White Paper
Investment banking in Asia

Adsatis

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EXECUTIVE SUMMARY

This research report provides an overview of investment banking activity in Non-Japan Asia with particular focus on the evolution of business in the regions financial centres. The report examines the major products and business areas in the region. The report is based on public information and on the findings of conversations with senior professionals working in (or with first-hand knowledge of) the region. Any analysis is based on Adsatis observations and any bank specific information does not represent the explicit corporate policy of those organisations.

BACKGROUND

- Rapid economic growth in emerging markets, particularly in China, India and Asia in general, is transforming the balance of financial market activity between the developed and emerging market economies. Coming from such a low base (currently less than 20% of the world's equity and debt capital), this will take some time but the trend is resulting in a permanent shift and investment banks will, over the longer term, commit increasing resources to financial centres in Asia.

- China's financial development is shaping the region. The internationalisation of the renminbi is a precursor to fully liberalising China's capital account. Offshore renminbi currency, bond and interbank lending markets have all developed over the last five years.

- Asia is a growing source of investment capital. Investments from emerging Asian investors into foreign debt and equity markets reached 4.1% of the global total in 2010 up from 2.8% in 2001.

- International demand for Asian local currency debt and equity has ballooned in the last decade. Demand has grown at 24% annually since 2001 to reach 4.7% of the global total in 2010.

ASIAN FINANCIAL CENTRES

- Hong Kong, Singapore and Tokyo are the region's main financial hubs and larger banks continue to maintain substantial operations in all three centres. FICC activity in the region is concentrated on Singapore whereas equity and credit related activity is centred on Hong Kong. Banks' strategy for local markets varies; the more established banks have a wide footprint whereas those newer to the region have tended to be more opportunistic. A number of banks have scaled back their local market ambitions and are centralising business around the major offshore hubs.

- Hong Kong's development has been driven by its position as the gateway to China, historically based around trade but over the past 25 years as a financial centre. Hong Kong is a special administrative region (SAR) of China and is used by the Chinese authorities as a testing ground for liberalisation of the Chinese economy, thus creating opportunities for Hong Kong financial institutions. The explosion of the Chinese IPO market together with the city's own equity market has made Hong Kong the main centre for equity trading, corporate finance, credit trading, debt and equity capital markets businesses. The offshore renminbi currency (CNH) together with the offshore interbank and bond "Dim Sum" market is integral to the centre's future development. Hong Kong scores well on infrastructure, availability of skills, taxation and regulation.

- Singapore's growth has been driven by a combination of FICC trading for the front office activity together with regional and (in some cases) global operations and technology centres. Singapore benefited from significantly lower labour costs than competing centres to become established as a key global financial trading hub. Singapore has emerged as a key offshore logistic and financial hub for many Indian companies and is well positioned as a hub for southern Asia. Singapore scores well on operational efficiency, political and regulatory stability, availability of resources, legal structure, cost and quality of life.

- Tokyo was the first major foothold in the region for international banks seeking to access the Japanese market and to service Japan's appetite for international product. Although the logical hub for the region, Tokyo seems to have lost its pre-eminent position. Natural disasters are now a real concern and Tokyo scores less well on regulation, taxation and availability of skilled workers.

- China and India both have huge potential for international banks. China's authorities have restricted foreign access to its domestic market forcing international banks to enter into joint ventures with local firms. China's banking industry has benefited from this protection to emerge as strong competition to international banks in offshore markets (particularly the offshore IPO market in Hong Kong). Competition from local banks is also fierce in India where international banks are becoming frustrated by bureaucracy and opaque local business practices. Many international banks have local market presence in Taiwan, Korea and Indonesia and, to a lesser extent, the smaller regional economies.

THE FUTURE OF ASIAN FINANCIAL CENTRES

- Based on market trends and expert opinions presented in the report, Adsatis have ranked selected Asian financial centres in today's market and projected forward to 2025. We see Hong Kong and Singapore overtaking Tokyo to become twin international hubs for the region. Both will also grow in importance in a global context. Shanghai and Mumbai will benefit from regional growth to compete strongly with Hong Kong and Singapore respectively. Tokyo will remain important but activity will be increasingly focused on the Japanese market.

MAJOR PRODUCTS AND BUSINESS AREAS

- Strong economic growth and increasing international trade will make the region more important from an FX perspective. Asian currencies are taking a larger share of global trade and its banks account for approximately 20% of global FX turnover. The internationalisation of the renminbi and to lesser extent the INR will further increase FX activity in the region.

- G10 government bonds have been an important product for the region's sovereign wealth funds. Local debt markets have grown rapidly and have become increasingly important to investors in the region and internationally. The development of corporate bond markets has been patchy and much of the issuance has been in G3 currencies however local markets are also developing. The offshore renminbi (Dim Sum) bond market is attracting both Chinese and international issuers and is tipped to grow strongly.

- Asia is both a major producer and consumer of commodities and banks with strong commodities platforms and strong corporate relationships are set see substantial revenues from physical demand and hedging business.

- Many banks have invested significantly in the build out of cash equities platforms in the key local markets together with associated ECM, Corporate Finance and M&A businesses. Returns have been slow to come and some banks are scaling back their ambitions in less strategic markets. Through to the end of 2010 there was spectacular expansion in ECM business in the region but this reversed in 2011 with ECM volume down 46% from record highs the previous year. Rapid economic growth has created strong demand for advisory services but international banks face strong competition from local players.

- Private Banking has boomed in NJA over the last few years and continues to be a growth area as economic growth and wealth creation creates a large number of high-net-worth individuals. Singapore has established itself as a major hub for private banking activity and is expected to overtake Switzerland in the next few years.

CLIENT STRATEGY

- Sovereign Wealth Funds and Central Banks have been the focus for many banks in the region – particularly for the distribution of primary debt products. SWF's have become increasingly sophisticated and demanding clients.

- Institutional business from money mangers has yet to become as developed in the region as in Europe and the US but is expected to become more important as the region's pension and savings industries continue to expand.

- Only those banks with significant local scale and footprint have focused on developing large numbers of corporate clients, while other banks have concentrated on the larger corporates in each location. Effective cross selling is important to maximise revenues.

- Regional banks have been key clients for international investment banks with business consisting of own account trading, asset and liability management and distribution of vanilla and more complex structured products through private banking channels.

- The hedge fund industry in Asia has grown rapidly and the major financial centres in the region are keen to attract more business. Despite this, hedge fund clients are still less important to investment banks in Asia than their equivalents in Europe and US.

1. INTRODUCTION

Since the recovery from the Financial Crisis in 2008/9 there has been a huge land grab amongst the major banks to build out capability in Non-Japan Asia. A number of the banks have had an extremely long standing presence and reputation in the region – these include Citi, Deutsche Bank and of course HSBC and Standard Chartered whose businesses have been focused on Asia for a number of years. While others may not have had such a strong history in the region they have nevertheless established and rapidly expanded their capability.

Activity has not been confined to the large global players. Many of the larger European banks have also invested heavily while Australian, Canadian and Japanese banks which historically have tended to look at Europe and the US as the most logical investment opportunities have more recently begun to see the region as a natural next step outside their domestic franchise. The key drivers for this are the now widely publicised and accepted economic factors and the opportunities that these present, as well as the huge potential for growth in investment banking business across all business lines for both G10 denominated products, as well as local market and cross border activity.

The objective of this study is to provide an overview of the investment banking activity in Non-Japan Asia with particular focus on the evolution of business in different locations in the region. The study also investigates how location strategy is expected to evolve over time. The study covers the main financial markets products/asset classes as well as Corporate Finance/M&A activity and Private Banking.

The study is based on information obtained through research undertaken from publicly available sources, as well as from conversations with market experts and representatives from some of the leading participants – buy side, sell side, exchanges and other market participants.

