

**ADVISORY**
Industry Information

What are the go-to jurisdictions for wealthy Middle Easterners and why?

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Why would UHNW MEs look to be using offshore jurisdictions?

Historically, Ultra High Net Worth Middle Eastern families and individuals (“UHNW MEs”) may have looked to the Cayman Islands and the British Virgin Islands when selecting a jurisdiction to base an offshore corporate structure due to an understanding of the jurisdiction, ease of creation and competitive pricing provided. This understanding was a result of experienced legal, trust and corporate administrative service providers from Cayman and the BVI being based in the region and providing education and information on a real time basis when necessary. As a result Cayman remains a favourable jurisdiction providing substantive offshore structuring solutions for the region.

Cayman, historically known in the Middle East as a private banking and corporate jurisdiction, has transitioned over the years to being recognised as a preeminent private client jurisdiction. UHNW MEs now look to Cayman as a jurisdiction to structure and house their succession planning vehicles, as well as to grow the family’s wealth within those vehicles.

However more recently, with greater information flow, travel capabilities and the increasing ease of communication (highlighted at the moment by the significant business being done despite the travel restrictions in place as a result of Covid-19), the region’s interest in and understanding of Guernsey and Jersey has been ever increasing.

Guernsey and Jersey are regarded as providing a ‘gold standard’ service and being a ‘private wealth hub’ for UHNW MEs. Security and discretion are of paramount importance to an individual or family wanting to ensure that not only their assets are protected, but that the jurisdiction in which they are based is secure, stable and has an excellent reputation for service.

UHNW MEs with significant assets may have a variety of reasons for looking to structure all or some of their assets in offshore jurisdictions. Each of the individual countries that form our understanding of the modern Middle East have their own specific and unique laws and rules (which we will not delve into here), but some of the themes/considerations that make it desirable to use offshore jurisdictions are: geopolitical considerations, diversification of jurisdictional risk, forced heirship, equalization of family assets, international education, intergenerational succession planning, a flatter ownership structure, retention of controls, the ability to invest in worldwide assets/investments in a Sharia compliant manner and greater involvement of women in the ownership and management of family assets. Each family is different as are the drivers for holding and structuring assets in a particular manner.

Bearing all these themes and considerations in mind, many UHNW MEs are increasingly choosing Guernsey and Jersey, and continue to use Cayman, as jurisdictions to hold and grow their private capital assets.

What makes Guernsey, Jersey and Cayman so attractive?

Guernsey and Jersey are both Crown Dependencies, which means they are not part of the UK but are self-governing dependencies of the Crown. Similar in size, geographic location and international financial centre experience, they each have individual distinctions and specialisms. Cayman is a British Overseas Territory, which means it has a constitutional link with, but does not form part of the UK and is similarly self-governing. This status of these three jurisdictions has provided them with the economic, legal and political stability to attract UHNW MEs and continually develop their respective financial services industries.



Preferences for one jurisdiction over the other can be for personal or technical reasons and should be considered on an individual basis, but broadly the following applies to all three jurisdictions.

Legal Framework

Guernsey, Jersey and Cayman have their own courts (with ultimate recourse to the Privy Council) and creating and adapting their own laws, which with their widely respected judiciary and reputation for robust judgments ensure that they proactively remain at the forefront of wealth structuring development and as top tier jurisdictions.

An example is that the trusts laws of each jurisdictions have 'firewall' provisions that provide protection from a foreign court seeking to determine matters in relation to a Guernsey, Jersey or Cayman law governed trust. Additionally, the reservation or granting of powers to a settlor or specified party other than the trustee is also permissible under each of these laws. This can provide added comfort to a UHNW ME if they are entering the realm of asset protection for the first time, are naturally cautious and or are wishing to retain a larger level of involvement at the beginning. On the other end of the scale, this oversight can be extremely useful when creating a family office for a UHNW ME wishing to take the next step in structuring.

