

March 18, 2019

Hong Kong Voted as Top International Financial Centre by Global Corporate Services Industry: Vistra 2020 Report

The latest report on the Corporate Services industry conducted by Vistra, a leading global trust, fund administration and corporate services provider, reveals that the trend toward onshore and mid-shore jurisdiction for doing business is continuing with Hong Kong topping the list, being the most popular jurisdiction, while both the British Virgin Islands (BVI) and the UK comes in second, followed by the US and Singapore.

Consistent trend amongst the top five jurisdictions

Globally there has been an increase in demand for transparency due to the negative publicity towards offshore centres; evidenced by the changing regulatory landscape to meet these demands. As such, it is timely to review whether offshore jurisdictions might fall out of favour; and the research shows that there has been limited change in the popularity of jurisdictions compared to the last report released a year ago with the top five comprising the same jurisdictions. Hong Kong climbed up one place to number one, overtaking the BVI and the UK, which advanced one place and dropped two spots respectively; the US and Singapore remain at the 4th and 5th.

“At the time of our research, we found there is a continuing trend towards onshore and mid-shore jurisdictions, with the top five dominated by international financial centres (IFCs) either in or close to the world’s political centres,” said Jonathon Clifton, Regional Managing Director, Asia & Middle East, Vistra. “This also confirms our overall research findings that despite the uncertainties of globalisation, the industry continues to be optimistic towards driving economic growth.”

“With that said, we have recently witnessed a decline in demand for certain offshore jurisdictions such as the BVI and Cayman Islands due to uncertainty driven by the European Union’s recent ‘economic substance’ requirement. We will need to keep a close watch on how these jurisdictions fare in the future in light of new regulations coming into play,” shared Jonathon.

A Closer Look at the Top 3 Jurisdictions

Hong Kong

Rise in Chinese companies listing on the Hong Kong Stock Exchange and a growing base of Chinese high net worth individuals (HNWIs) with increasingly sophisticated needs have largely contributed to the city’s leading position. Hong Kong appears to be an attractive platform thanks to its lower tax rate and a stable legal system. Despite 33% of respondents believe that political upheaval has affected Hong Kong’s reputation as an IFC, any harm has been offset by the city’s winning business from offshore regions, particularly among clients in Asia.

BVI

Following the Panama Papers in 2016 and the Paradise Papers in 2017, it would be easy to expect the jurisdiction to fall in the rankings. Yet the BVI remains at number two and has experienced growth in new incorporation volumes: 11.2% in the first nine months of 2018 over the previous year, in Vistra's portfolio, much of it reliant on Chinese investment. Indeed, where the BVI is seen as challenged, this has primarily been due to perception rather than the quality or prospects of the jurisdiction. However, it will be interesting to see how new regulatory changes may impact the popularity of this jurisdiction in the future.

UK

In prior years, Brexit was not an issue and the UK's favourable corporate tax rate and flexible labour legislation provided a friendly environment as an IFC. Today, respondents take a dimmer view of Brexit's implications with only 35% expect the UK to become more open to the industry and IFCs after Brexit. If the country cannot provide attractive conditions for business, it is expected that a greater number of organisations will switch to Luxembourg or Frankfurt as their European headquarters.

Drawing on the insight of 800 industry professionals in the Corporate Services industry globally through quantitative and qualitative research conducted between June and August 2018, the latest Vistra 2020 report identifies trends that are defining today's corporate services industry, which provides specialised trust, fund and corporate services to corporate and private clients as well as alternative investment managers who are seeking global outsourcing expertise and support.

Download the full Vistra 2020 report at:

www.vistra.com/sites/default/files/vistra_2020_report_2018.pdf.

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Appendix – Top 10 Jurisdictions

2018 Ranking	Jurisdiction	Changes from 2017 rankings
1	Hong Kong	Up 1 spot
2	British Virgin Islands	Up 1 spot
2	UK	Down 2 spots
4	US	No changes
5	Singapore	No changes
6	Cayman Islands	Up 1 spot
7	Luxembourg	Up 1 spot
8	Switzerland	Down 2 spots
9	Netherlands	Up 2 spots
10	Jersey	Down 1 spot

About Vistra

Ranked in the top three corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities span across company formations to trust, fiduciary, private client services, and fund administration. Vistra employs over 4,000 employees across 46 jurisdictions. For more information, please visit www.vistra.com.

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