burden of a quarterly valuation report. Should the MAC recommend a lesser restriction on quarterly reports for individual investing in shares in private company, for example from quarterly to bi-annually, more investors will be willing to invest in such a manner. The benefit to this will assist UK SMEs to grow and enjoy unprecedented capital injection without the need for government or bank assistance.

Conclusion

We strongly believe that Tier 1 (Investor) route provides the UK Government and private sector great benefits both economically and socially. We highly recommend that the route remain in its current form.

Apart from the above stated, we believe that the current residence requirement for settlement in the UK is still stringent by comparison to other national investment schemes such as Portugal, Spain or Greece. Investors shy away from applying to the UK partly due to this reason. We believe that the route can be made more attractive by relaxing the residence requirements. We do not believe that the benefits to the UK economy will be impacted by relaxing this criteria.

Again, we are grateful for MAC's consideration of views and evidence.

Yo rs sincerely,

Antonio Lam Antonio Lam

Newland Chase

Individual Response

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

---------------------------------- We had no previous experience

2. Why did you choose to use the Tier 1 (Investor) route?

----------------------------------- We chose it because it was the only convenient option for us to move to the UK to be near our son who has been studying in the UK for the past 8 years

3. What were **your** reasons for choosing to invest in the UK in preference to other countries?

-------------------------------- We wanted to be near our son

4. How long have you been resident in the UK?

---------------------------------- Approx 6 month

5. How long have you been resident in the UK under the Tier 1 (Investor) route?

-------------------------- Same -approx 6 months

6. What was the value of your investment, and did you source the investment funds via a loan from a UK regulated financial institution?

------------------------Approx 800 000 GBP and we bought a house. We did not obtain any loans.

7. What did you choose to invest in? What was the rationale for your choice of investment?

------------------------- We invested in shares of Barclays bank. We believe in Sir David Walker, new chairman of Barclays and new Barclays CEO Antony Jenkins

8. What is the duration of the investment, and why did you choose to invest for this period of time?

------------------------- 5 years, to be in line with visa requirements

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why.

---------------------- not yet but we hope that it does

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities?

--------------------- yes we plan to apply to extend our stay and probably to extend our investment interests in the UK subject to the financial market condition and risks

Individual Response 2

In response to you request for information I have completed answers to the following questions;

Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

Australian citizen. Have residing in several different countries.

2. Why did you choose to use the Tier 1 (Investor) route?

My husband currently works in Africa and rather than return to Australia we decided to relocate to the UK primarily for our children's education needs.

3. What were **your** reasons for choosing to invest in the UK in preference to other countries?

Similar lifestyle to Australia. Similar economic/social standing. Education options for our children.

4. How long have you been resident in the UK?

1 year.

5. How long have you been resident in the UK under the Tier 1 (Investor) route?

1 year.

6. What was the value of your investment, and did you source the investment funds via a loan from a UK regulated financial institution?

1 million pounds.

Funds sourced from Australia - primarily sale of property.

7. What did you choose to invest in? What was the rationale for your choice of investment?

UK government bonds. HSBC managed portfolio. Rationale was ease of set up initially with the option to review if more favourable investment options became available.

8. What is the duration of the investment, and why did you choose to invest for this period of time?

No set period. Can alter at any time.

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why.

No. Slight decrease. Difficult to predict trend over remaining 4 years required however current investment strategy unlikely to significantly increase over the next 4 years.

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities?

Our original plan was to invest for the 5 years required and then apply for indefinite leave to remain.

We are currently reviewing this option as we feel that having 1 million pounds 'tied up' for that length of time is not ideal.

Our children are in brilliant private school education.

We are disappointed with the current UK immigration policies and feel that although all our families are originally from the UK they migrated to Australia at our great grandparents level thus not enabling us to apply for ILR under this pathway. We also feel that we have a positive impact both socially and economically in the UK compared to many people who are able to migrate and are disappointed that this is not rewarded.

With regards to other people we know who are in the UK on Tier 1 investor visas, most of the people we have met are in the UK due to the fact that their countries of citizenship are less desirable and they see this visa option as a way to 'buy' their way into the UK. We have not met anyone who is on this visa due to genuine desire to invest in the UK or who sees the UK as a 'good' investment option (although it is most definitely viewed as a 'safe' investment option).

I hope my responses assist in your review.

Please don't hesitate to contact me should you require further information or clarification.

Individual Response 3

I did not get a Tier 1 visa.

Regards,

Individual Response 4

Hello,

I am currently preparing apply T1 visa by investing 1 million in UK. I realize that government ask MAC to investigate the impact of the minimum level of investment on economics in Uk, in my opinion the fund probably will go up. Under my current situation, I need money to be in uk account for 3 months, and it can be done on the beginning of the Feb. I would like to ask as I known that MAC will give a report to uk government by 7th Feb 2014, is that the day the Immigration policy will make change , or government will make decision later?

Yours sincerely,

Individual Response 5

Thank you so much in deed for emailing me the survey below. Here my answers about the questions you asked.

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

A. I worked more than 20 years in banking sector in Turkey and in Bulgaria. I started in 1987 as a bank auditor and became chief bank auditor, branch manager, division head, executive director, executive vice president and board member respectively.

2. Why did you choose to use the Tier 1 (Investor) route?

A. I did MBA and MCs Economics degrees in Exeter University in 2004-2006 while I was non-executive board member. My two daughters lived there and went to school there. Then I invested in UK Equities as I was advised. In 2007, I saw how happy my daughters in the UK, we then decided to live here. At that time I realised that the easiest and fastest way to have a visa was Tier (1) Investor routes. Because, I had already transferred my funds to the UK banks and invested in UK's assets.

3. What were **your** reasons for choosing to invest in the UK in preference to other countries?

A. In my case, as a family we love being in the UK and my daughters feel more confident while they speak English. As matter of fact, I did not think for a moment about it I just looked how we could stay in the UK as I had enough fund and expertise in finance.

4. How long have you been resident in the UK?

A. Since, 1999 I used to come to the UK several times for leisure, business and courses. Then, I decided to do MBA in 2003 in Exeter. Since 2004 I have been resident in the UK, first 3 years I had student visa then last 6 years I have Investor visa.

5. How long have you been resident in the UK under the Tier 1 (Investor) route?

A. Since may 2007 I have had Tier 1(Investor) visa.

6. What was the value of your investment, and did you source the investment funds via a loan from a UK regulated financial institution?

A. My investment portfolio is around 1.5 million pond at the moment based on my own capital. I only borrowed money from a UK bank to buy my house in 2009.

7. What did you choose to invest in? What was the rationale for your choice of investment?

A. I mainly invest in shares and equities however in past I invested in governments bonds as well when share prices crashed in 2009, I sold all government portfolio and invested all money in equities. I anticipate that in the long run stock market return would be greater than any other investment. That's why I invest in stocks. I also believe that UK assets prices were/have been still lower than most EU countries.

8. What is the duration of the investment, and why did you choose to invest for this period of time?

A. Being investor in shares and equities needed to be medium and long period of time. I will also be investor in the stock market forever. Because this is my job and expertise. I found myself in 2007 that I was suited for Tier 1 Investor Visa however I had not invested because of that purpose.

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why.

A. Yes, my investment portfolio increased reasonably despite financial crises. I expect this trend may continue for medium term. Because, the UK economy

started recovering earlier than EU and have less problems than EU such as Euro, decision making and so on.

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities?

A. I have extended my stay in the UK and about to apply for indefinite soon. I have been looking opportunities to diversify my portfolio especially in commercial side mainly because price is too low.

I hope my answers would be helpful enough.

Individual Response 6

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

--------------------------------- We had no previous experience

2. Why did you choose to use the Tier 1 (Investor) route?

---------------------------------- We chose it because it was the only convenient option for us to move to the UK to be near our son who has been studying in the UK for the past 8 years

3. What were **your** reasons for choosing to invest in the UK in preference to other countries?

------------------------------- We wanted to be near our son

4. How long have you been resident in the UK?

-------------------------------- Approx 6 month

5. How long have you been resident in the UK under the Tier 1 (Investor) route?

------------------------- Same -approx 6 months

6. What was the value of your investment, and did you source the investment funds via a loan from a UK regulated financial institution?

-----------------------Approx 800 000 GBP and we bought a house. We did not obtain any loans.

7. What did you choose to invest in? What was the rationale for your choice of investment?

------------------------ We invested in shares of Barclays bank. We believe in Sir David Walker, new chairman of Barclays and new Barclays CEO Antony Jenkins

8. What is the duration of the investment, and why did you choose to invest for this period of time?

------------------------ 5 years, to be in line with visa requirements

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why.

--------------------- not yet but we hope that it does

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities?

--------------------- yes we plan to apply to extend our stay and probably to extend our investment interests in the UK subject to the financial market condition and risks

Individual Response 7

Thanks for your mail
Even though I had tried several times, had lawyers to helped me. I failed with my application.
The experience was terrible and I would not even like to think about it.
I applied as I had been an investor for over 20 years. and Tier 1 was suggested to me as the most appropriate method.
I chose UK for its transparent government and continuous legal system
and Since I failed my application, I decided to move to Australia though I bought a couple companies with over 500 staff now working in UK. I bought the two companies: , most of the last ten years was top 10 tax payer in . and . largest in europe.
I had loans from Barclays for the purchases.
I have been holding the company for over 8 years. the value remained the same, due to my unable to move to UK to manage the business myself.
Though I failed with my application, I intend to buy more companies there but apparently can not move there to manage is a big issue

Thanks

Individual Response 8

greeting everyone who is taking care of this case.

I am the potential investor for the Tire 1 (investor specialization); I would like to apply for that after my graduating.
I wish to give some feedback for your proposed plan. Initially, my parents wish my stay USA, and they are willing to take care of the investment visa as well (they try to save my time in residency permission). However, the EB5 investment in USA requires risk, we did not want to be exposed to that then we switch over to Tier 1 for UK.
My parents engaged to prepare 1.6 M US dollar (that's lot) they cannot make it with such a short time, so we figure out 2 years after my bachelor we will head over to UK with Tier 1 visa.
The point is if you will raise the limit or decrease; I definitely will consider stay US if my family cannot afford that, it just take me more time and will be a scientist of USA, make USA more competitive, that's it.
I strongly believe, I will change the world; My parents help me out with visa, just give me more time to do things valuable- don't like other people use such a long time to yield a bull**it "green card".

You may treat it as a random complain from an alien; can be useless sometime.
By the way, everyone deserve a chance. We people doing science always require huge amount of money, we get pricy tuition fee in lab, we get unfair student fee- coz we are alien, even we can make more than a native.
Consider it more, please :) I WISH UK CAN HAVE ME SOMEDAY.

Best,

Individual Response 9

Please find my answers below.

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes? I was here under student visa for BA and MA degrees

2. Why did you choose to use the Tier 1 (Investor) route? It was the only way for me to reside in UK

3. What were **your** reasons for choosing to invest in the UK in preference to other countries? Because I already leaved here for almost 7 years and my life was based here

4. How long have you been resident in the UK? on and off from 2002

5. How long have you been resident in the UK under the Tier 1 (Investor) route? since 2009

6. What was the value of your investment, and did you source the investment funds via a loan from a UK regulated financial institution? 1000000£ and I did not get a loan

7. What did you choose to invest in? What was the rationale for your choice of investment? government bonds, because that's what was needed

8. What is the duration of the investment, and why did you choose to invest for this period of time? the investment is for 5 years minimum. this period is needed for UK indefinite leave to remain

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why. It did a little. at the moment it is decreasing, I think it will decrease even further

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities? I intend to stay in the UK further and continue with my business interests in the UK

Kind regards,

Individual Response 10

Apologies for the late input. Please note that I do not wish to be cited and quoted in the final published report.

PREVIOUS EXPERIENCE AND REASONS FOR COMING TO THE UK:

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

Internet entrepreneur.

2. Why did you choose to use the Tier 1 (Investor) route?

It was the easiest way to come and live in the UK.

3. What were your reasons for choosing to invest in the UK in preference to other countries?

Answered in question 17 below.

YOUR RESIDENCE IN THE UK:

4. How long have you been resident in the UK? How long have you been resident in the UK under the Tier 1 (Investor) route?

I have been resident/non-resident on and off from September 2011 since my Investor visa was first granted.

5. Are you renting, or have you purchased, a property in the UK for you and your family to live in?

I purchased a property to live in.

6. On average, how many months do (a) you and (b) your dependants spend in the UK each year?

I intend to stay in the UK two to three months each year.

7. What impact does the requirement to be resident in the UK for at least 185 days a year have on you?

No impact on me because I intend to remain on Investor visa indefinitely (as long as it is still offered).

8. Ideally, how many months a year would you wish to spend in the UK?

Three months.

9. What was the value of your investment when applying under the Tier 1 (Investor) route? What was your rationale for choosing to invest at the level you did? Does the duration of your investment align with the settlement qualifying periods? Did you source the investment funds via a loan from a UK regulated financial institution?

- £1 million of my own funds. As my intention is not to settle, the higher investment levels were not considered.

- The lowest level of £1 million is the logical starting point to get one's feet wet in investing in the UK. After an initial warm up period, one can consider the higher levels. However, I think the rules are ambiguous at this point (e.g. what does the settlement qualifying period become if an investor initially brings in £1 million and later tops up to £5 million?).

10. (i) What did you choose to invest in? What was the rationale for your choice of investment?

- For the purpose of satisfying the visa requirements, the only choices were shares of public listed companies and gilts. Gilts were yielding too little and so I invested in a basket of shares of public listed companies.

- We have to make our investments within 3 months of entering the UK. The above two are the only ways of achieving this (hard to invest in a local company or start one within that time period).

- We also have to maintain our investments at a certain value and top up as necessary if the value of investment falls. This is easy with publicly traded instruments but difficult with private investments.

10. (iii) Have you invested in alternative instruments in addition to your investment for the purposes of meeting the immigration requirements? If so, how much have you invested in (a) property and (b) other instruments?

I bought a property (£1.7 million) and put £500k in a fixed deposit.

10. (iv) Do you have any other business interests in the UK? (For example the establishment of a new business or a UK branch of your existing business).

No but will do so in the future after understanding the UK market.

OTHER ECONOMIC ACTIVITY IN THE UK:

11. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why. If the value of your investment has fallen, have you “topped up” your investment? If so, by what proportion or value?

I have not made any additional investment since my initial investment. I will increase my investment if I establish a new business in the UK.

12. Do you employ anyone in the UK? If so, how many people do you employ and in what roles are they employed (For example, office manager, domestic assistance)?

Not directly. I use an UK investment advisory service to invest my funds.

13. Excluding direct housing costs (rental or mortgage payments), how much do you, and your dependants, spend during an average month on goods and services in the UK?

£15,000 - £25,000 when I am in the UK. Less than £5,000 when I am not.

YOUR FUTURE INTENTIONS:

14. Have you, or do you intend to, extend your stay in the UK? If so, do you intend to seek (a) settlement or (b) citizenship for you, and your family, in due course?

I intend to extend my stay in the UK but do not intend to seek settlement or citizenship due to existing obligations outside the UK.

OTHER QUESTIONS:

15. What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route?

- The Investor visa can be thought of as an £1 million entry ticket to live and spend money in the UK.

- Some would choose to remain in this visa class indefinitely, in which case, the investment will not be withdrawn. For those who choose to obtain indefinite leave to remain, they would still need income to live on in the UK and their initial investment is a good source for this.

- Let's say each investor spends £150-200k each year in expenditure in the UK. This is significant because:

(a) Even if the investor brings in only £1 million to invest, the investor still makes significant spending in the UK.

(b) The consequence of spending such an amount is that any income from the initial £1 million brought into the UK will be insufficient to cover living expenses, leading to the need to bring in more funds into the UK. These funds are directly taxed as income upon entry and indirectly taxed as it is spent.

- The only cost to the UK is the cost of administrating the Investor visa program.

16. How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route? Can you provide any evidence to demonstrate the potential impact on these benefits and/or costs for the UK should these thresholds be revised (either increased or decreased)?

- As mentioned above, the minimum threshold investor still benefits the UK economy (without any cost).

- £1 million is a good sweet spot. At a lower level, it might become possible to abuse the visa for the sole purpose of obtaining indefinite leave to remain. It is also for this reason that the investment funds should not come from a loan (at the very least the first £1 million).

17. What are the prime motivations for investing in the UK in preference to other countries?

- Economic factors: Regulation and safe business environment play a big part. Taxation policies for non-domiciles set UK apart.

- Non-economic factors: Language, social and cultural are top class.

18. How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route?

- Greatest benefit for the UK economy if funds can be invested in local small companies instead of public companies and gilts. This is hard due to visa requirements i.e. need to be invested within 3 months and need a valuation of investment.

- Property should not be primary form of investment. Brings no benefit.

- Clarification on the rules of private investments would be helpful.

Regards,

Individual Response 11

Following your request please see my responses below.

1. Can you summarise your previous experience before coming to the UK using the Tier 1 (Investor) routes?

I have never applied for any visas before.

2. Why did you choose to use the Tier 1 (Investor) route?

At the moment it was the best option for my family.

3. What were your reasons for choosing to invest in the UK in preference to other countries?

Country’s credit rating and the educational opportunity for my daughter.

4. How long have you been resident in the UK?

One year and 8 months.

5. How long have you been resident in the UK under the Tier 1 (Investor) route?

One year and 8 months.

6. What was the value of your investment and did you source the investment funds via a loan from a UK regulated financial institution?

1m GBP, no loans.

7. What did you choose to invest in? What was the rationale for your choice of investment?

Corporate bonds rated BBB-BB. To get a decent cash flow.

8. What is the duration of the investment, and why did you choose to invest for this period of time?

Duration 5.2 years; reasonable risk reward ratio.

9. Has the value of your investment increased during your time in the UK? Do you expect this trend to continue? If so, please say why.

The value has increased by 6.4%. I do not expect this trend to continue because of the end of QE program, increase of borrowing cost for companies and the depreciation of bonds due to reducing the period of maturity.

10. Have you, or do you intend to, extend your stay in the UK? Will you seek to extend your business interests in the UK or consolidate existing activities?

I intend to stay in the UK and consolidate my existing activities.

Sincerely,

Kingsley Napley

1. Executive summary

Kingsley Napley LLP (KN) is an internationally recognised law firm with a highly rated immigration team consistently ranked as a leader in the field of UK business immigration by the leading global legal directories Chambers & Partners and Legal 500. We act for leading international businesses in a wide variety of sectors including financial and legal services, media, biosciences, engineering, IT, professional services as well as for a wide range of private clients including investors and entrepreneurs.

KN deals with a large number of applications under the Tier 1 (Investor) Route and the principal of the team, Nicolas Rollason, has been involved with the route since its inception in 1994. In working on large numbers of Tier 1 (Investor) applications, KN interacts very closely with numerous intermediaries including international banks and wealth managers, property search experts, education consultants, tax experts and accountants. KN has also been consulted by the Home Office on the previous redesign of the Tier 1 (Investor) route in 2010-11 and more recently in relation to the current review.

As part of the preparation for this response, KN undertook primary research by way of a survey written for these intermediaries. To date there have been 33 responses to the survey and the results are highlighted within our response. The survey was initially sent out in May 2013 and the responses have therefore been received over a seven month period of time.

KN also hosted an event to facilitate discussion between the MAC and these intermediaries at our offices on 19th November 2013. KN has also attended the MAC's general information event on 11th November 2013.

Finally some telephone interviews have been conducted with clients who originally entered the UK as investors. These telephone conversations were conducted on an anonymous and informal basis and are simply cited anecdotally throughout our response.

Our key findings from our research and our extensive expertise were that:

1. Increasing the level of investment may not deter high net worth migrants from coming to the UK but is more likely to encourage them to make use of the citizenship by investment schemes other EU countries are starting to offer.

2. Changing the method of investment and lowering the threshold, as well as removing the requirement to top up, is likely to improve the UK's attractiveness for investors and result in more effective benefits to the UK.

3. Other policy changes to both the administration of the scheme and particularly to requirements for indefinite leave to remain and citizenship for investors and their families would also serve to increase the attractiveness of the UK's investments scheme.

4. There is a large pool of High Net Worth families who are considering relocating to other countries to improve their quality of life, provide better education for their children and live in a stable jurisdiction where they can live, work and do business. The choices on offer through various national programmes are many, and investors make very informed choices based on a number of key factors of importance. The UK Tier 1 (Investor) programme is one of many competing for these individuals and it must remain attractive in a competitive global market for high value migrants.

2. Response

In preparing our response we have focused on the two questions the MAC has identified as key to addressing the Commission. We have addressed each aspect of the questions as identified by the MAC and presented by [REDACTED] at the event hosted by KN on 19th November 2013.

1. Does the Tier 1 (Investor) route as currently constituted deliver significant economic benefits for the UK?

a. The actual investment itself;

The MAC has indicated at events attended by KN that they are not of the view that the investment itself currently delivers a significant economic benefit to the UK. There were 530 Tier 1 Investors entering the route in the year 2012 – 2013. As the UK has to sell around £300million worth of Gilts every day in order to remain solvent, the injection of approximately £530million (which will not all be used to purchase Gilts) can be seen, as articulated by the MAC, as a minor contribution to the UK economy and of limited benefit.

Increasing the minimum investment threshold to £2 million

One proposal that has been made to increase the benefit of the actual investment is to increase the value of the investment and doubling the minimum investment to £2 million has been cited as an option.

This proposal was put to intermediaries as part of our survey and just over 54% of respondents indicated that they did not believe that increasing the minimum investment to £2million would deter applicants to the scheme. However the following should be noted in respect of these responses:

Many of the responses to the survey were made prior to the public announcement about Malta’s citizenship by investment scheme. This scheme enables applicants to obtain a Maltese passport for a donation of €650,000. There is no residency requirement and the passport would be issued within three months subject to the applicant satisfying certain due diligence checks. In one response made subsequent to the Malta announcement, the intermediary has specifically explained in the response that a minimum investment of £2million would make the Malta proposal more attractive and may deter applicants to the UK scheme. As citizens of the EU, nationals of Malta have freedom of movement throughout the EU, including the right to reside with their family members in the UK. This right brings with it the possibility to be accompanied by children over the age of 18 and dependant relatives, which the UK Tier 1 (Investor) rules do not.

The majority of respondents are wealth managers and as such it is in their interests to have as much money under management as possible. One respondent advised that banks view a portfolio of only £1million as ‘uneconomic’. However in our experience, most banks and wealth managers are keen to act for Tier 1 Investors. This is because Tier 1 Investors usually have other greater global assets to be managed and UK institutions are eager to get these funds under their management.

Widening the categories of qualifying investments

Aside from increasing the minimum level of investment, proposals have been made to change the nature of the investment so that it results in a more direct and quantifiable benefit to the UK. As the survey results reproduced at the end of our response clearly establish, there is strong support to change the medium of investment so that the investment is more beneficial to the UK economy. In particular suggestions for the investment have included permitting investment into:

venture capital funds,
start up or seed funding vehicles to be used for start-ups (particularly in the technology sector) –at present, there is a significant vacuum in seed funding or second round funding below £2 million which we have identified could be filled by funds from the Tier 1 (Investor) route
alternative markets such as AIM (the London Stock Exchange’s international market for smaller growing companies providing necessary capital investment).

As these investments would expose the potential investor to more risk, it has been suggested that the level of investment ought to be reduced and the requirement to 'top up' should be removed in recognition of the type of investment being made.

Considering donations as an alternative to current permissible investments

The final suggestion has been that instead of the funds being invested, they ought to be donated in whole or part instead.

KN has considered possible recipients of such donations and identified three example funds which could be established and which would benefit considerably from the sizeable donations which could be facilitated by donations from Tier 1 Investors. These include:

an education fund to identify gaps in educational services, such as music programmes. Many of these programmes have been the subject of serious cuts by central and local government and the shortfalls are being filled by charity fundraising often by schools, parents and children. An education fund with a clear remit on the services it will support, managed by a grant making charity or government department, could consider applications directly from schools and borough wide educational services.

an arts fund, possibly relying on the Arts Council (who already help to administer the Tier 1 Exceptional Talent visa category) to determine worthy recipients of funding.

a health fund focused on medical research. Recent reports by the Association of Medical Research Charities (AMRC)[18] shows that falls in charitable donations to medical research charities are threatening investment into medical research funding. A new health fund could help address this gap in funding. This could be managed by an existing organisation such as the National Institute for Health Research (NIHR) or through the Charity Research Support Fund (CRSF) and would aim to channel additional investment into this area.

In particular, a fund financed by Tier 1 Investor's donations could be used to provide funding for programmes which have been cut following the recent recession. Providing much needed finance for popular programmes which may have been cut would be a clear way to see the direct benefit Tier 1 Investors are making in the UK and is likely to enjoy considerable public support. In one conversation with a Tier 1 Investor, she indicated that she would have been very keen for part of her investment to be made as a donation and very much wanted to invest into the country. There is also support for the prospect of a donation within the survey results.

If funds are being taken as a donation, significantly more due diligence than is currently required regarding the source of funds would need to be undertaken. The most effective way of administering this from KN's perspective is to utilise the extensive due

[18] See http://www.amrc.org.uk/news/our-latest-research-expenditure-data

diligence UK banks already undertake on Tier 1 (Investors) source of funds when opening an account for a new customer. Reports from banks could be submitted with applications as evidence regarding the source of funds. Alternatively, a number of leading risk companies could be authorised to prepare these reports by the Home Office

b. Consumption: Wider expenditure on goods and services;

This so called ‘indirect investment’ is a key area where economic investment into the UK can be seen. KN asked intermediaries as part of our survey what ‘advice (beyond your area of expertise) are you regularly asked to secure on behalf of your international clients as part of their relocation process?’ The intermediaries identified an extensive list of services with the most popular results including: inheritance planning, investment advice, legal advice, accountancy, property search, assistance with accessing UK education and wealth management. In addition, matrimonial advice and medical services were also cited. When asked how much they believed individuals spent on these services when relocating to the UK, the most popular answers included sums of between £10,000 to more than £50,000, with the anticipated costs varying depending on the country of origin from where the client was relocating.

One of the most commonly cited reasons for high net worth international clients relocating to the UK in our survey was listed as ‘Education’. This accords with our experience that the extremely high quality of private schooling in the UK is the biggest draw for clients with younger families. Expenditure on private education is clearly high amongst Tier 1 Investors and an indirect financial benefit to the UK.

We understand from events attended by MAC representatives, that purchase of high value property by Tier 1 Investors is not viewed as a benefit to the UK. Instead it is viewed as simply driving up the price of luxury property, particularly in London where house prices have been rising rapidly and where there is a shortage of affordable housing. However, this assessment fails to account for the Stamp Duty Land Tax paid by Tier 1 Investors resident in the UK when purchasing property. Further, as the properties of interest to these individuals typically represent prime London property and very small part of the overall market they do not impact on the cost or availability of more affordable housing. It is in fact often wealthy EEA nationals exercising freedom of movement who purchase property in more affordable areas and impact property prices. For example, in our experience, there has been a considerable influx of French migrants purchasing property in areas of London where there are French schools. Similarly, it is submitted that the relatively small numbers of Tier 1 (Investors) cannot be said to unduly impact property prices, particularly given the popularity of prime London property for high net worth individuals who are not resident in the UK.

