



## **The Deloitte International Wealth Management Centre Ranking 2018**

The winding road to future value creation

Third edition

*Future confident*

# Scope of the research

- **International wealth management centres (IWMC)** are defined in this report as countries or jurisdictions specialising in and attracting a large number of international private clients. A key feature of this definition is the provision of a significant scale of private banking/wealth management services to clients with foreign domiciles. Consequently, a large proportion of client assets in wealth management centres are privately owned cross-border assets representing the international market volume, which are the focal point of this report.

IWMC highlighted (in alphabetical order):



- **Asset classes** include bank accounts (checking and saving accounts), debt and equity securities (incl. shares of funds), derivatives and partially assets held in fiduciary structures such as companies and trusts. This is not limited to millionaire households, but includes all households. Assets held via funds, life insurers and pensions are excluded. Non-banking assets such as business equity, primary residences and art are excluded as well.
- **International Market Volume (IMV)** is defined as assets managed or administered in a location separate from the asset owner's domicile. This report focuses on IMV from a booking perspective (where are assets booked?) as opposed to an origination perspective (what is the domicile of the asset owner?).

## Acknowledgements

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# 1 Foreword

The international wealth management industry still faces several challenges. In addition to the never-ending regulatory pressures, the emergence of private clients from Generation Y and Generation Z is changing the nature of demand. Moreover, technology-driven innovation cycles have become even shorter, and digitally-enabled business models are becoming the 'new normal'. The transformation taking place is costly, and not all players in the industry will have the financial means to pay for it. Consequently, new forms of cooperation models will appear and consolidation will continue in the industry. However, the economy in most of the top 25 private banking markets globally has been prospering and financial markets have been enjoying continuing growth since our last report in 2015.

Given the international nature of this business, there is intense rivalry between the largest private wealth management centres in serving international clients.

The performance of these centres in terms of their international business can be measured by value, based on quantitative factors such as Assets under Management and Administration (AMA), net new assets (NNA) or profitability, and these in turn depend on other 'success factors' such as infrastructure, capital market and digital maturity.

This third edition of our ranking report focuses on three main questions:

- **How has the competitiveness of each wealth management centre changed since 2013?**
- **How have the centres performed since 2010 in terms of market volume from international clients and growth?**
- **What has been the performance ranking of selected centres since 2013 in terms of profitability and efficiency?**

We hope that this report provides you with some interesting and useful insights into this industry sector.

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## 2 Executive summary



### 2.1 Overall findings

#### New challenges

The business environment for international wealth management centres (IWMC) has become more challenging. The focus for competitiveness has shifted more towards provider capability and digital maturity. Between 2010 and 2017, there has been a fall in international market volume (IMV) as well as net new assets (NNA) in the leading centres. Cost competitiveness remains an ongoing challenge.

#### Leading centres: Switzerland still on top, others closely behind

- Switzerland is still the leading centre in terms of competitiveness, size and performance. However, Switzerland is losing ground in IMV, while others are catching up. Hong Kong has the highest growth rate in IMV, the US is following behind.
- The leading centres are mostly rising to the cost challenge. Digital capabilities have improved, and the most competitive centres are setting standards for provider capability.

#### Most challenged centre: Panama and the Caribbean

- Switzerland has lost some IMV, but it remains the biggest centre. The overall negative IMV globally is attributable mainly to Panama and the Caribbean.
- There is a clear divide between the best and the rest. The lowest ranked of the nine centres, especially Panama and the Caribbean, are worst by almost every measure. Hong Kong is something of an exception: it is the leader for NNA, its IMV is rising, and it is among the best for competitiveness; however, it has an increasing cost income ratio, so growth is coming at a price.



### 2.2 Competitiveness

#### Competitiveness ranking



#### Shifting competitive factors

There have been shifts in the relative importance of the factors underlying IWMC competitiveness. 'Tax and regulation' have become less important, and 'provider capability' more so.

#### Tight race

The competitiveness rankings of the three leading centres are unchanged from 2013: Switzerland, followed by Singapore and Hong Kong. It is a tight race, however.

#### Switzerland leading, Singapore and Hong Kong following closely behind

- Switzerland scores well for competitiveness across the board, with 'business environment' the slight exception, where it comes in just above average.
- Singapore and Hong Kong also rank well for competitiveness, but with slight weaknesses in 'provider capability' and also, in the case of Hong Kong, in 'stability'.
- Business environment' is a big advantage for the US and the UK, both are weaker in 'stability'.



## 2.3 Size

### Size ranking



### Significant shifts

The business environment for IWMC has become more challenging, leading to significant shifts among the ranking by size. Between 2010 and 2017, there has been a fall in IMV as well as NNA in the leading nine centres.

### Switzerland remains the largest centre, closely followed by the UK; some centres are falling behind

Switzerland remains the largest IWMC (with US \$1.84 tn in IMV), but the UK follows closely (with US \$1.79 tn). Other centres such as Panama and the Caribbean, Bahrain, and the United Arab Emirates are falling behind.

### US saw largest absolute gain, Hong Kong largest relative one

- The US saw the largest absolute gain since 2010 (US \$426 bn in IMV, a 41 % increase), and Hong Kong the largest growth rate (+122 %).
- In terms of net new assets, the biggest 'winner' since 2010 has been Hong Kong (US \$410 bn), the biggest loser Panama and the Caribbean (a fall of US \$1,241 bn).



## 2.4 Performance

### Performance ranking



### Increasing competition, price sensitivity

Increasing competition has put pressure on revenue margins, especially in the US and the UK. Enhanced transparency and comparability have led to increased price sensitivity and triggered a drop in fee levels. Some market players have been more successful (e.g. in Switzerland and Singapore) and some less so (the UK and Luxembourg) in counteracting this.

### Costs stabilising

Cost levels of private banks in mature centres have stabilised, with only Hong Kong experiencing higher cost margins. Market consolidation has helped, enabling economies of scale to be achieved. Cost reductions remain a strategic objective, however.

### Cost income ratio improving in Switzerland, Singapore, the UK, and the US

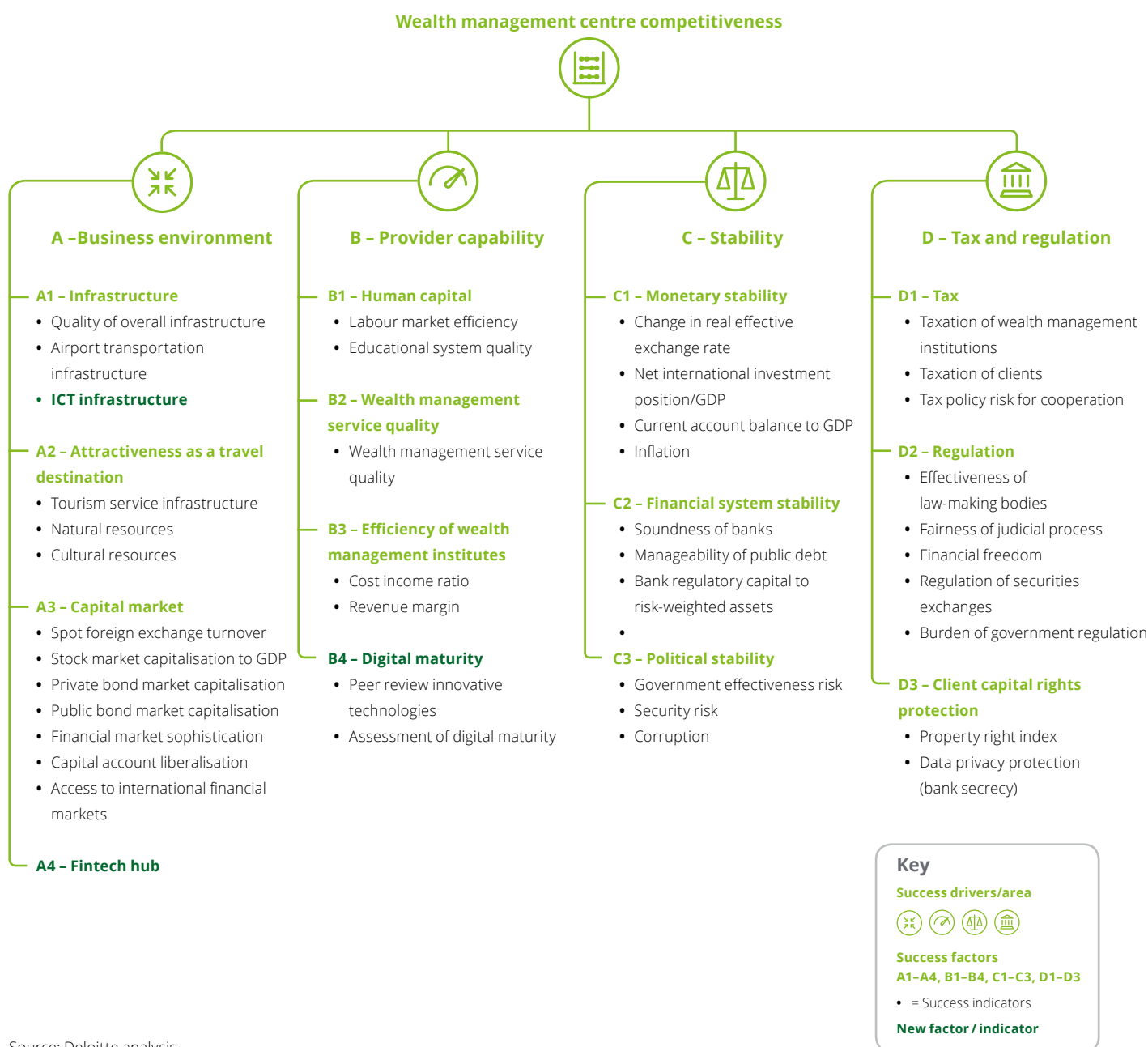
- Wealth management providers better managed to stabilise their performance and profitability in the recent past, with cost income ratio down in the US, UK, Switzerland and Singapore (but rising in Hong Kong and Luxembourg).
- Nevertheless, this might be deceptive as client behaviour and expectations have changed. To succeed in the future, private banks should shift their strategic focus towards re-thinking and innovating their business model.

# 3 Competitiveness ranking

## 3.1 Multi-dimensional approach to measuring competitiveness

Deloitte uses a multi-dimensional approach to measuring competitiveness. It consists of four broad success drivers (or areas), comprising 14 'success factors', which in turn are derived from 41 'success indicators' (see Figure 1).

**Figure 1. International wealth management centre value map**



Source: Deloitte analysis

Note: Several success factors are interconnected. In particular, human capital (B1) and wealth management service quality (B2) are linked, since service quality will be hard to maintain without talent. The efficiency of wealth management institutes (B3) and digital maturity (B4) are likewise linked since digitalisation is a major route to improving efficiency. All three forms of stability (C1, C2, C3) also depend on each other: effective, non-corrupt governments and regulatory institutions are more likely to produce a stable monetary and financial environment.

### 3.2 Tax and regulation are less important than in 2013, and provider capability is becoming more important

All 'success factors' are weighted according to their importance for competitiveness.

**Figure 2. Weightings of success drivers and success factors**  
Changes from 2013 are shown with arrows and in brackets

Success drivers/areas	Weight	Success factors	Weight
<b>A – Business environment</b>	11 % ▲ (1.00 %)	A1 – Infrastructure	2.50 % ►
		A2 – Attractiveness as a travel destination	2.00 % ▼ (0.50 %)
		A3 – Capital market	4.50 % ▼ (0.50 %)
		A4 – Fintech hub (new)	2.00 % ▲ (2.00 %)
<b>B – Provider capability</b>	36 % ▲ (6.00 %)	B1 – Human capital	9.00 % ▲ (0.25 %)
		B2 – Wealth management service quality	12.00 % ▼ (0.50 %)
		B3 – Efficiency of wealth management service provider	8.50 % ▼ (0.25 %)
		B4 – Digital maturity (new)	6.50 % ▲ (6.50 %)
<b>C – Stability</b>	25 % ►	C1 – Monetary stability	8.00 % ▼ (1.50 %)
		C2 – Financial system stability	6.50 % ▲ (0.50 %)
		C3 – Political stability	10.50 % ▲ (1.00 %)
<b>D – Tax and regulation</b>	28 % ▼ (7.00 %)	D1 – Tax	7.00 % ▼ (3.00 %)
		D2 – Regulation	12.00 % ▼ (3.00 %)
		D3 – Client capital rights protection	9.00 % ▼ (1.00 %)
<b>Sum</b>	<b>100 %</b>		<b>100.00 %</b>

There has been a substantial shift in weightings between 2013 and 2018, reflecting changing conditions in the wealth management market, as derived from interviews with leading wealth management experts.

- The biggest reduction in importance has been in the 'success driver' tax and regulation: both the **tax and regulation** success factors were reduced by three percentage points.
- With increasing regulatory alignment between leading wealth management centres, the scope for regulatory arbitrage is reduced, and **regulation** is now less of a distinguishing factor between centres.
- With **taxation**, tax treaties with the countries of client residence are now more important for clients than taxation in the wealth management centre itself.
- The third success factor in the 'Tax and regulation' area, **client capital rights protection**, was reduced by only one percentage point, but there have been changes in the underlying 'success factors'. Bank secrecy in the traditional sense no longer plays a major role, whereas data privacy and responsible handling of client data are more important.
- The overall weighting for **stability** has stayed the same, but with shifts in the underlying success factors. Political stability in particular has grown in importance while monetary stability has declined.

