

How can wealth management improve its core proposition?

The UAE wealth management sector is enjoying robust growth, but can the UAE become a top-flight wealth centre? A panel of experts debated in the first panel of the Hubbis Middle East Wealth Management Forum in Dubai on January 24.

These were the topics discussed:

- How is the regulatory framework developing - what are the issues and opportunities?
- How are you changing your business as a result?
- New money comes from where? How can you make the most of this?
- How are business models and platforms evolving?
- How can we all improve outcomes for clients?
- What will be the future development of Islamic Asset and Wealth management? What progress have we made?
- What's the potential for increased wealth in family offices and multi-family offices?
- The UAE is safe, for most has no personal or corporate tax, offers high living standards and has an excellent position geographically. To what extent is it becoming a respected and credible centre for wealth management and attracting HNW and UHNW families?

THE UAE IS SAFE, FOR MOST HAS NO PERSONAL or corporate tax, offers high living standards and has an excellent position geographically. This should be an ideal recipe for it to become a highly respected and credible centre for wealth management and attracting HNW and UHNW families. Some 59% of the audience that replied to a poll during the panel said the wealth management industry is developing credibly and respectably.

The wealth management industry is certainly evolving. The regulator is helping improve practices and standards of professionalism. "We need the best regulatory practices in the market," said one expert. "We need high levels of transparency and at the same

PANEL SPEAKERS

- **Sandeep Singh**, Senior Director, Regional Head Central Eastern Europe, Middle East and Africa, Franklin Templeton Investments
- **Mandeep Nalwa**, Founder, Chief Executive Officer, Taurus Wealth Advisors
- **Daffer Luqman**, Global Head of Liabilities & Wealth Management, Retail Banking Group, Abu Dhabi Islamic Bank
- **Deepak Ahuja**, Director of Wealth Management, Bancassurance & Mortgages, RAKBANK
- **Biswajit Dasgupta**, Chief Investment Officer, Head of Global Markets, Emirates Investment Bank



MANDEEP NALWA
Taurus Wealth Advisors



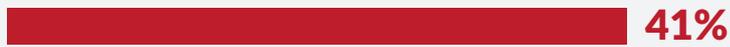
SANDEEP SINGH
Franklin Templeton Investments

DO YOU FEEL THAT THE WEALTH MANAGEMENT INDUSTRY IS DEVELOPING INTO A MORE COMPLETE AND RESPECTABLE MARKET TODAY?

Yes



No



Source: Hubbis Middle East Wealth Management Forum 2018

time, greater efficiencies. The wealth sector is a work in progress, but the industry is moving in the right direction.”

Another panellist noted that new money is coming into the UAE from Africa, Asia, the Middle East of course, and also from new avenues in Europe. “This is not surprising,” he said, “as the UAE has a strategic location, it is positioning itself as a global centre for tourism, banking, finance and logistics. With such a world-class infrastructure, it therefore has great appeal to investors and businesses.”

The panel felt that the broader prospects of the economy, the lifestyle, the low taxes and the accessibility are all excellent fundamentals for the wealth industry.



DAFFER LUQMAN
Abu Dhabi Islamic Bank

Influx of old and new money

“A lot of multi-family offices and single-family offices are establishing here, rather than just going to London or Switzerland as they might have done in the past,” noted one panellist. “There is definitely more potential for growth with a better regulatory regime and asset management will grow alongside this.”

As more offices and businesses establish here the money is circulating and being invested in a variety of asset classes. “Combined with the various initiatives from the government to make it a global hub for finance this is creating a virtuous circle,” added the same panellist, “with more and more wealth moving to the UAE.” The Hubbis poll during the panel showed that 88% of the audience felt client financial literacy improved over the last 10 years.

Another expert highlighted that Islamic wealth management around the globe is worth an estimated \$65 billion out of a total of the figure quoted for Islamic finance of closer to \$2 trillion. In other words, Islamic wealth management is but a drop in a vast ocean and even today the Islamic banks are still not particularly focused on wealth management.

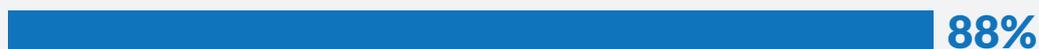
“The Islamic space therefore has a vast opportunity to grow and the UAE is an ideal place for that to evolve,” he said. “We must improve the awareness and education amongst customers and users of these services. The compliant products are relatively new and there is also a lack of skills in the industry in the marketing and promotion of these services, so there is much work to be done.”



