NEWSLETTER

Fidinam Group Worldwide

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EXPANSION IN WEALTH PLANNING BUSINESS

Fidinam Trustee (BVI) Limited (Fidinam BVI) is very excited to announce that it has been granted a trust license in the British Virgin Islands (BVI) by the BVI Financial Services Commission.

Fidinam BVI is a wholly owned subsidiary of the Fidinam Group (Fidinam), a Swiss-based group that provides cutting-edge wealth planning solutions to international clients. With the addition of the trust license in the BVI, Fidinam is now able to provide more effective, efficient, and comprehensive services to its clients, including the creation of BVI *VISTA Trust*.

The BVI is an important offshore financial center to clients around the globe. This is evidenced by the massive number of companies registered in the BVI. As an offshore trust jurisdiction, the BVI has the perfect blend of tradition and innovation. BVI Trusts enjoy the stability provided by the long and rich history of the English Common Law. This rock-solid footing is important as it gives clients the safety and certainty that are crucial in choosing the jurisdiction for their offshore trust structures. At the same time, the BVI also recognizes the needs of clients in modern times.

The groundbreaking modern trust legislations introduced in recent years have provided clients with the much-needed flexibilities in their wealth planning solutions. With the trust license, we are excited that these benefits are now available to our clients.

Fidinam has offices worldwide, please reach out to your usual Fidinam contact or info@fidinamgw.com to explore new opportunities with Fidinam BVI.

Paolo Balen
Chairman of Fidinam Group Worldwide

THE BRITISH VIRGIN ISLANDS TRUST: A BRIEF INTRODUCTION

The British Virgin Islands (BVI) has always been the jurisdiction of choice by corporations and individuals around the globe when it comes to setting up offshore holding structures for international business and private wealth management.

The BVI is known as an international financial center for both its rock-solid stability and business-friendly environment. Trustees in the BVI and their clients are also supported by a world-class infrastructure and professional services on the islands.

As a leading jurisdiction in offshore trust structuring, the BVI has a reputation as a pioneer who has come up with various innovative legislations to meet the complex needs of businesses and individuals in the modern world, while at the same time enjoying the English common law.

Today, in addition to the traditional fixed and discretionary trust, the BVI *offers settlor reserved power trusts and VISTA trusts* that promote flexibility in the management of trust assets. The BVI's private purpose trusts can be set up for any lawful purposes, and while they are purpose trusts, they can benefit beneficiaries. Settlors can also set up charitable trusts in the BVI for their philanthropical needs. Additionally, the BVI has a robust PTC regime to meet the needs of those who prefer to have their own trustee.

Now, why do people want to set up a BVI trust?

Confidentiality

A trust is a private arrangement by nature. The trust instrument is a private document between parties that established the trust (e.g. the settlor and the trustee). In the BVI, there is no registry for trusts and no requirement to disclose a trust's existence or details to the general public.

However, it is important to note that the BVI participates in the exchange of information regimes such as FATCA and CRS, thus making the British Virgin Islands a fully compliant jurisdiction. The settlor of, and in some circumstances also others involved in a trust managed by a BVI professional trustee, are typically subject to AEOI reporting in the BVI depending on the jurisdiction they are from.

Asset protection

Asset protection is particularly effective in multiple situations, such as when the marital status is a source of concern, when children are not self-confident, immature or addicted to alcohol and/or substances, or when family governance is not straightforward and lean. For example, if substantial family assets are gifted to a child directly, and the child would have a failed marriage, the child's spouse may potentially have a claim on the assets. To avoid that, wealthy parents can name the child as a beneficiary of a discretionary trust instead of gifting family assets to the child. Since the child's interest in the trust is not fixed, in the event of a failed relationship, the child's spouse will not have a claim on the trust assets. The parents may even consider specifically excluding their child's spouse from benefiting from the trust or stipulating in the trust instrument that the trust assets will not form part of the child's community properties.

Tax Planning

Taxwise, the British Virgin Islands is an ideal trust jurisdiction as it does not have income, capital gains or gift tax. Income and gains derived from trust assets held by a BVI trustee are not taxed in the BVI, allowing settlors and beneficiaries to focus on the tax affairs in their home jurisdiction and the jurisdictions where the trust assets are situated. A BVI trust can cater to the tax needs of clients from different countries.