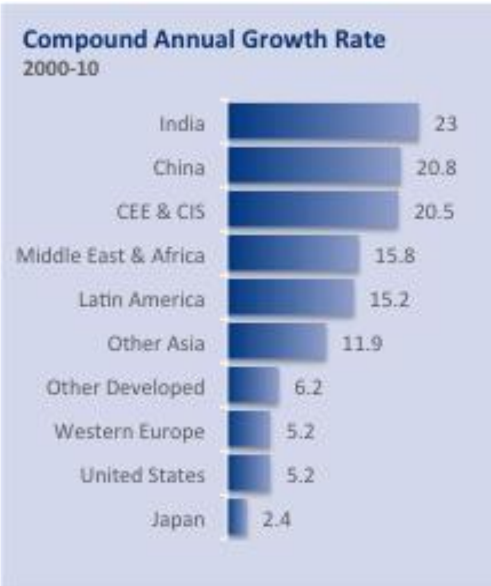
2. DRIVERS OF INVESTMENT BANKING ACTIVITY IN NON-JAPAN ASIA

2.1 DEVELOPMENT OF EMERGING ECONOMIES

Developed Countries account for the over 80% of debt and equity capital raised worldwide. However, emerging markets are catching up. In 2011 the US and Western Europe each accounted for slightly over 30% of outstanding capital, Japan around 12% and developed nations slightly under 9%. Emerging markets share is dominated by China at around 8% while India and other emerging Asian markets represent another 3%. Asia represents around 60% of the emerging markets share while EEMEA countries represent another 25% and Latin America the remaining 15%.

Growth in EM has outstripped developed markets and within emerging markets China and India are the fastest growing markets and Asia the fastest growing region by some margin. Despite the fast growth rates emerging Capital markets are still shallow compared to developed nations and have plenty of room for growth.

Source: McKinsey Global Institute



The growth differential between emerging and developed markets has been evident for a few years now but those surveyed believed that there is an increasing realisation that this will continue for many years to come which will influence the longer term plans of institutional investors. Arguably a "permanent shift" is now occurring from traditional regional markets to the emerging markets and Asia is the major part of this. With this shift in capital markets, asset managers will increasingly move more resources to the region to ensure good local knowledge (e.g. investment analysts etc.), provide better access to investment opportunities and service new investors.

2.2 CHINA'S FINANCIAL DEVELOPMENT

Over the last generation China has gradually shifted from centralized planning to a socialist market economy. The country's banking system is still highly regulated, lending is subject to quantitative guidance and foreign banks are still limited to playing a small role. Similarly, in the corporate bond market, issuance is still rationed. Backed by capital controls, these restrictions provide the authorities with direct leverage over credit growth and its allocation.

The Chinese authorities have begun to internationalise the renminbi before fully liberalising China's capital account. Since 2003, Hong Kong residents have been permitted to buy renminbi (RMB) up to a daily limit to obtain offshore RMB deposits.

From 2007, the offshore sale of RMB bonds has been permitted, providing an investment alternative to RMB bank accounts. These bonds offered yields above those on bank deposits but below those on equivalent bonds sold on the mainland. If the RMB proceeds are to be remitted to the mainland to finance assets there, the transaction must be approved by the State Administration of Foreign Exchange (SAFE), just as in the case of dollars that are to be exchanged for RMB.
Since 2009, it has been possible to invoice and settle imports and exports in RMB.
With the introduction of a CNH forward in late 2010, three different markets trade forward rates for the RMB (see box).
The recent announcement widening the daily trading band of the renminbi on top of modest relaxation of limits on foreign investment confirms Beijing's continuing commitment to economic liberalisation.

Prospects for the growth of offshore bond and interbank markets:

The offshore renminbi bond market was initially dominated by Chinese issuers but now attracts foreign borrowers and with eased capital controls, will compete with the onshore bond market.

Currently the offshore renminbi interbank market is segregated from its onshore counterpart but international experience suggests that offshore banks will eventually hold substantial claims on onshore banks.

Offshore RMB Market

For more than 10 years, a forward contract for difference, a so-called non-deliverable forward (NDF), has traded offshore. In this market, counterparties take a position on the domestic renminbi exchange rate fixing at some date in the future, but settlement involves dollars only. Then, in October 2005, after the unpegging of the renminbi from the dollar in July 2005, a deliverable forward began to trade onshore. With the introduction of a CNH forward in late 2010, three different markets trade forward rates for the renminbi.

Currency	Description	Regulator	Participants	Regulated
CNY	Onshore RMB	PBoC, SAFE	Onshore (residents), Permitted investors	Heavily Regulated
CNH	Offshore deliverable RMB	HKMA with cooperation of PBoC	Offshore	Most liberalised
NDF	Offshore non-deliverable RMB	None	Offshore	Unregulated, restricted onshore

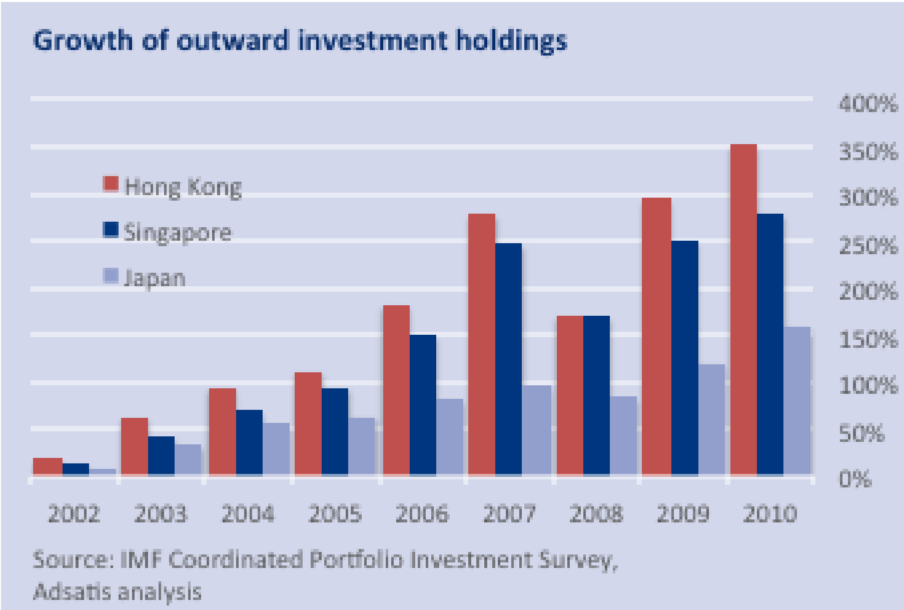
Source: HSBC

CNH can be accumulated in any country; but only in Hong Kong is it physically deliverable. Hong Kong is also the only location in which RMB trading is officially sanctioned. Singapore is also emerging as an active market place for CNH and there is strong interest to develop the market from London and other major financial centres.

2.3 GLOBAL INVESTMENT FLOWS

Asia as a source of investment capital: Asia has the highest savings ratios in the world and there is a strong belief that flows between Asian investors and borrowers (in the West and in Asia) will continue to grow. To date the bulk of investment has come from official institutions, i.e. managers of the official reserves in the surplus countries, investing in Western sovereign debt, but other sources of investment capital are growing. According to IMF data, investments, excluding reserves, from emerging Asian investors into foreign debt and equities reached $1.4 trillion in 2010, or 4.1% of the global total. This is up sharply from $322 billion, 2.8% of the total, in 2001. Clearly emerging market investors will become increasingly important players in foreign markets as their economies grow.

To date asset managers in NJA have largely focused on official institutions but going forward more private wealth will develop and financial institutions will increasingly focus on channelling these funds into profitable investment. Both Hong Kong and Singapore are established offshore centres for asset management in the region while China, Korea, India and Taiwan each have relatively well developed domestic mutual fund markets.



International demand for local currency debt and equity: Over the last decade international investors have increased allocations to emerging markets. IMF portfolio holdings data shows that international demand for emerging Asian debt and equity securities reached $1.9 trillion in 2010, or 4.7% of the global total up from $265 billion in 2001 (2.1% of the global total) – a compound annual growth rate of 24%.

