

PIVOTING TO ASIA



'BUSINESS IN ASIA – OPPORTUNITIES AND CHALLENGES' A TEAM BVI ASIA ROUNDTABLE DISCUSSION

BVI House Asia convened a panel of Team BVI Asia practitioners at its offices in Hong Kong late spring for a roundtable discussion on the current state of doing business in Asia, as well as regional issues and trends impacting the BVI under the theme “Business in Asia – Opportunities and Challenges”.

The panelists discussed the developments, the opportunities, threats and outlook for the future.

Alan Collins,
Executive Director,
Newhaven (Hong
Kong) Ltd

Jonathon Clifton,
Managing Director
Asia, OIL

Robert Grieves,
Roundtable
Moderator, Chairman
and CEO of Hamilton
Advisors

Paul Christopher,
Managing Partner,
Mourant Ozannes
(Hong Kong)

Richard Hall,
Partner, Conyers Dill
& Pearman

John Rogers,
Partner, Walkers
(Singapore) Limited
Liability Partnership

Richard Hall, Partner with Conyers Dill & Pearman based here in Hong Kong. We advise on all offshore jurisdictions including, in particular BVI and the whole range of legal matters and topics that are relevant to the region.

Alan Collins, Executive Director of a firm called Newhaven HK. We have offices in various offshore jurisdictions including the BVI. I look after the Hong Kong operations, which deals with Hong Kong, China and Far East Asia. We provide solutions for clients for corporate planning, trusts and wealth management. We particularly focus on the BVI, where we have an office which is very busy and hopefully it continues to be so.

Jonathon Clifton, Group Managing Director, OIL and part of the Vistra Group. The Vistra Group has roughly fourteen hundred people now. I am based here in Hong Kong, and we do a lot of work with the BVI, ranging from simple incorporations to a range of corporate services through to wealth planning and succession planning.

Paul Christopher, Managing Partner for Hong Kong Mourant Ozannes. We operate in a number of jurisdictions in Hong Kong. Fifty percent of the work we do is BVI related, covering funds, corporate finance, litigation and international trusts for private clients.

John Rogers, Managing Partner of Walkers in Singapore. We have offices here in Hong Kong and Singapore, with a large focus on the BVI. My colleagues have been focusing on finance, corporate and funds, and we have about 45 lawyers in Asia.

Q: OFFSHORE FINANCIAL CENTERS HAVE BEEN DESCRIBED AS THE PLUMBING OF THE GLOBAL FINANCIAL SERVICES INDUSTRY. JONATHAN, CAN YOU TELL US A LITTLE BIT MORE? HOW DOES THIS WORK? AND HOW DOES IT WORK FOR SUCH THINGS AS CROSS-BORDER TRADE?

A: Jonathon Clifton: I think it is an interesting analogy, the concept of the plumbing and wiring of the global economic system. I think it's been gaining traction over the past few years. If you think about the concept of globalization as something that's become well known to many people in the vocabulary of economics over the past 30 to 40 years. What isn't so well known is the role that the BVI and other offshore centers play in actually enabling globalization. So when you think about it, anything that involves cross-border activity, where one organization buys another organization, whether it is a joint venture investing into a new country, or whether it is setting up a factory and facilitating capital flow - all of this requires a system to enable the work. The plumbing analogy is used to describe what these entities or structures actually enable. They enable the cross border capital flow that we see. It's often banks and financial institutions that people are aware of, but it is also important to be able to articulate the role that the offshore centers play. I guess anything that involves cross-border activities or transactions we would describe as, or use the analogy of, the plumbing business.

A: Jonathon Clifton: I think I will also probably use the analogy of a five-star hotel. When we look at a five-star hotel we see at all the beautiful rooms and appliances and pools, but if the plumbing doesn't work or if the wiring isn't there, then the whole thing falls apart. Again, there are a lot of perceptions about the role that the industry plays and often it is linked to negative perceptions, but part of the benefits of bringing people like this group together is to try to put forward an alternate view to help explain that.