Expenditure more broadly, by Tier 1 Investors should be seen to be at the high end. The UK has been actively targeting wealthy Chinese tourists by introducing streamlined and expedited services for visit visas. The Home Office’s own press release on 14th October 2013 noted that visiting
Chinese nationals contributed around £300 million to the British economy in 2012. It is averred that the levels of expenditure by investors residing in the UK is even higher than the funds used on shorter visits by tourists and is a significant contributor to the

UK economy. As well as purchase of luxury goods and services, Tier 1 Investors will often employ staff in the UK. Following the effective closure of the Domestic Worker route in 2012, investors wishing to hire staff must do so from the Resident Labour Market. They are therefore contributing both to employment levels as well as taxation through the PAYE and National Insurance Contribution programme. Following various conversations with Tier 1 Investors and our experiences to date, we have prepared a table to show the average expenditure a Tier 1 Investor family may make in the UK over the time of their five year visa. Please note these are approximate spending figures for a reasonably modest Tier 1 Investor family. Among our clients there are ultra-high net worth individuals and one New Zealand client for example who advises he spends £3million on household expenditure in the UK. An Indian client has purchased a property for £10million, spent more than £10million on redevelopment of a property and has employed eight staff in the first year of arrival in the UK. We have experience of Tier 1 Investors spending considerably more in the UK, particularly on a larger household staff.

ITEM	TOTAL UK SPEND	DIRECT/INDIRECT UK TAX
UK Gilt (3% Yield pa)	£1,000,000	£20,000 (income tax)
General living expenses pa (£250,000)	£1,250,000	£125,000 (VAT)
School fees (3 children, £60-90,000 pa)	£300-450,000	-
House Purchase (£2m +)	£2,000,000	£140,000 (SDLT)
Car purchase	£60,000	£12,000 (VAT)
Legal services fees (immigration, property, tax)	£200,000	£40,000 (VAT)
Wealth Management	£50,000 +	
Employees (Based on pay of £30,000 pa)	£150,000	£34,000 (PAYE and NI)
TOTAL		£371,000

c. Productive Efficiency: Entrepreneurial, business of additional investment related activity;

The October 2013 Press Release on Chinese visitors also cited a figure of nearly £2 billion into the
UK from Chinese investors in the past year alone and noted more than 600 Chinese businesses have a presence in the UK. We have seen considerable growth in the number of applicants for Tier 1 Investor applying from China. This figure suggests Chinese investors are undertaking entrepreneurial and business activity in the UK.

One of the questions posed in our survey asked if a majority of international clients met any other profiles in terms of their investment and activities in the UK. Respondents were asked to tick as many of the answers as applied. Of the respondents, over 42% identified a majority of their clients as 'Senior Professionals'. A further 36% identified a majority of their clients as 'Entrepreneurs establishing a business in the UK'. This suggests a sizeable number of investors to the UK do engage in entrepreneurial, business and additional investment related activity.

It has already been stated that the £1million investment is not always attractive to wealth fund managers and banks as many will have a higher minimum threshold for funds under management. Despite this, the Tier 1 Investor market is seen as highly attractive and lucrative to banks and fund managers. The reason for this is because of the other funds and assets the Tier 1 Investor is likely to have and may require management of. This suggests that investments made by Tier 1 Investors while in the UK go over and above the minimum required by the Tier 1 Investor route.

d. Distribution issues: additional demand for limited goods and services.

In our experience working with Tier 1 Investors and further confirmed by the survey results, Tier 1 Investors tend to make use of private health care and privately educate their children. There is, therefore, limited demand on goods and services created by the small numbers of migrants entering the UK under this category.

At the event hosted by KN with the MAC, it was suggested that Tier 1 Investor migrants may be increasing demand for property by purchasing prime London real estate. KN dispute this characterisation for the reasons set out above, namely those high prices paid for high end properties does not impact access to affordable housing and the UK benefits from the payment of Stamp Duty Land Tax on these properties.

2. How would such benefits be affected by any revision to the current investment thresholds, in particular the £1 million threshold?

a. The characteristics, and motivations of Tier 1 investors;

The Survey results indicate that the top motivations for international clients to move to the UK are the education system in the UK and a business opportunity or investment. Other top attractions include quality of life, relationships and family and the tax regime. The language is also cited as a popular attraction.

Beyond this, the UK is clearly well positioned to attract high net worth individuals with London's position as the financial capital of the world. It is also worth pointing out that there have been some instances where parents have gifted at least £1 million to their children in order for them to reside in the UK under the Tier 1 Investor programme. Most commonly this has occurred in cases where the individual was educated in the UK and now chooses to reside here in order to take up employment or set up a venture of their own. In some instances parents have chosen to gift the necessary funds to their children so that they can seek to enter or remain in the UK under the Tier 1 Investor scheme even though the initial plan is for their children to study in the UK. By following this route they know that their children are on track to qualify for indefinite leave to remain whilst at the same time giving them the flexibility of being able to work (if they so choose) whilst continuing their studies.

We have also seen instances where employers have gifted the requisite funds to their domestic workers (who have become such an integral part of their family) so that they can live with them in the UK.

In our view the appeal of the UK is unlikely to be impacted by revisions to the current investment thresholds. However, with the growth of international citizenship by investment schemes such as the one soon to be hosted by Malta, it is likely to change how a prospective investor chooses to live to the UK. They are more likely to pursue alternative forms of EU citizenship which permit residence in the UK.

The UK would continue to benefit from indirect investment and some entrepreneurial and business activity were an investor family to travel to the UK as EU nationals. However, the UK would lose control over the process and determining the criteria an investor must satisfy as well as losing the benefit of direct investment.

b. International competition;

We have touched briefly on the growing competition posed by international investment programmes and most dramatically the recent scheme unveiled in Malta.

Schemes whereby an applicant can obtain citizenship of a country by virtue of their investment (other than Malta) include:

Cyprus – This is based on a donation of €2.5million, a €5million real estate investment, certain assets or maintaining bank deposits for three years or alternatively where a business paying tax in Cyprus in established.
Austria – There is the prospect of obtaining citizenship where you are deemed to be a person of extraordinary merit. Recipients have included a Saudi hotel investor and the Russian singer Anna Netrebko.

St Kitts and Nevis – Citizenship can be gained following either a real estate purchase of $400,000USD or following a donation of $250,000USD to the Sugar Industry Diversification Foundation.
Antigua – Again requirements for citizenship include either a $400,000USD real estate purchase or a $250,000USD donation.

The UK operates a residency by investment programme and competitors for this include:

Portugal – Either a €500,000 investment in property or a €1million bank deposit can lead to a 5 years residence permit with the prospect of permanent residence after five years and citizenship after six years. Holders of Portuguese residence permits can travel freely around the Schengen area, although this obviously does not include the UK.

Ireland – A €500,000 endowment to a public project benefitting the arts, sports, health, culture or education or into an approved fund or Irish business can lead to a residence visa. Alternatively €1million can be invested into an immigrant investor bond or into a mixture of property and the bond.
Spain – Options of a €2million bond, €1million bank deposit or €500,000 property investment.
Hungary - €250,000 five year residency bonds can be purchased.
Australia – A 'significant investor visa' requiring an investment of $5millionAUS (equivalent to around £2,800,000) and minimal residence of 160 days over a four year period.

The above examples show there are international investment schemes which arguably offer better value for money, particularly where the investor immediately benefits from citizenship of the country. The UK has numerous attractions and also benefits from a reasonably clear immigration system. (The benefits of the UK immigration system and attractiveness to investors could be improved with greater access to prioritised visa services, particularly at entry clearance and indefinite leave to remain stages.)

However, the risk of applicants making use of relatively recent citizenship by investment programmes to obtain citizenship of the EU and relocate their families to the UK is high.

It is our position that this review of the Tier 1 Investor route is an opportunity to make the scheme more attractive for both the UK and prospective investors and derive considerable direct benefit. Simply raising the minimum threshold and leaving the rest of the route unreformed would be an opportunity missed and is likely to drive prospective investors to other EU countries and international schemes.

c. Permitting alternative investment types; and

It is KN's position that the better way to improve the value from the Tier 1 Investor route and to maintain the attractiveness of this option, is to change the permitted types of investment, rather than increasing the level of investment.

Options including riskier investments or featuring a donation as part or all of the investment have been cited above.

Feedback from intermediaries at the event hosted by KN emphasised that Tier 1 Investors seek certainty and that they do not wish to jeopardise their immigration status, even where this means they will get lower returns on their investments.

Gilts and corporate bonds in particular have represented particularly 'safe' investments for Tier 1 Investor migrants who have only had to top up small amounts if at all. This creates certainty. The relatively clear structure and rules framing the Tier 1 Investor route as well as the ability to make a low risk investment is a clear benefit of the current system. The stability and clarity of the route must be maintained in any reform as these are two elements of the system which currently give the UK an advantage over some of the other schemes. Even the eagerly anticipated scheme in Malta has not published clear guidelines as to the type of due diligence applicants will face or the criteria against which they will be judged.

In view of this, it is crucial that riskier investments do not maintain the requirement to 'top up'. An investor could not possibly know on entry to the route what the total cost to him or her would be if the topping up requirement was maintained and unlike the reasonably predictable investments under the current system, topping up an investment into a start-up business which begins struggling, for example, would be unknown and possibly very large.

The ability to invest in private companies and be able to provide satisfactory evidence of the value of the company would also be beneficial for some investors. If the requirement to top up funds was removed, this would facilitate this type of investment.

d. Other policy changes.

Residency requirements for both indefinite leave to remain and Citizenship

The requirement that the main applicant spend no more than 180 days outside the UK in order to qualify for indefinite leave to remain is a deterrent for some prospective applicants on to the scheme. For families coming to the UK as Tier 1 Investors, the implications of this requirement can largely be avoided if one spouse remains based primarily in the UK with the children and they are the main applicant.

That said, the business travel requirements placed on many investors and the lack of discretion provided for in the Immigration Rules can mean that indefinite leave to remain would not be an option for some prospective applicants, deterring them from entering onto the route in the first place.

A more frequent problem relates to the much stricter residency requirements for citizenship and this can be a serious deterrent to an applicant looking to ultimately obtain British Citizenship as a result of their investment. In view of the increasing competition from citizenship by investment schemes, it may be relevant to review the residency requirements for citizenship for migrants who entered the UK as Tier 1 Investors so they are not excluded from obtaining citizenship after six years of residence.

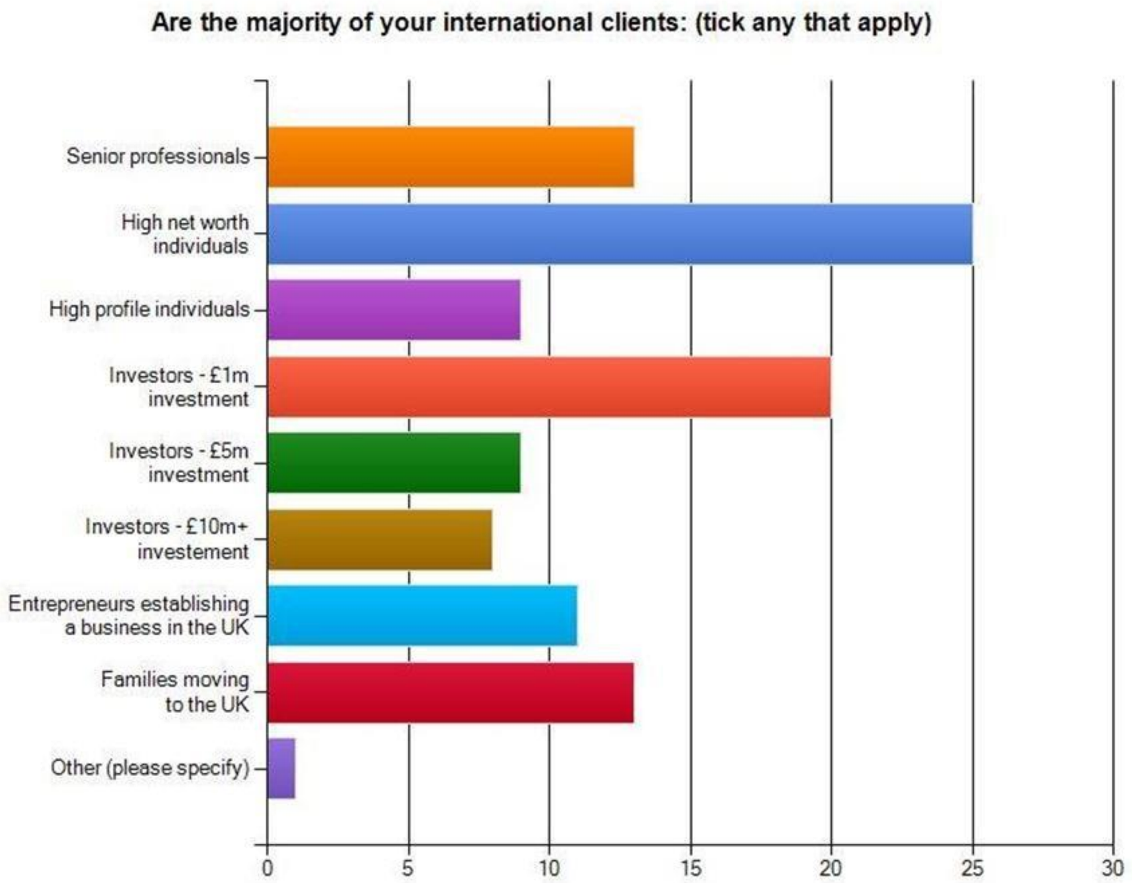
Indefinite leave to remain for dependants on the accelerated route

The accelerated route to indefinite leave to remain was rolled out in 2011 to attract greater investment in the UK. However, the subsequent changes to the requirements for family settlement in July 2012 have rendered the accelerated routes irrelevant. As the responses to our survey underline, families are not prepared to make investments of £5million or £10million where only the main applicant will benefit from obtaining indefinite leave to remain more quickly. When the reasoning for many investors choosing the UK as their home – to provide greater educational benefits to their children – are considered it is not surprising that providing stability and permanency for the whole family is going to be an obvious priority for investors. Our own experience has shown that many of our clients have considered the £5 or £10 million route but have decided not make the additional investment as their dependants would be excluded. From our own experience, we believe that the UK has lost out on around £100 million of additional investment from our clients since April 2011.

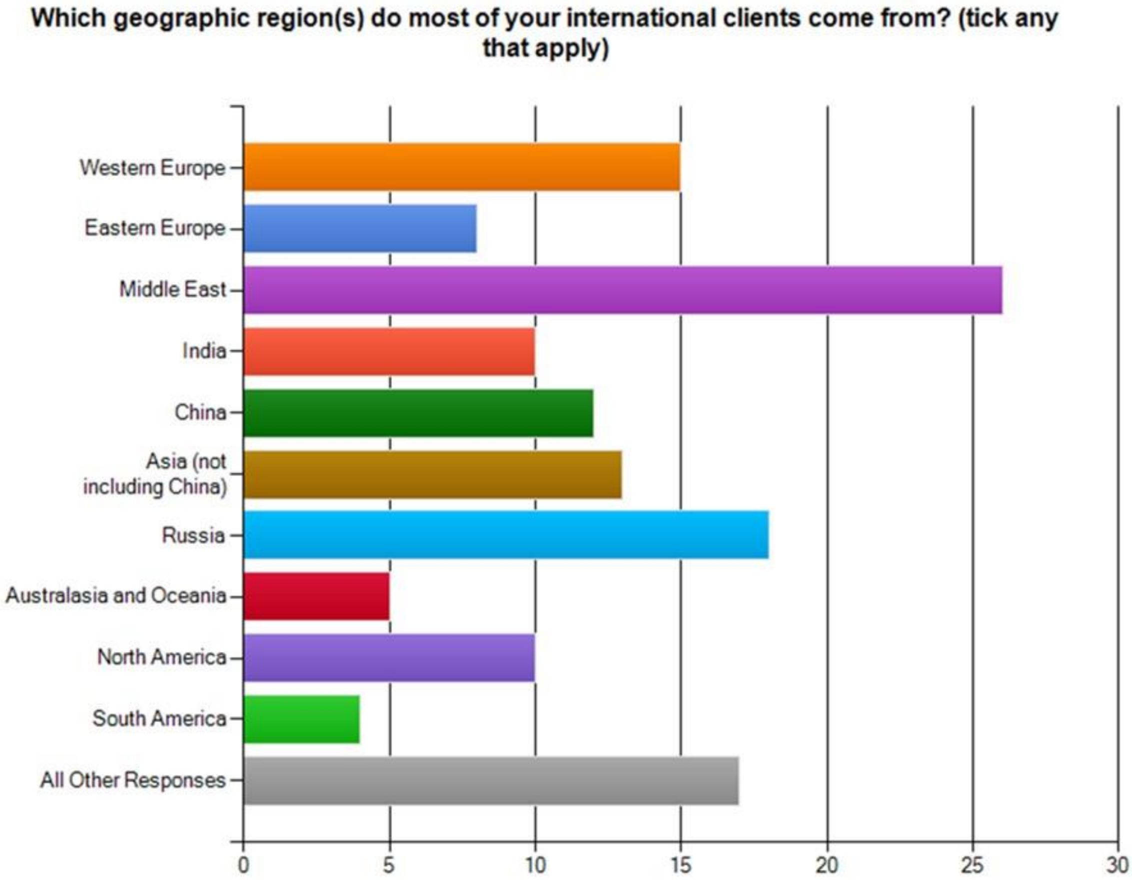
Any revision to the investor route which maintains accelerated options must consider allowing dependants to obtain indefinite leave to remain in line with the main applicant or such options will remain unpopular and fail to deliver greater investment in the UK.

3. Survey results

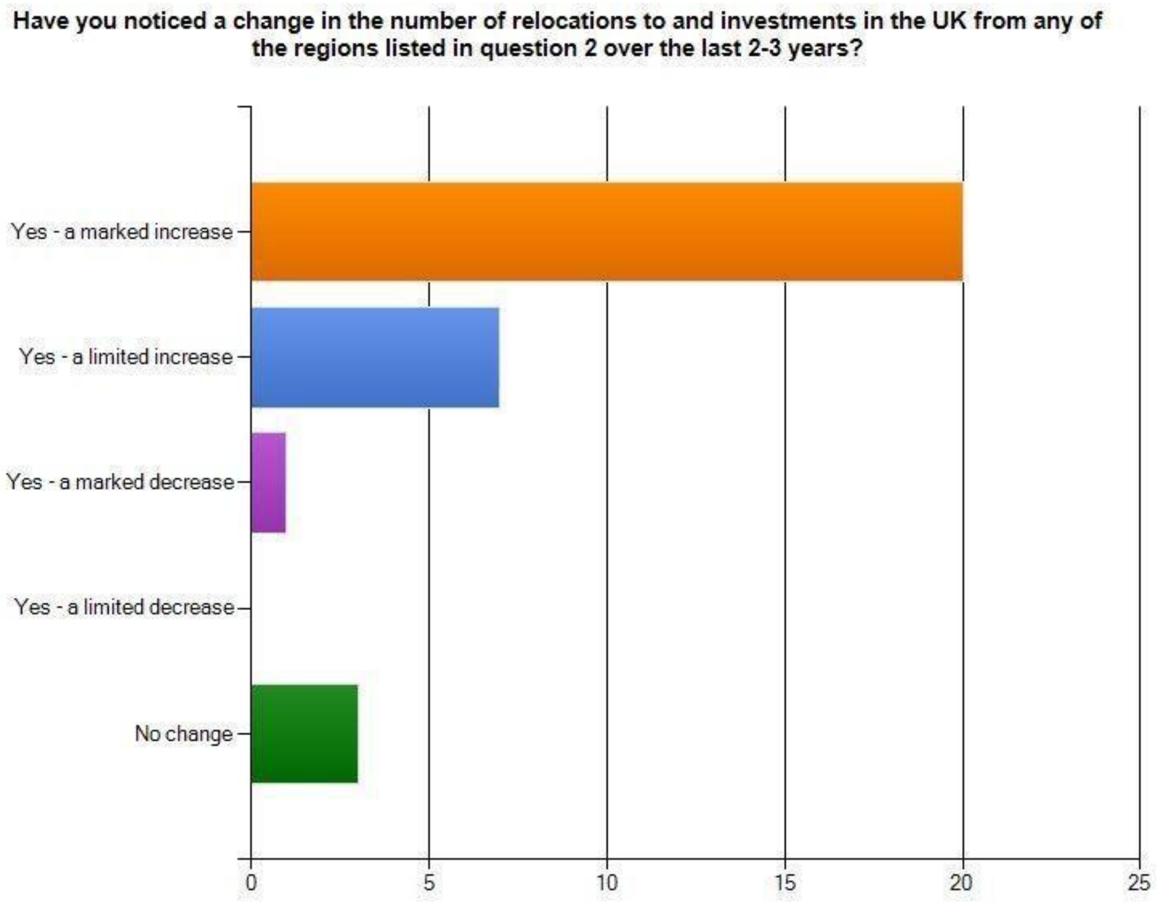
Question 1



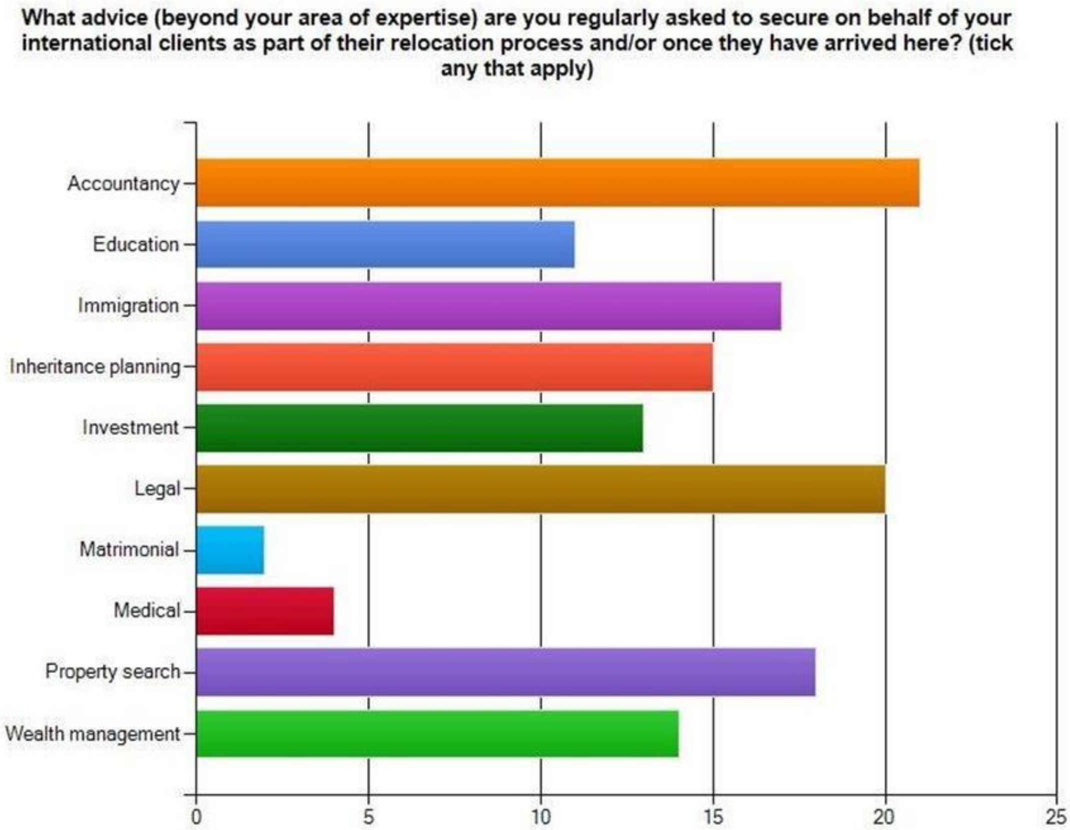
Question 2


Which geographic region(s) do most of your international clients come from? (tick any that apply)
Western Europe
Eastern Europe
Middle East
India
China
Asia (not including China)
Russia
Australasia and Oceania
North America
South America
All Other Responses
0
5
10
15
20
25
30

Question 3

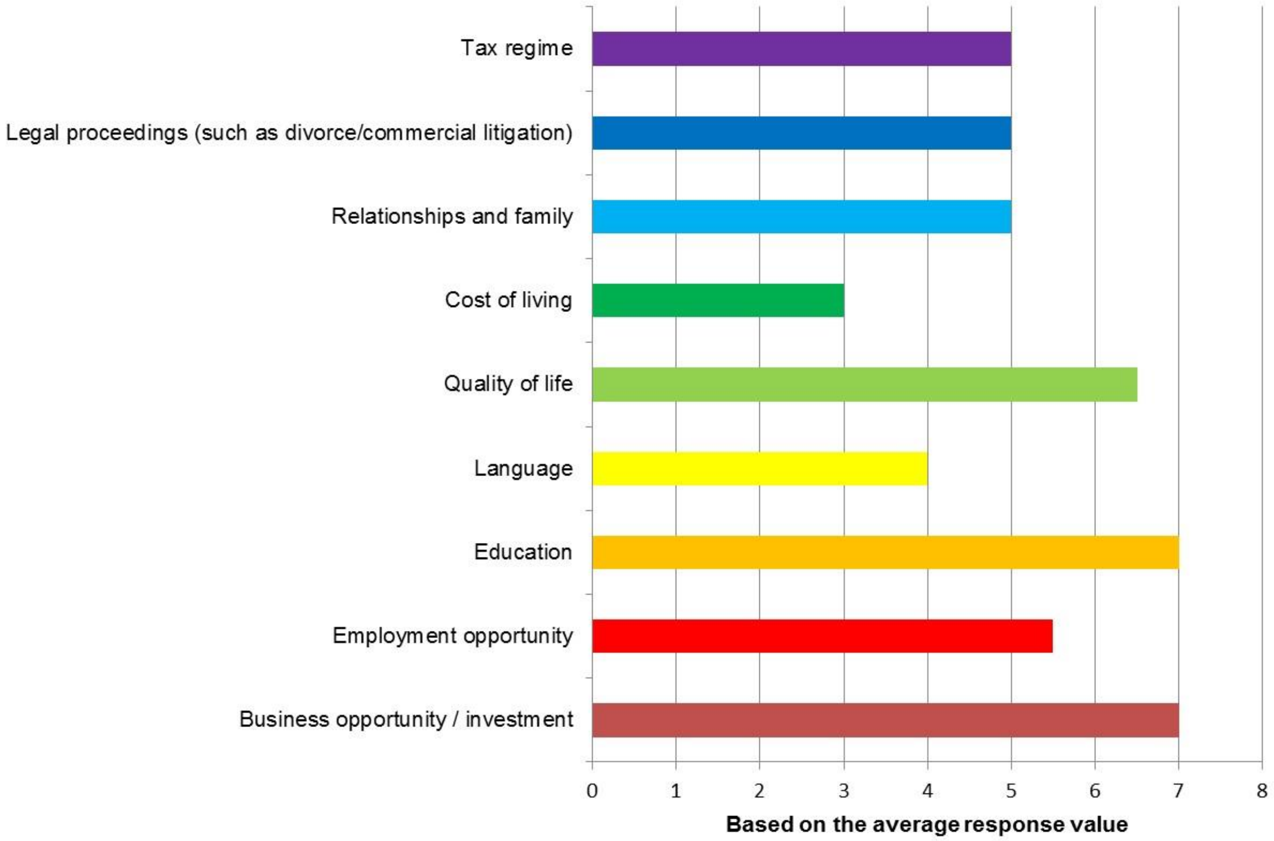

Have you noticed a change in the number of relocations to and investments in the UK from any of the regions listed in question 2 over the last 2-3 years?
Yes - a marked increase
Yes - a limited increase
Yes - a marked decrease
Yes - a limited decrease
No change
0
5
10
15
20
25

