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Headline: Where millionaires stash it away

# Where millionaires stash it away

## Private banks flock to Singapore as low taxes lure the rich

By Yoolim Lee

SINGAPORE

Tan Gim Chong spent most of the last nine years in the Singapore Navy working on a submarine beneath the South China Sea. Now, he is preparing to manage money in the fastest-growing center for private banking.

Tan is studying for a master's degree in wealth management at Singapore Management University, with his tuition paid by Citigroup. Tan is one of more than 100 recruits that the U.S. bank is adding in Singapore to serve private clients with at least $10 million to invest.

Faster economic growth in India and China and record oil prices are creating a bigger group of millionaires drawn to Singapore, where taxes are among Asia's lowest. Assets managed for offshore clients by private banks in Singapore climbed about 25 percent in 2005, the world's biggest gain, according to Roman Scott, a Singapore-based partner at Boston Consulting Group.

"Singapore will be the fastest-growing offshore private banking center in the next five years," Roland Knecht, Asia head at the Zurich-based Clariden Bank, said. The unit of Credit Suisse Group manages $35 billion for clients with assets of €1 million, or $1.22 million, and opened its first overseas branch in Singapore in November. Knecht plans to increase staff in Singapore to 50 by the end of 2006 from 32 when the office opened.

Switzerland, the world's biggest offshore banking center, still dwarfs Singapore. Private banking clients held 1.38 trillion Swiss francs, or $1.07 trillion, there in 2004, according to the Swiss National Bank.

Singapore ranked No. 6 worldwide as an offshore private banking center last year. The Caribbean islands ranked second, followed by Luxembourg, the United States and the Channel Islands off the coast of France, according to Scott at Boston Consulting Group.

Singapore is the world's fastest-growing market for millionaires. The city of 4.35 million had 48,500 people with assets of more than $1 million at the end of 2004, up 22 percent from a year earlier, according to a report by Merrill Lynch and Cap Gemini. That was the biggest jump of 16 countries worldwide tracked by the survey.

Credit Suisse last year added 150 employees in Singapore to cater to clients with $1 million or more, bringing the total to 450. Singapore is the lender's biggest private banking hub outside Zurich, according to Tye Wai Mun, a Credit Suisse spokeswoman. Credit Suisse ranks fourth among private banks in Singapore behind UBS, Citigroup and HSBC, measured by assets under management, according to Scott.

UBS, Europe's biggest bank by assets, increased its number of employees in the city "substantially" in the past year, said Christine Ong, the bank's Singapore country head, without giving details. The city is UBS's second-largest wealth management center after Switzerland, she said.

Individuals had 154.6 billion Singapore dollars, or $95.6 billion, in assets under management in Singapore at the end of 2004, up 40 percent from a year earlier, according to the latest data from the Monetary Authority of Singapore.

That was more than double the 19 percent increase in Hong Kong to 132 billion Hong Kong dollars, or $17 billion, in 2004, according to the Hong Kong Securities and Futures Commission. Hong Kong had $379 billion in overall assets under management, including those held by institutions, more than Singapore's $350.8 billion.

Singapore's offshore private banking assets rose by about a quarter last year to 200 billion Singapore dollars, beating an estimated 20 percent gain in Hong Kong and a 5 percent increase in Switzerland, according to Scott at Boston Consulting Group.

"With China and India in the region, Singapore will be used, to a large extent, as the Switzerland in Asia," said Kong Eng Huat, managing director of Merrill Lynch's private banking unit in Singapore.

Some money that used to go to Swiss banks will flow to Singapore after a 15 percent withholding tax on interest income on Swiss deposits took effect last year, said Daniel Truchi, head of Société Générale's Asian wealth management branch in Singapore. The Swiss tax will rise to 35 percent in 2015.

The private banking unit of Société Générale doubled its Singapore staff to 250 in the past two years and plans to increase hiring by 30 percent to 35 percent annually, Truchi said.

Singapore amended its tax laws in 2004 to attract more overseas wealth. Residents do not pay tax on income they earn overseas. Investment gains earned in Singapore from stocks and other financial instruments are also tax-exempt.

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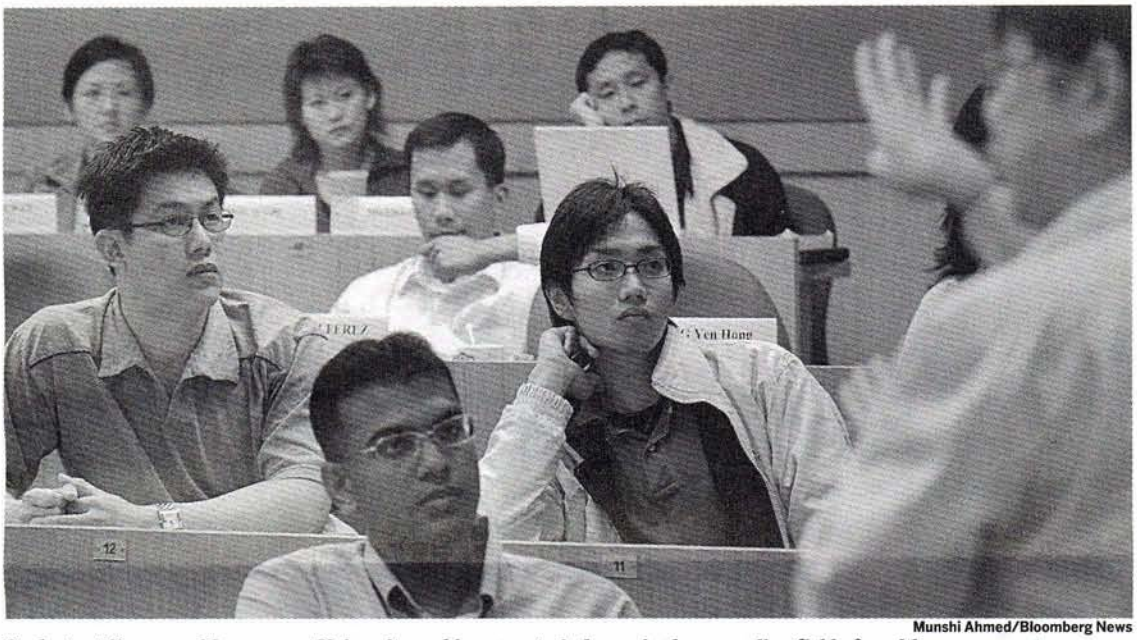

Munshi Ahmed/Bloomberg News

**Students at Singapore Management University seeking a master's degree in the expanding field of wealth management.**