

## INTERVIEW OF HERMAN KRUL

*By Annemarie de Wit*  
February 2020

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In this interview, Mr. Herman Krul answers a range of questions about the needs and services for private clients and their families and Reliance Trust.

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*It is already 2.5 year ago, that we did the last interview. There are many changes in the world, with more transparency. In view of this, has there been much change in the private client business environment ?*

It is clearly yes and no.

Let me start with the yes. With the various reporting systems CRS-FATCA-UBO registers- we have increased transparency. This is a positive development, as this helps to avoid historical mal practices. In today's transparent world, structures will only be set-up for estate planning and/or for asset protection purposes. Clients accept their tax responsibility, and if they do not feel happy in their home country, they decide to leave the country and selects another place to live. There is however also a negative side to this

increase of transparency, as eighty percent or more of the world population lives in an environment where there is no rule of law. The exchange of information and having information publicly available creates a security risk for persons living in these countries.

***What development do you see at the level of the service providers?***

Rules are getting more complicated and reporting obligations more extensive. This combination implies that one needs high quality service providers, with experienced staff, good file knowledge to assure that everything is done correctly.



The reality is however often very different. Many companies are not used to a tax compliant environment and feel that it is too complicated to follow all the changes in our business world. These people will soon go out of business.

The bank owned trust companies are mostly operating from the islands and are often not able to source well-qualified staff. In addition, they have never grown up with taxes. A new world for them. The growing demand for substance is also hurting. The pool of available professionals for board positions is rather limited. Over time, these changes will substantially reduce the importance of the island based trust companies. We anticipate that in the coming year a number of large banks will exit the trust administration activity.

The large private equity owned trust companies have a short term, 5-7 year capital gains focus. In order to maximize the future sales value they want to work with a minimum of staff and accept a large employee turnover. In addition, they often outsource a growing number of activities to India, Poland, etc. It is not a nice environment for a client, since they often become a number instead of a valued client.

***Many companies will exit the business and in the meantime the consolidation will continue. What will accelerate this process?***

Clients more and more want to meet with their trustee and ideally combine that with a meeting with the bank and their various lawyers. This favours the shift to onshore for the provision of the higher quality service. Some people already believe that the longer-term future of the trustee business will be concentrated in the USA, Switzerland and probably Singapore.

In this context, it is to be noted that the USA has a serious number of very professional Trustee companies, who serve well the USA domestic clients. However, during the past years, we have seen a number of new Trustee companies establishing in the US, to serve foreign clients. This is sometimes for CRS security reasons or for clients that are not tax compliant. Therefore, we see that banks are becoming more concerned about USA trustees, who serve international clients.

***How important is the compliance process for Reliance Trust?***

The compliance process is obviously very important. Our procedures have been approved by the FINMA and we regularly update them to comply with the regulatory changes. Compliance has to be done in a professional way. Having a "tick-the box" approach is often not the right one. Effective compliance requires a strong business and regulatory knowledge, looking for the right information, combined with a human approach.

Often, when opening a bank accounting for our clients, we are asked to provide all kind of information based on a "tick-the box" system. In practice, we see that not all information has

to be provided by law. We can often limit the exchange of information to the legal minimum and better protect the privacy of our clients.

***There is a lot of attention for Impact investing, Corporate Social Responsibility, etc. Are the clients of Reliance Trust responding to this change?***

This is an important area of attention. Climate has become a serious issue. We have noticed that the Millennials often stimulates their parents to invest in a responsible way. That is a positive development. In this context, it is encouraging to see that a number of Switzerland based financial institutions are making great efforts in this area.

***Will the above also stimulate activities in the field of philanthropy?***

Yes, it is related. We are seeing a growing interest for charitable trusts and Swiss charitable foundations. The more families worry about the future, the more they are motivated to make money available for philanthropic purposes. A very positive trend and we are happy to contribute in this area.

***There is a lot of talk about artificial intelligence, blockchain, etc. Will this also change the private client service activity?***

It will have an impact on the administrative side of the business. Accounting and repetitive activities will be automated. However, the real family dynamics will never change. Families have disputes, divorces, death, educational problems etc. In these situations, a strong human interaction is needed. It may even be that at some stage, with the robotisation of our world, there will be an enhanced need of human interaction.

***How well is Reliance Trust positioned for the new business environment?***

I have the impression that we are well placed. We have always been committed to work in a legal and tax compliant way. Our corporate activities has always forced us to be on top of the latest international tax developments and enables us to produce country compliant financial accounts. This is becoming more and more important.

To provide such services, we have accepted that we need to employ experienced, well-qualified employees. Their capabilities, combined with a solid file knowledge, puts them in an excellent position to serve the international private clients. While we are using offshore SPV's, we strongly believe that future growth of our business will be onshore via our offices in Switzerland and Luxembourg. Reliance Trust is family and management owned. We have the luck to have three family members active in the company. Two of them are there to guarantee the long-term service for the coming 30 years. They love the business activity and consider that a lot more important than a potential short-term capital gain.

We look the same way to our employees. We want them to be happy and motivated. All the employees that we hire are joining clearly also have the wish to stay with us for a long time. We believe that this of great importance for us and our clients.

***Can you say a bit more about what Reliance Trust will do to assure to have a successful future?***

We need to stick to our convictions and values. This will imply that we will refuse to do certain things, which other companies accept to do. We are also committed to be well staffed and avoid situations of understaffing. We must assure that clients enjoy working with Reliance Trust and that our employees are happy to work with our clients. The other day, a president of an important STEP section called Reliance Trust “the Ferrari of the trust industry”, since he very much appreciated our professional approach to the business. I was obviously pleased to hear this, but I also realize that there is more than one Ferrari in the world.

Our positive long-term outlook has also been a justification for us to recently to move into much larger offices. Our new office has more space than we currently need, but again it is an investment in the future of the company.

***Herman, I thank you for your comments.***

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**Reliance Trust**

## **ABOUT RELIANCE**

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Reliance Trust provides services to Private, Corporate and Philanthropy clients via its offices in Geneva and Luxembourg. The Company is on top of international developments and reporting obligations. This enables the Group to provide tailor-made solutions in line with international regulations. Reliance Trust does not provide any legal or tax services. Clients have the ability to select their own professional legal and tax advisors, or can be introduced to leading experts in this field.