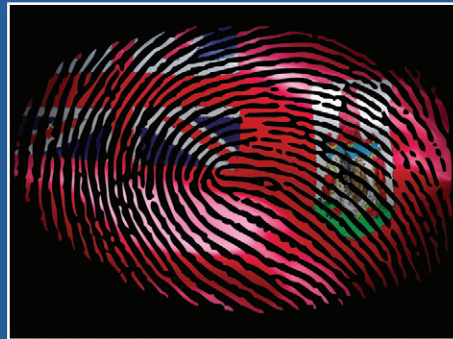




BERMUDA BUSINESS REVIEW



The value of a corporate service provider

By Tracey Spevack

With increasing demand from regulators and investors for the highest standards of corporate governance and stringent compliance with a growing list of complex regulations, more and more businesses are turning to professional corporate service providers for expert help.

Recent years have seen significantly increased regulatory requirements and obligations placed on businesses in all jurisdictions and Bermuda is no exception. Directors, managers and secretaries of Bermuda entities are faced with the legal and fiduciary responsibility to ensure that the entity is in full compliance with all relevant legislation and regulation

in the jurisdiction. One way to manage these responsibilities efficiently and mitigate compliance risk is to engage a corporate services specialist.

There are presently 95 corporate service providers (CSPs) in Bermuda licensed under the Corporate Service Providers

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CORPORATE SERVICES

Business Act 2012. The number has grown in the past few years as the need for expertise in this area has risen. They range from boutique firms with a few key clients, to larger providers of comprehensive corporate services serving a significant stable of clients. CSP clients include listed and private companies as well as partnerships and span a broad spread of business sectors from insurance and funds to offshore energy and shipping. From blue-chip multinational groups to small, local businesses, they all seek the services of a CSP to reduce their administrative burden so that they can focus time and resources on their core business objectives.

CSPs have been providing fiduciary services to businesses for many decades but there is no doubt that the regulatory landscape has changed, making the need for professional assistance greater than ever. In addition to complying with legislation governing type of entity (e.g. the Companies Act), and industry specific legislation (e.g. the Investment Business Act), businesses must comply with anti-money laundering and anti-terrorist financing legislation, bribery legislation, data protection legislation, international sanctions regulations, tax reporting and – most recently – economic substance legislation. Often, reports must be filed with the regulatory authorities on a regular basis.

With all this complexity and constantly changing requirements, expertise is key. An experienced CSP with a comprehensive knowledge of the local regulatory landscape, a good working relationship with the Bermuda Monetary Authority and an understanding of industry best practice, can be a valuable source of support to meet legal and regulatory liabilities and ensure ongoing compliance. Economies of scale mean that a CSP can invest in technologies to centralise and streamline data reporting and board support, so reducing costs for the client. Furthermore they can highlight potential challenges and landmines that may otherwise be overlooked.

A CSP's objective is to provide support for every stage of a business's lifecycle, from creation through active operations and growth, to eventual termination. More international businesses are choosing to outsource entity formation as the process has become more complicated with numerous issues to consider. A specialist offshore CSP can help a business choose the right corporate vehicle and the right jurisdiction for its purposes. They can also advise on structuring an appropriate entity to meet the business's needs now and as it grows. Speed can be essential and the expertise of a CSP can help get the new entity up and running as quickly as possible.

Corporate administration and secretarial services are a mainstay of any CSP, which will typically offer a full suite of services, including registered offices. A registered office service is an efficient way for businesses to meet statutory and regulatory responsibilities without the burden and expense of staffing and running their own local setup at some distance from their primary offices.

Bermuda has a deep pool of experienced corporate services professionals such as qualified corporate administrators and chartered secretaries, who can manage the day-to-day

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operation of the entity and provide expert board support. This includes maintaining statutory records and registers and organising board and shareholder meetings. CSPs that have an association with a law firm can offer the added benefit of ready access to legal advice at all times, for example in interpreting legislation or in the event of litigation.

It is critical to have a proper governance framework in place, which means regularly holding formal board meetings and documenting discussions and decisions. Directorship services are becoming an increasingly important (and popular) offering of CSPs. Companies have found that the presence on their boards of experienced local directors not only provides convenience and expertise to their operations but also helps to ensure they meet their regulatory, corporate governance and economic substance obligations.

Both the client and the CSP benefit from building long-term partnerships. Over time, corporate managers and administrators can develop the thorough understanding of the client's needs that will ensure they can provide optimum support and tailored solutions for their corporate and commercial activities.

Partnering with an experienced corporate service provider offers clients peace of mind, so they can concentrate on managing and growing their own business, while relying on their CSP to ensure that statutory, fiduciary and regulatory obligations are handled responsibly.



Tracey Spevack

Tracey Spevack, Head of Corporate Services, Conyers, Bermuda.

Tracey joined Conyers in January 2019 and has over 25 years of company secretarial experience within the private and professional services industry. She is also a Fellow of the Chartered Governance Institute, UK.