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Super-rich capitalism: managing and preserving private wealth management in the offshore world

Introduction

In the post-2008 era of managing the political economy of austerity, offshore financial centres (OFCs) have once again come under the spotlight, but this time scrutiny has been from both the academy and national governments, mainly in OECD countries, who are critically examining their 'secrecy' and role as 'tax havens' (see Hampton and Christensen, 2002; Maurer, 2008; Palan et. al., 2010; Shaxson, 2012; Sikka and Willmott, 2010). Importantly, national governments are not only putting organizations which use OFCs as 'corporate taxation havens' under the microscope (see *The Guardian*, 2013), but they are also exposing the secrecy, opaqueness and non-compliance in personal taxation that have shrouded the OFCs' nexus of private banking and private wealth management. From the late 2000s, the USA and UK especially, have put the issue of 'super-rich' personal tax minimalism high on the political agenda as their respective revenue agencies, the Internal Revenue Service and Her Majesty's Revenue & Customs, seek to collect personal income tax from their citizens who have investments in private banks or other wealth management institutions. The introduction of the USA's Foreign Account Tax Compliant Act (FATCA) in 2010, which mandated banks to share the personal taxation information on their US citizens, has paved the way for other OECD countries to seek global data sharing on banking secrecy (*The Financial Times*, 2014a). But, unlike the role of OFCs for the corporate world (see Tax Justice Network, http://www.taxjustice.net/; Shaxson, 2012), there is a real dearth of conceptual writing and empirical data on the role of OFCs, 'tax havens', in managing the offshore private wealth of the global super-rich. This is not a surprise given that to the best of our knowledge, no national government, supra-national organization (like the International Monetary Fund) or non-governmental organization (for example, Oxfam) has access to official statistics and data on the stock of private wealth piled-up in OFCs.

Thus, the specific aim of this chapter is twofold: first, to explore the role of OFCs specifically in managing private wealth; and second, to reveal, from a variety of non-official data sources, the position of OFCs in managing the flow and stock of private wealth, assets under management (AuM), deposited in these offshore jurisdictions. Following this introduction, the remainder of this chapter is organized into four distinctive parts. First, we explain the role of the specialist banking and advanced business services (ABS) sector in managing private wealth drawing on our own previous work (Beaverstock, 2012; Beaverstock et. al., 2013a; 2013b), and the specialist writing on private banking (see, Cassis and Correll, 2009; Maude, 2006) and OFCs (Haberly and Wójcik, 2013; Wójcik, 2013). Second, we draw on a range of private official data sources (like Capgemini, Merrill Lynch, the Royal Bank of Canada, and the Boston Consulting Group) to expose the flow and stock of private wealth in selected OFCs, noting in particularly the rise of the Asia-Pacific region as both a global source of, and destination for, private wealth. Third, we look at the rise of Singapore as a global centre for private wealth management given that it is predicted to race ahead of

Switzerland as the major global centre for booking AuM offshore by the end of this decade (see, Deloitte, 2013; PwC, 2013). Finally, we close the chapter with several concluding points highlighting the increasingly important role of OFCs for the management of private wealth in the world.

The offshore financial centre and the 'nexus' for managing private wealth management

There has been a rich seam of research on the role of OFCs in the international financial system, classically small island economies, or Principalities often with close colonial links with the United Kingdom and other European economies (Cameron, 2008; Cobb, 1998; Hampton and Abbot, 1999; Hampton and Christensen, 1999; Hudson, 2000; Palan, 2006; Roberts, 1994; Warf, 2002). But, in most of these studies, and more recently (for example, Haberly and Wójcik, 2013; Wójcik, 2013) there has been an absence of analysis on the role of OFCs in the management of *private* wealth. But, we do acknowledge, that there has been critically acclaimed research and intervention, from an inter-disciplinary perspective, which has made extremely visible the role of OFCs as 'tax havens' and places where corporations especially are exceedingly efficient at minimizing their corporate taxation compliance (see Tax Justice Network, http://www.taxjustice.net/; Shaxson, 2012). We now argue that in order to better understand the operation of the private wealth management industry and its reliance upon offshore jurisdictions it is instructive to integrate understanding of ABS (including management consultancy, accountancy and legal services) more fully into work on the geographies of finance.

Research on the role of ABS' and their 'spatial complex' in the global financial centre have been at the forefront of the intersections between economic geography and world cities studies (see Beaverstock, 2012; Cook et. al., 2007; Faulconbridge et. al., 2007; Sassen, 2013). In this respect, we extend work on the ABS-offshore nexus (Wójcik, 2013) to include the neglected importance of private wealth. This framework is valuable because it demonstrates the importance of attending to the range of different financial and ABS that are central to making up the private wealth management industry *offshore* and reveals the ways in which this nexus articulates the operation of the private wealth management industry across the on and offshore jurisdictions.

