

Making of a wealth magnet

It is not only the success of its banking centre that has helped give Singapore the highest density of millionaires of anywhere in the world – its efforts to promote itself as a financial services centre of global stature has also managed to pay handsome dividends

BY DANIEL JUDGE

Whether it is as the Monaco of the Tropics or the Switzerland of Asia, Singapore is fast earning a reputation as a haven for the super-rich, a millionaires' playground where, despite something of a historically sterile image, for those with the money and the contacts, almost anything goes. Anything, that is, as long as your activities do not bring you into conflict with the country's government, notorious for its fondness for public flogging and capital punishment.

But while the principles of multi-party democracy or niceties of trial by jury are of little concern to the regime, it is far from tyrannical by most standards and, at worst, arguably little more than a benign

dictatorship. Importantly, the stability brought by having the same party in power for more than half a century has allowed the Government to oversee a remarkable long-term economic success story that, though punctuated by blips such as the Asian financial crisis in 1997 and a current recession, it would seem hard to derail.

■ Reversal of fortune

Financial services is a sector where the Government, led by Lee Hsien Loong, Singapore's third Prime Minister since self-government in 1959, has been instrumental in shaping the recent fortunes of this tiny island state.

Historically, Singapore's economy has been based on manufacturing and



trade – it has one of the busiest ports in the world. But efforts to diversify sources of GDP have intensified in recent years, and Singapore is ideally positioned to prosper from the wealth being generated across Asia, and in China and India in particular.

A memorandum of understanding was signed with the former last year that allows Chinese banks to put their clients' money in Singapore stocks and funds, a development that will make it more likely Chinese investors will choose the country for their future wealth management needs.

Professor Francis Koh, associate dean at Singapore Management University, says the Government's

decision in 2002 to champion wealth management as a low input cost but high margin sector has been crucial to the growth of the sector.

He says: "The Monetary Authority of Singapore (MAS), along with key players in the industry, has led the thrust to rapidly develop the wealth management industry. To date, we have more than 700 financial institutions doing business here. And, there are about 40 private banks serving domestic and offshore clients."

■ Home of the wealthy

Something of a testament to the success of such state-led initiatives came last year when a study found

IA PROMOTING WEALTH MGT

Among the measures cited by Koh to drive Singapore's growth are:

- Committing financial resources to develop human resource for the industry through the Financial Sector Development Fund (FSDf) to create a pipeline of talents for the industry.
- Enhancing training and development through Financial Industry Competency Standards (FICS) framework.
- Fine-tuning the legislative framework relating to Trusts, Anti-Money Laundering (AML), investment advisory and securities trading.
- Keeping up efforts to make Singapore the "most congenial city in Asia to live and work in", including recreational, music, drama and arts initiatives such as two integrated resorts under development.
- Developing related services like quality office space, housing and international schools to accommodate more financial houses and their staff to locale in Singapore.

IA KEY POINTS

Singapore has a diversified and growing financial sector centred on wealth management.

It is aiming to attract the world's wealthiest individuals not only through low taxes but a glitzy image as well.

Singapore had the highest density of millionaires in the world. One in ten households were classed as such according to research by the Boston Consulting Group, more than Qatar, Kuwait and the UAE.

The country's ability to attract assets from across the globe has been enhanced by it levying some of the lowest personal and corporate taxes in Asia, examples of which include the lack of any capital gains or inheritance duties.

■ Stubbornly secret

It also guards its principles of banking secrecy closely and appears unwilling to compromise on the issue, even in the face of growing international pressure. The state did not sign up to the EU's Savings Tax Directive – a measure to combat tax evasion – a refusal that has undoubtedly played a part in its growth, with assets under management in the wealth management sector reportedly surging by 25% in 2005, when the directive came into force.

But its commitment to secrecy is something on which local commentators are reluctant to place too great an emphasis.

Koh notes: "Bank secrecy contributes to, but it is not the sole factor in the success of Singapore as a regional wealth management centre", adding: "It is a responsible city-state that enforces banking regulation consistent with generally-accepted international banking practices."

Chris Gill, regional sales director and principal officer, southeast Asia, at Friends Provident International, says: "[Bank secrecy] has definitely

helped. But the Government has succeeded in attracting other sectors as well as banking, such as insurance, so it would be wrong to say Singapore's success is entirely built on banking secrecy – other policies have been put in place to drive the financial services sector."

Singapore's refusal to open its doors to international regulatory bodies has led it to be placed on IMF's list of tax havens, while it has also failed to meet OECD standards on transparency and is named in the US Stop Tax Haven

Formula One Grand Prix last year – the sports first ever night race.

The imminent opening of Marina Bay Sands, part of the new integrated resorts' initiative will further cement Singapore's standing among global jetsetters. Developed by the Las Vegas Sands company, one of the world's largest gaming firms, the 6m-ft² waterfront site will have invitation-only casinos and nightclubs, as well as business centres, theatres, hotels, shopping malls and other attractions to keep the world's monied elite occupied.


the economy may shrink by 5% in 2009) is taking a heavy toll.

Patrick Corfe, Singapore-based business development director for Aberdeen Asset Management, says: "Singapore is very sensitive to what is happening globally. People's attention is turning from what is happening in the financial world to what is happening in the real economy."

"We are seeing cutbacks in jobs. This is not just low-cost or low-skilled workers but also white collar roles such as financial services and I sense that the repercussion of the crisis are still to fully play out."

The financial sector has also been rocked by a recent possible mis-selling scandal involving Lehman Brothers-backed structured products. These 'mini-bonds' were sold to more than 8,000 retail investors, with stock brokers through to high street banks distributing products worth about \$508m (\$337.14m).

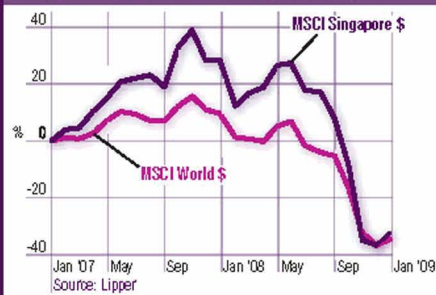
Commentators generally believe the MAS has handled the issue well by ensuring many retail investors receive compensation. It is also steering through amended legislation to help prevent similar occurrences with measures such as strengthening licensing and due diligence regimes. FPI's Gill, for one, says many of Singapore's old hands are confident the economy will bounce back from the shocks of 2008-09.

"For people that have been in Asia for a long time, they have seen this before with the currency crisis in the late '90s and, more recently SARS," he says. "They think the current crisis will be just another setback in a long-term upward trend." 



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Singapore stocks vs MSCI World Index


Abuse Bill, co-sponsored by President Barack Obama. But it is not completely out of synch with international regulators and is a member of the Financial Action Task Force (FATF), an international body that works to combat money laundering.

■ Glitzy appeal

But low taxes and a discrete financial sector are not all that attract the rich and famous to Singapore. Such relatively unsexy benefits as its fiscal system have been bolstered by moves to foster an image of glitz and glamour, a high-profile example of which was the staging a

■ Caught in the storm

But Singapore's financial sector does not begin and end with private banks servicing the mega-rich. There are locally-based fund managers, a burgeoning financial advice sector, insurers, a stock market and the island is the fourth-largest foreign exchange trading centre in the world.

A drawback of possessing such a developed financial sector, coupled with Singapore being one of the most open economies in the world, is that the market turmoil of 2008 that is now seeping into real economies (Singapore went into recession in November and