



S'pore has become a magnet for Chinese billionaires

Strong bilateral ties and connectivity to Asean and global networks make the city state a strong contender for wealthy Chinese family offices looking to set up shop outside China

Yu Hong

We have seen a boom in the world of wealth management over the past decade. Singapore's assets under management trebled from \$1.82 trillion in 2013 to \$5.4 trillion in 2021, according to the Monetary Authority of Singapore's (MAS) Singapore Asset Management Survey.

Family offices set up in Singapore today to manage the wealth of the super-rich are expected to contribute significantly to the nation's growing wealth advisory pie following a period of extraordinary growth.

The total number of family offices here rose to 700 in 2021, from 400 in 2020 and a mere 50 in 2018, according to government estimates. Some industry estimates put the number closer to 1,500 now.

While the nationality breakdown is not known, the city state is so attractive as a family office hub destination that the authorities are confident that tightening qualifying conditions for tax incentives would not spook investors.

Since early 2022, family offices must have a minimum fund size of \$10 million and make a commitment to raise this to \$20 million within two years. The authorities also require family offices set up in Singapore to invest at least 10 per cent or \$10 million of their funds, whichever is lower, in the local market.

INFLUX OF CHINESE FAMILY MONEY

The growing popularity of Singapore as a family office hub has been partly driven by the influx of Chinese family money by clients keen to strengthen their portfolios and drawn to the country's reputation for good

governance, rule of law and stability as an international financial centre.

Against the backdrop of global economic gravity shifting to Asia, the region has seen an accompanying accumulation of wealth, particularly in China. According to the Hurun Global Rich List, China accounted for more than 60 per cent of the world's new billionaires in 2020.

In recent years, many have chosen to move their money from Hong Kong as a hedge, after the 2019 mass protests and China's tightening grip over the city shook investor confidence and raised concerns over parking wealth within Beijing's jurisdiction for the long term.

In 2022 alone, Hong Kong lost 3,000 high-net-worth individuals while Singapore gained 2,800, according to Mr Rupert Hoogewerf, chief researcher of the Hurun Wealth Report.

Assets held in Hong Kong are not subject to foreign exchange capital controls imposed in China and can easily be transferred to other financial centres like Singapore. Hong Kong has over 20 international investment and protection agreements with other economies that facilitate two-way investment flows.

China's three-year zero-Covid policy also marked a turning point for many high-net-worth individuals, who are reconsidering the wisdom of storing wealth there. This, as the authorities' have demonstrated that they are not averse to recurring citywide lockdowns in major cities like Shanghai, the country's financial centre, impractical travel rules and other economically damaging rules such as those that restricted movement and sealed the country off from the rest of the world.

Recent reassurances from Chinese Premier Li Qiang that China is committed to promoting a business-friendly environment

and the agenda of growth and recovery put forth by the Two Sessions in March notwithstanding, China is seen as a good place to make a fortune but less so to park money.

SINGAPORE'S TRADE CONNECTIVITY AND EXPERTISE IN WEALTH ADVISORY

Family offices are an instrument for immigration to countries like Singapore, with a Global Investor Programme according permanent residency to eligible investors.

Singapore also has a strong bilingual education system and

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high standard of living, which enhance its appeal for wealthy Chinese seeking to move their families here and desiring a good education and premium living environment for their children. Among those who now live in Singapore are Shein founder Chris Xu and Haidilao founders Zhang Yong and Shu Ping.

As a financial centre, Singapore offers a strong combination of technical competence for the ultra-wealthy looking to protect their legacy, with its wide range of sustainable finance, accounting, international arbitration and other professional services, an ecosystem of sustainable finance and private equity firms, and wealth-friendly regulations.

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With Asean poised to become the world's fourth-largest economy by 2030, the region is a hotbed for businesses and start-ups catering to a rising middle class and tapping a young and energetic workforce.

The green and digital economies also offer fresh growth opportunities, with Singapore having inked five digital economy partnership agreements – with New Zealand, Chile, the United Kingdom, South Korea and the European Union.

STRONG BILATERAL TIES A PLUS

Amid geopolitical tensions, trade spats and supply chain shocks centred on the China-US rivalry, the thriving bilateral relations between Singapore and China provide strong reassurance to Chinese investors that the city state is a safe bet to park their wealth.

Singapore and China both greatly value their ties with each other. The most recent signal came from Prime Minister Lee Hsien Loong's trip to Beijing that saw him hold meetings with the four most senior Chinese leaders – President Xi Jinping, Premier Li Qiang, National People's Congress chairman Zhao Leji, and Chinese People's Political Consultative Conference chairman Wang Huning. This is rare for a visiting head of government.

Both sides agreed to upgrade bilateral relations to an "all-round high-quality future-oriented partnership", reflecting their commitment to further expand bilateral cooperation and explore new areas of collaboration in the digital and green economies,

finance and aviation.

Mr Xi characterised the relations between China and Singapore as "forward-looking, strategic and exemplary", and said they set the benchmark for China's ties with other countries in the region.

A strong sense of trust undergirded by decades of mutually beneficial cooperation underpins this investor confidence. Within China, Singapore is recognised as the country that participated the earliest and most fully in China's reform and opening up after the 1970s, and it continues to have deep involvement in China's regional development, with government-to-government projects in Suzhou, Tianjin, Chongqing and Guangzhou.

Meanwhile, bilateral trade maintained strong momentum even during the global Covid-19 pandemic. Singapore's merchandise trade with China in 2022 increased by 9 per cent and reached \$175 billion, according to Ministry of Trade and Industry statistics.

Singapore has also been China's largest foreign investor since 2013, with the Big Three banks – DBS, UOB and OCBC – establishing a strong presence in many major Chinese cities.

The bilateral economic outlook is set to remain robust. Singapore and China are working together to upgrade the China-Singapore Free Trade Agreement, which is expected to provide a further boost to bilateral trade and investment.

A POPULAR DESTINATION FOR FAMILY OFFICES

Singapore is emerging as a competitive family office hub in Asia, and Chinese billionaires are understandably keen to participate.

With its status as a renowned international financial centre, its long-held reputation for efficient governance, a strong regulatory framework, well-developed infrastructure and, importantly, the Government's pro-business and investment policies, Singapore has long been a popular investment destination for rich businessmen, wealthy families and tech entrepreneurs from Asia and elsewhere.

The growth in family offices both reflects and reinforces Singapore's competitiveness in the financial sector, with positive spillover effects to the wider business community here.

The question is whether local talent can keep up as demand for experienced professionals managing family offices rises, and whether the entry of the super-rich class into Singapore will raise concerns among Singaporeans over rising private property prices and demand for luxury cars.

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