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Singapore as an Increasingly Appealing Choice for UHNW Clients and Family Offices

Hubbis hosted a Thought Leadership discussion on June 1 in Singapore alongside our exclusive partner for the event, SS&C Eze, a leading global provider of investment management solutions that is part of SS&C Technologies Holdings, Inc., a Nasdaq-listed global provider of financial services software and software-enabled services.

The assembled experts addressed a number of issues in the private, off-the-record discussion, centred around how Singapore is managing to enhance its status as a regional and indeed global wealth management hub, and why more and more UHNW clients and family offices are being drawn to its shores. Moreover, with the growth that is taking place – and UHNW clients are essentially recession-proof – what does this mean for all the associated professional and technological services, and is there enough talent to cope?

Hubbis has distilled what was an immensely detailed and very wide-ranging discussion into this summary, with all comments from the assembled wealth management, legal and technology experts treated entirely off-the-record.

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These excerpts are taken from the SS&C Eze and SS&C websites:

From SS&C Eze:

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From start-up and emerging funds to the most recognised and established institutions, SS&C Eze has provided buy-side firms with innovative and award-winning technology solutions backed by unparalleled client service for 25 years.

SS&C Eze delivers highly configurable, expansive, and integrated software and services that are designed to optimise operational and investment alpha across the entire investment process.

SS&C Eze's award-winning Eze Investment Suite features a set of fully integrated applications that provide first-class asset management functionality to streamline your entire investment operations. Accessible via both public and private cloud, our solutions can be combined together for a seamless front-to-back workflow, used standalone, or integrated with other third-party systems.

And Eze Eclipse is a cloud-native all-in-one investment platform designed for firms looking to expand their business capabilities, optimise operational efficiency, and minimise total cost of ownership. Eze Eclipse supports the full investment process within a single, unified platform accessible through a secure web browser interface. Eze Eclipse provides the sophisticated, fully configurable, comprehensive investment experience that firms need to stay ahead."

And from the SS&C website:

"SS&C is a global provider of services and software for the financial services and healthcare industries. Founded in 1986, SS&C is headquartered in Windsor, Connecticut, and has offices around the world. Some 20,000 financial services and healthcare organisations, from the world's largest companies to small and mid-market firms, rely on SS&C for expertise, scale, and technology."

Singapore's star as a wealth management centre has been rising for several decades

To further develop Singapore as an increasingly compelling hub for wealth, for HNW and UHNW families, and for associated professionals, the government and the Monetary Authority of Singapore are forward-thinking, highly pragmatic and business-minded, combining smart incentives and regulation and encouraging the associated technology that will help the financial services industry at large.

This did not and will not happen overnight - these developments have been taking place for several decades, the developments are taking place continuously, and there is plenty of regulatory progress and evolution in many key areas, such as foreign talent embedded alongside the local expertise, making Singapore a centre of global excellence and a melting pot of different cultures and skills.

Costs, logistics and the quest for talent are driving some consolidation throughout the wealth management and family office landscape

A guest from a leading EAM advisory explained how, at the same time as growth emerges, so too the overall cost of doing business had increased dramatically, including office space, talent, compliance, legal, technology and so forth. This was leading to some consolidation in the family office space, even with SFOs teaming up with other smaller SFOs to create more multi-family offices, and that in turn is focusing more attention on the potential for M&A amongst the MFOs.

Another expert agreed, noting that the consolidation emerging is all about the need for scale and efficiency and access to the best investment opportunities as well. "The trend is towards consolidation that then boosts the investment management capabilities for UHNW clients, almost with a consortium type approach," he said, and yes, that is a big trend we are seeing in this market."

Another expert added that so many new family offices are obtaining approvals from the MAS - an estimated 100 or so new approvals since January by some estimates - but the scale of those FOs might range anywhere from the very largest AUM of hundreds, even billions of dollars, down to just tens of millions of AUM.

"The smaller levels of family offices will struggle to create the infrastructure, and to garner the right know-how to properly run such operations," she said. "And that means there is a lot of thinking about whether people go alone or go to a platform manager."

There is somewhat of a contradiction in stated policy and the practicalities of obtaining the right talent

Talent is a key element in cost and efficacy. A guest remarked that there is essentially somewhat of an issue with regard to the small local talent pool and the government's stated intention of limiting the influx of foreign talent through the Employment Pass process.

"We think there are fewer EP holders here today than a decade ago," he said. "Now, we want to boost local talent, of course, but we also need those vital skills flowing in at the same time. Having said that, so far we have managed to obtain EPs as we needed, and quite quickly, so perhaps there is more pragmatism than the public face of policy might suggest."