Succession Planning

Upon the passing of the settlor of a BVI trust, the trust assets are normally not subject to probate in the settlor's home or any other jurisdiction. The trust allows the beneficiaries to do without the expenses, delay and unwanted publicity associated with a probating process.

If the settlor comes from a jurisdiction with a forced heirship regime, assets that they settled into a BVI trust will not be affected by the forced heirship rules. The trust can provide testamentary freedom that the settlor otherwise would not have.

A BVI trust can also provide flexibility that a Will cannot come close to. For example, wealthy parents looking to provide for a spendthrift child after their passing. Letting the child have the assets outright may pose risks of not handling the wealth as wished by the parents. A BVI trust can then be put in place to ensure that the wealth will not be wasted while the child is adequately provided for. Similarly, a trust can be used to tailor-make special arrangements on how income and capital can be benefited by different beneficiaries at different points in time.

Are you interested to learn more about BVI trusts or setting up a trust in another jurisdiction? Please reach out to info@fidinamgw.com to explore your possibilities.

Pamela Wong
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Fidinam Hong Kong

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GLOBAL MOBILITY CHAPTER 1: HONG KONG & ITALY

Retaining key staff is essential for the success of a business. Hong Kong employers are fully aware of it and constantly strive to provide more flexibility to their employees, including international mobility.

In a series of articles, Fidinam will address some possible work arrangements Hong Kong companies can offer to foreign staff willing to work from Europe. This first chapter is dedicated to Italy.

1. From Hong Kong

Options will depend on whether or not your Hong Kong business has a presence in Italy. If so (having a subsidiary or a sister company therein), Hong Kong companies can consider dispatching or transferring their staff under that Italian entity. If not, Hong Kong employers can simply decide to keep some staff under Hong Kong payroll while working from Italy. Either way, this will trigger some consequences in terms of taxes, social contributions, and immigration.

- **Salary Taxes**

  When employees are kept under Hong Kong payroll while working from Italy, their Hong Kong employer shall keep declaring their remuneration under their Employer's Return. Subsequently, employees shall keep filing an Individual Tax Return in Hong Kong, reporting the same remuneration. However, as long as spending less than sixty (60) days per year in Hong Kong, employees working from Italy shall be fully exempted from Hong Kong salaries tax. This means no more tax liability, but reporting is still mandatory.

  When employees are transferred to and hired by an Italian entity, they shall, in principle, no longer pay salaries taxes in Hong Kong. However, having staff abroad fully dedicated to the production of Hong Kong income may characterize the presence of a permanent establishment of the Hong Kong company in the relevant jurisdiction (Italy) with profits taxable locally. This is to be assessed on a case-by-case basis, and we recommend seeking advice upfront.

- **Social Contributions (MPF)**

  Consequences in terms of Mandatory Provident Fund (MPF) shall be similar whether the foreign staff is kept under Hong Kong payroll while working from Italy or transferred to an Italian entity, becoming its new employer. In fact, foreign employees working and residing overseas (Italy), who do not hold any Hong Kong employment visa, have no sufficient ties with Hong Kong to fall under the Mandatory Provident Fund (MPF) Scheme. Hence, no MPF contributions shall be due. This might differ for staff splitting their time between Hong Kong and Italy and/or holding an Employment Visa entitling them to work from Hong Kong.

  Besides, foreign staff originally working in Hong Kong and transferred to Italy may ask for an early withdrawal of their MPF contributions if they permanently leave Hong Kong.

- **Immigration (Visa)**

  If no longer working from Hong Kong, foreign staff (even if still under Hong Kong payroll), are not required to hold any Employment Visa. Sporadic visits to Hong Kong can be sufficiently substantiated by a Tourism Visa. However, this differs if the frequency of the visits to Hong Kong increases and/or if foreign staff need to work from Hong Kong over longer periods of time (exceeding short business trips).

2. In Italy

Whether foreign employees work in Italy for a Hong Kong or an Italian employer, this triggers some Italian taxes, social contributions, and immigration consequences to anticipate; closely linked to the new Italian tax residence of such employees.