Question 4



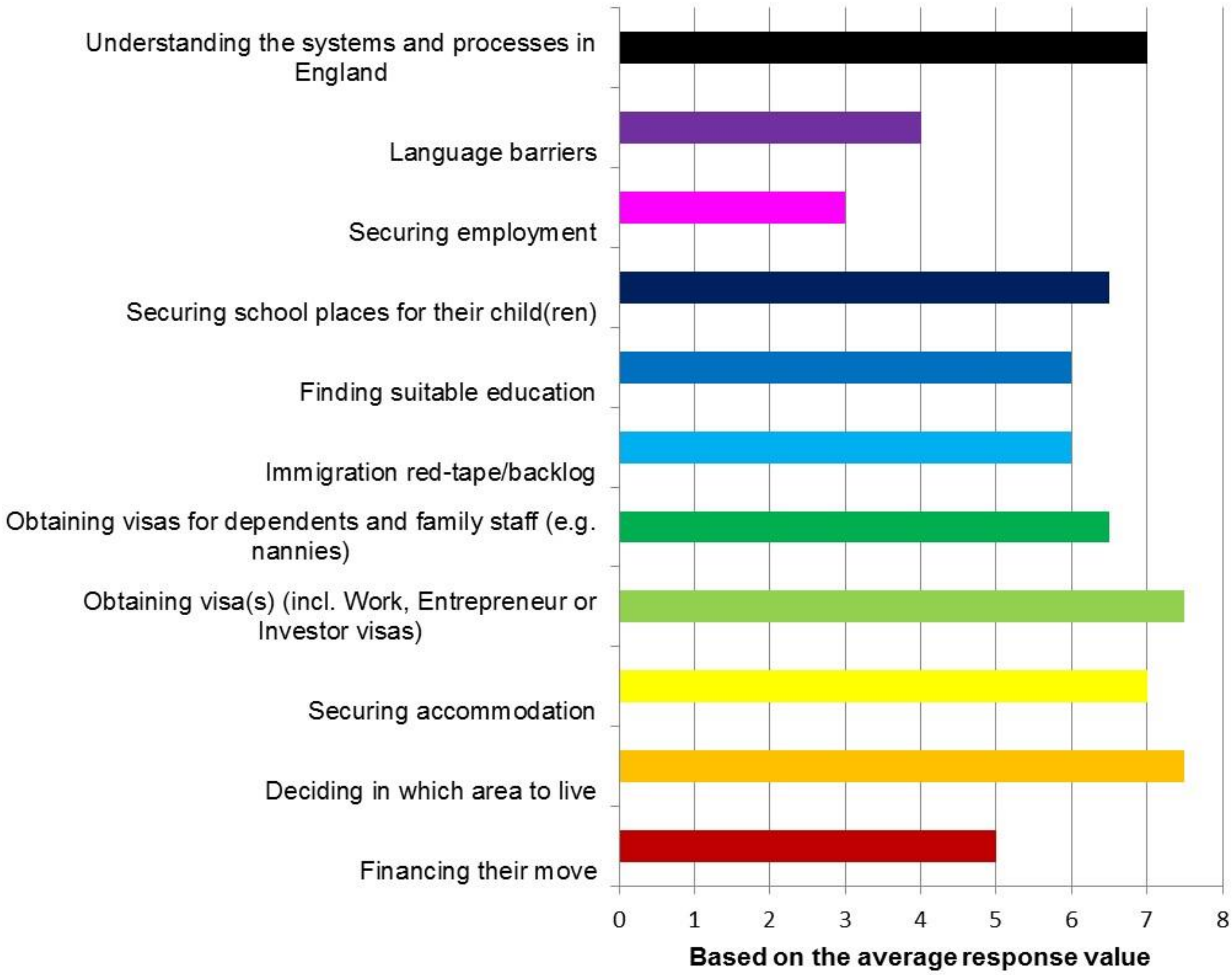
Question 5

What are the reasons most commonly cited by your clients for their move to the UK?



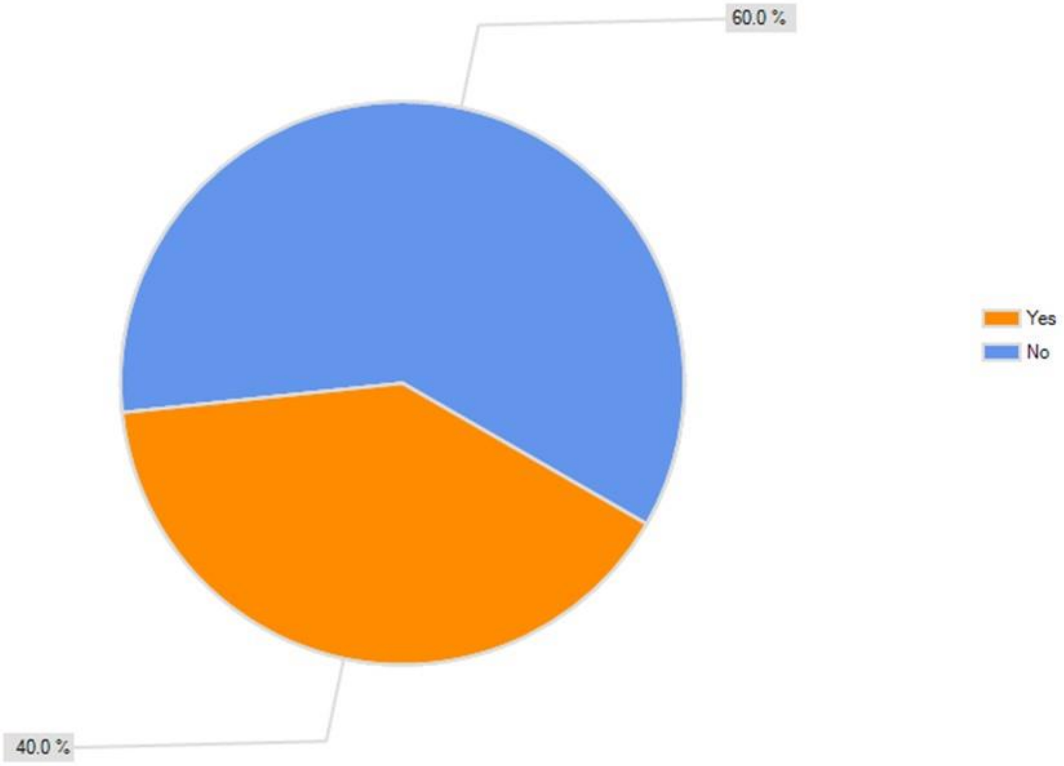
Question 6

What are the biggest challenges your clients face when relocating to the UK?

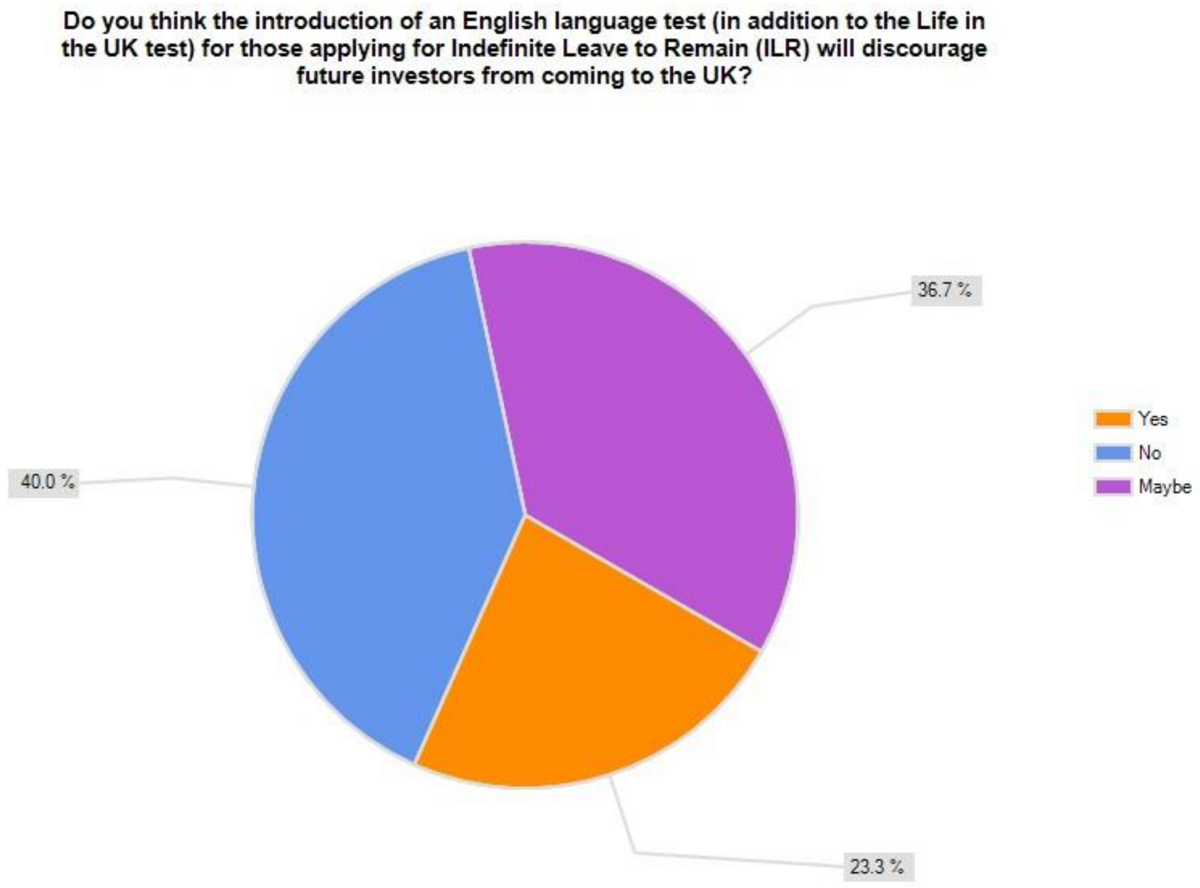

Understanding the systems and processes in England
Language barriers
Securing employment
Securing school places for their child(ren)
Finding suitable education
Immigration red-tape/backlog
Obtaining visas for dependents and family staff (e.g. nannies)
Obtaining visa(s) (incl. Work, Entrepreneur or Investor visas)
Securing accommodation
Deciding in which area to live
Financing their move
0 1 2 3 4 5 6 7 8
Based on the average response value

Question 7

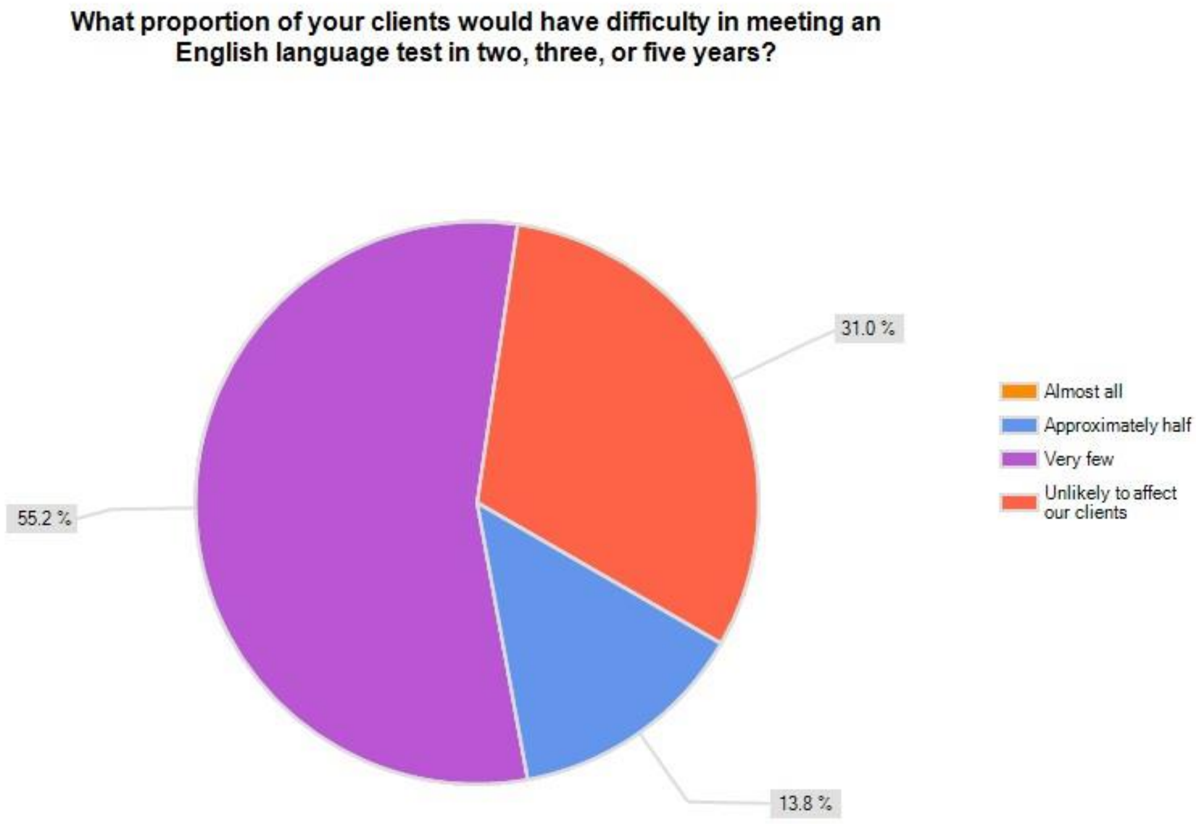
Do you think increasing the minimum level of investment to £2 million will negatively impact the numbers of Tier 1 Investors coming to the UK?



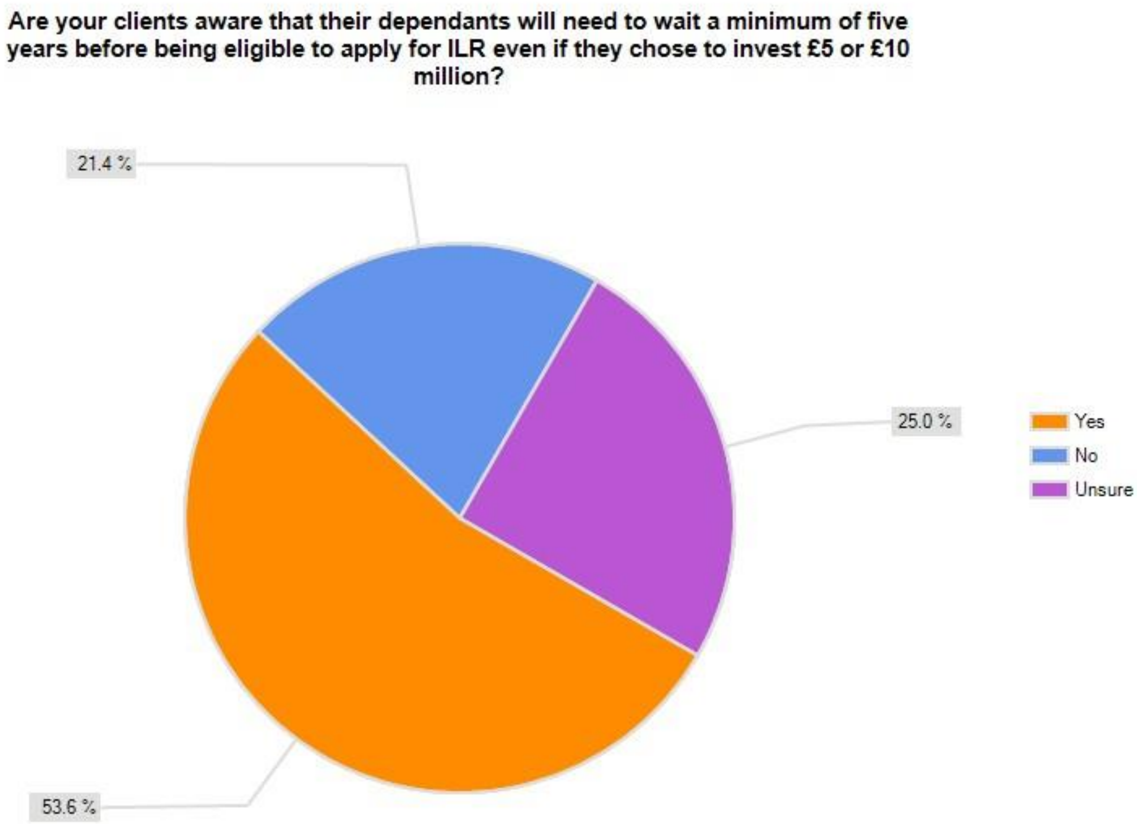
Question 8


Do you think the introduction of an English language test (in addition to the Life in the UK test) for those applying for Indefinite Leave to Remain (ILR) will discourage future investors from coming to the UK?
36.7 %
40.0 %
23.3 %
Yes
No
Maybe

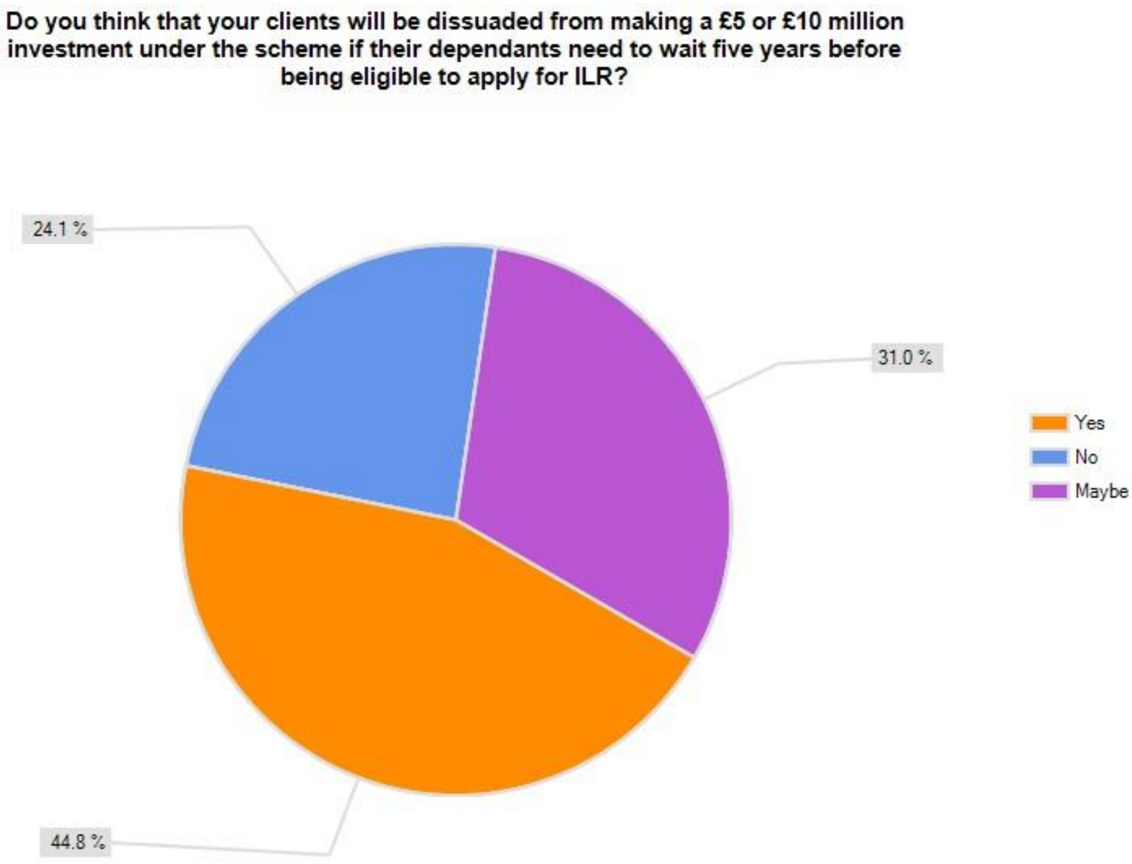
Question 9


What proportion of your clients would have difficulty in meeting an English language test in two, three, or five years?
31.0 %
55.2 %
13.8 %
Almost all
Approximately half
Very few
Unlikely to affect our clients

Question 10

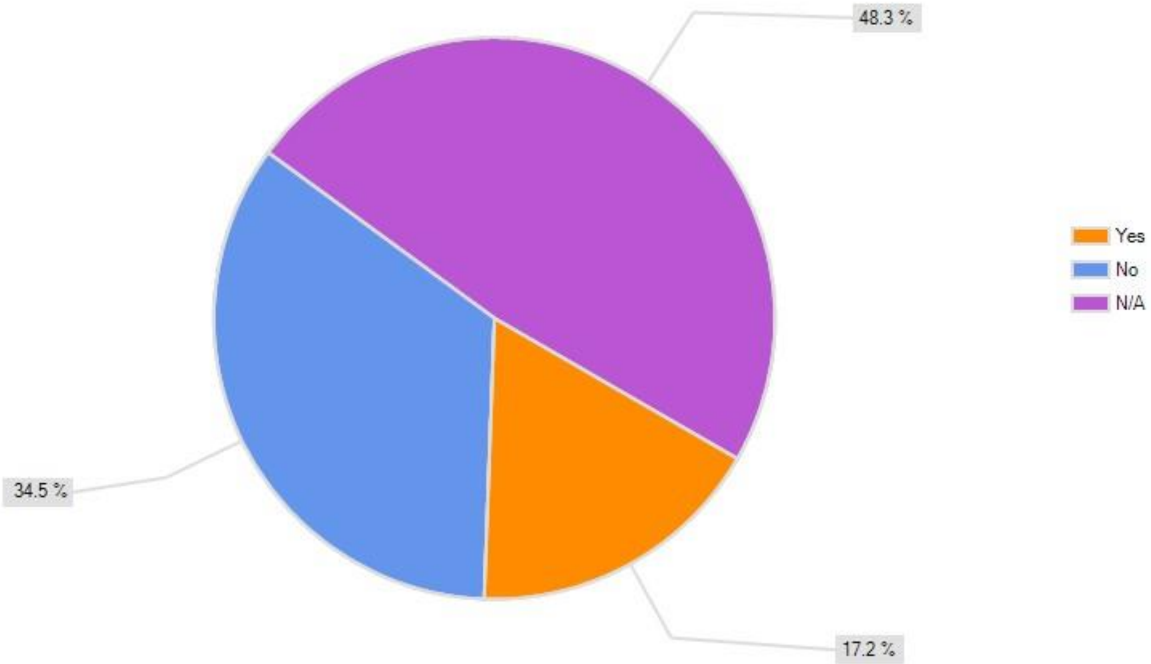

Are your clients aware that their dependants will need to wait a minimum of five years before being eligible to apply for ILR even if they chose to invest £5 or £10 million?
21.4 %
25.0 %
53.6 %
Yes
No
Unsure

Question 11

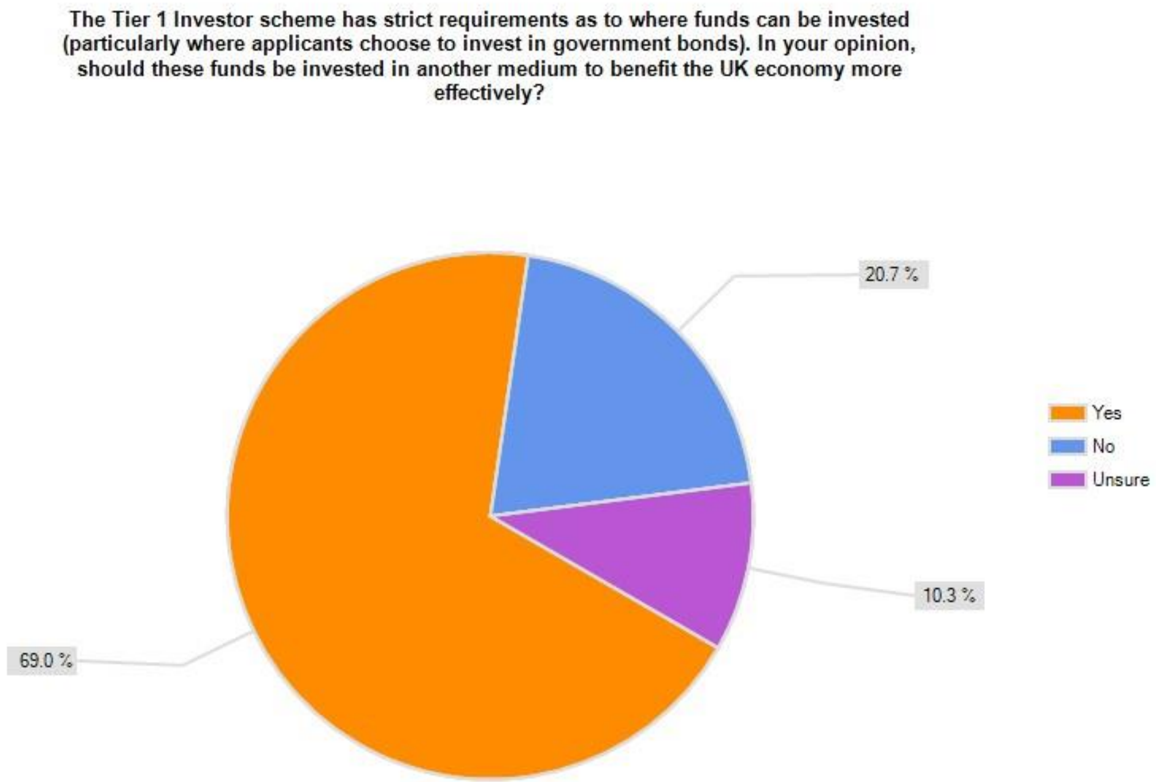

Do you think that your clients will be dissuaded from making a £5 or £10 million investment under the scheme if their dependants need to wait five years before being eligible to apply for ILR?
24.1 %
31.0 %
44.8 %
Yes
No
Maybe

Question 12

If you are an FCA regulated wealth manager, do you/would you generally include a shareholding in a private limited company in your client's investment portfolios?

