



Tax Information Exchange and EU Savings Directive: How does this affect the banker?

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1 the impact of TIE, ESD

Confidentiality

Exchange of information on demand

- ▶ Current OECD and G20 standard
- ▶ Limited impact on confidentiality

Automatic exchange of information

- ▶ Revised ESD; reverse discrimination in the EU
- ▶ Alternatives

Other attacks on confidentiality

- ▶ AML, securities regulations, QI/FATCA, data theft



Performance, cost

Withholding tax

- ▶ Moving from 20% to 35% on 1 July 2011

Scope

- ▶ Revised ESD

Cost of compliance

- ▶ TIE, ESD, Other





2 client options

Client options

Do nothing

- ▶ Maybe an option, but...
 - ▶ ...next generation?
-

Give the money away

- ▶ Spend the money
 - ▶ Donate the money
-

Move the account

- ▶ Tax heaven (colored lists)
 - ▶ Asia (Singapore, HK)
-
-

Client options

Regularise

- ▶ Amnesty scheme
- ▶ Other

Structure the assets

- ▶ Interesting Luxembourg vehicles
- ▶ Attractive for larger portfolios

Relocate to Luxembourg

- ▶ Luxembourg residency
 - ▶ Obstacles in home country
-
-

3 the bigger picture



A challenging environment

Image issue

- ▶ Internal and external
- ▶ Inability to market

Pressure on revenues to remain, with costs remaining high

- ▶ Economic uncertainties, low interest income
- ▶ IT and staff spent difficult to control

Need to rethink the client mix

- ▶ Model still based on EU, mass affluent clients

Regulation

- ▶ Including tax pressures
- ▶ Unlikely to decrease

Pressure on revenue

Example: 3 months LIBOR 1984-2011

GRAB

Index GP

US0003M INDEX Save Chart Hide GP - Line Chart Page 1/10

Range 12/31/84 - 04/29/11 Upper Ask Yield Mov. Avgs
 Period Monthly Lower None Mov. Avg Events



