

# How is the independent advisory model in Hong Kong developing?

*There is a greater depth and range of independent advisers operating or establishing businesses in Hong Kong. While there are many advantages to going it alone, for the founders and their clients, careful attention to detail is vital.*

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**J**ESSICA CUTRERA, MANAGING DIRECTOR of Capital company, addressed the Hubbis 2017 Independent Wealth Management Forum to discuss the development of Independent financial advisers in Hong Kong.

“My views are founded upon the work we are doing with the Association of Independent Asset Managers here in Hong Kong, not based on our own firm’s experiences. We have all been successful in engaging firms in a dialogue, which has proved highly effective. For example, we have helped people understand how the regulatory environment is changing and how that affects their businesses.”



JESSICA CUTRERA  
Capital Company

### **Independence days**

Cutrera explained that the independent wealth sector is on the growth track in Hong Kong, judging by the number of new license applications and the numbers of those setting up businesses and moving to join existing independent businesses.

“We also see an evolution in the business model, so for example more firms are focusing on transparency, alignment of interest and on delivering services from the same side of the table as their client, with significant affect on the fee models.”

### **Broadening the remit**

Cutrera also noted an expansion of the range of services on offer. “Whereas some years ago many firms were purely an investment advisor or solely an asset manager, many members also advise on tax, legal, insurance, and other aspects that are so important to Asian family wealth. This really helps deliver an overall better solution to the end client.”

Hong Kong is witnessing new firms and more mergers, acquisitions, more partnerships, resulting in more choices for independents. There are also more brokerage platforms available, many of the Asian banks are competing with the traditional Swiss and European offerings. “Given all this, independents now

have more choices, there are more products, services, solutions, custodians available to them and their clients.”

### **Regulatory demands**

Cutrera also noted the increased focus and expenditure on legal and compliance as regulatory pressures and dynamics change. She also highlighted increasing cross border business, especially mainland China or clients in Europe who want an Asian footprint. “All in all we see greater geographic diversity.”

More independent asset managers are implementing technology solutions as cost effectiveness improves. But technology still has pros and the cons, as smaller firms are still struggling to afford it.

Key concerns that Cutrera and members of the Hong Kong AIM are noting include lack of clarity and general confusion around how to implement regulatory changes in Hong Kong. “The use of the word ‘independent’ leads to questions on what transparency is required for firms that run their own funds, for example,” she noted. “The existing regulation does not consider the business model of an independent asset manager.”

### **Finding their value proposition**

On the other hand, Cutrera reported that general awareness in

the community of the independent business model has helped them compete more effectively against private banks.

“A few years ago, many independents would have said they struggle to give their value proposition in competition with the private banks, particularly for wealthier families or supporting a single-family office, but that is changing.”

### **The China card...**

Growing numbers of independent asset management firms are developing in China to provide that comprehensive tax, legal, investment advice. Fee compression has not affected that sector, but competition is fierce, not only from private banks and other independent asset managers but ultimately from firms based in Mainland China.

Cutrera is keen to encourage more independent firms to join the association, either as an ordinary or an associate member.

“Members can engage with us to have confidential dialogue around issues, whether it be regulation, market development, technology that relates to the independent asset manager, and so forth. We are eager to give our associate members a broader platform to talk about their products and services and how they can tailor the solutions for the independent space.” ■



ASSOCIATION OF  
INDEPENDENT  
ASSET MANAGERS  
HONG KONG

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