

The Impact of Globalisation on the Offshore Legal Industry

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Offshore law firms operating on the world stage must keep a constant eye on the demands and movements of their dynamic multi-national clientele in order to keep pace with the competition. Law firms seeking out new frontiers have often struggled to cope with numerous challenges including differing legal regimes, compliance standards and business cultures. However, these challenges have not prevented the major offshore firms from branching out into new jurisdictions and combining with rivals over recent years. In the Channel Islands, Appleby's move into Guernsey and the mergers of Mourant Ozannes and Collas Crill are the most recent examples of these trends.

Whilst there are important differences between them, major offshore jurisdictions such as Bermuda, Cayman, BVI, Jersey, Guernsey and the Isle of Man also have much in common. Common features include English common law roots, tax neutrality, light but effective regulation and creditor friendly

insolvency regimes. These features form the pillars of these successful offshore centres. Whilst one jurisdiction can often be chosen over another simply to follow the previous deal, it is increasingly the subtle but important distinctions between the jurisdictions which will dictate the choice.

Consolidation and Diversification

Perhaps the most noteworthy trends among offshore law firms over the past decade have been consolidation and diversification. Most of the major offshore law firms have moved into several of the key offshore centres seeking to provide a one-stop-shop for multi-jurisdictional advice. Appleby is a case in point. Historically a Bermuda firm, Appleby now spans twelve jurisdictions, having moved into Mauritius, the Seychelles, the Isle of Man and Guernsey in the last four years alone. Appleby has also positioned itself in the major financial centres of London, Hong Kong, Zurich and Bahrain with a

view to establishing close long-term relationships with its key clients and referrers.

Spheres of Influence

Among offshore jurisdictions, Cayman and the BVI perhaps have historically had the greatest global reach. Cayman has retained its international pre-eminence as a domicile of choice for hedge funds while the BVI remains attractive for holding companies and fund structures emanating from China, Russia and the Middle East. Bermuda has a longstanding track record as a well established offshore centre for insurance and re-insurance, funds, shipping and aircraft finance and registration.

The Crown Dependencies of Jersey, Guernsey and the Isle of Man have historically serviced clients in the UK and continental Europe although there are signs of increasing interest in these jurisdictions from Asia and the Middle East.

With their advantageous locations proximate to Asia and the Middle East and their double-taxation treaties with India, China and South Africa, Mauritius and the Seychelles can now also be counted among the members of the exclusive club of key offshore centres. Appleby's move into Mauritius

and the Seychelles reflects a clear recognition of the growing importance of the rapidly expanding Asian economies and the recognition of South Africa as the most important economy in Africa, particularly given the recent trend of rising commodities prices.

Future Trends

Whilst the global economic recovery remains patchy and uncertain, many offshore firms appear to have entered a period of reflection to consider whether further expansion is justifiable or whether new markets can already be accessed from existing platforms.

In 2011 and beyond we will no doubt witness a renewed focus from the offshore world on emerging markets and the BRIC countries in particular. The offshore law firms positioned with the widest geographical and jurisdictional range of options will no doubt find themselves best positioned to tap into the growing appetite of these expanding emerging markets for sophisticated financial products and specialised legal advice.

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