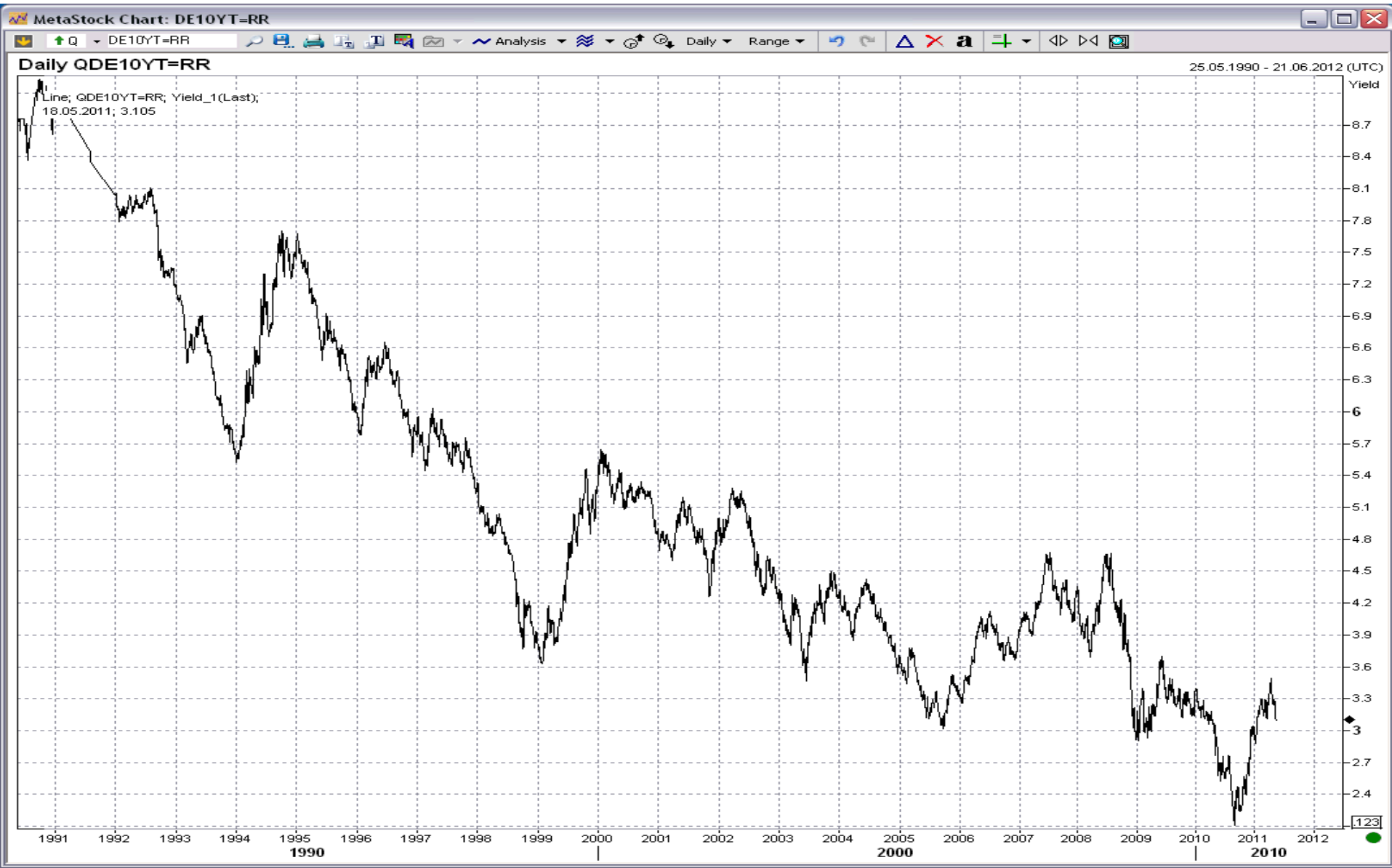
1985-1989 1990-1994 1995-1999 2000-2004 2005-2009 2010-2014

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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 SN 860991 G704-23-3 18-May-11 11:58:49 CEST GMT+2:00

Pressure on revenue

Example: 10 year Bund yield 1991-2011



PIGS, euro

GRAB

Corp HMS

Start date adjusted. Enter 1<GO> to SAVE changes or <CANCEL> to abort.

