A complete guide to switching your corporate services provider

Breaking up is hard. But it doesn't have to be.

Expertise. Trust. Scale.

Introduction

Many multinationals would like to change their corporate services providers but fear a painful exit process. Ocorian believes it doesn't have to be this way. This report will help guide you to decide when and, more importantly, why to switch and then how to do it with ease.

To help build a full picture, Ocorian surveyed 100 corporate lawyers, company secretaries and general counsels at a mix of private and FTSE 250/350 companies on their entity management practices*. The majority (70%) were based in the UK, with contributions from France, Germany, Italy, The Netherlands, Sweden, Switzerland and Denmark. All respondents said they used a third-party provider for at least some of their entity management obligations.

This revelation comes as no surprise. Multinational operations are facing more and more global, bilateral and local regulations. Scrutiny around tax avoidance has led to AML and KYC demands increasing. Legal teams must ensure entities meet current compliance standards while keeping an eye on the horizon for upcoming regulatory changes.

Naturally, strained general counsels (GCs) turn to outside providers for help with some of this workload. The question is not whether you outsource, but what you outsource and to whom?

Here we see new trends emerging. Outsourcing was once a synonym for low-value, high-volume work. In entity management, that's no longer the case. While incorporations and filings are still part of the offer, our survey indicated that multinationals are increasingly interested in outsourcing high-value fiduciary activities. That includes provision of expert directors and AML officers, among other compliance and substance roles.

These are not "pile it high, sell it cheap" activities and not every outsourcer can do them well. Our research shows a groundswell of dissatisfaction with the services that some multinationals receive from third-party providers. It also suggests that more of them would switch providers if the process were easy.

In this report we'll examine the current entity management landscape. We'll discuss what organisations need outsourcers for, what they should expect in terms of service and why the relationship sometimes breaks down. We'll explain the benefits of switching providers and why the process may be less painful than you think.

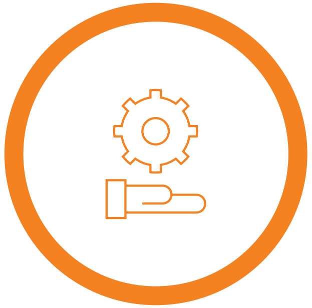
Jason Gerlis
Global Head of Corporate Services

This report addresses three important considerations and should help you make informed decisions in the future:

1. Why outsource entity management?
2. Debunking the barriers that stop switching corporate service providers
3. Why switch to Ocorian?

*Ocorian commissioned independent research company PureProfile to interview 100 company secretaries, general counsels and senior tax and corporate lawyers working for FTSE 250 or FTSE 350 companies and private companies with annual revenues of between £10 million and £1 billion during June 2023. Senior executives interviewed work in the UK, Switzerland, Sweden, the Netherlands, Germany, France, Italy and Denmark in the energy, mining, retail, real estate, transport and manufacturing sectors and currently use third-party corporate services provider for some or all of their entity management obligations.

Key findings from our research



100%

of respondents outsource some entity management functions

93%

say that entity management obligations will increase

62%

say communications issues are the main frustration with their current provider

Why outsource entity management?

Outsourcers take the pressure off internal legal teams. With more expected from employees and often tightening internal resources, our survey reflected that every respondent had used at least one external company to help relieve the burden.

Our survey conveys this was down to:

- Cost of compliance and regulatory reporting as either their first or second priority (51%)
- The same number selected recruitment challenges as the main reason to outsource.
- Nearly a quarter (24%) picked the growing complexity of compliance reporting.

None of this is getting easier. Growing entity use in an era of increased transparency is adding to the challenge of global entity management. Multinationals need scalable services, local knowledge across jurisdictions and the ability to anticipate future industry or legislative changes.

