

FEATURE ARTICLE

# Singapore as the global wealth hub of the future?

Asia's allure in the private banking sector goes without saying. But the extent to which Singapore, specifically, can rival Switzerland is being watched closely. According to speakers at the launch event of Avaloo Sourcing Asia Pacific in November 2014, it is set to become the next global wealth hub.

Asia's appeal as an investment destination that can rival any other globally continues to increase. And Singapore, through many regulatory and other government-led initiatives, has made it a priority to position itself at the centre of this.

While the jury is still out for many industry players in terms of the potential for this city-state to overtake Switzerland as a global wealth hub, speakers at the launch event of Avaloo Sourcing Asia Pacific are confident that it can.

This can be seen by various trends. For example, while a lot of money from India and the Middle East is still flowing to Switzerland, this has started to change as family offices set up shop in Singapore, says Vish Jain, former partner and managing director at the Boston Consulting Group.

According to Eric Aubin, head of wealth management international and other Asian markets at BNP Paribas Wealth Management, wealthy individuals looking for diversification prefer to spread out their booking centres. For example, he explains, they may choose to open an account in Asia to have access to local expertise and product.



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Eric Aubin, BNP Paribas Wealth Management

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There is also well-developed expertise out of Singapore in key value-adding areas for clients from across Asia, such as asset management, wealth structuring and estate planning, adds Kong Eng Huat, chief executive officer for EFG Bank in Singapore and South-East Asia.

#### **Clarifying appetite**

Despite these attributes in Singapore, there needs to be more clarity around what the term “global” actually means in this context.

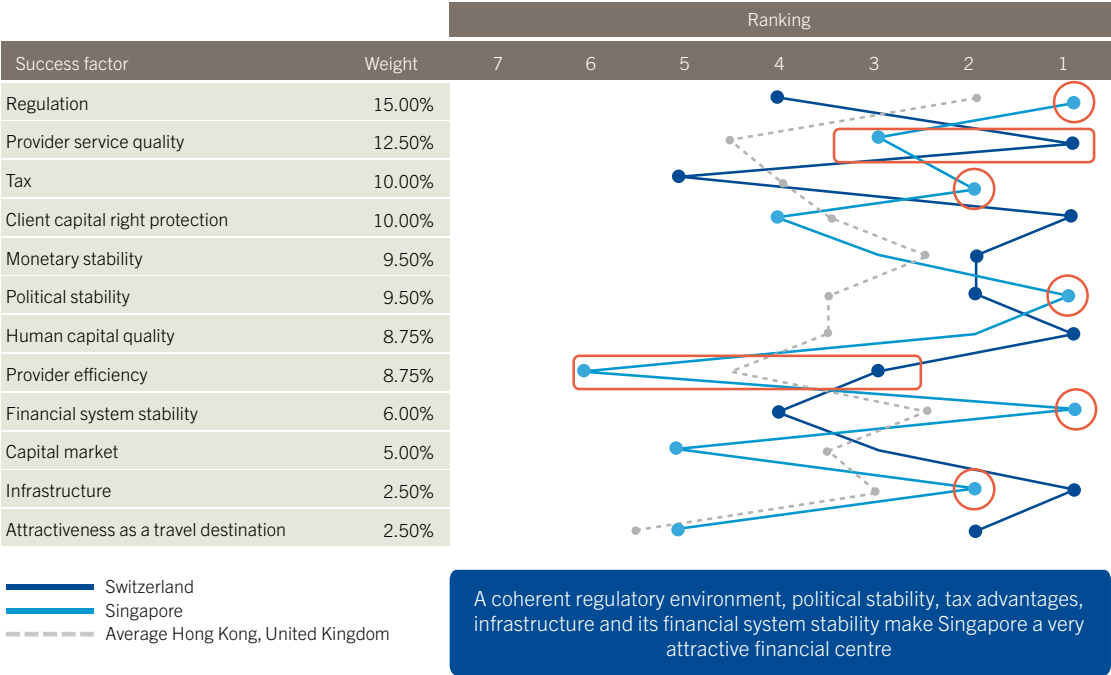
For example, while Jain believes that the value of assets under management in Asia will exceed that in Switzerland within the next decade or two, due to the rate of growth in the region, its global nature is questionable. Most of the money in Singapore and Hong Kong is from within the Asia Pacific region itself, he explains. Kong estimates that one-third of his clients in Singapore are from Indonesia, with most of the remained from China. And in Hong Kong, his client base has a strong representation of Taiwanese, Chinese and South-east Asians.



