THE FUTURE FOR INTERNATIONAL FINANCIAL CENTRES

Views from Asia's Wealth Management Market

2018

hubbis

Jersey Finance
Delivering Insight • Driving Innovation

Foreword

International financial centres (IFCs) have in recent years been facing a wide range of challenges, spurred especially by the explosion of new global financial regulation, information sharing between national governments and their authorities, as well as tighter supervision of the financial advisory community and their clients. Media disclosures such as the infamous Panama and Paradise Papers revelations have put IFCs and the wealth management structures they facilitate further in the spotlight.

However, IFCs have fulfilled a vital role in the global financial world for many decades and we firmly believe that high-quality IFCs will continue to do so in the future. With Asia in mind, first and foremost, but with a wide-angle global perspective, Jersey Finance was keen to work with Hubbis to reflect on the fascinating views that were voiced in two private roundtable discussions in Hong Kong and Singapore and the Survey.

The findings were numerous and make great strides to inform us and our industry on how we should work together to prosper with our clients for the future. I will not go into the findings here, as these are laid out in the roundtable reports Hubbis has published and in this White Paper.

But I will close this Foreword by stating that the outcome has proven to us yet again that forward thinking IFCs face a bright future; the information and perspectives we have gathered throughout this process have certainly focussed our desire to provide the highest quality IFC services to our Asian and global clients, past, present and future.

And finally, Jersey Finance would like to thank our partner in this endeavour, Hubbis, and the numerous wealth management experts who gave their time, their insights and their predictions to make this project into a dynamic and highly valuable exercise.

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Executive Summary

Hubbis, in conjunction with Jersey Finance, conducted two private, off-the-record roundtable discussions and a comprehensive Survey to reveal the vital matters which have been affecting and that will directly impact the future of IFCs and their use for structures and other services by wealth advisers and Asia's wealth management clients.

The twin developments of global regulatory proliferation, as well as media leaks and revelations of information on offshore structures, have presented a major threat to the world's IFCs. Are IFCs and the structures they facilitate still relevant, or even acceptable today? Are onshore or midshore jurisdictions winning more business as a result? Or can the higher quality, well managed, robustly compliant IFCs fight back with a drive towards transparency and excellence throughout their product and service lines?

What do Asia's wealth clients need for the planning of their wealth preservation and for wealth transition amongst generations of family members?

There were numerous fascinating findings, insights and nuances revealed through this process. It became clear very early on in the first of our roundtable discussions, in Hong Kong in April 2018, that IFCs do indeed remain both viable and of considerable value to the global wealth management community. This thesis was then verified in the Singapore roundtable in May 2018 and then given the seal of approval throughout the Survey we conducted in June 2018.

However, there are more caveats than ever before. The IFCs themselves, and the structures and services they house or provide, must be robustly assembled and allied to optimise local and global regulatory and compliance practices.

The new era of global regulatory propagation combined with a more all-encompassing, digitally-enabled global compliance edifice means that reputational excellence for IFCs as well as operational rectitude and transparency are of paramount importance.

Underpinning many of the views expressed and the Survey replies was a clear consensus that the motivations for HNWI and ultra-HNWI clients to go offshore are predominantly for estate planning and transition, with a focus on some degree of privacy and tax planning.

But crucially, the motivations are no longer what might have been perceived as virtually forensic secrecy and/or tax avoidance that many argue may have motivated some clients in decades past.

Transparency, simplification, efficiency, reputation, quality and consolidation are the new watchwords for IFCs, the wealth management community and their HNWI clients.

In this new world, wealth planning is becoming increasingly professionalised, transparent and robust. Those IFCs that adapt to this new world, that develop their products, their services, their people skills, and their digital expertise and interface will not only survive but, given the immense expansion of the world's wealth and the globalisation of that wealth, will prosper for many years to come. And for IFCs consolidating and building their client bases in Asia, the potential is especially dynamic.

As financial market indices have continued to rise across the globe, so too has broader global economic activity and so has the wealth of the wealthy. According to a Capgemini and RBC Wealth Management report, the number of HNWI clients around the globe grew by 7.5% in 2017, while their private wealth increased by 8.2%.

On June 18 this year, Capgemini's financial services global strategic business unit released its World Wealth Report 2018 estimating that global HNWI wealth would exceed US$100 trillion by 2025. Capgemini reported that the combined wealth of the world's millionaires rose for a sixth straight year and topped US$70 trillion for the first time ever in 2017, due to strong economic performance and bullish conditions in the world's financial markets.

The number of HNWIs - which Capgemini defines as having investable assets of at least US$1 million, excluding homes and collectible assets - grew nearly 10% to 18.1 million in 2017. Their total wealth stood at just over US$70 trillion.

The United States, Japan, Germany and China are the four largest markets for millionaires, accounting for 61% of the 18.1 million HNWIs. The Asia-Pacific region has the most HNWIs overall, with Japan, China and India leading the pack.

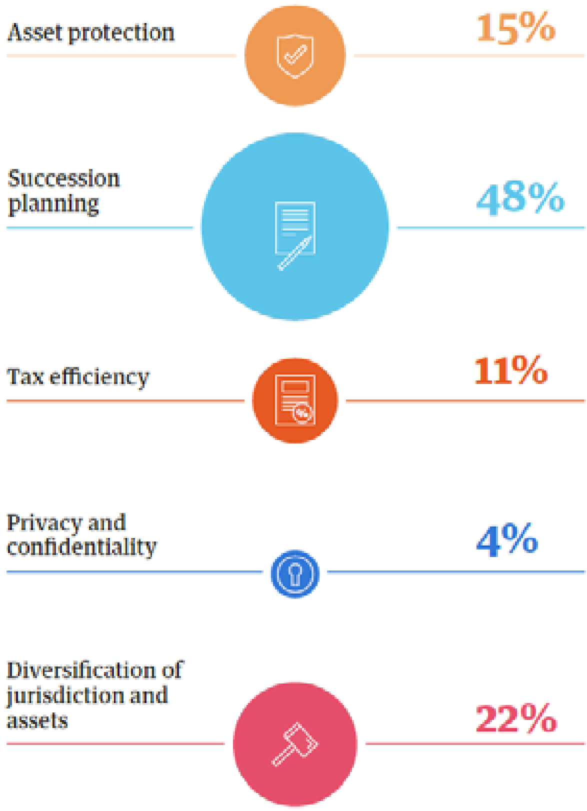
Meanwhile, the assets under management (AUM) of the private banks has also surged. In fact, the AUM of the top 25 private banks in the world increased by 17% in 2017 alone to more than US$16.2 trillion, according to Scorpio Partnership's 2018 Global Private Banking Benchmark. The same study showed that Asia produced the highest gains.

Hubbis invites our extensive wealth management community in Asia and globally to read the two roundtable reports and the findings of our Survey and to form their own views on how they will interact with the IFCs and with their clients, as we all strive to adapt to and address the many challenges ahead.

