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## **Private banking ends 2009 on a high note**

*Singapore's strong regulatory framework draws firms to set up here, others to expand*

**By SLOW LI SEN**

(SINGAPORE) Singapore's private banking industry is ending 2009 on a high note with openings and hirings making the news, though it has been a roller coaster ride for much of the year.

Twelve months ago, it couldn't have been more different with many firms still retrenching staff amid talk of angry clients running for cover.

It is estimated that the industry here fired some 300 private bankers in the past two years - mainly inexperienced staff hired during the boom who were unable to cope when the financial crisis struck.

Based on data crunched by Merrill Lynch and Capgemini, the region's wealthy population - defined as those with at least US\$1 million of investable assets - at end-2008 fell 14.2 per cent to 2.4 million individuals compared with a year earlier. Globally, the number of wealth individuals declined by 14.9 per cent over the same period. In terms of the value of assets, wealth in the Asia-Pacific was eroded by 22.3 per cent to US\$7.4 trillion, below the 2006 level of US\$8.4 trillion and US\$9.5 trillion in 2007.

But that has not deterred private banks which have decided that they have to be in turbo-charged Asia.

'Large universal banks see Asia as the engine of growth for their private banking business,' said Jimmy Lee, head, Private Banking Asia, Clariden Leu.

Asian economies are expected to grow at a faster pace than the global economy. China and India, in particular, are expected to lead the charge, buoyed by strong domestic consumption. The assets of the wealthy in India and China is forecast to burgeon by over US\$4 trillion over the next decade.

The combined wealth of the region's rich is estimated to grow 8.8 per cent a year until 2018, faster than the global average of 7.1 per cent.

Singapore has emerged as a preferred private banking centre for many because of its strong regulatory framework.

Even the loss of banking secrecy has not deterred the industry as some had earlier feared.

In fact, Singapore has stepped up signing tax treaties to provide exchange of information on tax matters and to date, 16 agreements have been inked. The agreements which comply with the Organisation for Economic Co-operation and Development's standard on exchange of information has boosted Singapore's standing, given its reputation as a responsible and well regulated financial jurisdiction.

By the second half of this year, poaching of staff, a serious problem besetting the industry during the boom years of 2005-2007, seems to have returned with a vengeance as more firms set up here while others continue expanding.

In October, RBS Coutts Singapore stunned the industry when it confirmed a mass exodus of about 70 people which made up a third of the Singapore staff and around 15 per cent of the private bank's strength in Asia of about 510.

They left to join their former boss Hanspeter Brunner at lesser known rival BSI, a Swiss-based Italian private bank which has its office in Suntec city.

Standard Chartered Private Bank added to its headcount steadily this year, the financial crisis notwithstanding.

'The Standard Chartered Private Bank recruited throughout the year,' said Rajesh Malkani, Standard Chartered regional head of private banking, South-east Asia.

The bank now operates in 27 markets, including through two trust companies, since launching in 2007.

'In May 2009, we announced plans to hire 100 private bankers over the next 12 months in addition to the bank's 350 wealth managers, to meet the continuing increase in client demand for private banking services in fast-growing markets of Asia, Europe and the Middle East,' Mr Malkani said.

In 2009, Clariden Leu increased its headcount in Singapore by 30 per cent to over 100 employees. In Asia, it has close to 140 employees.

Last month, Australia and New Zealand Banking Group said that it will be hiring 150-200 more people in Singapore over the next nine months for positions in several businesses including private banking.

This month, Swiss boutique private bank Banque Heritage opened its first Asian office in Singapore, targeting wealthy families from around the region. It already has 22 people at its Singapore office, and plans to hire another five relationship managers here next year.

The biggest coup this year was surely by OCBC Bank, which expanded aggressively in the private banking space. In October, it announced that it had beaten seven other bidders for ING Asia Private Bank. OCBC paid \$2 billion, representing a substantial premium of 5.8 per cent over the assets under management (AUM).

OCBC chief executive David Conner defended the transaction as a transformational step for the bank. The purchase more than triples OCBC's private client assets to US\$22.5 billion or about \$31 billion, which is on a level with DBS's S\$30 billion AUM. It also boosts the number of relationship managers to 200 from 50.

For private bank clients, the sharp recovery of the markets in the second half of the year has left some gasping.

Said Amy Yip, chief executive of DBS Bank Ltd (HK) and group head of DBS Wealth Management, '2009 was a Jekyll and Hyde year for client risk appetite.'

'In the first part of the year, stunned by the extreme volatility in the markets, client risk appetite clearly abated from the heights of 2007 and early 2008,' she said.

'However, as markets recovered, and interest rates stayed at historic lows, clients became more adventurous. By mid-2009, some clients with high risk appetites returned to highly geared products such as accumulators,' said Ms Yip.

'The low interest rate environment is indeed conducive to more aggressive investment behaviour and we see it coming back,' said Thomas Meier, Bank Julius Baer chief executive for Asia, Middle East and Eastern Europe.

'As the government programmes start to take effect, the markets picked up really quickly. These are not behaviours of risk averse investors,' he said.

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