4-IN-1 GRAPH

Name: 1 Name Set # 1

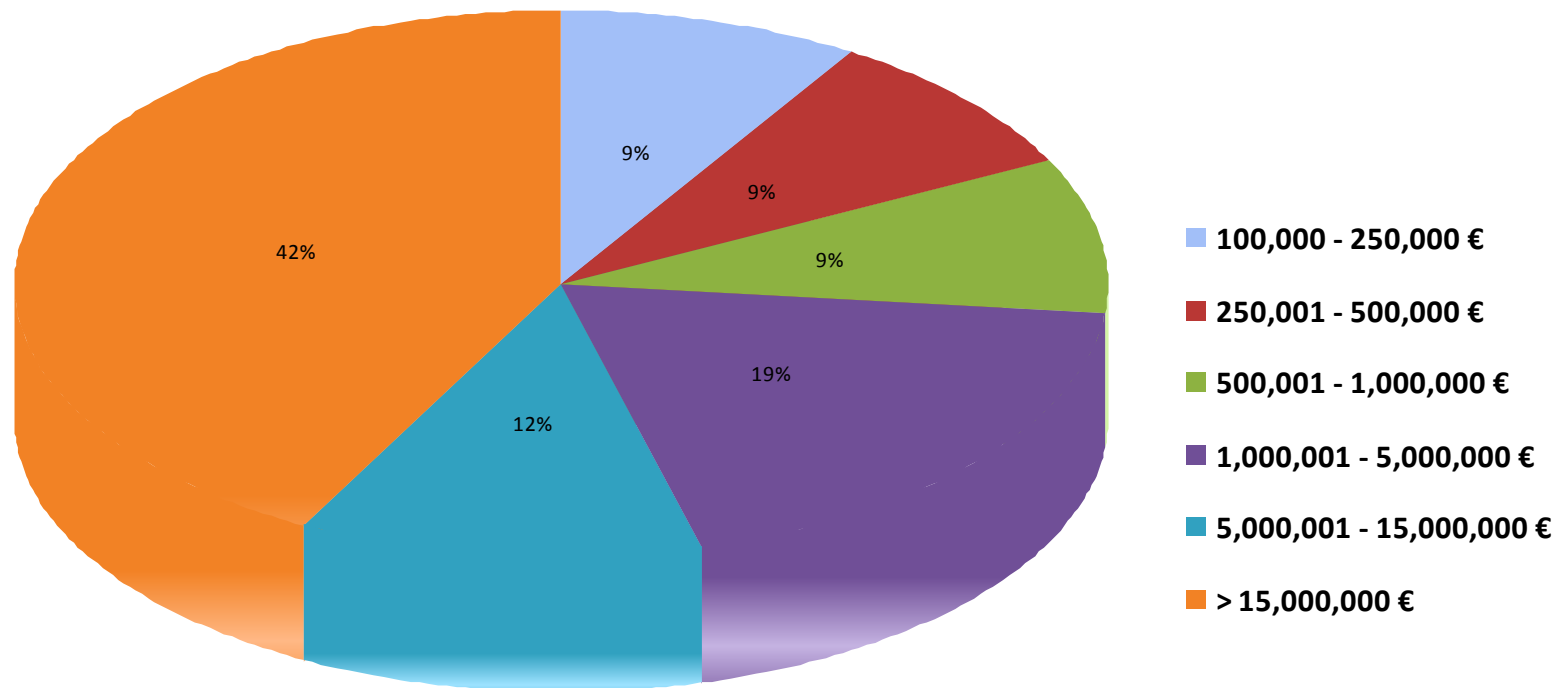
1	GREECE CDS USD SR 5Y	Px1	2	PORTUG CDS USD SR 5Y	Px1				
3	SPAIN CDS USD SR 5Y	Px1	4	IRELND CDS USD SR 5Y	Px1				
Range	5/23/08	To	5/13/11	Period	W(D-W-M-Q-Y)	Normalize	0(Y/N/O)	Dates	0