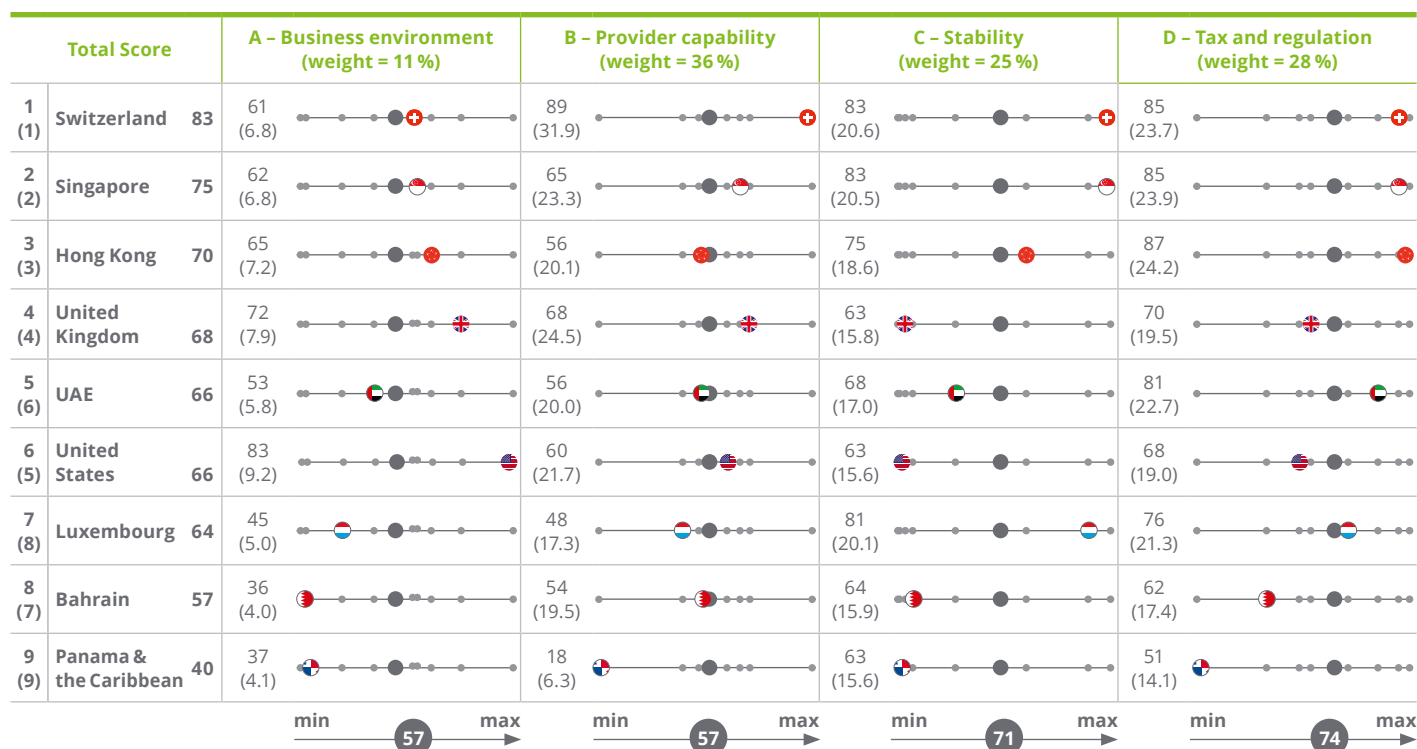


- **Service quality** is now one of the two most important success factors (together with regulation). As a result, the tools to succeed in the increasingly competitive wealth management marketplace are now more in the hands of the providers themselves. Success is dependent less on regulation and more on the quality of the providers themselves.

### 3.3 Switzerland remains on top, but the competition is close behind

- **Switzerland** remains in first place for competitiveness among wealth management centres.
- **Singapore** and **Hong Kong** follow closely behind.
- **Switzerland** scores well across the board for all the competitiveness success factors, but with business environment a slight exception, where it scores just above the average.
- **Singapore** and **Hong Kong** also perform well, with slight weaknesses in provider capability, and also in the case of Hong Kong in stability.
- 'Business environment' is the biggest advantage of the **US** and the **UK**, both are weaker in stability.
- Differences in scores in the middle of the table in Figure 3 are very small. The scores of the **UAE, US** and **Luxembourg** differ only marginally, so that they can be seen as being basically on the same level.

Figure 3. Overall competitiveness rankings












(2013 rankings in brackets in left column. Brackets in the 4 success area columns indicate absolute contribution of each area to the total score of that country. The total scores of the UAE and US differ in decimal places)

- The scores are derived by normalising all underlying data between 0 and 100, with 0 points for the worst performing and 100 points for the best performing country, with all others in between. The sample includes 55 countries in total.
- The score in each success area (A/B/C/D) is the weighted average of all the success factors in that area.
- The overall score of the ranking is the weighted average of all four success factors.
- The methodology differs from the 2013 report.

● = average across all analysed centres

Figure 3 shows the overall results and the ranking in the four success areas (A/B/C/D). Figure 4 shows all rankings in the success indicators.

**Figure 4. Overview of rankings for all competitiveness success factors**

Success factor										
A Business environment	A1 – Infrastructure	2 (2)	3 (1)	4 (3)	6 (8)	5 (4)	1 (5)	7 (6)	8 (7)	9 (9)
	A2 – Attractiveness as travel destination	3 (2)	8 (6)	6 (8)	2 (3)	7 (4)	1 (1)	5 (7)	9 (9)	4 (5)
	A3 – Capital market	5 (6)	4 (7)	3 (4)	2 (3)	7 (1)	1 (2)	9 (9)	8 (5)	6 (8)
	A4 – Fintech hub (new)	5 (–)	1 (–)	4 (–)	1 (–)	7 (–)	3 (–)	6 (–)	8 (–)	9 (–)
B Provider capability	B1 – Human capital	1 (1)	2 (2)	3 (3)	4 (4)	8 (8)	5 (5)	6 (6)	7 (7)	9 (9)
	B2 – Wealth management service quality	1 (1)	6 (4)	6 (6)	2 (3)	4 (6)	3 (1)	8 (9)	4 (5)	9 (8)
	B3 – Efficiency of wealth management service provider	3 (–)	4 (–)	7 (–)	6 (–)	1 (–)	9 (–)	5 (–)	2 (–)	8 (–)
	B4 – Digital maturity (new)	2 (–)	4 (–)	5 (–)	3 (–)	7 (–)	1 (–)	6 (–)	8 (–)	9 (–)
C Stability	C1 – Monetary stability	2 (2)	1 (7)	3 (8)	9 (6)	4 (3)	6 (4)	5 (5)	7 (1)	8 (9)
	C2 – Financial system stability	4 (3)	8 (8)	3 (4)	6 (6)	7 (2)	9 (9)	1 (1)	2 (5)	5 (7)
	C3 – Political stability	1 (2)	2 (1)	4 (4)	5 (5)	7 (7)	6 (6)	3 (3)	9 (9)	8 (8)
D Tax and regulation	D1 – Tax	7 (7)	3 (3)	1 (1)	6 (6)	2 (2)	9 (9)	5 (5)	4 (4)	8 (8)
	D2 – Regulation	2 (7)	1 (3)	3 (1)	4 (6)	7 (2)	6 (9)	5 (5)	8 (4)	9 (8)
	D3 – Client capital rights protection	1 (1)	5 (3)	4 (4)	7 (6)	2 (8)	3 (5)	6 (2)	8 (7)	9 (9)
Overall		<b>1 (1)</b>	<b>2 (2)</b>	<b>3 (3)</b>	<b>4 (4)</b>	<b>5 (6)</b>	<b>6 (5)</b>	<b>7 (8)</b>	<b>8 (7)</b>	<b>9 (9)</b>

(2013 rankings in brackets)

#### A – Business environment: the US and the UK in the lead

- The **US** ranks top almost across the entire board for business environment success factors: Fintech is the exception, where the **UK** and **Singapore** have the edge and the US ranks third.
- Switzerland** compares best for two factors of lesser importance: for 'infrastructure', including digital infrastructure and 'attractiveness as a travel destination' - which is relevant only for clients wanting to combine holidays with visiting their wealth management service providers.

#### B – Provider capability: Swiss service quality unsurpassed

- Swiss** service quality is seen as the best compared to the other centres, with the **UK** and **Singapore** ranking second and third. Similar rankings apply to the state of digital maturity: the **US**, **Switzerland** and the **UK** are in the lead.
- The ranking for **Switzerland** with regard to the efficiency of wealth management service providers is attributable **largely to higher service costs**.

### **C – Stability: Switzerland is a calm island in the storm, but Singapore and Luxembourg are close behind**

- **Switzerland, Singapore** and **Luxembourg** are the top-ranked centres in terms of political stability, which has now more importance given the rise in global political uncertainty.
- **Switzerland** and **Singapore** also score well for monetary stability, while **Switzerland** is weaker with regard to financial systems stability, a lingering effect of how Swiss banks fared during the financial crisis.

### **D – Tax and regulation: Advantages for Singapore and Hong Kong**

- **Hong Kong** and **Singapore** both have high rankings in terms of taxation and regulation, and the **UAE** also scores well for taxation.
- **Switzerland** cannot compete on taxation with low- or no-taxation centres such as the **UAE**, but it competes well on tax treaties. The good performance of **Switzerland** in terms of regulation is due more to the quality and fairness of its regulatory bodies than to the quantity of its regulations.
- Even without bank secrecy in the classical sense, **Switzerland** is still seen as a reliable custodian of client data and capital rights.

### **3.4 Improvements in efficiency will be key for future competitiveness**

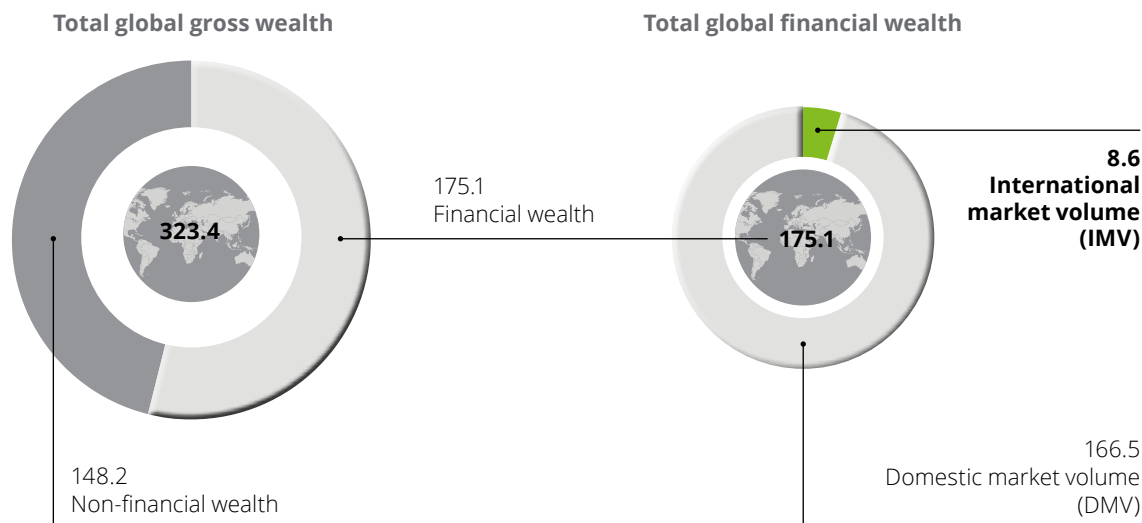
With competition heating up and provider capability ever more in the focus, wealth management providers need to rise to the challenge. In the case of **Switzerland**, while service quality is seen as excellent, cost efficiency is relatively weak, even though it has improved. The **US** and the **UK** are among the best with regard to digital maturity, but both cost efficiency and service quality have room for improvement. Service quality is one success factor that is mostly in the control of service providers themselves, making this a top priority to focus on.

