



## The advantages of using Jersey in difficult economic times

*By Paul Patterson, Head of the British Isles and Global Head of Trust, RBC Wealth Management.*

In May, Jersey Finance, Jersey's financial industry body, published its quarterly report outlining the performance of the Island's financial industry over the first three months of 2010. This report showed that banking deposits increased by 7.5%, net asset value of funds under administration increased by 8.6%, value of funds under investment management increased by 6.8%, and company formations were up 22.9%. Some of these increases in business can be attributed to markets rallying in 2009, but the evidence also suggests that Jersey is perceived by private clients and institutions as being a good place to do business.

Jersey's success takes root in three fundamental principles. First, Jersey is tax neutral (i.e. its taxation does not cause individuals or firms to shift their economic choices), which allows the private client a number of structuring opportunities, and attracts wealth. Second, Jersey provides a concentration of expertise in tax structuring, legal advice and accounting, which allows private clients to make the most of structuring opportunities. Third, Jersey is considered to be one of the most stable offshore jurisdictions in the world, with a history of strong rule of law and strict adherence to regulatory principles. Beyond these factors, reputation, accessibility, time zone, and range of products and services play their part in making Jersey attractive to private clients.

### Developments in regulation

The subprime crisis and fraud cases of the past three years have resulted in transparency becoming an increasing focus across the wealth management, fund management and capital markets sectors. The offshore world has come under particular scrutiny by the G20 nations. Indeed, banking secrecy in the traditional sense is widely perceived to

have no future with the OECD Global Forum on Tax Transparency and Exchange of Information concluding last year that the era of banking secrecy law was coming to an end. This will be of particular concern to some jurisdictions, whose refusal to comply with international standards will be detrimental to their private clients.

*continued...*

Clients should take comfort that Jersey has always maintained a committed stance to transparency and compliance. In September 2009, the IMF released a report revealing that Jersey's financial sector regulation and supervision are of a "high standard" and "comply well" with international standards. It noted that Jersey has put in place a "comprehensive and robust" framework for countering money laundering and terrorist financing and achieved a "high level of compliance" with almost all aspects of the Financial Action Task Forces 40+9 Recommendations.

Jersey has ratified 15 Tax Information Exchange Agreements, showing Jersey's commitment to global cooperation, balancing transparency with confidentiality.

The chief preoccupation of most ultra high net worth ("UHNW") families is wealth preservation. It is therefore crucial they do business in a jurisdiction where compliance and transparency are taken seriously. Only by structuring their affairs legitimately and with the advice of professionals, including lawyers, accountants, trust and tax experts, private clients will be able to protect their assets. By having an account in Jersey, the private client can feel confident that their affairs will be well structured and the rule of law will safeguard them.

## Proximity to London

Risk and the importance of diversification is another key theme. As private clients look to diversify their wealth, they are increasingly coming to London to gain access to the global markets and vary their currency holdings. According to the Jersey Financial Services Commission's Q1 report, 66.8% of all deposits held in Jersey were held in currencies other than sterling, which underlines the international requirements of many clients who bank in Jersey, and their reliance on access to global markets.

Indeed, the reason many international families choose Jersey as an offshore jurisdiction is its symbiotic relationship with the UK. The UK is a global centre of financial expertise, private client legal advice and succession planning. In addition, the lifestyle benefits of having a base in London is an important consideration.

The relationship between London and Jersey is further supported by emerging markets wealth. UHNW families in Asia are increasingly using Jersey as a jurisdiction because of its ties to the UK; in fact the Far East now accounts for 8.9% of total banking deposits held in Jersey, compared to 3.5% at the end of 2009 (Jersey Finance Q1'10 Report). This reflects the increasing

concentration of global wealth in Asia, Russia, CIS countries and Latin America, and the flow of that wealth into the Channel Islands.

Security, confidentiality and political stability are extremely important for clients who come from these regions, as they look to deposit their wealth safely where it can be preserved for future generations away from the risks associated with unstable governments.

The foundation for Jersey's attractive proposition for private clients is based on its tax neutrality; concentration of financial planning expertise; stability and robust legal framework. A number of additional factors have come into play that further enhances Jersey's attraction. These include the island's banking transparency; an increase in emerging markets wealth seeking diversification and safety; and the symbiotic relationship that between London and Jersey, both centres of financial planning excellence.

This article was first published in *Private Client Practitioner* in July 2010.