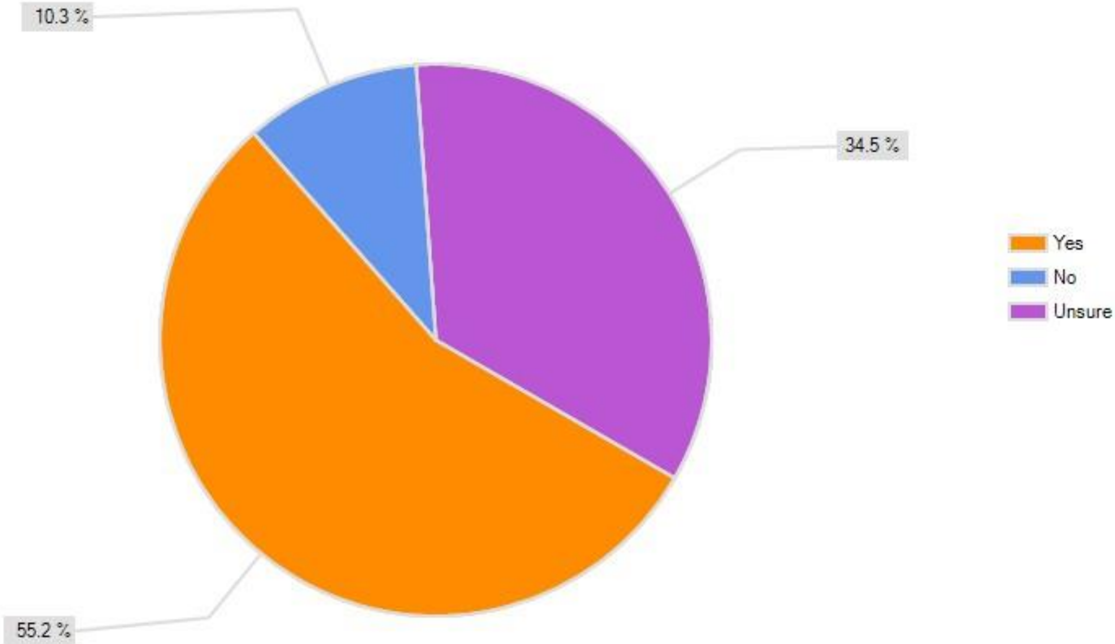


Question 13


The Tier 1 Investor scheme has strict requirements as to where funds can be invested (particularly where applicants choose to invest in government bonds). In your opinion, should these funds be invested in another medium to benefit the UK economy more effectively?
20.7 %
10.3 %
69.0 %
Yes
No
Unsure

Question 14

Should the current qualifying investments be widened to allow donations to schemes which benefit cultural and sporting organisations, or development projects in deprived areas of the United Kingdom?



Knightsbridge Wealth

SWIP
30 th December 2013

Dear Sir,

Re Tier 1 UK Investor Category

I am aware that the MAC Secretariat has recently been consulting on the Tier 1 Investor Category and I wanted to give my direct feedback as an Investment Manager for international clients, based in the UK.

Background

Until April last year, I worked for HSBC as an Investment Adviser and specifically founded the desk looking after non-residents, and non-UK nationals moving to the UK. HSBC was the largest (if not the largest) provider of investment advice to those immigrating to the UK under Tier 1 Investor Category, and I was the principle adviser looking after those clients.

Earlier in the year, HSBC withdrew from the investor visa market, and I established an independent advisory company, regulated by the Financial Conduct Authority.

Observations

The requirement of the scheme is to make investments that 'stimulate' the UK and, of course, this is then taken as meaning UK Government Bonds, UK Corporate Bonds and/or UK equities — together with a possible element of cash.

In my significant experience, the majority of those coming to the UK under Tier 1 are able to make that contribution — in a real sense to the UK economy - rather than just a notional one. By definition, most will have an entrepreneurial background (or their families may) and be comfortable with principles of risk and investment.

Knightsbridge Weatlh Limited is registered in England and Wales number 8327053. Knightsbridge Wealth Limited is an appointed representative of Kubera Wealth Limited which is Authorised and Regulated by the Financial Sermces Authority.

However, the vast majority of applicants simply purchase UK Gilts. Whilst that may qualify the investor under the rules of the scheme, I doubt it achieves the objectives that Ministers have.

Regulated advice

A significant portion of those applying for Tier 1 will take advice in their country of origin which is unregulated and, therefore, usually of a poorer standard than that available in the UK.

The remainder arrive in the UK and have a 90 day period to secure the investments (often taking a lower priority to finding a home, schooling and all the other things that someone moving has to consider). They usually simply go to a bank or broker suggested by (rather than recommended by) their immigration lawyer, or adviser. The person making that introduction is not regulated to give advice on investment matters and, therefore, the decision made by that introduction has immediate negative consequences to both the Government (since it undermines the objectives of the scheme) and the individual (who does not have the advantage of advice based on personal risk profile, requirements etc).

The investment us seen as merely that — a transaction - rather than an investment relationship, meaning the potential to truly 'stimulate' the UK economy is reduced.

By way of an example, the Union Bank of Switzerland (UBS) is our strategic partner and preferred Private Bank. It is a well known brand so, when immigration lawyers provide clients with a short list of institutions it could make an introduction to, it is a popular choice.

However, UBS only arranges investments in Gilt securities (relating to the Tier 1). Therefore, that introduction has meant that the immigrant has no choice in the investments available, they will not be tailored to their needs and any real opportunity to stimulate the UK economy is lost. The investment will also be unsuitable to the majority of people making it.

Conclusion

I do not feel the current scheme requires significant changes. However, UK investment advice is one of the most regulated in the World and we are failing those coming to the UK under Tier 1 rules.

Under current regulation (Law Society), a solicitor can only refer clients to an Independent Financial Adviser with expertise in that appropriate field. The same should be the case for Immigration Lawyers acting within the Tier 1 market they should only be able to refer clients to Independent Financial Advisers.

As I have already pointed out, the vast majority of investors under the scheme invest only in UK Gilts. Those that invest after a proper discussion on risk/reward/strategy place less than 20% of their funds in Gilts. This not only means clients have more appropriate advice, but the investor is left with an active portfolio which will stimulate the UK on an ongoing basis.

I hope my feedback is of interest. Let me know if you would like further input.

Yours faithfully

Lawrence Graham

Dear Sirs,

I write in connection with the above call for evidence.

I am a private client solicitor with Lawrence Graham LLP. I have extensive experience in the Tier 1 Investor route. Unfortunately, I missed the deadline for responding to the call for evidence due to my relocation from our London office to our Dubai office.

I am interested to understand whether you are still accepting feedback and when you expect to publish your report. My outline views are set out below in any event.

In my view the Government have a unique opportunity to increase beneficial investment through the Investor visa (given some tweaks to the rules) and at present this opportunity is being missed. The visa rules are currently inconsistent and remain insufficiently inflexible to cater to internationally mobile high net worth individuals and their families.

In short, my view is that the most beneficial impact my Investor Visa clients have under the current system is gained through the money they bring to and spend on goods and services in the UK (through the payment of VAT and school and university fees etc) outside their Investor visa portfolio funds, which of themselves are passive in nature and do little to benefit the wider economy.

I would be happy to provide more detailed responses if they are still being accepted.

Kind regards,

Lawrence Graham LLP

London and Capital

Following our meeting last week we have gone through our client bank and can now release 3 case studies. As mentioned before the issue is one of confidentiality so I can only reveal the basics, but happy to provide further detail on the phone if necessary.

I have also attached a document which I have been using on LinkedIn and Twitter to inform my social media contacts (around 2,000) of the benefits of Immigration to the UK. The ones in red indicate that I have tweeted about them already. The list includes Marks & Spencer, Selfridges, Glaxo SmithSkline (GSK), Schroders, ARM Computers, WPP and many more. If you need some financial analysis on these public companies please let me know and we would be glad to provide the information.

- Chinese Client – he has invested in two B&Bs in Brighton since his arrival to UK this year and plans to do more

- Taiwanese Client – applied for Tier1 investor visa in 2007 when he was studying in UK, he has obtained citizenship now and has set up a bridal shop near Oxford Street last year

- Russian Client – applied for Tier 1 investor visa this year and has started her own business in tourism offering prestige travelling service for HNW individuals visiting the UK

Please let me know if there is anything else I can do?

Regards,

Head of International Investment & Immigration

London and Capital 2

Without Immigration we would not have…….

Michael Marks, a Belarusian Jew, came to the UK and teamed up with Thomas Spencer to create M&S. Number of employees: 81,223 (in 2012)
Victory Against Napoleon Nathan Mayer von Rothschild moved to England from Frankfurt. His London bank was a leading funder of the British government during the Napoleonic Wars.
That Beer That Goes So Well With Curry Karan Faridoon Bilimoria, or Baron Bilimoria as he is more onomatopoeically known, was born in India before moving to the UK and founding Cobra beer in 1989. Number of employees: 200
The Scourge Phrase Of Anyone Who Works In The Service IndustryHarry Gordon Selfridge moved to the UK from Wisconsin and founded the incredibly popular department store that bears his name. He is credited with coining the phrase: "The customer is always right." Number of employees: 3000
Everyone's Favourite Blackcurrant-Based DrinkHalf of the company that produce Ribena, GSK, was initially founded in the UK by American pharmacists Henry Wellcome and Silas Burroughs in 1888. They also produce a substantial amount of the drugs you'll find in your medicine cabinet. Number of employees: 97,389
A Lot Of Asset Management£236.5 billion worth in fact. Johann Heinrich Schröder was born in Germany before moving to the UK and founding Schroders in 1818. Number of employees: 3,012
Smartphones (well, they wouldn't be as good)Austrian-born Herman Hauser founded UK company Acorn Computers. In 1990, a joint venture between Acorn and Apple formed ARM Holdings. ARM are a behemoth in today's tech world so chances are your smartphone contains a CPU made by them. Number of employees: 2,000
As Much Advertising EverywhereBorn in the UK to a Russian-Romanian Jewish family, Martin Sorrell founded the advertising monolith WPP Group in 1971.
The Austrian psychoanalyst Sigmund Freud was forced to seek exile in Britain when the Nazis came to power in 1933, burning many of his books. He lived in London till the end of his life.
In 1526, Hans Holbein, the German artist, came to England looking for work. He ended up the chief painter to Henry VIII.
The German composer Handel, who moved to England in 1712, received a yearly income of £200 from Queen Anne after he composed for her *Utrecht Te Deum and Jubilate*, celebrating the treaty which ended the War of Spanish Succession. The Mayfair house where he lived for 36 years is now a museum devoted to him.
Kazuo Ishiguro, ranked by *The Times* a few years ago as one of the 50 greatest British writers since 1945, was born in Nagasaki, Japan, but moved to England with his family when just five years old. He has said that when he writes about Japan, it is largely "an imaginary" version.
The designer of London's 2012 Olympic tower, India-born Anish Kapoor, came to Britain in 1973 to study art and design.
The first black person to vote in a British election, Ignatius Sancho, was born on a slave ship in 1729. Known as "the extraordinary negro", he became an actor, composer and writer, and was also the first African to be given an obituary in British newspapers.

"Sweet Thames, run softly till I end my song," wrote T.S. Eliot in his modernist masterpiece *The Wasteland*, penned after he moved to the UK from America. He later admitted that he had persuaded himself to marry his English wife, Vivienne, "simply because I wanted to burn my boats and commit myself to staying in England".
In 1066, the invading Duke of Normandy defeated Harold II at the Battle of Hastings, and became known to posterity as William the Conquerer. It's to this conquest that we owe many of the French-derived words in English today.
After being expelled from Paris in the 1840s, Karl Marx set up home in London, and remained there till the end of his life. His tomb can be seen at Highgate Cemetery.
Brunel was born in Nomandy but left for New York in 1793 when his loyalist views went down badly in revolutionary France.His work as a surveyor and engineer led swiftly to his becoming Chief Engineer in New York. In 1799 he came to England undertaking numerous large-scale engineering projects and inventing a good deal of machinery. His most ambitious work was the construction of twin tunnels under the Thames from Rotherhithe to Wapping. His son, Isambard Kingdom Brunel (1806-1859)was, of course, an Engishman, born in Portsmouth.
Carlo Gatti may well have been the first person to sell ice-cream. He was a Swiss. He came to London in 1847 and sold refreshments from a stall. Two years later he opened a cafe where he sold chocolate. For his ice-cream business he had to import ice in huge quantities from Norway. He also boujght the ice that formed in winter on the Regent's Park Canal.
Arthur Wharton came to England from Ghana in 1884. He was probably the first African to play cricket in England and was the first professional black footballer, playing for Preston North End in 1887.
Ang Lee is a cosmopolitan figure rather than a British immigrant. He comes from Pingtung in Taiwan and moved to the United States in 1978. But Britain has claim to a piece of this leading director for his 1995 film of Jane Austen's novel, Sense and Sensibility which starred Emma Thompson, Kate Winslet, Alan Rickman and Hugh Grant and which won the top prize at the Berlin Film Festival in 1996.
Orla Kiely, designer

Philip Treacy, milliner

Nina Wadia (currently on Eastenders), actress & comedienne

Mariella Frostrup, journalist

Ulrika Johnson, celebrity & sometime weather girl

Keith Vaz, MP

Terry Wogan

Graham Norton

Chris Boyle from The IT Crowd

Dara O'Briain, comedian & host of Mock the Week

Richard Corrigan, celebrity chef

Atul Kochar, celebrity chef

Rageh Omar, BBC news correspondent

Christiano Ronaldo, footballer

Cesc Fabregas, footballer

Roy Keane, former footballer & manager of dubious reknown

Rafael Benitez, football team manager

Arsene Wenger, football team manager

If you trawl through the premiership teams, you'll find more then one famous immigrant

But as to immigration's true beginning, let us quote Winston Churchill and a famous sentence from his History of the English-Speaking Peoples: "In the summer of the Roman year 699, now described as the year 55 before the birth of Christ, the Proconsul of Gaul, Gaius Julius Caesar, turned his gaze upon Britain." It was the Romans wot started it.

Britain's best-known names: the playwrights Harold Pinter, Arnold Wesker and Peter Shaffer, the actors Maureen Lipman and Peter Sellers, the sculptor Jacob Epstein, the painter Lucien Freud.

1.John Barnes - Born in Jamaica

2.Graeme Hick - Born in Zimbabwe

3.Luol Deng - Born in Sudan

4.Zola Budd - Born in South Africa

5.Greg Rusedski - Born in Canada

6.Mo Farah - Somalia

7.Kevin Pietersen - South Africa

8.Mike Catt - South Africa

9.Joe Bugner - Hungary

10.Simon Shaw - Kenya

Magrath LLP

Questions

5. 1 The MAC particularly values the views of Tier 1 investors, and their representatives, in respect of this commission. We also welcome views from the Government, academics, representative bodies, financial institutions and any other interested parties.

5.2 The questions below identify some key issues we will be considering. You do not have to answer all the questions.

1. **What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views, taking to account the following factors:**

- The direct benefits resulting from the migrant's investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain;

- In order to qualify for an extension/Indefinite Leave to Remain in the UK, Tier 1 (Investor) Migrants must have invested no less than £750,000 of their capital in the UK by way of UK Government bonds, share capital or loan capital in active and trading companies that are registered in the UK.

- The majority of migrants choose to invest their funds in UK Government bonds. Bonds create a direct benefit to the British economy by increasing the money available for public spending. In the tough economic times, a single investment of £750,000 may make a difference to budget cuts and planning.

- In addition to this, the other option of investing in UK registered companies also has a direct positive effect on the UK economy. The additional funds available to companies will allow them to function in the current climate and even develop and grow further.

- The indirect benefits from wider expenditure by the main Tier 1 applicant and their dependants on goods and services in the UK;

- Taxation on goods and services, taxation though payment of employer NIC for those employed by tier 1 Investor Migrants, employment created through use of schooling educational facilities and from the establishment of business in the UK.

- The extent to which these benefits may be affected by the migrant's absences from the UK:

- The current structure of the programme means that the main applicant tends to be the person most likely to meet the residency requirements. As such, absences from the UK are limited to 180 days in every 12 month period. Most investors who are committing to a stay in the UK will have on going needs for schooling/housing/related services and therefore absences are unlikely to impact, to any great extent, upon the benefits investors bring to the UK.

- The timeframe over which these benefits may be realised; and

- The direct benefits mentioned above will be realised immediately as the investors are required to invest the funds within three months of arrival in the UK. They will enrol their children in school and will employ people in their household immediately.

- The money is therefore immediately available to the UK Government or Registered UK companies.

- Indirect benefits will be realised both in short and long term and will continue to benefit the UK economy throughout the migrant stay in the UK.

- The investors are also likely to continue spending their funds as they will spend time in the UK even after settlement or naturalisation as UK citizens. They will continue to rent properties, buy private medical insurance and treatment, secure private education for children and continue day to day spending.

- Any direct and indirect costs to the UK economy related to the existence of the Tier 1 (Investor) route and the presence of Tier 1 investors in the UK.

- The direct cost to the British economy related to the existence of the Tier 1 (Investor) route is mostly related to the cost of processing of the Tier 1 (Investor) application – both in and out of country. This cost however, should be remedied by the high application fees (including Premium and Super Premium services) paid by the applicants and their families at each stage of their application process.

- The presence of Tier 1 Investors in the UK does not incur any direct or indirect cost to the economy. These migrants do not have access to public finds, state schools and the National Health Service. Even after the migrants obtain Indefinite Leave to Remain and gain access to the above mentioned benefits, they tend to continue paying for private schools, private medical insurance etc. they are very unlikely to claim public benefits as they have sufficient personal wealth to live comfortably in the UK.

- Even if it is the case that Investors are of limited value to the UK economy, we are concerned about the message that removal or alteration of the scheme may send out – that Britain is “closed” to foreign investment.

- This is especially the case when other jurisdictions, notably Malta, are establishing investor based citizenship routes.

2. What are the prime motivations for investing in the UK in preference to other countries? How are these motivations affected by:

- Economic and business factors, such as taxation policies, regulation, the ease of doing business or economic growth prospects; and

- Tier 1 applicants and their dependants are high net worth individuals who transfer their high standard of living to the UK. They spend significant sums of money in the UK, contributing to the economy. Dependent children are enrolled in private schools & other nannies are employed form the local workforce. As well as creating employment, these families will have private health care, purchase luxury items and services and pay council tax in the highest bracket. They therefore do provide an indirect benefit through their wider expenditure on goods and services in the UK.

- Non-economic and non-business factors, such as the education system, language spoken, and social and cultural factors?

- We have been advising Investor Clients for over 20 years. Our experience has shown that non economic/non business factors that motivate these clients to move to the UK. Generally speaking, the choice of relocation is determined by schooling/quality of life/safety/political stability/ability to integrate. As such, it is our view that the primary motivations are in fact, non economic and non business related.

3. How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route? Specifying, where possible, how you would measure the relative benefits of different investments and over what time periods, please provide evidence to demonstrate:

- Any potential increase in economic benefit for the UK should the specified forms of investment be relaxed or further restricted;

- Migrants who come to the UK in order to invest their money wish to have some control over the money they are spending and potential profit. Relaxation of the specified forms of investment in the UK may have a positive impact on the amount of economic benefit for the UK.

- If the forms of investment are relaxed, the UK will become a more attractive place for high- value migrants. If the investors are given more freedom and choice, they may choose the UK over other countries offering similar visa programs.

- The benefit will also be that migrants will be encouraged to invest more in the UK. Relaxation of the specified forms of investment means that migrants can choose the way to invest their money in order to earn the best profit. This will encourage them to invest more, therefore benefits the British economy more.
-

- Alternative forms of investment which may deliver greater economic benefits to the UK;

- The government may wish to consider the following alternative forms of investment to choose which one may have the greatest economic impact on the UK:

  1) Gift to the UK – It would be beneficial to the UK if part of the required investment fund was gifted to the UK by the migrant. For example, if £1 million pounds is the required minimum, the Home Office may state that 75% of this amount must be invested in government bonds and the remaining 25% must be paid to the UK government as a gift. This would ensure that the UK government receives the maximum benefits from the funds.

  2) Gift to aspiring graduates' foundations or venture capitals firms' – the Home Office may consider stating that part of the required investment fund must be gifted to either foundation for graduates or a venture capital firms'. These institutions offer financial help to UK graduates who have a business idea and wish to open their own company in the UK. This would have direct effect on British economy by increasing trade, reducing unemployment and potentially increasing research and development.

  3) Investment in the London Stock Exchange – this type of investment may have a positive impact on the UK economy by putting the funds into the stock market to encourage trading and cash flow.

- Any potential change in economic benefit for the UK should the requirement for investment to "hold value" be relaxed.

- If the requirement to maintain the investment at the minimum level is relaxed, it could potentially make the route more attractive to investors so that there is an increase in applications made, with direct economic benefit to the UK. More investors would mean more investment in the UK economy and increased indirect benefits from their wider expenditure in the UK. The restrictions at present may put off investors who are interested in higher risk investments with a chance of a higher yield, but are concerned about the need to 'top up.' If this requirement was relaxed, it may result in more investment in publicly listed companies. At present many investors choose to purchase government bonds in order to play 'safe.' It is important to note that investors choose to come to the UK to make money and the chances are, they would 'top up' anyway.

Octopus Investments

25th November 2013

Consultation on the economic impact of the Tier 1 (Investor) route - Response from Octopus Investments

Octopus Investments has significant experience and expertise in the smaller company investment market in the UK. Octopus is one of the largest investors in early stage UK venture capital and AIM listed businesses with over £3bn of assets and over 200 investee companies across the UK.

Based on our areas of expertise we have prepared responses to questions 5.2.1, 5.2.2 & 5.2.4.

5.2.1 What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Specifically the direct benefits resulting from the migrants investment in the UK, bearing in mind that such investment may be withdrawn once the migrant obtains indefinite leave to remain.

A basic analysis of the current requirements for Tier 1 (Investor) visa shows that the net benefit to the UK is probably low. Most applicants choose to invest in gilts but because their contribution to the overall demand for gilts is negligible it cannot be considered to have a meaningful impact on the overall demand for, or pricing of, gilts. If this money was not invested in this way it is almost certain that alternative buyers for gilts would be found and there would be very little impact on the price of Government borrowing. It is therefore difficult to make a case for this money having an impact on the gilt market.

Despite the fact that £1m is a large amount of money if looked at from the investor's perspective the current requirements does not represent a significant investment in the UK or cost to the applicant. To illustrate this point let's assume that investors borrow the money to buy gilts. The net cost of servicing that debt after the income received from the gilts is small. For example £1m invested in gilts financed by borrowing at an additional charge over gilt yields of 1% has an equivalent annual cost of only £10,000 per annum or £50,000 over five years. This seems to be a low price for a British passport.

5.2.2 How might these benefits and/or costs be affected by the current financial thresholds for the Tier 1 (Investor) route?

As explained above the current structure of Tier 1 (Investor) visa requirements provides a very limited direct value to the UK economy and a small 'cost' to the visa applicant. Increasing the investment requirement without changing the scope of investment would increase the benefit and cost to the investor proportionately. Given the low starting point for benefit and cost the impact will be quite small.

5.2.4 How might the economic benefits and/or costs of the Tier 1 (Investor) route be affected by the current forms of investment specified by the requirements of that route?

If the requirement for investment were changed to directly target economic benefit it could have a significant impact. It would be possible to allow investment in any UK shares or other financial instruments but much of the benefit of this will leak from the UK economy. For example up to 70% of the profits from companies listed on the FTSE are generated by overseas operations and it is hard to see a direct link to the UK economy from here. Additionally most equity investments do not provide capital to the underlying company but rather just purchase existing shares. Only new share sales made by the company provide capital.

If direct UK economic activity is the target then investments must be made in new shares in companies that operate in the UK. Also, these companies do not need easy alternative sources of capital. The only area that fulfils all of these criteria is UK smaller company investments through VCT & EIS (see below).

Our recommendation is therefore that the investment scope is narrowed to include only investments into UK based small businesses. The established product and tax wrappers used to target investment in small companies are Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS). VCT & EIS are subject to regular review by Treasury and an experienced team, led by Kathryn Robertson, ensure the rules are adapted to keep investments focused on the small companies that make the most difference to the economy. If the Tier 1 (Investor) visa requirements were limited to VCT & EIS there would be little to no additional oversight required to ensure that the investments were meeting the objective of helping the UK economy.

Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EIS) are two highly tax-efficient investment vehicles. They reward retail investors for investing in UK smaller companies, by delivering government-backed tax reliefs on those investments, to reflect the additional risk that comes from investing in this sector.

We suggest including EIS & VCT as qualifying investments because they offer different options to investors but target essentially identical companies to invest into.

The VCT & EIS markets in the UK are large enough to absorb up to £500m of additional investment per annum but it would make a big difference.

In the last tax year (2012/13) £400m was invested into VCTs and £1000m into EIS qualifying companies. The total invested in VCTs is now £2.9bn (source: AIC October 2013). Total invested data for EIS qualifying companies is not readily available but it is reasonable to assume that the market is significantly larger than that for VCTs.

An increase in the demand for VCT & EIS of up to £500m would be manageably absorbed by the market.

VCT and EIS have demonstrated a very strong record of creating growth and employment

£2.8m: Average size of VCT investment in each SME (source: AIC May 2013)

52: Average number of jobs created in a VCT investee company (source: AIC May 2013)

£10.8m: Average new turnover created in a VCT investee company (source: AIC May 2013)

41%: VCT investee companies generating income from overseas (source: AIC May 2013)

82%: Percentage of investors' income tax relief covered by taxes paid by VCT investee companies in 2012 (source: AIC May 2013). This data is based on a sample of 248 VCT investee companies paying £375m of tax in 2012 vs. Initial income tax relief granted on these investments of £457m.

31%: Percentage of VCT investee companies themselves investing in R&D in the last 12 months (source: AIC May 2013)

Octopus Investments portfolio companies have experienced even more dramatic growth.

£30m to £300m: Average revenues of investee companies at the point of investment versus average revenues now, in our Titan VCTs (source: Octopus)

380 to 1100 people: Total number of people employed by the 38 companies in our Titan VCTs on investment, and now (source: Octopus)

Should Tier 1 (Investor) visa applicants benefit from the tax relief available for EIS & VCT

UK resident investors in VCT & EIS receive a range of tax incentives. Most important is income tax relief available in the tax year of investment. This is available up to 30% of the amount invested subject to the investor having sufficient income tax liability to offset.

If these investments were used for migrant Tier 1 (Investor) applicants it raises the interesting question of whether they should receive tax relief. It seems attractive to allow investors to claim income tax relief because it will encourage them to generate tax liability in the UK and would not discriminate against them. Based on the expected overall tax take on VCT & EIS investments it is likely that the overall tax paid by companies over their life will exceed the tax relief many times over.

How would the annual limits of EIS and VCT investment impact the Tier 1 (Investor) requirements?

The largest investment on which income tax relief can be claimed on VCTs in any tax year is £200,000. It is possible to invest any amount into VCTs but UK based investors do not do this because of the absence of tax relief.

If Tier 1 investors had access to income tax relief it may be sensible to allow investors to invest over a number of years to build up a qualifying investment base. Any VCT investment within a 5 year residence qualification period would provide benefit to the UK economy. Each VCT investment must be retained for five years so a delay of initial investment would not result in a reduced amount of total investment but just a delayed start.

Why would investors be allowed access to EIS & VCT?

VCTs and EIS invest into almost identical companies but there are differences in the tax relief available and the way you can access the investment.

VCTs are investment trusts and therefore collective investment schemes. They are well suited to investors who wish to be safeguarded by an independent board of directors and want to have a widely diversified portfolio.

EIS is a direct investment into a company (the difference between EIS & VCT qualification at underlying company level is minimal). These direct investments are normally higher risk but Tier 1 investors may prefer to choose their own investments and using EIS would allow them to do that.

Suggestion that a new tax wrapper is set up specifically for migrant investors

The tax treatment and regulations governing VCT & EIS are set to attract investment from UK resident and domiciled investors. This impacts the level of tax relief, the maximum investment and the qualification criteria for the underlying investments.

There is no guarantee that the requirements of migrant investors and UK residents will stay the same or even that they are the same today. To mitigate this problem it would be an advantage for a new tax wrapper to be established that replicates the rules used in EIS & VCT for investments but that has the ability to be changed over time.

