

Independent Wealth Managers in the UAE – Defining and Refining the Proposition

The first panel discussion of the inaugural Hubbis Independent Wealth Management Forum in Dubai on March 15 saw a group of experts ponder the evolution of the proposition, the regulatory environment and the competition ecosystem.



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New entrants see great opportunities in the UAE and the broader region, they are often adding the UAE to their international presence, they are focused on the client, offering independent advice and best-in-class products and solutions

The head of a MFO licensed and operating both in Switzerland and Singapore explained they had recently obtained in-principle approval from the Abu Dhabi General Market for a 3C license and they intend to promote their alternative assets platform around illiquid deals, real estate, venture capital, and private equity.

“Diversification is the mission,” he reported. “We began in Switzerland, we opening in Singapore 12 years ago and with all the developments here combined with volatility around the world, the UAE is a logical diversification for us. And for our clients, they are interested in this region, looking at putting a foot into these jurisdictions, earlier not later when everyone floods in.”

Another MFO leader that set up around late 2021 explained that they had seen the wealth market led by banks and other institutions that were very product-led and that the door to a more objective, client-centric EAM model was very much open.

“We are focused very much on providing the right advice, the right solutions for clients, we work with multiple tier one partners, we focus on best in class investment management, custody, and lending,” he reported. “Working with top quality and a variety of counterparties helps give us that independent approach. What independence means

Amongst the many questions they addressed were the following:

- » How is the independent wealth management market developing in the UAE?
- » Why did it make sense to set up an office here? – perhaps in addition to Singapore, Hong Kong or Switzerland?
- » Other more mature EAM markets such as Singapore & Hong Kong have an industry “Association” – would this be useful in Dubai and the wider UAE?
- » Who are the target clients, and what specific requirements do they have?
- » What are the regulators and authorities doing to encourage the growth of the independent wealth management community in the UAE?
- » How do traditional wealth managers, such as international or local Private Banks, view this development? Will they collaborate or compete?
- » What is the UAE doing to increase the quality of local private banking platforms? Are we likely to see more custody here in the future rather than local PBs in Switzerland – Singapore etc?
- » Will foreign private banks do more here? Are EAMs forming a larger part of the business for private banks?
- » What services can independent wealth managers offer clients in UAE which are unique?

to us is freedom of thought, advice and action.”

Another expert reported that such is the growth and diversification in the region – supported robustly by government policies – that the private wealth markets will naturally expand and evolve. “Clients of all types and nationalities will require independent advice to support both wealth planning, wealth structuring, and also wealth succession,” he stated. “We strive to make informed decisions and offer objective advice on what is best for the clients.”

Private client needs and expectations have changed and continue to evolve apace towards global norms

The end client has become much more aware of what is out there in terms of products, markets, advice and planning, a panellist reported. People are more sophisticated, they now look at their investment reports and portfolios constantly and particularly if they have digital assets. “We have seen quite a big shift in terms of the knowledge or at least the hunger for knowledge

from clients,” they reported. “Clients are more engaged along that journey, and they also understand issues around alternative assets, and getting comfortable with illiquidity, and we see family offices increasingly looking at the endowment style approach of investing, with a larger allocation to private equity, to alternatives and other fixed assets.”

He explained this does present challenges in terms of reporting to their clients, as these are not market assets, so they have a small team of CFAs who aggregate and then analyse various data to help update client portfolios. Although this remains an imperfect system, it does prevent surprises.

Another expert explained how clients are increasingly wanting more robust financial and estate planning. “We want to help clients plan for their life events ahead,” he said. “Having a clear understanding in terms of what their future outgoings and obligations are is very important, then we can stress test their positions and portfolios to make sure they have plans that encompass these needs.”



Intergenerational wealth transfer in the region and amongst wealthy clients will have seismic implications

A panel member observed that businessmen, women and families represent some 99% of their client base and their bank had worked assiduously for decades to build connectivity and continuity amongst their different generations as they assume control of or inherit those assets and responsibilities. “How can we be relevant to the client base 10 or 20 years from now, that is what keeps me up at night,” he said. “You can easily lose a client base if you are not going to be relevant to the next generations.

So we work hard on dialogue with these clients, we offer them a wide range of advice and services, not only investments, which are highly commoditised, and we carefully analyse risk and returns, after all we are now entering a world where you can earn much higher returns on cash and fixed income and in the money markets, without taking risk.

Another expert agreed, noting how risk had been highlighted very clearly with the Silicon Valley Bank crisis and risk in the financial markets was being continually reassessed. “We have to be constantly updated on what happens in the client portfolios and able to react straight away,” he said.

Another expert remarked: “You can’t just have your head in the sand [in these markets], and you have to plan for the worst to ensure that your clients are protected.”

And that led on the counterparty risks and making sure that custody and security are as robust as possible. He said there is a drive to actually bring more assets into the region and create a strong UAE booking centre, which he expects will naturally develop as the ecosystem in terms of the assets which reside in the region expands. He said this will take time, but the pathway is quite clear in terms of the products and solutions and the custody that will be coming to the region. ■

