Middle East Wealth Management Forum 2019

Exclusive Insights

At the Hubbis Middle East Wealth Management Forum 2019 in Dubai on January 22nd, we asked leading industry experts for their exclusive and incisive insights

We hope you enjoy this summary – it's packed with content from the forum. Click on the Speakers Name to view their BIO. You can also read the transcripts in this document - and click on Watch Video to view their exclusive interview.

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Who did we interview?

Peter Huber
Chief Executive Officer
Zurich International

Malik Sarwar
CEO
K2 Leaders

F. Edward Lopez
Chief Revenue Officer
JHC Systems

Philip Story
Head of Distribution, EMEA
Investors Trust

Bart Kendall
Director of Wealth Management
Globaleye

Christian Cameron
Associate Director,
Supervision
Dubai Financial
Services Authority

Laurence Black
Regional Director, Client
Solutions, EMEA
Asiaciti Trust

Kimberley Wilks
Senior Manager,
Tax - Consulting Services
PwC

Yann Mrazek
Managing Partner
M/HQ

James Pollard
Tax Partner
PwC

Nirav Dinesh Kumar Shah
Director
FAME Advisory

Damian Hitchen
Chief Executive Officer,
Middle East & Asia
Swissquote

Shiraz Habib
Managing Director &
Head of Investment
Solutions
First Abu Dhabi Bank

Peter Huber
Chief Executive Officer
Zurich International

What are some of the trends that we are seeing in the insurance industry globally?
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We are seeing the perfect storm brewing in the insurance industry. Obviously, the first one is intensifying regulation across the globe. But, I always say let's not worry too much about it. There's nothing we can do about it, so better get on with it. Secondly, which is much more interesting, is a customer-led revolution. Customers have regained control with technology, with services, and I think we need to adjust our business models to that innovation and technology. You see that connected devices today for the first time have surpassed the number of connected people, and with the introduction of 5G networks across the globe, this is going to explode. And last, but not least, we're seeing obviously economic instability, geopolitical instability, and that's why we need to find business models where we can grow both in scale and skill in order to weather the storm.

How would you explain the opportunity that UAE represents to Zurich International?
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The perfect storm that we're seeing across the globe obviously also applies to the UAE. We have invested a lot over the last 18 months to create a global company localized in the UAE with new technology, with new services, with new propositions, ultimately to differentiate us, because we believe that what got us here in the last 30 years - and we've been here for a long time - will not get us into the future. So, to give you a few examples. We have invested significantly into technology. Customers now can apply for insurance online. They can have full control of the whole value trade. We have brought new investment propositions to the market which are first, transparent, and secondly very cost efficient. And if you think about long term savings, that's what you need. The biggest killer of a good retirement is high cost throughout the years. So, we have taken that feedback very seriously from our customers and have applied new solutions. And last but not least, something that we've introduced on the first of January 2019 is net promoter score, where we call our customers, based on certain touch points, and get direct feedback. Myself, I have committed to call customers five hours every month. So, I call them up and listen to what they have to say. A customer has surrendered the policy, why have you done it, what's the problem, how can we help. Two customers that have said great service Zurich, keep it up. And that insight will drive future solutions here for Zurich in the UAE. And with that we are going to differentiate ourselves from our competitors.

Damian Hitchen
Chief Executive Officer, Middle East & Asia
Swissquote

What digital expectations do wealth management clients have today?
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I think the minimum expectations are that they're able to view their portfolio information at the touch of a button at their preferred location, so whether that means it's via a desktop or a tablet or indeed through a smartphone, I think the minimum expectations of clients today is that they need information on their portfolio at hand. I think the firms who don't

provide that, unless they shape up quickly, they'll be shortly looking at an exit. What I find interesting about the industry at the moment is that everybody's talking about digital, everybody's talking about fintech. People often associate that with robo advisory or AI platforms or machine learning platforms etc., but the reality for most financial services providers is they need to get the first base covered, and that first base is essentially automating their processes and having the minimum of platform in which their clients can actually see their information. From having that minimum base platform where people can see their information, then the next step is having an increased or improved product range, an increased and improved execution platform, because that's the way the industry's moving, but I think what a lot of people forget in this talk about fintech -and everyone's trying to get to fintech quickly - is they've got bigger problems to start off on the foundation stage on the first day which they need to address.

Delivering investment products and advice to clients – is it time to re-think everything?
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I think historically the industry has led with a product. They may call it an advisory mandate, but that largely has been provider-led. What do I mean by that? It means it's been led by the private banks or the insurance companies or the regional banks in terms of what they perceive the customers want. I think what you'll see will be a huge sea change in financial services, particularly with the millennials, is that they won't be provider-led anymore. They

have a lot more information at their fingertips, they essentially have a lot more education in terms of what they're looking for, and it will be more a consumer to business-led industry, where historically, for the past three decades, it's been a business to consumer-led industry.

