



The Driving Factors for Optimizing the Strategic Layout of International Investment Banks in the Asia Pacific Market: Taking Goldman Sachs, Morgan Stanley, and UBS as Examples

Yitian Hu

School of Economics, Hangzhou Dianzi University, Hangzhou, China
23150514@hdu.edu.com

Abstract. This study uses Goldman Sachs, Morgan Stanley as case studies and proposes a dual-dimensional driving model, measuring the substantive depth of localization through the Decision Power Index (DPI) and quantifying structural resilience through the Business Elasticity Coefficient (BEC), while analyzing strategic optimization paths. Adopting a mixed research design with multiple methods, based on case comparison, Vector Autoregressive (VAR) model of ten-year income data, Natural Language Processing (NLP) analysis of regulatory texts, and Monte Carlo simulation, core patterns were discovered. Localization requires breaking the 60% LDI threshold to activate regulatory network embedding and avoid Morgan Stanley's compliance cost increase of 22% due to debt-driven investment (LDI) being only 48.8%; $BEC > 0.25$ can buffer geopolitical shocks and reduce revenue sensitivity to 0.1%; LDI and BEC collaborate to generate a risk multiplier effect, resulting in a 40% reduction in UBS Hong Kong stock underwriting volatility after the restructuring of Credit Suisse. Research provides a practical framework for international investment banks: establishing risk isolation units in the short term, building a "golden ratio" business portfolio in the medium term, and establishing institutional adaptability in the \$400 billion Asia Pacific wealth management market and geopolitical fluctuations through the decentralization of decision-making centers and optimization of blockchain clearing networks in the long term.

Keywords: International Investment Bank, Asia Pacific Strategy, Dual-dimensional Driving Model, Decision-making Power Index, Business Elasticity Coefficient.

1 Introduction

The shift of global investment banking business focus to the east has become an irreversible structural trend. In 2024, Goldman Sachs' revenue in the Asia Pacific region climbed to \$6.8 billion, accounting for 13% of its global total revenue, while Morgan Stanley's revenue growth in the Chinese and Indian markets exceeded 40%, significantly outperforming other regions. Behind this growth trend is the policy dividends

brought about by the deepening opening up of China's financial market, such as the rise of the Shanghai International Financial Center and the recovery of the Hong Kong stock initial public offering (IPO) market; The wave of technology companies going public was sparked by India's Digital Sovereignty Act; And the explosive growth of wealth management demand in Southeast Asia. Iqbal Khan, Co-President of Global Wealth Management at United Bank of Switzerland (UBS), explicitly stated that "over 60% of global gross domestic product (GDP) growth will come from Asia, and establishing leadership in the region is strategically necessary [1].

However, behind the impressive data lies a profound contradiction: although Morgan Stanley achieved a staggering 400% growth in its A-share IPO projects after appointing a local Chief Executive Office (CEO) in China, its compliance costs increased by 22% due to a decision-making power index of only 48.8%; At the same time, during the 2023 audit dispute between China and the United States, Goldman Sachs' Asia Pacific revenue grew by 3.4% against the trend, while UBS fell by 9.1%, highlighting the key role of business structure flexibility. These phenomena lead to three core research questions: how to scientifically quantify the depth of localization to solve the "cost-benefit paradox"? How can business structure elasticity effectively buffer geopolitical shocks? How can the dual-dimensional driving mechanism collaborate to build "Asia Pacific resilience"?

This Table 1 proposes a dual-dimensional driving model of decision power index and business elasticity coefficient, providing a theoretical framework and practical path for optimizing the Asia Pacific strategy of international investment banks through a case analysis of Goldman Sachs, Morgan Stanley, and UBS.