A fellow guest agreed, stating that the government wants to encourage home-grown and younger talent, offering career paths and training and so forth, while also keeping the doors open

to highly experienced and skilled foreigners. She indicated that in general this was net positive for the wealth industry and the family office space, as key areas the government wants to grow.

However, she also conceded that everyone is struggling to hire younger local talent as there is such demand for them that availability is falling, and their cost keeps rising. "Almost everyone we speak to is having a hard time finding good talent at different levels, especially at the more junior levels amongst locals," she noted. "Many of them are attracted more by FinTech and digital assets, two key growth areas in Singapore that offer great appeals for these smarter, younger people here."

The head of a single-family office in Singapore agreed, observing that many younger graduates are not attracted today by private banking, due to the intense regulation and also lesser career satisfaction than in the fast-moving technology, FinTech and digital asset spaces.

"The typical private banker of before was all about having the latitude to do long term business with clients, to be able to walk away from some of the apparently more lucrative short-term deals," he observed. "But those days have gone; now it is all about quarterly performance, all sorts of MBA-driven return metrics. But people want to work for smaller and often technology-related businesses that they feel can change the world, so that is a major draw for these smart younger people, more so perhaps than joining a Singapore private banking operation."

Training and education relevant to the family office space are both increasing, driven partly by government support

Another expert picked up on the observations on talent, noting that there is strong encouragement from the top down, especially from the regulator, to boost training, not only in the usual areas of finance, investments, technology and so forth, but also on 'softer' areas such as estate and legacy planning, family governance, philanthropy, ESG and other important areas for the future.

The inter-generational transition of wealth and control means the sands are shifting in Singapore

A lawyer pointed to the transition taking place of assets and control from the founder to second generations, and then further along the generational track.

"We now need to advance things further in Singapore in terms of trust and other laws here," he said. "The wealthy families are now into the second and third generations, and there is more consolidation on control, more professionalism and we think the Singapore laws are not really able to keep up pace with the complexity of the needs of the family, especially relating to trusts."

He said the industry and lawyers, and the regulator need to realise that the client base is getting more sophisticated.

"People such as those in the trust industry here, for example, need to start lobbying to actually get all this refreshed and updated, as other centres are way ahead in some areas," he stated. "Specifically, client demand for sophistication around the trust product is rising, but Singapore looks behind the curve compared with, for example, jurisdictions like Jersey and Guernsey. So, my view is that the backing fabric here is relatively quite weak; it can and should be updated and refreshed. Like in Singapore, the decision makers here are seeing things in a very traditional way, and not recognising the very sophisticated needs and expectations of wealthy clients and their structuring requirements."

He added that the same is true of foundations, where Singapore needs to significantly enhance its approaches and how they are actually viewed and treated in law. So too, the whole area of the treatment of reserve powers, where he said Singapore also lags behind other key jurisdictions.

The EAM community is benefitting from the rise of the HNW and UHNW client base and the expansion of the family office market

A well-known EAM leader referred back to earlier comments on the diminishing appeals of working for the private banks, noting that he had established his own firm as he had been increasingly dissatisfied working as a private banker.

"I felt that I was too compromised, too conflicted in the way we were required to service clients," he reported "Even if you want to be very client-centric, you have to be a good corporate citizen as well, and you have those constant KPIs, that if you don't meet, you are unable to serve the client properly as well, because you cannot leverage the resources from the institution you represent for the client. So, it's a kind of vicious circle, and I saw the light bit late compared to some others here today, but those are the key reasons."

As to motivations, he said the rationale was in being independent, being agnostic in terms of which bank they work with, which jurisdiction, and which wealth structuring options to direct clients towards. "These motivations are even more relevant today than when I set up my firm seven years ago," he told the guests. "We had to explain our reasons to clients back then, but today more and more clients are wanting to work with multi-family offices as they are not getting from their private banks what they want or need."

The independent asset management community represents a major investment force in Singapore

The same guest said that as to investment access, he also sees the rationale for the robo-advisories, but for the typical MFO and EAM clients he works with, the more important element is efficient access to products, for example, to institutional classes of funds and at sensible costs.

"Some of the biggest asset managers are very keen to develop their market share with family offices, so they sometimes even carve out a special share class for family offices, which are even cheaper than institutional entry levels," he reported. "And that makes a big difference. And that is where I believe we bring real value, as everyone is concerned about costs, but at the same time getting access to the best opportunities and the best products."