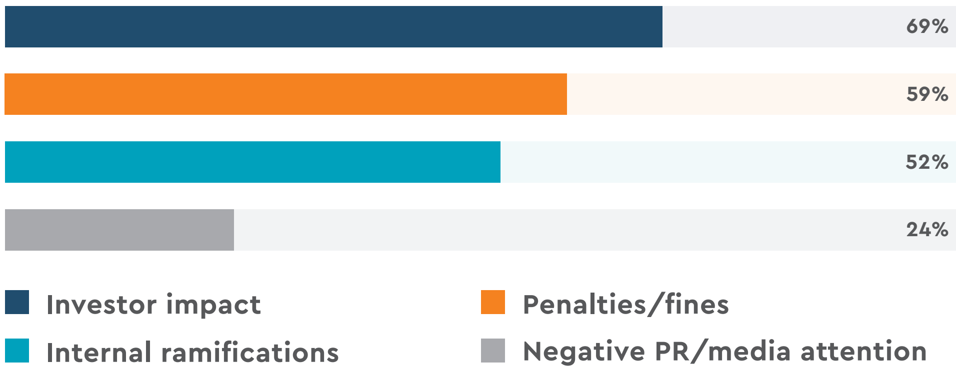
It's not a new or unexpected concept. Nearly two-thirds (62%) think entity management obligations will increase slightly in the next three years. Nearly a third (31%) think they will increase dramatically.

The risks of non-compliance

Perhaps counter-intuitively, some of our respondents think more of this work will eventually be done in-house. More than one in 10 (11%) say that between 75% and 99% of entity management obligations will be covered in-house in three years' time, compared to just 2% who say they are today.

While bringing things back into the business may sound ideal, it's unrealistic for many. Hiring central expertise and local knowledge in every applicable jurisdiction is costly and difficult. Instead, entity management is often left to non-specialist employees who have other priorities, escalating the risk of non-compliance.

The four biggest concerns with entity management non-compliance:



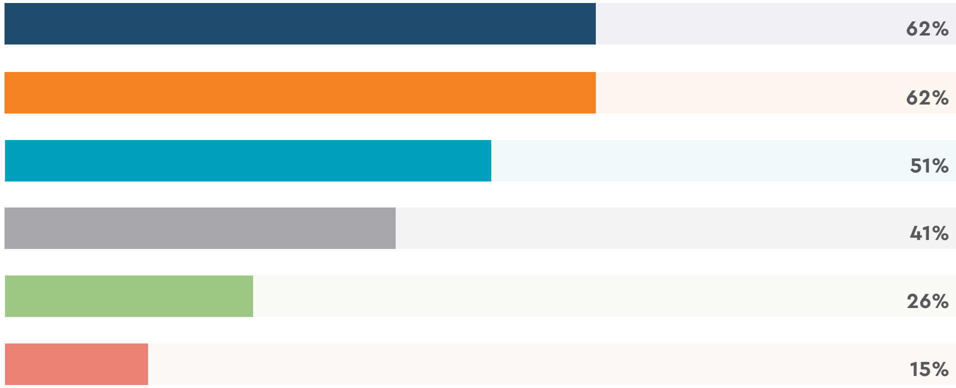
Is your current provider doing a good job?

In terms of workload, there is a clear and consistent trend according to our findings. GCs expect to have more entity management obligations and they're concerned about the penalties of non-compliance. They are looking to outsourcers to fulfil more high-value roles.

- GCs expect to see outsourcing grow for more routine tasks like entity incorporation and establishment (18% predict a dramatic increase, 68% a slight increase) and accounting, tax and reporting (49% and 20%).
- However, they expect more significant growth in the outsourcing of high-value tasks like company secretarial services (51% and 26%) and directors and substance services (28% and 51%).

The question is whether their current provider can offer this mix of services with the required level of expertise. The more obligations GCs pass to third-party service providers, the better that service needs to be. But legal and compliance teams have concerns over the level of service they currently receive.

When asked about frustrations with corporate services providers, the following came out on top:



- **Lack of regular communication**
- **Last-minute requests for information**
- **Worries the provider might not be up-to-date with compliance and reporting requirements**
- **Failure to keep up and notify on legislation changes**
- **No dedicated point of contact**
- **Lack of transparency around fees**

In a complex regulatory environment, these lapses are a clear cause for concern.

