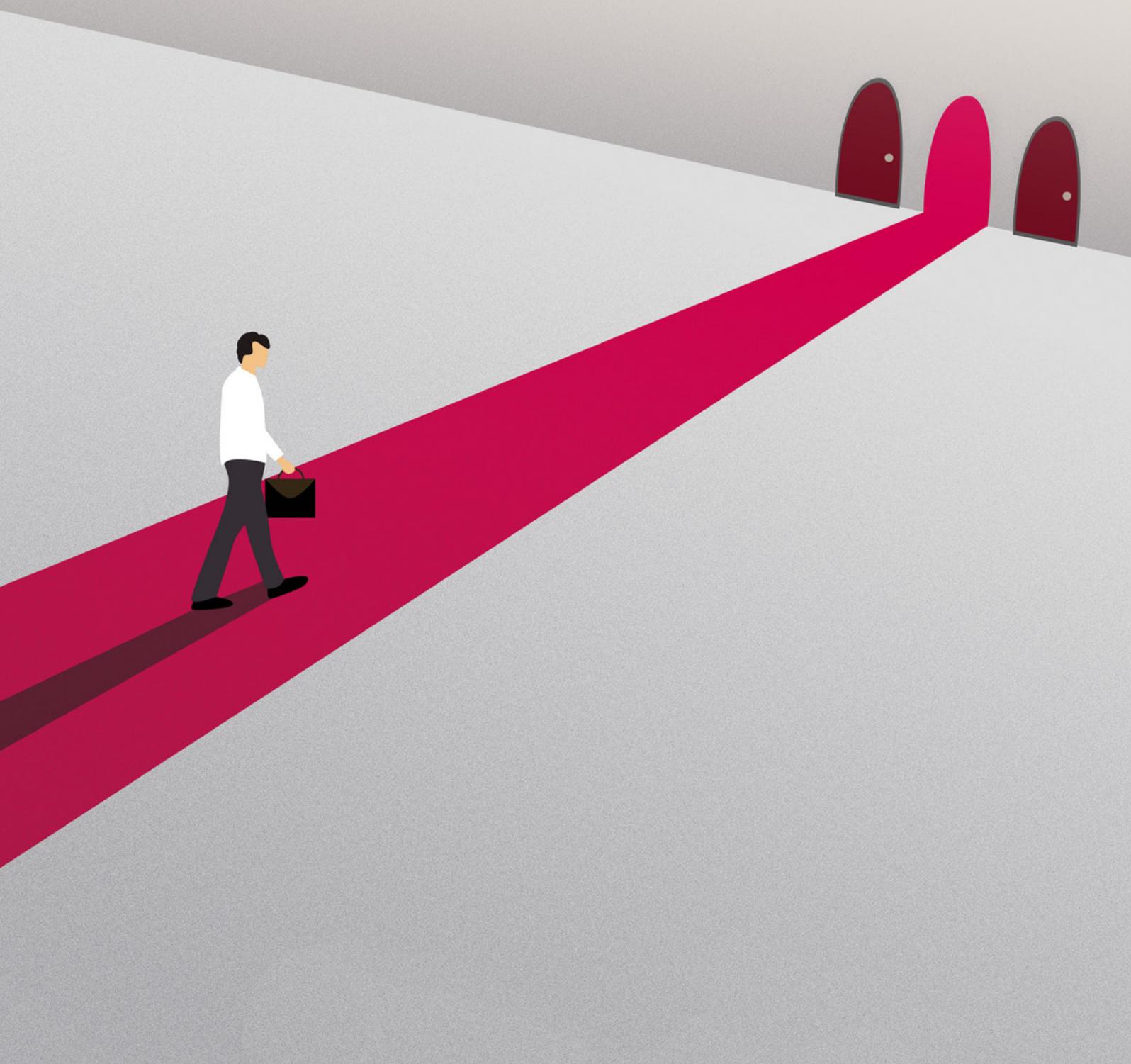


VISTRA 2030

Unlocking opportunity
for the decade ahead



The decade that transformed corporate services

This year marks the 10th anniversary of our industry-leading research. It's a milestone, and an opportunity to reflect on the last decade while looking ahead to the next.