Thoughts on alternative targets for investor money

There have been suggestions that the Tier 1 (Investor) visa investment could be targeted at UK infrastructure. We are concerned that the total investment from these visa applications will never be significant against the requirement for infrastructure spending in the UK. The UK government alone plans £100B of spend in this area and the report, *Securing Our Economy: The Case For Infrastructure*, written by the Centre for Economic and Business Research estimates the annual gap is now £78B. Finding markets within infrastructure that would benefit from a redirection of Tier 1 (Investor) visa investments would be a difficult task and one which would need regular change as the market conditions change.

Conclusion

A change in the investments required to qualify for a Tier 1 (Investor) visa to mimic the VCT & EIS would directly target economic growth in the UK. We recommend, however, that a new structure is established to allow the differences between migrant and resident investors to be incorporated into the regulations. This structure could be controlled through the same team at the Treasury as the VCT & EIS market.

Early stage venture investment is a thriving market in the UK and migrants would be able to choose from a wide range of investment types and providers. In addition this area of investments is well established and understood by financial intermediaries that work with high net worth clients.

Roger Gherson Solicitors 1

Dear Sirs

I am a UK immigration solicitor that deals with number of UK investor application. I believe have dealt with 5-10 % of all the applications made in various years since 2000. The biggest threat to the investor visa programme is the introduction of the Maltese investor program which will allow investors of some Euros 650,000 to obtain full nationality in 3-6 months (http://www.ccmalta.com/news/malta-citizenship-programme) (http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lp&itemid=25559&l=1) http://www.forbes.com/sites/carlapassino/2013/11/14/malta-launches-controversial-citizenship-by-investment-scheme/)with out having to spend six months a year in the UK and not exceed absences of 3 moths a year to obtain nationality. A similar all be it more expensive program exists for Cyprus.

The UK 180 day rule should immediately be relaxed as should the requirements for nationality. The new Maltese / Cyprus EU citizen will be able to reside in the UK with out making any investment for an investor status.

You have asked the following questions:-

1 What do you consider to be the net economic benefits to the UK of the Tier 1 (Investor) route? Please provide evidence to support your views,taking into account the following factors:

Roger Gherson Solicitors 2

Mr S Murphy

Date 22 February 2013

Our ref

Your ref

Dear Mr

www.hmrc.gov.uk

DX

I refer to your request under the Freedom of Information Act 2000 which was received on 25 January 2013 for the information for the tax year ending 5 April 2011 (and for the following year if available) for non-UK domiciled taxpayers (non-doms). In particular:

1. Number of non-doms. The comparative figure for 2008/09 was 5,400;
2. Income Tax paid by non-doms;
3. NIC paid by non-doms;
4. Any HMRC or HM Treasury estimates for VAT or other taxes paid by non-doms;
5. HMRC estimate of the annual cost to HMRC of collecting the Remittance Basis Charge; and
6. Split between non-doms claiming the remittance basis and paying UK tax on the arising basis.

The answers to your questions are based on self-assessment (SA) data for the year ending 5 April 2011 which are provisional and subject to revision as SA Returns may be subject to challenge by HMRC.

You also asked for the same information for the tax year ending 5 April 2012. However, those data are not yet available.

1. HMRC holds data on the number of taxpayers who have indicated they are non-UK domiciled on their SA Return. The number of individuals indicating they were non-UK domiciled for the tax year ending 5 April 2011 was 116,000.

   The comparative figure of 5,400 in 2008/09 you mention in your question refers to the number of non-domiciled taxpayers who paid the Remittance Basis Charge (RBC) in that tax year. We have data to show that 5,600 non-domiciled taxpayers paid the RBC in the tax year ending 5 April 2011.

2. In the tax year ending 5 April 2011, the estimated amount of income tax paid by taxpayers self-assessed as non-UK domiciled for that year was £6.2 billion.

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3. In the tax year ending 5 April 2011, taxpayers self-assessed as non-UK domiciled paid approximately £1.8 billion in National Insurance Contributions (NICs) for that year. It is not possible to obtain accurate figures for NICs paid from SA tax returns alone and therefore this figure is not definitive.

4. Apart from for Capital gains Tax (CGT), HMRC does not hold disaggregated data on any other specific taxes paid by non-domiciled taxpayers. The amount of CGT paid by taxpayers selfassessed as non-UK domiciled for the tax year ending 5 April 2011 was £0.2 billion.

5. HMRC does not hold this information. It is not possible to isolate the cost of collecting the RBC from the costs of tax collection as a whole as the charge is routinely collected as part of HMRC's SA system.

6. Based on data from SA returns, in the tax year ending 5 April 2011 there were 116,000 nonUK domiciles, of whom 49,000 elected to be taxed on the remittance basis and 67,000 were taxed on the arising basis.

   Please be aware that these figures are based on those individuals who file a SA tax return and so does not include non-domiciled individuals who pay tax on the arising basis but do not complete a SA tax return.

If you are not happy with this reply you may request a review by writing to HMRC FOI Team, Room 1C/23, 100 Parliament Street London SWIA 2BQ or email foi.review@hmrc.gsi.gov.uk. You must request a review within 2 months of the date of this letter. It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome of an internal review, you may apply directly to the Information Commissioner for a decision. The Information Commissioner will not usually consider a case unless you have exhausted the internal review procedure provided by HMRC. He can be contacted at The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.

Yours sincerely

Sam Jacobs

Hi

I trust you are well.

Although I have not yet gained direct access to recorded data held by wealth managers, I have been able to summarise themes relating to Chinese T1 Investor Visa holders based on my conversations with wealth managers and other professional advisors. They are as follows:

- All investment firms I spoke with would like to see the minimum investment amount raised（reference being made to the 5 year T1 Investor Visa programme).
- Most investment managers default to gilts because it is generally acknowledged as a low-risk way of achieving the overarching *Indefinite Leave to Remain* objective. [A fundamental principle of modern portfolio management is that if the same goal can be reached with lower risk then that is path that should be adopted]
- The consensus is that pure equity investment is too risky given the minimum account value requirement. Whilst derivatives could be used to offset the risk which are not permitted under the current rules. Indeed, one wealth manager commented that he would have liked to have used a fund-based equity investment product with derivative protection but couldn't on two counts.The view is that increasing investment exposure to equities has to be supported by an adjustment of the rules.
- Concerns were expressed about the discrepancy between UKBA and FCA anti-Money Laundering due diligence which was confusing for clients. The latter being more burdensome in relation to source of wealth.
- Many wealthy Chinese applicants come to the UK so their children can benefit from UK private schooling and tertiary education. The T1 Investor Visa programme enables Chinese families with financial capacity to firstly address the re-settlement needs without the pressure of having to start up a UK enterprise. However, after a few years residence, there appears to be a growing trend for this group to invest in UK business opportunities. Indeed, an UK accountancy firm with a China Desk (in existence for 30 years) informed me that it had increasing numbers of T1 Investor Visa holders who are wanting to start or invest in UK businesses. On asking about the economic contribution of Chinese T1 Investor Visa clients, the firm assured me that it was considerable. Another trend is that wealthy Chinese family businesses want a commercial presence in the UK to reinforce their corporate status in China
- A major educational advisory specialist (focusing on in-bound Mainland Chinese) reported that increasing numbers of enquiries are now coming from highly-qualified Chinese post-graduates of UK universities who want to use the the T1 Investor Visa programme to give them 'the space' to structure a way forward for building their own enterprises in the UK. [It is worth noting that China has a mandatory retirement age and that significant wealth transfer will take amongst such cohorts who would

be very well-positioned to evaluate and take advantage of UK investment and business opportunities]

From my own experience with Mainland Chinese (extending over 20 years), only a minority of those who are overseas wealthy would fall into the category of passive 'long-term tourists' (even then, the next generation would likely revert to the entrepreneurial norm). The combination of a strong cultural inclination towards entrepreneurialism and the nature of the political system in China would assure substantive business generation and investment in the UK providing there is flexible access and quality intermediation. Indeed, there are numerous UK products and services wealthy Chinese could identify for export to China's growing consumer and industrial markets.

I will keep you posted.

Best wishes

Sam

Tier 1 Investor Visas: Points for Consideration

An examination of the Factor affecting the Tier 1 (Investor) Visa Portfolio

19TH October 2013

Westminster Wealth Management LLP

The development and increasing economic prominence of the world's emerging nations in recent years has bought about an explosion in the number of High Net Worth individuals with multinational business interests and personal affairs who are globally mobile. With this mobility often comes the desire to relocate to a country that meets the lifestyle requirements of the wealthy. The UK for a number of reasons, including, quality of education for both children and adults, political stability, commercial popularity, trusted legal system and property rights, has become one such location that has witnessed an influx of the wealth who wish to relocate.

With the increase in Visa applications for the United Kingdom and the ever ebbing tide of political sentiment to grant such applications, it is imperative to ensure that prospective entrants are pursuing the appropriate application route given their circumstances.

There are many different routes to Visa applications. The most expedient and most frequently successful route for High Net Worth Individuals is the Tier 1 Investor . Amir Zaidi, Head of Immigration at Westkin Associates believes: "The UK government has ensured that the Tier 1 Investor Visa program remains the quickest and easiest way of not only obtaining a visa for the United Kingdom but also for gaining permanent residency and a British Passport for High net worth individuals and their families."[i]

The Tier 1 process for "High value migrants"[19] offers a number of classifications depending on the perceived 'value' of the applicant. This can range from 'Exceptional Talent' to 'Graduate Entrepreneur'. Of the 5 categories available this paper will focus on the 'Investor' category of Tier 1 applicant as this is the route that is most often used for High Net Worth private clients.

[19] www.ukba.homeoffice.gov.uk

Tier 1 (Investor) Category

'The Tier 1 (Investor) category is for high-net-worth individuals who want to make a substantial financial investment in the UK.[20]

Designed for applicants outside of European Economic Area (EEA) or Switzerland[21] this is a points based system that bypasses a lot of the requirements that more conventional applicants are obligated to meet. Primarily applicants under this route are not required to speak the English language; neither will applicants need to show maintenance funds to prove their sustainability in the UK. For further reading please see the guidance on High-Value Migrants on the UK Border Office website.

Additional benefits include bringing dependents with you and the pursuit of settlement in the UK mean that, for High Net-Worth applicants, the Tier 1 (Investor) path is proving an ever more popular route. Although detailed in its requirements the core criteria for a Tier 1 Investor applications is a minimum investment of £1m into specified UK institutions.

> *"[The investor must] Have invested not less than £750,000 of your capital in the UK by way of UK Government bonds, share capital or loan capital in active and trading UK registered companies other than those principally engaged in property investment; and have invested the remaining balance of £1 million in the UK by the purchase of assets or by maintaining the money on deposit in a UK regulated financial institution."*[4]

'Fast Track' routes are available that will allow applicants to apply for Indefinite Leave to Remain sooner for an increased level of investment of either £5 million or £10 million. For the purposes of this paper we shall focus on the £1 million base-case scenario as this has proved to be the most popular investment level.

Investors, if wishing to apply for indefinite leave to remain, must maintain the value of their investments at a minimum £750,000 and report on this value on a quarterly basis. Should the portfolio fall in value, the applicant will have until the end of the next quarter, in which the fall in value below the threshold occurred, to 'top-up' the invested funds to the required level of £750,000. It is in our view this quarterly reporting requirement along with the requirement to ensure a minimum value at each period end, which provides the most interesting practical consideration for investors, advisors and interested parties. As such we shall focus on this throughout this paper.

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[20] http://www.ukba.homeoffice.gov.uk/visas-immigration/working/tier1/investor/

[21] http://www.ukba.homeoffice.gov.uk/visas-immigration/working/tier1/investor/

When we look at the post 2008 investment landscape we can see that the increased level of volatility in markets has made it more challenging to achieve steady rates of real return. Simon Tabb, Investment Director at Investec Asset Management describes markets as 'have [ing] now moved into more volatile cycles than we have traditionally seen'[ii]

The increasing correlation between different elements of the market and the widespread belief that we have entered a period of increased volatility has resulted in capital preservation, a fundamental requirement of the Tier 1 (Investor) application, becoming ever more 'in vogue' within the investment industry.

This paper aims to look at the conflicts that occur through this application process as the need to invest meets the need to preserve capital against the back drop of volatile markets and inflation.

We will also explore the further issues that occur as a result of the restrictions that are placed on investors seeking to qualify for a Tier 1 application. It is not the scope of this paper to comment on the suitability or correctness of the permissible investments, but to highlight issues that occur as a result of them and emphasise the factors that should be taken into consideration when pursing a Tier 1 application.

- This paper aims to review the impact that Capital Preservation has on investment decisions
- The impact that these decisions then have on portfolio values
- Less popular alternatives that are available
- How a thorough understanding of client's knowledge and needs in the context of a Tier 1 application will allow for optimum portfolio performance.

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Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance 07/13, Sec. 11

Capital Preservation

The qualification criteria for a Tier 1 investor application state that 75% of the funds that are to be invested, need to be made into qualifying investments.

"58. We specify the type of investment we consider, so that money is invested in ways that help to stimulate growth in the UK as directly as possible. You must have invested not less than £750,000 of your capital in the UK by way of UK Government bonds, share capital or loan capital in active and trading companies that are registered in the UK. You may include investment held in foreign currencies."[22]

All of the qualifying investments are UK centric, in that they in some way involve investment into a UK institution or company and they all carry and element of investment risk. In this reference I refer to risk as market risk, although it is accepted that there are other forms of risk that the aforementioned qualifying investments are exposed to, however we will discuss other types of risk throughout this paper.

It can reasonably be seen that when mandated to take a level of risk to achieve a specific outcome ceteris paribus a level headed investor will take the minimal level of risk to achieve a set outcome. The investment managers surveyed confirmed that in around over 75% of Tier 1 applicants the investor chooses to make use of a low risk portfolio such as 100% Gilt holdings.

"If the value of your investments is reduced by fluctuations in share prices, it must be corrected by the next reporting period, so that the overall value of these investments is maintained throughout your leave."[23]

Above, it is clearly stated that should a portfolio fall below the 75% (£750,000 in the majority of cases) the applicant will have to invest further capital to 'top-up' the portfolio to the required level. This will therefore mean that in order to meet the investment criteria, an applicant is forced to put extra capital into an investment that they are aware that has just fallen in value.

It is traditionally viewed that the more cautious the investor, the less palatable they will find any fall in value, which is often why the most cautious of investors are only willing to accept the lowest forms of investment risk. Consequently cautious investors are more likely to react the most severely to any downside shocks; often choosing to withdraw some or all of their capital from the falling asset for fear of further downside. Whilst a conventional approach, this is not a tactic that is available to a Tier 1 investor who has to maintain a minimum portfolio balance to meet the application criteria.

At the other end of the market is the most risky investor or the Adventurous investor. For this investor, it is the appreciation of capital that is their primary concern. They are aware that they may lose some or all of their capital (and in the most the risky,

[22] Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance, Sec. 58 07/2013
[23] Home Office: Tier 1 (Investor) of the Points Based System – Policy Guidance, Sec. 66 07/2013

leveraged based examples they may lose significantly more than their initial capital). They again may react severely to any downside shock in the market, but in the other direction. The most adventurous of investors may see a fall in an asset price as a buying opportunity believing that the asset is undervalued and therefore worth buying whilst it is cheap, before it again rises in value. This approach is known as ‘doubling-down’, a term loosely taken from the card game Black Jack, meaning to increase your stake in a set game.

As seen above, should the portfolio fall in value the applicant must then top up the portfolio to make sure it meets the minimum threshold level. This top up, of course, must go into qualifying investments, therefore meaning that the applicant must either purchase the asset that has fallen in value or purchase an alternative asset. In the case of the original holdings being in Gilts this would therefore mean that the applicant would need to purchase an asset that they know has fallen in value and therefore accept that it may fall further in value; causing an even greater loss to capital Alternatively they will be forced to purchase a higher risk asset class.

Consequently our cautious Tier 1 applicant who is most concerned with capital preservation is faced with adopting the investment strategy of the most speculative investor, doubling-down on his holdings in the event of a market shock, or acting with even less ‘perceived’ reason and picking a traditionally more risky asset class as an alternative. As a result an accountant’s view to the cost of negative performance in a portfolio is not just that the cost of loss but double that; as capital equivalent to the loss is then re-injected into the portfolio, which will have to come from the applicant’s assets base external to this investment.

Neither option seems a suitable reaction for a cautious investor, but over the 3 month window within which they must address the correction these are the options available.

This is one of the crucial factors in the construction of a Tier 1 portfolio and one that may detract investors from equity based investments.

<u>Gilt Investment through Tier 1 applications:</u>

One the key restrictions on the Tier 1 investor visa is the range of qualifying investments; it must be assumed that these restrictions are there for good reason. It is simple to see from the range of permissible investments that the aim is to encourage investment into the UK economy. It is not within the parameters of this paper to explain the benefits of investment in an economy and the positive impact that occurs as a result. However for this policy to be efficient, the allocation of capital must be done so in a fashion that will be effective and meaningful given the type and level of investments. There is no point in placing a restriction on the investments if those restrictions do not achieve the desired results or the level of capital that is directed to a particular asset class is insignificant in comparison the level of capital that is already invested in the sector.

We have seen the reason why the vast majority of applicants who make use of the Tier 1 (Investor) Visa do so with a cautious approach to investment risk. This often means that the portfolio recommended by investment managers will consist largely of Gilts of varying duration. For example HSBC state their lowest risk Tier 1 portfolio as '100% UK Government Gilts'[24]. The next 'traditional' asset up the risk spectrum that is allowable would be Corporate Debt. Despite the apparent size of the institutions that issue debt, such as Tesco plc. BskyB and Barclays Bank; the perceived level of risk is considered to be significantly higher. This leads to some investment managers being unwilling to use Corporate Bonds as the back bone of the more cautious investment profiles.

Gilts are an approved assets class (for Tier 1 Investors) meaning that policy makers must feel they represent a suitable for vehicle for investment into the UK economy. There is no doubting that the purchase of Gilts by an overseas investor can be seen as an investment into the British economy and moreover the British Government, but is this an investment that is needed and will it have the positive impact on the economy that is desired?

Anyone familiar with microeconomic theory or the work of John Locke[25] will follow: that an increase in demand for Gilts will, ceteris paribus, increase the price. This will have a knock on wealth effect for those who already hold Gilts in their portfolio, which would include a significant majority of both institutional and retails investors. Further knock on effects include price stability, as a result of constant demand, which will act as a market indicator for a strong a buoyant economy

Of those surveyed the vast majority felt that most Tier 1 investors made use of a cautious portfolio when making their qualifying investment; we shall come one to see that capital preservation is a key motivator for clients during this process. If a significant number of Tier 1portfolios consist entirely or significantly of Gilts within

[24] HSBC: HSBC Wealth Specialist Service – Investor Visa Service 07/13

[25] John Locke: Some considerations of the Consequences of Lowering Interest Raising the Value of Money (1691)

their most cautious portfolios; logic would suggest that the Gilt market receives the largest allocation of Tier 1 investor capital.

With c. 530 applications approved last year and the majority of applicants looking to make use of the more cautious investment approach, according to those investment managers surveyed; it is not unreasonable to assume that somewhere between £300m and £500m was invested into the UK Gilt market in the past year through Tier 1 Visa applications.

When taken in comparison the size of the Gilt market, which currently stands at £967.6 billion[26]. It can be seen that these extra investments will create an almost minimal impact on the market and will do little to affect long run prices.

A further examination of the net flows in the Gilt market highlights one of the largest current investors in this space is the UK government. The policy of Quantitative Easing that has been undertaken since late 2008 has seen the UK government purchase over £370 billion of Gilts[27] from banks. This equates to an average of £74bn per annum of Gilt purchases since the policy began; over 150x the level of investment that has been made by Tier 1 applicants. At this level of investment one could be forgiven for asking whether the Government needs Tier 1 investment into Gilts, with it representing such a small element of the overall Gilt market.

Would the allocation of Tier 1 capital not be better served investing into other aspects of the UK economy that do not receive such weighty stimulus packages? As markets are all too aware the stimulus package will of course come to an end, at which point the Gilt market will no longer be propped up by the UK government and the added inflows of Tier 1 capital maybe more greatly needed.

However as the policy has been running for 5 years and at present markets feel has another 12 months to run on it; one can question whether Gilts really offer the safe haven for Tier 1 capital that the inflows suggest, or whether it is merely a case of the being the best of a bad bunch.

The goal of capital preservation could be seen as much of a legal requirement for Tier 1 investors as a desire. However there is a risk that this may be achieved at the expense of a ‘real’ rate of return.

By many it is seen as the bare minimum of investing that one has the same purchasing power after 5 years as the day that one started. Any return that is

[26] United Kingdom, Debt Management Office: The size of the Gilt Market 19/10/2013
[27] This is Money, www.thisismoney.co.uk: Cheap Gilts Losing Edge, Sam Dunn, 14/06/2013

achieved above inflation is therefore the 'real' return and will lead to capital appreciation.

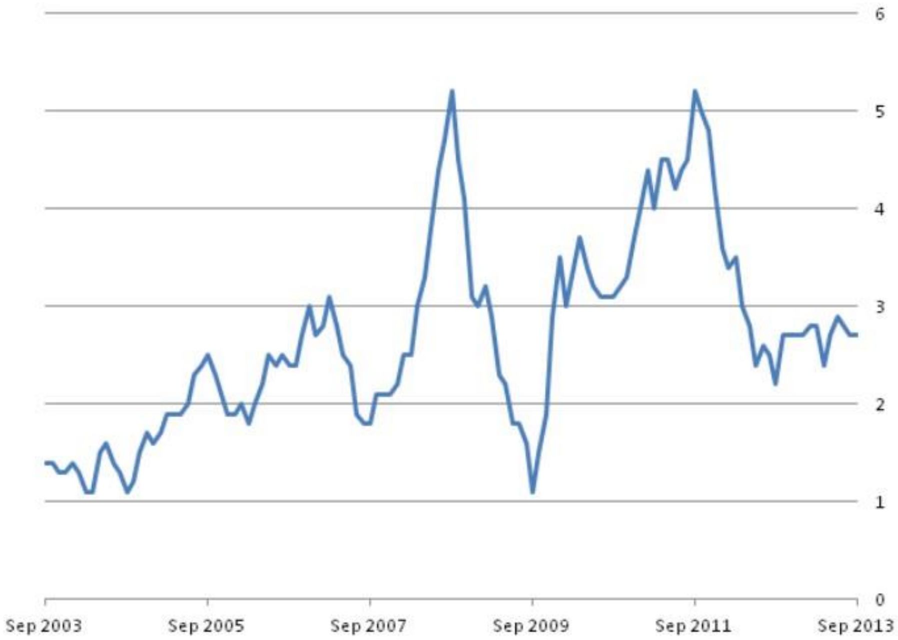
This level of return should be considered when looking at the portfolio of the Tier 1 investor. It would be naïve to assume that the capital that makes up the portfolio would not have been invested elsewhere during this time frame. Therefore a prudent investor should aim to minimise the opportunity cost of forgoing alternative investment options, particularly where capital has derived from nations where the rate of interest that could be achieved on deposits is significantly higher than it is in the UK.

However a Tier 1 investor, by the nature of their application will have future exposure to the cost of living in the UK. Therefore any measure of a real rate of growth must be benchmarked against the rate of inflation in the UK rather than that of the applicant's home nation.

Figures published by the Office for Nation Statistics[28] show that their leading measure of inflation for the UK, the Consumer Price Index (CPI) puts inflation in July 2013 at 2.8 – 2.9% p.a. down from highs in 2011 of over 5%. Although on a relative low to recent years this rate of inflation hampers investors seeking a positive real return whilst minimising risks.

UK Consumer Price Index percentage change over 10 years[29]

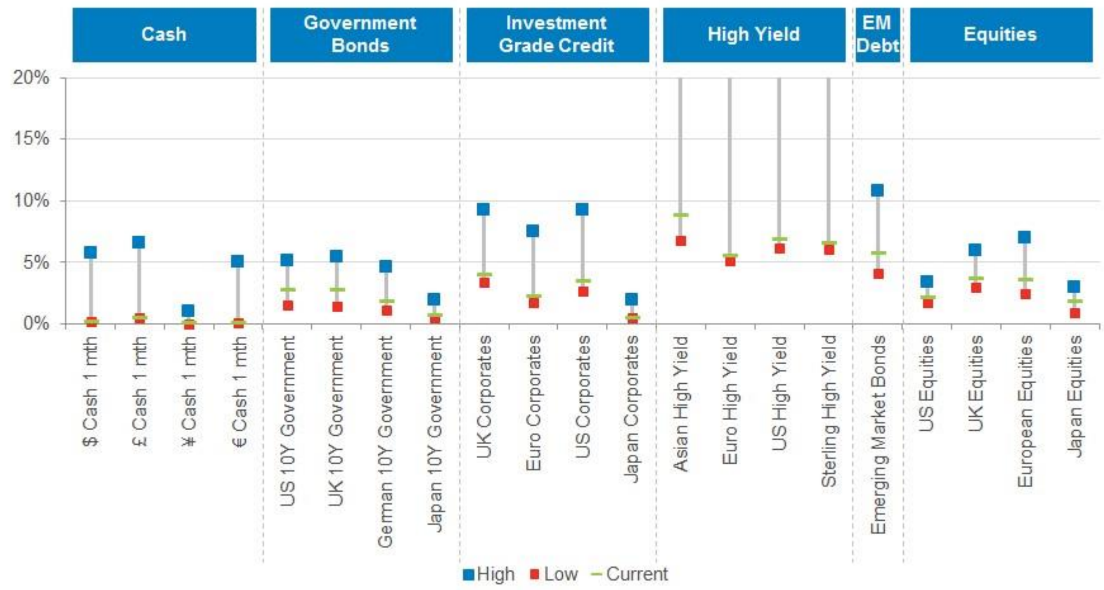
[28] Office for National Statistics: Growth in Inflation Steady in September 2013: 15/10/2013
[29] Office for National Statistics: Growth in Inflation Steady in September 2013: 15/10/2013



Current Gilts yields (the level of coupon received in relation to price paid) vary on the length of time until maturity, with longer duration Gilts offering a higher coupon in compensation for the length of time they will be held, due to greater uncertainty and opportunity cost.

With the price of Gilts inflated through the increased demand from the Governments stimulus package, yields are forced down, thus offering artificially low rates of return. This summer, 2 year Gilt yields stood at c.0.46%, 5 year at c.1.53% and 10 year atc. 2.71%[30]. It is not difficult to see therefore that holding any of the above in a portfolio would only act to provide a negative real return on an investment, before charges are imposed by a portfolio manager. It also assumes that the price at the time of redemption has remained unchanged; a factor which is unlikely to be the case if the current stimulus package has come to the end and the artificially high level of demand has been withdrawn from the market.

[30] Bloomberg: www.bloomberg.com; Market Data/ Rates & Bonds/ UK Gilts. 19/10/2013



Source: Datastream, BofA Merrill Lynch Bond Indices - Redemption Yields, MSCI Equity Indices – Dividend Yields (31 December 2004 to 30 August 2013, Japan Corporates from 30 September 2005).

The chart above illustrates that it is not just Gilts that have seen suppression in their yields. With significant increases in asset prices, yields across the board have reduced.

This means that other UK based alternatives to Gilts have seen their yields compressed therefore creating similar issues in relation to generating a real rate of return, it is however appreciated that the extent to which this is the case varies across the various assets classes.