> *"Often, entity management is not an employee's main role. So, what happens when they're on holiday or away sick?"*
> ***Chris Mayfield, Head of Business Development, UK and EMEA***

The service provider ecosystem:

Four challenges to look out for

As you outsource more entity management obligations, you may find that your current provider can no longer meet your needs. This could be because:

Your provider is too small
If you outgrow your service provider, it won't be able to allocate the necessary level of resources to support your expansion, leading to communication problems and missed deadlines. Of service providers looking to switch, 64% cited quality of data and reporting and 54% said service levels as their main reasons.

Your provider is too parochial
As you expand into new territories, you need local knowledge and, often, boots on the ground. If a provider can't support your global expansion, you'll have to manage a complex web of local outsourcers in every jurisdiction.

Your provider doesn't have the required expertise
Can your provider handle high-value activities? Anyone can provide a director to stamp documents, but can they provide an industry expert who will add value to your business?

Your provider is quite rudimentary
Some "global" providers rely on central shared service centres, offering an off-the-shelf solution for a bespoke set of challenges. It's a basic, vanilla solution that might just work – right up until it doesn't.

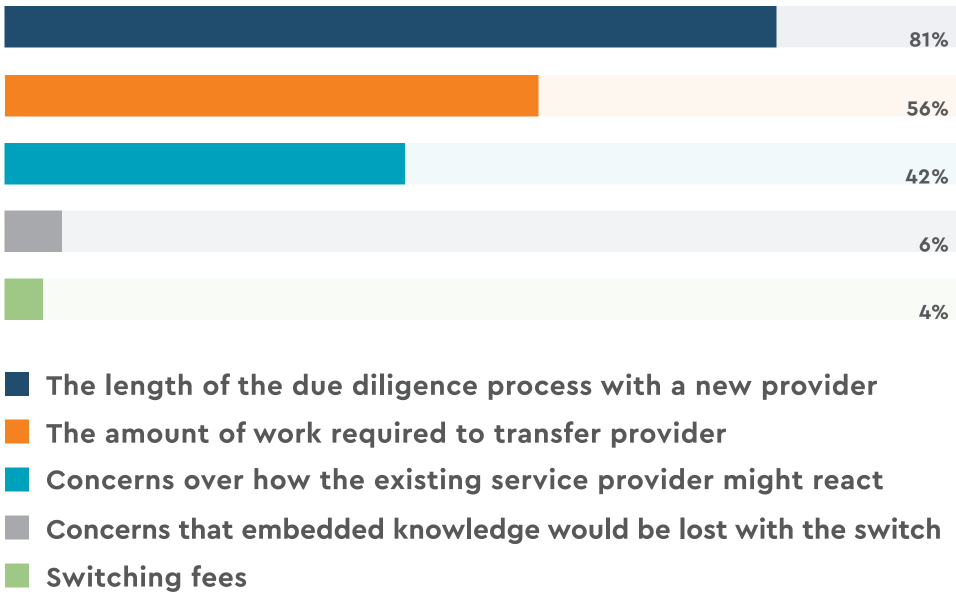
Switching corporate service providers: what's stopping you?

We've seen the concerns with current service levels and know workloads will only increase. So why don't companies change who they outsource to?

In fact, many do. 11% of our respondents said they intended to change providers in the next 18 months. But it's likely that many more would if it weren't for assumed barriers.

Corporate services provision can seem a "sticky" business. Once both parties have committed time and resources to the relationship, untangling it feels like a daunting task.

Five perceived barriers to switching service provider



With these concerns in mind, some multinationals take a "better the devil you know" approach. But the decision not to switch could be an expensive one. Organisations need to ask themselves what the current relationship might be costing them in terms of exposure to risk and time spent managing providers and chasing information.

When switching service providers makes sense

Nobody should stay with an underperforming provider.

When a multinational and service provider work in harmony, good things happen. In our survey, respondents said they most valued good providers for support and response in real time (61%), local knowledge (56%), active corporate governance guidance (49%), understanding and connecting to regulators (47%) and local expertise in key jurisdictions (41%).

That's what you should expect. Service providers who excel in all these areas help organisations efficiently administer a compliant and productive entity portfolio. They work with you to ensure your business always remains in good legal standing, wherever it operates in the world. They help you plan for future expansion and upcoming regulation.

