The Wealth Management Strategy of the 2000s

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In 1971, six years after independence, Lee Kuan Yew declared that Singapore set out to be to Southeast Asia what Switzerland was to Europe, "a money and gold market".[1] For three decades that ambition was pursued mainly through the Asian dollar market, the foreign exchange market and the regional treasury operations of multinational banks, which Part C describes. Private wealth was present, although no deliberate policy yet addressed it. That changed at the turn of the century. Between 1998 and 2008 the government and the Monetary Authority of Singapore (MAS) set out to make the city a global centre for wealth management. They used every instrument available to a small state with a strong executive: tax exemptions, the placement of public funds with private managers, a training institute, a modernised trust law, a new licensing regime for trust companies and a statutory banking secrecy rule that was rewritten in 2001.

This chapter examines that strategy. It begins with the decision to treat wealth management as a strategic priority and with the measures that gave effect to it. It then analyses the banking secrecy provision of the Banking Act in the form it took in 2001, the reform of trust law in 2004 and the Trust Companies Act of 2005. A fourth section follows the arrival and growth of private banks from Switzerland,

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Europe and Asia, including the creation of a Singapore-headquartered private bank in 2010. The chapter ends with practical consequences for advisers and with a comparison between Singapore and Geneva. The later transformation of secrecy into transparency for foreign tax purposes belongs to Part E and is treated there only by cross-reference.

The chapter has a direct counterpart in the Geneva volume. *Genève, place financière internationale* traces how Swiss banking secrecy was placed under the protection of criminal law by the Federal Banking Act of 1934 and how it lost most of its force against foreign tax authorities between 2008 and 2018.[2] Singapore entered the market for private wealth at the moment when that Swiss model came under attack. The decade examined here therefore shows a young centre building institutions modelled partly on Switzerland while the original was being dismantled, a sequence that explains both the speed of Singapore's rise and the speed with which it later had to adjust.

Essentials

From 1998 the government of Singapore pursued a deliberate strategy to make the city a global centre for asset and wealth management, beginning with the placement of public funds with private managers and continuing with tax exemptions, the Wealth Management Institute of 2003 and the abolition of estate duty for deaths from 15 February 2008. On the measures of the MAS surveys, assets managed in Singapore grew from S$150.6 billion at the end of 1998 to S$1.173 trillion at the end of 2007. Section 47 of the Banking Act, re-enacted in 2001, prohibits the disclosure of customer information except as expressly provided in the Act and its Third Schedule, with penalties of up to S$125,000 or three years' imprisonment for individuals. The Trustees (Amendment) Act 2004 modernised trust law with effect from 15 December 2004, including a fixed perpetuity period of 100 years and protection against foreign forced heirship rules, while the Trust Companies Act 2005 replaced voluntary registration with compulsory licensing by MAS from 1 February 2006. Swiss, European and Asian private banks expanded in Singapore throughout the decade, while the pressure on Swiss secrecy after 2008 accelerated the flow of assets and bankers to Asia.

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Notes

1. Owen Walker and Chan Ho-him, "Switzerland's wealth managers bank on a future in Asia", *Financial Times*, republished by SWI swissinfo.ch, 16 October 2024: Lee Kuan Yew visited Zurich in 1967 and said in 1971 that "Singapore sets out to be to south-east Asia what Switzerland is to Europe – a money and gold market". ↩
2. Ressos, *Genève, place financière internationale*, partie D, chapitre IV (loi fédérale sur les banques du 8 novembre 1934 et son article 47) and partie E, chapitre III (la fin du secret bancaire à l'égard des autorités fiscales étrangères, 2008–2018). ↩

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