When we launched this study back in 2010, one of the key aims was to provide a roadmap for the industry to help its major players better understand and get ahead of change, while providing some prescient insights.

Back then, in the wake of the global financial crisis, corporate services looked very different. The industry was heavily fragmented, with a lot of single jurisdiction operators and niche providers. There were clear lines of separation between offshore, midshore and onshore jurisdictions – and the activities taking place in each.

And seismic shifts in global regulation and economic power were gathering pace.

Today, the corporate services industry is more global and integrated, and its key finance centres are more sophisticated. Waves of politically charged regulation have levelled the playing field in areas such as privacy and tax, but these jurisdictions have proven their resilience and long-term importance to the clients they serve.

Looking ahead, these attributes will take on even greater importance, as clients look for asset protection and growth in

an increasingly complex economic and political environment. All of this will be exacerbated by Covid-19.

Here, we explore that increase in complexity through the findings of our survey of 620 respondents and in-depth interviews with 20 industry leaders.

You may have noticed that we've rebranded the study to Vistra 2030. It signals our commitment to better serve clients and peers in an increasingly global and complex world.

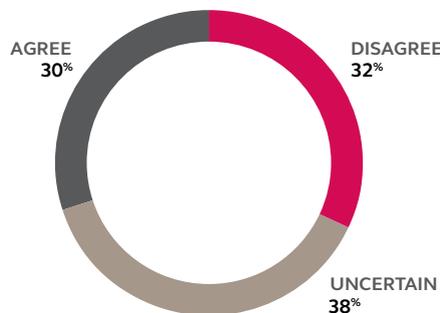
2020 Headline findings

1. Confidence shaken as cross-border business grows more complex

38% of respondents are confident about their firm's growth prospects, down from 75% in 2018, as Covid-19 takes hold; 32% are confident about the ease of doing business across borders – down from 61%

2. The industry is divided about how Covid-19 will impact the onshore versus offshore dynamic

While 30% of respondents say that Covid-19 will accelerate a client shift away from offshore towards onshore, 38% are uncertain – and 32% say the opposite. (see Figure 1)



COVID-19 WILL ACCELERATE A SHIFT FROM OFFSHORE TO ONSHORE

FIGURE 1: THE IMPLICATIONS OF THE PANDEMIC FOR OFFSHORE ARE UP FOR DEBATE

4. Privacy and tax planning no longer top drivers of demand

When we began this study in 2010, the industry said that privacy and tax planning were the principal reasons for establishing entities. Now, it's asset protection (35%) and facilitating FDI (34%) (see Figure 2)

5. Singapore leapfrogs Hong Kong in jurisdiction rankings for the first time

Singapore overtakes Hong Kong in the jurisdiction rankings for the first time, and shares the top spot with the UK and the US

6. China's dominance recedes, as emerging Asia becomes top market for origination

The industry is questioning its long-held perception of China as its main source of new business. More than half (54%) expect rising demand for offshore centres to come from emerging Asia (excluding China) (see Figure 3)

while 30% of respondents say that Covid-19 will accelerate a client shift away from offshore towards onshore, 38% are uncertain – and 32% say the opposite

3. Regulatory co-operation may have peaked, as industry expectations of convergence fade

For the first time since 2015, more industry professionals are questioning whether international convergence on information exchange, public registers of beneficial ownership and tax accounting standards are realistic within the next five years

