

DRIVING INDEPENDENT WEALTH ADVICE IN SINGAPORE

SOME OF THE LEADERS IN SINGAPORE'S INDEPENDENT ASSET MANAGEMENT COMMUNITY CAME TOGETHER AT A RECENT HUBBIS ROUNDTABLE TO EXPLORE THE VALUE OF THEIR ASSOCIATION, THE CHALLENGES THESE FIRMS FACE, AND HOW DISCUSSIONS WITH THE REGULATOR IS SHAPING THEIR INDUSTRY.

The Association of Independent Asset Managers (AIAM) of Singapore was founded to support independent/external asset managers. Over time, it has built up its credibility to reflect the increasing reach of these firms. And together, there is now a united voice to reach clients and regulators alike.

On the one hand, clients are becoming more aware of the services that members of the AIAM are able to provide. On the other, the Monetary Authority of Singapore (MAS) has a dialogue with the Association three times a year to gain a perspective about the industry and get feedback about regulations bring contemplated.

some cases, the quality of those provided at the best private banks – yet they don't necessarily compete.

Instead, they help clients leverage the investment and execution platforms made available to them via the banks and often complement those institutions banks in terms of helping them increase the assets under their management and even reinforce their individuals relationships with clients.

At the end of the day, the client benefits because they can have a single adviser in spite of diversifying their portfolio across several banks. Given the breadth of services and the flexibility

on a variety of options from the investment universe.

However, being an IAM certainly isn't easy, say practitioners.

While banks typically have multiple sources of income, IAMs source their revenue exclusively and directly from the client. So if a client isn't satisfied with the services rendered, they will not pay.

SUPPORTING THE COMMUNITY

In a bank, the advisory business is supported by an ever-growing army of compliance professionals.

It is a major resource for the front-office teams, helping them understand the rules of the game.

Each time a new regulation or statute is implemented, a memo with new instructions is delivered to the team.

Before the Association, it was far from a level playing field for IAMs. Neither did they have the resources to employ their own compliance staff, nor did they get any memos to guide them and provide any level of comfort.

“Until we created the Association there was no single body that was defending our ideas, our modus operandi or our interests. We had to simply build our business around the set of rules and regulations which were not at all adapted to what our business was.”

In short, independent asset managers (IAMs) provide investment and client services that rival, if not surpass in

that the typical IAM can provide, practitioners believe they can even adopt a multi-family approach to advise clients

FEATURE ARTICLE

That's where the AIAM has made a difference to member organisations, say practitioners in the community.

It supports these firms, for example, with day-to-day input on regulatory matters, administrative issues and procedures relating to cross-border transactions and documentation.

Further, the industry is also collectively able to verbalise to the MAS its ideas and opinions.

In particular, when it comes to navigating forthcoming international regulations and procedures, roundtable participants say they are confident that the Association will be.

FATCA and Common Reporting Standards, for example, will require IAMs to have a thorough understanding about its implications.

Combining resources with the Association to decipher and decide on the way forward will, therefore, help them maintain their focus on clients.

RECOGNITION BY ASSOCIATION

The reputation of the AIAM has earned the trust of the MAS, say IAMs.

The regulator has come to recognise the AIAM and supports the Association in simple ways: the sharing of consultation papers; a forum to discuss relevant topics; and recognition to member firms.

protocols. Tarnishing the image is the last thing the AIAM wants to do, given the efforts put in to build the reputation over recent years.

In terms of investment advisory and client services, meanwhile, the challenges are the same for banks and IAMs.

Client aversion to paying fees, a need for better advisers and a need to educate investors are among the most im-

“The first rule of thumb for me to interview anybody is to have a look at the personality [of the adviser]. Do they have entrepreneurial spirit? Do they understand the risk they're taking in their career? It is not just all about the money.”

The AIAM has around 30 members at present, with admission strictly based on the ability of potential members to comply with regulations and adhere to

mediate challenges. Indeed, in terms of advice, the industry clearly needs an overhaul, with more time, attention and training to enhance competencies and capabilities.

