

ANNEX - BFI@SMU Research Report on “The Growing Ecosystem of Wealth Management in Singapore: Lenses on the External Asset Managers”

Summary of Key Findings

1. Perceived growth factors of the EAM industry

- a. Value proposition of the EAMs, namely their ability to focus on building long-term relationships with clients as opposed to short-term sales targets
- b. Value proposition of Singapore, whose ecosystem facilitates and supports the growth of family offices onshore and the development of Singapore as a fintech hub
- c. Support from local authorities, such as government grants for digital adoption by EAMs

2. Challenges to the future growth of the EAM industry in Singapore

- a. The retrocession fee model, which creates a conflict of interest between the EAM and clients, as revenue of the EAM depends on the trading volume of clients
- b. Clients’ lack of understanding of the EAM model
- c. Operational and productivity challenges

3. Opportunities for future growth of the EAM industry in Singapore

- a. Bringing greater value-added solutions to family offices
- b. Greater acceptance of the management fee model by clients, which brings greater cashflow stability for EAMs and enables trust-building with clients
- c. More support from MAS in terms of grant applications, regulatory compliance, digital acceleration grants
- d. More engagement with custodian banks to manage partnership with EAMs
- e. Increase in the adoption of an open architecture by EAMs
- f. Adoption of minimum competency standards by EAMs
- g. Development of a thriving ecosystem which includes working groups which engage in dialogue with MAS; network of family offices, banks, tax and compliance experts; an EAM association; and academic partners

Six emerging trusts set to grow the EAM industry:

- i) Digitalisation
- ii) Talent development
- iii) Open architecture and ecosystem development
- iv) Better relationship with end clients
- v) Better relationship with the regulator
- vi) Better relationship with custodian banks