

Turning CRS uncertainty into opportunity

The reality of cross-border tax transparency is set to create daunting new challenges for clients and advisers alike. But, says Peter Triggs of DBS Private Bank, the more proactive wealth managers who can adapt have a real chance to stand out.

As information about offshore investments and structures starts to find its way back to a client's home country, the sweeping impact of the Common Reporting Standard (CRS) will extend well beyond personal taxation; it will shine a spotlight on the practices of wealth managers too.

In particular, CRS will test their approach to advice, and their compliance with cross-border rules, forcing many of them to rethink the way they conduct their business.

So those firms that have not been observing cross-border rules will find themselves in the spotlight and some may face difficult questions.

Yet Peter Triggs, managing director, regional wealth planning, at DBS Private Bank, is excited about what this changing tax landscape means for how his bank can position itself going forward.

"The industry is going to become extremely polarised," he predicts. "And we see a big opportunity."

COMPLIANT CLIENTS

CRS will have far-reaching implications for clients regardless of how honest they have been about their investments.

Amid the growing backlash against offshore assets, those clients impacted by jurisdictions pressed for tax revenue could see their tax liabilities increase.

For example, the number of countries likely to look through and ignore or attack offshore structures (France being one of the first, and the UK being one of the latest in respect of structures holding UK property) is likely to grow.

Authorities across Asia are also likely to start investigating the offshore investments of citizens – not only from the perspective of tax evasion, but also how the sales were made, and possibly



PETER TRIGGS
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in some cases issues around foreign exchange regulations. Triggs says questions may include: how long has this money been overseas? Where did it

come from? Who approached you? Where did this happen?

“Just the burden on clients to answer these questions and satisfy the regulator is going to be taxing,” he adds.

Investment portfolios and trusts are not going to be the only problem areas, he adds. Certain types of insurance could come under the scanner, too, in certain jurisdictions.

“Once information is disclosed, there may well be questions about why clients chose an offshore policy and not a local one, and where the sale took place,” says Triggs.

This could hurt some banks and brokers, he adds – for instance, if regulators turn their focus to stricter implementation of cross-border policies on insurance sales.

The flipside, however, as clients start to question every aspect of their portfolio, is that the demand for good advice will increase.

THE DBS APPROACH TO PLANNING

Against this backdrop, Triggs believes DBS is well-positioned to navigate these challenges.

Indeed, he is banking on the strength of his wealth planning advisory team to stay on top of the game. And foremost, he explains, the focus must be on impartial advice.

“Wealth planners are not the sales force of a trust company; our job is not to sell a trust or to sell insurance,” he says. “We are very clear that the role of the wealth planner is to make sure that the private client gets the right advice.”

To keep any perceived or potential conflicts of interest at bay, for example, DBS allows its HNW clients to choose from a panel of independent trustees as well as their in-house trust company (although that is often the one which is chosen) if the client wishes to do so.

It is also important for DBS, whose clients often touch five or six different jurisdictions, to be able to help its clients rationalise the use of specialists such as lawyers and tax professionals when dealing with specific issues of each country.

“We try to know a little about a lot, so that we can flag potential problems clients may face relating to conflicts of law, taxation, reporting and so on, and then guide them to specialists, such as an Australian lawyer or a US tax expert,” explains Triggs.

“A challenge for many clients dealing with unfamiliar taxes and legal systems, is not that they don’t know all the answers, it is more that they don’t even know some of the questions. And that is where we can help.”

AN INDUSTRY FIX

One of the upshots of CRS, meanwhile, could be a more fundamental review by private banks of their business model.

For instance, the private banking industry, in Triggs’ view, must also do some serious thinking about the way it compensates its advisers.

It needs to pivot away from an excessive focus on revenue, or else risk being made obsolete by advisers perceived as having goals more aligned with their clients, or by technology.

“Everyone says they are client-centric, but they do not all ‘walk the talk,’” he says.

With the introduction of CRS, he believes, clients may start to question why their assets are offshore at all; some banks are anticipating a repatriation of assets to home countries, as has been seen already in Europe.

Many may even take to online platforms that offer low cost (or free) advice and investment solutions, instead of going to a private banker.

“The competitors we fear at DBS are not the other banks, but fintech companies,” says Triggs. “Our goal is to digitise a lot of what we do, and become one ourselves.”

Recently winning an award as ‘The world’s best digital bank’ was a good start along these lines.

Industry changes are also partly driven by a lack of talent in the form of wealth managers with the required experience, given the growing complexity of the issues they need to advise on today.

“Most banks usually have people who can essentially sell investments and trusts, but people who have been around long enough to really give multi-jurisdictional advice to clients in this new transparent world, and do so objectively, are hard to find,” explains Triggs.

“We see CRS as creating a level playing field, distinguishing the good advisers from the bad and the merely ugly, and bringing home to clients the need for expert advice. And that’s a good thing,” he adds. ■