- **Taxes: IRPEF, Impatriation Regime, Flat Tax**

IRPEF: Italian tax residents are subject to personal income tax ("*Imposta sul Reddito delle Persone Fisiche*" or '**IRPEF**') on their worldwide income, regardless of their category (i.e. real estate income, business income, employment/self-employment income and capital gains). IRPEF applies to the aggregate taxable income at progressive rates varying from 23% (applicable up to taxable income not exceeding 15.000 EUR) to 43% (for taxable income over 50.000 EUR). It is topped up by regional and municipal tax supplements (which rates vary depending on regions and municipalities).

Impatriation Regime: Under specific conditions, individuals who have not resided in Italy over the past two fiscal years, and who contemplate working mainly from Italy for at least the next two fiscal years, can apply for the impatriation regime and be exempted from IRPEF on 70% of their Italian income. This exemption includes (i) employment income, if agreed before the transfer (from Hong Kong to Italy); (ii) self-employment income; and/or (iii) sole proprietorship income. This preferential regime can be applied for five years and be extended to another five years under some conditions.

Flat Tax: New Italian tax residents can also choose to apply for the so-called "*res non dom*" regime. It enables to pay a flat substitute tax of € 100.000 for each tax year, during a period of up to 15 years, regardless of the amount of foreign taxable income. This regime is open to individuals who: (i) transfer their tax residence to Italy; and (ii) have not been resident for tax purposes in Italy for at least nine tax periods in the previous ten years. It can be extended to the entire household, whereby each member of the family is entitled to enjoy a tax rebate on income generated abroad. In addition, individuals opting for the "*res non dom*" regime may enjoy (i) exemption from IVIE (Tax on the Value of Immovable Property Abroad) and IVAFE (Tax on the Value of Financial Assets Abroad); and (ii) exemption from the obligation to monitor investments and financial assets held abroad.

- **Social Contributions**

Employees working for an Italian employer will automatically be enrolled in the Italian statutory social security pension system. Voluntary contributions which will supplement the statutory pension are also possible. Italian social contributions may be deducted from individual income subject to IRPEF, thus lowering the final individual taxation.

Employees working for a Hong Kong employer, but fully or mostly from Italy, shall also pay social contributions in Italy. In such a case, the Hong Kong employer shall appoint a withholding agent in Italy for the purpose of paying social security contributions locally on a monthly basis.

The rate applied to employees, in general, is 33%, which is charged both to the employer (to the extent of 2/3) and to the employee (for the remaining 1/3).

- **Immigration (Visa)**

Italian passport holders, as well as EU passport holders, do not need a visa to work and reside in Italy. Otherwise, different types of work visas and residence permits are available, depending on the nationality and the type of work or residence contemplated in Italy. Full details of the available visas are available on the Italian Government website.

Fidinam has offices worldwide and can assist you with all administrative and tax difficulties triggered by these flexible working arrangements, both in Hong Kong and in Italy. Contact us at info@fidinamgw.com for advice.

By Fidinam Hong Kong and Fidinam Italia

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FINE ART AND WEALTH PROTECTION

On June 1, 2022, Fidinam and MASSIMODECARLO gallery proudly hosted the first event of the series 'Alternative Assets Investment' focused on Fine Art.

Surrounded by "The Extinction Agenda", the first solo exhibition in Hong Kong by the acclaimed American artist Sanford Biggers, Fidinam had the privilege to welcome professionals from MASSIMODECARLO gallery who shared precious insights on the Fine Art market and how to invest in it, while our experts provided an overview on structures to protect the assets and tax implications.

Marta Giordano, Managing Director at Fidinam Singapore, and Riccardo Chesti, Sales Associate at MASSIMODECARLO Hong Kong, share some insight of the talk.

For centuries humanity has struggled to confer a proper definition of art. Because of its multi-faceted and subjective nature, the concept of art has widely changed over time, with several rationales and associations gaining prominence.

Nowadays, the investment consideration beyond the aesthetic dimension of artworks is also becoming increasingly important. Art collectibles have become an integral part of wealth planning strategy in the last decade. This is where Art meets Finance, a promising and innovative industry.