*Royal Bank of Canada, which operates under the brand name of RBC, is Canada's largest bank, one of North America's leading financial services companies, and among the largest banks in the world as measured by market capitalization. Through a network of offices worldwide, RBC's international division provides comprehensive wealth management services to high net worth individuals and institutions resident in over 150 countries.*



### RBC Wealth Management

This publication has been issued by Royal Bank of Canada on behalf of certain RBC® companies that form part of the international network of RBC Wealth Management. RBC Wealth Management offers trust and fiduciary services via the principal operating companies detailed below.

Services outlined may be provided by a variety of Royal Bank of Canada subsidiaries and offices, either independently or acting together, operating in a number of different jurisdictions. You should note that the applicable regulatory regime, including any investor protection or depositor compensation arrangements, may well be different from that of

your home jurisdiction. Some of the services detailed in this document are not offered in all jurisdictions and may not be available to you.

You should carefully read any risk warnings or regulatory disclosures in this document or any other literature enclosed with this document or forwarded to you by Royal Bank of Canada's subsidiaries or affiliates.

This document is intended as general information only and is not intended as tax, legal, investment or other professional advice. You should always obtain independent professional advice particular to your individual circumstances. The information in this document is based on sources considered reliable at the time, but no representation is made regarding its completeness or accuracy and no obligation is undertaken whatever to update it for any changes of law or interpretation.

Royal Bank of Canada, its affiliates and subsidiaries and their officers, directors, employees and agents are not responsible for and will not be liable to you or anyone else for any damages whatsoever (including direct, indirect, incidental, special, consequential, exemplary or punitive damages) arising out of or in connection with your reliance on the document, even if the Royal Bank of Canada, its affiliates or subsidiaries or their officers, directors, employees or agents have been advised of the possibility of these damages.

IRS Circular 230 Notice: To ensure compliance with requirements imposed by the Internal Revenue Service (IRS), we inform you that in compliance with the U.S. Federal Tax Regulations, unless expressly stated in writing otherwise, any discussion of tax matters contained in this communication (or any attachment hereto) is not intended or written to be used as and cannot be used as or considered to be a "covered opinion" or other written tax advice; and should not be relied upon by any person for the purpose of (i) avoiding any Internal Revenue Code (IRC)-related penalties that may be imposed on a taxpayer or (ii) promoting, marketing or recommending to another party any transaction or tax-related matter(s) addressed herein (or attachments hereto) for IRS audit, tax dispute or any other purpose.

The addresses and main regulators of the principal RBC Wealth Management companies providing trust and fiduciary services:

Royal Bank of Canada Trust Company (Bahamas) Limited: PO Box N-3024, Bayside Executive Park Floor 2, Building 3, Blake Road and West Bay Street Nassau, Bahamas:

Regulated by the Central Bank of the Bahamas.

Royal Bank of Canada (Caribbean) Corporation and Royal Bank of Canada Financial Corporation: Chelson Park, Second Floor, Building 2 Collymore Rock, St Michael, Barbados:

Regulated by the Central Bank of Barbados.

Royal Bank of Canada Trust Company (Cayman) Limited: 24 Shedden Road, Royal Bank House - 4th Floor, PO Box 1586, George Town, Grand Cayman KY1-1110

Cayman Islands: Regulated by the Cayman Islands Monetary Authority.

RBC Trust Company (Delaware) Limited: 4550 New Linden Hill Road, Suite 200, Wilmington DE 19808: Regulated by the State of Delaware Office of the State Bank Commissioner.

Royal Bank of Canada (Suisse) SA: PO Box 5696, Rue François-Diday 6, 1211 Geneva 11, Switzerland.

RBC Trustees (Guernsey) Limited: PO Box 48, Canada Court, Upland Road, St Peter Port, Guernsey GY1 3BQ, Channel Islands: Registered company number 37379: Regulated by the Jersey and Guernsey Financial Services Commissions.

Royal Bank of Canada Trust Company (Asia) Limited: 17th Floor, Cheung Kong Center, 2 Queen's Road Central Hong Kong: Regulated by the Mandatory Provident Fund Schemes Authority.

RBC Trust Company (International) Limited: La Motte Chambers, St Helier, Jersey JE1 1PB, Channel Islands: Registered company number 57903: Regulated by the Jersey Financial Services Commission.

Royal Bank of Canada Trust Corporation Limited: 71 Queen Victoria Street, London, EC4V 4DE.

© Registered trademark of Royal Bank of Canada. ™Trademark of Royal Bank of Canada. Used under licence.