

# Banking on growth in independent wealth in Asia

*For those custodians which can get it right, independent firms present a growing and potentially lucrative opportunity amid an otherwise challenging environment. A platform with the right people to deliver on the need for flexibility is a good starting point.*

Although specific figures on how much of the private wealth in Asia is handled by the independent model are not very precise (believed to be somewhere around the 5% mark in terms of penetration), it is clear that this model is gaining traction, especially in Singapore.

Projections by many practitioners and EAM desks are that the market share of independent asset managers (IAMs) and multi-family offices (MFOs) will double over the next five years – to reach around 10% of AUM in Singapore.

And some of the banks which seem to be a bit more committed to this segment are hiring more relationship managers specifically servicing IAMs and MFOs.

For the time being it will remain a bit more of a volume-driven business, but one which can still be profitable if it is a focused effort.

For example, it is therefore a way for the banks to leverage their existing platforms to a wider array of clients. They can therefore grow their AUM not only with assets from in-house bankers but independents as well – offering a way to diversify that is complementary to the traditional private banking business.

The key, say EAM desks, is to treat IAMs and MFOs as business partners, not as competitors.

Further, some of the more forward-looking EAM desks are therefore also concentrating on those IAMs and MFOs with the greatest potential to grow. This is to ensure there is the scale and extent of assets to make it worth it.

## **SIZE NOT THE ONLY SUCCESS FACTOR**

The ongoing global debate within private banking as to what is the critical size to survive in this industry has relevance within the EAM business too.

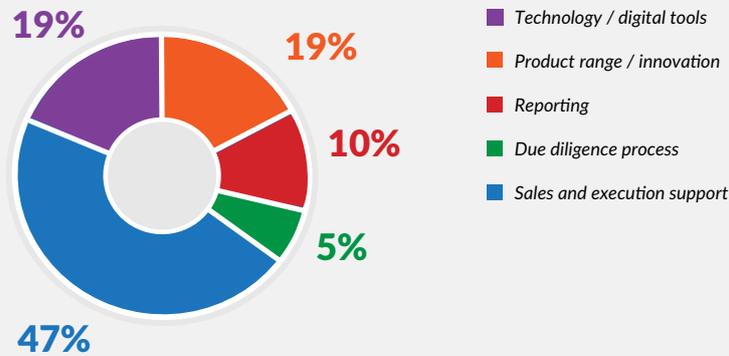
## **Panel speakers**

- **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
- **Thomas Jost**, Executive Director, Head Intermediaries South East-Asia & Pacific, Bank Julius Baer
- **Sylvain Gysler**, Executive Director, Head of Intermediaries & Multi Family Offices, Asia, VP Bank
- **Olivier Parriaud**, Head of Financial Intermediaries, Singapore, Indosuez Wealth Management
- **Eduard von Kymmel**, Head of VP Fund Solutions, VP Bank



Sascha Zehnter  
Credit Suisse

WHAT SERVICE IS MOST IMPORTANT TO AN EAM / MFO FROM A CUSTODIAN?



Source: Hubbis Independent Wealth Management Forum 2017, Singapore



Eduard von Kymmel  
VP Bank

Some of the larger banks say that scale of the IAM platform is crucial, but that this needs to be looked at in relative, not absolute, terms.

IAMs and MFOs also know that global banks have a greater ability to source deals, and offer a wider reach and more financing power – all of which can be key when it comes to first- or second-generation money which tends to still be highly-involved in their industries.

Other, smaller players don't think there is such a magic threshold, believe a bank or a platform can be profitable in servicing IAMs and MFOs. In particular, since business models vary among IAMs, it is the adaptability of the platform to these specific models which is key.

Perhaps more important than the size to the success of a platform, is also the level of understanding among all departments involved of the specifics of the IAM business and referred clients, say the EAM desks. This includes the back office, compliance, IT and legal. Experience and flexibility therefore matter more than scale.

As a result, the big versus small question is the wrong debate to have for banks servicing independents, say the EAM desks.

Instead, it is about prioritisation. Is it a core segment for the bank? And is the bank willing to invest in it?

This requires support from management at the highest level. This will impact the quality of service along with



Olivier Parriaud  
Indosuez Wealth Management

the flexibility in finding the kind of tailor-made solutions required to meet the needs of IAMs and MFOs for their clients.

Especially due to the complexity of the business and operating environment today with tax, cross-border and suitability rules, for example, all banks have had to define and focus on their value proposition.

In addition, where end-clients are bank-agnostic and the IAM or MFO takes the decision about which custodian to use, the level of comfort with existing relationships rises to the fore.