Regulation & Business Costs

The Guernsey Financial Services Commission and Jersey Financial Services Commission (the "Commissions") are independent bodies that supervise and regulate the finance industries of Guernsey and Jersey respectively. The Commissions ensure that service providers in both jurisdictions remain compliant with standards set by international bodies and that the financial industry remains at a level of professional excellence. The Commissions are able to work with the financial industry to agree proportionate supervision for innovative commercial solutions.

The Cayman Islands Monetary Authority ("CIMA") is the principal regulator for the financial services industry of Cayman. CIMA provides appropriate, responsive, cost-effective and efficient supervision to enhance the economic wealth and reputation of Cayman by fostering a growing, competitive and internationally recognised financial services industry.

Over the last 10-15 years the world has changed dramatically in relation to international regulation and oversight, through the implementation of various worldwide anti-money laundering legislation and regulation, FATCA, CRS, economic substance and beneficial ownership laws. This has meant that compliance, anti-money laundering and economic substance have become part of our everyday financial lexicon. UHNW MEs understand that this is a firm part of doing business, and want to make sure that the jurisdiction where sensitive information is held is secure and would not be forced unnecessarily into disclosing information where it is not appropriate or in accordance with the applicable legislative protocols.

This has significantly levelled the playing field when it comes to the costs of doing business. Guernsey and Jersey are no longer regarded as more expensive jurisdictions, instead that there is a greater understanding, realism and value in respect of costs as they have been adhering to the higher threshold of compliance for a significant period of time. UHNW MEs now look at jurisdictional experience and excellence in relation to security of information and regulation. Also relevant is where their interest lies in terms of investment opportunities, with the Channel Islands often used to facilitate UK real estate acquisition and Cayman performing the same role for the US.

Quality of Service Providers

UHNW MEs continue to see Guernsey, Jersey and Cayman as the 'gold standard' in private capital structuring due to the multitude of experienced service providers in the jurisdictions. A wealth of experienced lawyers, accountants, fiduciaries, corporate and fund administrators within the region mean that there is a variety of excellence to choose from within the jurisdictions.



Flexibility and understanding of UHNW MEs priorities allow for structures to be created in Guernsey, Jersey or Cayman which are also Sharia compliant. A wide variety of structures can be tailored to meet the specific needs, now and in the future. No two structures or family offices are the same, and a governance framework can be put in place to ensure continuity of the family vision.

Some structuring solutions may use any or all of the following: foundations, foundation companies, trusts, private trust companies, unit trusts, private investment funds, protected cell companies, segregated portfolio companies, companies limited by shares or guarantee and partnerships, to name a few.

There are many reasons why one jurisdiction is chosen over another, sometimes geographical and time zone convenience, other times location of investment opportunities, with Guernsey and Jersey often used to facilitate UK and European investments, and Cayman performing the same role for the US and South America, but it is clear that UHNW MEs have chosen Guernsey, Jersey and Cayman as the main centres for their personal structuring to protect, preserve and enhance their private capital now and for future generations.

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Authors

For further information please speak with your usual contact at Walkers or contact:



Rajah Abusrewil
Group Partner, Guernsey
T: +44 (0) 1481 748 945
E: rajah.abusrewil@walkersglobal.com



Monique Bhullar
Partner, Cayman
T: +1 345 814 6838
E: monique.bhullar@walkersglobal.com



Robert Dobbyn
Partner, Jersey
T: +44 (0) 1534 700 773
E: robert.dobbyn@walkersglobal.com

Additional Contacts



Rupert Morris
Partner, Guernsey
T: +44 (0) 1481 748 936
E: rupert.morris@walkersglobal.com



David Pytches
Partner, Cayman
T: +1 345 814 6831
E: david.pytches@walkersglobal.com



Daniel Wood
Managing Partner, Dubai
T: +971 4 363 7912
E: daniel.wood@walkersglobal.com



Sevyn Kalsi
Senior Counsel, Jersey
T: +44 (0) 1534 700 775
E: sevyn.kalsi@walkersglobal.com

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