Growth in foreign investment demand

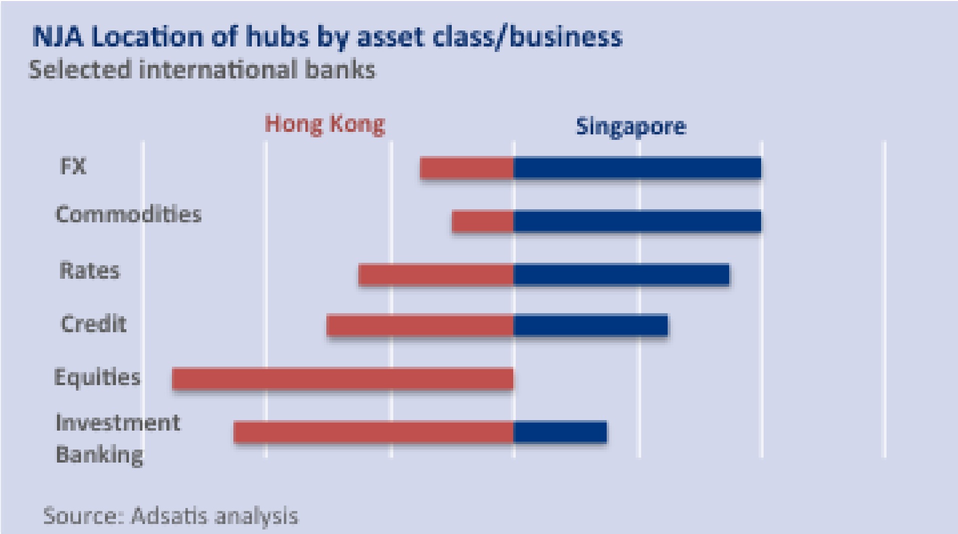
Selected Countries, ann. 2001 - 2010

Country	Rate
China	43%
India	43%
Indonesia	38%
Hong Kong	14%
Singapore	15%
Japan	11%

3. ASIAN FINANCIAL CENTRES

Hong Kong, Singapore and Tokyo are the regions main financial hubs and the larger players continue to maintain substantial operations in all three locations. However our investigations suggest that the relative importance of each hub varies for individual banks, together their reasons for choosing a location. Equally there are common elements and it is clear that the picture is still evolving.

The established trend is for rates, commodities and FX activity to concentrate on Singapore and equity and credit related activity to concentrate on Hong Kong. However, Hong Kong has a geographical advantage in that North Asia is growing more quickly and, as discussed elsewhere, the growth in offshore RMB activity will attract more business to Hong Kong.



Note: A financial hub is taken to be the regional centre for trading and risk in the case of markets businesses and the regional centre with the biggest presence for other business.

Most international banks also have a presence in local markets. Some, like Citi, HSBC and Standard Chartered, have a wide footprint,

***Insight:** Senior Strategist: Asian focused global bank Singapore "The bank's approach to each location in the region has essentially been based on the strategy of 'local markets'"*

… while others have taken a more opportunistic approach to local markets

***Insight:** Senior Banker: Global bank Hong Kong "… the strategy is to leverage the bank's core strengths, be more opportunistic, more nimble and have a more 'light touch' presence."*

A number of banks have decided to scale back their ambitions as it has become apparent that the combination of competition, capital scarcity and regulation will make it much harder to deliver sufficient return on investment. After a decade of localisation there now seems, at least for some banks, to be a trend back towards centralising business around the major Asian hubs.

3.1 HONG KONG

The importance of Hong Kong has always been driven by its position as the gateway to China. Originally this was based around trade (in physical goods), but over the last 25 years its importance as a financial centre has grown significantly, such that in 2009 and 2010 it was the most active market globally for IPOs, and in 2011 it leap-frogged New York and London to take the number one position in the World Economic Forum's financial development index.

Hong Kong is one of only two special administrative regions (SARs) of China, the other being Macau. As part of the move to liberalise the Chinese economy authorities are testing out allowing domestic banks to go abroad. This is comparable to the model that was pursued by Japan in the early 1980's when outward portfolio investment was only very small percentage of GDP. There is tremendous room for these flows to grow in both directions and Hong Kong is both the logical test environment for the Chinese authorities to experiment with liberalisation, and the obvious beneficiary of the growth generated by further liberalisation. Beijing already uses Hong Kong to try out new policies and this, in turn, creates new opportunities for Hong Kong financial institutions.

For the international investment banks it is essential for them to have a significant presence in Hong Kong, and investment banking headcount has grown substantially over the last few years, even though over the last 12 months there has been some shedding of staff.

The chart above (NJA Location of hubs by asset class/business) shows that Hong Kong is the undisputed hub for equity trading in the Non-Japan Asia region. This is because of the importance of China from an IPO and equity trading perspective and because the Hong Kong equity market is substantial in its own right. As a consequence of this Hong Kong is also the pre-eminent hub for corporate finance/DCM/ECM activity and for credit trading. There is a clear rationale for co-locating these business lines from the consideration of organisation, management and client coverage.

Hong Kong has developed rapidly as the centre for CNH (the offshore RMB). Due to its proximity to mainland China and as a Special Administrative Region of China, Hong Kong has traded the vast majority of the cross-border settlement renminbi since the launch of the pilot programme in 2009. Hong Kong is the only offshore market with a real time gross settlement (RTGS) clearing system, and a deep enough pool of liquidity to handle significant renminbi transactions on a consistent and robust basis. CNH accounts are not restricted only to trade-related flows and there are no limitations on transfers between offshore accounts, thereby creating a CNH interbank market in Hong Kong. As market liquidity continues to increase, and the range of instruments develops further, Hong Kong's dominant position is likely to strengthen further and it is possible to draw direct parallels with the development of the Euro$ market in the 70s and 80s and its impact on the development of London as a global financial centre.

Integral to the overall development of the offshore RMB market is the growth and development of the CNH bond market (known as the Dim Sum market in culinary recognition of its Hong Kong home base.) In 2011 at least 50 companies including Tesco and Unilever sold renminbi bonds in Hong Kong worth the equivalent of $8.8bn. CNH funds investing in renminbi bonds are also becoming popular and it is likely that CNH-denominated equity will shortly be available.

Insight: *Product Head: Global exchange platform Singapore "The direction for Hong Kong is obvious but very dependent on the development of Chinese business and Shanghai."*

HK scores well on infrastructure and education, and the fact that it has a highly motivated and productive local workforce. It is also seen very much as an "open platform" that welcomes international expertise. There are also many Western educated Chinese with high levels of educational qualifications and work experience in the West who want to return to the region and choose to live in Hong Kong because it is relatively close to "home", and they can enjoy the more liberal environment.

Future developments:
It is anticipated that Hong Kong will continue to grow in absolute terms and from a relative perspective globally. The further development of China and of Shanghai as a commercial and financial centre will not be at the expense of Hong Kong, since it is apparent that the Chinese authorities are extremely supportive of the continuing development of Hong Kong as a financial centre and are actively promoting this.

3.2 SINGAPORE

Singapore has had impressive growth as a financial centre, particularly over the last 5 years. This growth has been driven by front office activity in rates, FX, commodities and derivatives trading (both on and off exchange), and by the firm's locating their regional or global operations and/or technology centres in the city. In the early 2000s labour costs in Singapore were significantly lower (up to 70%) than the major global financial centres, and significantly lower than Hong Kong. While this competitive advantage is rapidly being eroded, (and many functions are now being offshored to India and other lower cost locations), Singapore has become established as a key global financial trading centre and a significant hub for private Banking.

Insight: *Senior Strategist: Major global bank Singapore "The commitment of the Singapore Government to growing Singapore as a business location is a key factor in its rise as a financial centre. This is very important as the government is committed to making Singapore the place of choice to operate from in the region and this will support its further growth."*

The main drivers for the growth of Singapore are operational efficiency, political and regulatory stability and certainty, availability of resources, legal structure, cost and quality of life. Singapore also scores very well for telecoms/communication stability and performance. Although Hong Kong also has many of these characteristics there is a feeling that Singapore has a slight edge in some areas and that it scores better for quality of life considerations.

While historically Hong Kong has attracted hedge fund activity, Singapore has had huge success in private banking, and hedge funds are now choosing to locate there as well. There is now more money managed in Singapore than Hong Kong.