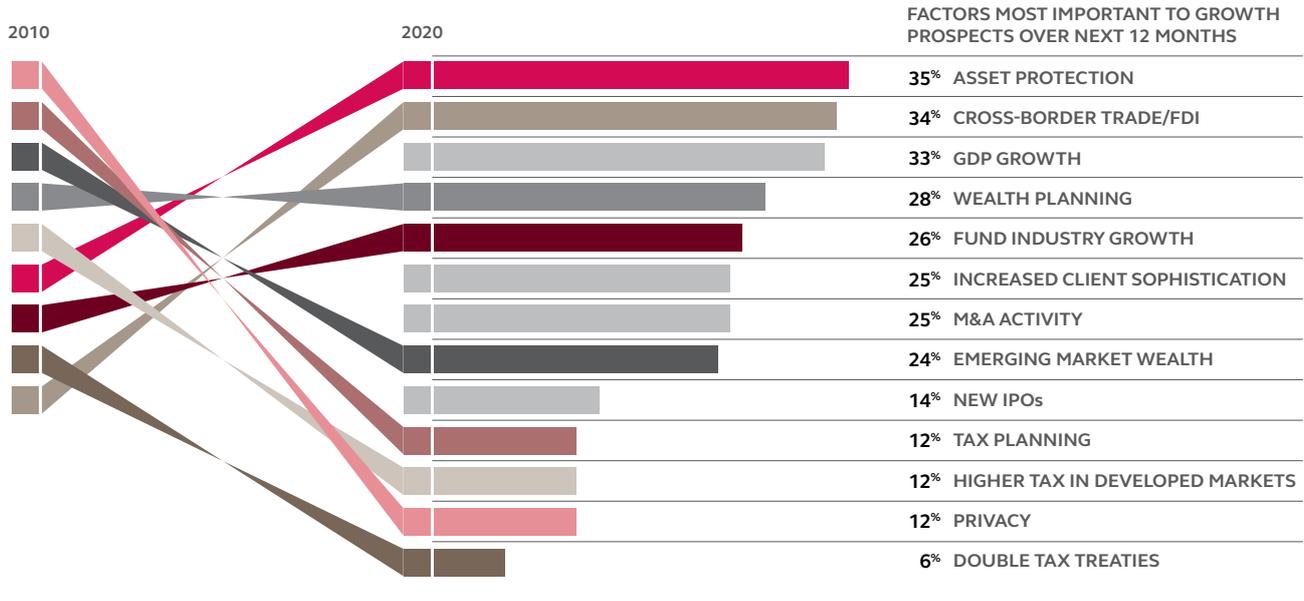


FIGURE 2. THE EVOLUTION OF WHAT DRIVES DEMAND FOR CORPORATE SERVICES

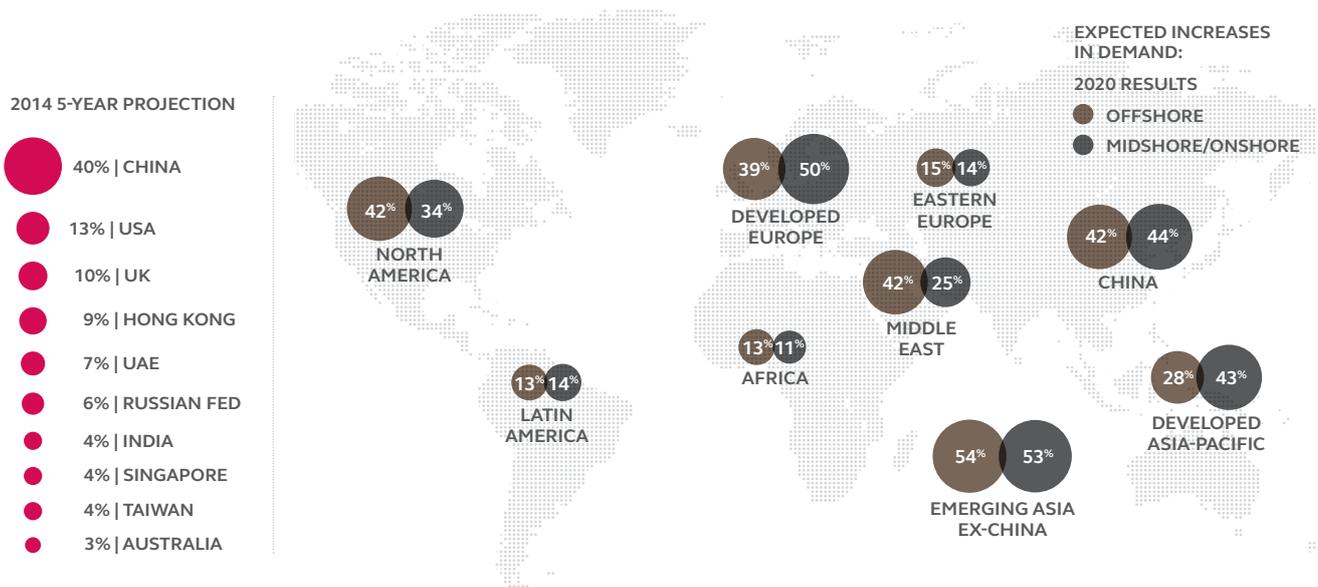


FIGURE 3. RESPONDENTS EXPECT EMERGING ASIA TO OVERTAKE CHINA AS THE TOP MARKET FOR CLIENT ORIGINATION

The industry is questioning its long-held perception of China as its main source of new business. More than half (54%) expect rising demand for offshore centres to come from emerging Asia (excluding China)

FUTURE-GAZING: FIVE PREDICTIONS FOR THE INDUSTRY CONTINUED OVERLEAF

Future-gazing: Five predictions for the industry

These are the big questions for our industry to address in the decade ahead.:

Will globalisation come back stronger?

There's no doubt that globalisation is facing profound challenges. But we know that corporate and private clients' businesses and assets are more international than ever before; enabling their pursuit of growth – domestically and overseas – will be critical to the economic recovery. Structures and jurisdictions that can provide legal certainty will be top of mind as they embark on these plans over the coming years.

Is this really it for offshore?

EU-driven economic substance legislation has undoubtedly diminished some of the cost advantages associated with the likes of the Crown Dependencies and British Overseas Territories. But we believe there is a long-term role for tax neutral jurisdictions with strong legal systems, which are well regulated and share information globally, to help connect disparate parts of the global economy. In times of political tension, these jurisdictions not only serve as global

connectors, they provide a neutral layer between sparring factions. We believe that jurisdictions such as BVI, Cayman, the Channel Islands and Bermuda will still be thriving 10 years from now.

Can tax mitigation survive?

