Brexit: What can private banks and fintech firms in Asia expect?

As markets adjust to the 'new normal' brought about by the UK's decision to leave the EU, private banks and fintech firms in Asia are keeping calm and carrying on. **Xiou Ann Lim** reports

Although the recent Brexit vote has led some to wonder if this will accelerate Asia's rise to dominance within the wealth management space, many believe the impact on private banks in Asia to be minimal – except perhaps for UK-based lenders such as Standard Chartered and HSBC.

According to Kelvin Tay, regional chief investment officer of southern Asia-Pacific at UBS Wealth Management, the impact from the UK will be minimal "because Asia has very little exposure there", although he believes that the recent developments will make markets more interesting for clients.

Philip Dicken, head of European equities at Columbia Threadneedle Investments, says: "Nothing is going to happen in the very short term. The UK will have to wait for a new prime minister, and there is low likelihood that they will invoke Article 50 of the Lisbon Treaty until they are more certain of what the terms are," he explains.

"The best options would be either the UK leaves or remains in the EU with very little change – that will be the easiest road for markets to digest," he adds.

Tay agrees: "I think banks will have to think about relocation once Article 50 of the Lisbon Treaty has been triggered – whether it is Paris or Frankfurt."

As to whether Asia will see a significant increase in investments – following the uncertainty in the UK and European markets – Christian Nolting of Deutsche Wealth Management believes Asia will attract more European clients than American ones, due to US regulations.

"From a US perspective, we see them investing in Asia already, so that's a trend that will probably continue," the chief investment officer adds.

Disruption to disruptors?

While financial markets and the financial services industry may see some volatility following the UK's decision to leave the EU, fintech start-ups may be in an even more precarious position.

According to CEO of Mesitis Tanmai Sharma, there may be some shift of fintech

firms based in London towards Europe, "but it really depends on how the exit pans out over the next couple of years, and whether companies based in London have free access to European markets".

Sharma – who founded private wealth platform Mesitis in Singapore – also thinks that fintech firms expanding out of their home base and into Europe will rethink London as a station, and will likely go for other cities instead.

As for the fintech space in Asia, Sharma says: "It's too early to say, but I suspect there will be limited impact on fintech firms in Asia."

Frank Troise, head of digital distribution and communications (Asia) at Leonteq, an independent technology and service provider, weighs in: "Prior to Brexit, London and Singapore had signed a pioneering fintech collaboration agreement. While London may have previously argued that the bulk of innovation would be derived from them, Brexit has demonstrably lowered that expectation."

Troise feels that as the value of passporting through the EU via the UK diminishes, so will the value of an FCA license.

"Accordingly, the global focus of fintech will shift to the next growing market: Asia," he says.

While Troise believes that the Monetary Authority of Singapore (MAS), Hong Kong's Securities and Futures Commission and the Hong Kong Monetary Authority (HKMA) will lead the regulatory efforts of the region, global fintech will be tactically led by China's consumer market and dragons such as Alibaba, Tencent and Baidu.

Troise concludes: "Brexit will allow other markets to manifest themselves and gain prominence in the eye of the consumer.

Asia has long been the quiet giant of fintech and we expect the world to now realise its dominance. As we sometimes remind folks, dragons can eat unicorns." ■

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