While in the pre-pandemic years the most common method of accessing galleries and auction houses' sales was through their physical premises, the shift to online strategies initiated by the major art galleries as well as the most recognized institutions in the industry (such as art

MASSIMODECARLO and Sanford Biggers. Credits: Michele Galeotto

fairs, foundations and museums) has been welcomed by the public. Buying through e-channels was the most widely used in 2020 and 2021.

The aggregate results for 2021 denote the incredible resilience of the art market. Galleries and auction houses posted a strong uplift in sales, despite lingering restrictions and continued cancellations of events during the year, making up for the losses of 2020 and bringing the market back to just above pre-pandemic levels. The strong sales at the high end of the market drove the growth, as the rising wealth of the High-Net-Worth ('HNW') and Ultra-High-Net-Worth ('UHNW') collectors supported demand, and the more buoyant market encouraged vendors.

Collectors have become more comfortable with buying online, and there has been a successful shift of campaigns into the digital sphere by galleries and dealers, including improving the functionality of websites and platforms, which has enabled better experiences of transacting online. Thanks to this new way of conducting business, the global art market showed a quicker recovery than most other luxury industries, keeping the relationships between collectors, galleries and institutions alive.

> **The mature European and American markets have shown stable growth over the years and are appealing to artists and collectors.**

On a global scale, New York retains the prominent position with Sotheby's, Christie's and Phillips global auction sales. However, investors are increasingly attracted by the eastern clout, as Asia is offering new opportunities to both newcomers and established investors. Among others, Hong Kong stands out with a series of record-setting auctions that conferred this market the second position globally. This has also brought new developments and acceleration in the region's fine art industry.
In China, despite the challenges, collectors were even more active in investing in contemporary art than in pre-pandemic years. The major annual art fairs, such as Westbound 2021 or Art021, have shown that the value of spending by HNW collectors has increased substantially in 2021 and contributed to the emergence of a dynamic new generation of collectors.

Interestingly, the art market shows how wealth creation has not been limited by the restrictive measures implemented by governments against the pandemic. Consequently, the hike of high-net-worth individuals and concentration of wealth could trigger new interest and demand for diversified investments.

MASSIMODECARLO and Sanford Biggers. Credits: Michele Galeotto

Among alternative assets, art is increasingly assuming a twin role by embodying the identity of a family and the opportunity for returns and diversification. Recent events have confirmed there is a relevant potential for art to be integrated into a family's wealth planning with the aim of both preservation and enhancement.

Especially in periods of high inflation, tangible assets like art collectibles can offer investors protection and hedge while diversifying their portfolios.
The tendency for some collectors to stick with artists they already know is tied to the amount of risk they are willing to tolerate in their collecting activities.

To foster the collector-gallery bond, professional art advisors collaborate with private wealth consultants to prepare bespoke investment proposals and align the interests of both parties. Over the last ten years, the need for a range of required services has expanded along with asset protection and planning.

Tax matters have become of central importance to all the agents of the art sector, including artists, cultural institutions, and financial stakeholders. Regardless of the point of view in the transaction, tax duties are not negligible when investing in art. This is particularly true when considering indirect taxes, whose approach and strategy can differ based on the nature of the seller, the purchaser, the intrinsic features of the artwork, and the physical movements.

Taxation can also have a bright side from the collectors' point of view, as they can enjoy tax advantages related to charitable investments. In some jurisdictions, artworks can be used for the payment of taxes in lieu. Taxes are also crucial considering the financial risk they may raise, such as in the case of inheritance and income taxes.
However, art collectibles often enjoy exemptions along with several tax duties. In both Hong Kong and Singapore, capital gains from the sale of assets are not subject to any taxation, and inheritance and gift taxes are also waived.

MASSIMODECARLO and Sanford Biggers. Credits: Michele Galeotto

Today, art finance is an established source of liquidity for many collectors worldwide, whose acquisitions represent a significant element of their wealth. As such, they need to consider how to develop their collections per sé and how to structure their ownership.

Collection management is an all-embracing term for several aspects of arts and collectible caretaking. It involves corporate/wealth management services around ownership, and tax and estate planning. Besides, it requires galleries to provide their expertise not only limited to the buying and selling of art but also regarding conservation, exhibition, shipping and storage considerations. A good administration strategy is the foundation of a quality collection, ensuring its cultural and financial value remains preserved.