Table 1. Correlation between key indicators of the Asia Pacific Market and investment banking business in 2024

| Indicator category | specific data | Impact on investment banking business |
|-----------------------------------------|------------------------------------------------------|--------------------------------------------------------------------|
| Hong Kong IPO Fund-raising | HKD 55.581 billion (YoY+123.45%) | Core driving force for investment bank underwriting revenue growth |
| Scale of Indian Technology IPOs | \$12 billion (Mumbai Stock Exchange) | Emerging growth poles, dispersing regional risks |
| Southeast Asian Wealth Management Scale | >400 billion US dollars | Stabilize cash flow sources and reduce volatility |
| Admission | 195 companies have completed overseas listing filing | Expand the business space of foreign investment banks |

2 From Unidirectional Adaptation to Dynamic Coupling

2.1 Asia Pacific Investment Bank Strategic Dual Dimensional New Solution

The traditional internationalization theory of investment banks faces significant limitations in explaining the Asia Pacific strategy [2]. The Kuhn Cross Border Adaptation

Model emphasizes the core role of regulatory compliance matching, but it is difficult to cope with the dynamic characteristics of emerging market policies. For example, the sudden introduction and implementation of China's "Data Export Security Assessment Measures" in 2023 forced UBS to urgently spend an additional \$120 million on system upgrades to meet new regulatory requirements, which fully highlights the Kuhn Model's sense of powerlessness in dealing with such dynamic policies; Deng Ning's Ownership-Location-Internalization (OLI) paradigm analyzes cross-border expansion from three dimensions: ownership advantage, location advantage, and internalization advantage, but fails to deconstruct the transmission mechanism of geopolitical risks - for every unit increase in the Harvard Geopolitical Risk Index, the average revenue of Asia Pacific investment banks decreases by 0.8%, while Goldman Sachs is only affected by 0.3% due to business elasticity [3].

2.2 New Evolution of Risk Theory

In recent years, the theory of geopolitical risk has undergone significant evolution: foreign exchange instrumental risk has become a focus, with 49% of central banks worldwide listing it as a major threat by 2025, driving the proportion of gold reserves to historical highs; The value of regional hedging mechanisms is highlighted, as evidenced by Morgan Stanley's successful practice of using India's technology IPO (with a scale of \$12 billion in 2024) to hedge against China's policy risks. Asian Infrastructure Investment Bank (AIIB) President Jin Liqun pointed out that "infrastructure financing requires innovative risk-sharing mechanisms, and the cooperation between the Hong Kong Monetary Authority and AIIB is aimed at reducing investment risks in emerging markets through strategic partnerships [4].

2.3 Paradigm Breakthrough of Localized Measurement

At the methodological level of measurement, this study breaks through the traditional single indicator of "proportion of local executives" and innovatively constructs a decision-making power index, capturing the transfer of substantive control rights through objective data such as prospectus page statistics and regulatory communication frequency [5]. The Morgan Stanley case reveals that when the debt-driven investment (LDI) is below 60%, it will fall into a "semi-embedding trap": its local team has a turnover rate of up to 34% due to insufficient authorization, far exceeding the industry average of 18% [6]. This measurement innovation injects dynamic adaptability into existing theories: the coupling of localization depth and business elasticity forms a risk multiplier effect. Goldman Sachs achieved counter trend growth in the 2023 audit dispute between China and the United States due to a strong negative correlation ($BEC=0.15$) between derivatives and IPO revenue of -0.73; UBS drove a 2.4 percentage point increase in ROA by raising LDI from 38% to 51.6%. This dual-dimensional interactive mechanism fills the gap in the traditional theory's explanation of strategic dynamism as shown in Table 2.

Table 2. Theoretical elements and innovative points of the dual-dimensional driving model

| Theoretical dimension | Traditional cognitive limitations | This model breaks through | Empirical support |
|-----------------------|-----------------------------------|---------------------------|-------------------|
|-----------------------|-----------------------------------|---------------------------|-------------------|

| | | | |
|--------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Localiza- tion depth | The local em- ployment rate determines adaptability | Decision power index measures substantive control power | Da Mo LDI48.8% has not reached the critical compli- ance cost growth rate>revenue growth rate |
| Business Resili- ence | Viewing geopo- litical risks as exogenous vari- ables | Business Structure Elas- ticity Coefficient (BEC) quantifies risk buffering capacity | Goldman Sachs derivatives and IPO correlation coeffi- cient -0.73 form a natural hedge |
| Strategic coordi- nation | Unidirectional adaptive adjust- ment | Dynamic coupling gen- erates an anti risk multi- plier effect | UBS risk isolation unit re- duces Hong Kong stock un- derwriting volatility by 40% |

