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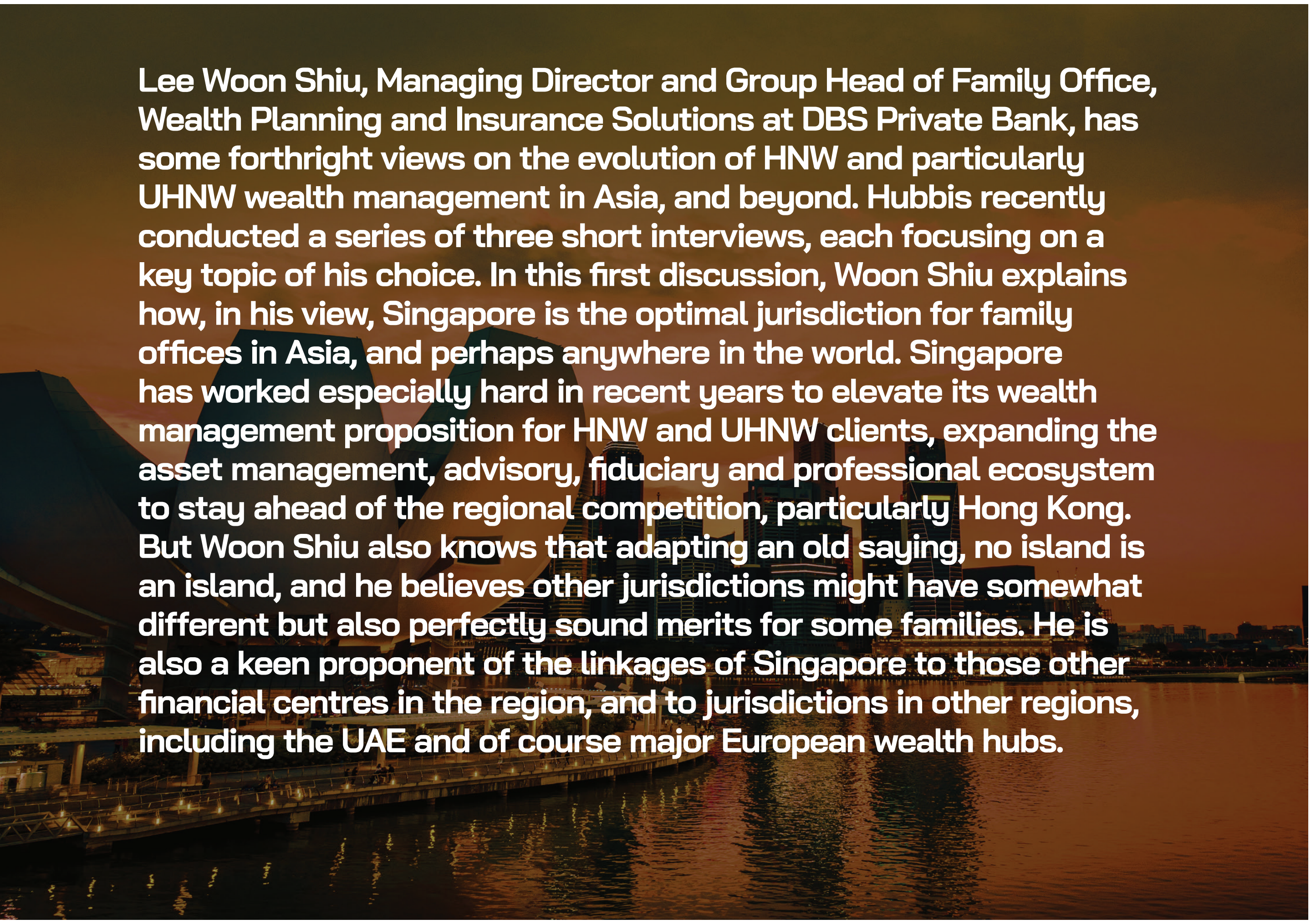
DBS Family Office Expert Lee Woon Shiu on Choosing the Right Jurisdiction



Lee Woon Shiu, Managing Director and Group Head of Family Office, Wealth Planning and Insurance Solutions at DBS Private Bank, has some forthright views on the evolution of HNW and particularly UHNW wealth management in Asia, and beyond. Hubbis recently conducted a series of three short interviews, each focusing on a key topic of his choice. In this first discussion, Woon Shiu explains how, in his view, Singapore is the optimal jurisdiction for family offices in Asia, and perhaps anywhere in the world. Singapore has worked especially hard in recent years to elevate its wealth management proposition for HNW and UHNW clients, expanding the asset management, advisory, fiduciary and professional ecosystem to stay ahead of the regional competition, particularly Hong Kong. But Woon Shiu also knows that adapting an old saying, no island is an island, and he believes other jurisdictions might have somewhat different but also perfectly sound merits for some families. He is also a keen proponent of the linkages of Singapore to those other financial centres in the region, and to jurisdictions in other regions, including the UAE and of course major European wealth hubs.