Q: SO IN 2015, WHAT IS THE TREND? ARE THESE STRUCTURES BECOMING MORE IMPORTANT OR LESS IMPORTANT?

A: Jonathon Clifton: I think when you go to a macro-level, you have to ask yourself, do you believe that globalization will continue? Do you believe that companies and countries will continue to operate outside of their own borders and jurisdictions? For me, the answer is yes. So, if you believe in globalization, then from our perspective, there will be an increasing demand for the underlying entities, whether it's for holding assets, whether it's for cross border services, such as facilitating capital flows or raising capital and debt, since all of that plays a part in globalization. We are seeing continued growth in the underlying demand for these structures. There are multiple reasons for why clients might choose to set up a structure, but as a whole, at a macro level we are seeing very consistent growth across the whole industry.

Q: IF WE LOOK AROUND THE REGION, CAN YOU PINPOINT WHERE DEMAND IS THE STRONGEST?

A: Jonathon Clifton: I think the obvious country for the past 15 or 20 years has been China. China has been a significant originator of business. But again, it is not a purely China market, I think there are number of countries across South East Asia where we are really starting to see increasing demand, so places like Indonesia, Vietnam, Thailand, we really see growth in those markets. Hong Kong originated business, Singapore originated business, Taiwan originated business, all of these countries have different reasons for demand, but at a macro-level and underlying demand level volumes seem to be growing.

Q: WHAT SHOULD WE LOOK TO THE BVI TO BE DOING IN OTHER STRUCTURES IN THE REGION?

A: Richard Hall: The primary use for BVI companies is to facilitate transactions as they go forward. We see them throughout corporate structures. The priority in my practice is the IPO market. For example, quite often the founder has a BVI holding company that he uses to wrap a trust structure around, to ensure asset protection, and family wealth planning advice feeding into the BVI structure, etc. These have been very popular practices in China recently. Once they have the regulation in place to hold that company, meaning the foreign capital license, then that means their assets are fully protected. The BVI company might then feed them into a listed company underneath that. It is not uncommon that some of these listed companies have 80 or 100 BVI subsidiaries. Lots of the property companies that we deal with for example have each development ring-fenced through a certain structure. They will then use these to securitize debt, to allocate different debt streams through different project phases, e.g., early stage development, late stage development, etc. As far as we are concerned, the BVI in Asia is purely to facilitate business, in a perfectly legitimate business sense.

Q: THANKS, RICHARD. COMING BACK TO YOU, JONATHAN, ENGLISH COMMON LAW BACKS ALL OF THESE STRUCTURES. CAN YOU ELABORATE ON THE IMPORTANCE OF THIS?

A: Jonathon Clifton: The professional and independent infrastructure that the BVI can provide is one of the underlying reasons why the BVI plays an important role in China. That gives a lot of confidence and assurance to investors in countries such as China and across Asia in different stages of their own evolution. Being able to utilize or effectively outsource their legal infrastructure to jurisdictions such as the BVI, which is well known for being trustworthy and robust, all of that plays a part in the globalized demand for the BVI.

Q: IS IT A GLOBALIZED LEGAL STRUCTURE THAT HELPS PROVIDE CERTAINTY?

A: Paul Christopher: Business thrives on certainty. With the BVI underpinned by English common law, the commercial court in the BVI and infrastructure, it provides legal certainty, which in turn reduces costs. For example, people can price in the fact that the risk of uncertainty might not be there otherwise, particularly in areas like financing.

A: Alan Collins: One of the things that we find particularly great about the BVI as a jurisdiction is the depth of support and the understanding of the BVI legal system, and the availability of seasoned and highly skilled professionals who deal with both the legal and financial aspects.

Q: JOHN, CAN YOU REMIND US WHAT WE HAVE TO BE MINDFUL OF WHEN DOING BUSINESS IN ASIA?