***Insight:** Product Head: Global exchange platform Singapore "The environment in Singapore for hedge funds is very supportive and it is easy to set up there. Many HFs are moving risk management and trading personnel across from Tokyo. HFs see Singapore as a much more liberal environment compared with the much more heavily regulated set up in Japan."*

Singapore is now attracting significant activity from new clients based in growing Asian markets. Singapore serves much the same role for India that Hong Kong does for China. Singapore has emerged as a key offshore logistic and financial hub for many Indian corporate/houses. There are estimated to be about 4000 registered "Indian" companies in Singapore and nine Indian banks operate in the country.

Singapore is particularly well positioned as the hub for Southern Asia and is a member of the ASEAN block. An example of this increasing cooperation is that SGX is currently working on a trade connectivity model with Vietnam, Malaysia, Thailand and the Philippines, which will allow direct access across all exchanges to local market participants. This is a political process and the regulators are fully supportive of this initiative. To start with this will be for cash equities but this can and will be extended to other products.

Bank proprietary trading activity is increasing in Singapore and indeed is actively encouraged by the authorities (and is not regulated). Whilst it is possible that the prop trading activities of international banks could locate in Singapore (to avoid the Volker rule and other similar national regulation), they would likely still be within the reach of their national regulators.

ASEAN Block

The Association of South East Asian Nations ASEAN promotes economic growth, social progress and cultural development in the region through joint endeavors. ASEAN is actively working to reduce barriers to trade in the region.

ASEAN was established in 1967 by Indonesia, Malaysia, Philippines, Singapore and Thailand. Between 1984 and 1999 the founders where joined by Brunei, Myanmar, Vietnam, Cambodia and Laos.

Future Developments:
It is expected that the importance of Singapore (like Hong Kong) will continue to grow in absolute and relative terms from a global perspective.

3.3 TOKYO:

Although Japan is not formally part of the study the research did touch on the evolution of Tokyo as a financial centre, and on its future outlook.

Tokyo was the first major foothold in the region for international/global banks (in the 1980s). This was driven by the importance of the Japanese market itself from a trading perspective and the growing appetite from Japanese investors for international product. As a result Tokyo became the logical hub for global banks in the Asian time zone.

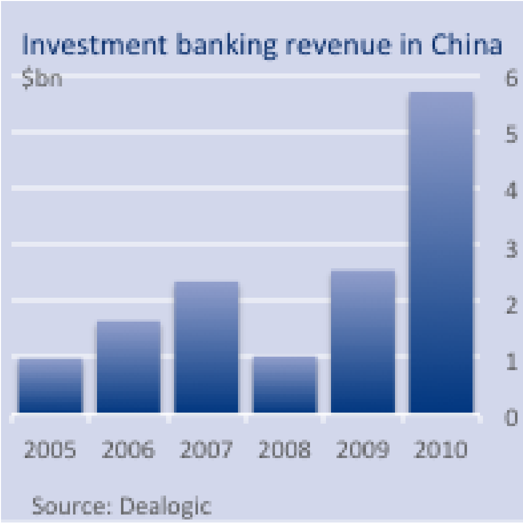
It is becoming apparent that Japan is losing its pre-eminence from a regional centre perspective (although the Japanese domestic market remains enormous). Natural disasters are now a real concern and there is a perception that the Japanese regulators and exchanges are slow to respond in times of crisis, which means that money is "locked up". Running global books out of Tokyo is no longer so practical and Singapore is the main beneficiary of this move.

***Insight:** Senior Management: Major global bank Singapore "Regional activity is moving from Tokyo to Hong Kong and Singapore for a number of reasons – proximity to key markets, cost and business contingency/DR. Tokyo will remain key but only for the Japanese market"*

3.4 OTHER LOCATIONS:

China: Over recent years most of the leading international banks have been desperate to get a foothold in the Chinese market. While deals can be done by the international banks through their presence in Hong Kong it is clear that the domestic Chinese market provides huge potential and that having a domestic presence to access this is a critical. Data from 2010 (see chart below) shows how important China has become for investment banking (ECM/DCM revenue) and in 2010 China produced $5.6 billion in revenue, more than twice as much as Asia's second-largest market, Japan. In addition the country has large amounts of yuan savings that are currently stuck in low-yielding deposits or property, and that can be attracted to other financial market and international assets.

While international banks are theoretically well positioned to provide this sort of service, access to the market has been restricted and they have been forced to enter into JVs where they have had to cede control to their Chinese partners and face restrictions on the activities that they can pursue (i.e. for the meantime their activity will be confined to underwriting securities and they will not be able to trade them). While this is clearly suboptimal for them, they are having to take a pragmatic approach based on what is on the table. The reality of this is typified by the experience of Morgan Stanley which became frustrated with its JV with CICC and decided to sell out. While it made a good return on this from an investment perspective it has had to replace the CICC relationship and maintain its strategic position in the market by entering into another JV with a smaller securities firm, Huaxin Securities, UBS, JPMorgan and Goldman have also set up JVs in the domestic market, but these have yet to deliver significant returns.



It seems that the restrictions have been a conscious strategy by the Chinese Authorities to buy time so that they can compete with the international firms. The strategy has also involved active support for Chinese banks in the underwriting process. For example Bank of China picked three Chinese banks but only two international banks for its recent $7 billion Hong Kong offering. They clearly do not want to make the same mistake that the UK made in the mid 80s when the US banks arrived and quickly won the majority of the UK privatisation programme and swallowed up and/or out muscled the UK Merchant banks. This strategy is beginning to work and Chinese investment banks are now big enough to compete for international offerings. China's biggest domestic underwriter of initial public offerings, the Guosen Securities Company, has doubled its staff in Hong Kong in the last year and is now competing with International banks for international offerings by Chinese companies from Hong Kong.

India: After China, India is considered the next most strategic market by the international banks, based on the overall size of the economy, its projected growth rates and the potential opportunities for investment banking. The established rule of law and the fact that English is widely spoken, and apparently more open regulatory backdrop have led many to believe that it is a more attractive and better investment location than China. In practise experience has been somewhat different and there have been frustrations with the levels of bureaucracy and the opaque ways that business is conducted. Competition from local payers has also become increasingly fierce and margins have become very aggressive. All of these factors have led to some of the banks taking a much more cautious approach to India, most notably Goldman Sachs who have so far chosen not to invest significantly and to support their business interests in India from offshore.

Minor Locations: There has been increased investment banking activity in other geographic locations across Asia in the last few years. There would appear to be 3 tiers amongst these other locations – see table below:

Tier 1	Taiwan, Korea, Indonesia	These locations have developed as centres of local market activity and in the case of Taiwan and Korea in particular as distribution centres for G10 and other global product. Indonesia is of growing importance due to the current rate of economic growth and the sizeable population and anticipated size of the economy in the future. All these locations are important for FX (cross border activity) and for investment banking business – ECM, DCM and for Advisory and M&A services. Private banking is also important particularly in Indonesia. Credit Suisse is widely known to have developed an extremely profitable presence in Indonesia with activity across all major business lines. It is known to be looking to replicate this elsewhere in the region
Tier 2	Malaysia, Philippines, Thailand, Vietnam	As the relative importance of the region and its individual economies has grown coupled with financial market development, the larger international banks have set up offices and obtained local licences in these locations. It is apparent that some are beginning to retrench and in some cases pull out as a result of competition from national players combined with increasing cost of and scarcity of capital
Tier 3	Bangladesh, Laos, Cambodia, Pakistan	In the main, activity in these countries is confined to the 3 main international regional players (Citi, HSBC and Standard Chartered) and local market firms.

