

# The compliance challenge for independent firms

*Anthonia Hui, CEO of AL Wealth Partners, also represents the Singapore Association of Independent Asset Managers (AIAM). With a wealth of experience, she understands many of the key compliance challenges faced by independent wealth advisory firms amidst the global proliferation of new, or tighter, regulations.*

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**H**UI EXPLAINED TO THE AUDIENCE at the Hubbis event ‘Compliance in Asian Wealth Management Forum’ on January 18 that “the AIAM focuses on best practices and to build the credibility and reputation of the independent firms, as this is vital for our businesses and for our clients, staff, counterparties and regulators. Since we founded the AIAM in 2011 there has been an explosion of regulatory developments around the world.”

Since Hui helped establish the AIAM its role as a voluntary group of senior wealth management professionals has expanded, and it now helps support a rising number of independent wealth manage-



**ANTHONIA HUI**  
AL Wealth Partners

ment advisory firms in Singapore.

For example, the AIAM has established a compliance support centre for its members. “They can make enquiries into any matter they do not fully understand or handle,” Hui elaborates. “We know how helpful this is as smaller wealth management firms such as our members represent often need external assistance.”

### **Compliance – challenge accepted**

When the Monetary Authority of Singapore (MAS) began implementing the enterprise risk assessment for independent asset managers (IAMs), a survey was conducted for all AIAM members to determine how ready they were to comply and meet all the key regulatory and compliance requirements.

“Once we had identified the needs of our members,” Hui explained to the audience, “we began implementing workshops and seminars to guide members through the many issues surrounding compliance, helping them to understand exactly what was needed and helping them with advice on how to implement.”

Hui gave several examples of the support the AIAM provided for its members. These included a Foreign Account Tax Compliance Act (FATCA) guidance report; engaging with the MAS to examine the IAM business model in terms of reporting; and asking custodian bank platform providers to explain what they expect from the IAM model. Additionally, when the Common Reporting Standard (CRS) and Automatic Exchange of Information (AEIO) regulations were introduced, the AIAM hosted a workshop on client categorisation and requirements.

### **The joy of compliance**

Compliance is a tough discipline for any wealth management practitioners, especially the smaller independent firms with less financial and managerial resource than the global ‘brand’ private banks and asset management companies.

“I think if I say I enjoy it people will say I’m crazy,” Hui joked. However, she evidently sees regulatory and compliance issues as positive and interesting challenges, and she encouraged her fellow AIAM members to focus their efforts with determination to comply, whilst still being competitive in their core business.

Hui cautioned that “the regulatory burden will continue to be on us and looking ahead we want to demonstrate that we are dedicated and reliable to our clients rather than resisting the trend towards greater regulation and therefore compliance.”

Hui argued that although there have been many challenges in recent times due to wave after wave of new regulations, compliance has helped to increase the credibility and quality of the smaller firms.

### **What’s new in IAM?**

Hui expects technology to be a core focus for IAMs, as they focus on a range of problems and solutions, from fintech developments including AI and robo-advice to handling the challenges of cryptocurrencies, the blockchain and, of course, cyber security.

Hui highlighted the importance of client data management. For example, when an IAM looks at cyber security, should data be stored offline, or outside the computer infrastructure of the firm, in order to be safe from cyber-attacks. Hui

noted that although online client data management is easier and saves time, there is an ever-present risk of hacking.

Another current issue was raised by Hui regarding the Markets in Financial Instruments Directive (MiFID II), the EU’s ambitious new regulatory framework. “Although many might think that it is outside their purview because they might not, for example, have European clients,” Hui observed, “your service provider or client may bring you unwittingly into the MiFID II environment, so it pays not to be complacent or myopic about it.”

### **Innovation versus differentiation**

And when faced with the rise of technology, Hui also advised IAMs to remember the basics. When discussing the value of innovation and technology, Hui referred to a wealth management firm in Europe that was taking using the counter-intuitive approach of eschewing the easy method of emailing their clients, and instead choosing to have face-to-face conversations. “It reinforces their unique characteristics and difference,” she noted.

Hui felt the word innovation has been overused in the IAM world, and a better buzzword may be differentiation, setting the IAM business apart from others, and creating a unique value system to suit their chosen market niche.

Private banking relationship managers can misunderstand you as being simply a smaller, less established competitor, whereas in fact if you have a differentiating factor, you can complement and enhance their services if you work together.” ■