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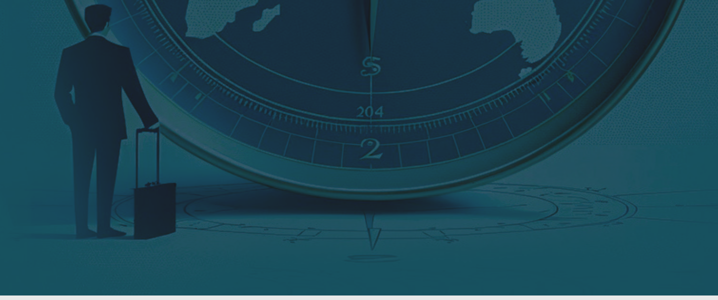
Navigating Asia's Private Client Advisory Challenges and Opportunities in 2024 with Butler Snow's John Shoemaker

As we approach 2024, there are a number of changes on the horizon to be navigated by Asia's private client advisory community. John Shoemaker, Registered Foreign Lawyer at Butler Snow, took the time to speak with Hubbis to explore a number of the changes pinging most loudly on his radar, such as the US Corporate Transparency Act, and local KYC and AML procedures in Singapore. The conversation also delved into the looming impact of Base Erosion and Profit Shifting (BEPS) discussions on private wealth and the evolving dynamics of wealth transfer to the next generation. Throughout, the theme of adapting to changing client needs and preferences emerged as a central challenge for industry professionals.



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JOHN SHOEMAKER
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The conversation opened with a discussion on the opportunities and challenges for the private client industry in the year ahead. John began with a look at Singapore, noting its remarkable success over the past 15 years. "When asked to talk about the development of Singapore as jurisdiction, I will often say that the last 15 years could not have gone better for Singapore. To start, the disclosure facilities of Europe that drove business in this direction. The fact that perhaps Australia and New Zealand may have overregulated a bit, in the eyes of some, also contributed to the driving of business towards Singapore. And then finally, the political unrest and the COVID situation in Hong Kong, that consolidated a lot of family wealth in Singapore," John reports. Furthered by family offices' preference for the city-sate, and ease of travel facilitated by Changi Airport, Singapore has emerged at the top of the proverbial food chain, he notes.

Turning to the challenges, John notes that the main obstacles revolve around managing and sustaining success. The first aspect involves ensuring the success achieved is lasting and resilient. Secondly, there's the pressure to continually surpass previous achievements, evident in the expectations of investors and the demands of quarterly earnings reports. Companies need to strike a balance between striving for greater success and maintaining their current achievements. Additionally, the political landscape in Singapore is undergoing a shift. This change prompts a focus on how Singapore will continue to solidify its achievements, manage expectations for further growth, and adapt to potential changes in governance under new leadership.

John then made note of two significant regulatory changes on the horizon. Internationally, he references the implementation of the Corporate Transparency Act in the US This act marks the US's further engagement in global information exchange, building on the foundation laid by FATCA (Foreign Account Tax Compliance Act). Unlike FATCA, which primarily focused on inbound information to the US for tax compliance, the Corporate Transparency Act expands the scope. It requires US companies and foreign businesses operating in the US to disclose ultimate beneficial owners (UBOs), addressing previous gaps in US disclosure requirements. This new act, effective from January 1st, will significantly alter global information gathering practices and perceptions of the US as a privacy haven.

Locally in Singapore, John notes an increased focus on KYC (Know Your Customer) and AML (Anti-Money Laundering) procedures in Singapore. This includes stricter identification processes for those using Singapore's financial and expertise systems. Recent actions by the Monetary Authority of Singapore against individuals misusing the financial system exemplify this trend. He advises that all financial institutions, including banks, insurance companies, brokers, attorneys, and investment advisors, rigorously review their account and engagement opening procedures to ensure compliance with KYC and AML requirements. These measures aim to identify and prevent exploitation of the financial system by unscrupulous individuals. These regulatory and compliance developments, according to John, will significantly impact the industry in 2024.