In relation to this, some banks say they have started to see a trend towards smaller institutions thanks to increased flexibility.

**Some of the more forward-looking EAM desks are concentrating on those IAMs and MFOs with the greatest potential to grow**

Ultimately, due to the specificities and differences in IAM and MFO models, there is a need for various styles of custodians to service them.

Further, the relevance of a custodian bank also comes down to the strategic choices it has had to make in terms of which markets and products they decide to concentrate on, and which they exit.

#### **WHAT MATTERS TO INDEPENDENTS**

Some EAM desks say they see a shift in the way IAMs and MFO gravitate towards certain custodians; the trend is towards these advisory firms becoming more proactive and inter-dependent.

As a result, whether the custodian is large or small, the partnership between the two parties is becoming stronger and more focused.

Yet inevitably, as custodians first and foremost, the quality of the custody and execution is crucial.

Further, with the current regulatory environment shining the spotlight on suitability and cross-border issues, and in turn creating difficulties for the intermediated wealth management business, the quality of the processes and controls comes into play.



Sylvain Gysler  
VP Bank

By extension, a fast and efficient onboarding process now comes high on the list of requirements for IAMs and MFOs.

As a result, the experience of the bank's staff handling IAMs and MFOs are again important to ensuring long-term profitability. Indeed, many EAM desks agree that their people are a key differentiator.

In turn, this makes it more likely the bank will offer flexibility to provide out-of-the-box solutions and mix-and-match services and products in new ways to satisfy the needs of IAMs and MFOs on behalf of their clients.

Those components of the offering which many EAM desks say tend to be more or less generic between custodians include technology, product shelf and service offering.

Yet some banks believe the access to information via digital and other tools continues to be a key point of differentiation.



Thomas Jost  
Bank Julius Baer

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#### **ENOUGH BUSINESS FOR EVERYONE**

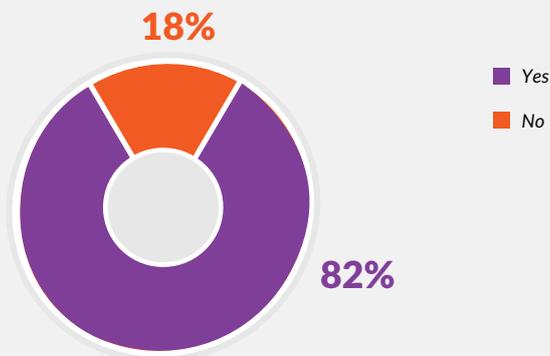
Despite the pessimism surrounding international private banking generally, the EAM desks believe their model has a robust future.

For instance, a large part of Asian wealth is not handled by private banks nor even by professional money managers.

With the right value proposition and client education or messaging, IAMs and MFOs with their business models and flexibility can appeal to clients who might not be attracted to larger institutions in the first place.

This bodes well for EAM desks playing an increasingly important role going forward within the banks.

**WILL THE NUMBER OF PRIVATE BANKS WHICH OFFER SUPPORT TO EAMs / MFOs IN ASIA CONTINUE TO CONSOLIDATE?**



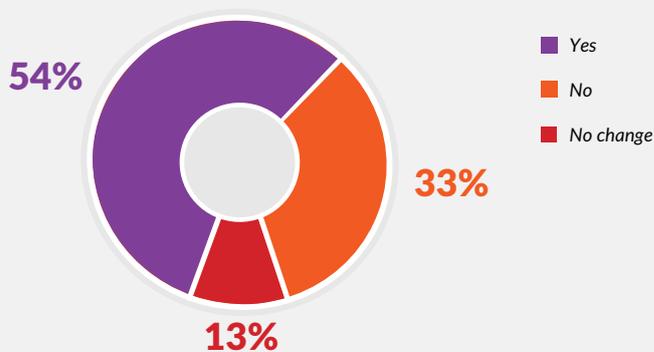
Source: Hubbis Independent Wealth Management Forum 2017, Singapore

They might even spearhead regulatory change for the rest of the bank through anticipating these changes on a B2B level – rather than a B2C one.

At the same time, however, not every custodian should look to compete in this space – depending on their platform.

Plus, there might not be enough business for everyone to make it profitable enough. For example, a first-choice custodian for an IAM or MFO might get about 50% of the assets, with 20% and 10% going to the second and third banks respectively. This shows that the AUM of the independent firm must be quite large to justify so much investment by some banks. ■

**WILL EAMs / MFOs REDUCE THE NUMBER OF CUSTODIAN BANKS THEY USE, SIGNIFICANTLY, OVER THE NEXT 5 YEARS?**



Source: Hubbis Independent Wealth Management Forum 2017, Singapore