Fidinam has over 60 years of experience in advising individuals and families on how to protect their wealth and to pass it to future generations. Contact us now for more information at info@fidinamgw.com. To contact MASSIMODECARLO Gallery, please reach out to Riccardo Chesti at chesti@massimodecarlo.com.

Furthermore, art donations from individuals and corporations in Singapore are deductible for 2.5 times their value. The scope of exemptions is even wider for structures with charitable or non-profit purposes, allowing for a complete waiver of tax burdens.

Attentive wealth management also entails asset protection, especially in the case of artworks where the role of intermediaries is central. From this perspective, art holdings can be professionally managed through tailored structuring for tax efficiency. Artworks can be segregated under structures such as a Single Family Office and Variable Capital Company (VCC) or a Special Purpose Vehicle (SPV), thus providing an effective safeguard from hostile claims.

By Marta Giordano
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SINGAPORE-AUSTRALIA FREE TRADE AGREEMENT

The Singapore-Australia Free Trade Agreement (SAFTA) is a central pillar of the economic relationship with Singapore, Australia's largest trade and investment partner in Southeast Asia.

This bilateral trade agreement came into effect in 2003 and has undergone multiple iterations (2006, 2007, 2011, 2017, and 2020) in order to adapt to the changing economic environment between the two countries and rectify some discrepancies to ensure that businesses and individuals were given fair treatment.

A few highlights

- The FTA agreement ensures the elimination of all tariffs between Australia and Singapore.
- The number of Australian law degrees recognized in Singapore will double from four to eight.
- Residency requirement for Australian professionals will be either removed or eased.
- Agreement to facilitate paperless trading to reduce business transaction costs.
- Rules of Origin will be applied more effectively as each country has agreed to have a designated body to issue certificates of origin.

How does the SAFTA benefit you?

Through the establishment of mutual recognition arrangements (MRAs), Australian professionals such as architects, engineers, accountants, and auditors will be able to gain more recognition for their qualifications than in the past. Companies providing cross-border financial services will soon be able to include investment advice, portfolio management, and brokerage services for insurance.

Both Singapore and Australia have agreed to give full national treatment to service providers and to completely remove quantitative and other market access restrictions. This will allow for a much less restrictive and more transparent market for service suppliers.
For Financial Services, the Singaporean market has slowly been liberalizing in areas such as banking licenses, insurance, and the securities market. Regarding legal services, the requirements to set up a joint venture will be eased, allowing them to compete with the larger international law firms. Finally, for Environmental Services; Singapore has given market access to Australian business with the exception of wastewater and hazardous waste. As for other service industry sectors, full market access and national treatment has been given to exporters such as construction, sporting, computer and related services.

Government Procurement

Singapore and Australia have agreed to non-discriminatory national treatment of a specified list of government businesses. Australia gains access to such treatment in procurement by 47 Singapore ministries, agencies and statutory authorities as listed in the WTO Government Procurement Agreement (GPA), to which Australia is not a party. Australia's access is not constrained by Singapore's GPA restrictions on thresholds and coverage of products and services. The two governments also commit to protecting intellectual property and confidential information supplied in tender processes. The FTA also includes exemptions for procurement policies in relation to industry development, including measures to assist small and medium enterprises (SMEs) and in relation to promoting employment and training opportunities for indigenous people.

Australian Businesspeople

The initial period of stay granted to Australian businesspeople and professionals visiting Singapore to negotiate the sale of goods or services, establish an investment, or fulfil a short-term contract for their company, will increase from 1 month to 3 months.

Long-term business residents working for Australian companies in Singapore will be granted an initial period of 2 years, extendable on application up to at least 14 years. Conditions for spouses of long-term business residents in Singapore who wish to pursue careers will be more secure: spouses will be guaranteed the right to work in managerial, specialist and professional occupations and in office administration.

Singapore and Australia have strong relations. The increased market access and provision of a more open and predictable business environment of the SAFTA, ease the landing of Australian businesses into Singapore and vice versa.

Our professionals can help identify potential opportunities for you in the SAFTA, contact us at info@fidinamgw.com for more information.

By Marta Giordano
Managing Director
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SHANGHAI GOVERNMENT'S ACTION PLAN TO SUPPORT BUSINESSES

50 policies: Which are the main ones and how can your company benefit from them?

