Singapore vs HK - a polarising landscape emerging?

Both financial hubs have growing communities of independent asset managers (IAMs) and multi-family offices (MFOs), despite the segment developing at a different pace. Yet Hong Kong is showing some signs of lagging when it comes to competitiveness.

There is no doubting the optimism among business leaders working with IAMs and MFOs for this segment in Singapore and Hong Kong.

Both locations have now got a louder and more united voice via respective associations, and some positive regulatory steps overall when it comes to industry dialogue.

However, the commercial competitiveness of Hong Kong has more recently been called into question as an efficient place for smaller wealth managers to do business, including for newly-licensed firms.

The main limitation, say local industry practitioners, is either being rejected from getting a corporate bank account with a Hong Kong institution, or simply the process is taking way too long.

Yet this is also creating some new opportunities – both for larger firms to form in Hong Kong as well as a shift to Singapore or Singapore-based financial institutions to potentially partner with.

As a result, despite the connectivity with mainland China and other advantages, the industry has a keen eye on the market opportunities in both Singapore and Hong Kong.

These were some of the take-aways from a discussion involving key independents from both hubs at Hubbis' 5th annual event in Singapore for Asia's community of IAMs and MFOs.

MAKING LIFE TOUGH

Hong Kong's banks are making it challenging for local businesses run by Hong Kong nationals, as well as for expatriates with permanent residency, to do the corporate banking they need to.

Panel speakers

- ***Etienne Billaud**, Senior Relationship Manager, SingAlliance*
- ***Patrick Busse**, Director, Head of EAM South East Asia & International, Credit Suisse*
- ***Jessica Cutrera**, Managing Director, The Capital Company*
- ***Riccardo Lehmann**, Managing Director, Swiss Asia*
- ***Nigel Rivers**, Founder and Chief Executive Officer, Capital Solutions*

Etienne Billaud
SingAlliance

hubbis

As a result, some practitioners believe IAMs and MFOs will struggle more than they should; some might even not survive.

DBS and Shanghai Commercial Bank have been two of the institutions to benefit from the Hong Kong banking stance.

For practitioners, the logic seems misguided, especially given that IAMs and MFOs do not have custody of a client's assets. This should therefore leapfrog many of the KYC and due diligence excuses for slow – or no – account approval.

However, getting more common sense into the process will take time.

Riccardo Lehmann
Swiss Asia

BRIGHT SPOTS

More generally for the IAM and MFO opportunity in Hong Kong, more and more firms are applying for the relevant licences and participating in conversations around how to evolve fee models.

Singapore, meanwhile, has over time been particularly proactive in facilitating the development of the independent wealth industry.

Its family-office focused dispensations for firms setting up in the city-state have, for example, encouraged and attracted some licensed independent firms to bring money to Singapore.

For many players, regardless of where they are based, it is less a question of one city versus the other, and more about how to grow the business in both regional centres for the benefit of the industry.

Some practitioners also say they see more understanding between regulators – especially as some IAMs and MFOs are looking at offices in both financial centres. This suggests a likelihood for a certain amount of collaboration going forward to help spur growth.

For clients in places like China, Indonesia, Thailand and other local markets, having a choice of IAMs and MFOs across two jurisdictions can also be a bonus.

Sometimes, for example, such clients prefer to avoid using a jurisdiction which is close by.

Jessica Cutrera
Capital Company

HONG KONG'S GRADUAL GROWTH

Hong Kong, meanwhile, is also a growing market for IAMs and MFOs, but is still significantly smaller in this segment than Singapore.

The creation of an industry association in mid-2015 has helped to accelerate the development of the segment and encourage a few high-profile launches of new firms. Yet the landscape in general is a lot more fragmented.

Key to the work of the respective Associations in each city to try to drive larger, more inclusive industries is education – both for the industry, especially in terms of the bankers themselves, and also the end-clients.

There is also a lot of work and support in relation to compliance updates, along with dialogue with the regulator to represent the best interests of the industry and try to give it a louder and more meaningful collective voice.

Nigel Rivers
Capital Solutions

Indeed, greater awareness of this industry – especially in Hong Kong, where the Association is newer – has an ultimate goal that the local securities regulator sees this segment of the industry as an active and valuable market participant.

There is reasonable scope for optimism in Hong Kong, say practitioners, given the watchdog seems to be trying to be more accommodative and flexible.

For example, there have been consultations on clarifying and simplifying certain concepts – including a new Professional Investor status, and a new 'independent' definition.

REALISTIC OPTIMISM

Broadly, practitioners in both Hong Kong and Singapore share positive views about the trajectory of the independent segments in both hubs.

For example, they see a trend where clients are seeking clearer advantages from their managers in the form of more obvious added value.

Further, clients are gradually starting to understand the need – and potential benefits – from paying for advice and management fees.

Yet this won't come without more time and some disruption to the industry, across private wealth management.

For instance, more banks are likely to either close shop or re-prioritise most of their resources. And this is where IAMs and MFOs also stand to gain. ■

Patrick Busse
Credit Suisse