

An ideal location in uncertain times for a family office

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We are living in uncertain times and family offices currently face material challenges. The COVID-19 pandemic has raised immediate issues for many wealthy families notably around tax residency and immigration but on the flip side it has given wealthy families the opportunity to take stock and consider how they want to be structured and fundamentally where they want their family office to be located.

The prolonged period of inactivity has also given families the opportunity to consider difficult issues around family governance. Outside of COVID-19 concerns around political instability in many parts of the world are getting worse and continue to drive structuring in private wealth, with clients wanting a safe harbour for their assets in a reputable jurisdiction with certainty around asset protection.

As a result of these factors we are seeing a significant increase in enquiries from both existing family offices wishing to re-locate their seat of business to Jersey or set up branch offices in Jersey (which could take a more prominent role going forward if concerns over political instability materialise) and enquiries from wealthy families wishing to establish a family office in Jersey for the first time.

It should be noted that a significant number of family offices are already located in Jersey ranging from single family offices which manage investments for a single family, to multi-family offices which manage the investments of multiple families.

The purpose of this article is to consider what really makes Jersey attractive for family offices.

Properly regulated jurisdictions attract family offices

There is little doubt that properly regulated jurisdictions such as Jersey will be the ones that attract family offices as the global landscape continues to shift in favour of transparency. This is inevitable as we have seen with the introduction of FATCA, CRS, rules around economic

substance and further anti-money laundering initiatives. Jersey has always been a leader and early adopter on these initiatives with the expertise and professional services to deliver on the subsequent requirements. Family offices want to be located in a jurisdiction which is properly regulated and with a sound reputation. Jersey is not a light touch regime, it is well-regulated and that is something that wealthy private clients are looking for.

Jersey as a safe harbour

The current turbulent political climate would suggest that deep-seated fears over radical politics, the seizure of assets by political means and threats to nation state sovereignty look set to continue. It is inevitable that these concerns will be a key factor in determining the location of a family office.

This is a global phenomenon. It impacts upon clients, in differing degrees, from all over the world, including clients in East Asia and the Middle East among other places.

For a number of reasons ultra-high net worth families are choosing Jersey as their jurisdiction of choice to locate their family office. Jersey is politically stable and has close links with the UK and Europe as well as strong legal foundations.

There are also multiple structuring options in Jersey which are tried and tested, offering clear asset protection.

Jersey and access to key professional services

Jersey is also particularly attractive because of the high quality of professional services available in the investment, accounting and legal sectors. A family office is only as good as those running it and the right mix is crucial, both in terms of providing for the key professional services needed by a family office (e.g. accounting, legal and investment services) and the softer skills required for diffusing difficult family issues and ensuring individual family members buy in to the family's vision for the future.

The importance of governance in family offices

Every family office is different and reflects the needs and interests of the family or families that it serves. Nonetheless the research is clear that early investment in an effective governance structure will likely pay dividends for the family in the long term. Family governance is not as simple as taking an 'off the shelf' legal solution which on paper works from a structural perspective with no consideration to the specific dynamics or culture of the family.

In order to be effective, family governance needs to take into account all interested family members in the planning process and to be consistent with the existing family culture, which is likely to have evolved over multiple generations. Jersey and its professional services firms and

trust companies have built up expertise in family governance over many years.

The impact of economic substance rules

It is also likely that the recently adopted economic substance provisions will influence where ultra-high net worth individuals are locating their family office. Jersey was very much on the front foot in ensuring it was reaffirmed by the European Union as a cooperative jurisdiction in terms of good tax practice and transparency.

In our experience, local family offices are sophisticated structures, with such of their companies as are resident in Jersey already meeting the substance criteria. Insofar as foreign entities within those structures are concerned, we are seeing an increase in inward company migrations as family offices seek to take advantage of Jersey's excellent reputation and attractive private wealth offering.

Where are the enquiries coming from?

We have assisted a number of wealthy families from different parts of the world, including South East Asia (notably Hong Kong) and the Middle East, establish family offices in Jersey. Founders from these jurisdictions are increasingly looking to benefit from all a family office has to offer and, in particular, protect wealth in the face of political instability.

What is required on the ground in setting up a family office?

It is essential to have a dedicated family office team that can help ultra-high net worth individuals establish or relocate family offices in Jersey, preferably with experts from private wealth, funds and local legal services teams.

In recent times many mandates have been connected to asset management, such that a fund structure might well be incorporated into the family office platform. Inevitably these structures will need funds and regulatory advice. Private wealth advisers may also advise on the holding structure for the family office, the form of which will often be driven by succession planning, control and tax.

It is also possible to coordinate all the local legal services required for establishing a family office too, from assisting with finding premises, property advice, employment advice and obtaining the requisite business licence.

Conclusion

There are multiple components to setting up a family office in Jersey but the primary focus is to provide the client with a seamless service from start to finish. With such a focused approach being complemented by the various factors highlighted within this article, we would submit that Jersey – perhaps now more than ever – offers the ideal location for a family office.

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