

Regulatory Demands Augur Well for Top Professionals in Leading Jurisdictions

Sebastien Hayoz, Managing Director at Asiaciti Trust, met with Hubbis in April to give his insights on the growing need for financial transparency and the implications for the wealth management industry. He believes that the now-unavoidable necessity for regulatory rectitude offers a great opportunity for dedicated wealth management professionals operating out of those international financial centres that strive towards operation and reputational excellence.



“WHAT HAS REALLY CHANGED IN recent

times, and what will continue to evolve in my opinion, is the perception of and the image of the reputation of the offshore financial centre,” Hayoz begins. “People might have a valid reason to have a presence in any of those offshore jurisdictions, but they now realise that the regulators and authorities looking at this industry have a growing perception that the offshore vehicles, especially in more esoteric locations, might not be legitimate.”

Accordingly, Hayoz reports an acceleration in recent months of clients seeking information on the more reputable and credible international jurisdictions, not only for their asset management but also for the location, the domicile of their vehicles or their solutions.

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A reputation well-earned

This, he believes, is playing into the hands of the most professional of advisory firms, of which he argues that Asiaciti Trust is undoubtedly one, having gained its reputation and experience over the past four decades operating in Asia Pacific and delivering services to an international clientele.

Asiaciti Trust is an international trust and corporate services provider offering specialised wealth

management solutions to high net worth individuals, intermediaries, business owners and corporations. Hayoz is well-qualified to advise upon transparency as Asiaciti Trust provides a broad range of services in many countries, including Singapore, Hong Kong and New Zealand.

Hayoz notes that the tax authorities around the world are stamping down on what have been widespread disclosure failings and that everyone, even those tax compliant people and families, is being swept up in the cleaning operation.

Estate planning moves to centre stage

Hayoz observes that the thrust towards compliance and fiscal propriety is also increasingly aligned with estate planning, especially more recently in Asia. “Wealth is

created, the wealth is maintained, and the wealth will have to pass to the next generations. To enable this to be conducted effectively, it all comes down to the choice of jurisdiction for your business, the business interests, your assets and structures for wealth preservation and future wealth transmission.”

Singapore, Hayoz advises, is an ideal location for succession management because of the justifiably positive reputation that the juris-



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diction enjoys and because of the ongoing efforts of the government and authorities to hone its services and its regulatory environment.

The gravitational pull of excellence

“It is a sensible jurisdiction from a tax and many other perspectives,” he comments. “Singapore has positioned itself very well, including renewing the tax incentives schemes which are available in Singapore for international families, and adapting some conditions in terms of the ultimate ownership of businesses and assets. It really is a highly credible onshore financial centre, that also offers similarly tax neutral benefits that you could find in any offshore financial centre.”

The renewed tax incentives schemes he mentioned include, for two of them, the removal of the requirement to have less than 100% of the structure owned by Singapore residents.

“This, therefore, opens the door for the local families who always wanted to benefit from certain tax incentives but could not without having at least partially ultimate owner overseas, or they had to

use another tax incentive which in terms of the condition was very onerous,” he reports.

“From our viewpoint,” he elucidates, “we think the authorities realised how many families need structures and solutions that protect the wealth that they created for transmission on to the next generations. Perhaps they are trying to address the negativity of the old 92% rule, that 92% of a family’s money will not pass through the third generation.”

Riding Singapore’s wave

Singapore’s rising prominence and reputation are ideal for Asiaciti Trust, Hayoz remarks. “While many IFCs have valid reasons and offerings, we have been operating in this region for more than 40 years,” he reports. “This region has high-quality financial centres in Singapore, Hong Kong and also New Zealand, all of which are well-placed and well-regulated jurisdictions for families to domicile their vehicles.”

According to Hayoz, after one or two generations of successful wealth building, high and ultra-

high net worth clients in Asia are also now therefore prioritising issues of succession planning, to ensure that the businesses and wealth created will be protected and passed on to the right hands, and stay within the family to benefit successive generations. This is another reason for more and more clients to migrate their assets and structures to reputable, well-balanced centres such as Singapore.

In the current environment, Hayoz advises against clients using generalists for advice on these matters.

The quest for expertise

“The client of today and tomorrow needs experts around the table,” he says, “as this whole business has become remarkably complex. We see that clients understand this and are increasingly taking the initiative, rather than waiting to see what happens next. They might then take their time to implement the correct structure, but the clear indication is that the clients are addressing the issues head-on, whether it is for estate planning or asset protection.”

Tax, says Hayoz, is no longer the pressing concern, as almost every client has accepted that the new normal is total transparency. “The issue nowadays is not trying to avoid tax or hide wealth, it is identifying the right solution and understanding the implications. There remain some popular misconceptions about vehicles, about the treatment of foreign assets, and the industry is working to clarify these for the clients, hence as I said the need for real professionals and proper advice.”

Keep it tight

Hayoz also advises that clients should be encouraged to seek out a single financial advisor to examine their unique disclosure requirements, in order to consolidate reporting and keep everything simple, rather than spreading information to many partners and risking something being overlooked or being shared amongst too many parties.

For firms such as Asiaciti Trust to achieve and maintain this level of professionalism and integrity, they need to keep recruiting the right talent. “Although Singapore



has a long tradition of expertise in handling and managing trust structures for international clients, the business is more complex and with an ever-greater international perspective than in the past.”

Upgrading people skills

Accordingly, a key challenge for the wealth management industry is to find people who have real knowledge on how to manage a trust or another solution which has assets overseas, including an understanding of the requirements in terms of reporting, especially in the country where the assets are located.

“In the past,” he adds, “people were looking solely at the consequences of having a structure in the country where it was managed. Now the question is not really on where the structure is managed, it is where the assets are and the reporting there. This has a big influence of who we hire today, and how we will hire in the future.”

Seeing the big picture

Hayoz concedes that while there is a general improvement in the quality of approach from clients,

it will take longer for this to translate directly to a significant boost in conversion. “But we take a longer-term view,” he reports, “and it is certainly positive that the newer structures and solutions are going to be more stable, assuming they are set up properly; they can then be adapted flexibly to circumstances or changes in the future.”

Another opportunity aside from the growth of the onshore solutions in Singapore is fund domiciliation, primarily Hayoz says as a consequence of the attractiveness of Singapore as a highly competitive financial centre.

He closes with a comment regarding the impending rise in litigation in the region. “What we and some of the law firms we work with see is more litigation within the family or between the family and the trustee, or even between trustees, in short more people suing each other. There are certainly more and more family disputes about money, about ownership of the assets, whether it is the operating business or bankable assets or whatever.”

He explains that a core reason is that people are increasingly aware of the possibility they have nowadays to protect their position or obtain more than what they might have received or expected in the past. The second and third generations are more aware of the choices made in the past, of actions taken, and their implications, and more aware of their ability to address problems or inconsistencies that they might see.

“We see law firms growing significantly out here as all this evolves,” he reports. “And from our viewpoint, it is positive because it underlines just how important the role of a trustee is, how vital the credibility of the structure is and the overall robustness of the solutions. In short, this is step-up in terms of quality of the trustee and the requirements that are imposed to the trustee in terms of properly managing a trust structure.”

Hayoz closes by reiterating his belief that the global thrust towards regulatory transparency is positive, both for clients and for those wealth management firms that embrace these new realities. ■