# 4 Asset size ranking

## 4.1 Overall development

**Figure 5. Global gross wealth and IMV 2017**

Figures in US \$ trillion

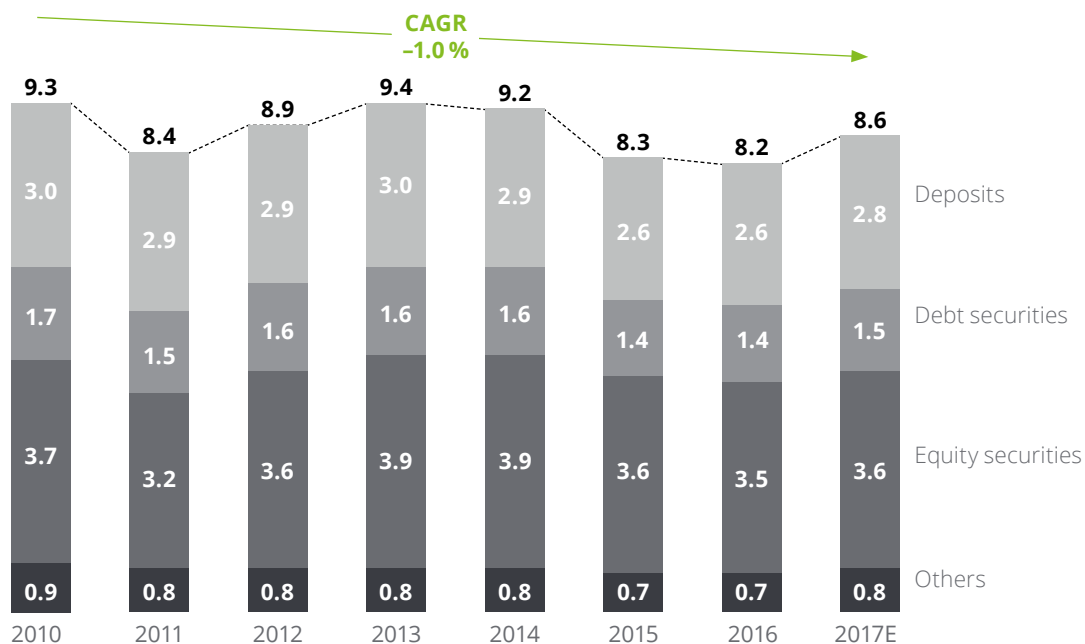


Source: Deloitte Wealth Management Centre Database

In 2017, global gross wealth amounted to US \$323.4 tn in total, of which US \$175.1 tn (54 %) was financial wealth, and of this, US \$8.6 tn was booked in one of the leading wealth management centres as assets representing the IMV. IMV is defined as assets managed or administered in a location separate from the asset owner's domicile.

- Total global gross wealth (financial and non-financial assets) amounted to US \$323.4 tn in 2017, of which US \$175 tn was financial wealth.
- IMV represents only a very small proportion of global total gross wealth. In 2017, only about 3 % of global wealth was booked internationally in one of the international wealth management centres in this report.
- However, the combined total IMV of the leading international wealth management centres fell by US \$700 bn between 2010 and 2017. It peaked in 2013 at US \$9.4 tn but then declined in the next three years, and only began to grow again in 2017 (see Figure 6).

Figure 6. International market volume (US \$ trillion)



Note: Figures may not add up due to rounding

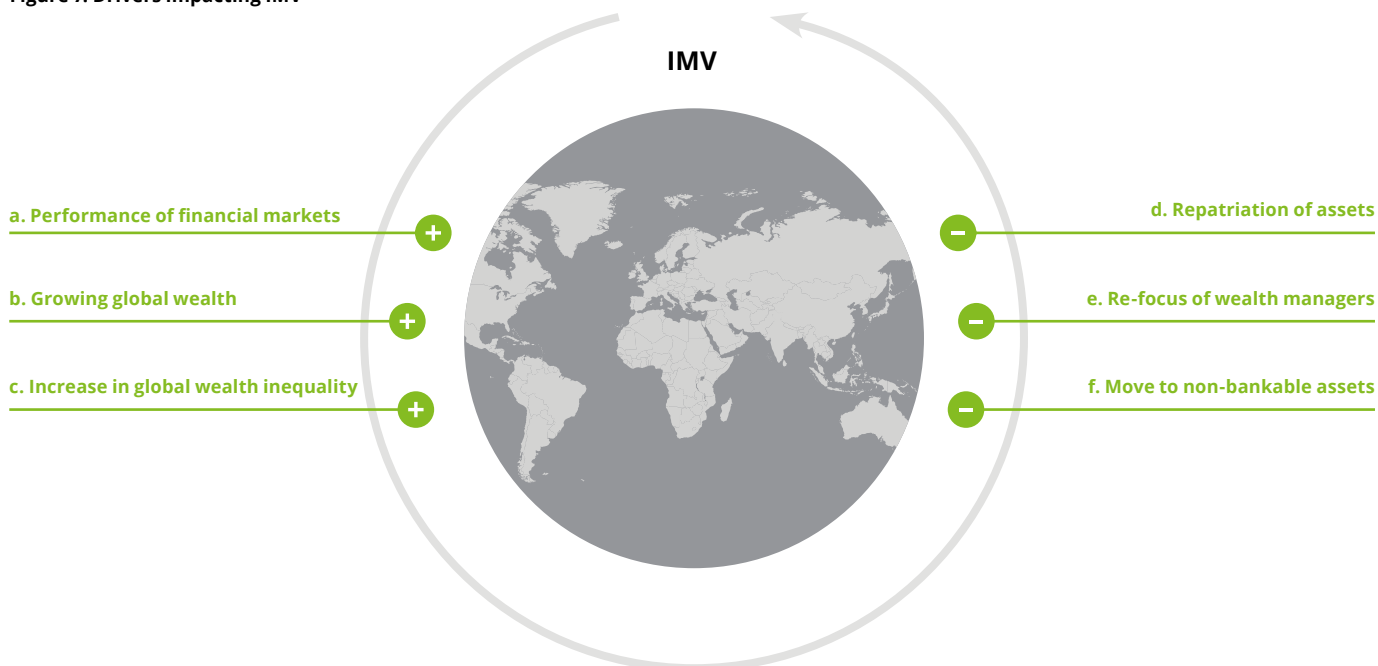
Source: Deloitte Wealth Management Centre Database

E = Estimated

#### 4.1.1 Drivers affecting IMV development

Changes in IMV are a result of financial markets performance, FX effects and net new money. These factors, in turn, are affected by a number of drivers which have had either a positive or a negative impact on IMV growth over the past seven years. These are shown in Figure 7 and explained below.

Figure 7. Drivers impacting IMV



### Drivers positively influencing IMV

Three drivers contributed positively to the wealth management landscape in the period 2010 to 2017:

- a. Performance of financial markets:** Since 2010, financial markets have seen years of improving performance. For example, the MSCI World Index went up by 64 % between 2010 and 2017. One key factor is that central banks continue to perform an expansionary monetary policy while economic growth continues.
- b. Growing global wealth:** Global GDP grew by 20 % between 2010 and 2017, and by 38 % in emerging and developing economies. North America and China increased their share of global wealth substantially, with a combined 46 % of global wealth in 2017, while Europe lost share, from 34 % in 2010 to 28 % in 2017.
- c. Number of millionaires:** Since the financial crisis, the share of global wealth owned by the richest 1 % has increased to more than half. The number of millionaires increased from 13.3 million in 2010 to 36 million in 2017, with the biggest increase in North America. Since only the wealthiest hold assets outside their country of domicile, greater inequality in global wealth has a positive effect on IMV.

### Drivers negatively affecting IMV

A number of factors have offset the impact of the positively contributing factors:










- d. Repatriation of assets:** More than 100 countries (including most of the international wealth management centres) are committed to introducing the standard for automatic exchange of financial accounting information (AEOI). Many participating countries offer voluntary disclosure programmes to their citizens, and this has led to some repatriation of offshore assets prior to the implementation of AEOI. Key players have also extended their presence in their clients' domestic locations.
- e. Re-focus of wealth managers:** Only 15 % of wealth managers consider serving new domiciles from existing or new booking centres to be one of their top three priorities. Rather, wealth managers are seeking to invest in products and technology that serve their existing clients better. Indeed, many banks and wealth managers are rationalising the number of countries they choose to serve due to increased compliance costs and rationalisation efforts.
- f. Move to non-banking assets:** In the quest for acceptable returns in a world of zero or even negative interest rates and seemingly high asset prices, investors have invested increasingly in less liquid and non-banking assets such as real estate, arts and private equity. The proportion of the portfolios of UHNWIs invested in real estate has increased substantially since the financial crisis. This trend has reduced the amount of wealth eligible for being managed offshore.

## 4.2 Ranking by market volume

The international wealth management centres have seen substantial shifts in relative size since 2013. Panama and the Caribbean, formerly the second-largest centre, has declined; there has been a change of leader in the Asian market; and there is tighter competition between the three largest centres.

- **Switzerland remains (just) the largest wealth management centre:** Almost overtaken by the UK, Switzerland retained its leading position by only a small amount (US \$50 bn). Seven years ago the lead in IMV was significantly larger, at US \$340 bn.
- **The less mature and smaller centres have lost attractiveness compared to the more mature and larger players:** Panama and the Caribbean, Bahrain, United Arab Emirates and other smaller centres have lost IMV, whereas all the more 'traditional' centres (with the exception of Switzerland) have attracted substantial asset volumes.
- **The United States has experienced the largest increase in IMV in absolute terms:** In contrast to most other international wealth management centres, the US does not participate in the AEOL, making the US more attractive for certain international assets. Furthermore, the US could be benefitting from the decline of Panama and the Caribbean as a leading wealth management centre. Accordingly, the US market share of IMV increased to 17 % in 2017 (from 11 % in 2010).
- **Hong Kong has had the biggest rate of growth and increased its IMV by 125 % between 2010 and 2017:** In 2016, Hong Kong became the fourth largest international wealth management centre with a market share of 9 %, overtaking Panama and the Caribbean. Hong Kong seems to have benefitted more than its neighbouring competitor Singapore from the increase in the number of millionaires in the region (including mainland China).

Figure 8. International market volume (in US \$ trillion and percentage of total IMV)

WM centre	2010	2011	2012	2013	2014	2015	2016	2017E	Δ 2010-2017E
	1.98 21 %	1.80 22 %	2.11 24 %	2.14 23 %	2.14 23 %	1.94 23 %	2.01 25 %	1.84 21 %	◦ -0.13 -7 %
	1.65 18 %	1.52 18 %	1.68 19 %	1.77 19 %	1.86 20 %	1.71 21 %	1.68 21 %	1.79 21 %	◦ 0.15 +9 %
	1.00 11 %	1.09 13 %	1.21 14 %	1.31 14 %	1.39 15 %	1.27 15 %	1.41 17 %	1.48 17 %	○ 0.48 +48 %
	0.35 4 %	0.37 4 %	0.48 5 %	0.59 6 %	0.64 7 %	0.71 9 %	0.73 9 %	0.79 9 %	○ 0.43 +122 %
	1.82 20 %	1.25 15 %	1.05 12 %	1.11 12 %	0.99 11 %	0.72 9 %	0.56 7 %	0.60 7 %	○ -1.22 -67 %
	0.42 5 %	0.41 5 %	0.36 4 %	0.43 5 %	0.46 5 %	0.47 6 %	0.44 5 %	0.47 5 %	◦ 0.05 +12 %
	0.21 2 %	0.20 2 %	0.23 3 %	0.24 3 %	0.25 3 %	0.24 3 %	0.23 3 %	0.26 3 %	◦ 0.05 +25 %
	0.07 1 %	0.06 1 %	0.06 1 %	0.07 1 %	0.07 1 %	0.06 1 %	0.06 1 %	0.06 1 %	• -0.02 -24 %
	0.02 0 %	0.02 0 %	0.02 0 %	0.01 0 %	0.02 0 %	0.02 0 %	0.02 0 %	0.01 0 %	• -0.00 -21 %
Other <sup>1</sup>	1.76 19 %	1.64 20 %	1.67 19 %	1.69 18 %	1.34 15 %	1.18 14 %	1.05 13 %	1.32 15 %	○ -0.44 -25 %
Total	9.28 100 %	8.37 100 %	8.86 100 %	9.36 100 %	9.15 100 %	8.31 100 %	8.18 100 %	8.62 100 %	○ -0.66 -7 %

Note: Figures may not add up due to rounding

Source: Deloitte Wealth Management Centre Database

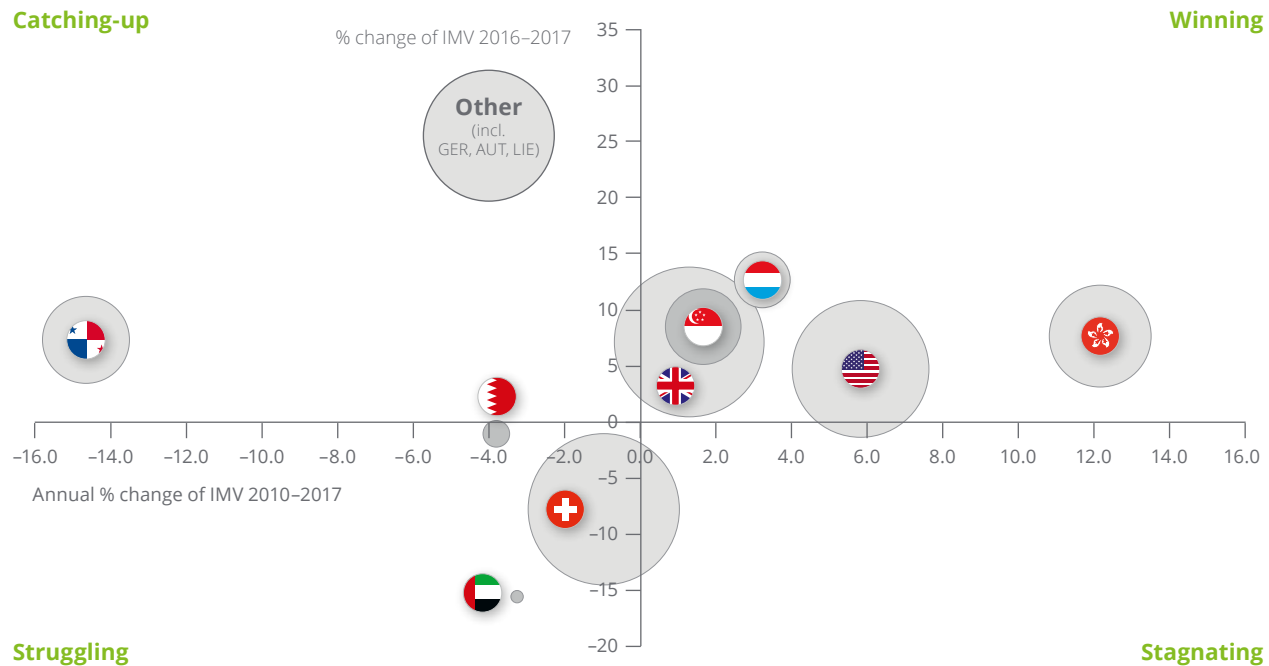
<sup>1</sup> Other centres include: Austria, Belgium, Germany, Guernsey, Ireland, Isle of Man, Jersey, Liechtenstein, and Monaco

- Hong Kong has grown much faster than Singapore:** Hong Kong benefits from the growth in Chinese private wealth and the changing behaviour of Chinese HNWI. Younger HNWI increasingly seek professional advice and the share of Chinese HNWI investing outside the mainland has risen from 19 % in 2011 to 56 % in 2016. Hong Kong rates highly as the preferred destination due to its proximity to mainland China and the absence of taxes on capital gains, interest deposits and dividends.
- Panama and the Caribbean lost more than half of their IMV:** The Panama and the Paradise papers, released in 2016 and 2017 respectively, were only the 'cherry on top of the cake' for the already struggling Panama centre. Panama and the Caribbean had already experienced substantial outflows before the papers were released (see Deloitte International Wealth Management Centre Report 2015).