Right before the end of the ten-week long lockdown, the authorities announced supportive measures to reboot its economy. In particular, on May 29, 2022, the Shanghai Municipal Government released its Action Plan of Shanghai for Accelerating Economic Recovery and Revitalization (Action Plan), which provides 50 measures in eight areas. Within this plan, a series of policies to stabilize foreign investment, promote consumption, and increase investment have been proposed.
Subsequently, on June 10, 2022, the Shanghai Municipal Tax Service released the Guidelines on the Implementation of Tax Policies, as a supporting document to the abovementioned Action Plan. Divided into seven parts, the document clarified that the tax declaration periods would be extended, property tax and urban land use tax would be waived or reduced for enterprises in difficulty, refunds of excess input VAT credits would be expanded, VAT would be exempted for express delivery services, export tax rebates would be supported for foreign trade, taxes on the purchase of selected passenger vehicles would be reduced on a time-limited basis, and preferential tax policy would be implemented to encourage college graduates to get a job or start a business.

As the scope of the Action Plan is extremely broad, we will focus hereafter only on some key points which we believe to be the most relevant and practical measures for businesses.

Deferment of fund and tax payments

The payment of social insurance premiums can be delayed in stages for companies in the catering, retail, tourism, aviation, and road, waterway, and rail transport industries from April onward. In particular:

- Payment of pension and medical insurance premiums can be deferred up until the end of 2022;
- Payment of unemployment and work-related injury insurance premiums can be deferred for a period of up to one year;
- Late payment fees can be waived during the deferred payment period.

In addition, employers that have been impacted by the COVID-19 containment measures can apply for deferred payment of housing provident funds. The deferral period is from April to December 2022, after which the payments must be made.

Measures for reducing operating costs

Non-resident users of utilities are eligible for up to 10% subsidies for water (including sewage treatment), electricity, and natural gas (except for gas used by gas-fired power generation companies).
Several other utility and fee reduction measures have also been imposed, including:

- A 10% decrease of the average tariff of broadband and private lines for small and medium-sized enterprises (SMEs);
- A three-month waiver of unit domestic waste disposal fees;
- A 50% reduction of the current standard of administrative fees for special equipment inspection and testing from April to December 2022.

Tax rebates and reduction measures

The measures propose a further extension of VAT rebates to companies in six key industries.
Currently, all companies in the following six industries, as well as MSEs, can apply for VAT rebates:

- Manufacturing
- Scientific R&D and technology services
- Electricity, heating, gas, and water production and supply
- Software and information technology services
- Ecological protection and environmental governance
- Transport, logistics, warehousing, and postal

Moreover, companies that struggle to pay real estate and urban land use tax can apply for the reduction or waiver. However, companies engaging in industries whose development is restricted or discouraged by the state are not eligible for these tax waivers or reductions.

Subsidies for maintaining or increasing headcount and training staff

Companies in industries hard-hit by the pandemic, such as catering, retail, tourism, transport, hospitality, and exhibitions are eligible for certain subsidies if they do not lay off staff or lay off few staff members. These companies are eligible for RMB 600 in subsidies for each staff member, capped at RMB 3 million per company. The full amount is calculated based on the number of urban employees that the company paid social insurance premiums for in the month prior to the application.

Companies can also be eligible for a one-time subsidy of RMB 2,000 for each person they employ that has been unemployed for over three months or are 2022 graduates from universities in Shanghai. To be eligible, the companies must sign a labor contract of at least one year with the employee and pay social insurance premiums as required by law.

The full article can be read on our website www.fidinam.com or via this link. Should you want to know more about the available policies and those which could be more beneficial for your company and business, feel free to contact us at info@fidinamgw.com.

By Tommaso Colli
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NFTS AS AN EVOLUTION OF FINE ART COLLECTING

On March 29, 2022, Fidinam proudly hosted an event at the Swiss Pavilion at the Dubai Expo 2020, with around 100 attendees.

With an incredible view from the pavilion's rooftop, Fidinam celebrated its 60-year anniversary as well as looked into a topic receiving more and more interest: Non-Fungible Tokens (NFTs) specifically in the global art industry.