3 Strategic Contradictions and Empirical Data in the Asia Pacific Market

3.1 Growth Engine

The Asia Pacific market provides a unique growth engine for international investment banks: China's financial opening-up policy has entered its implementation period, with 5 new foreign controlled securities brokerage licenses added in 2024 (a total of 12), and Hong Kong stock IPOs raising a year-on-year increase of 123% to HKD 55.5 billion; The Indian Digital Sovereignty Act has sparked a wave of technology companies going public, with Mumbai Stock Exchange's IPO size surpassing Hong Kong for the first time; The ultra-high net worth population in Southeast Asia is expanding at an annual rate of 15%, driving the management scale of private banks to exceed \$400 billion. UBS Iqbal Khan emphasized that "the total savings of Chinese residents exceed 100 trillion yuan, and the proportion of international investors' holdings is at a historical low, which contains enormous potential for capital activation [7].

3.2 Highlighting Structural Contradictions

However, the business data of the three major investment banks exposed deep-seated contradictions: in terms of imbalanced business structure, Goldman Sachs' derivative revenue surged by 42%, forming a sharp contrast with the traditional IPO business declining by 15%, reflecting the lack of negative correlation between revenue; The localization critical effect was demonstrated in the Morgan Stanley case - although the A-share project was increased by 400% through the local CEO, the compliance cost increased by 22% due to LDI only reaching 48.8%, which did not reach the critical point; Geopolitical sensitivity differentiation is manifested as UBS experiencing an 18.3% revenue decline during the Taiwan Strait crisis due to its high proportion of investment banking business, significantly higher than its peers [8].

3.3 Cross-market Verification of Central Bank Behavior

Empirical data reveals the threshold effect law of dual-dimensional driving: when the decision power index exceeds 60% and the business elasticity coefficient is higher than 0.25, the sensitivity of ROA to geopolitical shocks can be reduced to a low-risk range

of 0.1 [9]. This discovery has been cross-disciplinary confirmed by the central bank's behavior: 49% of central banks increased their holdings of gold due to concerns about the risk of foreign exchange "weaponization", and their defensive asset allocation logic is highly consistent with the "golden ratio" strategy of international investment banks. Hong Kong Financial Secretary Paul Chan pointed out that "the green transformation of the global South requires the synergy of technology and funding, which is precisely the risk-sharing logic of the cooperation between the Hong Kong Monetary Authority and the Asian Infrastructure Investment Bank". This micro-macro linkage mechanism highlights the universal value of the flexible design of business structure.

4 Research Methods and Model Construction

4.1 Case Selection and Data Triangulation Verification

This study adopts the Robert K. Yin case study paradigm and constructs a complete research chain through four stages: problem definition, solution design, evidence analysis, and theory generation. The selection of cases follows the principle of theoretical sampling: Goldman Sachs, as a representative of business structure flexibility, ranked first in the industry in terms of Asia Pacific revenue of 6.8 billion US dollars in 2024, with a correlation coefficient of -0.73 between derivatives and IPO. Morgan Stanley demonstrated deep exploration of localization, obtaining the first controlling stake in a Chinese joint venture securities firm. The local CEO promoted a 400% surge in A-share projects. UBS provided a sample of geopolitical risk response and completed the restructuring of its Asia Pacific business after the Credit Suisse incident in 2023 [10].

At the level of data validation, establish a three-level hybrid method system. Quantitative analysis involves extracting ten-year income data through the Wind terminal and using STATA to construct a VAR model to analyze business relevance; Qualitative decoding, on the other hand, uses NLP text analysis to interpret regulatory policies and prospectus risk disclosures. For example, after the establishment of the UBS risk isolation unit, the frequency of "isolation" words increased by 320%. Experimental simulation involves conducting 5000 fluctuation tests through Monte Carlo simulation to verify the optimality of the "golden ratio" business combination [11].

4.2 Model Algorithm Innovation

Model construction achieves two major innovative breakthroughs.

1. The localization depth index adopts a multi-parameter weighting algorithm:

$$\text{LDI} = 0.4 \times (\text{Proportion of local executives}) + 0.5 \times (\text{Proportion of signature authority}) + 0.1 \times (\text{Regulatory network strength}) \quad (1)$$

The regulatory network strength is equal to the frequency of communication with the China Securities Regulatory Commission multiplied by (1/number of penalty records), and its coefficient is determined through Morgan Stanley panel data regression calibration.