If a Tier 1 investor is cautious in their investment approach and concerned by the loss of their capital, then surely an investment that is highly likely to produce negative ‘real’ returns would be the last place that an investor would look?

This negative real return, would on paper detract investors from this asset class and force them to consider alternative options. With the constraints imposed on Tier 1 investors this would leave relatively few options, Corporate Bonds or UK equity are the most commonly used alternatives. One could argue that the Government’s policy of Quantitative Easing has acted to encourage Tier 1 investment into the less popular, but more beneficial parts of the UK economy. By making the traditional ‘cautious’ asset classes unappealing to a Tier 1 investor they are forced, in the search of a positive return, to look to more risky assets classes; a trend that is occurring throughout the global investment market place. One could therefore commend George Osborne for a job well done, subtly forcing the hand of the Tier 1 investor towards a more ‘direct’ UK investment. However if we are realistic, Chancellor Osborne is slightly more preoccupied with forcing markets rather than Tier 1 hands.

The results of State intervention will be felt even more severely by the Gilt holder further down the line. With interest rates at a record low and inflation believed to be the inevitable aftermath of Quantitative Easing, the Monetary Policy Committee will at some point deem it necessary to raise interest rates to curb inflationary pressure. A rise in interest rates will therefore make Gilts a less attractive investment, as their rate of return will no longer be as competitive. This will therefore cause their price to fall.

"The current duration on the UK Gilt index is 9, which means a 1% increase in interest rates will mean the index will fall 9%. So a traditionally low risk asset class can provide a loss to the investor just by a slight increase in interest rates."[31]
This would mean a £67,500 drop for our Tier 1 investor, a hole which would then have to be filled by 'topping up'. It is of course worth noting that as the price falls the yield will therefore increase, therefore increasing the chance of a real rate of return.

If we know that at some point interest rates will rise and that this rise will have a negative impact on a Gilt Portfolio The Tier 1 investor who is using Gilts for their perceived cautious nature is having to accept that they will deliver a negative real rate of return and will run the risk of a downside shock should interest rates rise.

Does this therefore mean that they do not care about the value of their capital, an opinion that is often adopted by the jealous or the ill-educated, or is it more likely that there are other influences in the mind of the Tier 1 investor which sway them away from riskier asset classes?

The cautious investor is typically classified as being most concerned with the preservation of capital, it is the risk of value of their capital being reduced that shapes their investment decisions. Certain elements of this are true with all investors; however others are more focused with the opportunity to make money than the risk of losing it.

Although the downside to holding Gilts is the potential of a negative 'real return'. This may not be sufficiently harmful to the Tier 1 investor's position when compared to the perceived alternatives, which in this case are traditionally viewed as Corporate bond and Equities. Asset classes that are traditionally viewed as more volatile than Gilts, whilst also providing the potential for a positive real return. However it is this volatility that, for a 'normal' investor would be ridden out over an extended time horizon, is

[31] Interview: Volatility of Gilts, Jonathan Day, Co-Fund Manager BNY Mellon Global Bond Fund, Bank of New York Mellon, 19/10/2013

forcing the Tier 1 investor to throw further capital into the pot, and therefore tying up a greater proportion of their asset base in the Tier 1 application process.

It could therefore be argued that a Tier 1 investor will presently select a Gilt portfolio, not through a lack of understanding or interest in a negative 'real return', but purely as a selection of 'the lesser of two evils'.

The 4th Class

With a seeming lack of choice present amongst the qualifying asset classes of Gilts, Corporate Bonds and Equities one should remember that a fourth less explored qualifying investment are unlisted UK registered trading companies.

Although some Tier 1 investors do make use of this avenue through personal interest or business connections; it is often the volatility in this area that detracts investment from this avenue. With unlisted companies traditionally being smaller than their main exchange listed counterparts, they are often more susceptible to market shocks and therefore suffer more volatile movements in share price, which as we have seen earlier is not something that a Tier 1 applicant is able to ride out.

There are however, qualifying UK registered trading companies that do exist and whose aim is to tackle this very problem. The issues that face Tier 1 investors are not held by themselves alone. For a number of years those facing significant Inheritance Tax bills have turned to low volatility, qualifying companies to invest in, which will provide relief from IHT whilst at the same time providing a steady 'real' rate of return.

With the ever increasing demand from the Tier 1 space a smaller number of qualifying companies have now emerged specifically designed the cater for the Tier 1 applicants investment portfolio. These companies, whose revenue sources are generated from qualifying industries and are sufficiently removed from non-qualifying industries such as property, have arisen as an alternative to traditional assets classes.

Exclusion Criteria for Registered Trading Companies under the Tier 1 (Investor) Program

- business or company is engaged wholly or mainly in dealing in securities, stocks or shares, land or buildings, or in making or holding investments
- business is not carried on for gain
- business is subject to a contract for sale, unless that sale is to a company which will carry on the business, and the sale is made wholly or mainly in consideration of shares in the company buying the business

- shares in the company are subject to a contract for sale or the company is being wound up, unless the sale or winding up is part of a reconstruction or amalgamation to enable the business of the company to be carried on

These companies offer well diversified business models that allow for predictable income streams through qualifying trades. They are specifically designed for Tier 1 investment, therefore providing peace of mind that the returns from the company will remain qualifying. Traditional IHT based models have made use of forestry, ticketing and debt funding to provide these stable income streams, all predictable business models with limited variables and defined outcomes.

Companies operating in the Tier 1 space have chosen similar tactics in sourcing their revenue, allowing them to deliver linear-like returns to investors. Although modest, many have successfully achieved a revenue stream net of fees that is above inflation. This therefore allows for a positive 'real' return that is generated on a predictable basis, from a diversified income stream.

One could therefore argue that this would present a perfect compromise between Gilts and Equities, offering a positive 'real' return whilst at the same time displaying significantly lower volatility than capital markets. However one should consider all angles when examining asset classes. Many investments that offer linear returns, may by the nature of their construction, fail to offer the same flexibility in their return profile. They may be slow in responding to external factors such as changes in interest rates. This may mean that any sudden change in market conditions will lead to the return profile no longer being positive in real terms. However this, it can be seen, is the problem with a number of real asset classes and therefore it is often the liquidity of these that helps determine the price.

An appropriately diversified and flexible investment solution that makes use of UK registered trading companies, may act well to diversify a client's portfolio away from a significant concentration in one asset class.

It is worth noting that as previously discussed the impact of QE may be an increase the in the rate of inflation and therefore this may act to reduce the attractiveness of nearly all 'fixed interest' asset classes as the level of return that is perceived as 'real' is reduced further. With inflation at its current level of 2.9%[15] sourcing the appropriate investment is key to a positive portfolio that will, minimise volatility whilst still meeting the qualification criteria.

These external influences and qualification rules mean that the otherwise simple investment decision is skewed. It is only through the appreciation of factors that affect an investment, can an appropriate investment recommendation be made.

The need to know clients.

As we have seen, with a number of investment options each displaying their own characteristics, it is necessary for a Tier 1 applicant to have a comprehensive understanding of the options and the possible outcomes that are available to allow for a fully informed decision to be made.

With any retail investor; the range of knowledge and experience varies enormously from case to case and even those who are at the top of their industry may not have had the necessary exposure to financials markets to make educated decisions. Whereas others maybe so deeply entrenched into one aspect of the financial system that, although fully able to comprehend the various assets, may not fully understand the choice and diversity that is available; as well as the interplay between them.

Further to this, those applicants who do have previous investment experience may only have done so when aiming for specific objectives, such as retirement planning, which has such an extended time horizon that the issues of volatility and risk are diluted. Consequently the need to fully educate the applicant first on the qualification criteria, secondly on the measures of compliance to these criteria and the consequences of not meeting them and finally on the asset classes that are available to achieve these outcomes.

Only when an applicant has fully understood each option in terms of its return profile, volatility and risk profile; including the interplay between them, can they decide how they would like to construct a

portfolio. Even with this understanding an applicant may still not be fully comfortable with deciding on the level of risk that they are willing to take, especially when the investment has specific criteria that it is aiming to achieve.

The investment industry often aims to ‘tease out’ a client’s thoughts on this subject, by asking a series of questions that will produce both qualitative and quantitative data, to help ascertain a client’s attitude to risk. However these questionnaires can often be brief in their design and often one questionnaire is applied to a broad range of investment vehicles or investment goals.

An anecdotal example would focus on a client’s tolerance for loss, asking:

‘At what level of loss would you start to become concerned about the performance of an investment?’ Citing answers: a) 0%-5%, b) 5-10%, c) 10-15%, d) 15-20%, e) 20% +.

Any of these answers, depending on the investor, would be acceptable with the naturally more adventurous investor being able to ‘stomach’ a larger loss in the hope that there will be an eventually greater appreciation in value.

Crucially though it is exactly this sort of question that is obsolete in relation to a Tier 1 applicant. As we know, any reduction in value below the initial investment would instantly cause a problem and therefore require action. This concern, as previously discussed, is a function of the investment criteria rather than the applicants overall tolerance for risk. Such questions therefore, in an attempt to ‘tease out’ the applicants view on investment risk, may lead a client to take a higher level of investment risk within their investment visa assets than they would otherwise be comfortable with. As they may then, not be willing to ‘double-down’ on the investment that has fallen in value.

The reluctance to 'double- down' on an investment therefore may lead to an applicant risking or even in-validating their application. Fully aware of this, the applicant will have no choice but to go against their investment style or beliefs to achieve their application.

If at the outset an appropriate and bespoke approach to understanding an applicant’s wants, needs and attitude to investment purely in the context of an Investor Visa is taken; then appropriate asset allocation may be achieved in a much more coherent and transparent fashion.

Such a discussion will most effectively be carried out through the use of relevant examples. The relevancy of each example will, of course, be dependent on a specific applicant’s circumstances; however a generic framework of discussion points will help facilitate this.

For example if a client is only willing to take the bare minimum level of risk, and this was to be achieved in the traditional market view - through the use of short dated Gilts offering a low level of volatility. Then a client as we have seen may well be facing a negative rate of 'real' return. Given that nearly all Gilts are currently trading at above 'par' (the value of capital that will be returned at the end of the term) an initial loss is inevitable, combined with a yield that is lower than inflation will mean that 'real' losses will mount up.

Should the forecast real loss over the 5year term be in the region to 3% then this starts to become significant levels of real capital. In a discussion on this area an adviser would be well served to point out that given current market conditions by making use of the lower risk portfolio the applicant is guaranteeing a negative real return. Confirmation by the applicant of such statements as:

"I would to take the lowest risk possible even if this will result in a meaningful loss to my capital in real terms, given current market conditions."

Whilst I appreciate it is often impractical to construct questions and statement for applicants in such stark terms. Educating them to understand the pecuniary costs involved is crucial to allowing them to make an educated investment decision.

It would likewise be worthwhile to discuss volatility in terms of the client's affordability and their ability to make the required 'top-ups' to their portfolio. Should they be willing to make use of more volatile investment choices; an explanation in terms of the amount of capital that they may need to add to a portfolio should it suffer a market shock would help to manage expectations.

Whilst the window for correcting falls in portfolio values is significant, there still may be the need to add further capital to 'top-up' funds. Outlining that, should a portfolio fall in value by 6%, an applicant would need to add a further £45,000, to their portfolio to keep their application on track.

Given the affluent nature of applicants, this cost may not be a significant problem; however it is important to ensure that they both understand the risks and the consequences of volatility and prepare with spare capital for that possibility.

Conclusion

The Tier 1 (Investor) Visa process demonstrates the impact of external controls on an investment portfolio. The interplay between the limited investment selection and the maintenance of capital value means that real asset growth can be the casualty.

- We have seen that the adoption of a simple low risk portfolio may cause a negative real return. If this return profile is assured at the outset, can we really call this 'investing'? Are the needs of the client really being met?
- A traditional Tier 1 investor is concerned with meeting the application requirements, they are aware of the downside risk under these rules and therefore the funds invested can be seen as 'Cautious Capital' that is often allocated to Gilt portfolios.
- The 'topping-up' rule under the Tier 1 investor application, forces the hand of the investor to tie up further capital into a portfolio that they know to have fallen in value, in effect, doubling-down; an investment characteristic of the most

risky investor and not that of the traditional cautious investment profile of the Tier 1 investor.

- Gilt portfolios unless very long-dated are failing to deliver a real rate of return given current inflation rates, this therefore means that the ‘Cautious Capital’ is accepting a fall in its real value over the term of the investment.
- The prevailing threat of a rise in interest rates will eventually result in a drop in the price of Gilts forcing the applicant to ‘top-up’ under the Tier 1 investor rules. This will however increase the yield of the Gilts that are held in the portfolio.
- The consideration of *all* asset classes in the construction of a Tier 1 portfolio will increase the potential for a positive real rate of return whilst at the same time limiting the level of volatility and the need the ‘double-down’
- There is a real need to educate the applicant in all aspects of the Tier 1 investor options, as well as the consequences and potential costs of these portfolios.

The aim of an investment portfolio should be to achieve positive real returns. If this can be achieved through a better use of all asset classes that are available, tailored to the individual investment needs of the applicant given the nature of the portfolio; ‘real’ rather than ‘administrative’ value is also achieved from the investor’s portfolio.

Understanding the aims and needs of the portfolio in relation to the client’s objective will help to define the characteristics of the assets classes used. Combined this with an understanding of the clients investment knowledge and attitude to risk will help ensure that the portfolio meets the expectations of the client. It will also help to identify gaps in either knowledge or expectations of the client and therefore allow for these to be catered for or corrected.

High Net Worth investors require bespoke solutions to their needs in every aspect of their financial life; the process for building a suitable investment portfolio is not a simple one, however a comprehensive approach to both understanding the client and the investment instruments that are available will ensure that the optimum portfolio is constructed and executed.

i th

Speechly Bircham

By Email

Date	Our ref
29 November 2013	/RCAREY

Dear Sir/Madam

MAC Call for Evidence on the Tier 1 (Investor) route

We write to set out this firm's response to the MAC's call for evidence in relation to the Tier 1 (investor) route.

We are a full-service law firm, headquartered in London with offices in Zurich, Geneva, Paris and Luxembourg. We specialise in the Financial Services, Private Wealth, Real Estate & Construction and Technology sectors.

We have a specialist Immigration department, led by partner Rose Carey. Ms Carey's contact details are provided at the end of this letter. Our Immigration team has extensive experience of the Tier 1 (investor) route as a large percentage of the firm's clients are high net worth and ultra-high net worth individuals. Many of our clients are resident non doms and have used the Tier 1

(Investor) route to reside in the UK.

Net economic benefits to the UK Of the Tier 1 (Investor) route

In our experience most investors will invest in gilts with some equities (shares in UK companies). Most investors also invest the full El million with a buffer of around EIOO,OOO.

Our clients often ask about collective investments, property development investments and investments into UK companies that are not listed. However, when we discuss the way they would evidence the investment and the need to maintain the investment they find it too complicated and usually instruct their wealth manager to make more traditional types of investments which invariably results in investments either completely or significantly (at least 75%) in gilts.

The investors we see are generally families where the children are under 18 and attending a private school in the UK. They buy a property in or around London for the family to reside in. The wife will become the main applicant because she can meet the residency requirements for indefinite leave to remain which the husband finds difficult as he has to travel due to his overseas businesses. They often employ local domestic staff such as maids and chauffeurs. They also instruct the firm in a variety of matters e.g. immigration, tax, property, trusts and other private client matters and sometimes our family team if there are marital problems. They have other professional advisers such as accountants and wealth managers.

They often mention various restaurants and high end bars that they visit with their friends. Their children are at some of the most expensive schools in the country and intend to go to university in the UK. They spent a lot of time shopping at high end stores. They also attend private medical hospitals and some maintain their private jets in the UK.

A lot of our investor clients made their money in the last 15- 20 years. They are entrepreneurial and do not seem put off by the risk Of investments if they think there is a chance for them to make a good return - this is something of a gamble but these clients often made their wealth by undertaking a risky business venture.

The other type of investor we are starting to see more of is the next generation of wealthy clients the children of the self-made investors. They are usually at a UK university or graduating from a UK university. They want to stay on in the UK but there are few immigration routes available and they are using the investor route. Their parents will gift them the funds to use for the investor visa-

This younger generation of investors are more entrepreneurial and some have businesses that they want to grow but choose the investor route because it seems easier than the entrepreneur route which requires a lot of evidence at the extension stage. The high refusal rate often puts clients off the entrepreneur route. The Home Office informed us at a meeting we were at in the Spring held at ILPA that in December 2012 the refusal rate was 80% for in-country Tier 1 (Entrepreneur) applications. We have had a lot of success recently challenging refusals of these applications in the tribunal. The Home Office refused many applicants for minor errors such as the bank putting their regulation details in the letterhead of their supporting letter confirming funds rather than stating in the letter these were their regulation details. Clients often apply on their own without representation. The Home Office guidance is confusing änd it is easy for the applicant to forget a document or not realise what is required. Caseworkers are also applying the genuine test in relation to business intentions and using it to assess business viability which they are not qualified to do.

Changes to the financial threshold

Given the competition in Europe with the new Malta investor programme and that Spain is now thinking of a similar programme to Malta (they already have an investor programme that allows for investment in real estate but it does not result in a Spanish passport for 5 years) this may deter investors from using this route in the UK.

Ultimately they may use another country's programme to enter the UK. For example if they obtained a Maltese passport they could use this to come to the UK with their non EEA family members. This would be detrimental for the UK as the money that could be placed in UK investments that generate revenue for the UK would be lost. If the children also obtain Maltese nationality and are resident in the UK they could be classed as home students for the purposes of university fees.

We think raising the investment level may put off more entrepreneurial clients especially where those investments are not generating much profit for them and are in products that could lose money rather than generate a return. If the investment minimum is raised then there needs to be more flexibility on the type of investments so the investor sees a better return or at least the chance of a better retum.

We find a lot of our clients are interested in the accelerated routes to ILR under the investor programme but are put off when they realise that only the main applicant can benefit. Most of our investor clients have asked about the accelerated routes but to date none have invested the higher amounts. This is usually because the husband is calling the shots and he is the dependant due to the residency requirements.

We think that there would be greater take up of the higher investments if the whole family could benefit from the accelerated settlement. We understand the Home Office's position that this disadvantages applicants under Appendix FM but the accelerated settlement is on the basis of the substantial investment.

Recommendations

Keep the minimum investment at El million.

- Allow dependants to benefit from accelerated settlement.

- Encourage investment in UK business with job creation e.g. with reduced residency periods or accelerated settlement.

- Allow investors to spend more time outside the UK if they invest more.

- Allow children over the age of 18 and parents of investors to become dependants for a higher investment - maybe a super investor category.

- Assign a dedicated caseworker to a super investor.

- Bring the residency requirements for naturalisation as a British citizen in line with the requirements for ILR (at the moment there is discretion but greater ties and length of residence is required to offset the absences over 730 days in the 5 year period). Absences should be allowed up to 900 days in the 5 year residency period in line with the requirements for ILR.

If you would like further information or have any questions please contact Rose Carey Of this office on 020 7427 6524 or by email to rose.carey@speechlys.com or her colleague Katherine Dennis on 020 7427 6738 or by email to Katherine.Dennis@speechlys.com

Yours faithfully

peechly Bircham LLP
s
Speechly Bircham LLP

Invest UK

2nd December 2013

Our Ref: IUK/MAC1

Professor Sir David Metcalf CBE

Chairman

Migration Advisory Commission

Dear Sir David,

Proposed Creation of an Infrastructure Bond solution for the Tier 1 (Investor) Route

Further to our presentation to the Migration Advisory Committee ('MAC') on 22nd November, I am pleased to set out below our proposed indicative terms for Municipal Infrastructure Bonds ('MIBs'), targeted at the Tier 1 Investor. This is a preliminary proposal and there is a great deal of detail to be added, but I hope provides a sufficient level of detail to assist with your report.

1. About InvestUK:	InvestUK is a private company established in 2011 to provide advisory services to suitably qualified individuals, on investments in the UK that meet UKBA requirements for Tier 1 Visa applications. The company works with OISC and/or SRA regulated partners for the provision of immigration advisory services to its clients, and is FCA regulated as an Authorised Representative of Anglo-Sino Capital Partners Limited (441872). InvestUK's directors have extensive experience in private equity investing and up to now have been principally focused on assisting clients with investments under the Tier

1 (Entrepreneur) Route. The company has built up a robust network of relationships that act as a conduit between private clients seeking immigration via investment,

InvestUK Limited

and now has secured excellent distribution channels particularly in Hong Kong, mainland China, Russia and CIS countries.

The company has recently seen considerable interest in investment

services for Tier 1 (Investor) clients and has responded to this market

demand. InvestUK's offering now consists of:

a) Advisory services for Tier 1 Entrepreneurs wishing to establish their own business in the UK, including assistance with market

intelligence, business planning, company formation and corporate governance;

b) Investment services for Tier 1 Entrepreneurs wishing to invest

in an existing company including investment target assessment and profiling, terms negotiation, due diligence

and deal completion process management;

c) Strategic services for Tier 1 Investors wishing to secure an alternative, private equity and/or enterprise led investment strategy to qualify for their visa.

This proposal is based on category c) Strategic Services.

National and Local government policy recognizes the importance of **2. Investment Rationale:** infrastructure projects to drive economic growth and social regeneration.

Infrastructure projects are a readily understood asset class by international investors, which is an important criteria when potential investors are private individuals and not with English as a first language. These projects are perceived as providing the long term security, stability and returns that is normally only available to Sovereign Funds and Institutions. For example, see the commentary in today's Financial Times on this subject - http://www.ft.com/cms/s/0/eff0aac8-5909-11e3-9798-00144feabdc0.html?siteedition=uk#axzz2mJ8gF95K .

MIBs represent an opportunity to open access to international private investors and thereby direct much needed investment away from passive/ineffective asset classes and into active/enterprise based infrastructure projects.

Current national projects including HS2 and Hinkley Point Power

Station require too much capital for MIBs to make a viable impact.

MIBs could however have an important impact on regional projects

such as the Nine Elms Vauxhall Partnership in London, and the Mersey Waters Enterprise development zone in Liverpool.

3. Available Capital:

MAC figures show that in four quarters to 2013 Q2, 530 Tier 1

(Investor) main applicant entry visas were issued. We use the

4. Benefits & Risks: following assumptions:

- 730 successful applications will be made in 2014/15, an increase annual increase of ~15% on 2012/13;
- 85% are minimum qualifying investments of £1million, 10% of £5million and 5% of £10million – a gross total of £1.350billion, an increase from £980million in 2012/13;
- 75% of qualifying investment is currently held in passive/ineffective assets, eg: Gilts and is therefore relevant to MIBs, the balance being held in cash, property or alternative assets.

Based on these assumptions the addressable pool of capital for MIBs is currently £735million but will increase to £1.12billion by 2013/14. This pool of capital could be further increased by:

a) Incentivizing Tier 1 (Investors) to adopt Accelerated routes, ie: increase their investment to £5 or £10million;
b) Increasing the minimum qualifying investment amount from £1 to £2million to be more closely aligned to competitors (eg Australia/USA);
c) Creating a product that was sufficiently commercially competitive to attract domestic and international capital that is unrelated to visa applications.

A bond is essentially a loan made to a company or a government body. The lender and the borrower enter into an agreement under which the lender will receive periodic interest payments and ultimately will get back the amount lent (the principal). What makes a bond different from loans is that it is a security that can be bought and sold and thus has a market value that fluctuates.

The affluent Tier 1 Investor will own MIBs directly. They would receive interest payments are transmitted electronically to the bank account of the holder of record.

The par value of a bond is an amount (such as £1000) to which other references to value such as principal repayment and interest payment amounts refer. Typically a bond will be issued at or very close to its par value and will repay at its par value at maturity.

Bond prices are quoted in two parts—the Bid and the Offer. The difference is the market spread. The size of the spread reflects the bond's liquidity; i.e., the ease and cost of trading it. A narrow spread reflects high demand and low risk, meaning that the dealer could resell it without difficulty. MIBs are expected to be relatively low risk thus the market spread will be driven more by how frequently they trade.

The term redemption yield is used to refer to the rate of return on a bond. This will vary from the coupon rate once a bond starts trading in the secondary market as it may trade at a price that differs from the par value. Since the MIB would likely have a fixed coupon interest rate if the bond trades below par then the redemption yield will be higher than the coupon (since the buyer not only gets the fixed amount of interest on a lower investment but also a capital gain upon maturity) or lower if the bond trades above par. Bond prices are generally set

by the required redemption yield which changes based on interest

rate changes (i.e. changes in government bond yields) and the

perceived riskiness of the bond.

The fundamental principle is that interest rates and bond prices move

in opposite directions, with the degree of movement being greater in

bonds of longer maturity.

Most bonds have call provisions, which allow the issuer to retire all or a portion of the bond issue before the stated maturity date at a set

price, sometimes above par. We expect that this will not be possible

for the MIB within the first 5 years.

5. MIB Structure

The MIB Issuance would be targeted at £250million in the first year

being 2013/14 ie to capture 25% of the available Tier 1 investment pool.

The basis would be a Primary Issue of £50million that would set the parameters of the MIB and be presented for generic purposes to

establish market traction. This would have a low first close of

£10million (ie ten or fewer Tier 1 'Investors').

This would be followed by two 'tap' issues in the first year each of £100million that would be offered up to regional projects perhaps via a competition or other basis. Further tap issues would be made

annually with a target of fund raised to be £1billion per annum within

5 years.

The Primary MIB would be sponsored and overseen by a high profile

NGO body such as the proposed Mayoral Development Corporation

('MDC') for the Old Oak Common development zone in London.

The MIB itself would be issued by the SPV consortium relating to each project so in Liverpool for example this would be a subsidiary of Peel

Holdings, possibly ring-fenced from the general risk of Peel Holdings

itself.

The MIB would be designed to be a suitable investment for a Tier 1

6. Suitability & Incentives

'Investor' to comply fully with UKBA requirements. These may change

as part of the MAC review, however, based on today's requirements

this would include:

- The tenor would need to be fixed to market acceptability but with a mechanism for the Investor to exit after 5 years to reflect the normal duration of the Visa prior to the awarding of Indefinite Leave to Remain ('ILR').;
- The bid/offer spread would be maintained as close as possible to one percentage point or less;
- Investment Grade risk profile either through the rating of the issuer, government indemnification and/or possibly an investment grade insurance wrapper (although this market is not very active at present);
- Market rate return commensurate with investment rating with a target of up to 5% annual yield;
- Recognized stability at by standard unaudited quarterly reporting periods to meet Home Office 'Face Value' requirements.

The MIB would however carry special incentive(s) in recognition of the investors' alignment with the Government's strategic objective of encouraging investment in enterprise rather than passive qualifying investment.

This would require an approval process so that the incentive(s) can be targeted at bona fide approved projects. This would be achieved making the Primary issuance under the sponsorship of

MDC for example.

The Tier 1 (Investor) requirement for 185 days residency in UK up until the granting of ILR has the following perverse effects:

- Requirement for 185 days residency is uncompetitive with all European schemes (eg Portugal is 7 days) thus incentivizing investment into Europe to then simply use EU travel rules to reside in the UK at will;

- The main applicant is likely to be the non-earning spouse (normally wife) so that the earning spouse may continue to travel freely to meet international business obligations.