In order to develop our argument on the offshore private wealth management nexus we advance Wójcik's (2013) work on what he terms the ABS offshore nexus. Whilst this approach has developed primarily in relation to corporate offshore practices, we extend it in our analysis here to include the case of private wealth management. As part of a wider set of arguments concerning the need to integrate finance with economic geographies of globalization, Wójcik (2013) argues that ABS (including wholesale financial services but also law, accountancy and management consultancy) are critical to understanding the role of offshore jurisdictions in the global economy because they are central to the establishment of financial and legal instruments (Special Purpose Entities [SPEs]) that are aimed at overcoming or escaping governmental regulations on issues such as tax. As such, Wójcik (2013) argues that ABS are vital in governing the global economy by using such entities to bring together the onshore world, primarily through leading world cities where the dense networks of ABS firms allow them to undertake the formation of such entities, offshore spaces through which capital flows within such SPEs and the rest of the world that serves as clients for these products (Figure 1). This approach is instructive for our focus on the private wealth management industry because it draws attention to the range of ABS firms involved in choreographing on and offshore financial networks (Figure 1). It is a particularly useful approach for understanding the transformation of the private wealth management industry because, as the sector has grown out of its private banking history, the range of service providers has increased dramatically, reflecting the growth and changing global distribution of private wealth requiring management both on and offshore (see Beaverstock et. al., 2013a; 2013b; Cassis and Correll, 2009; Maude, 2006).

Historically, the landed gentry and wealthy were predominantly served by the private banking system. Jurisdictions like Switzerland, Luxembourg, Liechtenstein, Andorra, Monaco, Gibraltar and the Channel Islands in Europe, small tropical islands (like the Cayman Islands, Bermuda, British Virgin Islands) and further east, Singapore and Hong Kong developed as OFCs as they became the strongholds for private banks to established offshore office networks (see Bicker, 1996). For much of the twentieth century, the OFC nexus for managing the private wealth of the super-rich was the domain of the private banking milieu, whether that be in the form of taking deposits, offering current accounts, savings and brokerage for example (Cassis and Correll, 2009; Laulajainen, 1998; Maude and Molyneux, 1996). But, from the late 1970s onwards, there began the explosion in the growth of the on and offshore ABS nexus for managing and preserving private wealth (Beaverstock et. al., 2013a; Maude, 2006). The advent of wealth produced by ‘new money’ sources, including for example exorbitant executive remuneration, the ‘bonus culture’ in banking, finance and professional services, selling or the stock market listing of private business, or receiving one off wealth events (Armstrong, 2010; Frank, 2007; Irvin, 2008), led to a significant growth in the number of wealthy customers who would require retail wealth management products and advisory services (Atkinson and Piketty, 2010; Beaverstock et. al., 2013a; Hay, 2013; Hay and Muller, 2012). During this period, successive OECD country governments reduced the tax burden for high earners (for example, in the UK, the top rate of personal taxation was reduced from 83 per cent in 1980 to 40 per cent in 2004: Irvin, 2008; and, Sayer, 2012) and from the 2000s, the super-rich effectively became the beneficiaries of 'financialization' as they were able to accumulate wealth from assets and speculation, playing the casino of the international financial system (Folkman et. al., 2007; Froud and Williams, 2007; Hall, 2009; Sayer, 2012), becoming 'active investors' in the global economy (Langley, 2006).

As a result of the rapid growth of wealthy individuals across the globe, in North America (Frank, 200), Europe (Freeland, 2013) and the Asia-Pacific (*The Economist*, 2013; Long and Tan, 2010) and the demand for more specialist financial products and advisory services, the traditional private banking sector was truly opened out to competition from the entry of global ABS firms in accounting, legal, insurance, and real estate, and wholesale investment, commercial and retail banks, and specialist brokerages (Beaverstock et al, 2013a; Maude, 2006). Thus was born the global private wealth management industry, a collective of private, wholesale and universal banks, and financial and professional services sectors which quickly established office networks and advisory services throughout the on and offshore worlds of international finance (as depicted in Figure 1). According to Scorpio Partnership, the London based private wealth management research strategy consultancy, the global top ten 'mega-wealth managers' (Scorpio Partnership, 2013, p.1) are dominated by universal and wholesale banks' global wealth management and private banking subsidiaries and, or divisions (Table 1), all having significant office representation in OFCs across Europe, Caribbean and Panama, Hong Kong and Singapore, and Switzerland (as bank websites reveal).

Global private wealth and the offshore jurisdiction

The market for global private wealth has become a very lucrative segment of total assets under management (AuM) in OFCs. In 2012, the Boston Consulting Group (BCG) (2013) estimated that there was approximately US$8.5 trillion of wealth booked in the offshore domain, deposited almost entirely by the global super-rich, the so-called ultra-high net worth individual (UHNWI) and high net worth individual (HNWI) market[1]. As the private wealth management industry is dependent on the demand of its products and advisory services from these HNW markets, defined precisely for the wealth management sector (Beaverstock et. al., 2013a), the private wealth management industry has become a truly global financial marketplace as the number of millionaires and billionaires, and the value of their global wealth, have increased on a global scale. But, official data on investible private wealth is difficult to acquire from the public domain unlike Government statistics on personal income.

The global super-rich have entered the public lexicon through popular 'rich lists' (e.g. *Forbes'* List of World Billionaires) and specialist intelligence on the HNWI market published by global private wealth management organizations like Capgemini, Merrill Lynch, the Royal Bank of Canada Wealth Management and the BCG (Beaverstock et. al., 2004). For example, Capgemini Royal Bank of Canada Wealth Management's *2013 World Wealth Report* (2013) estimates that in 2012 there were 12.0 million HNWI, with investable assets greater than US$1 million, holding US$42.2 trillion of global wealth. Back in the mid-1990s, when Capgemini collected this data with Merrill Lynch, they estimated the figure in 1996 to be 4.5 million HNWI with US$16.6 trillion of global wealth. Thus, between 1996-2012, the number of HNWI have increased by +167 per cent (+7.5 million) and more importantly, their share of global wealth has gone up by +US$25.6 trillion (+154 per cent) (Table 2). It is this 'golden age' of wealth creation from the burgeoning HNWI population which has created the demand conditions, and importantly supply of investible assets, for the private wealth ABS nexus to manage in both on and offshore jurisdictions.