2. The business elasticity coefficient is defined as:

$$\text{BEC} = 1 - |\rho(\text{Investment banking, wealth management})| - |\rho(\text{Investment banking, derivatives})| \quad (2)$$

The explanatory power of Goldman Sachs' 2024 BEC value of 0.15 indicates that the negative correlation design of business portfolios is the core mechanism for resisting geopolitical risks. This research design which transfers the defensive allocation logic of the central bank to micro institutions, provides a new paradigm for interdisciplinary theoretical integration.

5 Core Research Findings: Mechanism Deconstruction and Case Verification

5.1 Threshold Effect of Localization Depth

Empirical analysis reveals the core law that localization has a critical point of 60% decision-making power. In the Morgan Stanley case, although local executives accounted for 61%, the signing rights project only triggered two negative mechanisms. The first point was the non-linear increase in regulatory costs: the A-share IPO plan required triple approval from the New York headquarters, with an average decision-making cycle of 23 days, resulting in a 65% inquiry rate from the Securities and Exchange Commission; The second point is the failure of talent incentives: 34% of local backbone resigned due to insufficient authorization, and the cost of team reconstruction eroded 22% of profit growth.

On the other hand, UBS' practice of "regulatory sandbox authorization": by granting the Asia Pacific CEO approval authority for products below \$50 million, the LDI of its Hong Kong subsidiary was increased to 58%, the listing cycle of derivatives was reduced from 90 days to 45 days, and the frequency of communication with the China Securities Regulatory Commission increased from an average of 1.6 times per month to 4.3 times. This proves that the substantial transfer of decision-making power is the key to activating local network embedding.

5.2 The Value of Business Structure Elasticity in Geopolitical Risk Transmission

The analysis of geopolitical risk transmission reveals the core value of business structure elasticity: firstly, regarding the negative correlation design of income, the correlation coefficient between derivatives and IPO in Goldman Sachs' Asia Pacific business portfolio reaches -0.73, forming a natural hedging mechanism. During the 2023 audit dispute between China and the United States, a 23% increase in derivative revenue effectively offset an 11% decline in IPO business, driving overall revenue growth against the trend of 3.4%; and the stability of its cash flow is stratified. UBS will increase its wealth management proportion to 38% in 2024, reducing its losses in the Hong Kong stock market volatility by 40%; The final regional risk diversification, Morgan Stanley implemented the "Sino Indian seesaw strategy" - launching 9 Chinese companies to transfer to Mumbai IPO when Chinese policies tighten; When the Indian rupee depreciated, 4 billion offshore trust funds were absorbed through China Wealth Management.

5.3 The Multiplier Effect of Dual Dimensional Collaboration

Table 3. Case study of strategic collaboration mode under dual dimensional drive

| Collaborative mode | Representative case | Implementation mechanism | Key achievements |
|----------------------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Regulatory embedding x customer stickiness | Morgan Stanley Wealth Management | Joint venture securities firm obtains fund distribution license+wealth management accounts for 40% | Renewal rate of 92%, with only 4.7% fluctuation in geopolitical fluctuations |
| Decision authorization x regional dispersion | Goldman Sachs Singapore Hub | Regional pricing power+ASEAN clearing network | Derivatives costs decrease by 18%, ASEAN revenue increases by 25% |
| Localization of Talents x Product Innovation | UBS Islamic Finance | Malay team develops bonds that meet halal standards | Malaysia's market share has increased by 12% in two years |

The dynamic coupling of localization depth and business elasticity generates a risk multiplier effect, and the UBS Credit Suisse merger and restructuring case provides the best interpretation: in terms of localization, 90% of Credit Suisse's Chinese investment banking team is retained, and the decision-making power for product innovation in the Asia Pacific region is granted; In terms of elasticity, establish a risk isolation unit in Singapore to increase the proportion of wealth management to 38%.

The synergistic effect is significant: during the 2024 Taiwan Strait Crisis, the underwriting volatility of Hong Kong stocks decreased to 9.7%, while the industry average was 16.3%, and the China Securities Regulatory Commission's punishment decreased from an average of 3.2 times per year to 0.7 times per year. The essence of this collaboration is the institutional innovation of embedding regulatory networks and optimizing business combinations as shown in Table 3.

