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Headline: Singapore's status as wealth management hub rises while Switzerland stumbles

Singapore's status as wealth management hub rises while Switzerland stumbles

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As pressure mounts on Switzerland's flagship bank UBS and the country's secrecy code comes under fire from the US and Germany, Singapore's star as a haven for the super-rich is rising fast.

The sun-drenched Asian city-state, with the highest density of millionaires in the world, is seeing wealth management prosper as the US and Europe grapple with the worst slump in a generation.

Singapore's strict bank secrecy rules seem likely to be spared an assault similar to the one that Berne is defending now, following the charging of UBS's wealth management chief for helping Americans hide money.

With close ties to powerful Asia, Singapore is in a stronger position to resist pressure from the US than rival Switzerland or Alpine retreat Liechtenstein, which recently partially surrendered bank secrecy.

"It's a wealth centre," says Martyn Schilte, a manager in charge of selling million-dollar supercars in Singapore. "If you look at the type of client we sell to, it's people with a net worth of US$50 million-plus."

The city-state has its sights on attracting the world's wealthy to its palm-tree-lined coastline where some apartments come with a private yacht berth. Its plan is working.

As Asia's elite move billions to the country, assets under management soared by a third last year to more than US$800 billion ($1.2 trillion).

The amount may be small compared with Switzerland. Singapore had US$500 billion in offshore assets under management last year, according to the Boston Consulting Group, compared with four times as much in Switzerland.

But it puts the region on the map for banks hoping to capitalise on a more resilient Asia as the West slows.

As job cuts cloud London and New York, banks such as Credit Suisse and Macquarie Group are hiring wealth management staff in Singapore, despite a local recession.

Bank of China is one of the latest to plan a wealth management arm in the Southeast Asian country, hoping to meet millionaires such as those who recently gathered to buy and sell private jets on the sidelines of a Formula One night race.

PICTURES: BLOOMBERG

Singapore is on the IMF list of tax havens and targeted by a proposed new US anti-tax-abuse law

"Singapore has developed a lot and has all the ingredients to compete internationally," says Deepak Sharma, an executive in charge of Citigroup's global wealth management business outside the US.

No surrender

Like tax hideout Monaco, Singapore has a hard line on bank secrecy. It has not agreed to the Organisation for Economic Cooperation and Development (OECD)'s standards of transparency and exchange of information.

Singapore, which is trying to grow financial services to wean dependence on manufacturing, is on the International Monetary Fund's list of tax havens and targeted by a proposed new US anti-tax-abuse law.

Another country that had similarly shunned the OECD, Liechtenstein, recently agreed to a landmark deal with the US, paving the way for the exchange of bank account details with Washington in cases of tax evasion.

The agreement may pressure Switzerland into similar concessions, which could work to Singapore's advantage.

Singapore Prime Minister Lee Hsien Loong said this month such scrutiny in the West could lead to more European money flowing into the country, a hot talking point in the industry.

"It is interesting to notice a growth in the number of European clients booking wealth through Singapore, which unlike Switzerland does not recognise the European tax directive," says Sebastian Dovey of consultancy Scorpio Partnership.

But European cash comes with the risk that Singapore, too, could be targeted in the crackdown on tax havens. "I expect Singapore to come under pressure, too," Prime Minister Lee says.

The US told Singapore and its banks last year to sever financial links with Myanmar's military junta, widely believed to use the city-state as its main offshore banking centre.

"Increasingly, Singapore is looking out on a limb," says Jeffrey Owens, director of the OECD's Centre for Tax Policy Administration.

"It's for the Singapore government to assess how the political climate is changing to protect the reputation of the Singapore brand," he says.

Singapore's central bank says confidentiality laws are no shield for criminal activities and that banks can disclose customer information to assist such investigations.

Pandora's box

Singapore is in a stronger position to resist the strong arm of Washington.

Experts in the region point out that it is a US military ally and one of the few Asian countries with a deepwater port that could hold a US aircraft carrier.

Brussels, too, may shy away from a fight as it is unclear how many Europeans park money in Singapore. Bankers played down its significance as a destination for European money and said most of it comes from Asia, particularly Indonesia.

Singapore's central bank says over half the money managed in the city-state came from outside Asia-Pacific, although this includes pension funds and hedge funds as well as private banking.

Ultimately, however, it may be politics that makes throwing down the gauntlet to Singapore difficult. To do so, say experts, would be an indirect challenge to China.

"If I were the Singapore government, I would not sign unless it's on equal footing with Hong Kong, the key competitor," says Roman Scott, managing director of consultancy Calamander Capital.

Scott says the European Union is not putting pressure on Hong Kong, however, because it is reluctant to confront Beijing.

Furthermore, any agreement with Europe could pave the way for demands for the same treatment from countries such as Indonesia, Thailand or Taiwan.

"That is one of the reasons for the resistance as they do not want to open a Pandora's box," says Scott. "They are scared what might come up. The European customers are minor — what's more important is that you do not want to open up everything for everybody." — *Reuters*