

A 2020 vision for independent wealth management in Asia

The pace of growth of independent firms in Singapore and Hong Kong hasn't been as fast as many players initially expected it might be. But the achievements of this segment bode well for what it can achieve going forward – especially with collaboration.

The region's independent community has a lot of potential to grow – if it can continue to define its offering and evolve the business model to drive collaboration rather than competition with other segments of the wealth management industry.

Collectively, firms in this space have penetrated only around 4% to 5% of the AUM of all assets within Asian private banking to date, according to many practitioners at independent asset managers (IAMs) and multi-family offices (MFOs).

However, the recognition – especially in Singapore, but increasingly in Hong Kong, too – of IAMs and MFOs provides scope for optimism.

In particular at the regulatory level, the Monetary Authority of Singapore as well as Hong Kong's Securities and Futures Commission have regular dialogue with the respective industry associations.

This has put the business model on the map in Asia – with some practitioners predicting that assets managed by IAMs and MFOs will jump to somewhere around 10% by 2020. And the potential could be greater to go beyond this, however, if and when banks change compensation schemes.

These were among some of the take-aways from a discussion involving several key independents at Hubbis' 5th annual event in Singapore for Asia's community of IAMs and MFOs.

BEING FOCUSED

A more concerted effort to align interests has enhanced the perception of the industry among all stakeholders – including private bankers, HNW and UHNW clients and regulators.

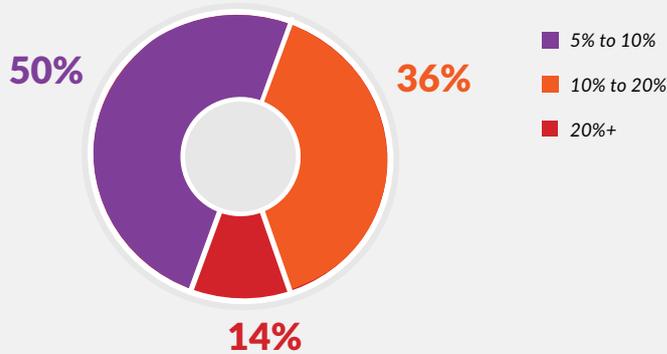
Panel speakers

- **Urs Brutsch**, Managing Partner & Founder, HP Wealth Management
- **Rohit Bhuta**, Chief Executive Officer, Crossinvest
- **Yash Mishra**, Managing Director, Head, Private Clients, Taurus Wealth Advisors
- **Sascha Zehnter**, Managing Director, Head of External Asset Managers, South-east Asia Private Banking Division, and Head External Asset Managers, Asia Pacific Platform, Credit Suisse
- **Ernest Ong**, Senior Consultant, Mercer



Urs Brutsch
HP Wealth Management

WHAT % OF AUM IN ASIA WILL BE MANAGED BY EAMs / MFOs BY 2020?



Source: Hubbis Independent Wealth Management Forum 2017, Singapore



Yash Mishra
Taurus Wealth Advisors

A focused approach by the industry has also attracted the interest, increasingly, of other industry professionals with private banks, for instance. Independent practitioners say that more and more bankers want to be more informed about the IAM and MFO model.

And with private clients becoming ever-more discerning over the types of advisers and services they want and need, IAMs and MFOs are likely to gain over the coming years.

Developments in the fee model are also needed in this context.

Some practitioners strongly support a ban on retrocessions, for example, as a way to align interests of all parties more clearly.

The need to be focused also relates to size. Practitioners say that it is perfectly acceptable in this segment to go against the grain of dreaming big, and to dream small, instead, to move the business to the next level.

Indeed, it means focusing on fundamentals – to address the complexity of clients’ demands, and to have flexibility with compliance requirements.

COLLABORATION

Closer working relationships among industry professionals is also an important part of the roadmap for the IAM and MFO industry in Asia.

As IAMs and MFOs strive to find their niche and articulate a specific value proposition, they can also



Rohit Bhuta
Crossinvest

benefit across many areas of the business from the right collaboration and business partnerships to evolve and drive this business in the region.

The starting point needs to be understanding the strengths of each member of the ecosystem. By and large, it's very much about combining what each firm does best.

More specifically, some of the key areas of support which will help facilitate the industry, say practitioners, are in terms of: investment advice capabilities, such as customised ideas based on multi-asset class approach; IT platforms and the technology offering; access to capital markets



Sascha Zehnter
Credit Suisse

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and financing opportunities; flexible pricing models based on sharing roles and splitting responsibilities to create fair pricing; regulatory advice; and support in branding and education.

SCALE AND GROWTH

Although the number of IAMs and MFOs is unlikely to shoot up – according to some senior practitioners – certainly the number will grow.

What is likely to happen, however, is that each firm will on average be substantially larger, as the hurdles to entry get higher and higher.

Yet despite the need for scale, the 'right' AUM is unclear. Perhaps a better way to approach this issues, suggest practitioners is to set a target scale, and then strategise what it takes to get to that scale. By working backwards, an IAM or MFO would know the right size for itself.

What is clear, say practitioners, is that IAMs and MFOs will have similar challenges as banks: increasing costs along with rising regulatory burdens.

This is further evidence for the need for a clear and focused proposition. ■



Ernest Ong
Mercer