Building Blocks
Creating a Successful Environment for Private Banking and the Singapore Experience
Dialogue for today

The evolution of private banking in Asia
The private banking ecosystem
The Singapore story
Key ingredients to success
The evolution of private banking in Asia
**What’s the journey been like?**

**The ups and downs in Asian private banking**

- **Emergence of concierge and suitcase banking**
- **Global players pour in**
- **The golden years of private banking begin**
- **Private banker valuations hit an all-time high**
- **Era of mistrust emerges, misselling claims and fraud charges arise**
- **Brief uprise in private banking, but short-lived**
- **The changing proposition – shift to discretionary, family-based wealth advisory**
Even the most well known private banking centres fell prey to their own successes

- A sales-driven culture, with product quotas and targets
- The divide between open architecture and manufactured products
- Inadequate training and risk culture development
- A lack of courage to really tell clients what they need, rather than what they want
- Misalignment of client vs bank vs RM interests
The current state of the private banking industry today

Fragmented
More competitive
Pressure on margin
Shift to solutions-driven
Making change happen

Source: PwC 2013 Global Private Banking Survey - SG/HK results
A return to basics – not by choice but by circumstance
What is now ingrained into the private banking psyche

**Products**
- Product push is a big no-no
- Open architecture is a must-have
- Discretionary management is the theme

**Servicing & distribution**
- Upscaling CRM competency is not an option
- Compliance and risk is the business
- From offshore to onshore

**Sales**
- Tax arbitrage is no longer a valid play
- Technology adds value, reduces inefficiency
The private banking ecosystem
A community of interacting organisations, each playing its role in the growth and progression of systems and values
The Tax Authority
- Individual
- Corporate
- Incentives
- Cross-border

The Product Providers
- Asset/fund managers
- Insurance providers
- Passion investments
- Education / real estate / healthcare

The Regulator
- Supervision
- Licensing
- Promotion

The Private Bank

The Execution Brokers
- Investment bank
- Broker-dealer

The Government
- Strategy
- Financial
- Manpower

The Client

The CRM
Why is this important?

The dependencies and linkages collectively drive the flows within the industry.

Each segment has its role to play.

Government strategy sets the tone.

Everything else falls into place based on the national agenda.
The Singapore story
A vision for wealth management which began 20 years ago
2003 Economic Review Committee
Strategic vision to develop Singapore as a regional leader in wealth management

- Expand government’s role in developing the industry (e.g. seed capital, external mandates)
- Exemption of tax on domestic source investment income and foreign source income remitted to Singapore
- Improve investor and professional training
- Develop alternatives asset cluster (structures and laws)
- Develop ancillary services (trustee, custody, professional services)

Source: Ministry of Trade and Industry, Singapore
Tracking the growth of Singapore’s wealth management industry

AUM in Singapore (in SGD billion)

- **1989**: 12
- **1990**: 18
- **1991**: 27
- **1992**: 38
- **1993**: 62
- **1994**: 66
- **1995**: 86
- **1996**: 125
- **1997**: 124
- **1998**: 151
- **1999**: 274
- **2000**: 276
- **2001**: 307
- **2002**: 344
- **2003**: 485
- **2004**: 573
- **2005**: 720
- **2006**: 891
- **2007**: 1,173
- **2008**: 1,208
- **2009**: 1,354
- **2010**: 1,338
- **2011**: 1,626
- **2012**: 1,626

**Key Events**

- **1994**: MAS and GIC award mandates totalling S$30 billion to external asset managers
- **1995**: SFA introduced, offshore funds regime opens
- **1997**: Designated Unit Trust status introduced
- **1998**: Singapore funds allowed to fully invest globally
- **2010**: Various new tax incentives schemes for Funds introduced
- **2011**: Regulatory exemptions granted for HNWI
- **2012**: SFA introduced, Exempt FM scheme
- **2012**: Boutique FMCs grow
- **2012**: Review of the SFA, resulting in the Enhanced FMC regime in 2012
- **2012**: Private Bank Code of Conduct and CAC launched
- **2012**: “Big Bang”; progressive opening of investible universe
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The wealth management building blocks

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A good industry + regulator interaction and dialogue is critical
The Private Banking Industry Group
Working in partnership the regulator

An industry group comprising senior executives of the private banking community in Singapore

Aims to shape the development and foster sustainable growth of private banking in Singapore

Co-chaired with a senior official of the Monetary Authority of Singapore

Created the Code of Conduct for Private Banking and the Client Advisor Competency Standards examinations

Issued sound principles to further safeguard Singapore’s wealth management sector in 2013
Meeting global expectations

- Strong anti-money laundering environment
- Tax transparency and information exchange
- Competent and quality workforce
- An integrated government strategy and agenda
Key ingredients for success
What makes Singapore a preferred jurisdiction is equally a measure of non-financial factors.

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<th>Transparency</th>
<th>Sound and predictable regulation</th>
<th>Efficiency and connectivity</th>
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<td>Low bureaucratic red-tape</td>
<td>Safety and low crime</td>
<td>Governance standards</td>
<td>Sound infrastructure</td>
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<td>Easy place to do business</td>
<td>Low corruption</td>
<td>Lifestyle choices</td>
<td>Quality workforce</td>
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Let’s look at a city comparison across a number of factors
Global Coverage – 30 Cities for 2014

Source: PwC 2014 Cities of Opportunity
10 indicator categories reflect a comprehensive urban picture

**Economics**
- Economic clout
- Ease of doing business
- Cost

**Quality of life**
- Transportation and infrastructure
- Health, safety and security
- Sustainability and the natural environment
- Demographics and livability

**Tools for a changing world**
- Intellectual capital and innovation
- Technology readiness
- City gateway

Source: PwC 2014 Cities of Opportunity
To become a global hub, Malaysia needs to address a number of key determinants

City Rankings

Source: PwC 2014 Cities of Opportunity (ranking out of the 7 selected cities)
**Key points to take home**
Building Malaysia to be a global private banking hub

- A partnership between industry and regulator is paramount
- Clear, pragmatic regulations and strong, transparent governance
- People are what ultimately makes the difference
- But don’t forget the other softer factors!
Keeping ahead of the competition

The most important piece of advice in an ever-changing world
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