Transparency, simplification, efficiency, reputation, quality and consolidation are the new watchwords for IFCs, the wealth management community and their HNWI clients.

Key Findings in Brief

What motivates a client today to have a structure in an IFC?



Succession planning is a core driver in the selection of an IFC

More than 48% of our respondents believe that succession planning is the key motivator for selection of an IFC for Asia's HNWIs and ultra-HNWIs. Jurisdictional diversification and asset protection are also core drivers. The search for privacy is consigned to history, it would seem, as is the protection of assets from tax authorities.

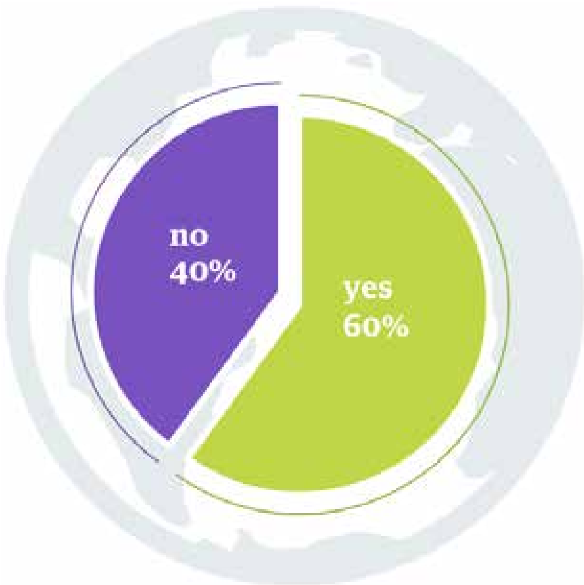
Asian clients are ill-prepared for wealth transition

Perhaps one of the most telling responses to the Survey was towards the end of the Survey when more than 82% replied that Asian clients, in general, are not well prepared for wealth transition from one generation to another. This is a recurrent theme that Hubbis editors encounter week in, week out.

Asian HNWI clients are stress-testing and simplifying their wealth structures

More than 89% of those surveyed said that clients are fully aware of the need to address issues relating to transparency, tax and existing structures. More than 60% of respondents said their wealth clients in Asia are working to determine if their structures will stand up to the new global regulatory rules and compliance conventions.

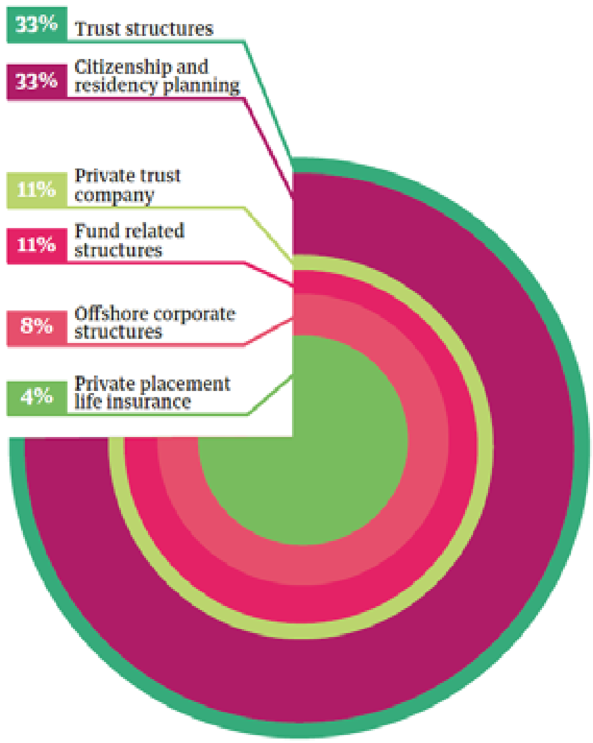
Are clients stress-testing their existing wealth structures and vehicles?



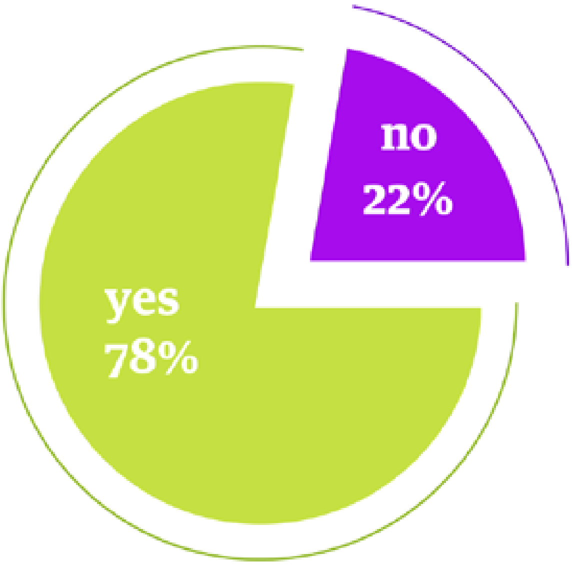
Trusts, private trust companies, offshore corporate structures and fund-related structures emerge as the key priorities for Asia's HNWIs

Again, this aligns neatly with the findings of several of the Hubbis roundtables and surveys so far in 2018, which found that the quest to create structures has not been eliminated by either the regulatory developments or media scrutiny. Secrecy is out, while transparent structures are in.

What structures will be the most relevant and effective in the future?



Do you think clients need to be re-educated about the merits of using structures in IFCs?



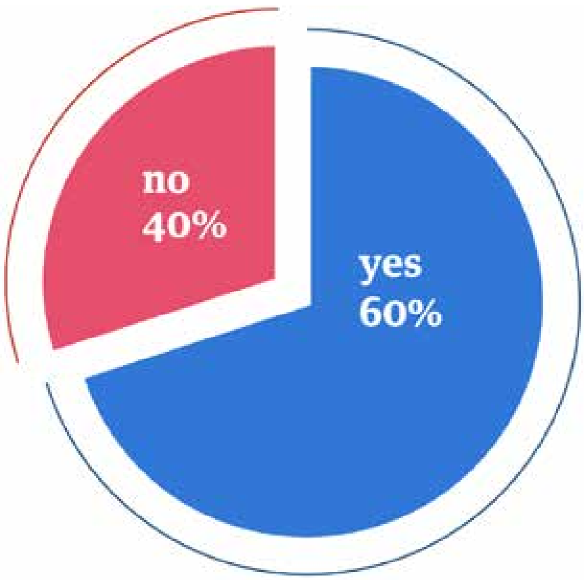
Tax and regulatory compliance are high priorities, as is client education

Tax compliance is now amongst the highest of priorities, driven by the advent of a host of global and local regulations covering disclosures, cross-border exchange of data and other new rules.

Some 78% of respondents believe clients need to upscale their knowledge of wealth management concepts, structures and IFCs.

Realistic expectations of what an offshore structure and IFC can do for family wealth structuring and relevance to today's regulatory world is important. Value is measured in quality, not price.

Are clients simplifying their structures?