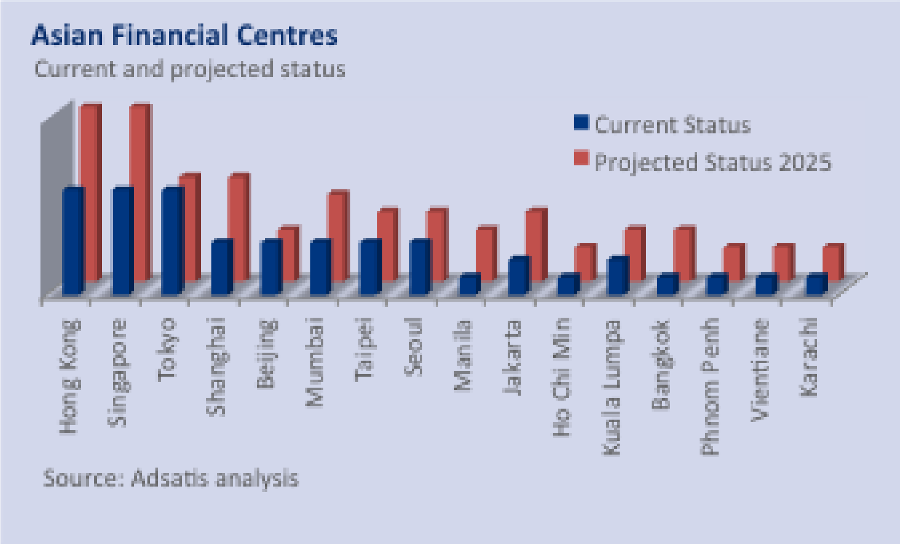
4. COMPETITIVENESS OF FINANCIAL CENTRES

Regulation, taxation and availability of skills are all critical factors to the competitiveness of a financial centre. The table below presents a summary of these factors for Hong Kong, Singapore and for completeness, Tokyo.

	Tokyo	Singapore	Hong Kong
Regulation	Despite significant structural and regulatory reforms, there are still concerns that Japan's capital and financial markets remain poorly placed to compete internationally. For many, issues such as the failure to tackle Japanese companies' resistance to activist investors, particularly foreign ones, signals (perhaps) a lack of understanding of what it takes to be a truly global player and only time will tell whether regulatory changes in Japan will offer net benefits to Tokyo re-establishing itself as a global financial centre.	Singapore has in place effective frameworks for market supervision although there some suggest that the largely rule-based approach on which it relies might be hampering Singapore's competitive advantage. Given rapid innovation in the market, many businesses are experiencing a need for more flexibility, and amendments to legislation frequently lag behind the pace of change in the industry.	Given the positions in Tokyo and Singapore, there seems to be a consensus amongst informed professionals that Hong Kong is continuing to win out in its approach to regulation. Hong Kong's financial markets have benefited from the absence of restrictions on the foreign ownership of shares and the territory's close relationship with China. None the less, problems relating to regulatory insufficiencies have not been entirely eliminated. Most obviously, a lack of transparency on the mainland has forced a recent tightening of the supervisory process.
Taxation	Japan is not well placed to use tax incentives in respect of economic development given its bleak fiscal situation. A long period of stagnation has left it with a high level of government debt and with its ageing population, increasing pressures in the future. It would appear that the current state of the public finances in Japan is not sustainable but taxation reform appears to be a victim of the paralysis that currently defines the political classes' approach to much-needed structural change.	In contrast to Hong Kong, Singapore's economic policy has been highly interventionist with the use of targeted tax incentives in respect of economic development. An important element in positioning its financial sector has been the Financial Sector Initiative designed to simplify the tax system and reduce tax rates for multinational financial services companies. A further wave of reforms was announced more recently with enhanced tax incentives for asset and wealth management, capital and treasury markets, and captive insurance.	Hong Kong and Singapore both engage in direct tax competition. To meet the challenges posed by Singapore, Hong Kong has made a number of tax reductions and concessions thus continuing the of use taxation as a competitive tool. This may well bring short-term economic benefits, but should be viewed against volatile revenue flows and a demographic structure that may end up placing greater burdens on the public purse.
Skills	Japan has been slow to respond to the region-wide skills shortage. As well as lacking legal and financial sector skills, Japan also suffers from a limited pool of English speaking professionals. This situation is not helped by Japan's restrictive approach to immigration. Japan is perceived as a far less attractive destination than Singapore or Hong Kong by international talent.	In response to the skills crisis in Asia, Singapore's response has been to open its markets to overseas workers and it operates a highly selective immigration policy targeted at skilled workers. It also has schemes aimed at increasing the attractiveness of Singapore as a destination for financial professionals in the region.	Hong Kong's claim to be a (if not, the) leading financial centre in Asia is, in part, the direct results of its famously deep pool of financial services professional talent. However, even here there are pressures mounting and the need to grow, attract and retain talent has become a longer term policy priority for the Hong Kong authorities.

5. THE FUTURE OF ASIAN FINANCIAL CENTRES

Based on the market trends and expert opinions presented in this paper, Adsatis have ranked selected financial centres both today and projected forward to 2025.



In the chart above, the scale shows the relative importance of each centre based on its current and projected share of financial market turnover, its importance as an investment banking centre and the size of local markets. All centres bar Tokyo are projected to grow but we see Hong Kong and Singapore becoming the two dominant hubs and with this becoming more significant centres from a global perspective. We expect Shanghai and Mumbai to benefit strongly from regional growth. Tokyo will remain important but activity will be focused on the domestic Japanese markets.

The major threat to Hong Kong is the emergence of a credible international financial centre from mainland China (Shanghai represents the strongest competition). The speed and depth of liberalisation of China's economy will determine the result but the sign's are that Hong Kong will retain its pre-eminence.

Singapore's relationship with India to some extent mirrors Hong Kong's to China and a growing Mumbai is no doubt a long term threat to Singapore's status in South Asia - how credible is the threat it remains to be seen. Singapore's emergence as the predominant centre for Wealth Management in the region is an important factor in it's future success and it is also recognised as the "Switzerland" of Asia, and many expect it to become the leading private banking centre globally in the next 10-20 years.

Many factors come into play into play, not least the degree and speed of economic recovery amongst developed nations, however on the assumption that Non-Japan Asia's economies continue their strong upward growth we see every reason for continued growth in the regions financial markets activity and that Hong Kong and Singapore in particular will be major beneficiaries of this.

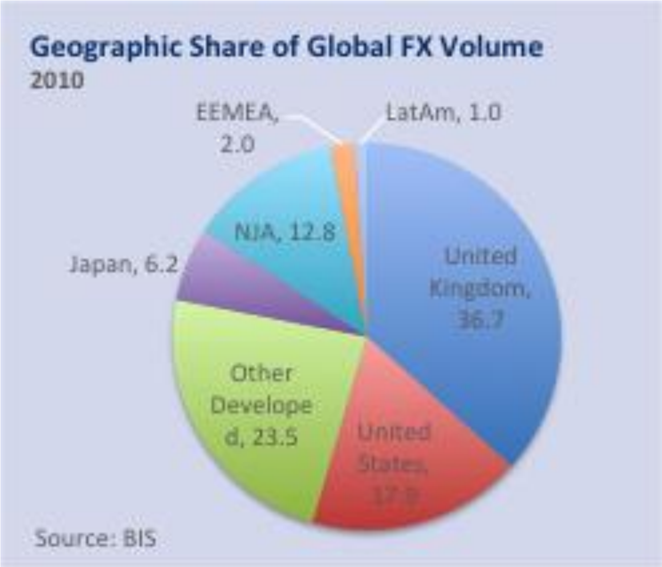
6. MAJOR PRODUCTS AND BUSINESS AREAS

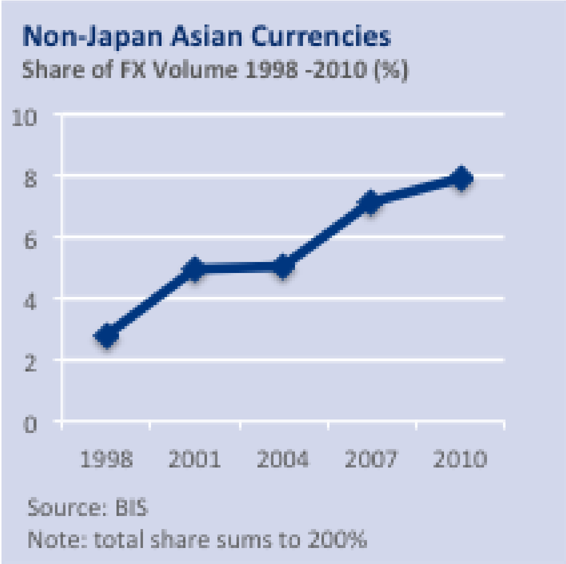
The international banks have focused on promoting the full range of investment banking services into the region. This has been based on the distribution of global product to Asian investors, and on servicing the financing, hedging and transactional needs of government entities, corporates and financial institutions. Activity has been spread across all business lines with individual banks using their flagship products to develop key relationships and establish critical mass.