DEEPAK AHUJA
RAKBANK

HAS CLIENT FINANCIAL LITERACY IMPROVED OVER THE LAST 10 YEARS?

Yes



No



Source: Hubbis Middle East Wealth Management Forum 2018

Good for the region

Another referred to surveys in recent years that have shown high net worth individuals in the region would prefer to keep a large part of their wealth in the region. “They see that as part of their overall sense of wealth preservation,” he explained. “They have better visibility, better control, better ability to influence their personal financial affairs.”

The same expert added that the UAE is also the fifth destination in the world, for high net worth individuals looking to move residence. “We had something like 5000 high net worth individuals move into the UAE, in 2016 and in 2017 an even larger number.”

There is a wide variety of growth and optimism. The Hubbis poll during the discussion showed 42% of the audience reported negative growth in their wealth business, while 30% were at the other end of the scale growing more than 20% a year, with 27% growing at more than 10%.

Legacy planning gaining ground

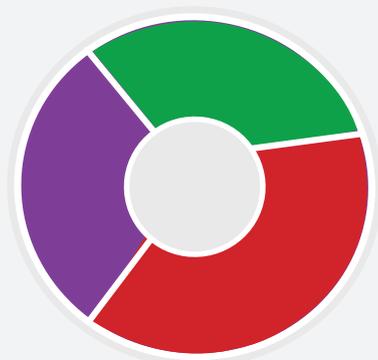
Succession planning is another core growth market highlighted by the panel. “A lot of wealth that has been generated in the region is, typically, first



BISWAJIT DASGUPTA
Emirates Investment Bank

THUS FAR, NOT A LOT OF THOUGHT HAS GONE INTO WEALTH PRESERVATION, SUCCESSION PLANNING AND INTERGENERATIONAL WEALTH TRANSFER.

IN WEALTH MANAGEMENT, AT WHAT RATE IS YOUR BUSINESS GROWING?



- Negative
- 10% a year
- More than 20%

Source: Hubbis Middle East Wealth Management Forum 2018

generation and given the history if the region only recently moving into the second generation,” explained one panellist. “Thus far, not a lot of thought has gone into wealth preservation, succession planning and intergenerational wealth transfer.”

There was wide agreement on this point. “We are having more and more holistic discussions that look at the whole range of wealth planning and wealth succession,” said one expert. “This is a relatively new development and augurs well for the health of wealth and our industry.”

Committing to upgrade skills

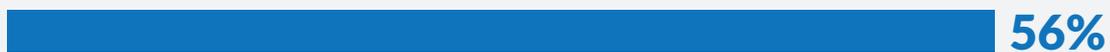
Returning to the ubiquitous matter of the regulatory environment, there were also some notes of caution. “The level of due diligence that some banks and financial institutions are demanding is tantamount to telling the client they are guilty until proven innocent,” said one concerned panellist.

Another explained that their firm has a small team of 30 of which four are dedicated almost full time on governance. “It is very expensive to maintain this sort of staffing for what are now very high cost people,” he worried. “It is difficult to be business focused as well as cross every ‘t’ and dot every ‘i’, even though of course we want to be as compliant as possible.”

IT IS DIFFICULT TO BE BUSINESS FOCUSED AS WELL AS CROSS EVERY ‘T’ AND DOT EVERY ‘I’, EVEN THOUGH OF COURSE WE WANT TO BE AS COMPLIANT AS POSSIBLE.

DO YOU ENTHUSIASTICALLY EMBRACE THE CHANGES THAT THE REGULATORS ARE MAKING? DO YOU THINK THEY HAVE GOT IT RIGHT?

Yes



No



Source: Hubbis Middle East Wealth Management Forum 2018

One expert argued that because regulation is so pervasive globally firms must learn to manage it, or risk failure. “An institution that can walk this tightrope between over-compliance and fair compliance will be clearly be in a position to win clients.”

And finally, on personnel capabilities to build wealth management in the region, panellists agreed that a balance of both personal and technical skills will be ever more essential for relationship managers and other front-of-client roles. ■

AN INSTITUTION THAT CAN WALK THIS TIGHTROPE BETWEEN OVER-COMPLIANCE AND FAIR COMPLIANCE WILL BE CLEARLY BE IN A POSITION TO WIN CLIENTS.

WHEN YOU TALK TO YOUR CLIENTS ABOUT TOPICS LIKE CRS, TAX ETC. DO YOU THINK THEY REALLY UNDERSTAND THE REALITY OF THEIR SITUATION?

Yes



No



Source: Hubbis Middle East Wealth Management Forum 2018