A multi-faceted approach to simplifying structures

Simplification of structures involves eliminating under-utilised, inefficient, non-tailored, non-compliant and costly structures.

The objective is clearly to reduce the number of entities, cut back the number of layered corporate or other entities, reduce the number of offshore jurisdictions, touch points and bank accounts. Geographical consolidation to one or two jurisdictions will help transparency.

Asia's HNWIs and their families need to become better organised

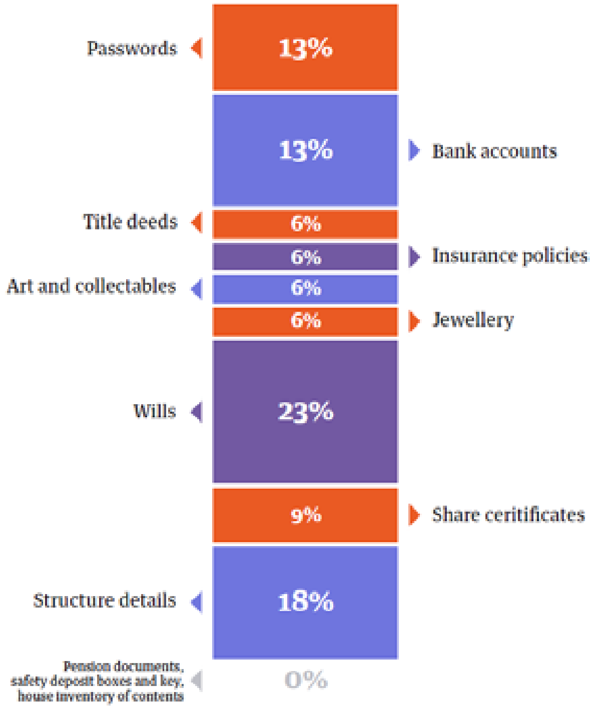
It was painfully clear that wealth advisers fear their clients have not installed the appropriate mechanisms and procedures to manage what is volume of information required in the event of a key family member's demise. Whatever the solutions, more needs to be done, and sooner not later.

Media disclosures have damaged reputations of some exotic IFCs

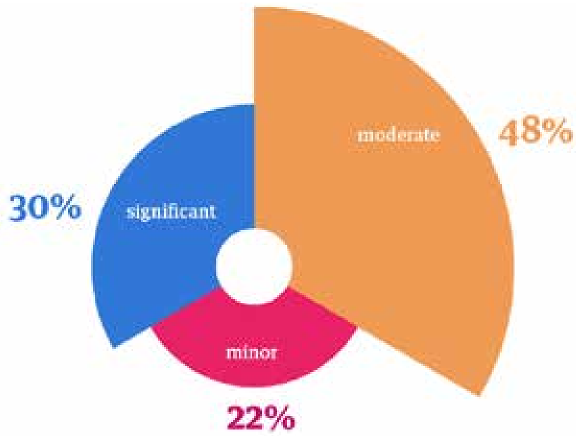
Only 30% of respondents felt that the disclosures in the Panama and Paradise Papers revelations had significantly undermined client confidence in using offshore structures.

Further, a resounding 67% believe that the impact on Caribbean IFCs has been both negative and pervasive.

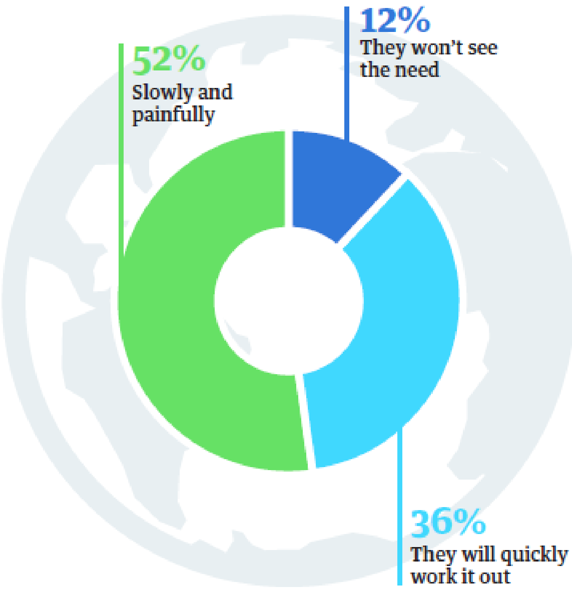
Family consolidation of assets is a problem. Do families know where the following are?



To what extent have the Panama and Paradise Papers undermined client confidence in using offshore structures?



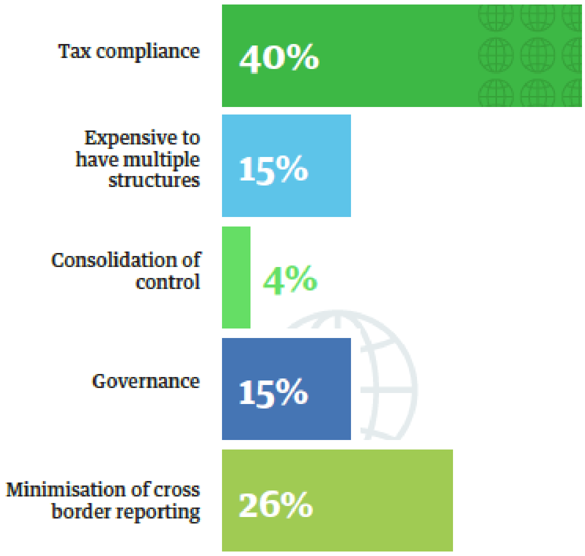
How will Chinese families adapt to the new world in terms of transparency?



Fear a major factor

Whereas a decade or two ago, the motivation for the use of structures in IFCs might have been tax mitigation, nowadays HNWI clients are more motivated towards transparency in tax and other regulatory compliance. In the use of structures and IFCs, transparency is in, opaque activity is out.