In Figure 9, we compare the IMV growth for each centre in the period 2010 to 2017 (horizontal axis) with its growth from 2016 to 2017 (vertical axis). Centres which consistently grew over the whole period including 2017 are to be found in the 'winning' quadrant. Catching-up centres are those that returned to grow in 2017, having lost IMV over the full period. Centres in the lower left quadrant are struggling in the sense of failing to achieve IMV growth over the whole period, including 2017.

**Figure 9. International market volume (in US \$ trillion and percentage of total IMV)**












Source: Deloitte Wealth Management Centre Database

- **IMV increased in most centres in 2017:** All centres except for Switzerland, Bahrain and the United Arab Emirates experienced growth in IMV in 2017. The biggest increase was in Hong Kong, which is consistent with its rate of annual growth since 2010.
- **IMV in Panama and the Caribbean grew again in 2017:** In 2017, both the small centres (aggregated in the category 'Other') and Panama and the Caribbean managed to reverse their downward spiral and experienced the first growth in IMV since 2013 and 2010 respectively.

### 4.3 Ranking by net new assets (NNA)

The global reduction in IMV between 2010 and 2017 is the aggregate result of positive market effects, negative FX effects and net asset outflows. The total of NNA over the period was negative (by US \$1220 bn). Most of the decline (US \$1,241 bn) is attributable to Panama and the Caribbean.

**Figure 10. Estimated annual NNA for leading wealth management centres (in US \$ bn and as a % change)**

Wealth management centre	Measures	2010	2011	2012	2013	2014	2015	2016	2017E	2010-2017E
 <b>Switzerland</b>	NNA absolute	-82	-36	135	-226	127	13	-55	-116	-240
	NNA (% of previous year's IMV)	(-4 %)	(-2 %)	(7 %)	(-11 %)	(6 %)	(1 %)	(-3 %)	(-6 %)	(Ø -1 %)
 <b>United Kingdom</b>	NNA absolute	-27	-84	83	-34	145	-35	-32	111	127
	NNA (% of previous year's IMV)	(-2 %)	(-5 %)	(5 %)	(-2 %)	(8 %)	(-2 %)	(-0 %)	(7 %)	(Ø 1 %)
 <b>United States</b>	NNA absolute	-97	120	66	-21	65	-86	117	57	222
	NNA (% of previous year's IMV)	(-9 %)	(12 %)	(6 %)	(-2 %)	(5 %)	(-6 %)	(9 %)	(4 %)	(Ø 2 %)
 <b>Hong Kong</b>	NNA absolute	-4	29	92	88	57	79	16	53	410
	NNA (% of previous year's IMV)	(-1 %)	(8 %)	(24 %)	(18 %)	(10 %)	(12 %)	(2 %)	(7 %)	(Ø 10 %)
 <b>Panama &amp; the Caribbean</b>	NNA absolute	-14	-520	-261	-22	-83	-207	-163	29	-1'241
	NNA (% of previous year's IMV)	(-1 %)	(-29 %)	(-21 %)	(-2 %)	(-7 %)	(-21 %)	(-23 %)	(5 %)	(Ø -12 %)
 <b>Singapore</b>	NNA absolute	-37	-7	-9	48	44	29	-39	9	39
	NNA (% of previous year's IMV)	(-8 %)	(-2 %)	(-2 %)	(13 %)	(10 %)	(6 %)	(-8 %)	(2 %)	(Ø 1 %)
 <b>Luxembourg</b>	NNA absolute	-11	-3	19	-12	28	22	-0	21	62
	NNA (% of previous year's IMV)	(-5 %)	(-1 %)	(9 %)	(-5 %)	(12 %)	(9 %)	(-0 %)	(9 %)	(Ø 3 %)
 <b>Bahrain</b>	NNA absolute	-18	-16	-2	5	2	-3	-3	-3	-40
	NNA (% of previous year's IMV)	(-20 %)	(-22 %)	(-4 %)	(9 %)	(3 %)	(-5 %)	(-6 %)	(-5 %)	(Ø -6 %)
 <b>UAE</b>	NNA absolute	-1	0	4	-9	3	-1	0	-3	-6
	NNA (% of previous year's IMV)	(-6 %)	(2 %)	(24 %)	(-41 %)	(21 %)	(-4 %)	(2 %)	(-20 %)	(Ø -3 %)
<b>Other</b>	NNA absolute	-164	-81	-76	-134	-247	-38	-96	280	-554
	NNA (% of previous year's IMV)	(-8 %)	(-5 %)	(-5 %)	(-8 %)	(-15 %)	(-3 %)	(-8 %)	(27 %)	(Ø -3 %)
<b>Total</b>	NNA absolute	-455	-598	50	-317	142	-227	-254	439	-1'220
	NNA (% of previous year's IMV)	(-5 %)	(-6 %)	(1 %)	(-4 %)	(2 %)	(-2 %)	(-3 %)	(5 %)	(Ø -2 %)

Note: Figures may not add up due to rounding

Source: Deloitte Wealth Management Centre Database

- **Hong Kong had the highest relative and absolute NNA:** Hong Kong has seen seven straight years of asset inflows. Since 2010, Hong Kong has accumulated positive NNA of US \$410 bn.
- **All large centres except Switzerland had positive NNA in 2017:** Switzerland experienced an outflow in 2017 for the second consecutive year. Other than Switzerland, only Bahrain and the United Arab Emirates experienced a NNA outflow in 2017.
- **Largest increase in global wealth since 2010 boosts NNA in 2017:** In 2017, NNA reached more than US \$439 bn, after years of moderate or even negative growth of NNA.

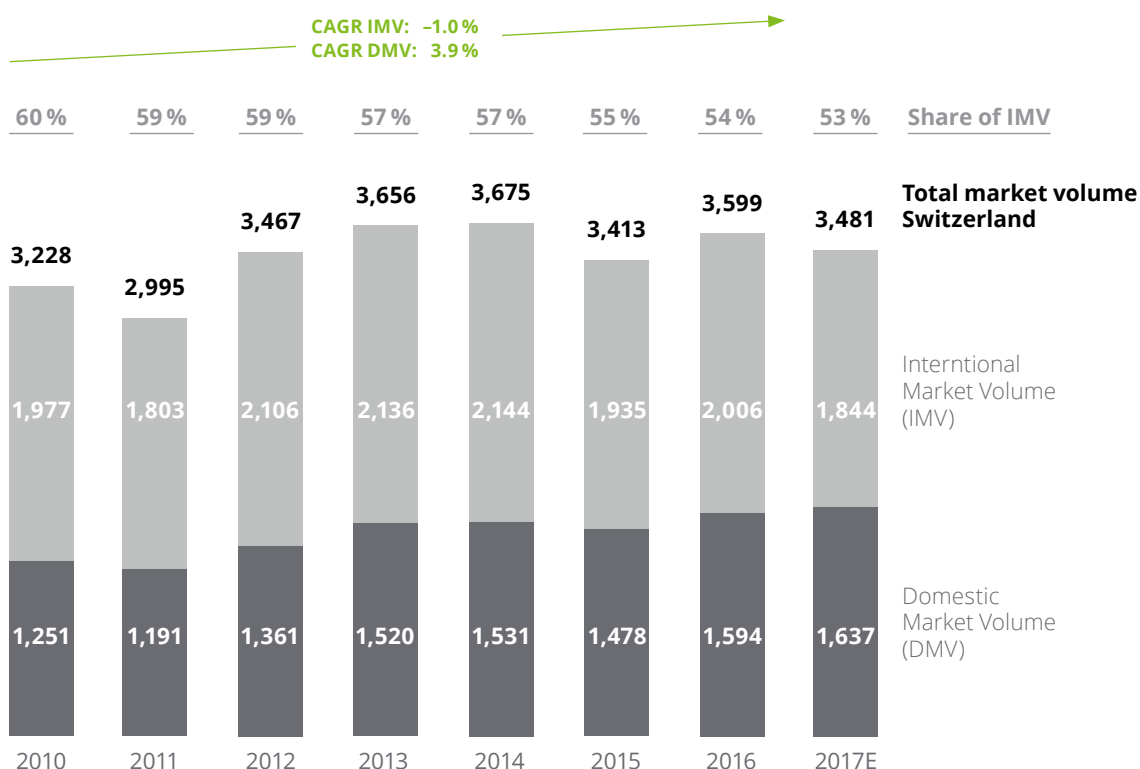


### Focus box: Deep Dive Switzerland

Switzerland has been the biggest centre for IMV, and IMV has been substantially more than domestic market volume (DMV). However, IMV has fallen as a proportion of total assets under management (and DMV has increased) over the past seven years as a result of the more challenging regulatory environment and the corresponding change in behaviour of international clients.

- **The DMV of privately-owned assets has grown at an annual rate of 3.9 % since 2010:** Boosted by the growth in financial wealth per adult in Switzerland from US\$ 295,000 in 2010 to US\$ 370,000 in 2017, as well as by positive net migration each, DMV increased by US\$ 381 bn.
- **IMV as a proportion of total assets under management fell between 2010 and 2017:** This is the result of the increase in DMV and fall in IMV. International assets made up 60 % of the total volume in 2010 and just 53 % in 2017.

Figure 11. Development of total market volume in Switzerland (in US \$ billion)