A: John Rogers: For us, the key is relationships. We have been fortunate to be in the region for quite a long time, and for me personally going on 15 years. You learn a region as you go along. We have to recognize regional diversity as we travel, work and build relationships in different places in Asia. The demands of each country may be different, therefore adapting to it and making it relevant to BVI products is very important. Taking the time to understand each country is quite important. BVI has a luxury in that it has momentum, 25 years of momentum that has been used heavily in the region, which helps. It opens doors and creates a high level of awareness. A part of our job now is to navigate through what hasn't been utilized so much before, and make it relevant. That means that the foreign banks that we act for, they are looking to their money to get the mobilization point right and get the cash flows across border. But they also want to have some certainty as to the rule of law. There is also relevance to the family wealth / corporate grey area in Asia with so much of the Asian corporates with a wealthy family behind it. Each country has a certain number of dominant families behind it that allows a lot of BVI products to come into play; it can be trust planning for the founder or succession planning for his children. There might be a listing here now in regional business, which develops those companies and subsidiaries up to a sufficient level, then we can take them private. Navigating through the private and corporate side is increasingly important. Being based in Singapore, we deliberately went there strategically six years ago with a focus on ASEAN, recognizing that there were a number of smaller demand countries south of here with needs



that have to be understood. We are seeing more demands from other countries, like the Philippines, and Vietnam, which Jonathan talked about. Again, these are very time-consuming investments in relationships.

Q: JOHN, YOU ARE TALKING ABOUT ASEAN AS A BIG GROUP HERE. WHERE DO YOU SEE THE KEY OPPORTUNITIES IN SOME OF THESE SMALLER COUNTRIES THAT YOU HAVE MENTIONED?

A: John Rogers: For those countries to be part of a successful ASEAN, the very family oriented domestic dominance doesn't lend itself very well to an ASEAN flow. So the governments on one hand want to see more cross border interaction, but there will be a bias back to the older families doing well domestically. But we already see some of those families in Thailand or the Philippines setting up private equity and family offices in Singapore, looking for family investments throughout the region, outside of their own patch. They will use an offshore company to put that together. Singaporeans are looking for a Singapore arbitration center, as the BVI has a strong rule of law with the opportunities potentially for BVI law to be used in arbitration in Singapore. So we have done some work with the arbitration center in Singapore, trying to make sure that there are lawyers that can be relevant to the situation of arbitration and litigations there, again trying to tie the laws of the region to us, and get the cash flows monitored and flow the work towards them.

Q: WOULD YOU EVER USE THE ARBITRATION CENTER IN HONG KONG, OR ARE YOU FOCUSED ON ASEAN?

A: John Rogers: It's not really our call. The clients will decide where they sit. We have some degree of visibility into the increased use of Singapore. That may or may not have something to do with Hong Kong and China's relationship, so you can see some of the documents that we are working on now, picking Singapore as the city of arbitration. But the government law is still the BVI. So we have to be aware of that. Not everyone will necessarily go to the BVI to have litigation or arbitration, and



LEFT TO RIGHT

Robert Grieves, Roundtable Moderator, Chairman and CEO of Hamilton Advisors

John Rogers, Partner, Walkers (Singapore) Limited Liability Partnership

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Richard Hall, Partner, Conyers Dill & Pearman

Singaporeans are trying to promote it being done locally. Our job is to make sure that the BVI law firms stay relevant.

Q: BEFORE WE LEAVE THIS TOPIC, ANY ADDITIONAL THOUGHTS?

A: Jonathon Clifton: Two things that we see quite often in our business now are a focus on speed, i.e., how quickly they can turn around an order or requests, and price. If we want to compare Asia to the general western European or North American market, those two things are unique in Asia. So the question around price and speed is an interesting one. I think the BVI has done a very sound job at pricing its services at the right level. It's not the cheapest, it's not the most expensive, but it matches the market very well. So, as this market evolves and becomes more sophisticated, what should the BVI do about pricing? In the past two decades, speed and price have been spot on for the market. For example, BVI House Asia has emphasized this notion of providing a quicker turnaround time than other jurisdictions. So it reinforces the view that the BVI is a jurisdiction that is focused on the market, and will turn around things more quickly than others.

