A new future for international finance centres

Some of Asia's top wealth planning and structuring professionals suggest that while the needs of HNW clients mean international finance centres (IFCs) remain relevant, they must refine their value proposition amid today's regulatory environment.

There is no doubt that IFCs, in general, will continue to play an important role in the global finance markets and to continue to deliver specific wealth management objectives.

However, global compliance requirements such as the Common Reporting Standard (CRS) and Automatic Exchange of Information (AEOI) look likely to change the future of many IFCs.

More specifically, the increased need for transparency and fully-compliant structures creates and urgent requirement for these hubs to revise their value proposition to stay dynamic and meet the needs of the broader wealth structuring industry.

"Offshore finance centres will need to meet this new challenge in order to survive. Their core value proposition can no longer be a simple one," says Peter Triggs, managing director, regional wealth planning at DBS Bank. "Clients will rethink their need for an offshore account and, without an apparent reason, will be inclined to repatriate their wealth."

Part of the problem stems also from IFCs being partially tainted by events such as the 'Panama Papers' scandal.

So they need to redefine the benefits they offer.

Further, customers are increasingly lured to other jurisdictions where there is no perception of misconduct.

"Some banks are even anticipating a growth in onshore private banking," adds Triggs.

As a result of these trends, IFCs with marginal business activities will lose a lot of it because they can no longer offer the tax or privacy advantages they could before, suggests William Ahern, principal at Family Capital Conservation.

OTHER OPTIONS

While the future of some IFCs seems uncertain, some industry practitioners are tipping 'mid-shore' jurisdictions such as Hong Kong and Singapore to gain from redirected flows of business – both by clients and advisory firms like.

If these and other jurisdictions adopt new regimes without requiring excessive protocols and administration for implementation, they might be able to offer the substance to gain market share.

"IFCs which promote compliant efficiency have a bright future as they can offer greater security than many jurisdictions and a greater level of privacy," adds Ian Black, head of wealth solutions at AAM Advisory. ■