Guernsey's Expertise makes its Services Ideal for Hong Kong Families

A growing acknowledgement of Guernsey's expertise in servicing family offices, as well as its world-leading status in green and sustainable finance, has resulted in the recognition that the jurisdiction should continue working closely alongside Hong Kong – with many exciting opportunities ahead for both.

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WE ARE GUERNSEY, the island's promotional agency for its finance industry, recently staged its annual Hong Kong Masterclass, aimed at Hong Kong professionals in the private wealth and family office sectors, to discuss the relationship between the two regions and the Greater Bay Area in particular, the use of fund structures within family offices, and how Hong Kong can benefit from Guernsey's unique 'one day' regime.

On the agenda were Guernsey's credentials and governance in family offices; education around greenwashing; the Guernsey Green Fund; Environmental, Social and Governance (ESG) products; regulation; and measuring the impact of climate and ESG risk.

The panel also looked at the regulatory developments and trends in both Guernsey and Hong Kong, as aligned to the global target for "net zero" by 2050 in Hong Kong (2060 in China), and how the new regulatory regime seeks to align with this goal.

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Governance and structuring

KPMG Tax Director Paul Beale feels that a strong governance system is critical for family office, and its importance is being seen within family frameworks now.

"From a Guernsey perspective, it is really important because we hold ourselves out and continue to demonstrate that we are a premier provider of services to international families," he said. "If we want to continue to be at the forefront of that, understanding how families govern themselves is critical if we're going to play a part in helping them to achieve their objectives, manage their risks and deal with the many challenges that they face today and in the future."

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WE ARE GUERNSEY

Paul stresses the importance of Guernsey showing itself as a world leader in family office governance because, despite resistance to change being a regular theme, the world is now facing unprecedented change with regards to next generation wealth transfer.

"As advisors, it's really important we recognise that while we might naturally be drawn to a structured approach - working with that [individual] family to understand what works for them is, in many ways, more valuable."

Mourant Partner Gilly Kennedy-Smith says that as well as being mindful of guidance and regulation in governing structures, there needed to be consideration towards the unique perspectives of each family.

"It's really important to understand what ESG and governance means to that specific family," she said. "What are their key drivers and their motivations?

"You need to know where your risks are and what you're comfortable with as a service provider, then you can

communicate with the family and really understand what it means to them."

ESG trends and net-zero commitments

Jenny Lee of the Hong Kong Green Finance Association explains that, while Hong Kong was still lagging behind Europe in terms of ESG adoption, there is a trend of moving in the right direction.

"Particularly given the impact COVID has had on Hong Kong society, there's been a very much greater emphasis now on the social investing moving away the financial themes that were prevalent before," she said. "I also think, with Hong Kong's focus to move towards net zero by 2050, there's an increased awareness about climate risk and the transition that needs to occur in order to meet the target, as well as public pressure.

"There's the corporate image of the actual family office itself as well, because as a net beneficiary of the growth and development in Hong Kong, it is another way in which they can give back to the community."

Gilly highlights the importance of regulations and reporting being consistent across multiple jurisdictions.

"Standards are really important," she said. "Until we have that unification of standards between the jurisdictions, it's not always easy to monitor the impact that we're having in terms of that sustainable investment."

She adds that regulation at government and company level ensured engagement and change, but differences in regulatory standards between countries would have an impact.

"Common reporting standards allow us to compare jurisdictions and compare structures, regardless of where the family touchpoints are, where their connections to certain industries or countries are located. It creates a single benchmark. And of course, that makes it easier for families to see how they're doing in terms of their own ESG profile ethos, culture, but it also more of a safety net for the fiduciary provider as well, because they know they're meeting those their standards, and it's easier for them to monitor and make sure that they're complying in a way that they should be."

Paul Beale suggests that there is an increasing trend of the next generation of families coming to the fore, possibly accelerated by the Covid-19 pandemic.

"For a lot of families, Covid has been a key milestone. We've seen a lot of families where the people who've been running structures and been key decision makers for a long time have seen it as their final frontier – to get through this and then pass on. Succession plans have been brought forward, and that's where it's aligned with the ESG perspective. When you're looking at the impact of the next generation, it's understanding the family values combined with their values and how they work together."

Whether you call it coaching or anything else, to understand what the family legacy is to be is critical. Then it can be tweaked from a sustainability perspective, and the sort of impact of next-gen thinking is definitely leading to increased awareness around these issues.

Looking ahead to see where private companies and governments can have an impact, Gilly suggests that companies have greater potential to influence individuals on a global, cross-border and cross-generational scale, partly because governments may not be in a position to offer tax breaks and incentives as they recovered from the deficits emerging from the pandemic.

You can watch our Hong Kong Masterclass in full on demand here: Hong Kong Masterclass | We Are Guernsey. ■