GREECE CDS USD SR 5Y	1251.06
PORTUG CDS USD SR 5Y	622.74
SPAIN CDS USD SR 5Y	235.33
IRELND CDS USD SR 5Y	633.94



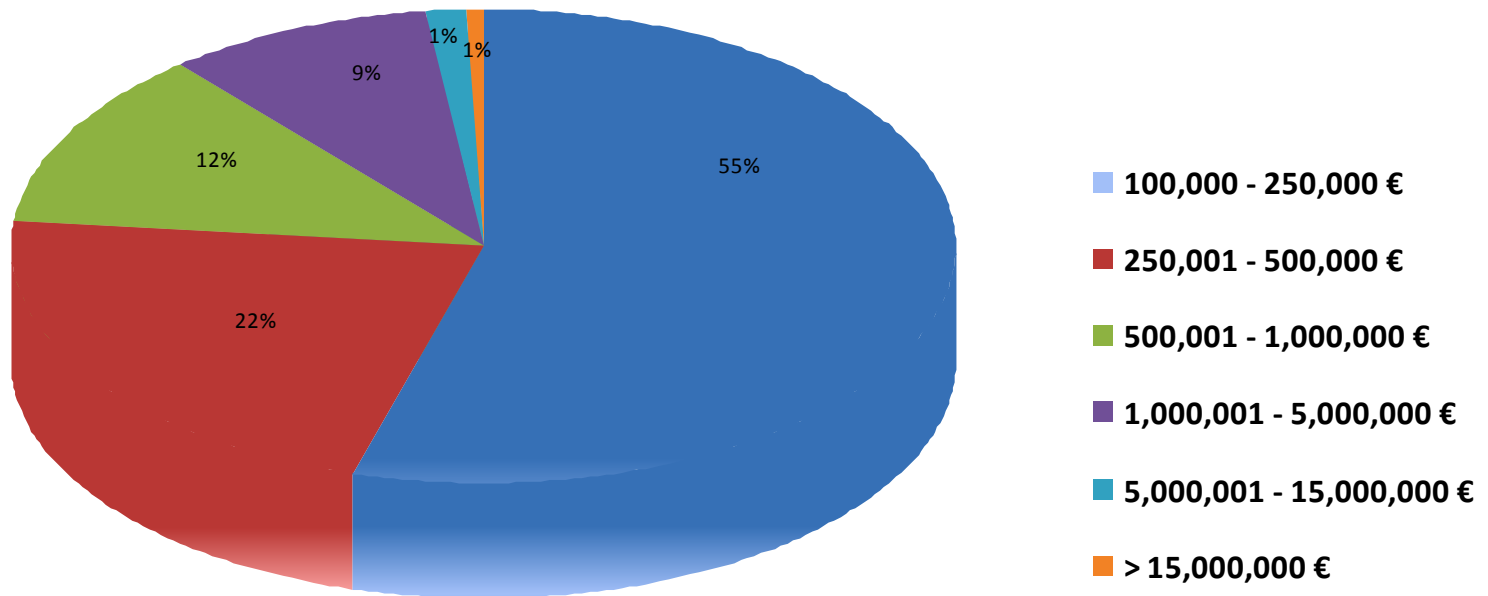
Over dependence on "Affluent" clients (1)

Assets: 27% < € 1 mio

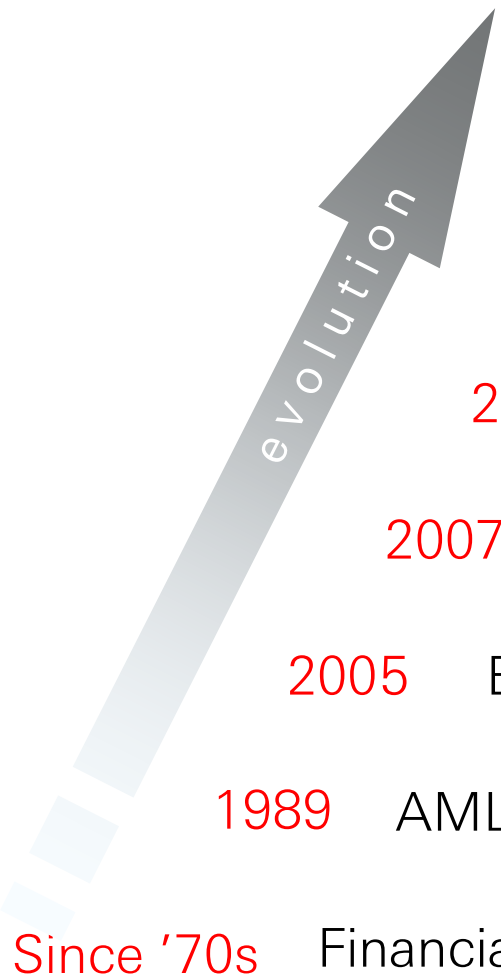


Over dependence on "Affluent" clients (2)

