

Off-shore banking thrives in Asia, wanes elsewhere

By Laura MacInnis

GENEVA (Reuters) - Offshore banking has lost momentum in highly-regulated Western Europe but is set to thrive in Asia as wealth surges across the region, wealth management executives said recently.

Bernard Couke, who heads Dutch bank ING's European private banking division, said new financial regulations and tax amnesties had made it less appealing for many rich Europeans to keep their money in offshore havens such as Switzerland or Britain's Channel Islands.

"The offshore growth will not be there in Western Europe," he told the Reuters' Wealth Management Summit in Geneva, the second-largest Swiss financial center after Zurich. "It is a difficult business."

Globally, however, Couke said demand would continue to grow for offshore services from wealthy people in politically unstable or less-regulated regions such as Latin America, Eastern Europe and pockets of fast-growing Asia.

He said continued wealth creation in these centers would boost financial flows to Singapore and other Asian offshore hubs for a few years, but predicted offshore flows would wane as tax and transparency regulations gain strength.

"In Asia, growth is very rapid, stability is not there everywhere, and regulators have yet come to a degree of maturity. We are certain that in the long term, onshore will be the name of the game in Asia, but for now wealth is being created and it is offshore," he said.

Other executives said they are already seeing onshore banking overtake growth in offshore holdings, which Bear Stearns estimated at \$6 trillion at the end of 2003, or about 20 percent of the assets of what bankers call high net worth individuals.

"Onshore banking is growing much faster than offshore banking," Marianne Hay, chief executive of Citigroup's European wealth management unit, told the summit.

Anti-money laundering and anti-terrorism financing efforts spearheaded by the United States have stripped away the benefits of anonymity of offshore accounts, while tax accords have made it less possible for many Europeans to shelter income.

While rising numbers of the very affluent are preferring to access their wealth closer to home, Hay said she did not expect traditional offshore centers to disappear completely.

Many wealthy clients will also choose to have a mix of offshore and onshore assets as an insurance against local volatility and foreign exchange shifts, she said.

"The reasons for off-shoring securities have moved much more toward security and diversification," she said.

Switzerland in particular has continued appeal as a safe, politically neutral country where the rich can store their money with experienced professionals, said Christopher Meares, head of global wealth solutions for HSBC Group.

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"You have some very well trained private bankers in Switzerland," Meares told the Reuters summit.
"They benefit from that more than anything else. You still get people wanting to manage their portfolios in Switzerland," he said.

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