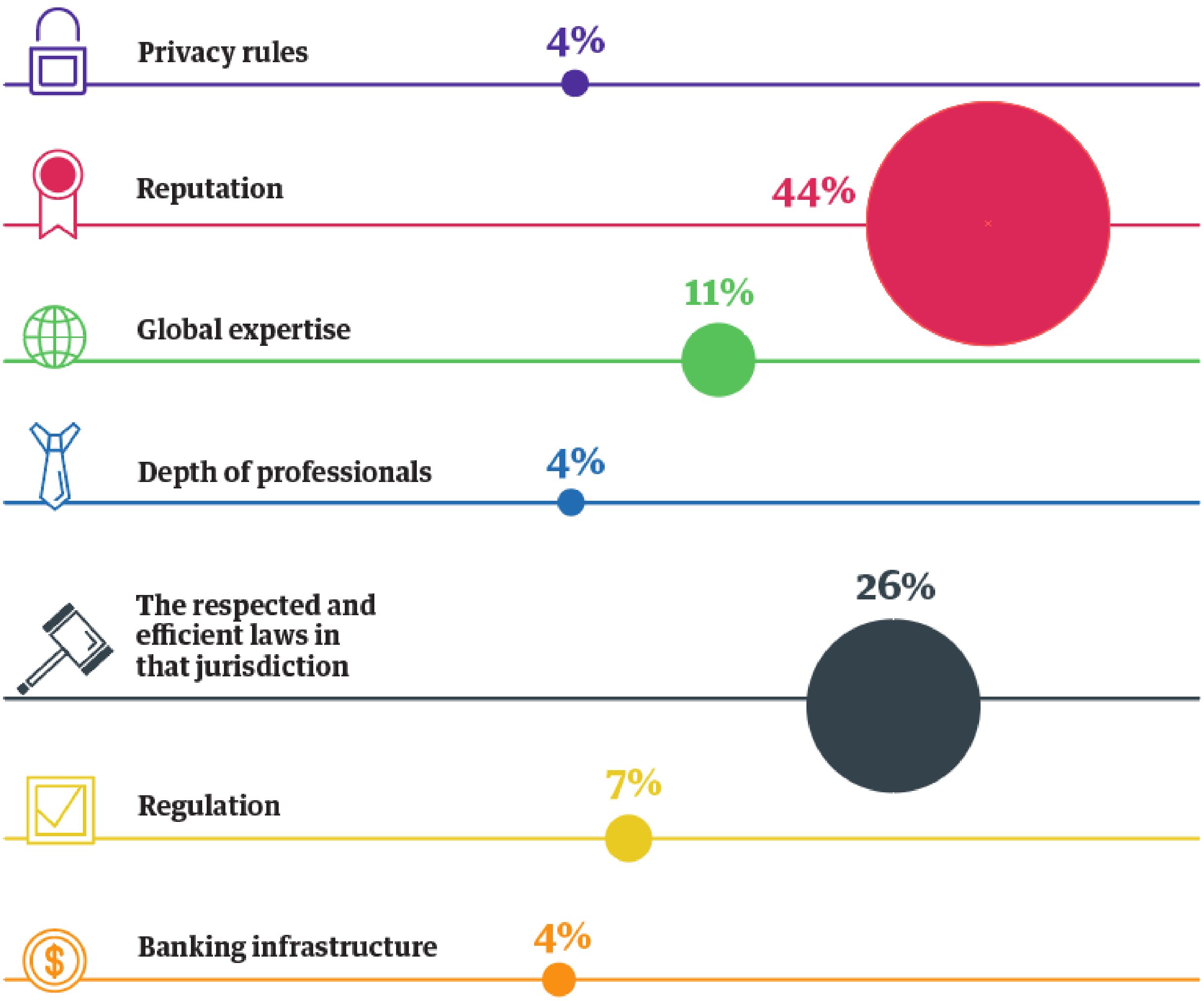
What motivates them to simplify and restructure now?



Chinese HNWIs and families need to understand the new world of transparency

Chinese wealth represents such an enormous opportunity for the Asian and global wealth management and IFC community. There is a great challenge ahead for the private banking and wealth advisory community to win and service Chinese clients and to make them appreciate the need for global practices for the globalisation of the family wealth.

What criteria do clients apply when choosing an IFC?



Stable, credible jurisdictions shine brighter

While it is important to note that experts canvassed by Hubbis do not want to dismiss Caribbean options, there was little doubt that the Asia-focused wealth management professionals we polled advise the use of what they termed 'credible' and 'stable' midshore and offshore jurisdictions, such as the Channel Islands of Jersey or Guernsey, Singapore, or Hong Kong.

Reputations and legal infrastructure in the spotlight

How the world has changed. A decade or even less ago and Hubbis editors would have expected that privacy rules would have ranked much higher than a very lowly figure of less than 4%. But today, regulation and admiration for the legal infrastructure appear to be the most important criteria for selecting an IFC.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Findings and Interpretations

We have combined the findings from our Survey with analysis and assessment of the many diverse views expressed in the two roundtables that we had also conducted prior to the Survey completion. We have also interlaced our own thoughts and interpretations, based on Hubbis' extensive relationships and continual dialogue with Asia's wealth management community and global practitioners.

What motivates a client today to have a structure in an IFC?

Succession planning was the clear winner here, registering more than 48% of the votes. The second and third most important motivations - diversification of jurisdictions and assets and asset protection - should be seen effectively as one, with a combined score of more than 37%. Meanwhile, privacy and confidentiality - fast becoming outdated concepts in the digital age - ranked last at less than 4%, while tax efficiency was also ranked as relatively unimportant, at under 11%.

What does all this mean? Asian families across the region are already on a drive to formalise the management of their wealth - via discretionary portfolio management, onshore and offshore structures, family offices and so forth - to ensure that there is both the appropriate methodology prescribed and mechanisms applied to achieve the smart management and transitioning of their wealth.

What structures do you consider will be the most relevant and effective in the future?

As Asia's HNWIs focus on housing some of their individual and family wealth in structures, it is not surprising that collectively trusts, private trust companies, offshore corporate structures and fund related structures emerge as the key priorities.

This aligns with the findings of several of the Hubbis roundtables and surveys so far in 2018, which found that the quest to create structures has not been eliminated by either regulatory fervour or media scrutiny. Instead, combined with the findings that privacy and secrecy are no longer priorities, it is evident that transparent, appropriately structured trusts and other asset-holding edifices are still of interest and value.

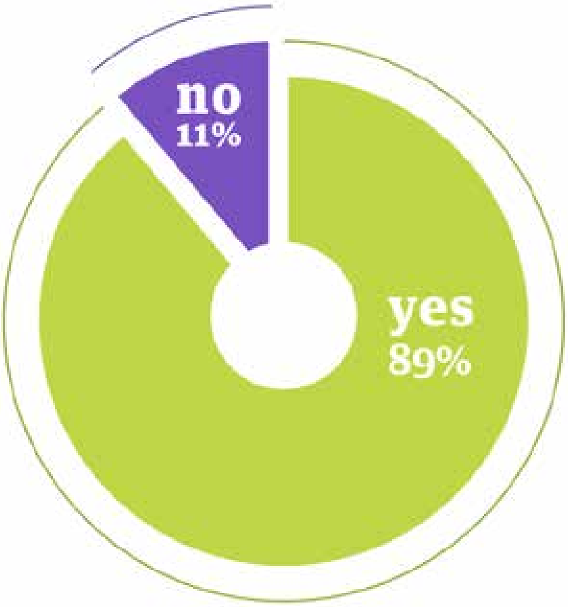
Notably, respondents also highlighted the relevance of citizenship and residency planning - in a world of globalised lifestyles, asset diversification, geographical spread of family members and family wealth, globalised education options and inter-racial and cross-border marriages and partnerships, clearly secondary residence and citizenship by investment programmes are increasingly sought after by Asia's wealthy elite. There is also some evidence from recent discussions that private placement life insurance is rising in importance, as Asian HNWIs warm to the tax-efficient insurance products, that also provide liquidity in the event of the death of key family wealth holders and aid in the transitioning of wealth with fewer impediments.