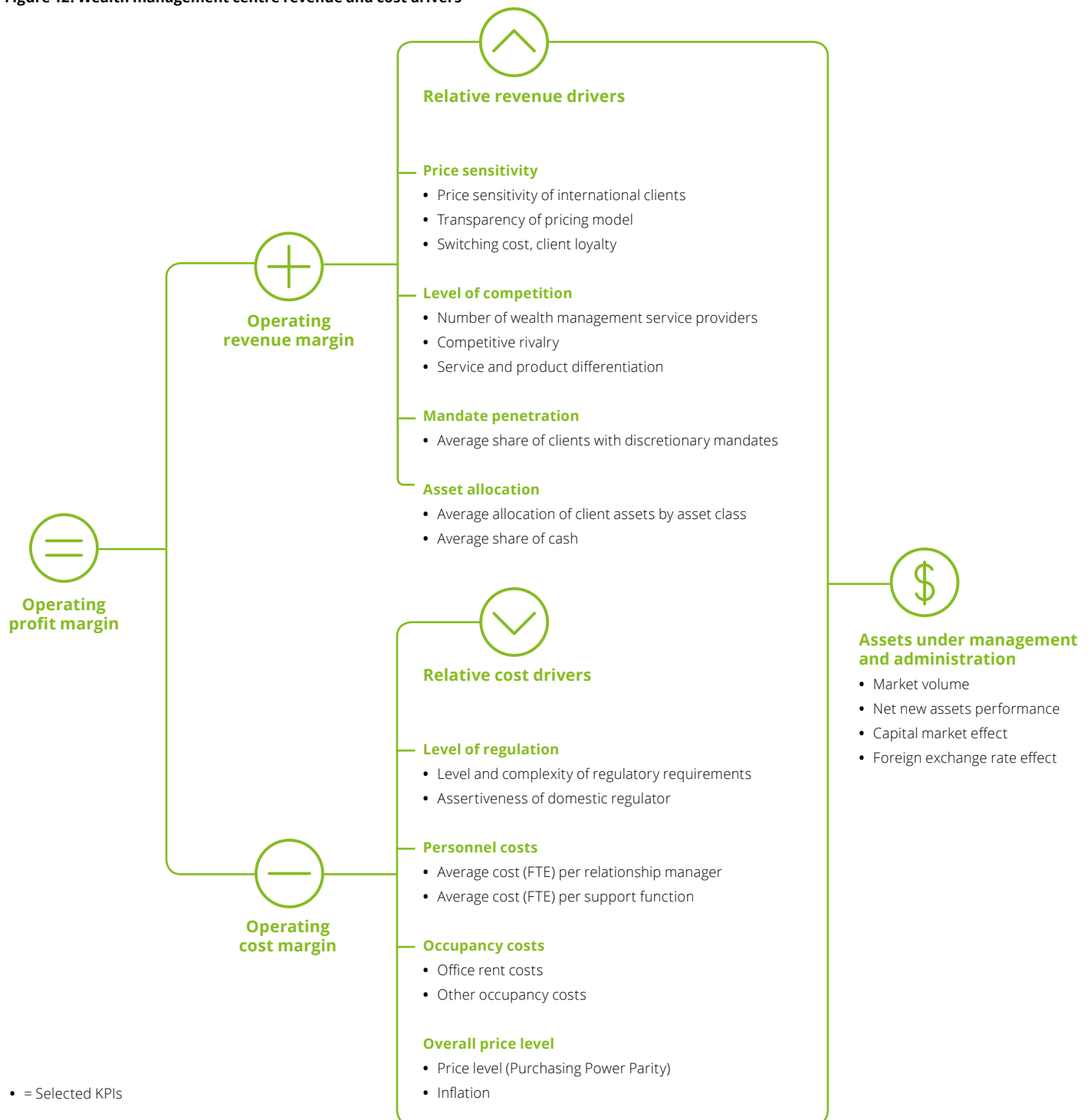


Source: Deloitte Wealth Management Centre Database

# 5 Performance ranking

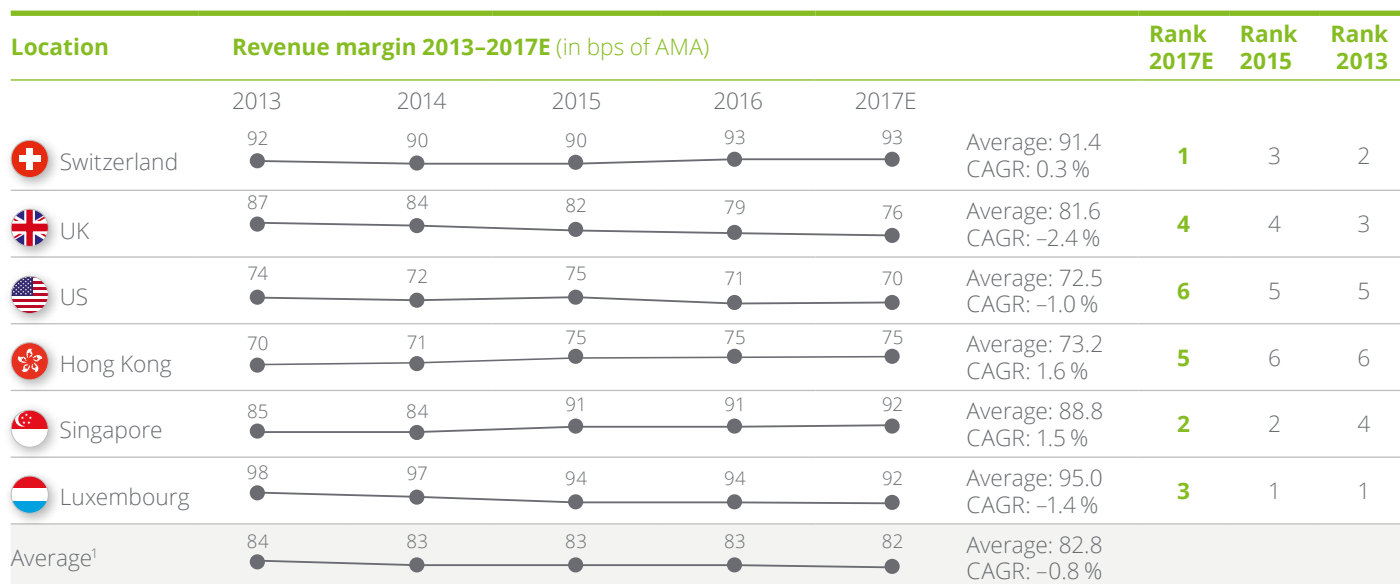
For the performance ranking of market players, we focus on the size of **revenues and costs** in relation to assets under management and administration, AMA , (i.e. revenue and cost margins) in the individual centres. The nine revenue and cost drivers shown in Figure 12 have a proven significant strategic and operating impact on the performance of wealth management service providers.

**Figure 12. Wealth management centre revenue and cost drivers**



## 5.1 Market performance

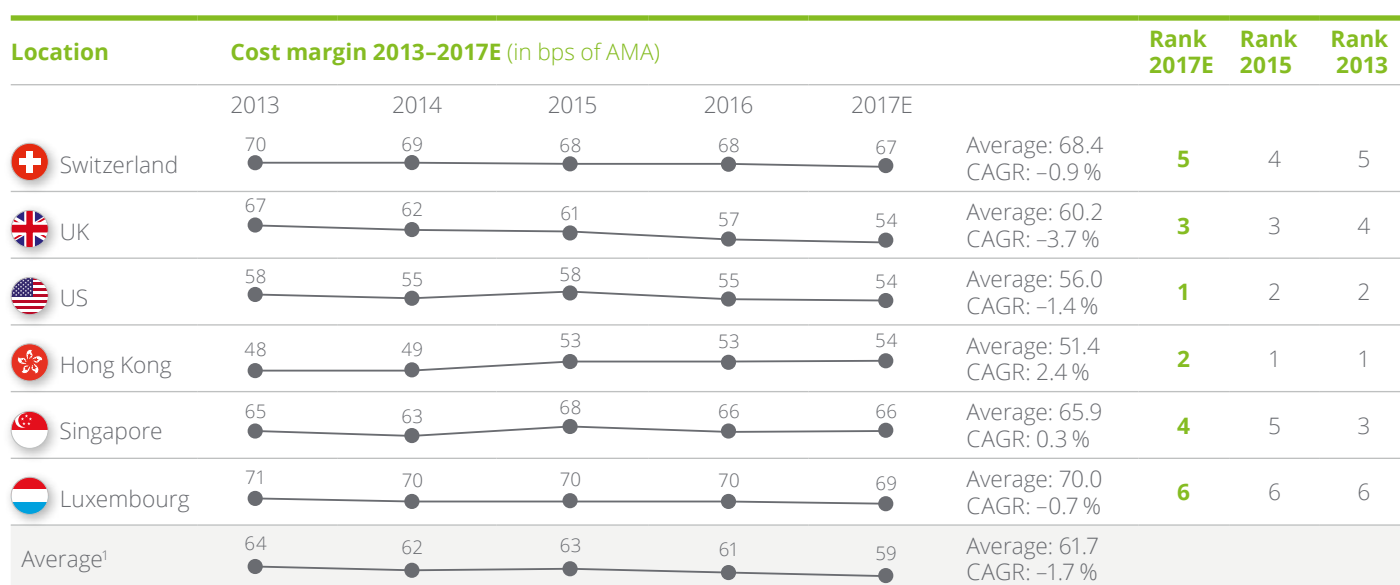
Figure 13. Wealth management centre revenue margins



<sup>1</sup> AMA-weighted

- Comparing **revenue margins** across the leading wealth management centres, whereas Singapore, Hong Kong and Switzerland have shown margin increases since 2014, Luxembourg, UK and the US have experienced a continuous decline.
- For the first time in 2017E, Luxembourg lost its **leading position** to Switzerland as the most productive yet most expensive centre (and also ranks below Singapore), while Hong Kong overtook the onshore-focused US, which became the lowest-ranked centre in terms of revenue margin.

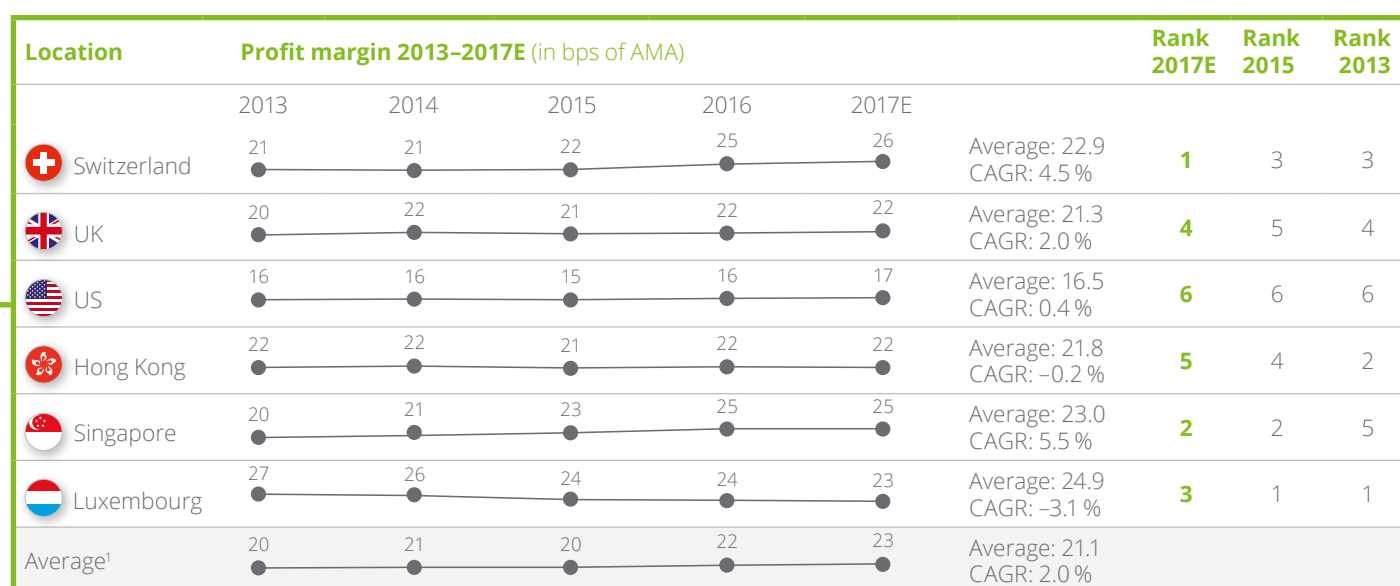
Figure 14. Wealth management centre cost margins



<sup>1</sup> AMA-weighted

- Overall, **revenue margins** in the various centres have moved closer together (the range between highest and lowest has fallen since 2013 to 23bps), reflecting the trend towards a more globalised and transparent business.
- Average **cost margins** also show differing trends. There has been a steady downward trend in cost margins in Western wealth management centres, where cost reduction has been a strategic priority in recent years. In contrast, average cost margins in Asian centres in 2017E were above 2013 levels, due to the maturing of centres and the cost of meeting clients' expectations.
- Cost margins in Switzerland, Singapore and Luxembourg have **converged**. So, too, have those in Hong Kong, the UK and the US. The most significant changes happening in the UK where cost margins fell by 20 % between 2013 and 2017E, and in Hong Kong where they increased by 13 %.
- For Luxembourg and the UK, which have suffered from a decline in revenue margins, the reduction in cost margins appears to be a **countermeasure** to stabilise profits in a challenging market environment.

**Figure 15. Wealth management centre profit margins**

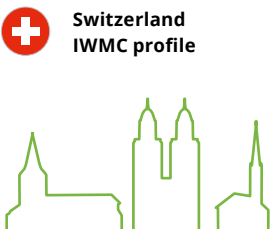


<sup>1</sup> AMA-weighted

- There is no consistent picture for changes in average **profit margins**: Switzerland and Singapore have managed a substantial improvement in profit margins since 2013, whereas those in Luxembourg declined and those in the UK, US and Hong Kong remained more or less at their 2013 levels, due to a netting out of revenue and cost margin changes.
- For the first time, in 2017E Switzerland became the **most profitable** wealth management centre, driven by the focus of market players on cost reduction as well as the low interest environment and strong financial market performance favouring the widely applied AMA-based revenue models.
- Luxembourg, in contrast, has experienced a significant **decline in profitability** following a strong shift towards providing lower-margin asset management services, while wealth management is increasingly considered ancillary.

## 5.2 Wealth management centre details

### 5.2.1 Switzerland




 <b>Switzerland IWMC profile</b>	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	Low	Medium	High	High	Medium	High	Medium	High
	Assets under Management and Administration							
	High							

#### Description

- **Traditionally**, the Swiss wealth management centre stands for trust and discretion, upscale client experience, a stable environment and deep expertise. No other centre has so many specialised private banking players and currently, in no other centre is the wealth management business as important as it is for Switzerland.
- The centre experienced significant **AMA outflows** (by an average of 2.8 % CAGR, 2013–2017E) following tax disputes and increasing regulation that promote transparency and tax control (e.g. AIE, FATCA). However, Switzerland has not only defended its position as the largest wealth management centre in terms of AMA, it also became for the first time in 2017E the most productive.
- A rising average **revenue margin** (0.3 % CAGR, 2013–2017E) can be explained by a number of industry-wide strategic initiatives in response to a challenging environment and a consequent need to exploit client assets more strongly.
- Banks have initiated successful campaigns to increase mandate penetration, have promoted new advisory offerings (driven by upcoming regulations such as FIDLEG), reviewed historical pricing and rebate models (average price list realisations are about 60–70 %) and have pushed cross-selling opportunities. All these **initiatives** have been assisted by a low interest rate environment and strong financial market performance.
- Switzerland's average **cost margin** has decreased steadily (by 0.9 % CAGR, 2013) driven by: market consolidation (the number of banks has been reduced by 18 % since 2013) and so greater economies of scale; a re-focus on core markets; reductions in personnel costs (by 5 % between 2013 and 2017E); increasing use of outsourcing; automation of non-value-creating services; and cut-backs in investment budgets.
- While the improvements in **profitability** are impressive, they could be deceptive and short-lasting. Although performance has been improving in recent years, private banks struggle to attract new assets and hold on to their traditional business model rather than invest in innovation and enhanced client experience.

