

The Evolving Compliance Landscape for Independent Asset Managers

Panellists assembled at the Compliance in Asian Wealth Management Forum in Singapore to share their opinions on the evolving compliance landscape for Independent Asset Managers (IAMs). While ever-increasing regulation is certainly proving to be a challenge, the more successful IAMs are ensuring they are ahead of the game by continually recalibrating and adapting.

These were the topics discussed:

- How is the general landscape for independent asset managers (IAMs) evolving in Asia?
- What are the current compliance challenges for IAMs in the year ahead?
- What do the recent regulatory changes in Singapore mean for locally-based IAMs?
- What do firms need to do if they want to operate in Singapore?
- What are the challenges and opportunities around the use of software and technology in the quest to achieve solutions?
- How do you ensure RMs have the right attitude to compliance and play within the prescribed boundaries?

PANEL SPEAKERS

- **Anthonia Hui**, Chief Executive Officer, AL Wealth Partners
- **Noor Quek**, Founder, Chief Executive Director, NQ International
- **Rolf Haudenschild**, Co-Founder, Head of Compliance and Internal Audit Services, Ingenia
- **Philipp Piaz**, Partner, Finaport



[Link to Content Summary page](#)

[Link to Photos](#)

[Link to Event Homepage](#)

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THE KEY TAKEAWAYS

Independent wealth management is seen as high-risk

IAMs and private banks are seen as a high-risk segment of the wealth management industry by regulators such as the Monetary Authority of Singapore (MAS) because of the clients they serve, typically HNWIs who may be tempted by unfavourable activities such as tax-evasion or money-laundering.

MAS will leave no stone unturned

The Monetary Authority of Singapore has intensified its inspections, including quizzing staff member about policies, procedures and regulatory compliance, which must all be documented and evidenced.

IAMs must be both independent and transparent

Panellists advised IAMs to act responsibly rather than try to find loopholes. Reputation is everything. Be brave and courageous, be independent and get out of the pockets of financial institutions. Truly believe that you can add value to your client by charging honest fees for honest advice.

IAMs must find their niche

An entrepreneurial spirit is needed to set up as an IAM. When you are starting up, be clear about your mission and vision, find your niche, your unique selling point. Expect a lot of hard work and jumping through hoops.

Nobody can fly under the regulatory and compliance radars

It is a common misconception that smaller firms can fly under the regulation radar. On the contrary, there is nowhere to hide, and often you will be personally liable for any compliance misdemeanours.

Compliance must be from the top-down, training is essential

Teamwork is essential, as is breaking down regulatory policies and procedures into simple, easily-understandable language to prevent avoidance through lack of understanding or fear. Enforcement must come from the top, and education is key, as always. Remember that the wealth management industry is ultimately based on relationships rather than hard data.





ROLF HAUDENSCHILD
Ingenia

THE INDEPENDENT WEALTH MANAGEMENT market is populated by IAMs, External Asset Managers (EAMs) as well as single- and multi-family offices. Its dynamic is a testament to the rapid expansion of private wealth in the Asia region and to the growing diversity of needs amongst the fast-expanding cohorts of high-net-worth individuals (HNWIs) across Asia-Pacific.

However, EAMs and private banks are seen as a high-risk segment of the wealth management industry by regulators such as the Monetary Authority of Singapore (MAS) because of the clients they serve, typically HNWIs who may be tempted by unfavourable activities such as tax-evasion or money-laundering.

Indeed, there is evidence that some countries such as China, India, Indonesia and Malaysia are developing faster than their legislation and infrastructure can keep up, leading to tax-evasion and money-laundering becoming rife. “This is why we as wealth managers are currently under such scrutiny,” an expert clarified.

“MAS has a comprehensive inspection process nowadays,” a panellist explained, “which can typically involve their trained professionals quizzing staff members from all levels about Anti-Money-Laundering and Combating-the Funding-of-Terrorism (AML/CFT) policies as well as onboarding processes and compliance policies and how they are all implemented.”

Another element is the tracking of individuals through their career paths. “While it used to be



NOOR QUEK
NQ International



PHILIPP PIAZ
Finaport

possible to leave a job and any misdemeanours behind, now even minor transgressions will follow you and will impact upon future employment,” warned an expert. “The cost of non-compliance is now a lot higher for individuals rather than on an organisational level.”

Be the best version of yourself

Some panellists felt that compliance should be a natural element of involvement in this business. “Yes, the industry is changing, technology is advancing, but the ability to comply with regulations should be in your DNA,” one delegate attested. “I believe some of us had integrity way before this culture of hyper-scrutiny began.”

So, what do EAMs need to do to ensure they are seen as ‘upstanding’ examples for their profession? “The answer is to continually educate oneself and support each other,” an expert offered. “It is actually in our clients’ interests to act responsibly rather than try to find regulatory loopholes.”

In these times of mistrust and scrutiny, reputation is everything, another expert commented. “Be brave and courageous, be independent and get out of the pockets of financial institutions. Truly believe that you can add value to your client by charging reasonable fees for honest advice,” he urged.

It seems that this is the zeitgeist, or state of the times, for the private wealth management industry. “Internationally there is a trend towards full disclosure, full transparency on all charges and fees to the client,” an attendee observed, “and it is heading straight for Singapore and Asia.”



ANTHONIA HUI
AL Wealth Partners

FROM A COMPLIANCE PERSPECTIVE - DO YOU PERCEIVE IT'S EASIER TO WORK FOR A SMALL INDEPENDENT FIRM THAN A BIG PRIVATE BANK?

Easier



29%

Not easier



71%

Source: Compliance in Asian Wealth Management Forum 2019

Go your own way, but keep it above-board

So, how can someone set up as an IAM in the current landscape? “You certainly need an entrepreneurial spirit to go your own way,” advised a guest. “You cannot set it all up and be done with it; instead you must continually refocus and recalibrate, rather like driving a racing car.”

He noted that in Singapore, they must obtain a licence from MAS, and to do so either become a registered fund management company or become a licensed fund management company, usually paired with a financial adviser’s licence. To set up usually takes around six months for the licensing process and then a bit more to become operational. “When you are starting up,” he advised, “be clear about your mission and vision, find your niche, your unique selling point. These are the keys to survival in this highly competitive environment.”

Moreover, it is important to note that there is no such thing as being small enough to pass under the MAS radar. “On the contrary,” a delegate cautioned, “you have nowhere to hide, and often you will be personally liable for any compliance misdemeanours.”

How to keep paddling upstream

To succeed in the current environment, the panel advised any IAMs to address any notifications from the authorities straight away, and that they should be continuously prepared for an inspection. “This means having all documentation to hand, everything filled in

correctly, no forgotten steps in any procedures,” warned an expert.

To survive and prosper, attendees also suggested that teamwork is important, as is breaking down regulatory policies and procedures into simple, easily-understandable language to prevent avoidance through lack of understanding or fear. “Enforcement must come from the top or you cannot expect those on the shop-floor to comply,” a guest counselled. “Education is key, as always!”

In addition, smaller firms have a much higher workload ratio, which is where fintech-sponsored technologies can help. “Currently there is a bias towards larger firms when fintechs develop new tools aimed at making compliance easier, so we hope that there will be some developments in the next year that can help the smaller firms,” explained an expert.

“Private wealth management is led by emotions, not just hard data,” a guest summed up to end the discussion. “We build personal

“PRIVATE WEALTH MANAGEMENT IS LED BY EMOTIONS, NOT JUST HARD DATA,”

relationships, we use our intuition. Technology can assist in making these connections, but the human connection is paramount.” ■

