Legal Precedent Synthesis (Sham Doctrine)

Tax motive ≠ sham; deception about legal character = sham. CAL FX20 crosses that line.

Claim

CAL FX20 did not execute trades. It booked ledger entries as if they were FX contracts. That is deception about the legal character of the transactions — the core of sham.

Proves

- Sham threshold is crossed when "contracts" are paper-only entries.
- Tax motive alone is insufficient; fake contracting is decisive.

How to Verify in 5 Minutes

1. Open the FX0021 PDF. Go to the first page: "Principle". Note the definition: *deception about legal character*.

2. Open FX0030 and compare the "Trades Executed" vs "Open Positions" sections. Look for absence of counterparty identifiers and settlement chains.

3. Confirm that the purported "contracts" are merely internal ledger creations. This satisfies the sham definition regardless of tax motive.

Regulatory Hooks

Jurisdiction	Applicable Regulations
UK	FCA PRIN/COCON, SM&CR honesty, false accounting, HMRC reopening powers
Canada	CRA tax shelter rules, CIRO conduct requirements
Cayman	CIMA regulatory standards

Legal Foundation

The sham doctrine, as established in *Snook v London and West Riding Investments Ltd* [1967] and refined through subsequent jurisprudence, focuses not on the purpose of a transaction but on whether the documents represent the true legal relationship between the parties.

Key principle: A transaction is a sham if the parties intended to create a different legal relationship than that which the documents purport to establish, with the intention to deceive third parties (including tax authorities and regulators).