THE STRAITS TIMES

FOR SUBSCRIBERS

Company Watch

Barclays banks on Singapore wealth flows, sees opportunity in global market volatility

Claire Huang
Business Correspondent

British bank Barclays' Singapore chief Alexander Harrison noted that the bank has reduced its competition "quite heavily". ST PHOTO: MARK CHEONG

UPDATED 5 HOURS AGO
PUBLISHED AUG 25, 2023, 4:40 PM SGT

SINGAPORE - Money is to be made in a volatile market, Barclays' Singapore chief Alexander Harrison will tell you.

The more the market fluctuates, the greater the chances of raking in the pounds, and this can be viewed as an edge for the British bank, as it has a significant global markets trading business in the Asia-Pacific.

It is also a vital one – the bank's global markets trading platform, known as Barx, benefits enough from the volatile market to offset the weakness in its investment and corporate banking segments, said Mr Harrison, 50, who is also chief operating officer for the Asia-Pacific, the Middle East and Africa.

The platform offers sales and trading activities that span rates, credit, foreign exchange and treasury, among other things, and are designed for corporates and financial institutions.

"Clients need to manage risk, they need to move capital, they need to act when there's volatility. There's significant trading opportunities that exist off the back of that," Mr Harrison said in an interview with The Straits Times.

The bank has grown its profitability consistently in the region over the past five years, he said, adding that Singapore is a key driver of this.

The Republic, which is the bank's Asia hub, has consistently contributed around a quarter of the revenue in the Asia-Pacific over the past five years.

HEADSTART

Get tips to grow your money and career

Enter your e-mail Sign up

By signing up, you agree to our Privacy Policy and T&Cs.

From 2018 to 2022, income from Singapore rose by 60 per cent.

More than 70 per cent of the revenue in Singapore is attributable to the bank's markets trading business.

Singapore has been generating more than 30 per cent of Barclays' revenue in the Asia-Pacific markets' macro business, specifically in foreign exchange and macro trading. The bank had launched in 2021 a foreign exchange trading and pricing engine in Singapore.

"Our (Singapore) investment banking business has basically grown 70 per cent since 2019 and our corporate banking has doubled in that same period of time," Mr Harrison said.

With many banks jostling in the investment and corporate banking spaces, Barclays' strategy is to zoom in on cross-border work, to take Asian clients into Western markets and give them access to other clients there, and vice versa.

This dovetails with the bigger play to tap the global trade and capital flows here, and gives an inkling of what the bank, which celebrates its 50th anniversary in Singapore on Sept 1, is looking to do more of.

MORE ON THIS TOPIC

Citi Private Bank bullish about 2023, growth in ultra-high-net-worth clients mainly from S'pore

Some private banks to charge the rich if accounts fall below financial threshold

"The interconnectivity of how we help those ultra-high-net-worth individuals' family offices access merger and acquisition (M&A) activity cross-border is where I see material growth over the coming years," said the banking veteran.

In recent years, Singapore has attracted investors seeking to diversify their assets and risks amid economic and geopolitical uncertainties.

This has made the Republic the eighth-most-popular place in the world for the super rich to own a property, data firm Altrata reported in March.

Interest in setting up family offices in Singapore has also soared. Between January and April this year, there were 182 such offices that opened. This was on top of 690 that opened in 2022 and the 672 in 2021. Family offices are set up by super rich families to manage their financial and investment needs; to contribute to philanthropic or environmental sustainability initiatives; or to facilitate discussion on succession planning. To tap the growing wealth segment, Barclays launched its private banking business in Singapore in 2021.

The British lender is betting that its niche offering – to help clients in Asia diversify their portfolios and invest in the United Kingdom and in Europe – will help it gain an edge. "That kind of Singaporean-UK nexus is absolutely something that we're looking to leverage and play, and we'll continue to do so," said Mr Harrison, who expects this to be a core component of the bank's strategy as well as of its revenue stream in the future.

The bank has reduced its competition in this niche "quite heavily", said Mr Harrison, who has been in banking for over 25 years and relocated to Singapore in 2015.

What could throw a spanner in the works is higher interest rates, which banks raise to try to counter soaring inflation.

MORE ON THIS TOPIC

Goldman Sachs plans to undo another Solomon deal chasing mass market

Temasek weighs $2.7 billion Pavilion Energy asset sale: Sources

Raising interest rates generally boost banks' earnings, but they also mean that money is more expensive and that borrowing costs go up – both are a dampener for investment and corporate banking.

As history shows, in times of rising interest rates, the capital markets freeze, and M&A activities are put on hold as the cost of capital goes up.

Banks earn a higher yield on every dollar they invest when interest rates are high, but if the rates go too high, businesses and consumers are hesitant to borrow and the lending arms of banks suffer. That said, the corporate banking business still benefits from higher interest rates as borrowing costs go up.

Mr Harrison said the biggest challenge in any economic cycle when the market plunges is impairment.

From a Singapore perspective, Mr Harrison said the bank, which does not do retail lending here, is prudent with its capital onshore and offshore. The bank is not immune to macroeconomic factors, but he said the risks are mitigated as it is not heavily domestically oriented in the region.

“We manage – globally and regionally – our risk positions very well. When we see market deterioration, whether that be from an asset class perspective or from a regional perspective, we manage our positions well, and we manage our books well to ensure that we continue to drive capital efficiency,” he noted.

In the months ahead, the bank will be building on its strengths in the region. Barclays has a presence in seven markets in the Asia-Pacific.

Japan is its largest market in the region for global markets offerings, Singapore’s strength is its macro franchise, while Hong Kong is a prime and credit-driven business that has many private equity and institutional clients.

The business model in Australia is investment banking, while India has investment and corporate banking, although it also has an emerging global markets business.

In Taiwan, the bank recently received its onshore licence and built a subsidiary business there to support its trading platform.

MORE ON THIS TOPIC

Citigroup’s Asia family office clients poised to grow 25% in 2023

Deutsche Bank’s new retail and wealth head set to revamp unit

Barclays is also investing significantly in its onshore business in China and is looking to build a strong macro credit hub, said Mr Harrison, who noted that his key goal is to ensure that “Asia and Singapore continue to be a double-digit return on tangible equity business, therefore contributing and accretive to our shareholders”.

For now though, technology and operational risks, such as the possibility of the geopolitical environment deteriorating rapidly and increased sanctions, give him the greatest headaches and are what he spends a lot of time on.

“Cyber risk is a continued growing threat for financial services,” Mr Harrison noted, adding that the pandemic is a prime example of the need for operational resiliency at a time when there are shutdowns.

Join **ST's Telegram channel** and get the latest breaking news delivered to you.

THE STRAITS TIMES

E-paper
Facebook
Instagram
Twitter
LinkedIn
Podcasts
RSS Feed
Telegram
Youtube
TikTok

- SINGAPORE
- ASIA
- WORLD
- OPINION
- LIFE
- BUSINESS
- TECH
- SPORT
- VIDEOS
- PODCASTS
- MULTIMEDIA

About Us
Terms & Conditions
Privacy Policy
Need help? Reach us here.
Advertise with us

Sign up for our daily newsletter

Enter your e-mail
Sign up

More newsletters
By registering, you agree to our T&C and Privacy Policy.

MCI (P) 076/10/2022, MCI (P) 077/10/2022. Published by SPH Media Limited, Co. Regn. No. 202120748H. Copyright © 2023 SPH Media Limited. All rights reserved.