A: Alan Collins: We are in the same business as Jonathon, but at a much smaller scale. I have to echo what he says, and the availability of so many service providers in Hong Kong experienced in dealing with BVI matters is great for the public and for the BVI. It drives a very high level of quality inwards to keeping price extremely competitive. One of the great things that BVI House Asia has done is, we all are sort of rivals in the same sort of business and we are gathered together now in these kinds of situations working for the common good of the industry and the BVI, which is a very positive development in 25 years of history of BVI services in this part of the world. I think we are really maturing and moving along the right direction.

A: John Rogers: I just want to add one thing that the BVI infrastructure that we must not ever lose

sight of. What we are doing now, we can do very quickly. These all depend on our turnaround. The infrastructure of the government, of the people in the BVI forming a critical mass delivering on what we promise that we will do overnight must not be understated. There is a tradeoff between employment here and employment in the BVI, of which we are all mindful. But the two must coexist. Because without the sales force set here representing and being available and responsive, and without the infrastructure back at base, the product won't sell as well.

Q: THANK YOU ALL VERY MUCH. TURNING TO ANOTHER TOPIC, HOW IS OFFSHORE FINANCE SPECIFICALLY WORKING IN ASIA?

A: Richard Hall: We operate on many different levels; we are also seeing a change and an increased use of more complex structures. Hong Kong has been using the BVI for about 30 years and as a result, a lot of local companies are familiar with how it works and feel comfortable with how it works. They are more than willing to use it with their structures; they have worked with law firms here for 25, or almost 30 years

in some cases. They are very familiar with the product. They are also delighted that the product moves with the times. We have the new Business Companies Act in 2004, and we have to say that must be the best piece of corporate legislation out there, and all of the things that the BVI did in 2004, Hong Kong did it last year, that's ten years. The BVI is used in many different ways in different areas, but certainly we use it in all levels across all structures from simple holding company structures. People will be using trust in the wealth management level, and again I agree in this case, it is a more difficult market. The willingness to pay for bespoke trust structuring advice is limited here, but this is not a BVI specific problem, more like a general phenomenon of offshore jurisdictions. There is a general willingness to get to a very high level of wealth to pay for that specialist bespoke structure, and some of that I think is because of the inheritance rules, especially in Hong Kong, that are so simple. There are very few taxes that you really have to look at, and lots of the private wealth banks will pretty much give you your bespoke package off the bat. If you sign up for your \$5 million US dollar account, and they give you a trust structure on estate planning, the ability to add value there could be limited. We see funds using BVI fund structures here, and we see lots of joint venture arrangements. People are very comfortable using BVI joint venture companies, they like the rule of law and the availability of professionals to help them drive their structures, and the quick turnaround. They are much more comfortable investing in the PRC, or Vietnam or Malaysia or wherever, as they know that with a BVI company, whenever they have a dispute, they can end up in Singapore arbitration, or they can end up in the BVI court with the rule of law, rather than something that they see as, maybe not quite as transparent or quite certain. People are willing to pay for the certainty of structure. Then, within general corporate spheres, we see BVI companies doing everything, lots of SPV debt issuance, lots of listed companies that will use a BVI SPV (special purpose vehicles) to issue bonds and notes. Especially in Singapore, they will flow the proceeds back to the listed companies, using them for estate planning purposes, particularly for subsidiary and holding company structures through IPOs and general corporate. Across Asia, they work across all levels for all purposes. They are great products, and great structures to use.

Q: ARE THE TRANSACTIONS AND FINANCINGS BECOMING LARGER?