\* In comparison to the other six centres (see Appendix 7.4.2)

### 5.2.2 United Kingdom

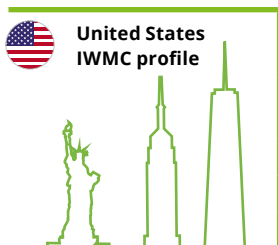
 <b>United Kingdom IWMC profile</b>    	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	Medium	High	Medium	High	Medium	Low	High	Medium
	Assets under Management and Administration							
	High							

#### Description

- The UK **maintained its position** as the world's second-largest wealth management centre in terms of AMA, benefitting particularly from the importance of London as a global financial centre. It is noteworthy that asset levels have so far not fallen in the aftermath of the Brexit decision.
- The market is **dominated** mainly by the private banking divisions of universal banks, complemented by independent wealth managers and (something more advanced than in other centres) online stockbrokers offering execution, custody and research services through digital portals.
- The UK centre **features** a broad diversity of international clients, high levels of competition and transparency, a relatively large number of self-directed investors, low levels of client loyalty, and a strong link between retail and private banking services.
- Because of these challenging factors, and also following the implementation of the Retail Distribution Review regulation, UK **revenue margins** have suffered an alarming erosion (by 2.3 % CAGR, 2013–2017E). Rising costs to meet requirements for client protection have led to higher charges for advisory services and so a drop in demand. Transparency requirements have led to better comparability (evoking greater price sensitivity) and a shift towards all-in pricing models (which threaten transactional revenues).
- In addition, strong client preferences for low-margin passive investment solutions and non-managed assets as well as acceptance of online services have resulted in a steady decline in **fee levels**.
- On the upside, despite increasing regulatory burdens, UK private banks have achieved the largest falls in **cost margins** (3.7 % CAGR, 2013–2017E), compensating shrinking revenues.
- This development is driven by market consolidation – which is further advanced than in other centres –, reduction of middle and back office costs through outsourcing (IT rationalisation and staff redundancy programmes), timely investments in technology (enabling process optimisation, automation), improved reporting capabilities to more effectively target reductions of costs-to-serve (cost per FTE decreased by 3.3 % since 2015), standardisation of offerings and streamlining front-related administrative tasks.





### 5.2.3 United States

 <b>United States IWMC profile</b>	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	Medium	Medium	Medium	High	Low	High	High	Low
	Assets under Management and Administration							
	Medium							

#### Description

- The United States is the third-largest wealth management centre in terms of international AMA; however, unlike other centres such as Hong Kong and Luxembourg where the main focus is on nondomestic clients, the **'rules of the game' in the US are defined by onshore business**.
- The market is characterised by: a high degree of **dependence on client advisors**; intense competition (not only within the industry, but also from adjacent industries such as asset management where players seek direct client access); high levels of transparency (though the US does not participate in the Automatic Exchange of Information, AEOL); fairly standardised offerings; and low switching costs.
- Consequently, the US centre has the **lowest average revenue margin** (70bps in 2017E) and has also experienced a steady fall in margins in recent years (by 1.0 % CAGR, 2013–2017E). This has been driven in particular by a **fall in annual transactional revenues** (by 20 % between 2013 and 2017E), due to a large fall in trade volumes caused by economic uncertainty and a **shift in asset allocation** towards larger cash holdings, safer products and low-margin passive investment solutions.
- The fall in margin is also partly attributable to a **decline in average fees** charged on new accounts (by 10 % between 2013 and 2017E) and more generous discounts (up by 15 % between 2013 and 2017E) – both of which were due to falling levels of client satisfaction and loyalty, increasing transparency and intense competition.
- The average cost-income ratio in the US is the highest among all the centres (76 % in 2017E) due to the **prevalent business model which features a prominent role for the advisor** – advisors shield client relationships and use banks mainly as infrastructure providers.
- This has led to an intense **war for talent**, with advisors benefitting from significantly higher variable remuneration schemes than in other centres. Nonetheless, US players have been able to drive down average cost margins (CAGR of –1.4 % 2013–2017E) on the back of **rigorously executed cost reduction initiatives** (e.g., staff reductions, offshoring, process automation), accelerated market consolidation, pruning low value clients, developing mass-customisable offerings, and rationalising product and advisory ranges.

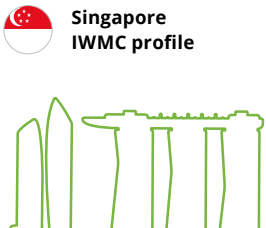
## 5.2.4 Hongkong

 <b>Hong Kong IWMC profile</b> 	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	High	High	Low	Low	Medium	Low	High	Medium
	Assets under Management and Administration							
	Medium							

### Description

- Hong Kong's wealth management centre has prospered in recent years, **gaining more new assets than any other centre** (+11 % between 2015 and 2017E). This has been driven largely by its **strategic geographical location for attracting Chinese clients** and its prime position for brokering renminbi transactions (China's HNWI population grew by an average annual rate of 14 % between 2013 and 2017E). Today, Hong Kong is the fourth-largest wealth management centre in the world in terms of AMA.
- The centre itself features **one of the highest HNWI concentrations in the world**, a stable, business-friendly low-tax environment, and a fragmented supply side of diverse market players with a range of differentiating capabilities.
- The maturing of Hong Kong as a wealth management centre is exemplified by the **strongest growth among all the centres in average revenue and cost margins** (by 1.6 % CAGR and 2.4 % CAGR respectively, 2013–2017E). Meanwhile, growth of larger players is mainly driven by **inorganic growth through the acquisition of advisor teams**.
- On the revenue side, margin growth has been driven by a **growing client base with more complex requirements** (wealth preservation is increasingly perceived as top priority and digital capabilities a must-have), driving demand for the full range of sophisticated private banking services (e.g., penetration of discretionary mandates is rapidly growing while still at only 10 % of total AMA). In turn, more and more pure wealth management players entered the market over the past years in response to this demand, charging industry-typical rates and thus also driving average margins.
- On the cost side, the increase has been triggered by the **evolution of a regulatory regime following international standards** and associated compliance efforts (although Hong Kong does not participate in the AEOI), an increasing competition from international players for both clients and talent, and the need to remain digitally competitive – both towards clients and concerning process excellence – through technology investments.
- In summary, these factors have resulted in a **stagnation of the profitability of market players**. In order for Hong Kong to grow from its status as an emerging wealth management centre – while client demand and asset potential will obviously help with this – much may depend on the extent to which Chinese politics continue to tolerate further development. This is particularly of interest as locations in mainland China such as **Shanghai and Beijing are gaining importance in onshore wealth management** and – even more so – as **China is considered today's go-to place for global asset managers**.


### 5.2.5 Singapore

 <b>Singapore IWMC profile</b>	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	High	High	Low	Low	High	Medium	Medium	High
	Assets under Management and Administration				Low			

#### Description

- For many years, Singapore has been **Asia's most mature and respected wealth management centre**, benefitting from international clients (representing about 80 % of AMA) who value its stable environment. Singapore's regulatory regime (one of the world's most prudent) causes a high level of stability which, in turn, supports growth; measures by the authorities to ease ways of doing business, together with low tax rates, additionally attract clients.
- As a result, the Singapore wealth management clientele is – in comparison to other Asian locations – particularly international: The centre attracts significant funds from Europe and North America (17 % and 19 %, respectively, of total AMA) and is a **prime location for clients throughout the Asia-Pacific region**.
- Covering such diverse markets, however, requires major efforts from both compliance and offering perspectives, and **the centre's average cost margin is the third-highest** (66bps in 2017E). Meanwhile, cost margins have increased at a CAGR of only 0.3 % in recent years, which exemplifies Singapore's maturity with regard to infrastructure and regulation.
- Some reasons for the high costs are: **heavy investment by banks in the capabilities to serve clients digitally**, and typical drawbacks of a mature sovereign microstate such as high prices and limited pools for talent and real estate.
- On the revenue side, Singaporean banks have achieved the second-highest margin** among the wealth centres (92bps in 2017E, with CAGR of 1.5 % in the revenue margin 2013–2017E). A noteworthy driver is the comparatively good capitalisation of the local banks – their capital provides room for investment and, therewith, growth.
- Singapore has managed to capitalise on its yet unmatched reputation – in Asia – as a stable wealth management hub**, enabling the centre to expand following the strong local (U) HNI wealth growth (14 % in APAC, compared to 1 % in the rest of the world). Clients have become acquainted with private bank offerings and now demand more sophisticated, higher-margin services (illustrated by a growth of 9 % in discretionary mandate volume in 2016), and they are willing to pay a price premium for the capabilities that Singapore offers.

## 5.2.6 Luxembourg

 <b>Luxembourg IWMC profile</b>	Relative revenue drivers*				Relative cost drivers			
	Price sensitivity	Level of competition	Mandate penetration	Asset allocation	Level of regulation	Personnel costs	Occupancy costs	Overall price level
	Medium	Low	Medium	Medium	Medium	Medium	Low	Medium
	Assets under Management and Administration				Low			

### Description

- Luxembourg is one of Europe's main financial centres with its strategic location and **access to the EU market**, a business-friendly, low-tax environment, advanced regulation and responsive authorities.
- Following a weakening of banking secrecy standards, Luxembourg's wealth management players have transitioned towards operating in several European countries, leveraging the country's modern private banking infrastructure. In this regard, **Luxembourg is typically used as EU hub** and market entry point by foreign banks from Switzerland and other non-EU locations to manage their operations.
- Luxembourg has experienced a steady **decline in average revenue margin** (by 1.4% CAGR, 2013–2017E) as a result of a shift from affluent to (U)HNWI clients (share of (U)HNWI clients increased from 41% in 2011 to 55% in 2017), who are typically granted larger rebates, and a decrease in the number of clients from neighbouring Belgium, France and Germany (down by 20% since 2013) who used to display low price sensitivity.
- The average revenue margin has also been affected by the emergence and **dominance of passive investments** and the **restriction on retrocessions** as a result of enhanced regulatory-driven transparency – this is particularly relevant for players with significant fund distribution strategies.
- To counter these developments, players have placed **cost-cutting measures** (such as outsourcing, automation and IT rationalisation) at the top of their strategic agendas (68% of private banks rated cost control as a top priority issue). Yet costs have increased in recent years through additional compliance efforts, restructuring and investments in the modernisation of infrastructure. The slight fall in cost margin (by 0.7% CAGR, 2013–2017E) might therefore seem counterintuitive, but this can be explained by a **steeper increase in AMA than the decrease in costs-to-serve per client**, following the re-focus on (U)HNWI clients.

### 5.3 Overall summary and cost income ratio view

Summarising changes in the performance of the leading wealth management centres, there are certain identifiable trends on both the revenue and the cost sides that point to the following concluding assessment of the current state of global wealth management.