Moreover, given that the concentration and relative regional growth in the HNWI population, as estimated by Capgemini Royal Bank of Canada Wealth Management (2013), was in North America, Europe and the Asia-Pacific (including China and Japan), those private wealth management organizations in their respective on and offshore locales – New York, London, Singapore, Hong Kong, Zurich/Geneva, UK Channels Islands and Caribbean and Panama – benefitted from assets being booked in these locations (BCG, 2013; Deloitte, 2013), as 'local bias' dominated the HNWI 'active investor' (Langley, 2006), particularly those from the Asia-Pacific (PwC, 2013). As for the empirical evidence, in 2012, North America and the Asia Pacific each had 3.7 million HNWI, with global wealth valued at US$12 trillion and US$12.7 trillion, respectively, but the rise of the Asia Pacific has been meteoric since 2000, experiencing a +131 per cent increase in the number of HNWI (from 1.6 to 3.7 million) and a +150 per cent increase in the value of private wealth, from US$4.8 trillion to US$12 trillion (Capgemini Royal Bank of Canada Wealth Management, 2013; Capgemini Merrill Lynch, 2002). The major trends and regional nuances in these Capgemini Royal Bank of Canada Wealth Management (2013) and Capgemini Merrill Lynch (2002) data for the HNWI population and their global wealth trends are corroborated in many other independent analyses of millionaires and billionaires (see BCG, 2013; Knight Frank, 2014; Deloitte, 2013; PwC, 2013). But, what is less well known in the public domain is the role of private wealth in OFCs, and it is to this that we turn to now.

Between 2006 and 2012, the BCG (2013, 2007) has estimated that the stock of wealth held in OFCs has increased by just over a quarter, from US$6.7 trillion to

US$8.5 trillion. The fall out of the global financial crisis in 2008 for the HNWI market was short lived as the stock of wealth reduced by only -9 per cent (-US$0.6 trillion) between 2007 and 2008, before returning to growth in 2009 to a level of US$7.4 trillion (BCG, 2008; 2009; 2010). The BCG's (2013) analysis of the destination of offshore wealth shows that Switzerland remains top of the pile, attracting US$2.2 trillion of offshore wealth in 2012, followed by the United Kingdom (London), Channel Islands and Dublin (US$2.0 trillion) (Figure 2). But, what are of significance in these data are the relative positions of Singapore and Hong Kong as destinations for offshore wealth. In combination, between 2009 and 2012, both of these OFCs recorded more than a +50 per cent growth rate (from US$0.7 trillion to US$1.2 trillion) as destinations for offshore wealth, benefiting from the Asia-Pacific region's wider +40 per cent growth rate in the origin of offshore wealth (from US1.5 trillion to US$2.1 trillion), where the 'local bias' to invest was disproportionately directed at Singapore and Hong Kong. For example, in 2011, the BCG (2012) estimated that 76 per cent of Singapore and Hong Kong's US$1 billion offshore bookings were sourced from the Asia Pacific region (US$0.76 billion). It is no wonder that Singapore especially is becoming tagged with the strapline, the 'Switzerland of Asia' (Allen, 2006; *The Economist*, 2013; Pow, 2013). We now turn our attention to Singapore's rising status as one of the premier OFCs for the management of private wealth.

The Lion City: Singapore's rising status as a 'haven' for private wealth

Singapore is the, '[r]ising star of wealth management' (*The Economist*, 2013) not only in the Asia-Pacific, but also on a global stage. PwC (2013, 18) predict that the outlook for Switzerland is challenging as, '…[it]… is expected … to be overtaken by Singapore', primarily as the Asian-Pacific rapidly growing HNWI population look to invest their private wealth locally. This is not a surprising feat over very recent times given that Singapore, and other countries in the wider Asia region like India and China, was relatively unaffected by the fall-out of the North American and European sub-prime financial crisis (Khor and Kee, 2008). The Monetary Authority of Singapore (MAS) actively promotes the competiveness of the City-State's financial centre, and particularly the wealth management and insurance sectors (Long and Tan, 2010) alongside other retail financial services more generally (Lai, 2013). Table 3 indicates the growth of total AuM (including private wealth) in Singapore. Between 1998 and 2007 (pre-financial crisis), the total AuM in Singapore had increased by +U$1022.4 billion (+679 per cent), from S$150.6 billion to S$1,173 billion. At the 2012 year-end, the total AuM in Singapore had increased by +39 per cent (+S$453 billion) from 2007, to S$1626 billion (US$1.33 trillion) (Table 3). From the depths of the global financial crisis in 2008 when AuM was S$864 billion, Singapore's total AuM have experienced a +88 per cent growth rate (+S$762 billion) up to 2012 (S$1626 billion). MAS (2013a, 1) suggests that in 2012, '…approximately 80% of the total AuM was sourced from outside Singapore, demonstrating Singapore's primarily role in serving regional and international investors'. In 2012, the distribution of AuM in Singapore by region was: Asia-Pacific (70 per cent); Europe (10 per cent); and the US (9 per cent) (and other 1 per cent) (MAS, 2013a).