A: Richard Hall: Some are big, some are small. We see some very large note issuance and bond deals. We have a current example, in China State Grid up in the PRC, which is the sixth largest PRC company by capitalization. They used a BVI company as their SPV when they issued their first bond to the market. I think that was around \$2 billion US dollars, so very large debt issues can be run through very simple one dollar one share holding companies.

Q: ARE THERE MORE FINANCINGS BEING DONE THROUGH RMB ISSUES?

A: Richard Hall: I think that will come with time. It will be interesting to see what happens with the ASEAN issues that John was referring to, what happens with the Asian Infrastructure Investment Bank when that gets up and running, whether it is used to serve a convertible, tradable currency or the central government currency. It ebbs and flows. We had a big push with the Hong Kong stock exchange 18 months ago to have dual currency listed companies because they are in favor of pushing up the currency, and being able to facilitate trade in it. It kind of drifted sideways a bit. I'm not sure the businesses have been really persuaded by the upsides of doing a dual currency trading structure; a lot of it depends on the central bank and how

much they facilitate the free flow of currency. And I think the more it frees up, the more you will see people prepared to issue.

Q: IS THERE ANYTHING THAT YOU WOULD LIKE TO ADD?

A: Jonathon Clifton: We have seen a real growth in demand for asset protection, particularly around intellectual property, if you look at the growth in IP or trademark registration in countries such as China, Japan and Korea, which occupy three of the top five spots globally. Typically for Japan and Korea, they would have done cross border directly in the past, like a Japanese company investing in a third country, but new markets are opening up in terms of the use of BVI companies, specifically for holding IP asset protection. I think it will be a bit of horses for courses across the region by diverse demand and solutions available.

Q: ALAN, IS THERE ANYTHING YOU WOULD LIKE TO ADD TO WHAT JONATHON HAS JUST SAID?

A: Alan Collins: Apart from asset protection, there is also succession planning, as these are quite hot topics at the moment. It is interesting that it's not just the cost of advice which has been somewhat of an inhibitor to the trust practice, in particular to succession planning and asset protection. It's also the reluctance, not only in this part of the world, but in every part of the world, I suppose, to go through that process of how to protect assets by putting them into the hands of trustees. I think there is an increase in sophistication in Hong Kong and China, understanding the benefits of succession planning using trusts, asset protection in the best possible sense of the word in terms of preserving family wealth for future generations, ensuring that it's managed effectively. BVI has become increasingly successful in wealth succession planning. In the past 25 years, the BVI has been a jurisdiction where BVI companies have become the gold standard in terms of offshore corporate structures. And that in a way, I suppose, has created a situation in which people are now starting to become aware of BVI companies. There are thousands of BVI companies in the hands of individuals or perhaps in the hands of nominee shareholders with aging beneficial owners or aging shareholders who will now be facing the prospect of providing for the orderly succession of those assets and BVI companies. And I think that actually provides a very real opportunity for BVI planning, in terms of very flexible tax structures and variable risk transfer shares, a popular vehicle for providing a kind of a Rolls-Royce of nominee arrangements.

Q: THANK YOU VERY MUCH FOR THAT, ALAN. PAUL, YOUR THOUGHTS ON THE SAME TOPIC?

A: Paul Christopher: We see that the BVI has been heavily used over the years for wealth planning in Asia, and it's very well recognized in Asia. I would echo that there is this reluctance about what to pay for the structuring advice, and in our experience that's right up until a point that families have a very bad experience, and then they're actually in a bad situation. That's when they understand the value of the advice that can be given, and the fact that when having all of your assets in a structure it is actually very important to get the advice right, and sometimes it is very, very specialist advice.

Asia has its own unique challenges around wealth and succession planning. I think that's probably highlighted by a recent report that suggests amongst the very wealthy Asian families, something like 91 percent foresee their business continuing into the future, i.e., when they are looking to plan for a

succession, they are not looking to divest that business and turn it into some form of bankable assets, so they are looking for continuity, and looking to create an institution going into the future. I think the BVI is well placed with trust, like the VISTA trust, very well placed with private trust companies as well as the levels of control that they provide to the patriarchs and settlors. So I think it's the experience of having worked in the wealth-structuring side of big institutions. It's good news.

