DRIVING SWISS-ASIA CONNECTIVITY

Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October explored the reality of the Asian opportunity – both via investment strategies and trends, as well doing business profitably, sustainably and compliantly in what is arguably the most exciting region globally for wealth growth.

With Switzerland's wealth management industry in a state of flux, banks and other advisory firms are looking increasingly to Asia as the catalyst for growth – as are wealthy European individuals and families.

At the same time, Asian clients are looking to explore wider opportunities, for business and personal investments.

Against this backdrop, speakers from Europe and Asia came together at Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October. They looked at opportunities via a wide spectrum of asset classes, as well as the new requirements in today's landscape for effective wealth structuring, tax planning and setting up new operations.

The aim was to understand how to do business in Asia today given the investment, regulatory and compliance dynamics and requirements.

Some of the key take-aways included:

THE SWISS-ASIA LINK

- The need to be aware of the different demographics in Asia – while the average age of a client in Switzerland

is typically between 65 and 75, the range in Asia is more like 45

- For those European institutions with a long-term view on Asia, a quality team and the commitment to establishing a presence on the ground, there is scope to build stronger connectivity with Switzerland
- An important part of breaching the Asian market is finding the balance between sticking with what firms know, and having the agility to adapt to what the client wants
- The biggest challenge is converting the brand into a resonating product set that matches the cultural norms in Asia
- One of the biggest challenges wealth managers are facing in Asia is convincing potential clients – many of whom are of first-generation wealth – of the value-add
- Some of the biggest competitors are not other wealth managers, but cash, real estate and fixed income investments
- It is essential that any wealth management professional seeking to do business in the region has some kind of local presence

- Client interests and needs vary between the developed markets like Singapore and Hong Kong, and those largely still in their infancy, such as Indonesia

FINDING VALUE IN ASIA TODAY

- Those investors which made mistakes from initially rushing into the Asian markets seem to have learned from them – they need to look at things like liquidity and volatility
- While Asia has been a high-growth region for the past few years, a structural transition has taken place
- Asian growth, previously driven outwards by exports, is now led by domestic consumption

- Various countries across Asia move at different speeds. Some of them, like China, have already moved into a phase where growth is driven by consumption while others, like India and the Philippines, are still struggling to transition and continue to depend on exporting services for growth
- While China and India are often seen as competitors, with China leading overall given its super-sized economy, India as an investment destination hasn't disappointed in terms of investment returns
- In China, the private sector is hindered by governmental roadblocks yet still leads growth and development; India is propelled by public sector enterprises spearheaded by government policies
- An early assessment of risks in Asia such as geo-political issues and country risk is important to be able to safeguard the portfolio from avoidable losses
- It is important to work with local partners which have a greater understanding of the domestic market, to assess such risks

DOING BUSINESS PROFITABLY IN ASIA

- Recent consolidation within the Asian wealth management industry has further highlighted the need for clearly-defined strategies and client segmentation to fuel profitable growth

- Operational efficiency and a lower cost-to-serve are further success factors

- Institutions either need scale or must focus on a particular niche to survive and thrive in the face of various challenges

- Even before committing to setting up operations in the region, organisations should question the need for having any presence at all in Asia

- No longer is it realistic for individual firms to expect to be all things to everyone. Indeed, the current model where large universal banks do everything is disintegrating

- Customers will change and they have more avenues now – such as looking to non-financial services providers for simpler products and services

- Unlike in the US, where salespeople in the wealth space are highly competitive, developed and professional, Asians tend to consider their job as a status symbol without any sense of loyalty towards the organisation

- When looking to access a new market in Asia, it might also be a good idea to call on the assistance of a local partner, especially when operating outside of Singapore and Hong Kong

OPTIMISING WEALTH

- The focus for estate, succession and tax planning must be on ensuring the most suitable solutions are found and then implemented for every individual or family

- A notable characteristic of many wealthy Asians is the international dimension of their investments – so they need to consider this in terms of succession

- opaqueness is still going to be an opportunity – the key is managing client expectations by discussing the regulations and their impact ahead of time with a plan of action for the future

- Transparency is an excellent opportunity for advisers to improve

their knowledge about a client in terms of their citizenships, tax residences and the structures set up in the past

- Given the big regulatory drivers such as FATCA, which are pushing the market towards more substantive structures, solutions must be robust and an exit plan needs to be in place

- To deal with the requirement for transparency on all structures, clients and advisers must review the existing ones – and as part of this, compartmentalising assets is key

- Transparency has brought the relevance of citizenship and residency to the forefront, and more so in Asia

- Some of the best places to consider when it comes to citizenship and residency planning are Switzerland, the UK, North America, Canada and Singapore

- The term “tax transparency” might be a bit of a misnomer because

- With significant changes underway in the wealth advisory space, there is also a growing need for clients to be engaged on a digital platform to help them execute transactions

- In jurisdictions at a relatively early stage of considering AEOI, there is an opportunity to help shape the regulations

- Those authorities grappling with the international framework seem to welcome the co-operation and assistance of practitioners with a global presence

- The new regulations bring with them a need for more talented people