The development of Singapore's private wealth and asset management industry has been at the forefront of contributing to the growth in the volume of total AuM in Singapore. As Long and Tan (2010, p.107) note, '… this growth has primarily come from the development of the private wealth management sector, with an increasing number of Swiss and international private banks and wealth managers setting up shop in Singapore'. But, as we shall discuss now, the reasons for Singapore's rise and preeminence as one of the global premier private wealth management offshore domains is underpinned by significant ‘boosterist’ State promotion for the sector, and the entirety of Singapore’s status and reputation as a truly global financial centre, promoting both political and economic stability, enhanced by numerous inter-linking sector-specific factors.

The attractiveness of Singapore as an enclave for private AuM, drawn from the local Asia-Pacific region, Europe and the USA is five-fold. First, and most significantly, Singapore is a global financial centre with a well-established banking (including wholesale, retail, commercial, private), financial and professional services sector (especially in, accounting, legal services, insurance). Singapore also has a global reputation for trust, a stable political regime, and post-the ‘Nick Leeson’ affair, has a strong and robust regulatory structure. The Z/Yen (2013) Global Financial Centre Index consistently ranks Singapore fourth in its world ranking of global financial centres, often in close competition with its local rival, Hong Kong (Table 4). According to MAS (2013b), in 2013, Singapore had approximately 117 foreign banks, 41 merchant banks, 347 holders of capital markets services licences and 162 registered insurers, from about 2,700 financial and closely-allied institutions. Significantly, Singapore as a global financial centre has a population of the major international branch offices (including Asian-Pacific headquarters), of many of leading global banks from the North America, Europe, the Middle East and the Asia-Pacific. Moreover, since the mid-1990s. Singapore’s financial centre, the ‘Golden Shoe’ district, has also become a prime location for the leading global players in professional services, particularly in: accounting, consulting, legal services, insurance and real estate (Beaverstock, 2002). Z/Yen (2013, p.11) deems Singapore to be a ‘global leader’, in close competition with New York, London and Hong Kong, primarily because like these other centres, it has such, '… broad and deep financial services activities and … [is] … connected with many other financial centres.'

Second, Singapore has a globally recognised specialist banking and financial services cluster focused on private banking, and associated wealth and asset management, which has grown rapidly in size, and in reputational terms, in Pacific-Asia and the North America and Europe since the late 1990s, early 2000s onwards (Long and Tan, 2010). In 2012, Singapore's asset management industry had over 500 registered players, managing a total of S$1363 billion AuM (MAS, 2013a, 2013b). But, it is also the advent of the private banking sector which has given Singapore, like Hong Kong, its competitive advantage in the network of global financial centres. Nearly all of the leading European-based British, Swiss and Dutch, New York-based US and Asian-Pacific based private banks and, or private banking or private wealth management subsidiaries of wholesale and commercial banks, are in Singapore (Table 5). Since its inception as an entrepôt in the nineteenth century, Singapore has attracted a private banking sector focused on the management of an elite, private clientele. Entry into Singapore has been historic, like for example ABN AMRO Private Banking associated with its trading legacy in the Nineteenth Century (see, ABN AMRO, 2014), and current, like Swiss (e.g. Julius Baer Group) and US banks (e.g. Citibank, Goldman Sachs, Morgan Stanley) expanding or entering during the late 1990s and 2000s (Long and Tan, 2010). For the local Singaporean high net worth population, Long and Tan (2010) have charted the importance of the establishment of private trust companies for planning family finances associated with inheritance and trusts.

Third, Singapore has a profound talent pool of highly-skilled bankers, financial and professional services specialists and advisories (accountants, lawyers, insurance experts), drawn from the local Singaporean labour market and from foreign workers, expatriates, whose nationalities are primarily North American (US), European (British, French, Dutch and German), Chinese and Japanese (Beaverstock, 2011; Ye and Kelly, 2011). Between 1991 and 2008, there were +322 000 jobs created in financial services, real estate and leasing and professional services (Ministry of Manpower, 2009). In 2010, the Ministry of Manpower reported that there were 110 000 expatriates in Singapore across a range of sectors, including banking and financial services (*The Financial Times*, 2010). In June 2013, 21% of all service sector employment (339 900 from a total of 1.647 million) was in financial and insurance services (including banking), real estate and professional services (including accounting, legal) (Ministry of Manpower, 2013). The presence of a third of a million workers in these financial and professional occupations ensures that there is a significant supply of knowledge and expertise in the financial centre, which supports the markets for private banking and private wealth and asset management. The private banking and wealth management talent pool has the technical, advisory and relationship-banking experience to manage private wealth, and seek specialist services within Singapore's private wealth community, and between the Lion city and other financial centres (Lai, 2012). Moreover, almost all of the different nationality foreign private retail and wholesale banks (with wealth management functions), and professional services firms, would have employed home country nationals alongside expatriates (Beaverstock, 2011). Since the rapid improvement in economic conditions in Pacific-Asia and Singapore post-2008, there has been a resurgence in employment growth in private banking and wealth management as Singapore's private wealth '… Asian hub …' status has been enhance with the expansion and influx of European banks, especially (for example, Bank Sarasin) (*The Financial Times*, 2010).