Q: REGARDING THE BVI IN ASIA, ARE THERE ANY REGULATORY FRAMEWORKS WE SHOULD BE TALKING ABOUT IN TERMS OF, CHALLENGES OR OPPORTUNITIES?

A: John Rogers: We have been relatively fortunate for a long time, in that some of the regulatory environments in Asia have been less focused on the BVI than in some of the European and US markets. That said, I think the BVI is ahead of the curve. It is important that we were invited last week to the Singaporean Law Society to look at new regulations for the lawyers there. There is a whole draft set of rules to apply to the lawyers and lawyers taking on new clients and AML (anti-money laundering), and we can with some relief say this is where the BVI has been for years, so that is a very real and current example of where we need to sell the story, but we don't have to be defensive about it. We actually have very good AML. Still, I think we have to be mindful of external pressures. Particularly about issues of members' pressures on measures if they are as strong as they are under Mr. Cameron in the UK, for example. What we are having to deal with are changes abroad as a result of the regulatory pressures in the US or the UK. And as they become universal our challenge is to navigate those changes in Asia. So we don't see huge amounts of regional pressure to change the way BVI operates, in contrast to some of the other regions in which we are operating. But we have to be mindful of how it might impact our services, and how they might change the environment. So we'll watch the regulations very closely.

A: Richard Hall: I very much agree with a lot of what John has to say. Though it is not an Asian-driven process, I think much of the headwinds that confront the industry are generally European driven. I think it is the beneficial ownership register which seems a political football that's convenient to kick but seems unworkable in practice.

Q: DON'T ALL THE NEW REGULATIONS CREATE A LEVEL PLAYING FIELD AROUND THE WORLD AND IMPACT ALL THE JURISDICTIONS THE SAME WAY?

A: Jonathon Clifton: I think it depends. If we are talking about regulations at a macro-level, yes, that is heading towards a level playing field, but if we head down the path to certain jurisdictions - let's take the BVI, for example -- this comment is more relevant to service providers than to law firms. The question of eligible introducer regimes is a hot topic of the moment. There are lots of discussions, dialogue and debate about what's the best way forward. I think Alan and I would share a single view here that we need to be very careful around what we do with this regime -- it's been the backbone of driving the real volumes of growth that we've seen in Asia, so that's why we have the potential around some jurisdictional arbitrage. If the BVI go down the path of discontinuing the regime, and other jurisdictions were to continue it, then I think some issues will be created. But I think on a macro level around AML and KYC (know your customer) it is a level playing field. When we start talking about jurisdictional specific implementation, then I think there's not necessarily a level playing field.

A: Alan Collins: I concur with Jonathan. I think in the past there might have been what one describes as flight to the bottom, where people were going

to jurisdictions with lower regulation, and perhaps lower costs. But then you increase the level of global regulation, I think there's now been created a situation where there's a flight to quality. And generally speaking, service providers are improving in quality. And the product as a result improves in quality. I think it's for the good of the industry, really. One of the impacts the whole offshore industry is experiencing in Hong Kong and other places is an indirect form of regulation, which is regulation of the banks, because of stringent KYC, and other issues that they have. It becomes more difficult for offshore companies and indeed onshore companies in Hong Kong to deal with banks, but again that provides a higher level of quality and service in the industry.

