

Creating a successful & efficient family office for Indian HNWI: The case for Mauritius

Introduction

Fuelled by the wealth boom, cross border investments and population growth in Asia, the number of HNWI and ultra HNWI has skyrocketed. The Forbes Rich List 2012 identifies 315 individuals or families in the Asian market as billionaires. Forty-five percent of the region's names hail from China and India, accounting for 41 percent of the wealth. India is the runner-up to China with 61 billionaires in 2012 and this figure is set to continue to rise. The combined net worth of the 2012 class of the 100 richest Indians is \$250 billion, up from \$241 billion a year ago.

There is a Chinese saying, "Fu Bu Guo San Da" which means that the wealth of a family never lasts for more than three generations. In the United States, there is a similar aphorism—"Shirtsleeves to shirtsleeves in three generations"—which describes the propensity of family-owned enterprises to fail by the time the founder's grandchildren have taken charge. Indeed a large proportion of India's current wealth has been recently created and is still held by the first-generation entrepreneur. However issues of wealth preservation and succession planning in particular are starting to be considered by the UHNWIs and the concept of the Family Office which an institutionalized and well-formalized model that is dedicated to the financial, corporate and personal needs of wealthy families is thus poised to attract much interest.

The Emergence & Evolution of the Family Office concept

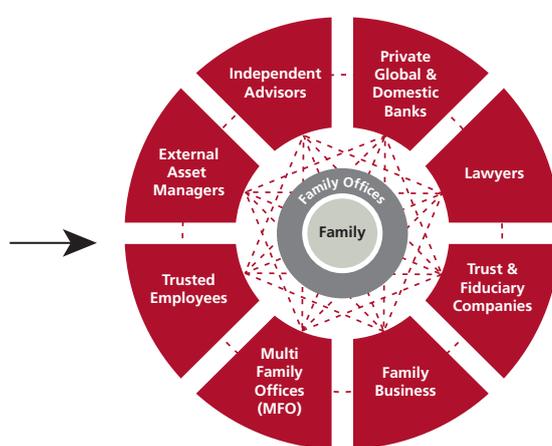
It is difficult to provide a definition of a Family Office as there seem to be as many Family Office definitions

as Family Office providers! In a nutshell, it can be said that a Family Office provides the necessary skill, guidance and management of a family's wealth to build a structure which can help protect that heritage and pass it smoothly across generations. It is built on the premise that very wealthy require very sophisticated, independent services and a higher level of confidentiality than average HNWI in order to achieve their financial (asset growth and preservation) and personal (philanthropy, succession and heritage) goals. The Family Office is thus the focal point of all kinds of services that may be required by the UHNWI.

The family office concept can be traced back to the 6th century with the "majordomo" ("major": highest / "domo": household) who was a person who would speak, make arrangements, or take charge for the affairs of the royal family and its wealth. Later, the upper nobility started to use these services of the "majordomo" as well. The modern concept and understanding of family offices was developed in the 19th century in the US when in 1838, the family of J.P. Morgan founded the House of Morgan. In 1882, the Rockefellers founded their family office, which prevails until today. Nowadays, there are broadly two types of Family Offices: Single Family Office (SFO) which serves the needs of one family. In general, families should have a net worth of \$250-500 million to set up an independent SFO. Multi-Family Offices (MFO) are SFOs that have given access to third parties like non-family members and other wealthy families. These MFOs are still private, family-owned Family Offices but they are willing to serve the needs of more than one affluent family. It is also possible to have a hybrid structure whereby an SFO will perform certain in-house core functions



European/US Classic Single Family Office Model



Asian Hybrid Network Model

and either outsource other functions to external partners or to an MFO.

Structuring a Family Office

Every family is unique and so is every family office! There is thus no set model for structuring a family office and the latter will be determined by the nature of the family and by its individual circumstances. In particular, the following will have to be considered: what are the family's service requirements; will all or any of these services be needed immediately; and which (if any) of these services can be provided most efficiently in-house and which should be procured through external parties / outsourced.

