

Top Print Edition Stories  
Published June 22, 2011

## S'pore poised to rule wealth management

By 2013, it will be top of the league, overtaking Switzerland and London: PwC

By GENEVIEVE CUA BUSINESS TIMES

(SINGAPORE) Singapore is expected to leap to the top spot as the world's largest wealth management centre by 2013, surpassing Switzerland and London.

**Mr Ong:**  
Singapore has  
always been  
among the top  
centres, ahead  
of HK

This is one of the findings of a survey of 275 institutions in 67 countries by PricewaterhouseCoopers (PwC) in its latest private banking and wealth management report.

Driving Singapore's growth is the rapid pace of wealth creation and accumulation in the emerging markets, as well as regulatory pressures elsewhere.

Singapore's ranking in 2011 is third, after Switzerland and London. Hong Kong is in fourth spot, followed by New York. In 2013, Switzerland and Hong Kong are expected to be second and third placers, respectively, followed by London and New York.

Justin Ong, Asia Pacific leader for PwC global private banking and wealth management, said Singapore has always been among the top wealth management centres, ahead of Hong Kong.

'Private banks globally and regionally view Singapore as one of the best international financial centres as well as a preferred booking centre to capture the emerging Asian business . . .

'Hong Kong is perceived as big due to the larger customer base and the potential of China from a client service standpoint. But from an operational perspective, Singapore as a booking centre for private wealth for the region is still the largest due to the more favourable regulatory environment and tax incentives, etc.'

The Asia Pacific ex-Japan wealth market is expected to expand by about 11.4 per cent a year till 2015, according to the Boston Consulting Group (BCG) - almost double the global average growth rate of 5.9 per cent. The region's assets under management (AUM) are expected to rise to US\$37.3 trillion by 2015, from US\$21.7 trillion in 2010.

PwC's survey also threw up insights into bank profitability. It found, for instance, that the average gross margin of 72 basis points on assets under management is expected to increase to 78 basis points over the next two years.

The average cost-to-income ratio, however, remains high at 71 per cent compared to 72 per cent in the 2009 survey.

The shortage of talent remains a challenge, yet banks are themselves consolidating their workforce. Almost 40 per cent of respondents rated their relationship managers (RMs) as average or below average in terms of their ability to meet client needs.

Asian respondents had the highest redundancy rate with 52 per cent of departing RMs 'having been encouraged to leave', said PwC. In EMEA (Europe, the Middle East and Africa), 33 per cent were asked to go, and in the Americas, 17 per cent.

Referrals from existing clients were cited as the biggest source of new clients, yet only 37 per cent of CEOs believe existing clients would recommend them to potential clients.

While 81 per cent of respondents think the firm's RMs greatly understand clients' investment objectives, only 56 per cent agree that they have a full grasp of client's overall financial goals, retirement income planning needs or extended family issues.

The most profitable firms have on average far lower ratios of clients per RM. In the US\$5-10 million wealth band, there are 54 clients per RM on average. But for institutions with the lowest cost-to-income ratios, there are only 26 clients per RM.

Meanwhile the most profitable client segments were those in the US\$1-5 million wealth band, followed by the US\$5-10 million and then the mass affluent segment of US\$500,000 to US\$1 million. The least profitable was the US\$10-15 million segment.

Mr Ong said the US\$1-5 million segment is typically the largest customer base among private banks in the global survey. 'Due to the investment characteristics of this group and their propensity to explore new ideas for wealth generation and accumulation, a lot more transactional activity occurs across a range of products. Coupled with larger economies of scale, there is more profitability to be gained as RM productivity increases.'

He said private banks have historically struggled to be profitable dealing with clients in the upper range of US\$50 million as these clients' needs are akin to institutional clients.

'In Asia, private banks have not had the experience, products and services to cater well to this group especially in the areas of wealth planning and financial restructuring across family and corporate assets. The typical product push mentality has not worked.'

Only recently, he said, have private banks begun to develop ultra-high net worth offerings such as family office services.

## S'pore 'to overtake Switzerland as top wealth management centre'

by **Teo Xuanwei**

06:07 AM Jun 22, 2011 TODAY

SINGAPORE - Amid increased financial regulatory pressures in the West post-financial crisis, the Republic has been tipped to oust Switzerland as the world's top wealth management centre within the next two years, according to a survey by PricewaterhouseCoopers (PwC) published yesterday.