As such, we hosted a talk with Dr. Henrietta Tsui Leung, founder and CEO of Ora-Ora gallery in Hong Kong, Tyler Jackson Pritchard, a multidisciplinary artist based in Los Angeles and Antonio Signorini, a contemporary Italian artist based in Dubai - moderated by Riccardo Chesti, an Italian art dealer based in Hong Kong. Here we highlight some parts of this talk.

From left to right Riccardo Chesti, Antonio Signorini, Tyler Jackson Pritchard, Dr. Henrietta Tsui Leung

What are NFTs?

Riccardo has been following the development of blockchain and NFT technologies from their first appearance on the art market. He described an NFT as a unique, digital item with blockchain-managed ownership. The blockchain technology is a shared, immutable IT protocol that is used to testify that a specific digital product is unique and cannot be copied. Therefore, an NFT is a safe way to undoubtedly identify a digital product.

Two characteristics set NFTs apart and make them an interesting and unique phenomenon. Firstly, it is the rarity of the digital item, testified by the blockchain. Secondly, is the tradability. On open marketplaces like *OpenSea* and *Nifty Gateway* there is the possibility to free-trade NFTs, using cryptocurrencies as payment method. As there are no intermediaries on these marketplaces, an NFT can be put up for sale as soon as it is purchased.

This is an interesting point when comparing NFTs with the traditional art market. Unlike collecting traditional art – where the value often increases slowly, but constantly and stable – NFTs can be flipped immediately and gain value on the momentum.

The NFT art scene in Hong Kong

Blockchain technology is growing fast in Asia, together with the interest in NFTs. Henrietta gave us a look into the role of Hong Kong in the NFT and art world: Hong Kong has been very vibrant in the development and the progression of cryptocurrencies. Hong Kong is a large international financial hub, so when Web3 came alive, tech gurus, bankers, venture capitalist, fintech pioneers and many others have jumped into the development and taken on projects in both NFT creation and trading. The latter has been a vibrant scene since about three years ago.

One of the first digital art fairs in Asia, if not in the world, was held in Hong Kong in autumn 2021. The fair included 360° immersive art experiences, a diverse array of NFTs, new media art and other new and innovative digital offerings. One of the founders, Gillian Howard, had mentioned that due to the increase of interest in NFTs in the second half of 2021, they decided to start the fair to support the demand. The fair sold over HK$70 million worth of fine art NFTs to around 27,000 collectors during about two weeks. The collectors came from all walks of life with an incredible age range between 13 and 102 years. 55% of the collectors who bought at the fair were 40 years old or less. 97% of them want to know more about NFTs and 70% wants to buy NFTs. These statistics have given the fair organizers confidence that they can stay, grow and include many more galleries in the next edition (20 October - 6 November 2022).

Fidinam at Dubai Expo 29 March 2022

Opportunities for artists

From an artist point of view, NFTs are a beautiful opportunity for digitally-created artwork to be actually sold, Tyler explained. "In the past when you made a 3D object, there was no real way to sell the original file. For example, you would see art from a video artist in a museum or a show being played on a tv. Galleries would sometimes sell the actual tv including the video. However, now with NFTs, you can buy the video file, which is a more pure form of the artwork itself – especially when created digitally. 3D objects, animated videos and other types of digital art are truly artworks. They are made on a computer, but they are some of the most advanced forms of artworks there are."

