

ANGUILLA

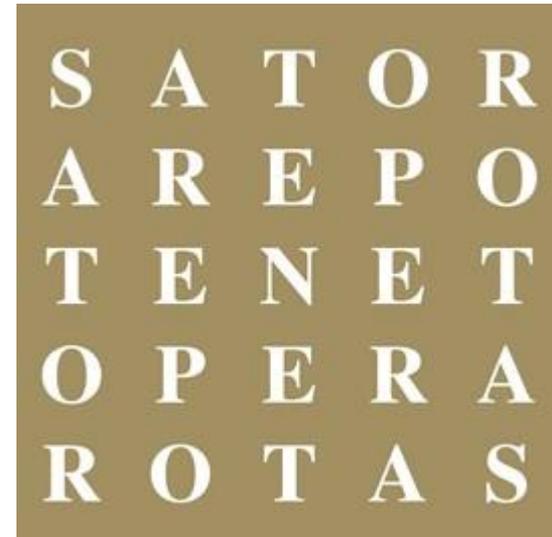
Industry Day 2015

PRESENTED BY:

Helen Hatton

Managing Director
BDO Sator Regulatory Consulting Limited

Chairman
KYC Worldwide Limited



A complex puzzle delivered with elegance and simplicity

Sator Regulatory Consulting Limited

Sator is a consulting business specialising in regulatory, governance, risk and compliance matters in offshore and emerging markets.

Sator also owns KYC Worldwide Limited, a specialist in Enhanced Due Diligence and Risk Verification reporting.

In 2016, Sator Regulatory Consulting Limited, merged with world leading Audit, Accountancy & advisory firm, BDO Limited.

Recent Awards

2016

“Top 200 Women of the Year”

“Top 50 Consultants of 2016”

“Leading Consultancy 2016”

“Helen Hatton Game Changer of the Year”

“Restructuring and Advisory Firm of the Year”

2015

“Fund Consulting & Restructuring Firm of the Year”

“Best in Fund Restructuring & Best Financial Services Consulting Firm, Jersey”

“Best Offshore Financial Services Advisory Firm, Jersey”

“Best Charitable Trust Fund, Rangoon General Hospital Charitable Trust”

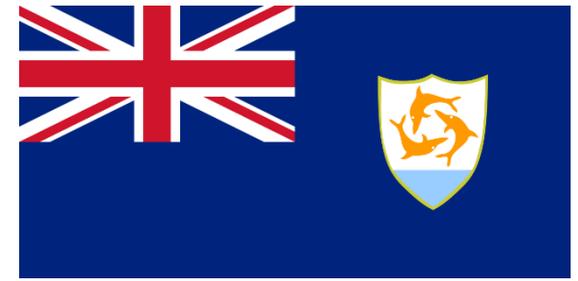
“Finalist - International Sales Award”

“Finalist - Consulting Team of the Year”

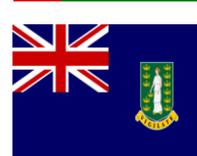
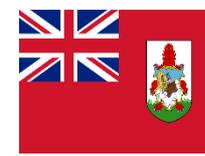
“Best Regulatory Consultants, Channel Islands”

“Best Financial Services Advisory Firm, Jersey”

Client Include



Clients include: standard setters such as the World Bank, IMF, FATF; institutions such as the FCO and Commonwealth Secretariat; regulators in Jersey, Guernsey, Oman, RAK, Seychelles, Cook Islands, BVI, Cayman, Bermuda; Ghana, Sierra Leone, Tunisia, Austria; Aruba; and our largest client group, financial services businesses all over the offshore and emerging markets world.



SATOR
AREPO
TENET
OPERA
ROTAS



A different perspective

Sator's services are not available to Anguilla. I am speaking today as an external, independent speaker to give a different perspective to my normal regulatory one.





Jurisdiction shopping

Sator is often instructed to advise a private or institutional client on the correct location for its structure. Those clients generally give us a short list which has emerged after tax advice, or take our "long list" to a tax advisor.



The three issues

The three issues around which a decision is generally based are:

Regulation

Tax

Sophistication

Cost is seldom considered until the very end when choosing between the two jurisdictions scoring highest from the first three.



Regulation

Reputable institutional clients want to protect their reputation and operate in jurisdictions that will attract further good client and inter-institutional relationships.