These partnerships are worth their weight in gold, but too many organisations settle for something less, feeling locked into a faltering arrangement.

They shouldn't. The idea that switching corporate services provider is too onerous to contemplate is useful to some corporate services providers, but far from the truth.

Debunking three myths about switching corporate service providers

Onboarding is an endless drain on time

There's no doubt that due diligence takes time, but a good provider will expedite the process. At Ocorian, we help with the heavy lifting by analysing public records for readily available information and offering digital form-filling where possible.

We also offer a bespoke onboarding service, carried out by a dedicated onboarding team with a named contact. We tailor the service for each client rather than undertaking generic due diligence, reducing time and effort.

Switching is too expensive

Multinationals naturally worry about exit fees. They fear the incumbent may make life difficult, stretching both the switching process and its associated costs.

In reality, it's not in a service provider's interests to make the process unnecessarily tortuous, once the decision to leave has been made. And you should always weigh the costs of switching against the costs of staying with a provider that doesn't meet your needs.

At Ocorian, we take the lead in liaising with the incumbent provider and work hard to create the conditions for a smooth and amicable transition.

A new outsourcer might not be any better

Many multinationals worry they'll pay the fees, complete the onboarding process, then find out the new service isn't much different to the old. But service providers are not all the same. When you choose the right provider for your needs, the benefits more than offset the costs and small inconvenience of switching.

> *"There's nothing more expensive than cheap services. Staying in a situation that puts your business at risk can be the most expensive non-decision you ever make."*
> ***Jason Gerlis***

Why switch to Ocorian?

If you're thinking of switching, get a firm response to these five questions from the outset.

Price transparency
Will you know exactly how much you're paying, and for what, right from the start?

Scalable resources
Can the provider meet your needs now and five years down the line?

Dedicated contacts
Will you get a dedicated contact who is easy to get hold of (and what happens when that person is away)?

A global presence
Does the provider have people and resources where you need them?

Fiduciary expertise
Whatever you're looking to outsource, do they have the level of expertise you demand?

At Ocorian, we do all of the above and more. We're partners, not providers.

- Our price structure is transparent from the start.
- We're a global provider with nearly 2,000 employees in 20 global offices.
- We provide at least one dedicated point of contact and a shared mailbox.
- We offer a full range of administrative and fiduciary services, including comprehensive substance solutions and directors with extensive industry and governance expertise wherever they are in the world.
- Ocorian offers tailored solutions, not faceless shared service centres. We get to know your company inside out so we can better serve your needs.

We keep our promises. Ocorian always delivers against three principles:

We're reactive
We'll answer emails promptly. We'll always call you back. We'll never let communication delays put a brake on your ambitions.

We're proactive
Some outsourcers wait for clients to ask them a question before they act. That's not us. We'll set up regular touch points with experienced relationship managers and stay on top of upcoming regulatory changes, so you don't have to.

We're accurate
We're sticklers for detail. We invest heavily in our people and systems to reduce the chance of error. Unlike some global competitors, we've had no major fines for non-compliance.

"Ocorian is there to look after your interests.
Tell us what you want to achieve, and we'll help you get there."
Jason Gerlis

Reduce the burden of international corporate administration with Ocorian

We offer a broad range of corporate services to establish, administer and give substance to a wide range of legal structures around the world.

Our expert corporate administration teams have an in-depth knowledge of the statutory and regulatory requirements in each of our jurisdictions and are obligated by international financial reporting standards.

We ensure that your organisation not only meets its compliance requirements, but we will work with you proactively to prepare for future changes before they arise.

Corporate Services

- Incorporation & establishment
- Corporate administration services
- Accounting, tax & reporting
- Directors & substance services
- Voluntary liquidation services

Employee Incentive Services

- Employee incentive services
- Employee benefit trusts
- Employee share plan administration

20+
Office locations

1,500+
Staff worldwide

15,000+
Structures under administration

8,000+
Clients

8,000+
Years of providing administration services

Contact
our team

Fund Services | Regulatory & Compliance |
Capital Markets | Corporate Services | Private Client

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