F. Edward Lopez
Chief Revenue Officer
JHC Systems

What's the role of digitalization in wealth management in the GCC region?
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Digitization is really different things to different people. I think a lot of folks really focus on the digitization perspective around digitizing the client engagement and that is always very important and a lot of firms, a lot of organisations are focused on that. We can help with that as well but I think part of the challenge of really embracing digitization within a firm's DNA is around extending that from the front office and client interaction to the middle and to the back office and really improving your efficiencies, which then enable you to increase margins. We're all in this to make money, so it helps that process as well. So, it's really taking digitization from the client engagement through front, middle and ultimately the back office.

Christian Cameron
Associate Director, Supervision
Dubai Financial Services Authority

What regulatory initiatives in Funds and Asset Management have we seen in UAE?
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There have been a number of initiatives both at the DIC level and the wider country as well. We're excited to be able to talk to them about the fact that we've entered agreements with two of the other regulators across the country in relation to funds passporting. That will enable firms to market their funds

across the wider country which is ultimately a better place for investors as well. Then there's also a lot of initiatives at the DIC level that we worked on last year and implemented. The introduction of an ETF regime, internal manager model, looking at some public fund initiatives as well. Then going into this year we're also looked at funds' platform initiatives. We're currently working on that and I think that will be another growth-enabling segment too.

Philip Story
Head of Distribution, EMEA
Investors Trust

What are the developing regional opportunities you can service from Dubai?
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We set up in Dubai originally, four and a half years ago because it's a fantastic hub for covering the region. Now the region, for us, is EMEA, everything from India down to South Africa, up to Europe and, of course, the Middle East as well. And for us, the biggest growth we had last year was over in Africa. It was a great year over there for us and, obviously, we're looking to grow that more. Hired Ian Mellows recently, to be able to look after Africa and help develop that market even further.

Bart Kendall
Director of Wealth Management
Globaleye

How do most firms deploy talent management for hiring, upskilling and retaining?
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I think there's going to be a couple of things. From my own personal level, you need a very good recruiter who has eyes and ears everywhere in terms of the marketplace, because wealth managers certainly are at a premium now. I think the other thing to bear in mind is that when you're at senior management level, you have the ingrained relationships across a number of different companies. You know the better people and they know you. So, actually recruiting and then upskilling those people becomes far easier when you're in the industry and you understand it. But you need to do both. You need to use recruiters first, but you also need to be doing it alongside what you're doing on a day to day basis.

Laurence Black
Regional Director, Client Solutions, EMEA
Asiaciti Trust

How do wealthy families try to engage the next generation around handling their wealth?
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Recent statistics show that this is something that families are particularly engaged in at the moment, and one thing that we found is that actually transferring the family wealth from one generation, the businesses particularly, it's more sustainable and actually creates more entrepreneurs within the family if they were involved at a younger age, and rather than just inheriting cash and investing that in something else in the markets, it's better to actually be involved in the transition of the family business from one generation to the next, and that's something that we at Asiaciti understand having gone from G1 to G2 already within the firm.

Do you see Middle East families trying to use more onshore jurisdictions, or do they continue to use offshore jurisdictions?
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I think onshore is certainly becoming more relevant, the need for substance on a global basis. Obviously, people are well served from the offshore financial markets as well, and they will continue to be, but where there's a need for substance, that's something that jurisdictions like Singapore, the UAE, and Hong Kong certainly have had, and they will continue to provide, robust and efficient solutions.

Kimberley Wilks
Senior Manager,
Tax - Consulting Services
PwC

What are the tax developments that affect wealthy clients in GCC today?
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I think one of the most interesting developments for clients in the GCC, from a tax perspective, is possibly the introduction of increased transparency measures. We've seen a whole raft of legislation come in across the globe, with the intent of reducing tax avoidance and increasing transparency, and the by-product of that, for clients, has been a decrease in privacy. I think this has been really interesting for the clients, because they're now having to consider their privacy, consider who's got access to their information, and then off the back of that, consider whether they're actually complying with the obligations that they have under tax legislation in the various countries.

What are the worries for a Middle East family which has structures in place? Is it reputation risk, regulatory risk, new taxes or levies being introduced?
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I think one of the key concerns for clients is making sure that their structures are future proof. I think they are concerned about a whole raft of possibilities that could come into play. Could there be a new tax system introduced? Could there be new measures that would mean that their privacy was jeopardised, or could there be a change in their own family

circumstances that might mean the structure they put in place is no longer fit for purpose. So, I think a lot of clients are concerned with making sure that they're as flexible as possible so they can make any changes that they might need to ensure that that continues to work for them going forward.