FX: It is apparent that the industry is extremely positive about the long term prospects for FX activity in the region and that the top players continue to invest heavily in building out their capability to include their ePlatform offering. There is huge potential for increased flows (and revenues) as Corporates already have significant cross border flows as components and elements of the production chain, and consumer markets themselves, are sourced in different locations across the region, and these drive FX transactions and hedging requirements.

Insight: *Senior Strategist: Major global bank Singapore "By 2020 60% of all global trade will have an Asian leg, the region will become even more important from an FX trading perspective and the bank is committed to maintaining its market leading position."*

It is also looking increasingly likely that the CNY and to a lesser extent the INR will also assume global importance as a reserve currency and from an international investment perspective, which will further increase FX activity in the region.

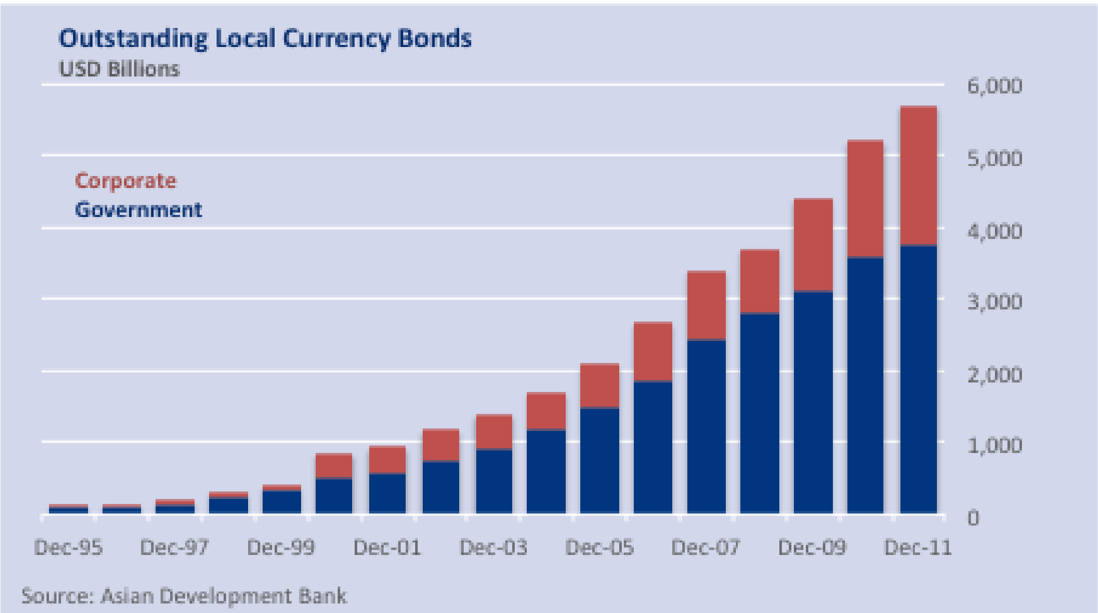




According to the Bank for International Settlement's Triennial Central Bank Survey 2010, banks in Non-Japan Asia accounted for just short of 13% of global FX volume. In 2010 Singapore moved ahead of Switzerland to take fourth spot with Hong Kong in sixth place. The survey also showed the growth in trade of emerging Asian currencies with Non-Japan Asian currencies being referenced in 8% of transactions up from 3% in 1998.

Rates: G10 government bond activity, especially in USD and EUR has been important for a number of years as SWFs sought to invest their reserves. In addition, as local government bond markets have developed and become more open, the major international banks have also become increasingly active. The domestic debt market of Asia and the Pacific has grown rapidly, almost doubling in size from $10.5 trillion outstanding in September 2004 to $20.8 trillion by March 2011. Within this amount, emerging Asia's has expanded at the fastest pace, more than tripling from $2.0 trillion to $6.1 trillion.

It is anticipated that these markets will continue to grow in absolute terms (amount outstanding), that traded volumes will increase, and that investor interest will extend from both a regional and global perspective.



Note: the size of the UST market was approximately USD9.2 trillion as of Q2 2011, and the US Corporate Bond market was approximately USD7.7 trillion (SIFMA)

Credit: Corporate bond markets are also developing rapidly and the major international banks are keen to capitalize on this. Over the last 5 years, the corporate bond market in emerging Asia has grown substantially even during the period of the recent international financial crisis. It is particularly noteworthy that there was a sharp increase in the amount of bond issuance by emerging Asian corporates from 2008 to 2009, which helped compensate for declines in bank lending to corporates that became evident by the second quarter of 2009, and helped to maintain growth in the region over this period.

Across the Asia-Pacific region, the degree of bond market development varies considerably. In terms of the absolute amount of corporate bonds outstanding, Japan, China and Korea are the three largest markets, although much of this issuance has been in G3 currencies. In terms of the size of the corporate bond market relative to GDP, the three largest markets are Korea, Malaysia and Thailand.

The rapid growth of corporate bond issuance in the region can be attributed to many factors. One factor is the functioning of credit rating agencies. Countries including China, India, Japan, Korea, Malaysia and Thailand have active local credit rating agencies, many of which were set up under governmental initiatives or in joint ventures with large international rating agencies. The existence of credible local credit rating agencies has increased confidence in the markets and supported the issuance of corporate bonds in the region.

There has been a lot of commentary in particular on the development of the Offshore CNY market (Dim Sum) market and this has attracted both Chinese and international issuers.

Commodities: Chinese demand for industrial metals has been "The" commodity story of recent years. Despite being one of the top three producer countries for metals, domestic demand comfortably outstrips supply and China is a net importer of Copper, Lead, Zinc, Tin and Nickel. In energy products there is a similar story, China is self sufficient in Coal (in which it is the largest producer) but is a net importer of Oil. Japan, India and South Korea are all top10 oil and coal consumers and except for India's coal fields have negligible production capacity.

Asia is a major agricultural producer; As of 2007, China and India took top spots in terms of agricultural output with annual output worth 357 and 195 $bn respectively. Japan was also in the top four producer countries behind the US.

Banks with strong commodities platforms are already seeing substantial revenues from their Asian business (Standard Chartered is rumoured to have made $500m from their Singapore office in 2011) and it is expected that commodities business will continue to grow significantly based around demand for physical product and hedging from end users as well business from trading accounts and hedge funds. There is also high demand for precious metals from private banking investors (especially in locations such as India).

Equities: Many of the international banks have invested significantly in the build out of cash equities platforms in the key (larger) local markets, to support their ECM and Corporate Finance and M&A businesses. This has been capital and management intensive, and in some locations (most notably China) has necessitated JVs with domestic banks together with concessions around ownership and control. It is understood that for many the returns have been disappointing and some banks have begun to withdraw from less strategic markets. For example while Barclays continues to expand in Japan, Hong Kong, Taiwan, Korea and India it has decided to reign in its ambitions elsewhere.

The challenge of making cash equities businesses pay is not just an Asia phenomenon.

***Insight:** Senior Strategist: Major global bank Singapore "There are real challenges for the top banks in equities – it is a very cost intensive business and only the top 3 in any market really make money. Those that are 4-6 breakeven and the rest lose money"*

Corporate Finance/M&A: Through to end 2010 there was spectacular expansion in ECM activity and revenues but this reversed in 2011 with ECM volume was down 46% from the record high of $311.7 billion in 2010 (according to Dealogic). To some extent this slack has been picked up by DCM activity that has shown strong growth in both local market issuance and from Asian issuers in G10 currencies (mostly USD). The rapid economic growth in the region has also created a growing number of Asian companies with needs for advisory services and with the financial muscle to make regional and international acquisitions. International banks have been able to capitalise on this, but there is also increasingly strong competition from local players who have acquired the necessary expertise and who have the balance sheets and relationships to win business. Competition is impacting fees across the entire business - IPO fees in Hong Kong are now significantly lower than those in the US.