Fourth, and very much on the demand-side, Singapore has a high proportion of S$ millionaires, which Jetley (2013) estimates is nearly one in every thirty individuals, and BCG (2013) suggests as being almost one in ten of all households (8.2 per cent). The 'home bias' for investment (PwC, 2013), draws in Singaporean and the local Asian pacific HNWI populations' private wealth (Table 6) into the City-State for management and preservation (Jetley, 2013). To corroborate the significance of AuM in Singapore originating from the local Asia-Pacific region, as already reported, an analysis of MAS' (2013a,b) official data for total AuM in 2012 (totalling S$1,626 billion), does indicate that approximately 70 per cent, S$1138 billion, originated from other Asia-Pacific countries.

Fifth, Singapore is one of the most attractive cities for the super-rich to, 'live, work and play' (Long and Tan, 2010, p. 116). Knight Frank's (2014) *Wealth Report 2014*, ranks Singapore third in the cities that matter to the world's wealthy, after London and New York, and predicts by 2024, the city will still be ranked in the top five most desirable cities for the wealthy (ranked fourth, after London, New York and Hong Kong). The 'financial elites' resident in Singapore, across its corporate economy, including banking and finance, have a ready-made private wealth management 'complex' on their doorstep, composed of an array of domestic and foreign institutions and they can, '… 'live and bank' quite literally 'onshore' in the country' (Pow, 2013, p.1). Pow (2011, 2013) has noted that the City's ability to attract wealth and the super-rich is very much aligned to Singapore's reputation as a, 'liveable city for the super-rich' (Pow, 2013, p.61). On the one hand, the Singaporean Government has pursued a pro-private banking and wealth management policy for the country to become the 'Switzerland of Asia' (Allen, 2006; Pow, 2013), including a relatively low and competitive personal income tax regime (up to a maximum of 20 per cent [Long and

Tan, 2010]). On the other hand, an array of State elites, planners, policy-makers and developers, has invested in an infrastructure to attract and retain the super-rich from Singapore and the region, most notably China. Singapore's 'super-rich' infrastructure not only includes an array of exclusive gated condominiums, waterfront apartments and serviced transport facilities for private yachts, jets and helicopters in places like Marina Bay and Sentosa, but also access to prize winning restaurants, six star hotels, casinos, exclusive luxury goods and international events (Pow, 2013).

Projecting forward, Singapore is expected to retain its position as one of the leading global centres for private wealth management. Moreover, as the market for private wealth grows significantly in the Asia-Pacific region, it will ultimately sustain its place over Switzerland and, perhaps London, to become the pre-eminent offshore private wealth domain. In many ways, China holds the key to Singapore's future success, particularly if it is to become the second wealthiest nation on earth by the end of the decade (BCG, 2013). Returning to Knight Frank's (2014) research, given that nine of the projected top twenty global city UHNWI populations by 2023 are in the Asia-Pacific region (Table 7), and following on from PwC (2013) and Deloitte's (2013) estimations, it will be no surprise if Singapore's private wealth sector continues to grow exponentially if a high proportion of these assets are allocated as AuM in its offshore jurisdiction.

Conclusions

In this chapter, we have addressed two main aims. First, we have brought in to the academic realm a conceptual and empirical understanding of the role of private wealth management in the functioning of the offshore jurisdiction of financial centres, OFCs. Whilst quite rightly the eyes of academia and the public consciousness has been focused on the ways in which multinational corporations use offshore jurisdictions and OFCs in their global business models to minimize their corporate tax (see *The Financial Times*, 2012) , we have made sure that the wealth of the private individual has not been left out of this debate. Our argument shows quite clearly that as the number of HNWI and the value of their global wealth has increased since the early 1990s, so too has the significance of the emergence of the private wealth management sector in both on and offshore jurisdictions, particularly beyond the historical centres of private baking like Switzerland, former British Empire territories and protectorates, and European Principalities, like Luxembourg and Monaco.

Second, and perhaps more importantly, we have mined data on private wealth management flows and AuM to present a brief geography of the financial terrain for the private wealth. The advent of 'new money' and the financialization of the rich and wealthy has contributed to the astronomical rise of the HNWI, particularly from Europe, North America and the Asia-Pacific, which in turn, has created selected havens like London, New York, Switzerland, Caribbean and Panama, and Singapore and Hong Kong, for private wealth to be managed, preserved and accumulated through a nexus of private banks, global accounting, legal and insurance companies, stockbrokers and the like. Post-2008, the rise and stock of private wealth, AuM, cannot be underestimated as a major financial market for global financial institutions and ABS' in both on and offshore jurisdictions, and OFCs as the number of HNWI keep on rising in the world and the value of their global investible wealth reaches record levels up to the end of the decade and beyond.

Looking to the future, with the USA's FATCA 2010 legislation in place and similar schemes under review from the European Union nations in particular to lift the lid on personal tax avoidance across banking and financial institutions mainly doing business in the offshore jurisdiction (*The Financial Times*, 2014b), the role of OFCs' private wealth management nexuses will increasingly come under the microscope from nation-states, supra-national organisations and global regulators alike. Unveiling the secrecy and opaqueness of private banking and the offshore jurisdiction can only be the right and just way forward for nation-states to begin to tackle inequality through the fiscal system, and for the industry itself to enhance its moral and social responsibility for advancing fiscal fairness in global society.

