



UK trust admin - outsourcing solutions needed

Even for professional trust companies it has become extremely challenging to keep up with the seemingly endless production line of administration and compliance obligations. FATCA, CRS, GDPR, TRS - the acronyms and associated headaches just keep coming. And, it seems, for every new compliance process introduced, there's an old one needing an upgrade.

For those of us dedicated to providing professional trustee services, this is a cost of doing business and we must keep ahead of the game to survive and thrive. But for some trustees, whose day-job expertise lies elsewhere, the only result is a double-whammy increase in cost and risk.

The traditional logic is simple, indeed obvious - a wealthy individual or family in need of a trustee would seek a knowledgeable and trustworthy person for that role. Quite naturally, the search would most often lead to their closest financial or legal advisers. However, that model is being increasingly disrupted by the sheer weight of administrative pressure and responsibility being placed on trustees.

Professional advisers are in the business of advice, not functional fulfilment, but they will be all too aware of risk versus reward. For many, the stark reality is beginning to dawn that the potential liability for administration failings does not stack up against the associated revenue for work they are not suited to (and PI insurers would most likely agree).

But private clients still want their closest advisers as trustees and those advisers are, understandably, loathe to deny them.

The solution increasingly lies in third-party administration. It's nothing new of course but is set to become more prevalent as costs and risks continue to escalate on a similar trajectory to one another and the thin end of the wedge gets more visible.

If we agree that demand is set to soar, what about supply? There's some in the UK but not in abundance, so the answer may well lie in the outlying islands. A generation ago, if you settled a trust, you invariably went 'offshore' because that, legitimately, was the most advisable course of action and it was there, naturally, that the predominant expertise has been developed.

The tide has started to turn though, most notably in the last decade, with the result that fiduciary wealth services need now to be mostly onshore. However, the depth of capability for administering these structures has not necessarily relocated with it. But it certainly isn't out of reach.

Overseas trustees have been dealing with UK clients for decades - buying UK properties, dealing with UK investment managers and banks and, crucially these days, complying with UK and international reporting standards, from tax compliance to data protection to anti-money



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Robust regulatory systems



laundering. Added to this, there is the kind of size in the non-UK professional trustee sector that can deliver real value to an outsourcing proposition through economies of scale.

And it's a relevant, modern expertise too because private family wealth is now increasingly international. Generating value from outsourcing now involves finding a third-party provider that can transact, and be compliant, across borders and this only comes from having access to a wealth of international experience and a global professional network. Trustee businesses located in the Isle of Man or Channel Islands, for example, have this in spades and can provide administration-only services without making the trust 'offshore'. It makes perfect sense to meet this ever-increasing demand with the most skilled and economically sound supply available.

It's worth remembering, too, that the decision to outsource is not necessarily a one-time, binary one. Trustees can generally outsource as much or as little as is commercially sensible, enabling tentative toe-dipping before fully committing to a new operating model.

The trustee's duty of care is the same as ever but there is an alarming escalation in the volume and complexity of work required to meet it. Satisfying these obligations at a loss is clearly not commercially sustainable, so the demand for a solution will only grow as time goes on. But the good news is, there should be plenty of good quality supply to meet it, if you look in the right places.

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