Private Banking: Private banking has boomed in Non-Japan Asia over the last few years and continues to be a key area of focus. Economic growth and unprecedented wealth creation has created a large number of individuals looking to invest and diversify their money, and in some cases move money offshore. By end 2010 Asia's 3.3 million high-net-worth individuals had $10.8 trillion in assets, compared with the $10.2 trillion accumulated by their 3.1 million counterparts in Europe, according to the report published in June by Capgemini and Bank of America's Merrill Lynch Global Wealth Management.

Singapore in particular has established itself as a major hub for Private banking activity, and, as a result of the continued economic growth in the region, and the impact of increased regulation in Europe, is predicted to become the world's top private banking centre (overtaking Switzerland) in the next few years

Insight: *Senior Strategist: Asian focused global bank Singapore "Private Banking and Wealth Management are important growing businesses for us in Singapore with the wealth coming out of China and other 'more controlled' economies. Entrepreneurs in many locations (including China) fear that the State may try and grab back some of this wealth and are actively managing money offshore. Singapore is seen as a safe haven."*

Hong Kong is expected to become the number three location ahead of London. Private banking activity in other locations is also expanding – key locations include Indonesia, India and China.

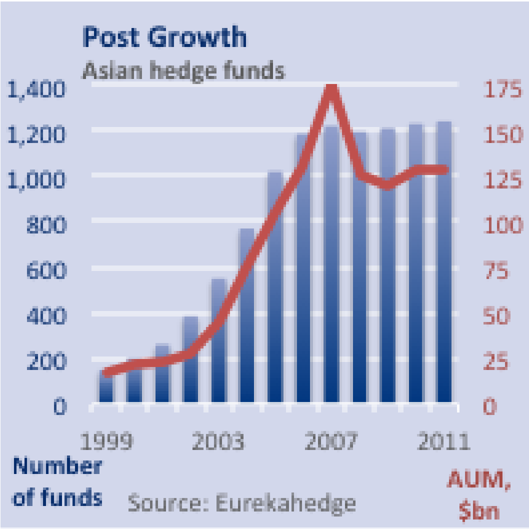
7. CLIENT STRATEGY

Sovereign wealth funds have been the key target for sales managers in Asia. As their surplus funds have grown they have also diversified the markets they invest in. They have been particularly important clients for the distribution of primary debt products. Institutional fund management in the region has been relatively underdeveloped compared to Europe and the US, and regional banks have been a much more important target client base than pension fund managers and insurance companies. Business with banks has consisted of own account trading and asset and liability management with regional banks, and the distribution of a wide range of vanilla and more complex structured products through private banking channels.

Insight: *Senior Strategist: Major global bank Singapore "The institutional side of the business is currently very focused on Central Banks and SWFs but the bank expects that the relative importance of other money managers (e.g. mutual funds and pension funds) will grow significantly in the next 5-10 years."*

Only HSBC, Standard Chartered and Citi have the scale and geographic footprint to focus on large numbers of corporate clients, while the other banks have focused on the largest corporates in the region. In all cases there is increasing emphasis on offering fully integrated services, and on making sure than corporate banking (lending) relationships are used to monetise revenues from FX, Commodity and other transaction based and hedging requirements.

The hedge fund industry in Asia has also expanded rapidly (see chart below of Asian focused hedge funds) although the current total represents less than 10% of total money invested in hedge funds globally. Nevertheless growth is expected to resume for a number of reasons. Asian governments are becoming more supportive of the funds. Shanghai recently sent a delegation of to the US to study how Greenwich became a hedge-fund mecca, something it would like to replicate. Hong Kong and Singapore are keen to become hedge-fund capitals to rival New York and London, and are working hard to craft regulatory regimes that will help. Both require hedge funds to register, but aren't as demanding as the US and Europe, which have passed new rules that increase the cost of starting and running funds. In addition income-tax rates for high earners in Hong Kong (17%) and Singapore (20%) are much lower than in Britain (50%). In addition South Korea recently changed rules to allow onshore hedge funds for the first time while Asian sovereign-wealth funds have in the past couple of years started to funnel money into hedge funds.



Hedge funds clients are still less important for investment banks in Asia than in Europe and the US, although this is expected to change.

Bank's equity businesses have focused on international investment managers that have set up in the region to invest in Asian markets and on local market brokers that distribute to retail investors. The investment culture in Asia remains predominantly equity and property based, but this is now beginning to change as product marketing is cranked up by the banks and investors seek asset diversification.

Adsatis Ltd – Apr 2012

If you wish to discuss any of the views expressed in this paper or require further information, please do not hesitate to contact us:
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APPENDIX: ASIA BUSINESS STRATEGIES

	Hub Strategy	Business Focus	Market perception
Barclays	Tokyo, Singapore and Hong Kong are all key hubs. Singapore is the main trading and risk management location for the FICC business, while Hong Kong is the key location for equities and corporate finance/M&A. Tokyo is still being expanded for equities business although is becoming less important from a global trading perspective. India is also becoming a key local market hub. The bank is the #1 international bank in India and has a very large presence. The strategy will be to expand this further. SE Asian locations (with the exception of Singapore) are being deemphasized.	Barclays has not had a large Asian presence historically compared to some of the other international players. The strategy going back 10 years ago was to establish a presence in the region for the FICC product (which was its main area of focus globally) and initially to concentrate on the distribution of G10 product to the largest clients - SWFs and CBs in the region. With the acquisition of Lehman in 2008/9 the bank obtained an equities platform and made a strategic decision to build out an equities business and a local market rates business in the region and to use this to strengthen and broaden their client relationships. The strategy has been to focus on 4 core markets – Japan, Korea, Taiwan, and India. It has recently obtained securities licences for Korea and Taiwan. Although the bank does have a presence in China it is very limited - it has an FX licence and a branch in Shanghai, but does not trade in domestic securities. It has made a strategic decision that it does not want to "play catch up" and will not invest significantly in China for the foreseeable future. It is still able to do business in China and has good penetration of the large Chinese FI/Sovereign clients. Penetration of top corporate clients is more limited. The decision has been made recently to exit Malaysia and Thailand and bring the business back to Singapore. NJA is a relatively new (last 10 years) part of the bank's global platform. The main driver has been to establish the region as an important revenue center for the bank and to diversify the revenue base. The region currently accounts for approx. 10% of global sales revenue and the objective is to grow this to 15% in the next few years.	Relatively recent entrant to the Asian market but made good headway especially in FICC products where it is one of the leaders and has good penetration of the top SWF and CB accounts. Strategy perceived to be based around having broad based coverage of the most important clients with ability to provide complete range of execution services. The bank appears to have made good progress quite rapidly and without the need to spend really large amounts of money on developing a large scale footprint (although it has sought aggressively to acquire banking talent and paid the associated costs for this). It's approach to expansion and overall ambitions are more limited than some other international banks
Citi	Singapore is now the 3rd largest trading floor for the bank globally, after New York and London. Regional activity is moving from Tokyo to Hong Kong and Singapore for a number of reasons – proximity to key markets, cost and business contingency/DR. Tokyo will remain key but only for Japanese market and not as main trading location for G10 etc. Overall regional management is based in HK and this is also the main IB hub. In total the bank has a footprint in 17 countries. In addition to the main hubs it has a substantial presence in China (where it has 11 Corporate Banking branches), India, Korea, Taiwan.	The bank has been in Asia over 100 years and while it has always been an area of focus it has become much more critical to the focus of the overall bank, and the Investment Banking business within this, in the last 5 years. The strategy has been to trade on a local balance sheet and to take in deposits and to play the local curve, as well as providing transaction services to meet the needs of corporate clients. Local market offices include relationship bankers and trading and sales operations, which are supported by banking and securities licences (except in Sri Lanka). In general, the bank has developed all lines of business in its own name but it has a limited number of JVs e.g. in China and Vietnam where it has tie ups with regional brokers. The bank intends to expand further in the region especially in China where it intends to increase its workforce by 2-3x in the next 3-5 years. This increase will span all banking activity including Investment and Corporate Banking and it will shortly have its own broker dealer for equity underwriting. In some locations the economics for the investment banking business are still marginal but the bank is committed to the region and believes that the potential for revenue growth is considerable and that the investment will pay off in the next 5-10 years. The bank is very focused on local market regulatory compliance. It has to be "whiter than white" because it has key franchises at stake. What happens in one business line can easily affect another and reputation is key. The bank believes that this constrains its activity in some areas relative to the competition. For example, they "can't push the envelope in capital markets like GS do"	Citi is widely recognized to have one of the largest footprints in the region alongside HSBC and Standard Chartered, although its network is regarded as not being quite as extensive. The brand is extremely well known in the region through its retail business and card business (where the bank is #1 in the region), and it has a substantial corporate banking and financial markets activities in all of the local markets. This means that the bank is known everywhere and has good penetration at all levels of business. Given this there is a perception that the bank punches below its weight in financial markets where there is scope to improve performance in some areas - especially equities and credit where there is a feeling that it should be able to close the gap on its competitors

