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Location, location, location…

…and why it matters

Choice of jurisdiction has taken on a far greater strategic priority in the international family office market

In *Trust Jersey*'s discussion with four leading practitioners, there was a consensus that, aligned with the geopolitical instability now prevalent across the globe and the increasing regulatory requirements within the wealth management sector, jurisdictions that demonstrate certain key qualities will be the ones that will be in the front line when decisions are taken on structuring international family assets.

Daniel Channing, Director at Crestbridge Family Office Services, not only notes that the role of the jurisdiction has a much more influential part to play than was once the case, but also observes that increasingly the jurisdiction is chosen first before the designing of the structure. 'It's about the infrastructure, an effective legal framework and the right service providers to service the family, given what they see as value and what's important to them.'

Behind this thinking are the key considerations of stability and security.

'Clients need the security of knowing that if something goes wrong, if there is a challenge to the structure or a dispute within the family, there is legal and professional services infrastructure to resolve the issue in a process-driven, reliable and predictable way,' explains Rajah Abusrewil, Group Partner at Walkers.

It's a theme Claire Machin, Group Director, Head of Private Wealth, at Suntera Global, reiterates: 'Many high-net-worth individuals want the reassurance that their assets are held in a secure, stable location and one which is highly regarded for its level of probity and willingness to comply with the latest standards as regards transparency and cooperation.'

Rajah Abusrewil, Group Partner at Walkers

Competitive advantage

Such thinking, reinforced by the increasing regulatory demands facing the international investor, has been helpful for leading international finance centres, which are competing ever more intensely to attract family office (FO) business. Those in Jersey have a strong message to convey when that discussion takes place, Machin says.

'Qualities such as a robust regulatory regime and high standards of transparency are features that resonate well with FOs, especially in the Gulf region. The jurisdiction's tried-and-tested legal armoury and digital infrastructure are well regarded by FOs, and there are also practical considerations such as the fact that Jersey sits in a similar time zone, which should not be underestimated and is helpful when collaborating.'

While Jersey made an early commitment to regulatory standards, Machin argues that some jurisdictions have not done so and they could now be seen to be at a competitive disadvantage.

Jersey's strategy has been to stay ahead of the curve on legislation and regulation, to implement ahead of deadlines and to react quickly to international demands.

'From the perspectives of clients and their advisors, that has worked well,' says Abusrewil. 'They get the security of knowing that the process is being managed and taken seriously and they are less likely to have

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Claire Machin, Group Director, Head of Private Wealth, at Suntera Global

cross-border issues. That sense of security is important to clients because on a practical level it’s as frictionless as possible.’

But what about the individual incentives that jurisdictions might introduce to appeal to the FO market? Channing concedes that there has been interest in locations that offer incentives, but these measures only go so far. Legislative or tax incentives in any one location are not seen as drivers for choosing a location. The governance question is crucial to the process.

‘Structures are becoming simpler; however, the governance implemented within them is becoming more sophisticated,’ says Channing. ‘There may only be a small number of entities within a structure, but this will be reinforced by a complementary framework of committees and governance protocols that sit on top and around the structure to enhance its effectiveness.’

‘Of course, there’s no one-size-fits-all,’ adds his colleague Laura Parkes, Director at Crestbridge Family Office Services, who stresses that it comes down to what the family needs, not only from a personal perspective, but also taking into account their business operations.

Laura Parkes, Director at Crestbridge Family Office Services

‘There are many families in the same situation who are exploring several jurisdictions that meet their global wealth structuring needs while looking to tie it together into one holistic operation,’ says Channing.

Parkes adds: ‘The objective is to set up a governance structure through a professional, independent corporate service provider that delivers a robust framework to protect and ultimately preserve the family assets.’

Firm foundations

Jersey structures have also become more familiar to a wider audience of international investors, and that positions them well when investors are choosing a jurisdiction.

‘If you take foundation regimes,’ says Abusrewil, ‘now they have been implemented by the Dubai International Financial Centre and the Abu Dhabi Global Market, there is a greater understanding of and familiarity with the Jersey foundation regime among families, FOs and professionals in the region, which enables a much greater use of and interplay between offshore and onshore structures.’

Alongside estate and succession planning and an analysis of the individual strengths of jurisdictions, there has also been an inexorable shift towards more responsible investing. This can be a delicate subject for advisors, as there may be some in the family wanting to maximise returns, with others insisting that their family investments have a positive impact on society, even at the risk of under-performance. Machin points particularly to the younger generations, who may have concerns about how their inherited wealth is invested as they embrace environmental, social and governance (ESG) considerations.

‘It has to be discussed and so it’s important to have a dialogue with the future generations if possible,’ she says. ‘Advisors and other wealth managers certainly need to make governance a priority to ease the process at the time of wealth transfer.’

Evidence supports this, with Deutsche Bank’s annual *ESG Survey 2022* reaffirming that millennials seem to be more aware of underlying ESG issues compared with other age groups.

In this ever more complex world, FOs are encouraged to review structures and processes periodically. As Abusrewil explains: ‘The intentions of a family can shift and evolve. Structures can become more complex and the importance of ESG, the roles of women and the impact of generational shift can mean that changes need to be made.

‘What we have seen in the past is that, with FOs in particular, there is a real focus on the businesses, finance and investments, but not always the same level of attention to the structure and future needs and dialogue with successor generations.’ ✖

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