

A defining moment for Hong Kong's independents

The launch of the Association of Independent Asset Managers (AIAM) in Hong Kong is a critical step for what was until now a disjointed – yet increasingly influential – segment of the advisory community. Regulators, clients and private bankers stand to benefit too.

Arguably, the timing for independent asset managers (IAMs), multi-family offices and other similar types of advisory firms to flourish couldn't be better.

Many large private banks continue to suffer from the shackles of ever-rising regulatory and compliance costs, volatile and uncertain markets, continually-thin margins, cautious clients and high

peeling than ever before, especially for individuals with the mind-set and understanding of the value proposition to make the leap.

Singapore has had an association of IAMs since March 2011.

Now, it's Hong Kong's turn to rally this segment of the industry.

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personnel costs. Against this backdrop, the opportunity to work for – or be serviced as a client by – a more nimble, entrepreneurial and growth-oriented independent firm might seem more ap-

The new Association defines one of its key goals as: “To create a structured voice for everyone who shares the goal of offering high-quality and unbiased financial advice to their clients.”



JESSICA CUTRERA
EXS Capital Asia

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HARMEN OVERDIJK
CAIDAO Wealth

CLARITY OF UNDERSTANDING

As an industry first for the region, the AIAM presents a real opportunity to bring together all key players, and with a clear goal, from a part of the wealth management sector destined to grow.

To do this effectively, the current process of formalising best practices, networking, support infrastructure and other core foundations for IAMs is an important starting point.

Further, says Jessica Cutrera of EXS Capital Asia, one of the founding members of the Association, it creates a united front to give regulators to have a clear dialogue with this growing and important industry segment. "It also gives the authorities a framework to evaluate each firm in a way which is helpful for the wider industry and potential clients," she adds.

At the same time, from a perception perspective, it is important to the As-

sociation to make it clear – and distance itself from – what it is not: a group of IFA-style brokers of insurers and other investment-linked products, which are not always sold in the best interests of the customer.

This all points towards a clear marketing message to existing and, perhaps more importantly, prospective clients.

Firms will no longer have to repeat themselves to articulate the concept, value proposition and service offering – and in turn dispel a lot of the myths or misconceptions which are all-too-common across the industry and wider market.

"The crux of the issue is being able to explain there are alternatives now that didn't really exist five to seven years

For this group of people, there is a lot of scope to explain to them about the independent concept and create the type of chemistry with the client that has been lacking in most areas of private banking in recent years.

In this way, independent firms can also pick up some of the slack whereby the vast majority (roughly 85%) of financial assets of HNW individuals in Asia don't reside with a private bank.

But for IAMs to proactively attract potential clients and be in a position to grab a greater share of overall AUM, more formal marketing is required.

Again, this is where a united front such as Hong Kong's AIAM comes in handy. While individual groups can only do so

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ago in Hong Kong," explains Harmen Overdijk of CAIDAO Wealth, and another of the Association's founding members.

FILLING A VOID

This disruptive element is a positive development as far as clients are concerned. Many of Asia's wealthy lost faith in the banks in the wake of the financial crisis in 2008.

They have become cynical about investing and financial planning as a result.

much given they are hampered by limited time and resources, in terms of both money and people, reaching the public through a collective effort seems to be the way forward.

This needs to combine the approaches of motivating, inspiring and disrupting the status quo.

The overall objective is to force clients to rethink the decisions they have made regarding how and where they invest and seek advice or financial planning.



PHILIPPE LEGRAND
London and Capital Asia

The first rung on this educational ladder needs to be reaching a professional educated client group which already has a base level of knowledge about the options in the market.

The long term goal is focused on those individuals who don't even know they need the type of independent advice on offer.

WIN-WIN

Important to the vision and values of the Association is also helping more people to enter the IAM space.

There is a big need in Hong Kong for more high-quality practitioners offering such services. At the same time, it isn't really a segment of wealth management that suits somebody at the earlier stage of their career. Being independent is not when an individual learns the trade.

What comes with 'going it alone' or joining a smaller firm is, inevitably, more

risk. But this trade-off has to be weighed against the opportunity to fine-tune the client outcomes, pick the clients to keep and work with, and build a better business model than is often possible when staying in-house at a large institution.

As a push factor, meanwhile, clearly for RMs which have become disillusioned

with the administrative nature of their work and the excessive amount of time they have to spend managing compliance activities, an IAM offers them a way to get back to basics.

Greater firepower stemming for a larger industry representation would also benefit individual firms in terms of access to more products, platforms and services. As a nascent business, there is not yet the incentive for providers to commit resources to building this.

For the time being, the limited number of options mean that IAMs will typically turn to the private banks as a product and service provider.

DRIVING SUCCESS

Key to the success of the Association will be the true representation it can offer to the community. Whether a firm only runs discretionary portfolios via an SFC Type 9 licence, or offers corporate advisory opportunities, or anything in-between – the AIAM membership base will fully reflect the many players and business models.

Fortunately, this is the philosophy of its founding members, says Philippe Legrand of London and Capital Asia, and a founding member of the AIAM.

"The Association is here to create the most common denominator, which is along the asset management lines. However, the offering from each firm

tends to extend well beyond managing investment funds."

The AIAM is now in roll-out mode.

On the back of an official launch event in October, the focus now is on a membership drive. From there, the build-out of messaging, collateral, events and initiatives will gather momentum. ■

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AIAM founding members

- *Jessica Cutrera and Sunita Subramoniam – EXS Capital Asia*
- *Philippe Legrand and Sanam Ramchandani – London and Capital Asia*
- *Harmen Overdijk and Lodewijk Lamaison – CAIDAO Wealth*

For more information - contact support@aiam.com.hk