

# IDENTIFYING A SUITABLE WEALTH PLANNING REGIME

**Angelo Venardos, chief executive officer of Heritage Trust Services, looks at some of the key differences in trust regimes, and broader wealth planning options, between Singapore and Hong Kong – and what this means for the attractiveness of each jurisdiction.**

## **What are the drivers behind Singapore's plans to criminalise money laundering?**

First, such a move positions Singapore ahead of the regulatory curve and also ensures to the rest of the world that it is maintaining its position of integrity in today's changing banking and financial landscape.

Secondly, given that Singapore only gets around 10% of its overall assets under management (AUM) in the wealth sector from Europe, it doesn't want to encounter further OECD pressure.

Thirdly, with eight out of the top 20 wealth-creation markets in Asia – including India, China and Indonesia – Singapore wants to focus on attracting clients and assets from Asia rather than from Europe.

## **To what extent is there any jurisdictional arbitrage between Singapore and Hong Kong?**

While both the Monetary Authority of Singapore and Hong Kong Monetary Authority are telling the banks in each jurisdiction that they must follow relevant KYC and compliance guidelines, there is no doubt that in the room of Hong Kong there is a big elephant – China.

We saw evidence of this at the G20 global forum two years ago, when US president Barack Obama was on the stage with his French counterpart Nicolas Sarkozy. At the last minute, Obama had to draw Republic of China Premier Wu aside, to agree to the list (of tax havens) which had Hong Kong and Macau on the white list, yet with Singapore on the grey list.

At the time, Singapore had some 60 double taxation agreements (DTAs) in place, many of which included exchange-of-information provisions.

Rightly or wrongly, there is a perception that Hong Kong is softer on the acceptance of inward fund flows.

It will be interesting to watch, since these jurisdictions are very competitive in attracting wealth management players to their shores, whether Hong Kong will also seek to follow Singapore in terms of criminalising non-taxed monies.

## **How would you compare and contrast Singapore and Hong Kong?**

The Singapore government started to develop a "Switzerland of Asia" wealth management model more than 10 years ago, with 4 key pillars:



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- An English common law legal system
- A Westminster form of democracy
- A well-regulated financial services industry
- A financially-stable economic environment

Plus, through its investment arms, Singapore's government took substantial equity stakes in such private banking players as UBS, Citibank, DBS Bank and Standard Chartered Bank. Hong Kong, by contrast, is very much an investment banking market, focusing on IPOs, Sino-M&A deals and a trading company environment.

### **What distinctions exist between these two jurisdictions in terms of the trust industry?**

While Heritage has offices in both jurisdictions, the fact that Singapore five years ago reviewed its trust industry by amending its Trust Act and licensing regime (to date there are 53 trust company service providers), as opposed to the generally unregulated trust sector in Hong Kong. This is the major distinction.

My personal view is that the Hong Kong authorities will maintain a laissez-faire approach. And while many Hong Kong trust professionals are lobbying for changes to bring the trust industry in line with that in Singapore, as stated above, the big elephant in the corner has many other priorities to deal with. And again in my view, Hong Kong does not want to attend every party that the G20 invites it to – besides, it's very hard to draft a trust deed where the rule of law will revert in 35 years' time (in 2047) back to China.

### **How are current market trends impacting the choice clients are making in terms of which trustee they prefer?**

In a recent Asian survey commissioned by STEP, entitled "The Future of Asian Trust and Estate Practice", some of the major findings highlighted include:

- Asian clients will remain very sensitive to fees, but the perception of Asia as a low-cost centre is inaccurate
- Independent asset management boutiques will increase their share of the investment services market, along with the move by clients to independent trust companies who act strictly as trustees and fiduciaries, and are not cross-selling other products

This is also evident by some banks now getting rid of their trust operations.

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