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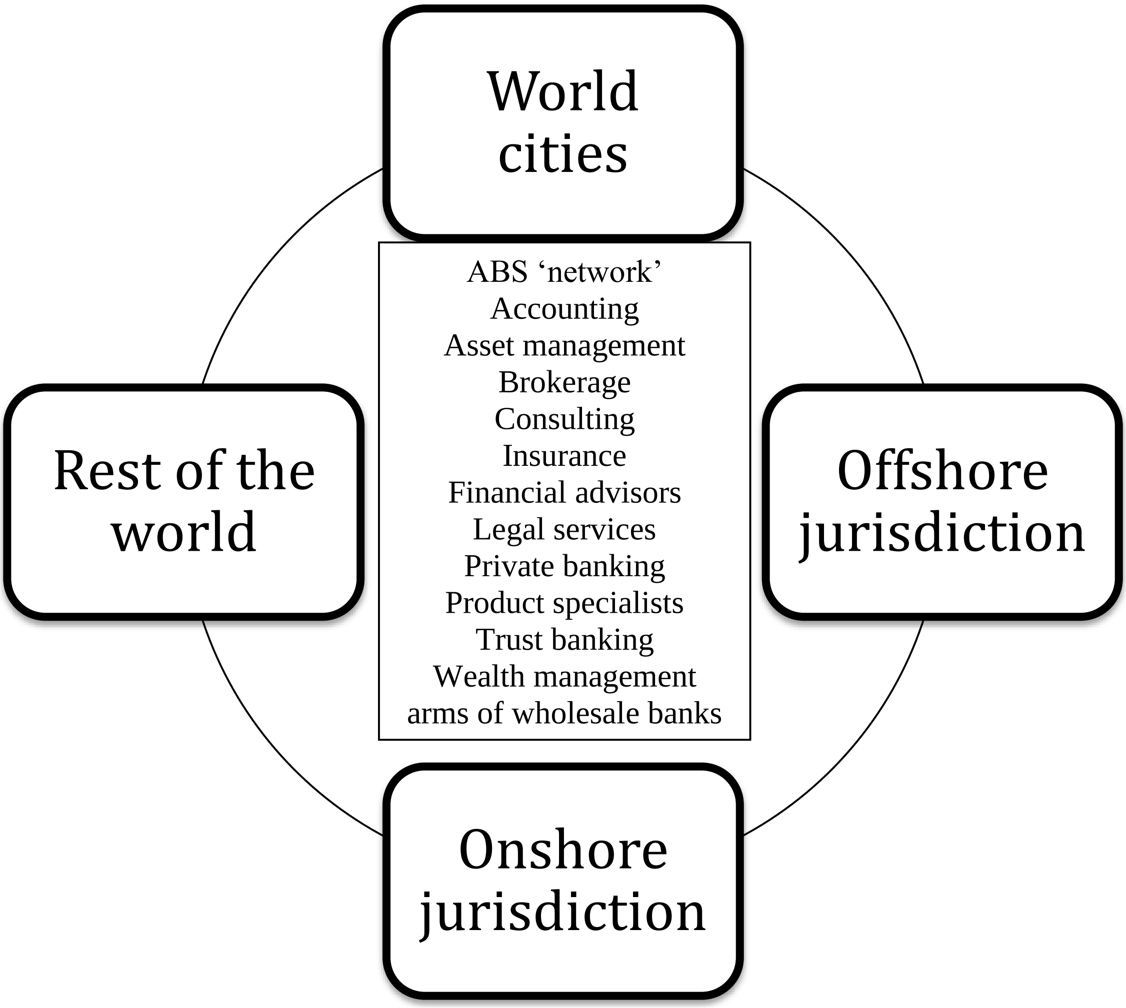
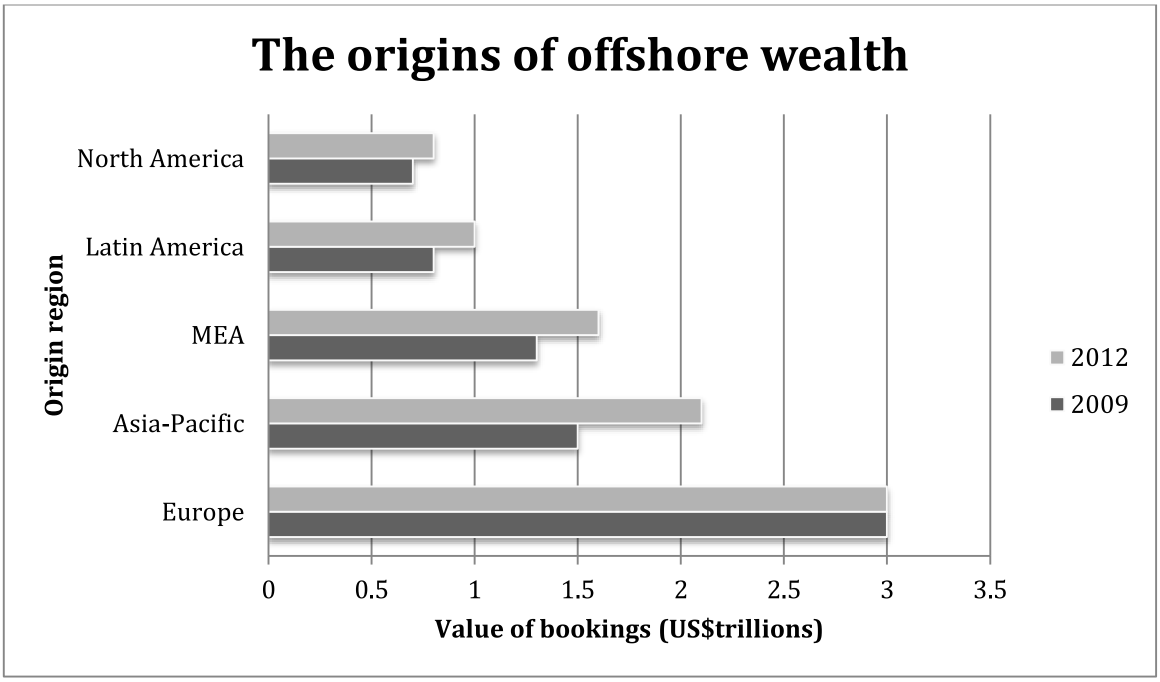
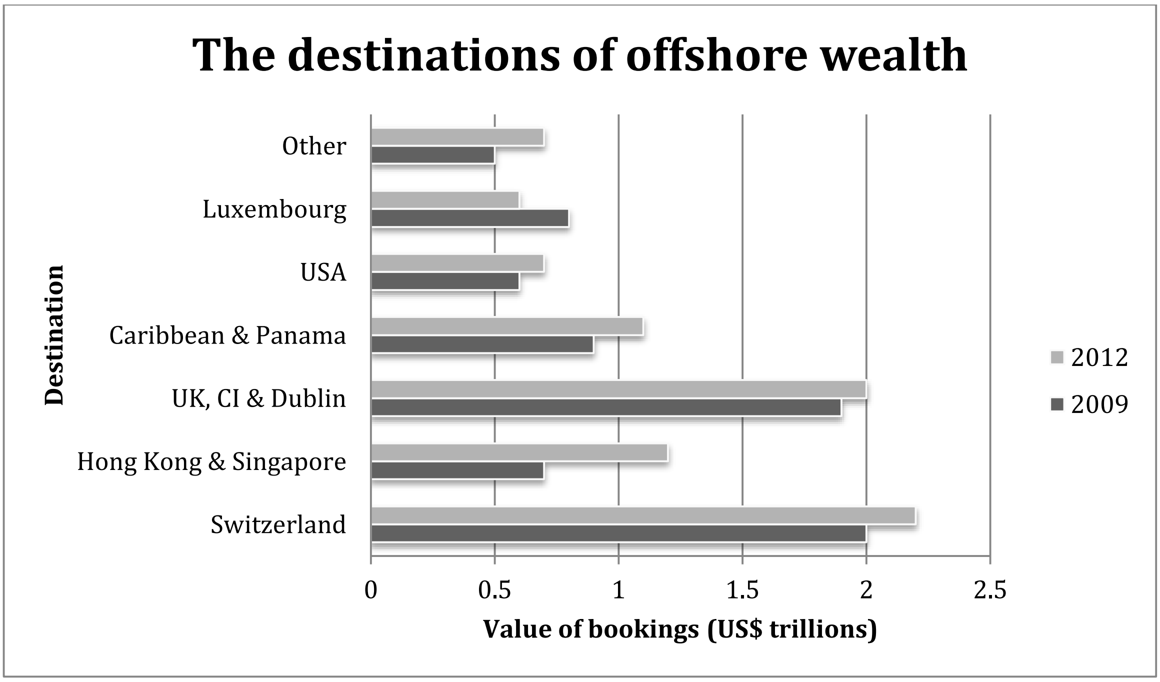
Figure 1. The ABS-offshore practice network and nexus for private wealth management



