

Navigating Wealth Management Hubs: Singapore vs. Hong Kong

OVERVIEW

The irresistible appeal and allure of Singapore and Hong Kong are widely known narratives. These two financial powerhouses have long been the subject of comparison and debate among high-net-worth individuals and families who are seeking to either invest their assets or set up their own family offices. As the battle for wealth management dominance unfolds, let us delve deeper into the key factors that make Singapore and Hong Kong the epicentres for entrepreneurs and wealthy families and explore the nuances that set them apart.

WEALTH MANAGEMENT LANDSCAPE



S\$ 5.4 trillion

Assets under Management 2021

US\$ 4.55 trillion

Assets under Management 2021

660

Variable Capital Companies as of 14 October 2022

510

Limited Partnership Fund as of July 2022

~700

Established Family Offices

~400

Established Family Offices

STACKING THEM AGAINST EACH OTHER

| | Singapore | | Hong Kong | |
|---|--|--|--|---------|
| Judicial System | Common Law | | Common Law | |
| SFO License Requirements | License exemption for SFO managing funds for its related corporations or on behalf of a single family only | | License exemption for SFO not providing asset management services to a third party | |
| Personal Tax | | Resident Tax Rate | | 2 – 17% |
| | YA 2023 | 2 – 22% | | |
| | YA 2024 onwards | 2 – 24% | | |
| Corporate Tax | 17% | | First \$2 million | 8.25% |
| | | | On remainder | 16.5% |
| Capital Gains Tax | No | | No | |
| Tax Incentive Scheme | 130 | | 13U | |
| Legal Form | Company incorporated in Singapore | | Company, trust and limited partnership | |
| Residence | Singapore | | No restrictions | |
| Managed By | Singapore-based and holding CMS license, unless exempted | | Singapore-based and holding CMS license, unless exempted | |
| Asset under Management (AUM) | Minimum <u>S\$20 million</u> in Designated Investments at point of application & throughout the incentive period | | Minimum <u>S\$50 million</u> in Designated Investments at point of application & throughout the incentive period | |
| Staffing Requirements | Minimum <u>2 Investment Professionals</u> , of whom at least one is not a family member of the beneficial owner(s) at point of application & throughout the incentive period | | Minimum <u>3 Investment Professionals</u> , of whom at least one is not a family member of the beneficial owner(s) at point of application & throughout the incentive period | |
| Business Expenditure | Tiered business spending framework | | | |
| | AUM < S\$50m | ≥ S\$200,000 | | |
| | | Minimum S\$200,000 Local Business Spending | | |
| | S\$50m ≤ AUM < S\$100m | ≥ S\$500,000 | Not less than HKD \$2 million operating expenditure incurred in Hong Kong for carrying out the investment activities | |
| Minimum S\$200,000 Local Business Spending + Eligible donations to local charities + Grants to Blended Finance Structures (recognised as 2x spending) | | | | |
| AUM ≥ S\$100m | ≥ S\$1 million | | | |
| | Minimum S\$200,000 Local Business Spending + Eligible donations to local charities + Grants to Blended Finance Structures (recognised as 2x spending) | | | |
| Capital Deployment Requirement (CDR) | Invest S\$10 million or 10% of AUM (whichever is lower) in <u>qualifying investments</u> 1.5x or 2x amount invested in eligible investments recognised for Capital Deployment Requirement computation | | NA | |

INVESTMENT FUND STRUCTURES

| | Singapore | Hong Kong |
|---------------------------------------|--|---|
| | Variable Capital Companies | Limited Partnership Fund |
| Structure | <ul style="list-style-type: none"> Stand-alone VCC or umbrella VCC with multiple sub-funds Open or close-ended | Limited Partnership |
| Directors/ Partners | <ul style="list-style-type: none"> At least one director who is ordinarily resident in Singapore At least one director who is a Qualified Representative or a director of the VCC fund manager | <ul style="list-style-type: none"> One general partner At least one limited partner |
| Investment Scope/ Restrictions | No restrictions | No restrictions |
| Re-Domiciliation | Yes | Yes |
| Tax Schemes | 130/U if conditions are met at umbrella level | Unified Funds Exemption regime if conditions are met |
| Double Taxation Agreements | 97 | 40 |
| How suitable for a SFO? | Either SFO is a licensed fund manager or appoint a licensed investment manager to manage the VCC | Requires that not all partners in the fund are corporations in the same group of companies |



Singapore: Where Stability Thrives

As a thriving global wealth management hub, Singapore boasts a multitude of competitive advantages that set it apart from its peers. In an era marked by heightened geopolitical tensions, Singapore's enduring neutrality, political stability and unwavering commitment to economic resilience make it an ideal wealth management hub.

Its strong rule of law, transparent regulatory framework, and consistent policies provide a solid foundation for investors seeking a secure and predictable environment. Singapore's unwavering reputation as a bastion of stability amidst global uncertainties gives investors the confidence to navigate the ever-evolving financial landscape. Additionally, its strategic location at the heart of Asia, coupled with its world-class infrastructure and connectivity, positions Singapore as the premier wealth management hub in the region, catering to the diverse needs of both regional and international clients. By harmonizing stability and success, Singapore offers a robust wealth management ecosystem that continues to attract investors and families seeking long-term growth and prosperity.



Hong Kong: Unleash the Potential of the East

Distinguished as the gateway to Mainland China, Hong Kong stands at the forefront of global wealth management by leveraging its unique position within the Greater Bay Area and the ground-breaking Wealth Management Connect schemes. Renowned for its dynamic and cosmopolitan environment, Hong Kong serves as the bridge connecting international investors to the vast wealth opportunities found in China, one of the world's largest and fastest-growing economies.

With its robust financial infrastructure, deep market liquidity, and extensive expertise in wealth management, Hong Kong offers an unrivalled platform for individuals and institutions seeking to tap into the thriving Chinese market. Its strategic location, coupled with its vibrant business ecosystem and international connectivity, makes Hong Kong an ideal springboard for global investors to unlock exceptional growth potential. By embracing the power of the East and harnessing the opportunities that lie within, Hong Kong empowers investors and families to expand their horizons and achieve unparalleled success.



COMPLEMENTARY WEALTH MANAGEMENT HUBS

In conclusion, Singapore and Hong Kong bring their own set of compelling advantages as wealth management hubs. Rather than viewing them as purely competitive, it is essential to recognise the complementary nature of these two cities – each caters to different client preferences and objectives. Singapore offers a stable and secure environment with its neutrality, political stability and economic resilience, appealing to those seeking a predictable landscape. Meanwhile, Hong Kong serves as an enticing gateway to Mainland China, leveraging its strategic position and providing access to one of the world's most dynamic economies.


Recognising this synergy, SingAlliance, with our multi-jurisdictional presence in Singapore and Hong Kong, offers our clients the unique advantage of flexibility. Our clients have the freedom to choose where to book their assets based on their specific needs, harnessing the best of both cities and ensuring a comprehensive wealth management approach that maximises opportunities and achieves their wealth goals. By embracing the complementary strengths of Singapore and Hong Kong, clients can unlock a world of possibilities and thrive in the ever-evolving global financial landscape.

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