Are Asian clients simplifying their structures?

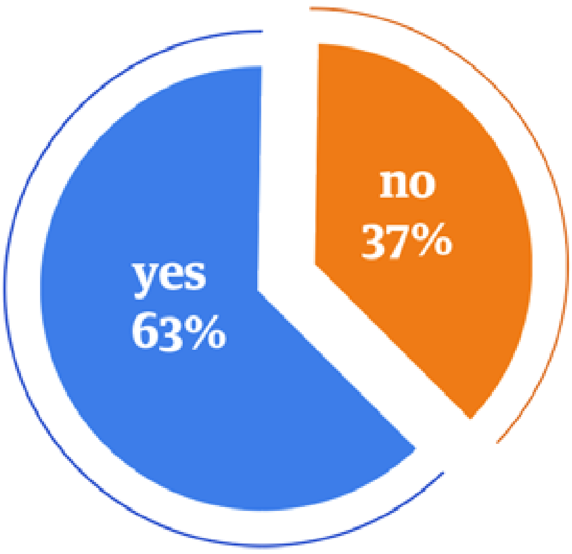
More than 60% of respondents said that their wealth clients in Asia are already looking into the structures they have in place to determine if they will stand up to the new global regulatory rules and compliance conventions.

Asian clients might be taking these initiatives themselves or under guidance from their wealth management banks and other advisers.

Do clients know today that they might have issues relating to transparency, tax and existing structures?



Historically, has the documentation and administration on existing trust structures generally been poor in Asia?



Asian clients and their structures

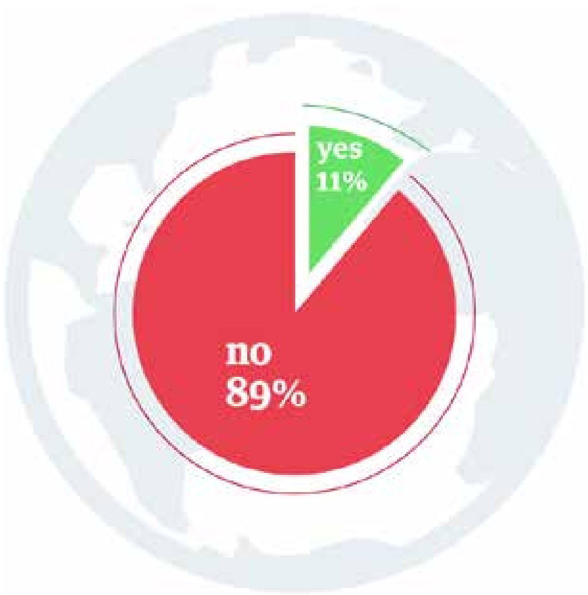
Another question in our Survey showed that a significant 89% are fully aware that they need to address issues relating to transparency, tax and existing structures.

Respondents noted that many of the older structures - some of which date back to less transparent personal wealth management practices - are often not well set up, and therefore in need of remediation. In addition, some argue, clients have not focused sufficiently on family or personal governance.

Structures, whatever they might be, must be credible and have substance to withstand scrutiny if ever challenged by any tax authority. Asian clients are reviewing the effectiveness of their structures in what some describe as the new age of transparency considering the arrival of the Common Reporting Standard (CRS) and the Automatic Exchange of Information (AEOI). "Clients are demanding locally compliant accounting and are reviewing existing 'light touch' advice they might have obtained in the past," one respondent opined. "This is a perfect time to review each and every structure and test for their robustness," added another.

The Survey also noted that 60% of those who replied also believe that aside from reviewing their structures, many are actively working to simplify them to adapt to the new world of regulation, oversight and compliance.

Do clients know how to fix their issues relating to transparency, tax and existing structures?



What issues are these clients most likely to have? Typically, do these clients know how to fix those issues?

Respondents also opined on the key concerns of clients.

Tax compliance is certainly a high priority, driven by the advent of CRS, FATCA and AEOI, all of which means that structures within IFCs should be carefully constructed with a stronger focus on transparency and compliance than ever before. "The landscape is changing," noted one respondent, "the future might also bring public ownership registers for companies and eventually trusts."

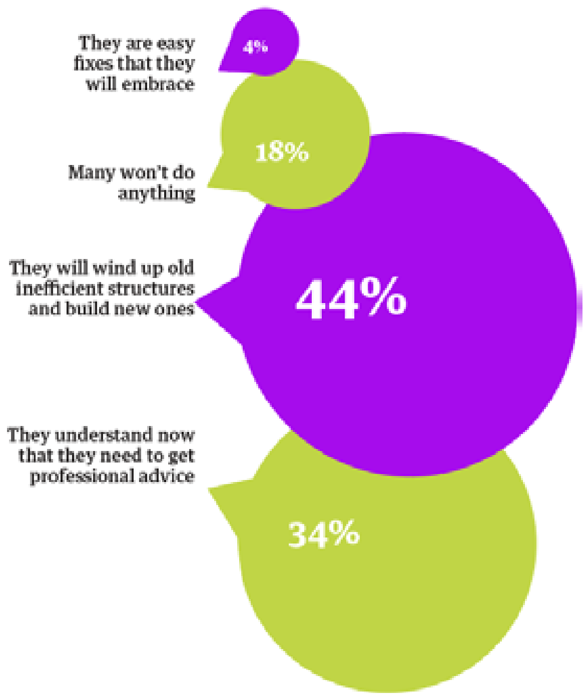
One expert highlighted the risks of errors in reporting data and classification of assets. "The self-declaration system requires the client to understand all new regulatory requirements, as well as understanding more about the jurisdictions."

In short, it appears that Asian wealth clients will need to match the complexity of compliance procedures with enhanced knowledge and attention to detail. The era of sublime ignorance, or indifference, is well and truly over.

Transparency is clearly key - under new global regulatory issuances and new practices, the lid can be prised off virtually any structure. And if the lid cannot be lifted off, that is because the structure is in a globally non-compliant jurisdiction, in which case the client will be deeply tainted and might find it very difficult to return to more normalised, reputationally intact markets.

Notably, 89% of experts who replied to the Survey said that clients do not know how to fix these issues. In other words, the understanding and sophistication that, implicitly, seems to be a necessity in the new world of wealth management, is far off.

Things need to be looked at differently - for example offshore companies' capital gains might be taxed. What do you think client response will be?



How will clients simplify their structures?

Naturally, the Survey led on to ask respondents how their clients will achieve this simplification. The replies painted a colourful and clear picture of this process. They are eliminating under-utilised, inefficient, non-tailored and costly structures, especially when the assets within the structure will now be disclosed to their tax domicile country of residence, or available for scrutiny should those authorities so demand.