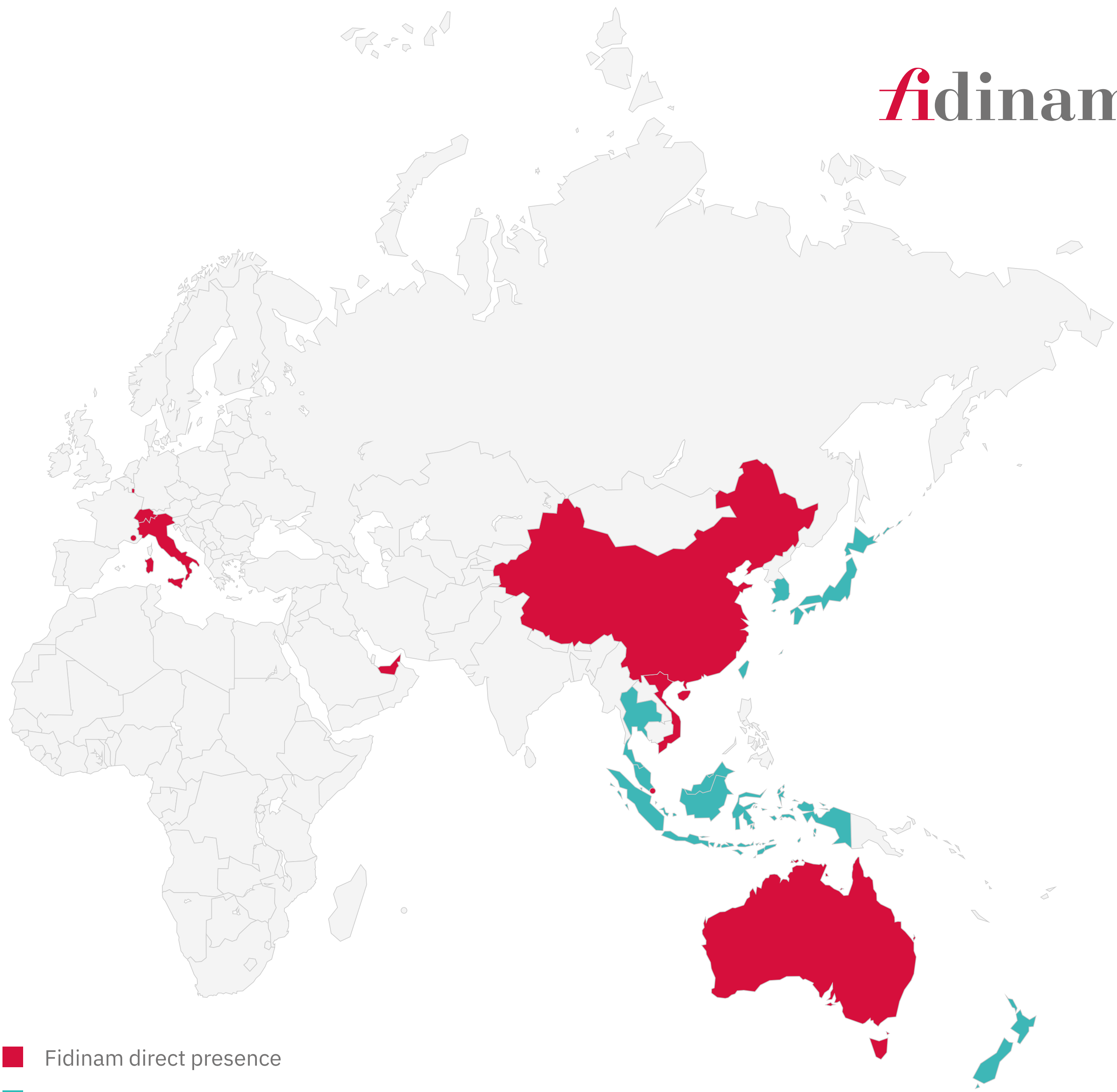
Digital asset protection

The blockchain technology offers 'smart contracts', which can govern many things automatically as opposed to a regular contract. For example, within the smart contract one can include information about royalty sharing to the artist, how many original editions there are, which number of original edition it is, etc. Artists can also declare whether the owner owns the full commercial right or not.

When buying an NFT, one becomes the owner of a specific file, such as a jpg. However, the file is often still available for other people to see and use, which scares collectors. Comparing it with physical artwork, Riccardo explained it as: "Anybody can get a print of a Monet, however only one person can have the original."

The premise of the blockchain technology revolves around decentralization and most jurisdictions have no specific NFT regulations as of yet. This may scare some customers, who are wary of scams and are unsure how to protect digital assets.

Fidinam has over 60 years of experience in advising individuals and families on how to protect their wealth and to pass it to future generations. In recent years, our services have extended to include advisory on digital assets protection as well.
Contact info@fidinamgw.com for more information.



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Ho Chi Minh City
Melbourne
Shanghai
Singapore
Sydney

Switzerland

Lugano
Zürich
Geneva
Bern
Basel
Luzern

Europe & Middle East

Milan
Monaco
Luxembourg
Dubai