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LEE WOON SHIU
DBS Private Bank

Woon Shiu opens the discussion by observing that for the larger, wealthier and more established clients and families, those for example whose wealth runs to two generations or more, Singapore is the closest you can get to a jurisdiction that represents stability, predictability, solidity and longevity for a family office.

A premium offering

He concedes that while Singapore households and businesses were not spared by global inflation, the country's predictability and stability are far more important draw factors for wealthy families.

"There is a price to pay for what Singapore represents as a wealth hub, and there are many wealthy and ultra-rich families willing and content to pay that premium," he comments. "Singapore is always very forward-thinking, as well, so those who establish themselves here know that the regulations and the market infrastructure will move ahead of the times, for example in relation to the new era of digital assets and the blockchain. Rapid and imaginative innovation and evolutions are built into the equation."

Singapore's attractiveness to wealthy families is also attributable to the continued innovativeness of the governmental policies responsible for nurturing the ecosystem. From legislative enhancements, such as the Variable Capital Companies (VCC) regime that have gained popularity as a structuring platform amongst multi-family offices, to dedicated ecosystem builders such as the Global Asia Family Office Circle helmed by the Wealth Management Institute, it is expected that Singapore will continue to pull ahead in the race to be the leading jurisdiction of choice among family offices.

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Alternatives should be considered

But Woon Shiu says that for those clients and families who are, for example, more focused on launching businesses, raising capital and expanding their investor bases, Hong Kong might be a good place. He says it has long-established and deep capital markets expertise, meaning it can be a very positive centre for a family office to base itself during that evolutionary and expansionary phase.

He adds that there are also differences in rules, with Hong Kong having a higher AUM requirement upfront, but lower thresholds for AUM growth than in Singapore under current rules. Singapore, he says, demands a minimum AUM of SGD20 million per entity, but Hong Kong's HKD240 million can be spread amongst multiple investment holding companies at levels as low as several million per entity.

And Woon Shiu says this means Hong Kong is quite appealing to families with very diverse holding companies all over the world, whereas those whose holdings are far more concentrated, and who can fulfil the SGD20 million requirements, often find Singapore more interesting.

Know your goals

There are certain other motivations as well, in particular many families who want to definitively change their tax residence status, perhaps from China, or Taiwan or Indonesia. Establishing a family office in Singapore and deploying family members who are physically resident in Singapore to exercise management and control over the family office will be instrumental in helping these family members establish new tax residencies in Singapore.

Woon Shiu notes that the process of approvals and due diligence on clients and new entities in Singapore is very rigorous, adding credibility to the change of tax jurisdiction. "In Hong Kong, there is really a far less formal approval process, whereas in Singapore you end up with a formal certificate that gives clients and their families certainty on these matters," he explains.

"Part of our mission is to work with clients to analyse who they are, what their needs are, and which jurisdictions might therefore suit them best. We do not determine that in advance; we consult, and we learn and then we advise."

The UAE's evolving appeals

He turns his attention also to Dubai, where family offices of far smaller scale can be established. However, there are some drawbacks, as Dubai is presently on the Grey List of the global Financial Action Task Force (FATF) regime. Nevertheless, Dubai has a strong foothold with Indian clients and also as a secondary family office centre for those who established their many family office hubs in Singapore, or perhaps Hong Kong.

Mining rich seams

"All things considered, each of those three places – Singapore, Hong Kong, and Dubai – have different appeals and can therefore be complementary," Woon Shiu concludes. "Part of our mission is to work with clients to analyse who they are, what their needs are, and which jurisdictions might therefore suit them best. We do not determine that in advance; we consult, and we learn and then we advise. Singapore might and probably will have a bigger share of these clients in the future, but will never be the only game, and families will always keep looking out for places through which to diversify their locations, their control and their family members."

Building the edifice

Woon Shiu also remarks that Singapore wants to encourage the UHNWIs and families to come to its shores who are more inclined to help develop the island state's public long-term objectives around philanthropy, sustainability, innovation and so forth. "There is particular encouragement for those families whose values align with Singapore's future, and that is why the government and regulator are always evolving their rules and guidance," he observes. "That is an ongoing process."

Quality by association

His final comment is that there are other lower-cost family office jurisdictions to consider, such as reputable offshore centres in the Channel Islands, or the Cayman Islands.

"But the major wealth centres have a far more comprehensive set of appeals, and families with sizable wealth and a reputation to safeguard, and who value data privacy are increasingly selective where they go," he says. "We live in a new era of regulation and oversight and with CRS, it makes sense to be and appear as transparent as possible, and that means Singapore, or Hong Kong, and perhaps not the Caribbean today." ■