Credit Suisse	The main hubs are Singapore and Hong Kong but the firm also has a substantial and highly successful presence in Indonesia, and India, and offices in 7-8 other locations. Hong Kong is more important for equities and investment banking (with regional heads located there) but FX and commodities are more centred in Singapore. Fixed income is based in both locations with international currencies more actively traded out of Singapore and offshore RMB in HK. The firm has pulled back its presence in Taiwan but has retained a local market presence for equities and advisory.	High level strategy has been to build a significant investment banking platform in the region and to have a local market presence in all key locations. Equities and private banking are present in most/all of the key centers and the relationship between these businesses is a key part of the strategy. FICC products are also important and capability in local market bonds has also been established. The bank believes that it has a relatively unique platform (because it has strength and scales across investment banking, private banking and asset management), and the strategy is to adopt a client driven approach. This approach has worked extremely well in Indonesia where the bank really has critical mass. The strategy is to replicate this elsewhere and a number of very senior relationship hires have been made to support this. In 2010 Asia represented about 5% of group profits and senior management expects this to grow to approx. 20-25% over the next 5-10 years. Of this, approximately 80% is currently delivered by investment banking, with 15% private banking and 5% asset management. The relatively importance of PB and AM are also expected to grow. The bank expects there to be significant growth in fixed income activity in the next few years as Asian borrowers issue in international currencies and regulation/Basel II constrains bank lending with companies turning to the bond markets to raise funds.	The bank is seen as a major player in the region but its performance is thought to be somewhat patchy across the different locations. It is recognised to be the leader in Indonesia and is known to be looking to replicate its success there in other locations. Its strength in private banking is recognised as a major advantage especially if this business can be successfully integrated into the capital markets business.
Deutsche Bank	Singapore is the main centre for rates, commodities and FX. The bank has investment banking and equities presence in Singapore, Hong Kong, Beijing and Shanghai - also has onshore presence in Taiwan, India, Malaysia, Vietnam, Thailand, Korea, Indonesia, Pakistan, Philippines and Sri Lanka. The bank is also looking at new locations in the region e.g. Mongolia.	Deutsche Bank has been in Asia for more than 100 years and is very well entrenched. The high level strategy for the region has not changed since the late 90s when the decision was made to have onshore platforms and licences in pretty much every location. This covers equities and fixed income where the bank has securities dealer and primary dealer status in most locations. In equities the bank is onshore in its own right in 4 locations (Taiwan, Korea, India, and Taiwan), has JVs in 5 (Malaysia, Singapore, Thailand, Indonesia and the Philippines). The bank also has a tie up and shareholding in Harvest Asset Management, which is one of the largest AMs in China. In general, the bank believes that JVs work well as the JV partner has "skin in the game" and this is a big incentive with growing local market firms. The bank is number one in FX globally and in the region and the strategy is to reinvest to maintain that position and continue to grow revenues. The bank is positioning itself to be one of the top players in the offshore RMB market, as it believes it has huge potential and represents the beginning of the internationalization of the Chinese currency. In general the bank is looking to build market share, it sees a significant opportunity in Commodities with corporate clients in the region that are consumers and/or producers of commodities.	DB is perceived as being very committed to the region and "there for the long haul". During the Asian crisis when other banks pulled out, the bank maintained its presence. DB has a strong platform in the region although not as broad as HSBC or Standard Chartered. Its lead in FX trading and electronic trading generally is seen as a major strength and a platform that can be used to increase its market share in the region.
Goldman Sachs	Hong Kong and Singapore are both very important hubs. FICC activity is pretty evenly split but Hong Kong is more important for equity and investment banking because of focus on China. The Financing Group (ECM, DCM) is centered in HK.	Goldman has a JV with Gau Hua and a full securities licence in China with staff in Beijing spanning FICC, equities, IB plus sales and coverage in Shanghai. Elsewhere the strategy is more opportunistic, for example; the bank has not committed as heavily in India as many firms. The bank is not going to get sucked in to the "land grab" mentality and believes that others are already hurting/paying the cost for this. The firm is positive about JVs although the downside is that it is more difficult to get close to the clients, as these relationships tend to be held by the local market partner. Local presence is focused around key equity markets. For example, the bank has sales in Taiwan and Korea as well as the main regional hubs. The "Dim Sum" (offshore renminbi) market is also beginning to develop and is expected to become a significant market with strong DCM fee potential. The bank sees Non-Japan Asia as a major driver of revenue growth – contribution to global revenues is already significant and is expected to grow further.	It is widely recognised that GS has been relatively successful in replicating its global business model in Asia. It is seen as being focused on providing a high quality and integrated cross service platform to a top tier of clients. Although its reputation has been affected by recent negative publicity, competitors still believe that the GS brand provides them with access to the right people in the right organisations and that this will enable the firm to flourish in the region.

RBS	Singapore is the main hub for rates, credit and FX while equities and investment banking are Hong Kong based. RBS also has local presence in Indonesia, Thailand, Malaysia, Korea, India, China but will be withdrawing from all these except for China.	The bank acquired a significant local market presence in the region when it acquired ABN in 2008. In NJA, the bank prioritized Hong Kong, China and Singapore in its regional development strategy and, although it sold its retail and SME business in HK and China, its stake in Bank of China, and it's commercial banking operations in India, Taiwan, Singapore, and Indonesia it was committed to growing its Investment Banking business. The continuing operating difficulties for the bank and recent strategic review have caused a significant change in the bank's ambitions for the region and it will pull out of all local market equity activity in equities except for its Chinese securities joint venture (Huaying Securities Co) which was only launched last year. Since the bank is going through another critical stage in its evolution it is relatively unclear what its long term ambitions are for the region.	RBS is recognised as having strength in some product areas – FX and rates in particular – but its continued challenges with returning the bank to profitability and the constraints that come with UK government ownership are seen to be a major drag on performance in the region. It is not known to what extent the decision to sell the equities business will affect it's regional ambitions and whether a narrower product focus will work in Asia which is very focused on equity and IPO business
Standard Chartered	Standard Chartered is headquartered in Singapore from which all business lines are run from, apart from equities where the global head is in Hong Kong. The bank's approach to each location in the region has essentially been based on the strategy of "local markets". The bank has 70 branches in 25 cities in mainland China.	Standard Chartered tries to be "as local as possible. They aim to have banking and securities licenses in all the main economies (although they cover most of them already). India has been their biggest market – they see China, HK and Korea being their fastest growing operations over the next 5 years. China has become more important for the bank over the last seven years. Prior to that, other countries such as India, had been much more important to their revenues. China and the development of the offshore RMB market are seen as having "massive potential" over the coming 5-10 years. Private Banking and Wealth Management are important growing businesses for them in Singapore	Standard Chartered are seen as one of the few banks with a truly regional footprint. SC has an extremely successful and profitable Commodities platform in Asia based on the large number of corporate banking relationships.

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