#### Revenues

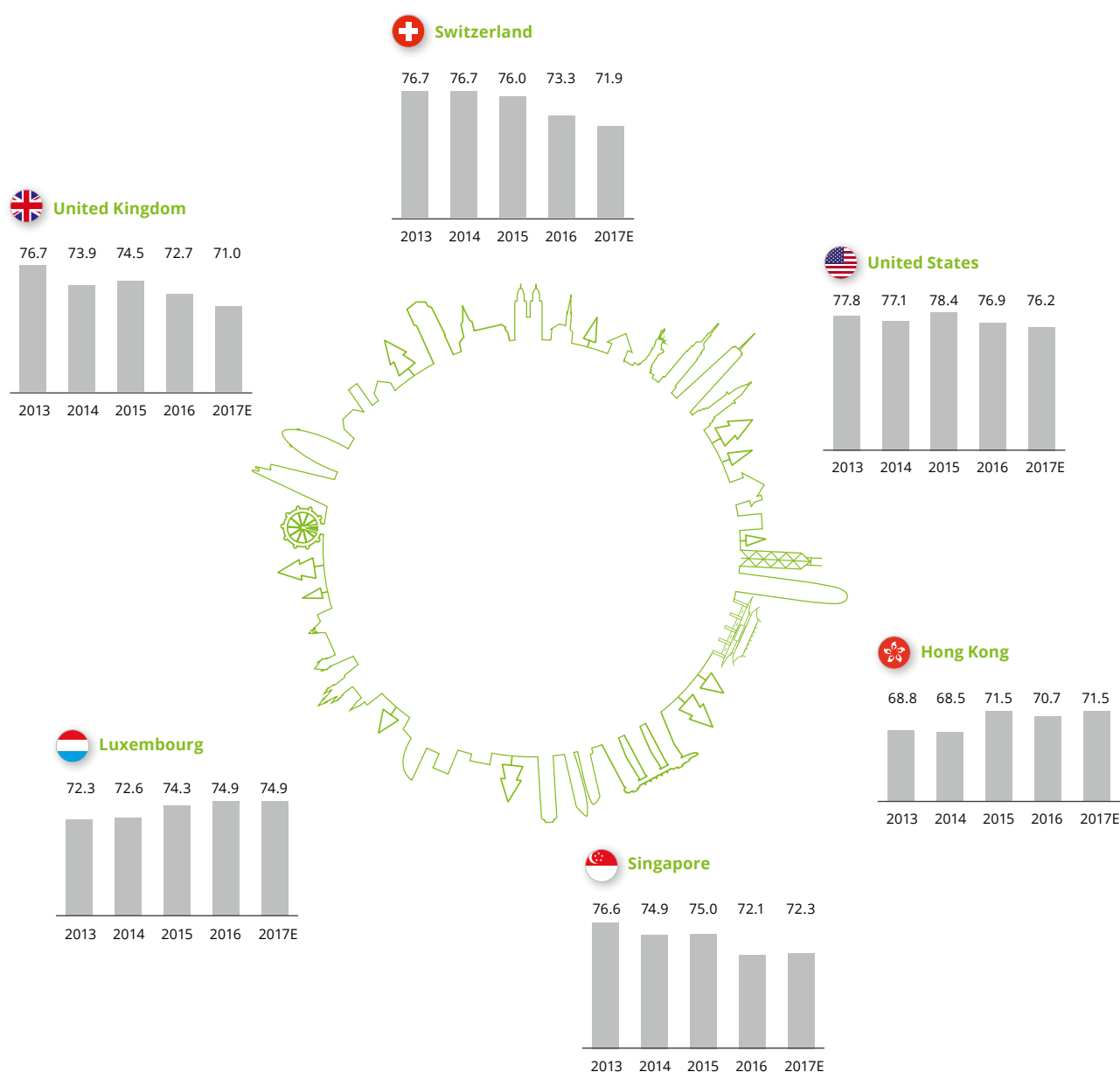
- Increasing **competition** within wealth management, also from adjacent areas such as asset management (where players leverage digital platforms to gain direct client access), have squeezed the **revenue margins** of private banks. This is particularly evident in the UK and US, but might also become a trend in other centres with the rise of platform businesses and the coming of age of young generations.
- Enhanced transparency and comparability have led clients increasingly to scrutinise **prices, performance** and the overall **added value** of private banks. This has increased price sensitivity and triggered a drop in fee levels and price list realisation rates. Additionally, significant shifts in asset allocations towards low-margin passive investment products and larger cash holdings as well as a trend towards less convoluted all-in pricing models have eroded revenue margins.
- Private banks in some centres (for example, Switzerland and Singapore) have been more successful in **compensating** for these negative pressures on revenue margins: by exploiting client assets more effectively through increasing mandate penetration, cross-selling or extending offerings. Other centres (for example, the UK and Luxembourg) have been less successful. In the UK, this is due in particular to an increasing convergence between the offerings of retail and private banking as a result of aggressive proliferation by universal banks.

#### Costs

- Despite thin talent pools, long-overdue investments in digital capabilities and significant compliance efforts, **cost levels** of private banks in mature centres have stabilised in recent years as the wave of new regulatory requirements slowly lessens. Only Hong Kong has experienced increasing cost margins as a consequence of its growth and investments in infrastructure and capability.
- Strategic **cost reductions** have been the main priority for private banks across all centres. The main focus in this regard has been to increase efficiencies through outsourcing non-value creating services, process automation, IT rationalisation, staff and overhead cost reduction, and standardisation of offerings. Additionally, banks have put significant effort into better understanding their costs-to-serve in order to operate more **profitably**.
- Another positive impact on cost margins has been the increasing **market consolidation** in all centres, driven by a challenging environment and rising competition. Consolidation has enabled private banks to leverage **economies of scale**. Banks have also reviewed client profitability and rationalised their offerings and core markets.

- Summarising the trends in global wealth management centres, private banks have focused on optimising their **traditional business models** through strategic cost reductions and increasing product and service penetration. While this has stabilised their cost income ratio in the recent past (see Figure 16), client behaviour and expectations have evolved and existing structures are being called into question. To succeed in the future, private banks need to shift their strategic focus towards **rethinking and innovating** their business model in response to changing client preferences in a world that is increasingly dominated by technologies and digital client experience.

Figure 16. Cost income ratio view (in %)



# 6 Conclusion and outlook

The success of wealth management centres can be measured with both **quantitative and qualitative** factors. Qualitative factors determine competitiveness, which drives size and profitability – albeit with a time lag. While the challenges facing international wealth management centres have been increasing, the leading centres have largely risen to them, leaving the other centres behind.

- There is a **growing divide** between the best and the rest. Switzerland, Singapore, Hong Kong, the US and the UK, and also Luxembourg to some degree, have been broadly successful, but the United Arab Emirates, Bahrain and especially Panama and the Caribbean have been much less so.
- But success has not been **unequivocal**. Switzerland's IMV has fallen and the cost-income ratios of Hong Kong and Luxembourg have worsened. Both the UK and the US lost competitiveness for being less stable than other leading centres. And globally, IMV and NNA have declined since 2010. The international wealth management market is shrinking in an otherwise growing world.
- As our analysis of **competitiveness** shows, the focus is increasingly on provider capability: this includes digital maturity, and only the most sophisticated centres can keep pace.
- It is reassuring that some centres have been **successful** in reducing their costs bases while managing to keep revenues and (by implication) profits stable or even increasing them.
- Even so, **challenges** remain and further change is essential. It is important for wealth management service providers to identify a differentiating strategy that will drive improvements in client experience and business performance.
- Private banks should therefore create an effective **mind shift** towards rethinking and innovating their business model, in response to changing client preferences.
- To **master** the ever-evolving client challenge and to attract a sustainable flow of international and mobile assets, wealth management service providers also require access to skilled employees, efficient market places and other financial service providers with which to collaborate.
- To ensure this, regulators and politicians need to promote access to international wealth management markets by applying appropriate **regulations**.
- In summary, wealth management providers will need to understand thoroughly the **success factors** involved, and decision makers need to be equipped accordingly to improve competitiveness and productivity, enabling value to be captured.

# 7 Appendix

## 7.1 Research methodology

- **Competitiveness** is measured broadly in the same way as in the 2013 edition, but with some changes. It is based on four broad 'success drivers or areas', comprising 14 'success factors', which in turn are derived from 41 'success indicators'. The weightings for each success indicator are derived from interviews with leading wealth management experts, both in the 2013 and 2018 edition. Measurements for this edition allow for the changes that have occurred since 2013, especially the rising importance of digital in wealth management, by introducing two new success factors (Fintech hub and Digital maturity of wealth management providers) and one new success indicator (Digital infrastructure). The score is derived by normalising all underlying data between 0 and 100, with 0 points for the worst performing, 100 points for the best performing centre and all others in between. The overall score in each success area (success driver) is the weighted average of all success factors for that area. The overall score is the weighted average of the scores for all four success factors.
- The research method for comparing the **size** of the international wealth management centres builds on the 2013 and 2015 Wealth Management Centre Ranking reports. The core of our method is a proprietary **Deloitte wealth management database and analytics engine**, using raw data and financial figures from third party data providers such as the Bank for International Settlements (BIS), the International Monetary Fund (IMF), Credit Suisse, the Swiss National Bank (SNB) and relevant industry reports.
- Against this backdrop, the study measures the volume of private client assets at each centre in the years 2010 – 2017E and the changes that have occurred in this period. The **2017 figures** in this report are **estimates** on an annualised basis, based on the most recent figures available at the time of writing. The report also estimates the net new asset production per wealth management centre in the same period, taking into account FX and market effects. Due to changes in the underlying source data from third party providers and changes in their reporting granularity, reported figures in this report might deviate from figures reported in our 2013 and 2015 reports.
- Building on the 2015 Wealth Management Centre rankings, which focused on the operating **performance** results for the Swiss wealth management centre, this year's edition has been expanded to include private banking and wealth management service providers in the United Kingdom, United States, Hong Kong, Singapore and Luxembourg wealth management centres. **The Deloitte wealth management database** was used to analyse the changes in the revenue, cost and profit margins of the respective centres and arrive at a ranking for each of the performance indicators. For the individual wealth management centre details, each of the identified revenue and cost drivers were assessed and rated using Deloitte industry insights, expert interviews and relevant industry reports.



## 7.2 Appendix for Chapter 3

### Definition of indicators










Success factor	Indicator	Definition
A1 Infrastructure	<b>Overall quality infrastructure</b>	Quality of general infrastructure, for example transport, telecommunications and energy, which determine the ease and reliability of conducting business
	<b>Digital infrastructure</b>	This infrastructure pillar (four variables) captures the development of ICT infrastructure (including mobile network coverage, international Internet bandwidth, secure Internet servers, and electricity production)
	<b>Air transport infrastructure</b>	International accessibility (for example, airport density, number of operating airlines and available seat kilometres) which determine the effort and convenience in reaching destinations
A2 Attractiveness as a travel destination	<b>Tourist services infrastructure</b>	Tourism infrastructure, such as availability of hotel rooms and car rental companies, which determines the ease for clients of combining business with pleasure
	<b>Natural resources</b>	Degree to which a location features natural resources such as protected areas and known species, indicating quality as a tourist destination
	<b>Cultural resources</b>	Degree to which a location contains cultural resources such as international fairs and exhibitions, indicating quality as a tourist destination
A3 Capital market	<b>Spot foreign exchange turnover</b>	International connectedness in terms of the foreign exchange (FX) market and transferred currencies, measured as a percentage share of global spot foreign exchange turnover
	<b>Stock market capitalisation to GDP</b>	Importance of the capital market as part of the overall economy, calculated as the value of listed shares to GDP
	<b>Private bond market capitalisation</b>	Attractiveness of a location in terms of raising debt capital, measured as the sum of domestic debt securities by corporates in US\$bn
	<b>Public bond market capitalisation</b>	Attractiveness of local public institutions in terms of debt capital participation, measured as the sum of domestic government debt securities in US\$bn
	<b>Financial market development</b>	Maturity of the financial market and its ability to provide a wide range of products and services efficiently, in comparison with international standards
	<b>Capital account liberalisation</b>	Market accessibility of an economy based on the Chinn-Ito index, which measures a country's degree of capital account openness
	<b>Access to international financial markets</b>	Connectedness of local financial markets indicating international accessibility of funds and ease of conducting international transactions
A4 Fintech Hub	<b>Fintech hub</b>	A lower Index performance score indicates that the hub is more conducive to fintech growth

Success factor	Indicator	Definition
B1 Human capital	Labour market efficiency	Availability, flexibility and cost of local staff in terms of factors such as staff training, ease of hiring foreign labour and employment protection measures
	Quality of education system	Indicators such as citations, publications, degrees and international connectivity which determine the quality of locally available staff
B2 Wealth management service quality	Wealth management service quality	Quality of services provided by local wealth management institutions based on indicators such as number of banks in the global top 25 and number of banks in the top five for service awards. Peer review via survey, based on sample of selected global banks
B3 Efficiency of wealth management institutes	Banks' cost income ratio	A lower cost income ratio represents higher profitability in the WM industry and cost efficiency of local institutions in providing products and services in relation to their generated revenue. Based on sample of selected global banks
	Revenue margin	Ability of providers to maintain sustainable revenues on the managed and administrated client assets, based on sample of selected global banks
B4 Digital maturity	Peer review innovative technologies	Peer review via survey of innovative technologies used by providers, in client experience and back offices. Based on sample of selected global banks
	Assessment of digital maturity	Deloitte expert opinion, based on sample of selected global banks
C1 Monetary stability	Change in REER	Attractiveness of the local currency in international financial markets, measured as the average percentage change in real effective exchange rates from year to year
	Net int. inv. position to GDP	Ability of a location to attract foreign capital investments, measured as the net international investment position as a percentage of GDP
	Current account balance to GDP	Ability to attract foreign investments and assets as an indicator of the difficulty a country might have in mobilising the foreign exchange necessary to service debt
	Inflation	Stability of currency and purchasing power (indicating the risk of holding local currency) measured as the average inflation rate over the past 10 years
C2 Financial system stability	Soundness of banks	Assessment of the soundness of banks, ranging from extremely low (banks may require recapitalisation) to extremely high (banks in general are healthy with sound balance sheets)
	Manageability of public debt	Market perceived risk of default in the public sector and the potential chance of an economic crisis, indicated by the benchmark yields that sovereign states pay for 10-year bonds
	Reg. cap. risk-weighted assets	Strength of local financial institutions with regard to available capital to cover risk positions, measured as share of total regulatory capital after supervisory deductions