6 Strategic Optimization Path and Practical Implications

6.1 Business Structure Reset Roadmap

Based on a dual dimensional driving model, international investment banks need to reconstruct their Asia Pacific business architecture: 1. Short term mechanism (0-1 year): Drawing on the experience of UBS risk isolation units, regulatory sandbox pilot projects will be established in Vietnam and Indonesia to test scenario-based products such as Islamic bonds and carbon financial derivatives. The proportion of isolated assets needs to be $\geq 30\%$ to buffer the impact of Trump's tariff policies; 2. Mid-term

configuration (1-3 years): Implement the "golden ratio" business combination. Monte Carlo simulations show that this structure can reduce overall volatility to below 12% - wealth management provides stable cash flow, derivatives hedge IPO cyclical risks, and investment banking maintains market influence; 3. Long-term layout (3-5 years): Build a dual center system for IPOs between China and India, using India's \$12 billion technology IPO scale to hedge against China's policy risks, to suppress regional volatility to $\leq 12\%$.

6.2 Organizational Capability Upgrade Framework

The decision-making mechanism needs to be reformed by establishing regional decision-making centers in Hong Kong, Macau, and Singapore, granting product pricing and risk exposure setting authority. The Goldman Sachs Singapore case shows that this move has increased the efficiency of derivatives settlement by 40%; Dual track talent incentives are also important, and local executives adopt a "performance sharing (revenue \times 2.5%)+regulatory relationship points (communication frequency \times \$50000/time)" model; Overseas experts focus on "cross-border collaborative rewards (regional income gap \times 1.8%)+knowledge transfer points" to avoid authorization vacuum; The upgrade of the risk control system is also urgent. Referring to the experience of Galaxy Overseas, compliance officers will be set up in its subsidiaries in various countries as the first line of defense, implementing the principle of "no business development without clear visibility and control", and strictly following the "Management Measures for Overseas Operating Institutions of Securities Companies".

6.3 Regional Clearing Network Optimization and Multi-Dimensional Collaborative Innovation Practice

In terms of optimizing the clearing network, building a blockchain can support multi-level clearing channels, from onshore Chinese yuan (CNY) in Shanghai to Hong Kong dollars, and then to Singapore's Singapore dollar. At the same time, the Singapore dollar can also be converted into Hong Kong dollars, and then to Mumbai's rupee. All within its support range.

This network has reduced the settlement cycle of derivatives from 3 days to 8 hours, increased capital turnover to 32%, and reduced foreign exchange risk exposure by 45%; For the risk sharing mechanism, it is necessary to replicate the cooperation model between the Hong Kong Monetary Authority and the Asian Infrastructure Investment Bank, and invest in emerging market venture capital funds in Asia through strategic partnerships. The 2025 agreement has initiated the first round of funding for the Southeast Asia Green Technology Fund to reduce the risk of individual projects; By drawing on the regulatory sandbox porting experience of Vietnam and piloting the "Islamic Bond Cross border Issuance Platform" in Malaysia, UBS has increased its market share by 12% over the past two years, achieving diversified collaborative innovation in clearing, venture capital, and regulation.

7 Conclusion

This study reveals the dual driving essence of the Asia Pacific strategy of international investment banks: breaking the 60% threshold for localization depth can activate a positive cycle of regulatory network embedding, while a business elasticity coefficient higher than 0.25 forms a geopolitical risk buffering mechanism. The risk multiplier effect generated by the synergy of the two has been fully validated in cases such as the localization of Morgan Stanley Wealth Management and Goldman Sachs Singapore Clearing Hub.

In the future, international investment banks need to transform from "global companies" to "multi-local networks" and seek Pareto optimality between regulatory embedding and risk diversification. Galaxy Securities' Southeast Asian practice points the way: achieving 100% control through the acquisition of Galaxy Lianchang, employing 2000 local employees to serve 500000 clients in ASEAN, and ranking first in the brokerage business market share in Malaysia and Singapore. This combination of deep localization and regional synergy represents an advanced form of Asia Pacific strategy.

The Asia Pacific market is not only a growth pole for business, but also a touchstone for global financial resilience - only institutions that transform geopolitical fragility into institutional adaptability can become winners in the new landscape. As the shadow of Trump's tariff policy looms over Asia, the dual-dimensional driving model provides a breakthrough for international investment banks: to deeply penetrate regulatory fog through localization, to resist political storms with business flexibility, and ultimately anchor value in the ocean of change.

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