Number of clients: 89% < € 1 mio



Regulation



Since '70s

Financial Centre and Private Banking Develop

1989 AML Rules

2005 European Savings Directive

2007 MiFID – Investor Protection

2008 BASEL II

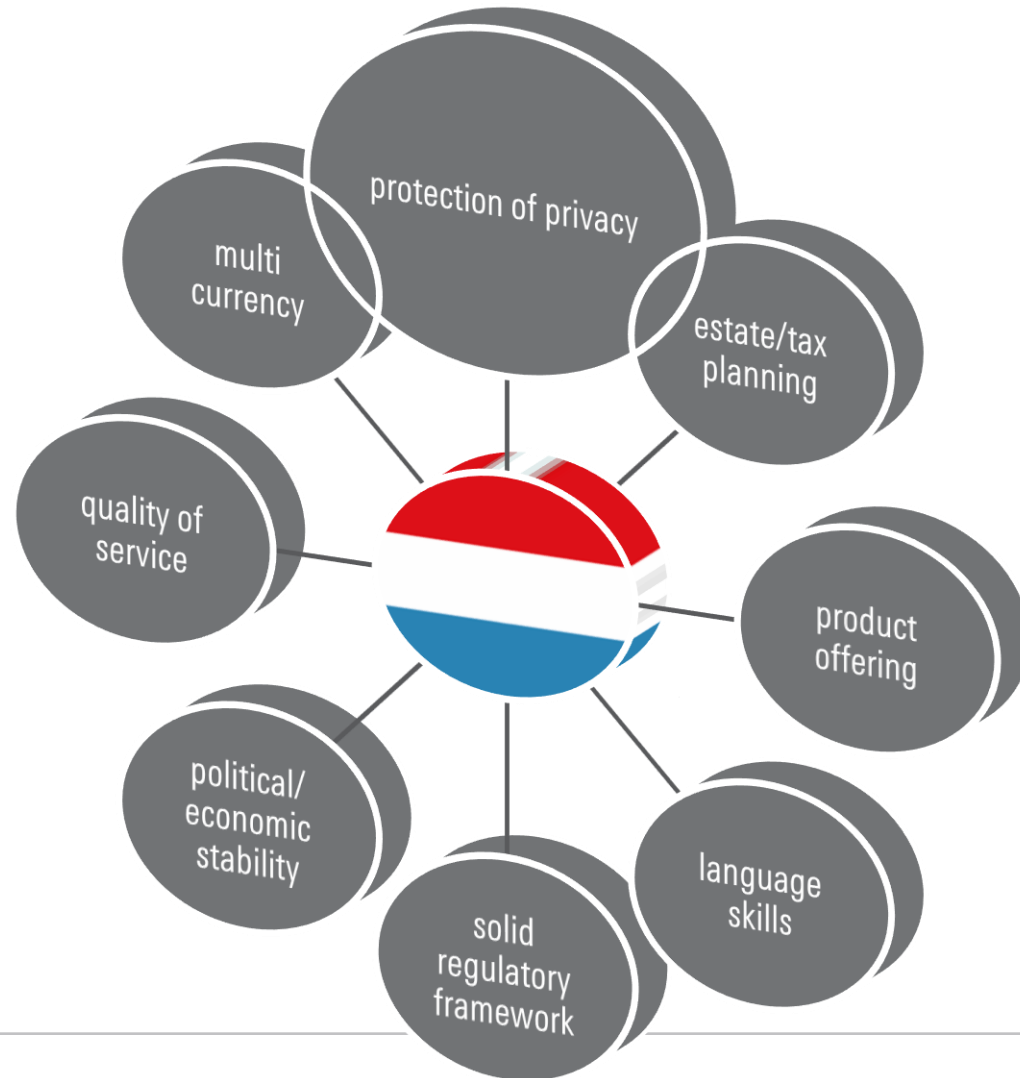
2009 G20 – Exchange of information in tax matters

to come Revised Savings Directive – Towards automatic exchange of information?
BASEL III FATCA