There is still a legal right – and companies would argue an obligation to shareholders – to reduce tax bills through considered planning. But might any form of tax planning become forbidden over the next decade? Environmental, social and governance issues have become a mainstream concern for investors in recent years and Covid-19 has reinforced the importance of companies and wealthy individuals accepting their social responsibilities. Despite these shifts, we expect tax-planning services to survive the decade ahead, but that opportunities to do so will become even further restricted.

Will privacy stage a fightback?

Clients have had to accept greater transparency into their financial affairs, as momentum to increase information sharing gained global support. But as we enter a truly digital age, new threats are emerging.

As we address these threats, privacy is part of the solution, not the problem. Over the next decade, we expect a growing awareness of the dangers of exposing too much personal data in publicly accessible forums to trigger a more considered approach to information sharing. In the context of beneficial ownership registries, for instance, this would entail limiting access to a restricted number of trusted parties, which would still enable their original objectives to be achieved.

How will regulatory conflict be resolved?

Divergence on issues such as tax, substance and transparency may heighten in the short-term, as countries focus on the immediate welfare of their own companies. But over the longer-term, an acceptable middle ground will need to be found on these issues. With respect to economic substance legislation, where it appears unlikely North America and Asia will follow Europe's lead in the short term, we may see the EU lean on corporations to bring about the change they want to see.

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