The objective is clearly to reduce the number of entities, cut back the number of layered corporate or other entities, reduce the number of IFCs, touch points and bank accounts.

Geographical consolidation to one or two jurisdictions will help transparency, ease the task of family oversight of their wealth, and diminish the anxiety of the wealth advisers who help them preserve and transition that wealth.

Consolidation of multiple trusts or corporations into a single large structure is preferred to the former normal behaviour of adding layers, nominally to enhance privacy, but more realistically to cloak and confuse any authorities or other parties wanting to look at an individual's or a family's wealth.

When considering consolidation and simplification, the Survey results indicated that clients will be reducing the number of banks and other advisers they work with, as well as cutting back on the number of jurisdictions their personal and family wealth might touch.

One approach, for example, might be to enhance the family office or connect to a multi-family office that has itself determined a path to consolidate its global structures and IFC relationships and interface.

One expert proposed that families might consider their own multi-jurisdictional coordinative counsel, which could range from an individual hired specially for this purpose, to a family office team for more complex situations.

The Survey results appeared to also indicate that if there is consolidation towards fewer jurisdictions, it will not be a sole centre that clients opt for. Accordingly, it would seem that a combination of jurisdictions might work best, for example, the combination of midshore Singapore with an IFC connected to a G7 nation, or smaller centres such as the Channel Island IFCs.

"This," said one expert, "will likely mean some jurisdictions are the winners, capturing a larger share of the consolidated market, while some will be losers, for example, those which might not be able to compete so well with Singapore or Hong Kong." In other words, it appears that to survive and prosper IFCs must find their unique selling points, they must learn to differentiate themselves both in products and services but also marketing, communication and brand awareness and acceptance.

The result of this trend towards greater selectivity and consolidation will likely be that not all jurisdictions will survive, those that do survive and prosper will be able to more rapidly develop their product and managerial expertise, and potentially there will be larger fees available, as clients seek out this enhanced pool of expertise and realise that there are fewer viable, realistic, compliant jurisdictions.

A core hope of the wealth community is that quality of service, depth of expertise and consistency of advice will emerge as key selection criteria for clients, not just price.

40% of advisers believe that tax compliance is the core motivation for the creation or use of structures today. Fear of the repercussions of regulatory scrutiny - which is now empowered to span and scan the developed world and many of the emerging markets within Asia - is evidently driving Asian wealth clients to be highly selective in their use of structures and their choice of IFCs. Or, if they are more recently wealthy, they are creating structures for the first time whilst being fully aware of the need for transparency and compliance.

The minimisation of cross-border reporting is also a key driver. And as these clients focus more enthusiastically on IFCs that are largely undamaged in terms of their reputation, cost becomes less of a key concern. Better, it appears to consolidate within more costly jurisdictions than to spread assets across multiple cheaper, potentially more dubious IFCs.

The importance of governance was also highlighted, which tailors neatly to the drive for transparency, not only for the outside world but for internal family organisation and communication.

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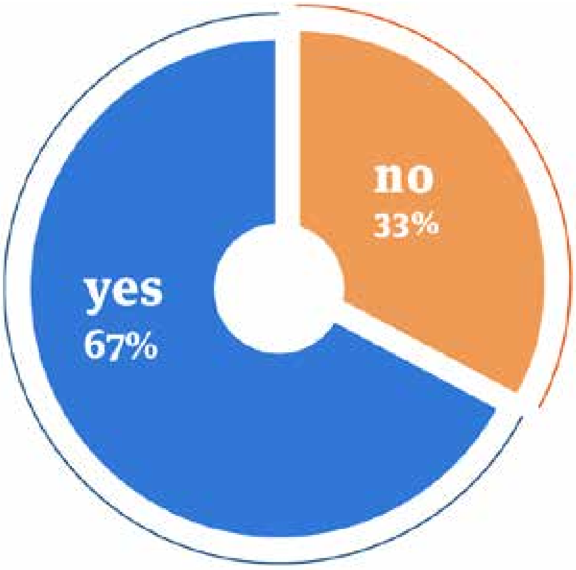
Has the disclosure around the Panama and Paradise Papers encouraged clients to move away from using Carribean jurisdictions?



The impact of the Panama and Paradise Papers on IFCs.

While only nearly 30% of respondents felt that the disclosures in the Panama and Paradise Papers revelations had significantly undermined client confidence in using IFCs, a somewhat resounding 67% believe that the impact on Caribbean IFCs has been both negative and pervasive. If an IFC is tainted, then why, many ponder, would bona fide Asian wealth clients seeking longer-term wealth preservation and estate management and transitioning, want to associate themselves with any such actual, or potential negativity?

While experts at recent Hubbis roundtable discussions on the future of IFCs opined in general that Caribbean corporate entities remain viable, it appears that they are more viable if the entity they offer then becomes an integral part of a more comprehensive structure housed in leading midshore or offshore jurisdictions, for example, the Channel Islands, in particular the oft-cited Jersey, Singapore or Hong Kong.

Moreover, the challenges to these Caribbean and other more exotic IFCs have not been lost on their governments, who greatly value - and usually need - the revenues from international financial services. Accordingly, they, like the more well-known and historically valued and relevant IFCs, are making every effort to enhance their strategies, governance and product ranges.

Given the current drive towards global transparency, what jurisdiction should a client use?

This question produced a fascinating diversity of answers.

First, it is important to note that experts do not want to dismiss Caribbean options, with one respondent, for example, stating that they remain acceptable provided that the client is compliant for tax purposes. BVI companies remain an acceptable element of the global wealth management infrastructure and several respondents noted that most of the more exotic locations are in compliance with international legal and tax requirements and that this is well understood by international banks.

However, there was little doubt that the experts Hubbis polled advised the use of what they termed 'credible' and 'stable' jurisdictions, such as the Channel Islands of Jersey and Guernsey, Singapore or Hong Kong.

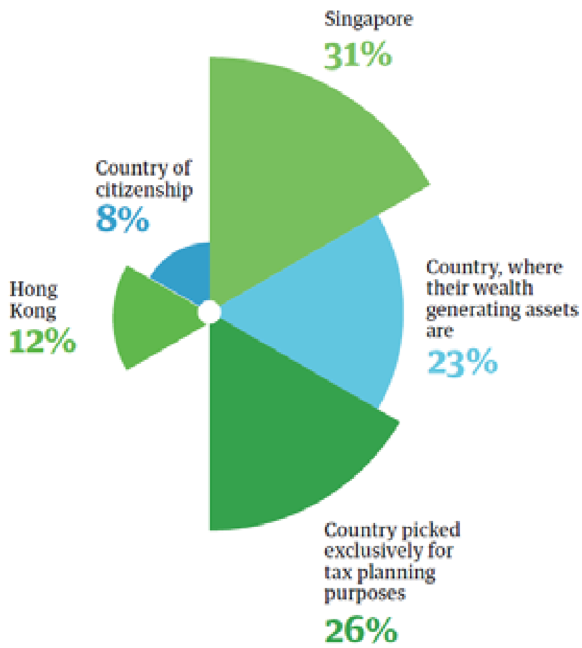
Within Asia, there is clearly a gravitation towards mid and onshore jurisdictions which offer substance, reputation, expertise, proximity, reputational quality and regulatory dynamism. Singapore, considered more midshore than offshore, has benefitted from this and has been helped by the commitment of the government and regulators to the development of the island republic as a financial centre.