He explained that the EAM, MFO and broader family office community could increasingly work together to represent some substantial investor heft and influence.

"When those investors bring to the table their own network, their own connectivity, their own contacts, you get to see a lot more and better private deals," he said. "These might be direct investments, or club deals, VC, PE, and also non-financial assets. Many of these deals and opportunities will never come from the private bankers because of their stringent compliance, because of the risk elements and because it's not part of their mandate as well. As a result, the family office model is even more relevant today than it has ever been."

But to develop the family office market further, talent remains a key priority and clients need to migrate more from the big-name financial brands

A guest picked up on these comments but added that not all of the optimism about the EAM and family office sectors was being fulfilled. "There was a lot of hope amongst those leaving the banks and setting up the EAMs and MFOs," he said, "driven by the idea of independence and providing a much more tailored, bespoke service for the investors. But from where I'm sitting, this is still developing, and the EAM industry is still not as large as you might expect, especially when set against Switzerland, for example."

He said there were several reasons, one of which was the lack of talent, as had been discussed. Another issue is that a lot of the new wealth in the region is still attracted to the big brand name institutions and the image associated with that type of connection.

But he said that, nevertheless, there had been significant progress, with more and more clients recognising that wealth management is more about the service and quality, objectivity and reach than about the brand. He said it is an important change that Singapore is going through. "There is clearly the recognition of wanting to help develop more boutique operations, to offer more support for the smaller businesses, with the right associated government and other grants and the encouragement to build talent," he observed.

Another expert agreed, adding that the EAMs and MFOs can also work with those brand institutions for custody and in other areas. "Our clients are happy to work with us, as we are nimble and flexible and offer the right types of advice and fee models, but in the background, these clients have their accounts we work with at the big-name banks for custody and other services," he reported. "We can offer access to a wide range of advice and opportunities that the private banks would not be able to provide."

A fellow guest agreed, adding that in his view, the EAM community had been growing healthily, with 45 members today in the Association of Independent Wealth Managers and each of them growing their AUM fairly robustly. "The Association represents perhaps half the EAM industry here today," he said, "but ten years ago we

were struggling to get going and it was a challenge just to form the Association. Today, we have far more momentum."

This led back to the earlier comment from a guest on consolidation and M&A as natural developments to both professionalise the EAM industry and to improve scale and boost efficiencies, especially faced with rising costs and the difficulty around finding the right talent.

"We have our own businesses that we have created," she said, "and if we align in partnerships and other deals, we need to make sure we find the right cultural and business fits, and that is really not so easy. The EAM models are very much driven by the founders' way of doing things, and our clientele will not easily jump from one EAM to another EAM."

To end up consolidating through M&A, she said the players need to find a "match made in heaven". And she said to remember that the EAM founders are getting older, and their clients as well, so they should be prescient in finding the right time to exit and the right routes for consolidation or for sales, especially as they must also realise that the younger generations of family members of their clients might not follow their parents and grandparents. "We must all be careful not to be pushed into a situation where we do not end up in the right deals or extracting the right value."

Technology is central to the Singapore wealth management offering and the evolution of the family office space

A guest highlighted the importance of current and next-generation technology solutions. "Five or more years ago, we might have been sitting around this table talking about will robo advisory overtake the EAM space or the wealth management space, and everyone would have said definitely 'no' as we need people and expertise and individual touch," he said, "and certainly not for the HNW segments. But they offer far more today, and they're entering the HNW space gradually, and with more interesting products and at very low costs, and readily available. This democratising of investments for the smaller HNW type portfolios of perhaps USD1

million to USD10 million is an important development."

He acknowledged that the larger private clients would not turn to this as an option, as large-scale AUM means the undivided attention of the private banks and other specialists. "But the smaller HNW clients and especially the second and third generations want this type of offering and ease of access," he reported.

Moreover, he said these platforms are nowadays offering access to a broad base of products, including venture capital and private equity opportunities, albeit at commitment sizes that are manageable for these types of HNW clients.

Another guest, a leader in the EAM community, agreed that these platforms are moving the game forward for the mass affluent and retail segments, but he said that genuine HNW and UHNW clients he knows are not asking for such platforms and that the private banking and EAM community did not feel in any way concerned about their growth for their core private banking clientele. "I honestly don't think in my life I will see myself replaced by these types of platforms," he stated. "For clients with USD500000 to invest, yes these robo platforms are valid, but not for the typical private banking type clients that we work with." ■