Family Offices may provide a comprehensive range of services, from financial, legal & tax advice to concierge and residence services. The types of service typically provided by family offices can be grouped into the following categories: investment-related services; tax, finance and estate-planning services; family continuity services in relation to education, family counseling and family governance;

Philanthropy; lifestyle management services, such as concierge services and residence management.

A Family Office can be set-up as a limited liability company, a trust or a private foundation depending on the availability of these legal entities in the jurisdiction where the Family Office will be set-up. The choice of the jurisdiction to set-up the Family Office will depend on a number of factors. The location of a family office is not necessarily where the family members are resident especially where the family business spans a number of jurisdictions, which is likely to be the case for UHNWIs. Determining factors will include the tax regime, availability of local talent to hire, quality professional expertise (investment, legal, fiduciary, tax) amongst others.

Family Offices: The case for Mauritius

Mauritius is a recognized IFC of substance, well regulated and supportive of all international initiatives (OECD/FAFT/G20), never black (or grey) listed. Often described as India's younger sister,

Mauritius has important historical, cultural and political links with India and also long experience in facilitating foreign investments in India. Mauritius has a large pool of well-educated young multilingual people, fluent in English, French and Hindi. Most of the professionals, including accountants and lawyers, are trained in Europe and are members of internationally recognized professional bodies. It has an independent and stable democracy, is a member of the Commonwealth, with the Privy Council of the United Kingdom as its highest court of appeal.

Mauritius combines the advantages of an international financial centre with no CGT, no withholding taxes, low tax base, confidentiality and free repatriation of profits and capital among others together with the ability for treaty based tax planning through its network of Double Taxation Avoidance Treaties. It offers interesting structuring opportunities for family offices which may be set-up as a company, trust or private foundation. In particular, Mauritius allows for the setting-up of a Private Trust Company which, given the right set of circumstances, can complement the Family Office or even in some circumstances be the Family Office itself. It already has a well established reputation as a high-end tourism destination, a successful Integrated Resort Scheme (IRS), cost efficiency and is only 1.5 hours behind India.

How can we assist?

AXIS is a specialist service provider offering a full spectrum of corporate and fiduciary services to an international client base. Through our offices in Mauritius, Seychelles and Kenya but also our international network of partners, affiliates and associates, we can set up companies, trusts, funds and other legal entities and provide the necessary fiduciary, corporate secretarial, administration, accounting and other ancillary services. AXIS has a preferred relationship with BLC Chambers, one of the leading law firms in Mauritius listed as a Band 1 Firm by Chambers and Partners and as a Top Tier Law

Firm by IFLR. BLC Chambers is a member of ALN a leading independent African alliance of top tier law firms whose members currently include law firms in Eastern and Southern African countries, all rated as leading law firms in their respective jurisdictions by international legal directories including Chambers Global, Legal 500, IFLR 1000 and Expter guides. BLC is also associated with the leading international law firm Harney Westwood & Riegels (Harneys) which operates through a network of six offices around the world including BVI, Cayman, Cyprus and Anguilla. We have helped to establish a number of family offices using our considerable knowledge of international tax, regulatory, asset protection / succession planning and corporate transactional experience and to successfully implement such projects. Through our network of partners, affiliates and associates in other jurisdictions, we are able to provide a comprehensive integrated and seamless cross-border legal and fiduciary services that our clients require.



About the author

Assad Abdullatiff is the Chief Executive of AXIS Fiduciary Ltd, a leading Mauritius-based independent trust company providing a full spectrum of fiduciary and corporate services to an international client base. Assad holds an LLB (Hons) and an LLM in Business Law and is admitted to the Bar of Mauritius. Assad counts many years of experience in the financial services sector in Mauritius, and prior to joining AXIS was an Assistant Director at the Board of Investment of Mauritius, where he was the Head of the Financial Services Cluster and responsible for the promotion of Mauritius as an International Financial Centre. Assad has been a speaker at various international conferences on the topic of the development of Mauritius as a world class financial centre. He is a full member of the Society of Trust and Estate Practitioners (STEP), a member of STEP Council and past Chairman of the STEP Mauritius branch.