Article View

Return to Headlines

THE WALL STREET JOURNAL.

International

Streamlined Singapore Gives Hong Kong a Run for the Big Money

---

Futures Contracts
Spark Latest Battles

By Wall Street Journal staff reporters Erik Guyot and Christina Mungan in Hong Kong, and Richard Borsuk in Singapore

11/19/98
The Wall Street Journal
Page A19

As financial-market rivalry between Singapore and Hong Kong grows shriller, there are signs that Singapore's drive to attract industry executives is bearing fruit.

The long-running competition between the two cities to be Asia's dominant financial market outside Japan has returned to the fore with a spat over Singapore's plan to launch **futures** contracts based on Hong Kong's stock market. As Hong Kong tightens its regulations, Singapore is accelerating efforts to become Asia's equity-trading center, targeting a Hong Kong strength.

Anecdotally, executives at moving companies in the region say they see a modest flow of financial executives relocating to Singapore from Hong Kong.

Singapore is trying to shed its image as a strictly controlled market where anything not expressly allowed is forbidden. Authorities say the emphasis is on supervision rather than regulation.

Hong Kong officials have branded as "predatory" the Singapore International Monetary Exchange's move to gain business by launching a **futures** contract based on Hong Kong's benchmark index on Nov. 23. Saying they are worried that the Simex move will undercut regulations in Hong Kong, officials have likened Singapore's market regulators to "bookies." Says Simex President Ang Swee Tian: "Exchanges that adopt an enlightened approach to competition find that there is a bigger pie to share."

The number of bankers and stockbrokers who have relocated to Singapore is relatively small. But the trickle from Hong Kong could grow: Singapore's arsenal includes lower business costs, tax breaks and moves to shed excessive red tape.

"A lot of people have underestimated Singapore's intention, desire and ambition . . . to become a significant financial hub," says Sergio Rial, Asian-Pacific chief executive of ABN-Amro Bank NV of the Netherlands, which two years ago put its name on a gleaming office block in that city. ABN-Amro used to have twin regional headquarters in Hong Kong and Singapore, but the lure of opportunities and lower costs led it to consolidate headquarters in Singapore.

"Three times as many personnel move from [Hong Kong] to Singapore as would move from Singapore to Hong Kong," says Nicola Bradley, general manager of the Hong Kong office of Allied Pickford Ltd., a moving company. Ms. Bradley says the flow south has remained steady this year, despite the Asian economic crisis. Officials at Crown Worldwide Group, another big mover, also see a relocation of financial executives in Singapore's favor. Ray daSilva, group executive vice president, says that since 1996 he has tracked about 350 executives moving from Hong Kong to Singapore. During that period, 149 executives have moved from Singapore to Hong Kong.

The migration to Singapore isn't causing a shortage of financial executives in Hong Kong. As of June 30, Hong Kong had more than 162,000 people working in financial services, according to the government.

As part of efforts this year to lure fund managers, the Monetary Authority of Singapore sent staff all over the world to lobby for funds to set up shop in Singapore. The government has committed to place to fund managers 25 billion Singapore dollars (US$15 billion) of Government of Singapore Investment Corp. funds over three years (of which S$6 billion will be placed by next April). The requirement for minimum global funds managed by a parent company wanting to set up a Singapore operation was reduced to S$1 billion from S$5 billion. There is also a "tax exemption scheme" for fund managers. Beginning next year, fee income of approved fund managers will be exempted from tax for five years if they manage at least S$5 billion of foreign investors' funds in Singapore throughout that time.

In contrast, Hong Kong authorities in recent months have added red tape. To deter currency speculators from simultaneously attacking the Hong Kong dollar and **futures** market, authorities increased margin requirements for large **futures** trades. Securities firms also must disclose the identity of large **futures** clients. Hong Kong authorities say their increased regulation is aimed at increasing market transparency and preventing large hedge funds from unfairly manipulating markets.

A number of Hong Kong investors say such rules are causing headaches for long-term stock-market investors who use **futures** and other derivatives as hedges.