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The conversation turned to specific tax-related issues to consider in the coming year, John highlights the concept of BEPS, which stands for Base Erosion and Profit Shifting. John explains that in today's world, characterised by short attention spans and distractions like global conflicts in Ukraine and the Middle East, public focus has shifted away from topics such as wealth taxes, corporate tax rates, and the success of billionaire owners of global corporations. However, he emphasises that these conflicts won't dominate attention forever, and the spotlight will eventually return to discussions about BEPS and global corporate minimum taxes. And what transpires in these discussions primarily centered on the corporate world will inevitably have repercussions in the realm of private wealth.

John notes that there have been similar scenarios observed in the past. "We saw it with FATCA and CRS, where they just didn't understand the use of things like holding companies and trusts in the perspective of big global banks, and financial advisors and life insurance companies," notes John. "And so, we as the private wealth industry kind of got carried along with these broad rules that were created for information exchange. I fear the same thing is going to happen from a tax perspective with the BEPS in the global corporate minimum tax discussion. So we may find that certain transparent or benign vehicles like a VCC or a holding company are going to get caught up in these global tax discussions about minimum rates." Consequently, families could be negatively affected, receiving outcomes less favourable than what they had initially planned for their family business and succession planning.

While this issue may not require immediate action in 2024, says John, it is certain to gain momentum in 2024 and beyond. Meaning that it will become essential for all private client practitioners to adopt a longer-term perspective and consider participating in these discussions, or providing feedback on how corporate tax changes will eventually impact the families being advised.

Honing in on how industry practitioners can deliver more value, John notes that one of the dominant themes to have emerged in the past three to five years has been the anticipation of the largest wealth transfer in history, from older generations to younger ones, a notion that has been dominating headlines and discussions at industry conferences. However, says John, it's essential to recognise that this wealth transfer is not an overnight event but rather a gradual process that has been gaining momentum. And as more second-generation family members taking on leadership roles, there are more conversations to be had on tax efficiency, regulatory compliance, participation in disclosure programs to address past issues, and addressing the balance between information transparency and privacy.

"In my view, as we move into 2024 and beyond, this trend will continue, with the second generation adopting a different mindset. We will see a greater emphasis on efficient tax planning rather than pursuing zero-tax strategies," reports John. "Clients

Key Priorities

John reports that in the coming year, he will be spending more time supporting Butler Snow's London team. Additionally, he reports a personal interest in strengthening the connection between the London office and our Singapore office, citing a strong emerging European-Asian connection.

In turn, John report that whilst before the pandemic there was a trend towards simplification, with clients consolidating their assets and services in one place, COVID revealed the value of diversity and multi-jurisdictional approaches. As such, John reports a desire to help clients realise the advantages of having structures in different locations, which can significantly benefit their wealth, influence, and overall experiences.

"Ultimately, we all seek meaningful experiences, and I believe that goes beyond having a large bank account. I'm excited to return to extensive travel and engage with various jurisdictions, reflecting the resurgence of global business following the pandemic."

will become more comfortable with information disclosure, even if it means moving away from complete secrecy. Moreover, we'll witness the rise of progressive movements like charitable giving and ESG initiatives, which may not always align with traditional perspectives but are crucial to the next generation."

As such, the challenge moving forward for professionals is to adapt to the evolving needs of clients. "I've often believed that my value to clients lies in offering alternative viewpoints, and sometimes saying 'no' when everyone else is saying 'yes'," he reports. However, as worldviews evolve, a key challenge for practitioners is to recognise moments when being right doesn't matter as much as adapting to clients' needs and preferences.

"In the past, our expertise often dictated the course of action, but we are entering a more balanced world where client preferences play a significant role. It's not just about adhering to logical tax codes or compliance; it's about understanding and accommodating client motivations, even when they diverge from our own beliefs. Therefore, there is a need to find ways to integrate their preferences into our advice, acknowledging that achieving their goals is valid, even if we may personally disagree with them." ■

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