**The Challenge of Doing Business in Other Countries**

By David L. Lawrence, RFC®, AIF®

Much has been written about the increased regulation of the Financial Services Profession and the impact it has on operations. However, it may surprise you to learn that financial practitioners in other countries often face even greater challenges to doing business. At the Million Dollar Roundtable (MDRT) Conference held in Anaheim, California June 10 – 13th, 2012, members from all over the world gathered to meet, discuss and share ideas, best practices and challenges. It was at this conference that I had the chance to interview several attendees from two distinct areas outside of the United States: Canada and Asia (specifically China, Hong Kong, Malaysia, Singapore and Taiwan). The interviews revealed some interesting observations on the challenges faced by these attendees and others.

Paul Marchand, a financial practitioner from Montreal, handles life insurance, critical illness coverage and Disability Income insurance. While he is not licensed in the United States, Paul has indicated that he still does business, principally through what he termed ‘correspondents’ in the U.S. He handles benefit programs for the Ritz Carlton Hotel chain and when transactions occur in the U.S., he is mandatorily required to withhold 30% of the proceeds under a treaty arrangement with Canada. Yet, he said, by filing in Canada, he can recover that money later. He also works through an organization in Barbados. According to Paul, there is a treaty between Barbados and Canada that allows for 99.5% of income to be received tax-free. Thus, business funneled through the Barbados entity can be extremely profitable.

Carol Yu, an MDRT Zone Chair from Taiwan works with Prudential in that country. She calls herself an Executive Life Planner. Among the challenges she faces in Taiwan is a new calculation of the life expectancy rule, set to take effect in July 2012, that increases life expectancy and the cost of life insurance will drop, affecting her income. She mentioned that 20% of Taiwan’s population is 65 years or older. Thus, with an aging population, the need for lifetime planning is great, but the people there don’t recognize that need. The divorce rate in Taiwan is high, which adds an additional complication to planning.

Serge Morel, a general practitioner from Canada, is a 42 year member of MDRT. Serge indicated that he used to have clients in various countries around the world, such as the United States, Singapore, Greece, etc. But, when Canada Life, in 1994, finished the acquisition of the Canadian individual insurance operations of New York Life, and the U.K. acquisition of the individual insurance operations of Manulife Financial, along with the acquisition of MetLife (UK) in 1997, he effectively lost those non-Canadian Clients.  Still his business has grown substantially despite an increase in insurance rules in Canada; imposed in the wake of multiple fraud scandals similar to what has been experienced in the United States.

Tse Lap Yee (Stanley) is a specialist in employee benefit programs for business. Stanley works out of Hong Kong and has been a practitioner for over 20 years. He has 50 consultants under his management and runs a successful insurance business associated with the American International Assurance Company (AIA) out of Bermuda. What is unique in Hong Kong, according to Stanley, is that Hong Kong has no national insurance plan, but hospitals and doctors are relatively inexpensive. Still, the need for health coverage is great and Stanley does a series of seminars he terms “Worksite Marketing” to attract business. He has pioneered a seminar program titled ‘From Group to Great’ (a takeoff from Jim Collins book, Good to Great) that is intended to up-sell business employees from their group benefits to individual products. He typically does not do business outside of Hong Kong. However, many Mainland Chinese travel to Hong Kong to purchase investments and insurance. He indicated that about 20 – 30% of premiums paid in Hong Kong originate from mainland China.

Stanley also mentioned that anti-money laundering is a big issue in Hong Kong. Regulations have been stiffened to account for this threat. Additionally, clients in Hong Kong tend to be more educated and thus, he noted that complaints have risen in recent years. Perhaps one of the greatest challenges faced by Stanley and his team are the banks in Hong Kong. Banks are free to openly compete, unrestricted by any regulations or laws similar to the Glass-Steagall Act in the U.S.

Yet another interview was conducted with Venkatech (Venka) Kalyanum, B.A., CFP®, a risk management practitioner from Singapore. Venka is a 20 year veteran of risk management and indicated that the greatest challenge faced by financial and insurance advisors in Singapore is the growing immigrant population. Venka employs 30 consultants and has a vibrant practice in Singapore, whose first language is English. Thus immigrants, many of whom are from India and other neighboring countries, are coming to Singapore looking for a better life. They may or may not speak the language and their acceptance of financial planning and retirement is low. A great deal of the communication with clients is now accomplished through Email and Skype, rather than in person appointments.

Perhaps the most interesting interview was with Mohamad Manmohan Abdullah, a Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU) from Kuala Lumpur, Malaysia. Malaysia is predominately a Muslim country. Under new regulations in that country, each practitioner must pass a series of 4 exams, one of which qualifies them as a Registered Financial Planner in Sharich (RFP-Sharich). The Sharish exam ensures that each practitioner possesses a working knowledge of basic Islamic principles and is trained to sell products that pass muster with a tribunal board. Interestingly, the board passes judgment on investments if they follow certain Islamic Guidelines, such as not investing in a company that produces or sells alcohol or is in any way involved in gambling (for instance). The Sharich tribunal would not allow such investments to be sold under their rules. This is somewhat reminiscent of socially and environmentally responsible investments offered in the United States. While there is no requirement to invest in such instruments here in the U.S., the principal appears to be similar. It is, in effect, a religious screening procedure. The products approved also must contain guaranteed portions.

Beyond the complexity of licensing in Malaysia, there is also stiff competition from banks and Unit Investment Trust companies, particularly with high net worth clients. Manmohan has clients outside of Malaysia, in such faraway countries as Oman and New Zealand. He typically works with them and communicates via Email, SMS and Skype.

Clearly, doing business in the United States has its challenges. Increased regulation, compliance rules and laws have added work and expense to the running of a financial advisory practice. But, in these interviews, it became apparent that those practitioners that live and work in countries outside of the United States face even greater challenges. Yet, the surprisingly good news may be that, despite these obvious hardships, financial practitioners have found ways to overcome and thrive in a variety of regulatory environments. The lesson that can be learned from this is that despite what additional regulations may come, there are always paths to deal with such challenges efficiently.

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