Looking more broadly around the world of IFCs, there is no doubt that Asian clients and their advisers are increasingly focused on the perception of quality of advice, services, regulatory adherence and the general feeling of assurance that a jurisdiction that houses their structures is sound and offers them and their families peace of mind.

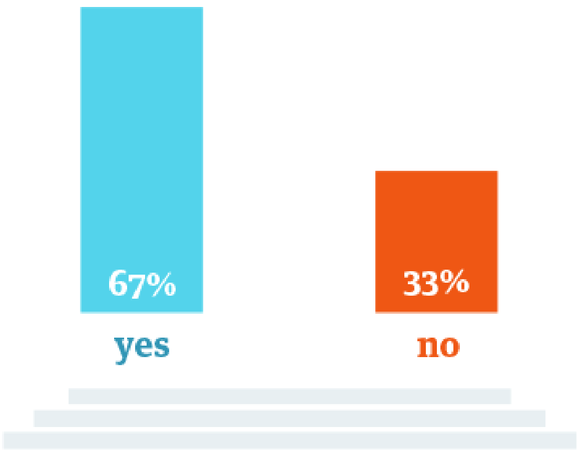
How the world has changed. A decade or even less ago and Hubbis editors would have expected that privacy rules would have ranked much higher than a very lowly figure of less than 4%. But today, regulation and the general respect for the laws of the jurisdiction appear to be the most important criteria for selecting an IFC, at least from the perspective of wealth management professionals, who, after all, are in daily contact with their HNWI and ultra-HNWI clients in Asia. Transparency is also implicit in the selection of any jurisdiction that has reputational excellence.

Global expertise is also a key factor, but it goes almost without saying that if an IFC has reputation, legal and regulatory excellence, then by definition it will have consolidated its place in the provision of wealth management services of significant value to the global wealth community. Consequently, depth of professionals and banking sector infrastructure are also considered crucial factors.

Where is the most appropriate location for an Asian client to choose to be resident for tax purposes?



Are banks conflicted when they provide trust services while also providing investment advice and products?



Do clients need to be re-educated about the merits of using structures in IFCs?

As expected, given the flow of opinions thus far, almost 81% of respondents said 'yes'. And as to the key areas requiring attention, market experts indicated that clients needed to enhance their knowledge of smart and compliant tax planning; control issues and governance; succession planning; trusts, foundations and other relevant structures and the key difference between and advantages of each alternative.

Realistic, not idealistic expectations of what an offshore structure and IFC can do for family wealth structuring is important, as well as appreciating why lower cost is often likely to also be lower quality.

In terms of wealth transitioning, it is often valuable for families to avoid probate and to incorporate some form of 'beyond the grave' multi-generational control as part of proper succession planning. Transparency and communication are also vital elements.

Clients should also recognise that concepts promoted by wealth advisers need to be verified for structural and regulatory robustness by high-quality lawyers, tax advisers and other experts who are not directly linked to the selling of wealth management products. In short, clients need to rethink their attitude to paying for good advice and service.

The Survey results also indicated that independence is important, for example, that banks are often conflicted when they provide trust services while also providing investment advice and products. Splitting the trust services away from the bank is often advisable, especially if those trust services are in a jurisdiction that has a high visibility in trust services, for example, Jersey.

As families select the onshore, midshore and offshore centres through which they wish to manage and transition their wealth, it becomes even more essential for those families to have internal governance and transparency. For example, who at any one point will know where to locate information of wealth structures, property title deeds, passwords, bank account information and documentation, wills and testaments, share or other certificates, pension documentation, property contents inventories, jewellery, precious metals holdings, safety deposit boxes/keys, alternative assets such as art, collectible cars, boats, and so forth.

What can HNWIs and their families do to become better organised?

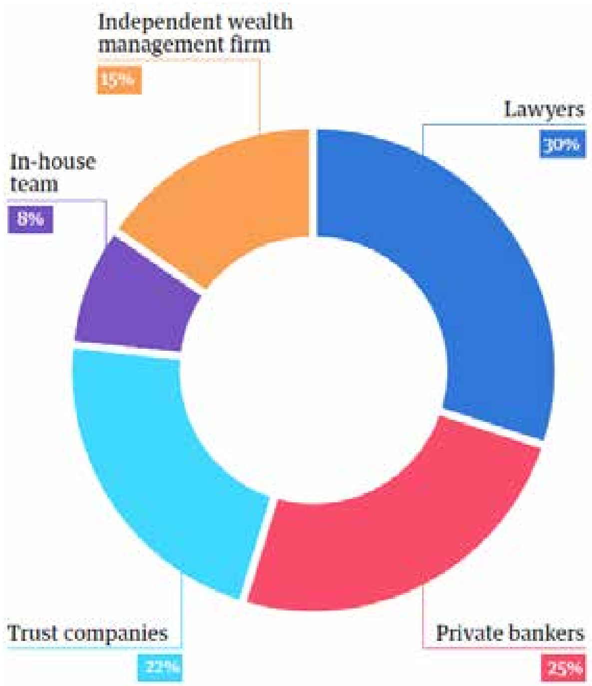
Clearly, there are simple mechanisms and procedures for the organisation of all this information, but human experience tells us that only too often these are not put into practice.

Survey respondents proposed a variety of basic solutions, including a central depository, which might itself be connected to or supervised by the family office set-up or a multi-family office that they embed themselves into.

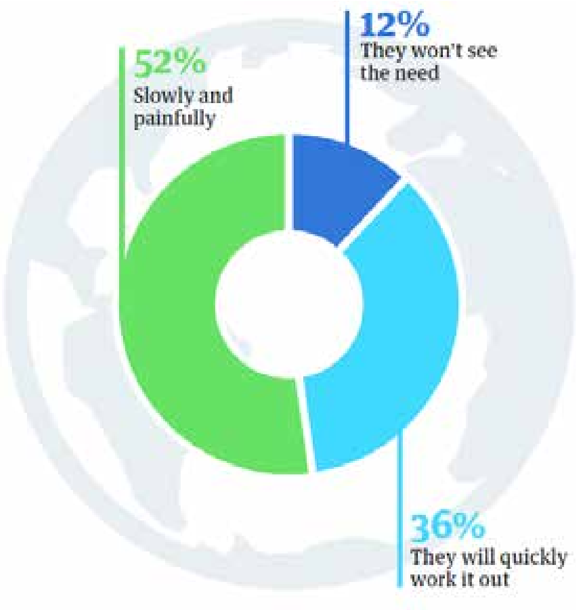
Working with appropriate professional advisers in the legal and tax professions, investment advisers, private banks and trustees to forge a complete wealth plan involving estate and succession planning, asset management and asset protection of family wealth is part and parcel of this vital initiative for any organised HNWI or family. In tomorrow's world, a digital wallet will also be an essential, as will the separation of IT and password information and control amongst various trusted members of the family and/or family office infrastructure.