Strong growth in emerging markets in Asia was also another reason behind the survey respondents' bullish prediction that Singapore would leapfrog Switzerland and London to the perch. Hong Kong was also expected to jump ahead of London into third place.

The PwC study, titled Global Private Banking and Wealth Management Survey 2011, involved 275 firms from 67 countries.

PwC's leader of Asia-Pacific global private banking and wealth management Justin Ong said the key factors in the Republic's favour include its strong regulatory environment, efforts by the Government and regulator to promote and develop private banking activities and tax incentives for the wealth management industry.

Private wealth managers Today spoke to felt it was only a matter of time before Singapore overtook Switzerland and London, given that Monetary Authority of Singapore statistics showed that the industry here had grown by 13 per cent to manage S\$1.4 trillion last year.

Over the last five years, the industry has recorded an average growth rate of 16 per cent, propelling Singapore from being a small player - according to Boston Consulting Group, in 2007, Switzerland had four times as much offshore assets under management as Singapore - to becoming contenders as top dog.

Said Hoffman & Partners founder and managing partner Urs Brutsch: "We're certainly exceptionally well-positioned to become No 1 because Singapore has all the right ingredients, such as booming economies around the region, a supportive regulator and stable political climate."

Traditional powerhouses such as Switzerland and London will, at best, probably only retain the assets they already hold, he said. HSBC Private Bank chief executive Nancie Dupier noted: "Many wealth

management clients already value Singapore's corruption-free environment and emphasis on client confidentiality and these will become increasingly strong pull factors as regulatory concerns grow in importance."

While the exodus of fund managers from the West has been attributed to a harsher regulatory regime, the MAS had reiterated earlier this month that the Republic's laws matched, and in some cases, exceeded international standards.

Mr Brutsch, however, described the two-year timeframe for Singapore to become the top wealth management centre in the world as "incredibly ambitious".

"The mature industries will not fall asleep, they will not stop moving ... there's quite some way to go before we can overtake Switzerland," he said.

## Wealth management lucrative but faces talent shortage:

**PwC**

by Jonathan Peeris

06:07 AM Jun 22, 2011 TODAY

SINGAPORE - Private banking and wealth management continue to be lucrative, with untapped potential for significant growth if institutions can be agile in adapting to changing demands, but the industry faces key challenges such as a shortage of talent, according to a survey by PricewaterhouseCoopers (PwC).

As the focus shifts to client service and value delivery, the industry faces multiple pressures in areas such as risk management, where systems and processes are being upgraded to provide integrated approaches to better align risk and value, the PwC survey said.

Cost and regulations are the new drivers of change, but securing sustainable revenue growth, especially from emerging markets will be the key to the future.

The survey also found that private banking and wealth management clients are more active in managing their affairs, with 35 per cent of them now demanding control reports.

Among the biggest barriers to future growth is the shortage of talent.

Some 40 per cent of respondents rated their client relationship managers as only average or below, in terms of their ability to meet client needs.

Top quality people are becoming more valuable, more difficult to source and more expensive to train. As such new strategies, incentives and support are needed to attract and retain qualified professionals. Jonathan Peeris

## Status quo in private banking and wealth management changing, says

**PwC survey**

By Jonathan Peeris | Posted: 21 June 2011 2241 hrs

SINGAPORE: The status quo in the private banking and wealth management industry is changing as the focus shifts to client service and value delivery. That is according to a new report published by PricewaterhouseCoopers on Tuesday.

It found that wealth management continues to be a lucrative business with untapped potential for significant growth if institutions can be agile in adapting to changing demands.

PwC's survey found that the industry faces multiple pressures in five key areas, such as risk management, where systems and processes are being upgraded to provide integrated approaches to better align risk and value.

The report said private banks by and large are facing challenges to achieve the desired performance, and there is wide divergence across the industry.

Cost and regulations are the new drivers of change, but securing sustainable revenue growth, especially from emerging markets, will be the key to the future. The report also found that clients are more active in managing their affairs, with 35 per cent of them now demanding control reports.

It also found that the shortage of talent is one of the biggest barriers to future growth.

40 per cent of respondents rated their client relationship managers as only average or below in terms of their ability to meet client needs.

Top quality people are becoming more valuable, more difficult to source and more expensive to train. As such, new strategies, incentives and support are needed to attract and retain qualified professionals.

-CNA/ac