4 the future



The traditional Luxembourg PB model – built on confidentiality

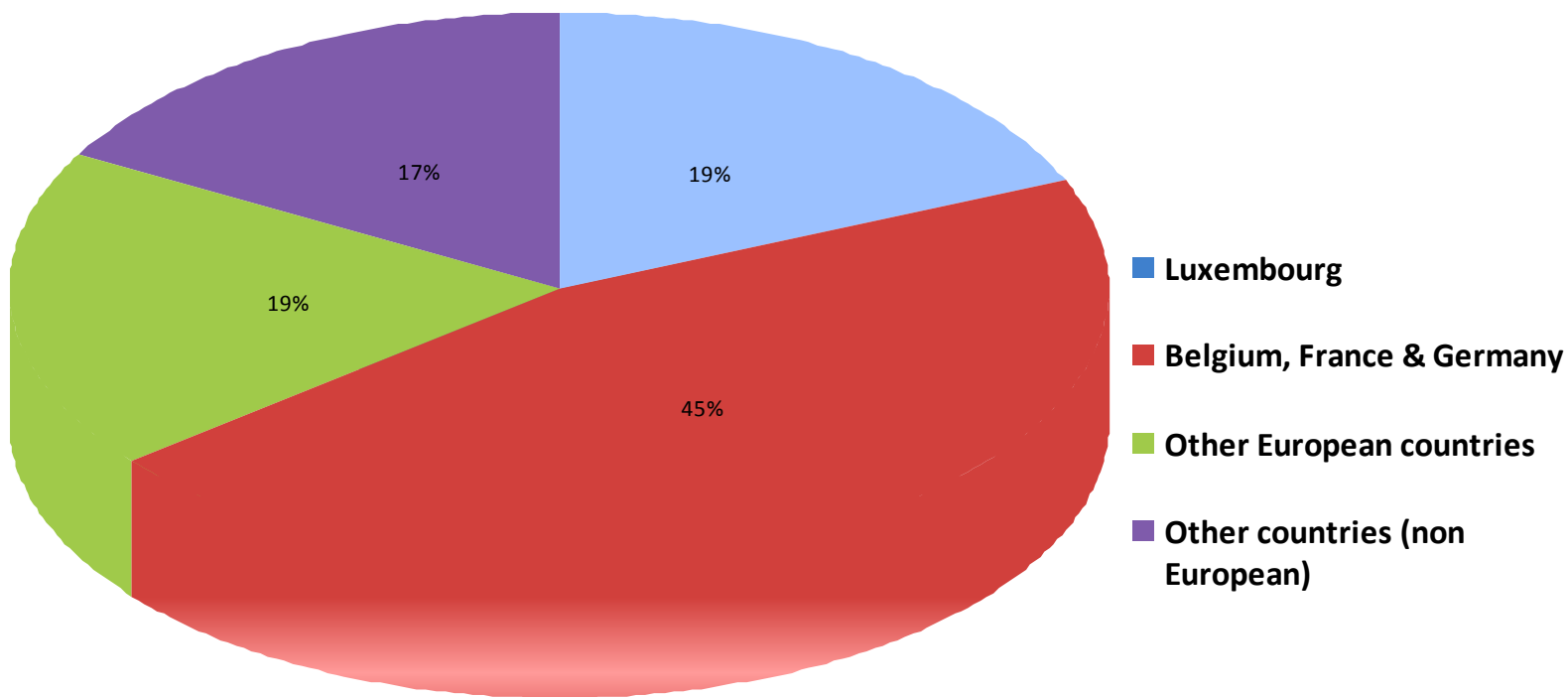


The new Luxembourg PB model – built on EU passport, performance, product mix



Nearby markets are important...

Assets



...and will remain so. But need to diversify

Total wealth in USD trillions					
2011	Total	\$92.26	2020	Total	\$ 201.95
1	United States	\$38.60	1	United States	\$87.11
2	Japan	\$10.00	2	Japan	\$19.02
3	Italy	\$5.71	3	Germany	\$10.94
4	United Kingdom	\$5.69	4	United Kingdom	\$10.58
5	Germany	\$5.14	5	Italy	\$9.48
6	France	\$4.62	6	France	\$8.31
7	Canada	\$3.35	7	China	\$8.24
8	Hong Kong	\$2.48	8	Canada	\$6.77
9	Switzerland	\$2.41	9	Hong Kong	\$5.70
10	Spain	\$2.17	10	Switzerland	\$4.33
11	Netherlands	\$1.75	11	Australia	\$3.64
12	China	\$1.67	12	Spain	\$3.42
13	Australia	\$1.49	13	Netherlands	\$3.14
14	Taiwan	\$1.26	14	Taiwan	\$3.03
15	South Korea	\$0.99	15	India	\$2.95