The conclusion is that in an increasingly global world in which individuals and families are increasingly geographically and asset diverse, it is ever more important to instigate and maintain a holistic perspective on family wealth. Consolidating information and installing the appropriate reporting infrastructure will become even more essential, especially with greater global transparency and more robust regulatory standards.

Who do clients turn to for independent advice to guide them?



How will Chinese families adapt to the new world in terms of transparency?



Will the Chinese continue to be discreet about their wealth and operations?

How will Chinese families adapt to the new world in terms of transparency?

Chinese wealth represents such an enormous opportunity for the Asian and global wealth management and IFC community. Half of those surveyed indicated that Chinese HNWI's families will adapt only gradually, largely because many are relatively new wealth and are only recently mobilising their wealth and families into a more globalised context. But at least a third of respondents argued that Chinese families will rapidly understand and adapt to the global financial and wealth management evolution that is underway, as we move towards a new universe that many call the end of privacy.

Almost three-quarters of respondents argued that Chinese HNWIs will get become more aware of the ramifications of what they might have historically bought offshore.

Another significant total of 90% of respondents indicated that they expect Chinese families to continue to be highly discreet about their wealth and their operations. They are more likely to be reticent about providing the necessary information and documents that may be required for advisers or IFCs to provide wealth management products or services in compliance with increased regulations emanating from national and multi-lateral regulatory bodies around the globe.

There is little doubt that China represents one of the most remarkable opportunities for the wealth management industry.

For some years already, Chinese HNWI and ultra-HNWI clients have been looking for new wealth management options, especially cross-border solutions, to diversify, protect and grow their wealth in today's complex world.

They have also gradually become increasingly aware of the various challenges they face in relation to business succession planning and the transfer of their personal wealth to the next generation. This has brought with it a growing demand in terms of diversification of product, channel and destination.

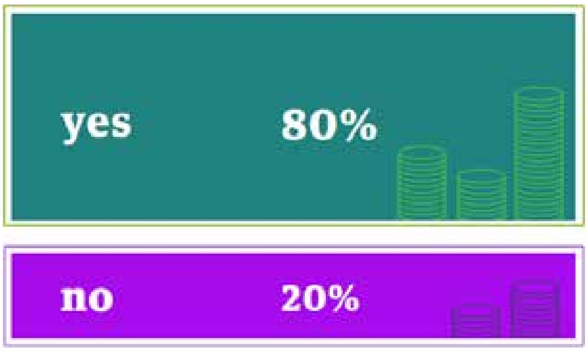
There is also little doubt that China is a client source that is difficult to penetrate for all but the most 'connected' of Asia's advisers and international service providers operating outside the mainland, so clearly any IFC wishing to win market share there must be well connected to the wealth management experts winning business there, as well as presenting a face to those clients in-country.

The recent Hubbis roundtables indicated that the Chinese market appears to have traditionally worked thus far with Hong Kong, the Caymans and the British Virgin Islands, but nowadays increasingly through Singapore, as it is fully independent of China. Chinese clients are also increasingly recognising the scope and quality of other trust jurisdictions, such as Jersey and Guernsey.

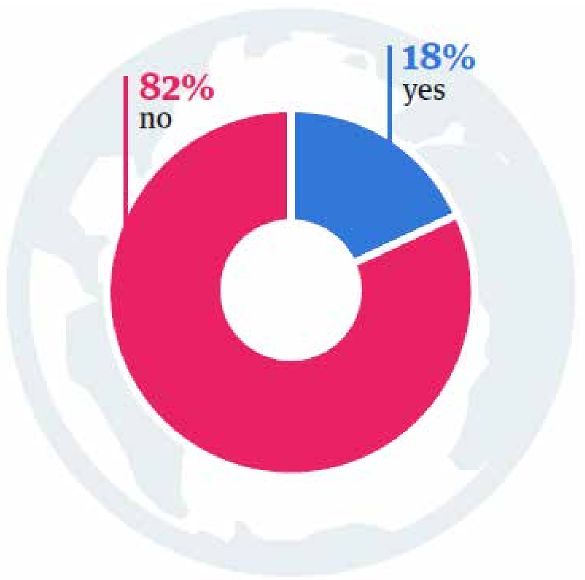
While the older generation may find it counter-intuitive to discuss wealth and estate planning openly, the younger mainland Chinese generations in their 20s to early 40s are far more globalised and increasingly appreciate the importance of transparent wealth preservation and planning.

Overriding all the views on China, there was a clear consensus - albeit somewhat of a generalisation - that anyone wanting to build their presence with mainland Chinese clients must do so in a way that those clients understand. If this is done correctly, a considerable degree of trust will be built and maintained, and many such Chinese clients are likely to be both active and loyal.

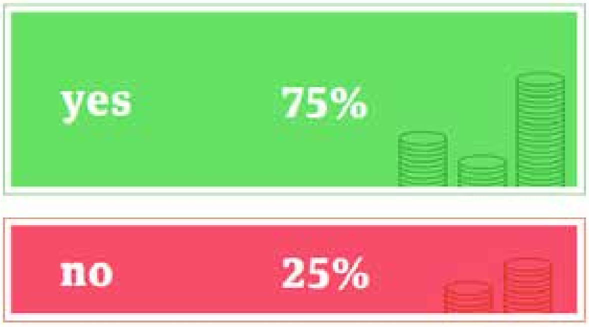
Are Chinese families still reluctant to provide information and documents that may be useful or necessary to provide services in accordance and in compliance with all the new regulations?



Are clients prepared for the transition of wealth from the founding generation to the second generation and beyond?



Will clients get a big wake up call given that they have historically bought offshore?



Are Asian clients prepared for the transition from the founding generation to the second generation and beyond?

Perhaps one of the most telling responses to the Survey came towards at the end when more than 82% replied that Asian clients, in general, are not well prepared for wealth transition from one generation to another. It is a theme that emerges time and again through so many of the Hubbis roundtable discussions, events and interviews, namely that the wealth management industry in Asia is in fact in its relative infancy.

While there are markets in Asia-Pacific that are far more sophisticated in this regard - Japan and Australia, perhaps Singapore and Hong Kong, there is clearly an immense opportunity for the wealth management advisory industry to expand their client base to enhance the asset management and broader wealth management scope in the region. Asia is the world's most populous region, it is also home to a remarkable dynamism that is spreading its wings across the world's financial centres, property and literally all other markets. The IFCs that survive and prosper in the new wealth management universe will surely reap some outstanding benefits in the years ahead.