A: Richard Hall: I agree with Jonathan, I think he's absolutely spot on. We have seen in the course of the last 18 months up until about six months ago, the tendency for clients, who would normally have gone straight to BVI as their preferred jurisdiction choice, to choose other, what we personally consider to be slightly weaker jurisdictions. The net result of this being that after about a year of that, people have discovered the second they want anything done, they want a legal opinion written, they want some advice, there simply isn't the infrastructure that John was talking about, the support in Asia and within the home jurisdictions to enable that to be done on any sort of timeline that they are anticipating. They are quite used in Asia to be able to pick up the phone, speak to Alan and Jonathan, get a company delivered to their desk in the afternoon, being able to speak to lawyers around the table and get legal opinions written overnight, documentation filed with regulators within 24 hours. The whole transaction can be done very seamlessly and smoothly. As a result of that, we've seen people who moved to other jurisdictions come back and you almost want to make them apologize for their foolishness.

A: Paul Christopher: I think what's interesting is the BVI government. It's clearly demonstrated that it wants to be a good world citizen. It's keen to engage with regulators from other jurisdictions and supranational bodies, and to be reviewed and so on and so forth. And I just think the way that the offshore industry is going, the ability to deploy capital in and out of jurisdictions going forward and the barriers that are likely to be used politically in doing that, it is very important to have a government that is focused on maintaining those relationships.

A: Alan Collins: I think one point that needs to be mentioned is that, for many years in Hong Kong we have had personal data privacy protection legislation. The provisions regarding transfer of personal data outside of Hong Kong have been inactive for various legal reasons. But they could be coming into force. That is now a very significant ramification for everybody who is transferring personal data from Hong Kong to other jurisdictions. This is something that in the future will necessarily be the subject of some attention from the industry and from the BVI government.

Q: WHAT MAKES AN OFFSHORE JURISDICTION COMPETITIVE?

A: Alan Collins: It's branding. The BVI has an excellent brand and has had for many years. Jurisdictions which come up with one critique or another have tried to make serious inroads into the BVI's market share. But they have not succeeded. Some of it's because people know the BVI, they know the level of support and they know the strength of the infrastructure. It is a very strong brand. In Hong Kong, everyone refers to offshore companies as BVIs regardless of the jurisdictions they are from. BVI is a generic term for offshore companies in this part of the world, it is that strongly entrenched.

A: John Rogers: I think to answer the original question, tax can be a factor in all this and not having taxes, or zero tax is important. I believe this goes back to our other points. Some clients, might need a double tax treaty, so we might not be relevant because we have zero tax. The clients are actually looking for a double tax treaty network, and they're really looking for another offshore jurisdiction, like Mauritius or Seychelles, because the demand is actually looking for a different product. That's the point about trying to understand what we are selling and what people are trying to buy and match up that supply and demand. Because it won't always be that our offshore elements are required for the deal.

Q: IN CHINA, THERE IS NOW LOW FERTILITY, AND THEIR POPULATION GROWTH LOOKS LIKE IT IS GOING TO SLOW. HOW DO DEMOGRAPHIC FACTORS FIGURE INTO HOW THE BVI IS GOING TO BE USED OVER TIME?

A: Jonathon Clifton: I think the industry, and particularly the BVI, see China as a long-term bet. I think, too, that one of the key trends we have all seen in the past three years is outbound investment. It's only in the last couple of years that the amount of capital flowing from China to the rest of the world exceeded the amount of capital coming into China. That's important for two reasons, because the BVI and Cayman are still the number one and number two offshore jurisdictions to facilitate flow from China to the rest of the world. That's the first point. The second point is that the RMB continues its liberalization and there is a central government policy to promote outbound Chinese investment. So you are trying to triangulate those points with the continued growth of Chinese investment going into the world. You look towards the plumbing to enable that, and again it's the BVI, a top-end offshore jurisdiction. We are talking about China as one country where you know there will be booms and busts over the next few years, but on balance, I think China's going to continue to be a major source of growth for the industry.

