

CA | ComplianceAsia
WEALTH MANAGEMENT
BEST PRACTICES FROM
SINGAPORE

Wealth in Asia

- Asia Pacific, as a region, third largest number of HNWI – a little over 2.5 million.
- Asia Pacific contains 27.1% of the global HNWI population.
- Singapore- second largest offshore private banking centre after Switzerland.
- 150 700 HNWIs in Singapore with an average wealth of US\$4.8 million per person.

Number of Millionaires

Millionaire households

Number of millionaire households (thousands)	Proportion of millionaire households by market (%)
1. (1) United States 5,220	1. (1) Singapore 15.5
2. (2) Japan 1,530	2. (3) Switzerland 9.9
3. (3) China 1,110	3. (2) Qatar 8.9
4. (4) United Kingdom 570	4. (4) Hong Kong 8.7
5. (5) Germany 400	5. (5) Kuwait 8.5
6. (7) Switzerland 330	6. (6) UAE 5.0
7. (8) Taiwan 280	7. (7) United States 4.5
8. (6) Italy 270	8. (8) Taiwan 3.5
9. (9) France 210	9. (10) Israel 3.4
10. (10) Hong Kong 200	10. (9) Belgium 3.1
11. (12) India 190	11. (12) Japan 3.0
12. (14) Canada 180	12. (11) Bahrain 2.6
13. (16) Singapore 170	13. (13) Ireland 2.3
14. (11) Netherlands 170	14. (14) Netherlands 2.3
15. (13) Spain 160	15. (15) United Kingdom 2.2

Ultra-high-net-worth (UHNW) households (more than \$100 million in AuM)

Number of UHNW households	Proportion of UHNW households by market (per 100,000 households)
1. (1) United States 2,692	1. (1) Saudi Arabia 18
2. (2) Germany 839	2. (2) Switzerland 10
3. (3) Saudi Arabia 826	3. (3) Hong Kong 9
4. (4) United Kingdom 738	4. (5) Kuwait 8
5. (5) Russia 561	5. (4) Austria 8
6. (6) Italy 494	6. (6) Norway 7
7. (7) Canada 425	7. (7) Qatar 6
8. (13) China 393	8. (8) Denmark 5
9. (8) France 377	9. (10) Singapore 5
10. (9) Switzerland 352	10. (9) UAE 5
11. (10) Turkey 341	11. (11) Israel 4
12. (11) Austria 297	12. (12) Sweden 4
13. (12) Netherlands 278	13. (13) Netherlands 4
14. (14) Australia 231	14. (14) Belgium 4
15. (15) Hong Kong 223	15. (15) Canada 3

() = Ranking in 2009

Source: BCG Global Wealth Market-Sizing Database, 2011.

Note: UAE is United Arab Emirates.

Definition of Wealth Management & Private Banking

■ Wealth Management

- Financial services provided to wealthy clients, mainly individuals and their families;
- Broader and handles both assets and liabilities side of clients' balance sheet;
- Brokerage, core banking products, lending products, asset management, insurance products and wider range of concierge-type services.

■ Private Banking

- An important subset of Wealth Management;
- Discretionary asset management, brokerage, limited tax advisory services, basic concierge-type services.

Type of Models

- Private Banks – HNW individuals and Families .
- Consumer banks – Priority Banking services.
- External/Independent Asset Managers.
- Independent Financial Advisers [“IFAs”] – offer and only provide advice.

Singapore Regulatory Regime

- Monetary Authority of Singapore.
- Banking Act.
- Securities and Futures Act.
- Financial Advisers Act.
- Regulations.
- Guidelines and Notices .

Fund Management Regime

- Capital Market Services Licence in Fund Management.
- Exempt Fund Manager – provide services to not more than 30 “qualified investors” which includes certain categories of “accredited investors”.
- New Fund Management Regime in 2012 – 3 tiered licensing regime.

Financial Advisers Regime

■ Financial Advisers Licence

- Advising others, either directly or through publications or writings, and whether in electronic, print or other form, concerning any investment product, other than;
 - (a) in the manner set out in [paragraph 2](#); or
 - (b) advising on corporate finance within the meaning of the [Securities and Futures Act \(Cap. 289\)](#).
- Advising others by issuing or promulgating research analyses or research reports, whether in electronic, print or other form, concerning any investment product;
- Marketing of any collective investment scheme;
- Arranging of any contract of insurance in respect of life policies, other than a contract of reinsurance.

Financial Advisers Regime

- **Exempt Financial Adviser**– act as financial advisers in giving advice, or in issuing or promulgating analyses or reports, concerning any investment product (other than life policies), to not more than 30 accredited investors.

Best Practices

1. Advisory and Sales Process;

- Needs Based Sales Process;
- Disclosure of information to clients;
- Switching activities;
- Remuneration structure;
- Review of recommendation and monitoring of sales practice.

Best Practices Needs Based Sales Process

- Know Your Client

- Financial Objectives of Client
- Risk tolerance of Client
- Employment Status of Client
- Financial situation of Client
- Highlight to client the following in writing ;

“the information provided by client will be the basis on which the recommendation will be made” and “any inaccurate or incomplete information provided by the client may affect the suitability of the recommendation”.

- Financial Needs Analysis

- Based on the Fact Find, representative is required to make a reasonable recommendation based on client’s specific investment objectives, financial situation and particular needs.

- Customer Knowledge Assessment

- Documentation and Record Keeping

- Product summary, benefits illustration, summary of fact-find, recommendation made to client , and statement from client that he/she does not wish to provide any information requested by adviser, accept the adviser’s advice and receive any recommendation from the adviser.

Best Practices

■ Disclosure of Information

- Information about the adviser and representatives;
- Information about the adviser and representatives;
- Rights of client -7 day cancellation, free-look period;
- How needs-based sales process will be conducted - ie. full fact-find, partial fact-find, product advice and no advice;
- Importance of client to provide complete and accurate information;
- Avenues for client to seek redress (eg FidRec, courts, FPAS).

■ Switching Activities

- Draw attention to fees and charges incurred by client in writing;
- Indicate any disadvantages faced by client – penalties, transaction costs etc;
- Provide prominent warning to clients;
- Require Client Declaration – client is aware of the fees and charges and would like to proceed;
- Require Representative to declare if client is entitled to free switching;
- Supervisors Role- review recommendation and indicated in writing if he agrees or not.

Remuneration Structure

- **Good Practice to look at other areas besides sales targets;**
 - Compliance with regulations;
 - Number of complaints received;
 - Number of cancellation or switches.

Best Practices

- **Review of recommendation and monitoring of sales practice;**
 - Need for controls and systems to monitor activities of representatives;
 - Need to evaluate performance of representatives;
 - Measures to ensure quality of financial advisory services.

2. Training and Competency

- Requirement for all FAs to have Training & Competency Plan [“T&C”];
- Structured training programme – number of CPDs to complete;
- Minimum exams requirements for representatives;
- FAs to assess competency of representatives.

3. Recruitment Procedures

- Need to appoint fit and proper individuals as representatives;
- Conduct reference checks and background checks;
- Set out recruitment policies.

Thank You

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