

Guernsey and China – the Island's appeal, the risks, and HNW trends

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Partner Marcus Leese leads Ogier's Guernsey office, and practised in the firm's Hong Kong team between 2010 and 2014. In this short Q&A piece he looks at the links between Guernsey and China, trends in client profiles and motivations, and the reasons behind Guernsey's success.

Is it time for Guernsey to refocus its attention on China? If so, why and why now?

No. There's no need to refocus on China because in my view Guernsey has never lost or reduced its focus on China. Ever since Guernsey Finance opened its office in Shanghai over 10 years ago and members of industry began establishing physical bases in the region and posting staff there or having them visit regularly, Guernsey has shown real commitment to the China market. Indeed, just this week I've been attending the STEP Asia conference in Hong Kong and Guernsey has the largest presence of any of the offshore centres. The attractions of China for offshore financial service providers remain - China generates more new HNWIs than most (if not all) western countries and those HNWIs increasingly understand the need for offshore structuring for their personal and business assets around the world. The newly announced change in PRC personal tax regime, increase in divorce rate and migration overseas have all increased this. The attractions of Guernsey to service this need remains as it always has – highly experienced professional advisors and service providers, robust court system and clear rule of law, thoughtful and modern company and trust legislation firewall legislation, high standards of regulation, etc.

Which firms/sectors on the island are best-placed to take advantage of the opportunities in China? Why is this and what are the potential rewards?

Firms which have staff with Chinese language capability and a presence in Hong Kong or elsewhere in the region would definitely be best placed to benefit from the opportunities. Although initially the greatest interest appears to be in trust, fiduciary and private client advice and services, there is no reason why other areas of financial services (such as investment funds and insurance) will not also be attractive.

There's much discussion of risks when dealing with China, such as the need to protect IP when dealing with China, how great an issue is this?

In our experience, IP has not been any more of an issue when dealing with Chinese clients than in any other jurisdiction where we have clients. There certainly are difficulties, challenges and risks, however.

Are there any other risks, especially around legal matters, that companies need to be aware of?

In our experience, doing business with clients in China presents many of the same issues as dealing with clients in many other emerging markets. A significant issue in this regard is KYC and related AML matters. It is often challenging to conduct a satisfactory due diligence on the source of wealth (especially when one considers the exchange and capital control regime). Also, one needs to be mindful that issues of corruption can be problematic and require one to take care when doing business.

This is an extended version of comments originally published in Business Life Global.

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