



Originally published in *China Economic Review, Offshore Quarterly*, spring 2010

Offshore Allure

By Peter Niven, Chief Executive, Guernsey Finance

Peter Niven, Chief Executive of Guernsey Finance, says that during two years of promoting the Island in the region he has seen the Asian market turning to embrace offshore products and services.

It is now two years since Guernsey established its representative office in Shanghai. During this period we have been learning from our experiences and consequently refining our approach but the bottom line is that we have made great strides in growing the recognition of our brand across the region.

At the same time, I have also seen a shift in attitudes as increasing numbers within the Asian market move from relying on their 'traditional' financial strategies to become more familiar with offshore products and services.

There is still some way to go on this front and we also have to continue to raise awareness of what particular Offshore Finance Centres (OFCs) can offer but the conditions are right for corporate and private clients from China to be using Guernsey in increasing numbers over the next few years.

Experiences

In Guernsey, we identified some years ago that there was the potential for Chinese corporate and private clients to take greater advantage of offshore products and services and the Island should therefore begin to promote its offering to the Asia market.

From the outset it was recognised that differences in geographical locations, time zones, languages and cultures would require us to adopt a different approach compared to promoting the Island in the more traditional centres of the United Kingdom (UK) and Europe. As a result, towards the end of 2007, we built on our early work by establishing a permanent representative office in Shanghai.

This was a major step. Although Guernsey is a leading OFC, it is a small Island situated between the UK and France that punches well above its weight internationally. Establishing a permanent office in a vast and rapidly developing jurisdiction like China was very important in demonstrating our long term commitment to the marketplace. However, it also meant ensuring that we were effective in putting across the right messages to the relevant audiences.

In the following two years we have had real success in raising awareness of the Guernsey brand with both City officials and business introducers, particularly in Shanghai. Examples include the fact that Tu Guangshao, the Vice-Mayor of Shanghai, visited Guernsey in November 2008 to learn more about the Island as a leading IFC. More recently, in November last year, Madam Fu Ying, the Chinese Ambassador to the UK, also visited Guernsey and commended our innovative and bold initiative in establishing an office in Shanghai.

During this time we have also seen growing interest from business introducers in the products and services Guernsey can offer their clients in China and the wider region. Indeed, recognition of this trend has led law firm Ogier to announce that Partner Marcus Leese will be moving from the Island to its Hong Kong office, where he will head up a new practice offering Guernsey law services to the Asian market. Some of our firms already have offices in Hong Kong and are now being joined by others such as Richmond Fiduciary Group which is also looking to establish links into Shanghai.

Trends

I believe that Guernsey's experience over the last two years has contributed to and is part of a wider shift in attitudes as increasing numbers within the Asian market move from relying on their 'traditional' financial strategies to become more familiar with offshore products and services. An important factor at play is that while these 'new' approaches are different from established practise, in fact they do have strong connections with Chinese culture.

For example, the concept of the investment fund, as recognised in the west, is less well known in China. However, I am sure that over time it will begin to capture the imagination of Chinese investors who have historically made profits from buying and selling shares of listed companies on the Hong Kong Stock Exchange (HKEX) or the Shanghai Stock Exchange (SSE).

Guernsey has built a reputation as a leading offshore investment fund domicile and in particular we have become very well known for our experience and expertise in alternatives, such as property funds and private equity funds, as well as many other niche asset classes. Indeed, I believe that local culture means Chinese investors will be drawn not just to investment funds but particularly to these alternative and niche asset classes – a market that Guernsey is very much ready to serve.

Similarly, High Net Worth Individuals (HNWIs) who want to manage their wealth and assets for the benefit of future generations can use trusts, foundations and Family Office Services provided from Guernsey.

Concepts such as trusts – taken for granted in countries such as the UK and the United States (US) – are less familiar in jurisdictions such as China, where for many people the idea of handing over control of wealth and assets to complete strangers (albeit professionals) who may be half way across the world is an uncomfortable prospect. It is important to note that Guernsey can address these concerns either through the particular use of a standard trust or by arrangements involving a Private Trust Company (PTC) and a purpose trust. Key though to their increasing acceptance within China is that these structures have their roots in preserving wealth and assets for the future generations of families.

Having a team of dedicated professionals who are intimately involved with the family and can therefore provide bespoke, holistic solutions through trusts, foundations or wider Family Office Services is actually very much in tune with the way in which the family remains a key component of Chinese society, especially in relation to wealth and in today's society is becoming increasingly international in nature.

The Future

During 2010 Guernsey will be stepping up its efforts to make our offering more accessible to both Chinese corporate and private clients, for example we are pursuing a Memorandum of Understanding (MoU) with Shanghai, a Tax Information Exchange Agreement (TIEA) with China and approval for Guernsey companies to be listed on the Hong Kong Stock Exchange (HKEX).

I believe that such developments will provide a further catalyst to the growing interest from the Asia market in offshore products and services. This trend should not be so surprising though because while these 'new' approaches are different from 'traditional' financial strategies, in fact they both share common roots.