Yann Mrazek
Managing Partner
M/HQ

Do you think the DIFC and ADGM are now robust centres for wealth management, protection and structuring?
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Historically, people want to park some of their assets outside of the region while still remaining heavily invested regionally. Now the trend that we see is a split. There is an immense number of families restructuring their business using either the DIFC or the ADGM which are now perceived as bona fide centres, with the two to boot, being trust holding or foundation. There is clear momentum in this regard, however it does not mean that people stop using foreign offshore structures, but the two can live together in parallel, and communicate.

James Pollard
Tax Partner
PwC

How do you see tax developments and complexity impacting clients?
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It's huge basically, that is the short answer. Globally, even a big firm, even your professional adviser struggles to keep up. The rate of change, the information, the complexity, the detail that the tax authorities want, the discussions even that the tax

authorities are having with each other. This is changing the landscape. That's really impacting people here, particularly as a lot of them are not that tax aware. That's what we're seeing.

How are the local tax frameworks developing?
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Interestingly local is developing a huge amount. We've seen obviously a huge change in exciting taxes like VAT, but there's a lot of other changes around the corner, possibly around corporate tax. Governments obviously have fiscal gaps to fill. Again, all the governments have, or the majority of them have signed up to, the OECD BEPS initiatives, so that's also changing the reporting and other landscapes. So, we'll see what happens on the personal side. Obviously [it is] still quite attractive being here personally, but anyway, that's going to develop too.

Nirav Dinesh Kumar Shah
Director
FAME Advisory

Is privacy an interesting topic for the GCC region today?
Watch Video

Privacy is interesting for everybody. Every wealthy family want to keep their information private. However, transparency is where the world of compliance and reporting is leading to, and therefore it's important where you strike the balance between privacy and transparency. You need to create a structure that gives only information that is required to be given, while it still protects some part of the information that you need.

Do tax changes force clients to think about reporting and consequences?
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Like we discussed at the panel, tax changes are forcing clients to be aware of the compliance requirements, and therefore, reporting is the most important part of it. Unlike other countries, GCC, most of the tax violations has criminal consequences, and therefore, one needs to be very, very clear of what are the reporting and compliance obligations here. And yes, it is forcing clients to look at it in that way.

Malik Sarwar
CEO
K2 Leaders

What's the future of Discretionary and Advisory Portfolio Management in the Middle East?
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Middle East is slightly behind the West and Asia in discretionary, getting there because it's a mega-trend. As clients get wealthier and they want to spend life not just managing money, that's where discretionary comes in. This is a growth area. Firms that get a head start will be the acquirers of assets.

Private wealth management - is this a time of dramatic change in the Middle East?
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The Middle East is making an effort. It's still a few steps behind the west and east. Their best practices in the area of financial planning, discretionary digital that it can learn from and get better at where it is. It's a work in progress.

Is hiring top performers sustainable? Should the focus be on hiring/nurturing young talent?
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You need to hire a few senior people so others can see what quality looks like. However, in the long run, firms are better off investing in people who have the will. Bring them the skills because they're a lot more loyal, and they speak and live the brand. That's how you build sustainable, high quality wealth management brand.

Have we seen any examples of tangible success in digital wealth management in the US?
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In the US, Wall Street firms have taken a lead, not the banks, in getting clients intelligent portfolios discretionary ETF rebalancing in a very user- friendly manner at low cost. However, it's the Amazons of the world and the Alibabas, the Big Tech, not the fintech, that are actually getting into that space and that's the space to watch for all banks, because they will be their future competitors.

Shiraz Habib
Managing Director &
Head of Investment Solutions
First Abu Dhabi Bank

Are clients overly concentrated on risky assets? Are they becoming more diversified?
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Clients are very interested, and today they have invested in very risky assets. They have both invested in and concentrated in high-yield fixed income as well investment grid. However, given the times today and the increasing cost of leverage, they are looking at other avenues and particularly they are having excellent conversations around global asset allocation and how we may help improve their performance in the medium to long-term. That's been key. We are really having a good discussion with both our elite and private banking clients and they are really keen on making some suitable adjustments to their portfolio allocations.

How will we move to a fee for service and advice model?
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I think there is a lot of interest and engagement with clients to have an agreement in place for a fee-paying service. The main perspective is to engage with them and explain to them why a fee-paying service does make sense. It's all about absolute returns. And as long as we are able to add value to them, both from a perspective of service, bespoke advice, monitoring of portfolios, they're quite pleased to have as long as you're able to add value to them. So, that is there today, and we are quite successful in actually pursuing that during 2018. ■