The jurisdiction must - meet international standards, do well in evaluations, contribute rather than detract from their reputation, offer a network of other professionals from which gain new customers (unless the institution is just looking for a back office centre)



Regulation - What private Client's look for

company law that does or does not protect shareholders' and creditors' interests; is or is not enforced;

financial services law that does or does not protect investors' interests; is or is not enforced;

trust law that does or does not protect beneficiaries' or settlors' interests, through Courts that are or are not swift and competent.

Government and judiciary who protect the interests of offshore and domestic depositors and investors alike.

Case One

Client wanted a regulatory/maritime analysis to find:

- 1 - deep water, off international waters, in jurisdictions with no/inadequate legislation on environmental crime
- 2 - flag of convenience from jurisdiction with no capacity to enforce safety standards
- 3 - country of incorporation with no environmental crime offences and where it would be difficult/expensive to bring a third party damages claim

Case One Continued

His business model was to buy junk cargo vessels, instead of sailing them to a scrap yard he filled them with toxic waste and drove them onto West African shores.

However he had recently had some issues with an environmental charity operating in one area where a boat leakage had caused widespread fish death and needed to find a safer business model, safer for him.

New plan - scuttle in deep water.



The Analysis

Sator declined to undertake the analysis - but had we - would Anguilla have been on the shortlist for the country to incorporate in or flag through?



Tax

Hitting Challenges

Easy - with CRS (FATCAs big ugly brother) all jurisdictions are pretty much the same. No - or few tax advantages anymore.

Ultimately tax must be paid.

Jurisdictions popular with evader clients will be targeted by data seeking staff who will sell it to onshore tax authorities - think Cayman, Switzerland, Panama.

Jurisdictions that fail or facilitate will be blacklisted.

Beware new OECD standard introducing an offence for professionals who "fail to prevent" tax evasion. In force now in UK.



Strategy for Sophistication

Though a softer range of requirements, these are key issues:

Lifestyle - businesses that want to locate consider:

Schools, housing, hospitals, size and breadth of expat community, culture and entertainment, xenophobia levels, work opportunities for spouse and older children, residency rights.



Strategy for Sophistication

Professional infrastructure

Extent of "primary relationship holding" complementary service providers (with whom to develop reciprocal introducing relationships) such as lawyers, accountants, actuaries, investment managers, company, fund and insurance managers, trustees.

Incoming businesses want a feed off and contribute to the "full service" model.

Not competition it adds to vital critical mass.



Strategy for Sophistication

Skills pool - whether for talented staff or competent suppliers, skills pool is always part of the discussion

Staffing restrictions - whether they can place their choice of staff and senior management into their investment or are bound to local staffing rules (if latter, this links tighter with skills pool considerations)

Communications - IT connectivity and ease of travel are major elements in the decision process



Strategy for Sophistication

Security - safety and personal freedom are significant considerations. Caribbean does not have a good reputation in this space from US, Canadian or European perspective.

Data security - sensible clients would check out the security of their data from threat of hurricane, rain ingress, and theft (whether physical or electronic)



Case Study

New businesses recently relocated to Jersey

- Smith & Williamson Investment Management
- Oppenheimer
- Blue Crest
- Systematica
- Several family offices

Have all applied these criteria. All see their primary asset as their client base, all have as their top business objective maintaining and developing quality, trusted, long term client relationships.

Case Study Three

Private Equity

Private equity is buying trust and company service providers. Sator undertakes due diligence work on potential purchases and assists compile target lists for acquisition.

Their criteria for purchase are:

Firms that manage the relationship with the client, that hold influence over investment and banking decisions, that provide full administration, book keeping, governance, tax and (ideally) legal services.

Case Study Three

Private Equity

Minimum fees per structure £5,000 pa.

Clean book of business with no regulatory, tax, AML or fiduciary risk.

Excellent governance records, full books and audit history. Skilled staff. Good IT systems. Established introducer network.

Relationships with clients and introducers vested in range of management not just principal.



Strategy for Moving to a conclusion

The criteria that makes your own business more likely to be worth money are the same criteria that clients want to see when they beauty parade, or that private equity want to see to make investments - and funnily enough that regulators want to see.

When a jurisdiction evidences these standards, inward investment, growth, employment follows.



Conclusion

Registered office only services, do not give you the primary relationship.

Your intermediary clients NEVER want you to have access to their clients because THEY are building the value of THEIR businesses.

Do not let this island be the place others park their risk when they are "jurisdiction shopping".

Thank you
for listening

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