Success factor	Indicator	Definition
C3 Political stability	<b>Government effectiveness risk</b>	Degree of administrative burden and correctness of official procedures to conduct business, determined by factors such as quality of bureaucracy, cronyism and policy formulation
	<b>Security risk</b>	Perceived risk arising from criminal/terrorist activities, based on indicators such as violent demonstrations, kidnapping and armed conflicts
	<b>Corruption</b>	Adherence to proper and lawful means of conducting business
D1 Tax	<b>Taxation of wealth management institutions</b>	Attractiveness for an institution to conduct wealth management business, as determined by corporate taxation and VAT
	<b>Taxation of private clients</b>	Clarity of international taxation situation, for example the number of double taxation treaties and the amount of withholding taxes levied on private clients
	<b>Tax policy risk (reliability of tax authorities)</b>	Risk of negative dynamics in taxation policy (for example, stability of taxation terms and processes, equal applicability of taxes, legal security in taxation terms)
D2 Regulation	<b>Effectiveness of law-making bodies</b>	Perceived ability of legislators to enact effective measures in the interest of society, based on the effectiveness of the national parliament as a law-making institution
	<b>Fairness of judicial process</b>	General adherence to due process in assessing legal terms and situations
	<b>Financial freedom</b>	Degree of applicable legal measures in protecting investor rights and interests (for example client privacy, due process in surrender of assets in legal proceeds, ability of investors to invoke legal rights to protect asset)
	<b>Regulation of securities exchanges</b>	Quality of supervision and regulation of local exchange markets
	<b>Burden of government regulation</b>	Degree of effort necessary to comply with government administrative requirements to conduct business
D3 Client capital rights protection	<b>Property rights index</b>	Extent of protection for property and asset rights within the country (legal terms, enforcement of rights)
	<b>Data privacy protection (client identity sensitivity)</b>	Degree to which client identities are protected by automatic information exchange, transparent client information, client privacy, client secrecy

### 7.3 Appendix for Chapter 4










**Figure 17: International market volume (IMV) for private clients in the leading wealth management centres – detailed results**  
International market volume ranking and development (IMV in US \$ billion)

IWMC	Measures	2010	2011	2012	2013	2014	2015	2016	2017E	2010–2017E
	Rank	1	1	1	1	1	1	1	1	1
	Market share (% of total IMV)	21 %	22 %	24 %	23 %	23 %	23 %	25 %	21 %	23 %
	Δ IMV absolute	43.6	–174.0	302.6	30.7	7.8	–208.7	70.2	–161.9	–89.8
	Δ IMV % (Previous year)	2.3 %	–8.8 %	16.8 %	1.5 %	0.40 %	–9.7 %	3.6 %	–8.1 %	–4.6 %
	Rank	3	2	2	2	2	2	2	2	2
	Market share (% of total IMV)	18 %	18 %	19 %	19 %	2 %	21 %	21 %	21 %	19 %
	Δ IMV absolute	30.7	–121.2	150.8	89.9	92.8	–152	–28.6	117.1	179.5
	Δ IMV % (Previous year)	1.9 %	–7.4 %	9.9 %	5.4 %	5.3 %	–8.2 %	–1.7 %	7.0 %	11.1 %
	Rank	4	4	3	3	3	3	3	3	3
	Market share (% of total IMV)	11 %	13 %	14 %	14 %	15 %	15 %	17 %	17 %	15 %
	Δ IMV absolute	–54.4	97.5	115.6	103.6	74.2	–116.9	141.2	64.8	425.7
	Δ IMV % (Previous year)	–5.2 %	9.8 %	10.6 %	8.6 %	5.7 %	–8.4 %	11.1 %	4.6 %	40.5 %
	Rank	6	6	5	5	5	5	4	4	5
	Market share (% of total IMV)	4 %	4 %	5 %	6 %	7 %	9 %	9 %	9 %	7 %
	Δ IMV absolute	8.2	20.5	105.3	114.4	48.1	66.4	23.7	53.5	440.0
	Δ IMV % (Previous year)	2.4 %	5.8 %	28.1 %	23.8 %	8.1 %	10.3 %	3.3 %	7.3 %	127.1 %
	Rank	2	3	4	4	4	4	5	5	4
	Market share (% of total IMV)	2 %	15 %	12 %	12 %	11 %	9 %	7 %	7 %	11 %
	Δ IMV absolute	63.1	–571.6	–196.1	63.2	–125.9	–271.0	–158.1	40.3	–1156.0
	Δ IMV % (Previous year)	3.6 %	–31.4 %	–15.7 %	6.0 %	–11.3 %	–27.4 %	–22.0 %	7.2 %	–65.9 %
	Rank	5	5	6	6	6	6	6	6	6
	Market share (% of total IMV)	5 %	5 %	4 %	5 %	5 %	6 %	5 %	5 %	5 %
	Δ IMV absolute	–18.2	–16.4	–45.0	68.6	32.1	8.8	–34.4	36.3	31.7
	Δ IMV % (Previous year)	–4.1 %	–3.9 %	–11.1 %	18.9 %	7.4 %	1.9 %	–7.3 %	8.3 %	7.2 %
	Rank	7	7	7	7	7	7	7	7	7
	Market share (% of total IMV)	2 %	2 %	3 %	3 %	3 %	3 %	3 %	3 %	3 %
	Δ IMV absolute	–26.9	–9.1	30.6	8.3	11.5	–9.9	–9.2	28.8	24.0
	Δ IMV % (Previous year)	–11.5 %	–4.4 %	15.5 %	3.7 %	4.8 %	–4.0 %	–3.9 %	12.6 %	10.3 %
	Rank	8	8	8	8	8	8	8	8	8
	Market share (% of total IMV)	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %	1 %
	Δ IMV absolute	–15.0	–17.9	0.0	8.4	1.2	–5.8	–3.2	–0.7	–32.8
	Δ IMV % (Previous year)	–16.7 %	–23.9 %	0.1 %	14.7 %	1.9 %	–8.6 %	–5.2 %	–1.2 %	–36.5 %
	Rank	9	9	9	9	9	9	9	9	9
	Market share (% of total IMV)	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
	Δ IMV absolute	–0.4	0.0	4.8	–7.7	2.7	–1.2	0.4	–2.5	–4.0
	Δ IMV % (Previous year)	–2.6 %	–0.1 %	28.4 %	–35.5 %	19.2 %	–7.3 %	2.7 %	–15.8 %	–23.0 %
<b>Other</b>	Market share (% of total IMV)	19 %	2 %	19 %	18 %	15 %	14 %	13 %	15 %	17 %
	Δ IMV absolute	–0.4	0.0	4.8	–7.7	2.7	–1.2	0.4	–2.5	–4.0
	Δ IMV % (Previous year)	–8.9 %	–6.7 %	1.5 %	1.3 %	–20.8 %	–11.8 %	–11.1 %	25.5 %	–31.9 %
<b>Total</b>	Δ IMV absolute	–173.1	–117.2	24.9	21.5	–351.8	–157.9	–131.6	267.5	–617.6
	Δ IMV % (Previous year)	–1.5 %	–9.8 %	5.9 %	5.7 %	–2.2 %	–9.3 %	–1.6 %	5.4 %	–8.5 %

Note: Figures may not add up due to rounding

Source: Deloitte Wealth Management Centre Database

**Figure 18: Estimates of annual net new assets (NNA) of leading wealth management centres – detailed results**






IWMC	Measures	2010	2011	2012	2013	2014	2015	2016	2017E	2010–2017E
	Rank	8	7	1	9	2	4	8	9	8
	NNA absolute	–81.8	–36.0	134.5	–225.5	127.0	12.8	–55.0	–115.7	–239.8
	NNA (% of previous year's IMV)	–4.2 %	–1.8 %	7.5 %	–10.7 %	5.9 %	0.6 %	–2.8 %	–5.8 %	–1.4 %
	Rank	6	8	3	8	1	7	6	1	3
	NNA absolute	–27.2	–83.7	82.8	–34.2	145.5	–34.9	–31.8	110.6	127.0
	NNA (% of previous year's IMV)	–1.7 %	–5.1 %	5.4 %	–2.0 %	8.2 %	–1.9 %	–1.9 %	6.6 %	1.0 %
	Rank	9	1	4	6	3	8	1	2	2
	NNA absolute	–97.1	119.7	66.1	–20.6	65.2	–85.6	117.4	57.4	222.5
	NNA (% of previous year's IMV)	–9.2 %	12.0 %	6.0 %	–1.7 %	5.0 %	–6.2 %	9.2 %	4.1 %	2.4 %
	Rank	2	2	2	1	4	1	2	3	1
	NNA absolute	–3.7	28.8	91.8	87.5	57.2	78.9	16.4	53.1	410.0
	NNA (% of previous year's IMV)	–1.1 %	8.1 %	24.5 %	18.2 %	9.6 %	12.3 %	2.3 %	7.3 %	10.2 %
	Rank	4	9	9	7	9	9	9	4	9
	NNA absolute	–13.5	–519.6	–261.3	–22.2	–83.2	–207.4	–162.6	29.1	–1'240.7
	NNA (% of previous year's IMV)	–0.8 %	–28.6 %	–21.0 %	–2.1 %	–7.5 %	–21.0 %	–22.7 %	5.2 %	–12.3 %
	Rank	7	5	8	2	5	2	7	6	5
	NNA absolute	–36.9	–6.9	–8.9	48.4	44.4	28.8	–38.8	9.1	39.0
	NNA (% of previous year's IMV)	–8.4 %	–1.6 %	–2.2 %	13.4 %	10.3 %	6.2 %	–8.2 %	2.1 %	1.4 %
	Rank	3	4	5	5	6	3	4	5	4
	NNA absolute	–11.4	–2.6	18.7	–12.4	28.0	21.6	–0.3	20.8	62.4
	NNA (% of previous year's IMV)	–4.9 %	–1.2 %	9.5 %	–5.4 %	11.8 %	8.7 %	–0.1 %	9.1 %	3.4 %
	Rank	5	6	7	3	8	6	5	7	7
	NNA absolute	–18.4	–16.5	–2.3	5.2	2.2	–3.4	–3.4	–3.1	–39.6
	NNA (% of previous year's IMV)	–20.5 %	–22.0 %	–4.1 %	9.2 %	3.3 %	–5.0 %	–5.6 %	–5.3 %	–6.3 %
	Rank	1	3	6	4	7	5	3	8	6
	NNA absolute	–1.1	0.3	4.1	–8.9	2.9	–0.6	0.4	–3.2	–6.2
	NNA (% of previous year's IMV)	–6.4 %	1.8 %	24.2 %	–41.0 %	20.6 %	–3.5 %	2.3 %	–20.0 %	–2.7 %
<b>Other</b>	NNA absolute	–163.6	–81.1	–75.6	–133.9	–246.7	–37.5	–96.4	280.4	–554.4
	NNA (% of previous year's IMV)	–8.5 %	–4.6 %	–4.6 %	–8.0 %	–14.6 %	–2.8 %	–8.2 %	26.7 %	–3.1 %
<b>Total</b>	NNA absolute	–454.9	–597.5	49.8	–316.7	142.4	–227.3	–254.2	438.6	–1'219.7
	NNA (% of previous year's IMV)	–4.8 %	–6.4 %	0.6 %	–3.6 %	1.5 %	–2.5 %	–3.1 %	5.4 %	–1.6 %

Note: Figures may not add up due to rounding

Source: Deloitte Wealth Management Centre Database

## 7.4 Appendix for Chapter 5

### 7.4.1 Overview: Revenue and cost driver ratings across centres

Revenue/cost driver							
Revenue	Price sensitivity	Low	Medium	Medium	High	High	Medium
	Level of competition	Medium	High	Medium	High	High	Low
	Mandate penetration	High	Medium	Medium	Low	Low	Medium
	Asset allocation	High	High	High	Low	Low	Medium
Costs	Level of regulation	Medium	Medium	Low	Medium	High	Medium
	Personnel costs	High	Low	High	Low	Medium	Medium
	Occupancy costs	Medium	High	High	High	Medium	Low
	Overall price level	High	Medium	Low	Medium	High	Medium
AMA	Assets under Management and Administration	High	High	Medium	Medium	Low	Low

### 7.4.2 Description of revenue/cost drivers

#### Revenue drivers

- **Price sensitivity:** Price sensitivity is determined by the transparency of pricing and discount models, offering breadth and depth, switching costs and client loyalty towards their private bank or relationship managers – relevant due to its impact on price levels
- **Level of competition:** Level of competition is determined by the number and differentiation of competitors, competition from adjacent industries (e.g. retail banking, asset management), the significance of new market entrants (e.g. FinTech companies) – relevant due to the impact on price levels
- **Mandate penetration:** Average penetration of discretionary and advisory mandates – relevant due to their relatively high contribution to revenue margin
- **Asset allocation:** Average allocation of client assets (e.g. cash, active and passive direct investments, discretionary investments) – relevant due to their respective contribution to revenue margin

#### Cost drivers

- **Level of regulation:** Qualitative assessment of scope and complexity of regulatory requirements, assertiveness of local regulators – relevant due to their significance in cost developments over recent years
- **Personnel costs:** Average salary of relationship managers, direct assistant staff, overall banking staff – relevant due to their large share of total costs
- **Occupancy costs:** Average occupancy and lease costs in prime locations – relevant due to the importance of prime office space in private banking
- **Price level:** Overall Purchasing Power Parity and inflation levels – relevant to account for differences in overall cost levels between wealth management centres

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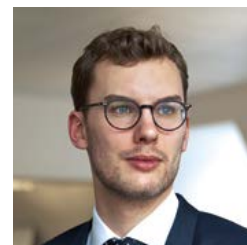
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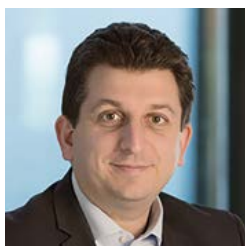
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