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Kong Eng Huat, EFG Bank

Singapore – a very attractive marketplace



Prioritising training

To help Singapore achieve its goal, more effort is needed to ensure there are sufficient levels of competency. One of the main features of wealth management in Singapore is the fact that it is predominantly an offshore business. As a result, advisers and front-line staff need to communicate with clients based in different jurisdictions, under different regulatory regimes. And given the different tax requirements, advice needs to be tailored accordingly.

This all highlights the importance for banks and other wealth management organisations of investing in training staff.

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Vish Jain

Not only is there a need to be able to keep up with the new regulatory environment and statutory requirements.

There is also a growing need from a business evolution perspective to ensure front-line advisers can deliver the firm’s value proposition to clients.

Aubin says BNP Paribas recognises the importance of investing in the right training for its staff.

As a sign of the bank’s intent, it set up its second global training centre in Singapore in March 2014.

“We need to show the commitment, the belief that staff training is absolutely critical to success in this business,” he explains.



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Vish Jain

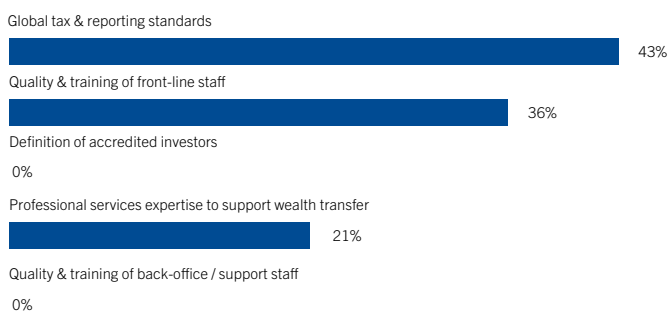
The centre will train 3,200 employees per annum from Singapore and some of its 75 countries worldwide.

According to Peter Scott, general manager for Avaloq Asia Pacific and chairman of the board for Avaloq Sourcing Asia Pacific (Singapore), one of the reasons the firm finds Singapore attractive is because of the quality and the training of the staff on the ground, the educational base and the resources available in the local market.

“The banks in Singapore and around Asia Pacific generally are suffering continuing pressure on cost-income ratios from the combined impacts of compliance costs, pressure for greater relationship manager efficiency and client demand for greater sophistication from digital channels,” he explains.

“Costs in bank processing is a volume business and the consolidated volumes arising from our BPO service will translate into increased efficiency and profitability for participating institutions.”

#### What is the most pressing wealth management issue for Singapore to address?



Source: Hubbis - Launch of Avaloq Sourcing Asia Pacific, November 2014

#### Catching up with technology

To really make the most of the Asian opportunity, Jain says banks cannot ignore the impact of technology on the behaviour of wealthy customers.

Of the S\$31.3 billion that banks in Singapore are expected to earn in 2020, according to a report by consulting firm Solution Providers, S\$6.3 billion is expected to be spent on back-office and IT costs.

According to Jain, technology can potentially replace the relationship manager (RM) who is servicing the lower band of high net worth individuals.

That means those clients looking to invest less than US\$15 million.

“The impact of technology and what this will do to the classic RM-mediated wealth management model is probably the number-one challenge that Singapore will face,” he says.

Only the best employees and advisers will survive in this environment.

Ultimately, Scott says that business process outsourcing is important to banks in Singapore because it is all about dollars.

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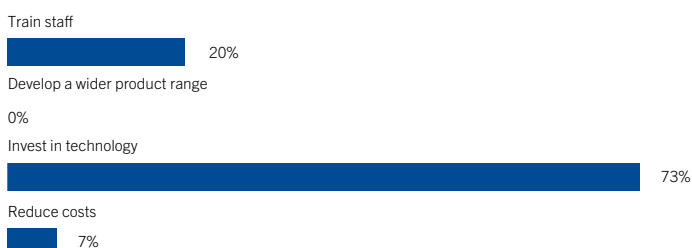
Peter Scott, Avaloq

When looking at other mature markets, like the US, where federal and state regulations have driven up the cost of compliance, nearly 85% of financial institutions have outsourced their operations.

However, banks need to be mindful of issues stemming from the use of technology for everything across the banking segment – specifically, the risk of cyber threats and cyber security.

For Kong, he is waiting for the results of studies done in these areas by the Monetary Authority of Singapore.

#### Key measures banks must take to ensure future success



Source: Hubbis - Launch of Avaloq Sourcing Asia Pacific, November 2014



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