Total wealth in USD trillions					
2011	Total	\$92.26	2020	Total	\$ 201.95
16	Singapore	\$0.88	16	Russia	\$2.70
17	Russia	\$0.79	17	South Korea	\$2.50
18	Sweden	\$0.71	18	Singapore	\$2.42
19	India	\$0.58	19	Brazil	\$2.04
20	Brazil	\$0.57	20	Sweden	\$1.38
21	Turkey	\$0.46	21	Turkey	\$1.34
22	Mexico	\$0.36	22	Mexico	\$1.12
23	Norway	\$0.36	23	Norway	\$0.84
24	Malaysia	\$0.14	24	Malaysia	\$0.69
25	Poland	\$0.08	25	Poland	\$0.26

Source: Deloitte analysis and Oxford Economics

DM EM

Source: Deloitte Development LLC, 2011

Need for clear, Unique Selling Proposition...

EU Markets

**Non-EU
Markets**

Strong asset
management
capabilities

Strong asset
management
capabilities

Wealth
planning
toolbox

Wealth
planning
toolbox

EU Passport

Luxembourg asset and wealth management offering
complementary to offering in target country



...centred around the 3 pillars of Luxembourg Wealth Planning

Multicurrency
Bank Accounts

Transfers/Payments

E-Banking

Loans and Guarantees

BANKING SERVICES

Execution Only, Advisory
Services

Discretionary Asset
Management

Funds, Fund of Funds,
Structured Products

All Major Markets and
Currencies

Structured Products

Open Architecture

INVESTMENT SERVICES

Investment/Real
Estate Vehicles

Dedicated Funds
(SIF)

Life Insurance
Wrappers

Venture Capital
vehicles

Philanthropy

Residency

**TAX AND ESTATE
PLANNING**

exist in most countries

unique to Lux

Enhanced segmentation

Classical criteria

- ▶ AUM – shift from affluent to HNWI/UHNWI
 - ▶ Geography
-

New criteria

- ▶ Lifestyle
 - ▶ Age, Gender
 - ▶ Occupation
 - ▶ Tax and inheritance planning
-

Focusing on upper segments

Affluent

HNW

UHNW

Strategy	Focus on semi-industrialized processes	Focus on assets under management	Focus on high-end wealth solutions
Commercial Approach	Standardized approach	Customized relationship-driven approach	Tailor-made solutions
Key Offering Characteristics	<ul style="list-style-type: none">➤ Asset Management with extensive use of funds➤ Product solutions	<ul style="list-style-type: none">➤ Tax and estate planning➤ Asset allocation➤ Tailored asset management	<ul style="list-style-type: none">➤ Wealth management➤ Access to capital markets➤ Alternative offerings

Upskilling staff

Assessment of competencies

- ▶ Bank tools or external
- ▶ IFBL

Train or replace

- ▶ Will / Skill
- ▶ Revised needs: e.g. taxation

Recruitment

- ▶ Group internal
- ▶ External



Review of cross border operation

Need to review cross border marketing procedures

- ▶ Internal resources
 - ▶ External resources
-

Non tax issues

- ▶ Cross border banking regulations, securities regulations (products)
-

Tax compliance

- ▶ Legacy issues
 - ▶ New business
-

Client reporting

- ▶ Ensure regular reporting
 - ▶ Tax reporting
-

The private banking landscape: consolidation

Mergers and acquisitions

Portfolio / business sales

- ▶ Reducing multiple presences of the same group
- ▶ Amongst competitor banks

Repositioning within larger groups

- ▶ Development or exit

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Any questions?