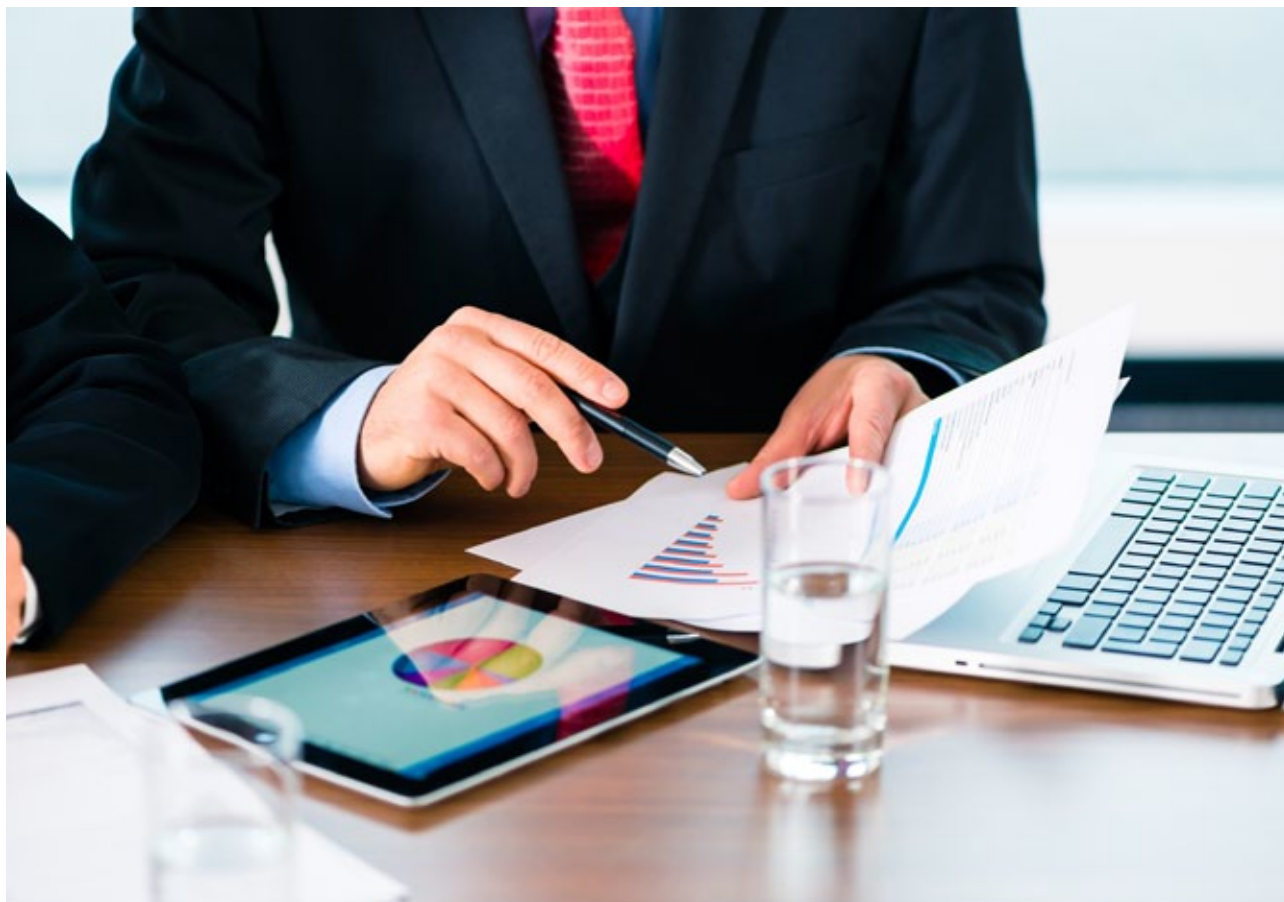
Given that it is often the second or third generation which pays heed to investment advice and is open to the idea of paying a fee, Asia needs to play a waiting game, say practitioners.

Participants at the roundtable highlighted that not only are clients in Asia generally ignorant of the benefits to be gained from investment advisory, but they don't necessarily understand their options.

As a result, they're more open to advisers who can help them predict the short-term market movements rather than plan for the long-term.

This makes it essential for them to find a way to educate clients. IAMs generally help clients take a long-term position as they're fee-paying clients who





are often a little more sophisticated. Banks also try to drive a long-term outlook but at the end of the day, both banks and IAMs have to cater to the demands of the majority of the clients.

The concept of educating clients and helping them warm up to the idea of paying a fee for non-biased advice is also supported by the MAS which helps this gain momentum.

CHALLENGES FOR BANKS AND IAMs

Banks are under pressure from clients and regulators to bring transparency in fees. They also have mounting cost pressures from balance-sheet and staffing needs.

“A particular issue that IAMs face is the dearth of capable advisers who can partner with them and do justice to their role.”

The overheads associated with employing experienced compliance professionals who play a pivotal role in the changing regulatory environment today are massive, as are the costs of funding a balance sheet that meets regulatory requirements to provide transactional services.

Transactional business costs more and banks are now contemplating a change in their model. Participants at the roundtable felt that many banks are favouring discretionary business and asset allocation.

A particular issue IAMs face is the dearth of capable advisers who can partner with them and do justice to their role.

Pre-requisites to the job include a strong client base and relations that will move with the adviser.

It is a risk, especially when the adviser is coming from a reputed bank. A lot of the support infrastructure isn't available in an IAM and an entrepreneurial spirit is required to make the cut, say participants. ■