  Human nature thus favours the minimum least complicated or risky investment as it is not under the direct control of the earning spouse;

- As the earning spouse is a dependent and therefore has to wait 5 years before ILR in any event, there is no incentive to invest in the accelerated routes, ie: increase investment size from £1million to £3million or more.

The chief incentive would be a reduction in residency requirements in the UK prior to the awarding of ILR. This would not affect citizenship that would remain at a consistent 5 year period. A similar dispensation is offered in New Zealand where higher investment is rewarded by a reduction of residency requirement from 146 days to 44 days. A similar scheme could operate in the UK for investment in a MIB with a reduced residency requirement of say 90 days.

There are possible tax implications for this and these are reviewed in paragraph 7 below.

7. Distribution When bonds are first are issued they are generally not sold directly to the public by the issuer. Instead, they are brought to market by an underwriter, an intermediary (usually an investment bank or syndicate of investment banks) that brings together bond sellers and bond buyers. In the case of MIBs his aspect has yet to be determined.

International distribution would be led by IUK via its international network with particular focus on China Middle East and Russia/CIS. This would be in conjunction with the issuing institution and other stakeholders and all normal KYC and money laundering. The economics would allow for suitable incentives and referral fees where possible or allowable.

A key component would be that the MIB captures the imagination and is readily understood. Whilst it is understood that the MIB is targeted at regional projects, if for example the Primary Bond is sponsored by the MDC, the nickname of 'Boris Bond' could be widely adopted by the Media.

8. Tax Implications

In some jurisdictions 'Municipals Bonds' are also known as taxexempt bonds, because the interest paid to the investor is typically not subject income tax. This break could perhaps be used an additional incentive for Investors, although is recognized that getting HM Treasury's approval maybe more trouble than it's worth.

The key concern is that by using reduced residency requirement as an incentive, it may inadvertently create a much greater tax liability and we are seeking advice on this point.

9. Key Parties

The following parties are currently involved in this feasibility study on the creation of MIBs:

- **Originator and Lead Promoter**
  InvestUK
- **Bond Custodian**
  Kleinwort Benson
- **Legal Advisers**
  Pinsent Masons
- **Taxation and Immigration Advisers**

Mazars

10. **Conditions:**

11. **Confidentiality:**

The matters contemplated in these Heads of Terms are to be treated in the strictest confidence and should not be disclosed to any person whatsoever other than the professional advisers of that party (save to the extent required by law or statutory regulations or by the rules and requirements of any other regulatory body) without the prior written consent of the other parties hereto. The provisions of this paragraph do not apply to any information which is publicly available at the time of disclosure unless disclosed through breach of this undertaking nor does it apply to any information disclosed by the parties to the extent that disclosure is required by law or any regulation.

12. **Costs & Governing Law** The remaining Terms numbered 10-11 given in this letter are binding on all parties on signing.

Save as expressly set out in these Heads of Terms, all parties agree to bear their own legal, accountancy and other costs and expenses incurred in connection with the negotiation, preparation and implementation of the MIB structure.

These Terms (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this letter or its formation) shall be governed by and construed in accordance with English law.

Each of the parties to this letter irrevocably agrees that the Courts of England shall have exclusive jurisdiction to hear and decide any suit, action or proceedings, and/or to settle any disputes, which may arise out of or in connection with this Heads of Terms (respective Proceedings and Disputes) and for these purposes each party irrevocably submits to the jurisdiction of the Courts of England.

I hope that this outline provides sufficient insight into our thinking and assists the MAC in evaluating incentive based bonds as a means to attract Tier 1 related investment into the enterprise economy. Yours sincerely

Chairman

InvestUK Limited

Lewis Silkin

LEWIS SILKIN RESPONSE TO CALL FOR EVIDENCE ON ECONOMIC IMPACT OF TIER 1 (INVESTOR) ROUTE

Our firm has an immigration department consisting of 10 fee earners advising on a range of corporate and personal immigration matters. We have represented a number of Tier 1 Investors seeking advice on initial entry visas and extensions.

Our thoughts and observations on the Tier 1 Investor route are as follows;

- The clients who opt for a Tier 1 Investor visa tend to be motivated as they want to find a way to live and work in the UK. They often have considered other visa options including Tier 1 Entrepreneur but have been put off by the stringent requirements in relation to the extension stage and the restrictions on working. The Tier 1 Investor route allows greater freedom to work and benefits from the accelerated route for settlement. They only need to maintain their investment to extend their visa. These are major incentives for this route for our clients and there are limited other options if this were not available.
- We do not advise our clients on where to invest their money but the majority of our clients tend to opt for government bonds as this provides the greater security for their investment. Investing in UK businesses does offer better returns but as we mention above the clients are motivated by maintaining their right to remain in the UK and acquiring indefinite leave to remain so they do not want to lose value on their investments as this could jeopardise an extension.
- There are issues with the ‘continual residence’ criteria for indefinite leave to remain whereby an applicant must not be absent for more than 180 days per 12 month period. Tier 1 Investors tend to be wealthy people who are mobile and whose interests are not all based in the UK. They tend to clock up high numbers of absences and this can jeopardise their eligibility for indefinite leave to remain (ILR). The stringent nature of this requirement is at odds with the types of people we are trying to attract for this visa.
- We would be strongly against any raise in the £1 million investment level for this visa. The amount is large enough to prohibit applications from bogus applicants who have no intention of maintaining the investment but small enough to be achievable by those who may not have ordinarily invested in the UK. The investments made by Tier 1 Investors are essentially free money as the individuals themselves have little detrimental economic impact. The migrants will access private services including renting high end properties, employing a range of staff, sending their children to private schools and spending their wealth on UK retailers. They tend not to replace resident workers as those who do work will tend to do so for their own businesses, if at all. They are also rarely a drain on public resources such as schools and the NHS. There are few negatives to have Tier 1 Investors in the UK and therefore it does not make sense to dissuade them from coming to the UK by making the investment level too high.
- A solution to this would be to think of other ways of encouraging higher investment in the UK while maintaining the base line level of £1 million. The shorter route to settlement works

well. The Government could also consider being more lenient on the 180 days rule for ILR if a larger investment is made. Migrants who also invest the higher amount and are able to be granted ILR after 2 or 3 years still have to wait for 5 years residence before they can naturalise in the UK. A concession could be made to those who increase their investment in the UK in providing a quicker route to naturalisation as well.

- We suggest that where a Tier 1 Investor qualifies for ILR under an accelerated route, his or her dependants should be eligible for ILR at the same time. Currently, such dependants still have to wait 5 years to be eligible for ILR. Tier 1 Investor migrants who qualify for ILR under an accelerated route are exceptionally beneficial to the UK economy. They and their families should be offered the security of being able to settle in the UK at the same time, to ensure the attractiveness of the accelerated routes to these highly sought after migrants.
- The major issue we have currently with the Tier 1 Investor route is the fact that you cannot use the priority service at the Home Office's public enquiry offices for the visa applications. This means that the visa application has to be sent by post and our clients are left without their passports for months at a time. As investors tend to travel frequently this can be very frustrating for them and is a major inconvenience. Although the super premium service is available, this costs £6000 which some clients are not willing to pay in addition to the fee for the application itself. We suggest that Tier 1 Investor applicants be able to attend public enquiry office appointments to submit their applications, and that they be able to book the appointments for themselves and their dependants online. Currently, under other Tier 1 categories, dependants' appointments cannot be booked online.

CALL FOR EVIDENCE 0N THE REVIEW ON THE ECONOMIC IMPACT OF THE TIER 1 (INVESTOR) ROUTE

Thank you for your invitation to feed in evidence to this important review.

The UK Government is committed to attracting more inward investment and promoting the UK as an attractive inward investment destination. This review is an opportunity to examine new opportunities for global investors, and their potential benefits for the UK economy.

Benefits of the Tier I (Investor) Category

Our view is that the economic impact of the Tier I (Investor) route could be increased by widening the range of permitted investments. Currently funds must be invested in UK Government bonds, share capital or loan capital in UK registered trading companies.

This is a restrictive set of options which does not maximise the benefits of a potential additional source of investment. For example, directing the investments into UK Government bonds does not bring any new, or additional investment to the UK, it merely reinforces that already planned for in HM Treasury's fiscal forward planning. There is scope to widen the range of investment opportunities, the benefits of which would be two-fold — it would make the route more attractive to investors and make the investment capital 'work harder' for the UK economy.

Knowledge Transfer and Additional Investment

Foreign investment into the UK contributes directly to the growth of the economy, creating employment opportunities for UK workers. But there is also a substantial literature on how investors can bring with them productivity enhancing ideas, or business practices, or entrepreneurial attitudes, which have originated in a different culture, and which may be new to the UK [1] . There is some evidence for example that ethnic diversity in a company's top team has a small net positive effect on process innovation 2.

In the case of migrant investors, there is particular reason to think that they may have expertise to share. For example, if they have business experience from another country, and they come to live in the UK they may transmit some of their expertise.

However, the current investment categories mean that investors are kept at arms length from business investment and are therefore unlikely to be involved in decision making of the businesses in which they invest. This means that this migrant investor dividend, knowledge, expertise and input, may be entirely lost to the UK economy if the status quo is maintained.

Investors can invest in addition to the official investments required under their visa, but there is little incentive for them to do so. Widening the range of investments under the Tier I (Investor) route may improve the transmission of these indirect benefits from migrant investors. For example, a migrant investor could offer guidance and mentoring to a business they have invested in through a venture capital fund or as an angel investor sitting on the board, or through informal mentoring.

Consumption Levels ofMigrant Investors

Alongside money invested in the UK through formal investment, there is strong anecdotal evidence of wider positive impact of migrant investors on the UK economy. The majority of those using the Tier I investor route are high net worth individuals who use the UK as a centre for their business or individual affairs. Many bring dependants, including children who are educated at private establishments in the UK (a UK export success) and live in large, expensive properties, often in London and the South East, which are staffed by locally employed workers.

Intermediaries from the wealth management industry who have taken part in 'Chatham House' events attended by BIS officials have offered numerous individual examples of migrant investors and their dependants spending huge sums of money (sometimes as much as Elmillion per month) in UK retail establishments. Whilst it would be unwise to extrapolate such sums across the entire Tier I investor population, this serves as a useful indicator of the potential monetary 'value added' of the category were more investors encouraged to use it. Of course, there may be downsides to this consumption - for example if investment in houses drives up prices, reducing affordability of housing for the resident population.

Categories of Investment

The desire to keep the categories of investment to a small, manageable and easy to grasp grouping for operational reasons is entirely understandable - the route must be effectively and efficiently administrated and enforced. Investments in HMG bond issues, or in blue chip companies, are easy to certify and process.

BIS economics paper No. 13 - International Trade and Investment - the Economic Rationale for Government Support
Nathan (2013). Top Team Demographics, Innovation and Business Performance: Findings from English Firms and Cities 2008-9

However, there may be other categories of investment to consider with similar levels of guarantee and cache which may offer a better potential return for investors, whilst maintaining that 'badge' of a trustworthy investment. These categories may also help solve the economic benefit conundrum thrown up by the restrictiveness of current investment categories such as gilts and FTSE shares which are already oversubscribed and which offer scant return to the UK beyond mild suppression of yield levels.

Venture Capital

It has been well documented that the UK lags behind the US in terms of venture capital (VC) both in terms of volume and returns. A recent NESTA report found that when measured as a proportion of GDP, UK venture capital is less than half the size of the US industry. Returns of UK venture funds are also worse than those of their US counterparts. Widening the scope of investments allowed under the migrant investor visa to include venture capital investment could facilitate the growth of this sector.

UKTI's venture capital unit reports a serious reduction of venture capital available in the UK over the last 5-10 years, where demand is currently outstripping supply. This gap offers an opportunity for the investor visa route to be adapted to help drive additional investment from overseas into UK based venture capital funds. There is a case to be made for helping to stimulate the market, with potential benefits including:

- Tier I investor money being targeted by sophisticated UK venture capital investors into what they believe are the highest growth companies in the UK.

- Money being invested over a longer period of time, providing longer value to the UK ecosystem.

Both BIS and UKTI could understand reticence from an administrative or operational point of view against exploring the idea of venture capital as a form of migrant investment, particularly as there will be a desire on the part of the investor to secure a return. However, anecdotal evidence suggests that there would be appetite from the investment community to explore such options should they be carefully designed to ensure a proper pooling and spread of risk.

Venture capital is well defined in the tax system, and it would be possible to define an investment in this kind of asset in a way that was simple, easily proved, and able to be understood by a nonfinance trained caseworker over the phone.

For example, the Enterprise Investment Scheme (EIS) provides a stamp of accreditation from HMRC for an unlisted SME that makes investment in them eligible for a tax break of up to 30%. Using this scheme would mean that an investment in an accredited company could be identified by an untrained caseworker by a simple question 'have you registered you money with an EIS registered company'. And the investment would be easy to check. The burden of proof could either be on the investor to provide appropriate forms showing the company's accreditation — or the investor could provide an investment receipt EIS. This would likely provide effective benefit for the country in terms of growth of SMEs.

NESTA (2013). Unchainin º Investment: Barriers to US venture investment in UK internet and di ºital businesses

Anecdotal evidence points to confusion about which investments are allowed as a big factor in discouraging non-gilt investment. Since EIS and VCTs do not allow investment in property companies either (as it is open to abuse and not high risk), it should be possible to provide investors with clarity that any VCT or EIS company can be used as an investment.

Infrastructure, Regional Development and Social Investment

A further option would be to ask migrant investors to channel their investment into Government backed and sponsored initiatives and projects. The Government has a stated aim to encourage new investment in UK infrastructure projects, and, whilst relatively small in isolation, a pool of migrant investments could be used to finance, or at least provide seed capital for, vital improvements to the UK business environment, which in turn make the UK a more attractive destination for footloose foreign direct investment projects.

Similarly programmes such as the Business Bank, Green Investment Bank or Regional Growth Fund could benefit from new sources of capital and may offer investors a better return than currently, whilst maintaining the level of trust and security which Home Office requires.

In suggesting these options neither BIS nor UKTI wish to presage the MAC's conclusions, merely to offer some potential interesting avenues for consideration which may square the problematic conundrum of promoting additional investment in the UK whilst maintaining the important standards in the current rules.

Removal of the topping up_ rule

The current Tier I investor route rules state that in order to extend your application:

> "If the value of your investments is reduced by fluctuations in share prices, it must be corrected by the next reporting period, so that the overall value of these investments is maintained throughout your leave.„

This makes it unattractive to invest in riskier investments as the riskier the investment, the greater the expected value of the total capital commitment required. Anecdotal evidence from investors suggests that removing this rule (and simply requiring proof of the initial investment level) would encourage higher risk investments than gilts. Overall, diversifying the investments away from gilts is likely to yield increased economic benefit, and making this change could improve the attractiveness of the scheme overall.

Encouraging other kinds of investments

Even if the Government increased the options available for potential investments, gilts are still likely to remain far lower risk and effort for investor-track migrants, and therefore could continue attracting the majority of funds. Given that an additional investment in gilts provides minimal economic benefit at the margin, it is worth considering whether there is anything the Government could do to encourage these other kinds of investment. For example, this could take a similar form to the current relaxation of the residency requirements for higher investment.

Further, in order to extend their application, investors currently need to have El million available, but have invested only E750 thousand of this into allowed investments. We can see no reason for the requirement not to necessitate investing the total amount in order to encourage a higher level of investment. Changing this rule, could also provide a convenient way of limiting the amount invested in bonds — for example, by stipulating that E250 thousand was invested in an asset other than bonds. This could create additional benefit if investors are required to open up their portfolio to non-gilt British investments, they might prefer to put a higher amount in the more interesting, potentially higher-yielding investments.

Current Threshold Values

We are aware that the El million minimum threshold for an Investor visa has been in place for several decades and therefore a review is appropriate. Unfortunately, we do not have a comprehensive body of evidence to inform a suggestion as to what an appropriate minimum level would be.

Our view is that, in theory, the level of the threshold should be set such that there can be a high degree of confidence that the average net impact of a Tier I investor on the UK economy is positive, recognising that there are costs associated with migration. It is possible that the current El million threshold already achieves this. To some extent this calculation should take into account average levels of additional investment and consumption by migrant investors and their dependents. The level of the threshold should also in part reflect the economic value of a UK visa and being on a path to settlement and UK citizenship.

However, there may be room for a reasonable degree of risk in this calculation. It is possible that a small proportion of individuals coming through this route could be responsible for a very significant positive economic impact through networking effects, creating trade links, starting a high-growth company that employs many people, or moving their headquarters to the UK. Since the potential upside is very high, and the downsides are fairly low, it may be appropriate to have a relatively high appetite for risk in terms of the route possibly letting through a number of people who turn out to be unsuccessful in their investments and therefore do not make a positive net contribution to the UK. There should be a recognition that some failures may be a necessary byproduct to achieve the small number of successes — as success cannot accurately be predicted exante.

If we wish to widen the range of investments as described above, it is important that the potential impact of increasing threshold levels is taken into consideration. Where the new range of investment options are perceived to be riskier than gilts, one negative outcome might be a decrease in take-up of the route at a higher minimum investment level. This has to be balanced with the view that an increased threshold would also improve public confidence that investor visas are being awarded where a significant investment has been made in the UK economy.

Suitability of Current Tier I Requirements

Both BIS and UKTI have some evidence from stakeholders representing the Tier I community that changes to the requirements of Tier I would make the route more attractive and encourage existing investors to invest more and more readily.

Of specific concern is the residence requirement of 180 days. Many interlocutors have commented on the impracticability of this requirement which seems blind to the realities of global business. Furthermore they have noted that, whilst the principal investor is often required for business purposes to be out of the UK for more than half the year, it would be unusual for their spouse and dependants to be so. In other words, we still get the benefits of investor consumption even when they are outside the UK on business.

Unsurprisingly investor representatives raised both the passage to UK settlement and citizenship as a problem for their clients. Whilst recognising the lack of appetite from policy makers to affect wholesale changes here there was still a recognition that incentives which currently remain out of reach — particularly and specifically granting of UK passports — would prove a huge carrot for many investors in terms of their decisions on where to settle and reside.

Whilst other Schengen area economies, specifically Malta and Portugal, may be offering cheaper, expedited paths to citizenship and settlement, many investors would maintain a preference for the UK for business and cultural reasons but this is not impregnable — if the UK offer remained uncompetitive and the UK Government so passive toward the potential of the route, there could be a consistent bleed towards alternative countries.

I trust that this email finds you well. Further to our conversation on the Tier1, I have attached some examples of the types of portfolios that are presently being structured and run at Vestra. These have been structured via taking guidance from the clients' legal teams and the "Allowable" investments for Tier 1.

I have included the following types of portfolios to show you the variety:

1). UK Corporate Fixed Income

2). 100% Gilts

3). A Mixture of Gilts and UK Equities.

Presently, the bulk of our clients are being advised (by their lawyers at the outset) to invest in liquid holdings such as Gilts, UK Equities and Fixed Income.

The reason for this is because as clients are required to regularly submit valuations to the Border Agency to ensure that their portfolio is not in breach of the minimum threshold levels. Valuations of investments into Enterprise Schemes are difficult to produce and manage due to their illiquid nature as well as regularly assigning a value on the investment.

As we had discussed, all the clients for whom we manage the Tier 1 portfolios for are classified as HNW individuals. They all have significant assets and the GBP 1 Million minimum investment is not sizable to them. Of the clients in the sample, all have purchased large UK properties, and two of them are schooling their children in private education as well as having a monthly expenditure in excess of GBP 30-50,000 (this does not include the fees or cost of up keep of residences etc…). The third is looking to go into a partnership with a UK based firm and invest heavily into the business. From a geography point of view, one client is Pakistani, the second is Chinese and the third a Russian. This will provide you with a sense of the variety of foreign investors that are seeking our services.

Presently the allowable investments are restricted to being UK domiciled and the reason that the portfolios are invested in UK Gilts, Uk Equities and UK Corporate Debt is:

1)It is liquid and can the bought/sold to ensure performance.

2)It meets valuation criteria as required by the Border Agency.

3)Clients are advised as such by the legal representatives.

We feel that increasing the threshold to in excess of GBP 1 million would not deter any of these clients as those that are applying for Tier 1 visas have significant amounts of wealth.

Perhaps if a minimum investment into an Enterprise Scheme was placed into the requirements, this may foster investment directly into fledgling UK businesses. Presently there are tax efficiencies available to UK resident and domiciled clients when they invest in these HMRC approved schemes- and something of a similar nature might work for Tier 1 clients.

From an FCA point of view the client may need to seek advice from a regulated person when investing into this type of scheme so that they fully understand the risks etc…and are conversant with the outcomes. Provided this type of investment does not require a regular valuation but viewed on the basis of initial minimum investment, then this would be fairly easy to report. Perhaps another idea would be to have a proportionate holding criteria – with the proportion of holdings that would benefit the UK economy being higher, but still keeping the portfolio diversified.

Ie:

20% Gilts

30% UK Equities

30% enterprise

20% Cash

Etc…

As wealth managers we are tasked not only to invest the portfolios, but ensure that they are performing in line with markets and client requirements.

I hope that this is of some use – as ever, please do not hesitate to be in touch should you require any further information.

Best,

Bandish

Investment Manager

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xample real client portfolio – Tier 1

	Curncy	Coupon	Coupon Type	Maturity	Clean Price	Value	YTM	Yield	Days	Interest	Duration
	GBP	2.500	FIXED	26/07/2016	342.09	68,855.46	-2.01	2.62	105	436.96	2.62
	GBP	5.000	FIXED	24/02/2014	101.15	83,782.27	0.91	4.94	261	2,860.27	0.28
	GBP	6.125	FIXED	15/04/2014	102.18	63,432.45	0.91	5.99	211	2,124.45	0.42
	GBP	4.000	FIXED	29/12/2014	103.17	85,319.95	1.16	3.88	318	2,787.95	1.08
	GBP	7.500	FIXED	04/07/2016	114.73	70,440.50	1.77	6.54	131	1,601.90	2.39
	GBP	5.250	FIXED	28/09/2016	110.32	55,486.56	1.57	4.76	45	326.31	2.68
	GBP	6.625	FIXED	23/06/2017	115.79	71,017.44	2.04	5.72	142	1,546.44	3.22
	GBP	5.125	FIXED	20/09/2017	101.53	71,589.13	4.68	5.05	52	515.33	3.45
	GBP	5.125	FIXED	07/12/2017	112.58	82,150.93	1.88	4.55	340	3,341.78	3.57
	GBP	7.750	FIXED	24/06/2019	123.86	76,112.00	3.06	6.26	141	1,796.30	4.61
D	GBP	6.000	FIXED	21/08/2019	117.74	95,287.11	2.64	5.10	83	1,091.51	4.93
	GBP	5.625	FIXED	09/09/2019	115.35	81,440.08	2.75	4.88	64	696.13	5.00
	GBP	6.250	FIXED	19/09/2020	105.80	80,049.24	5.23	5.91	54	699.24	5.52
L	GBP	4.750	FIXED	02/11/2021	105.73	84,674.48	3.91	4.49	9	94.48	6.63
	GBP	5.750	VARIABLE	09/07/2025	104.49	90,499.44	4.94	5.50	126	1,687.19	5.37
	GBP	5.902	VARIABLE	'ield Not App	102.29	52,010.60	5.48	5.77	107	865.10	5.36
	GBP	5.875	VARIABLE	'ield Not App	107.93	76,022.02	4.21	5.44	42	474.52	4.60
	GBP	7.125	VARIABLE	'ield Not App	104.61	86,072.74	6.28	6.81	18	292.13	5.39
	GBP	6.625	VARIABLE	'ield Not App	112.39	90,503.34	4.87	5.89	41	595.34	6.74
					Total	1,386,563.88	3.03	5.39		30,897.11	4.34

get asset allocation

100% Investment Grade Fixed Income :

urn 24/05/12 to 31/10/13 Portfolio +12.62%

t past performance is not an indication of future performance and the value of the investment and the ay fluctuate and you may not receive back the amount you originally invested.

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PPPortfolio Valuation Report for the period 1 January 2013 to 25 November 2013

Example Client

Example Client

Investment Manager:

Please check the contents of these documents and advise your Investment Manager immediately where you believe any information is incomplete or inaccurate. Vestra Wealth LLP is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority. Vestra Wealth (Jersey) Limited is authorised and regulated by the Jersey Financial Services Commission.

Valuation and Performance Summary

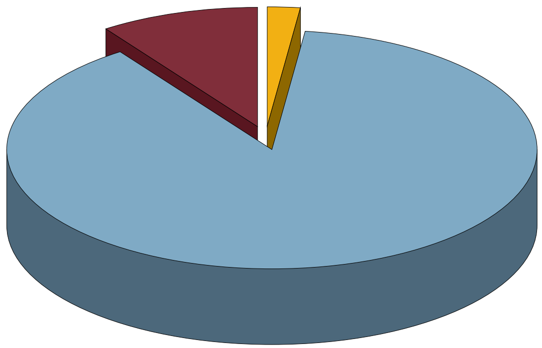
31 Dec 2012 to 25 Nov 2013

PORTFOLIO VALUES	Value /	Value /
Market Value		**975,3**
Income Account (Cash)		(
TOT		**975,9**
Cash and stock in/out		-
Net Income Received During Period		18,1

CONSOLIDATED PORTFOLIO PERFORMANCE	%
Time Weighted Capital Return	0
Income Return	0
Total Return	0

ASSET ALLOCATION	Value 25/11/201	%
Bonds / Fixed Interest	94,8	
Equity United Kingdom	861,4	8
C	19,7	
TOT	975,9	10

One or more portfolios on this valuation were opened after the start date for this report and are not included in the performance calculations.



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Valuation and Performance Summary

31 Dec 2012 to 25 Nov 2013 Ref: 000000C/AB1

Example Client

Currency: Pound Sterling

Name	Type	Value	Est. Annual Income	Yield	Investment Objective	Risk Marker
Example Client	Core	975,979	36,961	3.80%	Growth	High
Total		**975,979**	**36,961**	**3.80%**		

Performance Summary (Total Return)

Name	Start Date	Reference	Type	3 mth	6 mth	12 mth
Example Client	24/04/2013	000000C	Core	5.12%	3.84%	0.00%

Benchmarks			
FTSE ALL SHARE - Selected Benchmark		**3.33%**	
COMPOSITE BENCH 039608C - Selected Benchmark	**3.74%**	**2.95%**	**0.00%**
FTSE UK GILTS	**3.73%**	**-**	**0.00%**
MSCI ACWIF ACWI(GBP)	0.98%	2.91%	0.00%
APCIMS	4.57%	1.62%	0.00%
BALANCED	3.18%	1.38%	0.00%
APCIMS GROWTH	3.54%	1.76%	0.00%

Mid market prices are used in this valuation and performance summary. Past performance is not a reliable indicator of future results.