A: Richard Hall: You've had 10 to 20 years predominantly of inbound investment, where Chinese entrepreneurs in particular have become very familiar and comfortable with BVI structures. They normally would have moved private equity money into their BVI holding companies; they have been very comfortable with how it all worked. They like the lawyers that they work with, they like the legislation, they like the flexibility, they like the fact that as John says the government is prepared to change things such as the Chinese names in the corporations and they all have transliterations rather than direct translations so that there can be the cultural sensitivities to the use of the lucky sounding names instead of a direct translation without understanding it. But because of the 20 years of people becoming familiar with BVI in that direction, when they start sending the money back out, they will be more than happy and very comfortable to use it the other way round. And I think the success of the money coming in and the people working on building that familiarity enables the Chinese entrepreneurs looking to take the money out, to use them as almost as a default. The BVI is one of the default organizations to go to, for the money coming out, because of its familiarity.

Q: OVER THE NEXT FIVE TO TEN YEARS, WHAT ARE THE KEY AREAS IN ASIA FOR THE BVI TO INVEST IN AND FOCUS ON?

A: Richard Hall: In terms of growth, I think that we will see a greater use of BVI companies for listing vehicles, and accepted onto the exchange as successors. Other jurisdictions are still very much default jurisdictions, but I think the BVI will become more accepted as that momentum builds. Then people will become more familiar with them in terms of other growth

opportunities. I think as families age and people become more prone to litigate over wealth those areas will become more important.

A: Alan Collins: I agree and I think the number of BVI companies out there holding wealth for families as they age is growing. It's really an embedded value in the BVI company base, because there's going to have to be some action taken in respect of all those companies, whether it is going to be a VISTA trust or some other kind of structure to deal with the orderly succession of those who have shares. As mentioned before I think this is a great sort of elephant in the room to a certain extent for the BVI company with such a large accumulated base of corporations which are going to require some dealing going forward, whether it is a structure or even a sort of probate or administration of BVI, so I think we're going to see a lot of growth there, and private trust companies, family offices, are going to be one of the drivers of that as well.

A: Jonathon Clifton: I have other comments around drivers and usage, but perhaps the two comments I would make would be: the first area I'd say is focus. I think focus is an interesting one in BVI's case. A part of it, competitive advantage, is the fact that it hasn't focused solely on one solution. Part of its advantage is the fact that it can provide multiple solutions through multiple demand drivers. So I think keeping that sort of broad brush of functions of BVI is a point rather than trying to focus down too much. The second point is one you kind of mentioned in the question around disrupters. So, we often sort of think about, "What's the Uber of the industry? How could this industry be disrupted?" I don't know the answer, but I think one of the questions that the BVI will need to think about is how do they better leverage and utilize technology. You go back, particularly from an Asian context, speed, efficiency, turnaround time, all these things will become more important moving forward. So how does the jurisdiction invest in leveraging technology in a way that perhaps it isn't at the moment? If I had the answer I'd tell you, but I don't.

A: Paul Christopher: I think the close relationship between private law in the business world and the way that the BVI is used for that is important. We see that business becoming more institutional going forward, because we certainly see that the BVI is used more frequently in some of the very large deals that are done now. Without question, BVI is one of the jurisdictions that is used by the blue chip institutions in this part of the world. I think what's important is the ability to deploy and redeploy capital, the BVI Government maintaining international relationships is absolutely critical. And in Asia, with all the barriers, governments that work with offshore jurisdictions create opportunities. It's a question of being smart, in terms of the access the jurisdictions have within each of these governments.

A: John Rogers: Not to finish off by being pessimistic, but I just think we have to be realistic about the threats. I think that the BVI is the established means of getting through that traditional emerging market period. That said, emerging markets are going to move to somewhere. The Singapore government wants Singaporean companies used more commonly. Hong Kong's got the drivers for a fund industry, Seychelles and others are on the move. So I wouldn't like to just forget about the fact that there are a lot of competitive factors in play here, and that momentum is the great strength. We have to keep investing and keep front of mind the fact that BVI is the one to use because the competition is real. But I think the BVI has a tremendous head start in a number of areas we mentioned today, and it's been a very positive and accurate reflection of where we see it. But on the realistic sense, from what we have experienced relatively frequently at the coalface, the competition is quite real. -BB