Source: Adapted from Wójcik (2013)

Figure 2. The origins and destinations of offshore wealth, 2009 and 2012





Key:

1. MEA represents the Middle East and Africa
2. Asia Pacific includes Japan
3. CI represents the Channel Islands (Jersey and Guernsey)
4. The USA is mainly Miami and New York
5. Other includes Dubai and Monaco

Source: adapted from BCG data (2010; 2013).

Table 1. Global top 10 mega-wealth managers by assets under management, 2012

Institution	AuM (US$bn)	Reporting currency	HQ
UBS	1,705.0	CHF	Zurich & Basel
Bank of America*	1,673.5	USD	Charlotte, NC, USA
Wells Fargo**	1,400.0	USD	San Francisco, USA
Morgan Stanley	1,308.0	USD	New York City, USA
Credit Suisse	854.6	CHF	Zurich
Royal Bank of Canada	628.5	CAD	Toronto
HSBC	398.0	USD	London, Hong Kong
Deutsche Bank	387.3	EUR	Frankfurt
BNP Paribas	346.9	EUR	Paris
Pictet	322.2	CHF	Geneva

Notes:

* data for Bank of America include its Global Wealth Management Division, including Merrill Lynch Global Wealth Management, US Trust, Bank of America Private Wealth Management and its Retirement Services business.

