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# Asia's independent wealth sector – ready for the next leap forward

*The independent wealth management sector in Asia is still relatively minor compared to the coverage of the major private banks and other large wealth firms, but those who have already established their business models see even better times ahead.*

**T**HE HUBBIS INDEPENDENT WEALTH MANAGEMENT FORUM of November 16, 2017 attracted a wide range of panellists, speakers and attendees who left at the end of the day with a more comprehensive vision of the challenges and opportunities that lie ahead for the independent asset management (IAM) firms and multi-family offices (MFOs) in Asia.

Taking the leap from a corporate job in a major global bank or brand-name wealth management firm is not for the faint hearted. Financial, intellectual and personal resilience is required, along with very hard work. But the rewards, say many of those who have taken this leap, are immense as clients rally to their more bespoke services and come to rely on them as lynchpins in their family wealth preservation and transition.

There is undoubtedly immense and growing pressure on the private banking model as relationship managers often struggle to reconcile the needs of their bosses and shareholders with the best interests of their clients. IAMs believe that this is a key selling point for their models, that smaller firms can offer clients 24/7 service and are not constricted by the need to sell certain products or solutions.

Additionally, the global regulatory net is becoming larger and more comprehensive. This makes it more and more difficult for the private banks to offer advice, as their compliance departments become





ever more fearful of the ramifications, especially in a digital world where technology is creating an indelible fingerprint on every piece of advice and transaction.

This, say many independent advisers, presents a terrific opportunity as the smaller firms are less restricted in their actions, not because they are in any way less bound by regulatory shackles, but because they are answering to themselves or their partners, not to managers and shareholders. This gives them more leeway to provide the advice that in an increasingly tight global regulatory environment, is in ever greater demand. The client is everything to the independent advisory firm. Those taking the leap to form their own firms must be confident that they can pull key clients with them, and can attract important new clients as well as they build their capabilities.

In a world in which the private banks are increasingly under pressure on many fronts, the value of a differentiated, more bespoke approach in the form of genuinely independent advice is also becoming clearer. But there are immense challenges ahead. For smaller firms with modest financial resources, technology is more difficult to acquire and implement, while the major banks and other large-scale advisory firms have the financial and managerial depth to invest in new technology solutions for an enhanced client experience.

The Asian market has not historically been as receptive to the advisory model as to the product sale and delivery model. However, dissatisfaction with the private banking sector combined with increased

global regulation and volatility since 2008 is gradually changing the mindset. Transparent fee structures from the independent firms are helping this acclimatisation. And building additional layers of expertise and competence within the IAMs is also essential to winning and building a wider clientele.

Hubbis also conducted a survey at the November 16 event, producing some interesting results. More than 82% of those polled believe that the independent wealth management model will grow 'dramatically' over the next 10 years, while almost three quarters felt that private banks do not act in the best interests of their clients. However, that does not necessarily translate into the independent firms being able to poach all the best talent, as only 47% of respondents believe a 'significant' number of private bankers will join independent firms in the next several years.

China is a vast opportunity for independent firms, but at this stage only 35% of respondents have more than 20% of their business from clients based there. There is a warning however to those based in Hong Kong who want to build a China business, as almost two thirds of respondents believe that Hong Kong is becoming less important as a conduit for China, in other words those who want China business need to establish there, or partner with the growing ranks of local wealth management firms.

The conclusion that many attendees reached is that the great opportunities must be matched by well-structured strategies, immense energy and a more than a little resilience. For many who have taken, or who will take, the leap to independence, an exciting future awaits. ■