Portfolio Valuation

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Date: 25 November 2013

Example Client

Ref: 000000C/AB1

Security Description	Holding	Market Price	Market Value	Book Cost	Est. Annual Income	% Yield	Dividends Due
BONDS / FIXED INTEREST UNITED KINGDOM							
BARCLAYS BANK PLC	50,000	£ 94.62	£47,310	£48,375	£3,000	6.34	Dec
6% NON-CUM CALLABLE PRF SHS		+345 days	£2,836				
INTERMEDIATE CAPITAL GROUP PLC	42,000	£ 105.20	£44,184	£44,583	£2,625	5.94	Mar Sep
6.25% GTD NTS 19/09/20 GBP100		+67 days	£486				
TOTAL UNITED KINGDOM			£94,816	£92,958	£5,625	6.15	
TOTAL BONDS / FIXED INTEREST			£94,816	£92,958	£5,625	6.15	
EQUITY							
UNITED KINGDOM							
BASIC MATERIALS & BASIC RESOURCES							
BHP BILLITON PLC	2,745	£ 18.7525	£51,476	£50,021	£2,313	4.49	Mar Sep

USD0.50							
RIO TINTO ORD GBP0.10	530	£ 31.6425	£16,771	£15,169	£675	4.02	Apr Sep
OIL & GAS							
AMEC GBP0.50	1,470	£ 11.695	£17,192	£14,594	£626	3.64	Jan Jul
BG GROUP ORD GBP0.10	3,370	£ 12.5925	£42,437	£37,552	£657	1.55	May Sep
BP ORD USD0.25	6,550	£ 4.90075 XD	£32,100	£30,082	£1,712	5.33	Dec Mar Jun Sep
ROYAL DUTCH SHELL 'B'ORD EUR0.07	1,340	£ 22.0025 XD	£29,483	£29,928	£1,659	5.63	Dec Mar Jun Sep

Security Description	Holding	Market Price	Market Value	Book Cost	Est. Annual Income	% Yield	Dividends Due
INDUSTRIALS & IND.GOODS & SERVICES							
INTERTEK GROUP	725	£ 30.965	£22,450	£24,565	£346	1.54	Jun Oct

ORD GBP0.01							
ROLLS ROYCE HOLDINGS C SHS ENTITLEMENT (JAN 2014)	302,290	£ 0.001	£302	£321	£0	0.00	
ROLLS ROYCE HOLDINGS ORD GBP0.20	4,375	£ 12.375 XD	£54,141	£49,736	£897	1.66	Jul
SMITH(DS) ORD GBP0.10	13,250	£ 3.007	£39,843	£35,597	£1,178	2.96	May Nov
CONSUMER GOODS-AUTOMOBILES & PARTS							
GKN ORD GBP0.10	15,094	£ 3.7635	£56,806	£42,671	£1,241	2.18	May Sep
CONSUMER GOODS-FOOD & BEVERAGES							
DIAGEO ORD GBP0.28 101/108	2,500	£ 20.005	£50,013	£49,514	£1,317	2.63	Apr Oct
UNILEVER PLC ORD GBP0.031111	1,055	£ 25.075 XD	£26,454	£29,750	£1,046	3.95	Dec Mar Jun Sep
CONSUMER GOODS-PERSONAL & HOUSEHOLD							
BRITISH AMERICAN TOBACCO ORD GBP0.25	1,120	£ 32.9925	£36,952	£40,094	£1,714	4.64	May Sep
IMPERIAL TOBACCO GROUP	420	£ 23.695	£9,952	£9,684	£543	5.46	Feb Aug

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GBP0.10							
RECKITT BENCKISER GROUP PLC ORD GBP0.10	845	£ 49.38	£41,726	£39,778	£1,296	3.11	May Sep
HEALTH CARE							
ASTRAZENECA ORD USD0.25	595	£ 34.3775	£20,455	£19,929	£1,188	5.81	Mar Sep

Date: 25 November 2013

Example Client

Ref: 000000C/AB1

Security Description	Holding	Market Price	Market Value	Book Cost	Est. Annual Income	% Yield	Dividends Due
GLAXOSMITHKLINE ORD GBP0.25	2,980	£ 16.4175 XD	£48,924	£50,216	£2,550	5.21	Jan Apr Jul Oct
CONSUMER SERVICES-RETAIL							
TESCO ORD GBP0.05	13,610	£ 3.543 XD	£48,220	£49,870	£2,232	4.63	Dec Jul
CONSUMER SERVICES-MEDIA							
ITV ORD GBP0.10	22,800	£ 1.8525 XD	£42,237	£29,178	£735	1.74	Nov May
CONSUMER SERVICES-TRAVEL & LEISURE							
	3,550	£ 9.2675	£32,900	£30,053	£872	2.65	Feb Jul

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COMPASS GROUP PLC ORD GBP0.10							
TELECOMMUNICATIONS							
BT GROUP ORD GBP0.05	6,300	£ 3.7445	£23,590	£18,027	£693	2.94	Feb Sep
UTILITIES							
CENTRICA ORD GBP0.061728395	4,100	£ 3.433	£14,075	£14,847	£761	5.41	Jun Nov
NATIONAL GRID ORD GBP0.113953	3,720	£ 7.8475	£29,193	£30,011	£1,688	5.78	Jan Aug
UNITED UTILITIES GROUP PLC ORD GBP0.05	1,400	£ 6.6575	£9,321	£10,194	£534	5.73	Feb Aug
FINANCIALS-BANKS							
HSBC HOLDINGS PLC ORD USD0.50	4,685	£ 6.8905 XD	£32,282	£32,672	£1,547	4.79	Dec Apr Jul Oct
FINANCIAL-FINANCIAL SERVICES							
ABERDEEN ASSET MANAGEMENT ORD GBP0.10	2,500	£ 4.862	£12,155	£10,160	£444	3.66	Jan Jun

Date: 25 November 2013

Example Client

Ref: 000000C/AB1

Security Description	Holding	Market Price	Market Value	Book Cost	Est. Annual	% Yield	Dividends Due

Portfolio Valuation

					Income		
FINANCIALS-INSURANCE		£					
LEGAL & GENERAL GROUP ORD GBP0.025	9,400	2.1255	£19,980	£20,102	£845	4.23	May Sep
TOTAL UNITED KINGDOM			£861,427	£814,312	£31,306	3.63	
TOTAL EQUITY			£861,427	£814,312	£31,306	3.63	
SECURITIES TOTAL			£956,242	£907,270	£36,931	3.88	
CASH							
GBP CAPITAL BALANCE	£ 19,110		£19,110	£19,110	£29	0.15	
GBP INCOME BALANCE	£ 628		£628	£628	£1	0.15	
CASH TOTAL			£19,737	£19,737	£30	0.15	

GRAND TOTAL			£975,979	£927,008	£36,961	3.80	

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Portfolio Indices and Exchange Rates

Date: 25 November 2013

Ref: 000000C/AB1

Indices

FTSE APCIMS BALANCED INDEX(TOTAL RETURN)	2,741.99
FTSE APCIMS GROWTH INDEX(TOTAL RETURN)	2,769.33
FTSE APCIMS INCOME INDEX(TOTAL RETURN)	2,679.67
FTSE UK FTSE 100(TR)	4,875.9444
FTSE UK ALL SHARE	5,308.5664
FTSE UK FTSE SMALLCAP(TR)	5,615.1451
FTSE UK AIM ALL SHARE(GBP)(TR)	858.52205
FTSE UK GILTS (GILTS) ALL(TR)	2,829.01
DOW JONES AVERAGES DOW JONES INDUSTRIAL AVERAGE (TR)	31,348.18

S&P 500(TR) S&P 500(TR)	3,226.532
MSCI ACWIF ACWI(GBP)	109.804

BASIS OF VALUATION PRICES

Mid market prices are used in this valuation and performance summary and are quoted as at the close of business on valuation date or the last business day before the date of valuation. Some holdings may be priced on a less frequent basis in which case the latest available price will be used. Unquoted holdings are valued at prices obtained from accredited sources which can be supplied on request. Vestra Wealth takes no responsibility for prices of unmarketable securities.

HOLDING QUALIFICATION

* All, or part, of the holding is not in the custody of Vestra Wealth or its custodians.

PRICE QUALIFICATION

CB	Cum-Capitalisation	XB	Ex-Capitalisation	DE	Redenomination Effective
CC	Cum-Capital Return	XC	Ex-Capital Return	DP	Redenomination Pending
CE	Consolidation Effective	XD	Ex-Dividend	PD	Price Data but no Corporate Action Data
CL	Cum-Liquidation	XL	Ex-Liquidation	RE	Renominalisation Effective
CN	Cum-Capital Distribution	XN	Ex-Capital Return	RP	Renominalisation Pending
CP	Consolidation Pending	XR	Ex-Rights Issue	SE	Subdivision Effective
CR	Cum-Rights Issue	XS	Ex-Stock Split	SP	Subdivision Pending
CS	Cum-Stock Split	XV	Ex-Scrip Dividend		
CD	Cum-Dividend	XA	Ex-more than one of the above		
CV	Cum-Scrip Dividend				
CA	Cum-more than one of the above				

CHARGES AND REMUNERATION

Commissions and charges have been notified on the confirmation notes issued to you at the time of dealing. Remuneration received by Vestra Wealth from third parties is available on request.

Holdings shown on valuations may not be held in our nominee company. We have not verified information supplied to us by you or a third party relating to holdings outside our custody or control. Please refer to your custody statement to confirm the securities we are holding on your behalf.

Where an investment is denominated in a foreign currency, changes in exchange rates may cause your investment, or income, to go up or down.

Example Client

Ref: 000000C/AB1

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
BONDS / FIXED INTEREST					
UNITED KINGDOM					
BARCLAYS BANK PLC					
6% NON-CUM CALLABLE PRF SHS					
Purchase	09/05/13	50,000	£96.75	£48,375.00	
HSBC BANK					
4.75% SUB MTN 24/03/2046 GBP1000'2112'		50,000			
Purchase	09/05/13		£100.251	£50,125.50	
Sale	17/06/13	-50,000	£89.441		£44,720.50
INTERMEDIATE CAPITAL GROUP PLC					
6.25% GTD NTS 19/09/20 GBP100					
Purchase	09/05/13	42,000	£106.15	£44,583.00	
EQUITY					
UNITED KINGDOM					
ABERDEEN ASSET MANAGEMENT					
ORD GBP0.10					
Purchase	18/06/13	2,500	£4.0434	£10,160.04	

AMEC					
GBP0.50					
Purchase	24/04/13	1,270	£9.85345	£12,577.45	
Purchase	26/04/13	200	£10.032728	£2,016.58	
ASTRAZENECA					
ORD USD0.25					
Purchase	24/04/13	295	£33.692848	£9,989.09	
Purchase	25/04/13	300	£32.968006	£9,939.85	

Example Client Ref: 000000C/AB1

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
BG GROUP					
ORD GBP0.10					
Purchase	24/04/13	1,400	£10.72403	£15,089.71	
Purchase	25/04/13	700	£10.668939	£7,505.60	
Purchase	29/04/13	700	£10.638349	£7,484.07	
Sale	21/05/13	-280	£12.35562		£3,459.57
Purchase	23/07/13	850	£12.266992	£10,480.07	
BHP BILLITON PLC					
USD0.50					
Purchase	24/04/13	1,100	£18.098188	£20,008.55	
Purchase	25/04/13	820	£18.103498	£14,920.09	
Purchase	26/04/13	825	£18.2014	£15,092.24	
BP					
ORD USD0.25					
Purchase	24/04/13	2,200	£4.55395	£10,069.78	
Purchase	25/04/13	1,500	£4.57244	£6,892.95	

Purchase	26/04/13	650	£4.54781	£2,970.86	
Purchase	18/06/13	2,200	£4.589435	£10,148.24	
BRITISH AMERICAN TOBACCO					
ORD GBP0.25					
Purchase	24/04/13	570	£35.351	£20,251.82	
Purchase	29/04/13	550	£35.8946	£19,841.74	
BT GROUP					
ORD GBP0.05					
Purchase	24/04/13	3,500	£2.841813	£9,996.08	
Purchase	26/04/13	3,500	£2.852438	£10,033.45	

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
Sale	21/05/13	-700	£3.21033		£2,247.23
CENTRICA					
ORD GBP0.061728395					
Purchase	29/10/13	4,100	£3.60288	£14,846.67	
COMPASS GROUP PLC					
ORD GBP0.10					
Purchase	24/04/13	1,780	£8.4232	£15,069.27	

Purchase	25/04/13	890	£8.388983	£7,503.52	
Purchase	29/04/13	880	£8.458013	£7,480.27	
DIAGEO					
ORD GBP0.28 101/108					
Purchase	24/04/13	1,000	£19.8714	£19,971.76	
Purchase	25/04/13	1,000	£19.643337	£19,742.56	
Purchase	29/04/13	500	£19.501847	£9,799.67	
DOMINO'S PIZZA GROUP PLC					
ORD GBP0.015625					
Purchase	25/04/13	740	£6.699	£4,982.05	
Sale	03/09/13	-740	£5.88601		£4,355.65
GKN					
ORD GBP0.10					
Purchase	24/04/13	7,460	£2.68496	£20,130.95	
Purchase	25/04/13	3,600	£2.7363	£9,899.93	
Purchase	29/04/13	3,600	£2.739376	£9,911.06	
Sale	21/05/13	-1,466	£3.05241		£4,474.83

Purchase	19/09/13	1,900	£3.5207	£6,722.78	

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
GLAXOSMITHKLINE					
ORD GBP0.25					
Purchase	24/04/13	1,200	£16.715549	£20,159.95	
Purchase	25/04/13	890	£16.79709	£15,025.16	
Purchase	29/04/13	890	£16.8032	£15,030.62	
HSBC HOLDINGS PLC					
ORD USD0.50					
Purchase	24/04/13	3,600	£6.924863	£25,055.16	
Purchase	25/04/13	2,000	£6.916266	£13,902.69	
Purchase	29/04/13	1,645	£6.996366	£11,567.57	
Sale	21/05/13	-360	£7.61812		£2,742.52
Sale	17/06/13	-2,200	£6.85225		£15,073.95
IMPERIAL TOBACCO GROUP					
GBP0.10	24/04/13		£22.917	£5,066.95	

Purchase		220			
Purchase	25/04/13	200	£22.96825	£4,616.62	
INTERTEK GROUP					
ORD GBP0.01					
Purchase	24/04/13	385	£33.9056	£13,119.93	
Purchase	25/04/13	340	£33.492849	£11,445.51	
INVENSYS					
B SHARES (IMMEDIATE CAPITAL REDEMPTION)		4,815			
Bonus Issue	11/06/13				
ISSUE B SHS DUMMY	27/06/13				£3,693.10
Redemption		-4,815			

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
INVENSYS					
ORD GBP0.10					
Purchase	24/04/13	3,700	£3.49	£12,978.57	
Purchase	29/04/13	1,650	£3.6316	£6,022.10	

Sale	21/05/13	-535	£3.9905		£2,134.92
Demerger	12/06/13	-4,815			
To INVENSYS ORD GBP0.125					
INVENSYS					
ORD GBP0.125					
Demerger	12/06/13	3,852			
From INVENSYS ORD GBP0.10					
Sale	23/07/13	-3,852	£5.00		£19,259.00
ITV					
ORD GBP0.10					
Purchase	24/04/13	11,000	£1.2707	£14,048.59	
Purchase	29/04/13	11,800	£1.275675	£15,129.23	
LEGAL & GENERAL GROUP					
ORD GBP0.025					
Purchase	29/10/13	9,400	£2.12775	£20,101.85	
NATIONAL GRID					
ORD GBP0.113953					
Purchase	24/04/13	1,860	£8.077046	£15,099.43	
Purchase	25/04/13	1,860	£7.976463	£14,911.40	

RECKITT BENCKISER GROUP PLC					
ORD GBP0.10					
Purchase	24/04/13	425	£46.90595	£20,035.71	

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
Purchase	25/04/13	210	£46.6032	£9,835.60	
Purchase	29/04/13	210	£46.93845	£9,906.36	
RIO TINTO					
ORD GBP0.10					
Purchase	19/06/13	530	£28.476548	£15,169.03	
ROLLS ROYCE HOLDINGS					
C SHS ENTITLEMENT (JAN 2014)					
Issue C Shares	04/11/13	302,290			
ROLLS ROYCE HOLDINGS					
ORD GBP0.20					
Purchase	24/04/13	1,320	£11.3564	£15,066.40	
Purchase	25/04/13	875	£11.3728	£10,000.96	
Purchase	26/04/13	680	£11.298628	£7,721.49	
Purchase	29/04/13	640	£11.226984	£7,221.20	

Purchase	29/10/13	860	£11.625417	£10,047.85	
ROYAL DUTCH SHELL					
'B'ORD EUR0.07					
Purchase	24/04/13	675	£22.20908	£15,067.09	
Purchase	25/04/13	335	£22.305576	£7,509.73	
Purchase	29/04/13	330	£22.16408	£7,350.72	
SMITH & NEPHEW					
ORD USD0.20					
Purchase	24/04/13	1,350	£7.40845	£10,052.42	
Purchase	25/04/13	670	£7.43345	£5,005.31	
Purchase	29/04/13	660	£7.497291	£4,972.95	
Sale	29/10/13	-2,680	£7.978239		£21,380.68

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
SMITH(DS)					
ORD GBP0.10					
Purchase	18/06/13	4,250	£2.393	£10,222.10	
Purchase	23/07/13	4,000	£2.5281	£10,163.96	

Purchase	29/10/13	5,000	£3.02692	£15,211.27	
TESCO					
ORD GBP0.05					
Purchase	24/04/13	5,500	£3.64251	£20,134.98	
Purchase	25/04/13	4,000	£3.64555	£14,656.11	
Purchase	29/04/13	4,110	£3.65038	£15,079.08	
UNILEVER PLC					
ORD GBP0.031111					
Purchase	24/04/13	720	£28.372728	£20,531.50	
Purchase	25/04/13	720	£27.86697	£20,165.54	
Purchase	29/04/13	365	£27.80825	£10,201.76	
Sale	17/06/13	-750	£26.4372		£19,826.90
UNITED UTILITIES GROUP PLC					
ORD GBP0.05					
Purchase	18/06/13	1,400	£7.24425	£10,193.66	
VODAFONE GROUP					
ORD USD0.11428571					
Purchase	24/04/13	10,300	£1.94032	£20,086.23	
Purchase	26/04/13	5,100	£1.957583	£10,033.59	

Purchase	29/04/13	10,200	£1.962123	£20,114.72	
Sale	17/06/13	-11,000	£1.823772		£20,060.49
Purchase	18/06/13	5,000	£1.831192	£9,201.74	

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
Sale	29/10/13	-19,600	£2.2551		£44,198.96
WHITBREAD					
ORD GBP0.76797385					
Purchase	24/04/13	200	£24.96595	£5,018.16	
Purchase	29/04/13	190	£25.978718	£4,960.64	
Sale	21/05/13	-39	£28.603487		£1,115.54
Sale	17/06/13	-351	£29.19155		£10,245.23

Total					£1,118,831.44	£218,989.07

Vestra Wealth 4

Portfolio Valuation Report for the period 1 January 2013 to 25 November 2013

Example Client

Example Client

Investment Manager:

040406C - VALUATION - 26112013 - 040406 - 0003605921 -

Valuation and Performance Summary

31 Dec 2012 to 25 Nov 2013

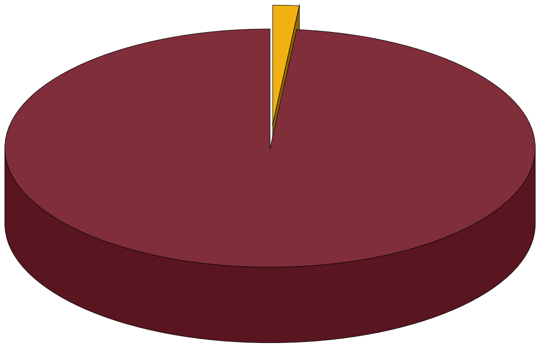
Example Client

PORTFOLIO VALUES	Value /	Value /
Market Value		**800,8**
Income Account (Cash)		3,
TOT		**804,6**
Cash and stock in/out		-
Net Income Received During Period		6,

CONSOLIDATED PORTFOLIO PERFORMANCE	%
Time Weighted Capital Return	0
Income Return	0
Total Return	0

One or more portfolios on this valuation were opened after the start date for this report and are not included in the performance calculations.

ASSET ALLOCATION	Value 25/11/201	%
Bonds / Fixed Interest	792,0	9
C	12,6	
TOT	804,6	10



040406C - VALUATION - 26112013 - 040406 - 0003605921 -
Valuation and Performance Summary

31 Dec 2012 to 25 Nov 2013 Ref:

00000

0C/AB1

Example Client

Currency: Pound Sterling

Name	Type	Value	Est. Annual Income	Yield	Investment Objective	Risk Marker
Example Client	Core	804,673	22,109	2.76%	Capital Preservation	Low
Total		**804,673**	**22,109**	**2.76%**		

Performance Summary (Total Return)

Name	Start Date	Reference	Type	3 mth	6 mth	12 mth

Example Client	30/08/2013	000000C	Core	0.00%	0.00%	0.00%
Benchmarks						
FTSE UK GILTS (GILTS) ALL - Selected Benchmark				**0.00%**	**0.00%**	**0.00%**
FTSE UK GILTS				0.00%	0.00%	0.00%
FTSE ALL SHARE				0.00%	0.00%	0.00%
MSCI ACWIF ACWI(GBP)				0.00%	0.00%	0.00%
APCIMS BALANCED				0.00%	0.00%	0.00%
APCIMS GROWTH				0.00%	0.00%	0.00%

Mid market prices are used in this valuation and performance summary. Past performance is not a reliable indicator of future results.

Portfolio Valuation

Date: 25 November 2013

Example Client

Ref:

000000C/AB1

Security Description	Holding	Market Price	Market Value	Book Cost	Est. Annual Income	% Yield	Dividends Due

BONDS / FIXED INTEREST UNITED KINGDOM							
UNITED KINGDOM(GOVERNMENT OF) 1% GILT 7/9/2017 GBP1	241,000	£ 99.34 +79 days	£239,409 £526	£238,677	£2,410	1.01	Mar Sep
UNITED KINGDOM(GOVERNMENT OF) 3.75% GILT 07/09/2020 GBP0.01	135,000	£ 110.47 +79 days	£149,135 £1,105	£148,959	£5,063	3.39	Mar Sep
UNITED KINGDOM(GOVERNMENT OF) 3.75% GILT 7/9/2019 GBP0.01	181,000	£ 110.49 +79 days	£199,987 £1,481	£199,965	£6,788	3.39	Mar Sep
UNITED KINGDOM(GOVERNMENT OF) 4.5% TSY GILT 07/03/2019 GBP0.01	174,000	£ 114.17 +79 days	£198,656 £1,709	£199,004	£7,830	3.94	Mar Sep
TOTAL UNITED KINGDOM			£792,008	£786,605	£22,090	2.81	
TOTAL BONDS / FIXED INTEREST			£792,008	£786,605	£22,090	2.81	
SECURITIES TOTAL			£792,007	£786,605	£22,090	2.81	

CASH						
GBP CAPITAL BALANCE	£ 8,806		£8,806	£8,806	£13	0.15
GBP INCOME BALANCE	£ 3,860		£3,860	£3,860	£6	0.15
CASH TOTAL			£12,665	£12,665	£19	0.15
GRAND TOTAL			£804,673	£799,270	£22,109	2.76

Portfolio Indices and Exchange Rates

Date: 25 November 2013

Ref: 000000C/AB1

Indices

FTSE APCIMS BALANCED INDEX(TOTAL RETURN)	2,741.99
FTSE APCIMS GROWTH INDEX(TOTAL RETURN)	2,769.33
FTSE APCIMS INCOME INDEX(TOTAL RETURN)	2,679.67

FTSE UK FTSE 100(TR)	4,875.9444
FTSE UK ALL SHARE	5,308.5664
FTSE UK FTSE SMALLCAP(TR)	5,615.1451
FTSE UK AIM ALL SHARE(GBP)(TR)	858.52205
FTSE UK GILTS (GILTS) ALL(TR)	2,829.01
DOW JONES AVERAGES DOW JONES INDUSTRIAL AVERAGE (TR)	31,348.18
S&P 500(TR) S&P 500(TR)	3,226.532
MSCI ACWIF ACWI(GBP)	109.804

BASIS OF VALUATION PRICES

Mid market prices are used in this valuation and performance summary and are quoted as at the close of business on valuation date or the last business day before the date of valuation. Some holdings may be priced on a less frequent basis in which case the latest available price will be used. Unquoted holdings are valued at prices obtained from accredited sources which can be supplied on request. Vestra Wealth takes no responsibility for prices of unmarketable securities.

HOLDING QUALIFICATION

* All, or part, of the holding is not in the custody of Vestra Wealth or its custodians.

PRICE QUALIFICATION

CB	Cum-Capitalisation	XB	Ex-Capitalisation	DE	Redenomination Effective
CC	Cum-Capital Return	XC	Ex-Capital Return	DP	Redenomination Pending
CE	Consolidation Effective	XD	Ex-Dividend	PD	Price Data but no Corporate Action Data
CL	Cum-Liquidation	XL	Ex-Liquidation	RE	Renominalisation Effective
CN	Cum-Capital Distribution	XN	Ex-Capital Return	RP	Renominalisation Pending
CP	Consolidation Pending	XR	Ex-Rights Issue	SE	Subdivision Effective
CR	Cum-Rights Issue	XS	Ex-Stock Split	SP	Subdivision Pending
CS	Cum-Stock Split	XV	Ex-Scrip Dividend		
CD	Cum-Dividend	XA	Ex-more than one of the above		
CV	Cum-Scrip Dividend				
CA	Cum-more than one of the above				

CHARGES AND REMUNERATION

Commissions and charges have been notified on the confirmation notes issued to you at the time of dealing. Remuneration received by Vestra Wealth from third parties is available on request.

Holdings shown on valuations may not be held in our nominee company. We have not verified information supplied to us by you or a third party relating to holdings outside our custody or control. Please refer to your custody statement to confirm the securities we are holding on your behalf.

Where an investment is denominated in a foreign currency, changes in exchange rates may cause your investment, or income, to go up or down.

Schedule of Acquisitions and Disposals

Core Account

1 January 2013 to 25 November 2013

Currency: Pounds Sterling

Example Client

Ref: 000000C/AB1

Security Description	Trade Date	Quantity	Contract Price	Acquisition Cost	Disposal Proceeds
BONDS / FIXED INTEREST					
UNITED KINGDOM					
UNITED KINGDOM(GOVERNMENT OF)					
1% GILT 7/9/2017 GBP1					
Purchase	11/11/13	241,000	£99.036	£238,676.76	
UNITED KINGDOM(GOVERNMENT OF)					
3.75% GILT 07/09/2020 GBP0.01					
Purchase	02/09/13	135,000	£110.34	£148,959.00	
UNITED KINGDOM(GOVERNMENT OF)					
3.75% GILT 7/9/2019 GBP0.01					
Purchase	02/09/13	181,000	£110.478	£199,965.18	

UNITED KINGDOM(GOVERNMENT OF)					
4.5% TSY GILT 07/03/2019 GBP0.01					
Purchase	02/09/13	174,000	£114.37	£199,003.80	
UNITED KINGDOM(GOVERNMENT OF)					
4% TSY GILT 07/03/2022 GBP0.01					
Purchase	02/09/13	134,000	£111.534	£149,455.56	
Purchase	30/09/13	79,000	£112.67	£89,009.30	
Sale	11/11/13	-213,000	£111.533		£237,565.29
UNITED KINGDOM(GOVERNMENT OF)					
8% STK 27/09/2013 GBP100(RG)					
Purchase	02/09/13	96,000	£100.478	£96,458.88	
Redemption	27/09/13	-96,000			£96,000.00
Total				£1,121,528.48	£333,565.29