** Wells Fargo also include Retirement Service

Source: adapted from Scorpio Partnership (2013)

Table 2. Global population of HNWI and value of private wealth, 1996 – 2012

Year	Number (Millions)	Change (%)	Wealth (US$ trillions)	Change (%)
1996	4.5	-	16.6	-
2000	7.2	+60.0	27.0	+62.7
2005	8.8	+22.2	33.4	+23.7
2006	9.5	+8.0	37.2	+11.4
2007	10.1	+6.3	40.7	+21.9
2008	8.6	-14.9	32.8	-19.4
2009	10.0	+17.1	39.0	+18.9
2010	10.9	+8.3	42.7	+9.7
2011	11.0	+0.8	42.0	-1.7
2012	12.0	+9.2	46.2	+10

Source: adapted from Capgemini Merrill Lynch Global Wealth Management (2008; 2009, 2010, 2011); Capgemini Merrill Lynch (2002, 2007); Capgemini and Royal Bank of Canada Wealth Management (2012, 2013)

Table 3. Growth of total assets under management in Singapore, 1998-2012

Year	AuM (U$ billion)	Growth rate (S$ billion)	Percentage change
1998[1]	150.6	-	-
2000	276.2	+125.6	+46%
2005	720.4	+444.2	+161%
2006	891	+170.6	+24%
2007	1173	+452.6	+63%
2008	864	-309	-26%
2009	1208	+344	+40%
2010	1354	+146	+13%
2011	1338	-16	-1%
2012	1626	+288	+22%

Note:

1. Pre-1998, AuM were recorded as Total Discretionary only, which stood at S$18.1 billion in 1990 and S$86.4 billion in 1995 (MAS, 1998). All figure for 1999 onwards included Total Discretionary and Total Advisory (Non-Discretionary) Funds.

Source: MAS (1998, 2005, 2012)

Table 4. The top five global financial centres in the Global Financial Centre Index

GFCI 1 - 2007	Score	GFCI 8 - 2010	Score	GFCI 13 – 2013	Score
1. London	765	1. London	772	1. London	807
2. New York	760	2. New York	770	2. New York	787
3. Hong Kong	684	3. Hong Kong	760	3. Hong Kong	761
4. Singapore	660	4. Singapore	728	4. Singapore	759
5. Zurich	656	8. Zurich	669	5. Zurich	723

Source: Adapted from the Corporation of London (2007) and Z/Yen (2010; 2013)

Table 5. Leading private banks in Singapore, 2013

ABN AMRO Private Banking	HSBC PTE Private Bank (Suisse) SA
ANZ PTE Bank Singapore	Industrial & Commercial Bank of China
Barclays Wealth	JP Morgan PTE Clients
BNP Paribas Wealth Management	Julius Baer & Co. Ltd
China Construction Bank Corporation	Merrill Lynch International Bank
Citi Private Bank	Morgan Stanley
Coutts & Co. Ltd	RHB Bank BHD
Credit Industriel et Commercial	Rothschild
Credit Suisse	Schroder & Co Asia Ltd
DBS PTE Bank	Societe General PTE Banking (S)
Deutsche Bank PTE Wealth Man.	UBS AG Singapore
Goldman Sachs PTE Wealth	Union BanCaire Privee (S) Ltd

Source: http://directory.stclassifieds.sg/singapore-directory/search?navigators=category&category=Private+Banks&querystring=Private+Banks&catnav=Private+Banks&sortby=directoriescategory&offset=0, accessed 6 August 2013.

Table 6. Millionaire households in proximity to Singapore, 2012

Country	Number of households (000s)		Proportion of households (%)	
	Millionaire	UHNW	Millionaire	UHNW
Japan	1,460	n.a.	2.2	n.a.
China	1,304	851	n.a.	n.a.
Taiwan	312	n.a.	4.0	n.a.
Hong Kong	231	323	9.4	13
Australia	178	231	n.a.	n.a.
India	164	n.a.	n.a.	n.a.
Indonesia	n.a.	221	n.a.	n.a.
Qatar	n.a.	n.a.	14.3	8
Kuwait	n.a.	n.a.	11.5	7
Singapore	n.a.	n.a.	8.2	7
Bahrain	n.a.	n.a.	4.9	n.a.
UAE	n.a.	n.a.	4.0	3
Oman	n.a.	n.a.	3.3	n.a.

Source: Boston Consulting Group (2013)

Table 7. Global cities ranked by projected UHNWI population, 2023

City	Region	UHNWI Population		10-year growth (%)
		2013	2023	
London	Europe	4,226	4,940	+17
Singapore	*Asia-Pacific*	*3,154*	*4,878*	*+55*
New York	North America	2,929	3,825	+31
Tokyo	*Asia-Pacific*	*3,525*	*3,818*	*+8*
Hong Kong	*Asia-Pacific*	*2,560*	*3,502*	*+37*
Frankfurt	Europe	1,868	2,091	+12
Beijing	*Asia-Pacific*	*1,318*	*1,872*	*+42*
Sao Paulo	Latin America	1,310	1,843	+41
Osaka	*Asia-Pacific*	*1,450*	*1,716*	*+18*
Paris	Europe	1,500	1,656	+10
Munich	Europe	1,113	1,651	+48
Seoul	*Asia-Pacific*	*1,302*	*1,595*	*+23*
Taipei	*Asia-Pacific*	*1,255*	*1,576*	*+26*
Shanghai	*Asia-Pacific*	*1,028*	*1,542*	*+50*
Istanbul	Europe	1,110	1,531	+38
Zurich	Europe	1,314	1,521	+16
Mexico City	Latin America	1,088	1,431	+32
Toronto	North America	1,184	1,456	+23
Geneva	Europe	1,156	1,394	+21
Mumbai	*Asia-Pacific*	*577*	*1,302*	*+126*

Source: Knight Frank (2014)

Notes:

[1] The BCG (2013, p. 11) definition of offshore wealth reads, 'assets booked in a country where the investor has no legal residence or tax domicile.'