

The UAE Wealth Management Market: A Diamond in the Raw for Providers and Clients Both

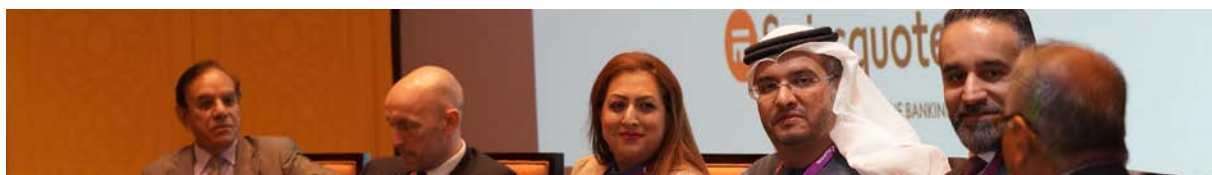
The state of the wealth management industry in the GCC was debated by an erudite panel of experts during the first panel discussion of experts at the Hubbis Middle East Wealth Management Forum. These professionals concluded that although dramatic strides forward had been made by both the authorities in the region and the private sector, there is still much work to be done before the industry can realise anywhere near its full potential.

These were the topics discussed:

- *What's your best and worst possible scenario for this industry in the next three years?*
- *What's your USP?*
- *Which clients are the focus? What segments are the focus?*
- *Long-term success in the UAE is based on what?*
- *What's the evolution of AI, data and digital in banking?*
- *How is the legal and regulatory landscape developing?*
- *It's been a tough few years - when will the market bounce back?*
- *What are the developing regional opportunities you can service from Dubai?*
- *Does the quality of talent fall short in comparison to Singapore, London and New York?*
- *How are you dealing with the hunt for talent?*
- *How can you transition clients to the next generation of bankers?*

PANEL SPEAKERS

- **Malik S. Sarwar**, CEO, K2 Leaders
- **Muneer Khan**, Partner, Financial Markets, Simmons & Simmons
- **Ashok Sardana**, Managing Director, Continental Financial Services
- **Ayesha Abbas**, VCGM, Head of Priority and Premium Segments, Standard Chartered Bank
- **Paul Cox**, Regional Head of Wealth Development, MENA and Turkey, HSBC Bank
- **Saif Al Keem**, Head of Priority Banking, Wealth Management, and Liabilities, Abu Dhabi Islamic Bank



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THE KEY OBSERVATIONS

There is huge potential in the UAE

The penetration of clients by wealth management firms in the UAE is estimated to be less than 5%. Although there is considerable potential in the wider region, one banker suggested mining the diamonds at home first, before spending too much time on more difficult markets, including Africa.

Legacy planning is a key area of interest

As more HNW clients understand the appeals of wealth management, more of them are organising their legacy and succession planning more professionally. There is both a great opportunity for the industry in this area and also a responsibility for the providers to concentrate clients' minds on this.

Good advice is no longer a luxury, it is essential, as is professionalism

As the wealth management industry expands, it is becoming gradually more professional, and for the industry to survive and prosper, the quality of its personnel and their expertise are vital. The local banks in the UAE are well regarded by the locals, and they can leverage that trust to boost their penetration in the wealth management market.

In a global world, greater expertise is required

Relationship managers need to be increasingly well versed in cross-border matters, to help cater to the needs of their increasingly globalised HNW clientele.

Good governance and conduct are vital

Governance must pervade all areas of the institutions in their wealth management offerings, and the top management must embrace this and instil these robust good practices as the cornerstones of their firms' cultures. This can no longer be considered simply a box-ticking exercise.

Self-certification and regulatory oversight

Better standards must come about through improved training and practices, as well as from tighter supervision from the regulators. In other words, the drive towards excellence must be from within and further propelled from the regulators who are increasingly following the conduct and accountability initiatives of the European and leading Asian regulators.

Talent should be nurtured and encouraged

To succeed, the firms plying their wealth management trade in the UAE must bring in talent, nurture that talent, then retain those people in order to boost the client experience and to maximise returns for the firms.

Remuneration should be fit for purpose

The appropriate remuneration structures for client-facing RMs and advisers should be in place in order to align the interests of the RMs, their firms and their clients, and to encourage best practices and greater client centricity.

Pricing and transparency must be improved

In all areas of commissions and advisory fees, there is room for greater pricing transparency for the clients. This is not just something the regulators the world over are focusing on, this must also come from the wealth management firms themselves under their wider drive towards rectitude and quality.



MALIK S. SARWAR
K2 Leaders

THE DISCUSSION BEGAN WITH AN EXPERT FOCUSING ON SOME OF THE POSITIVE DEVELOPMENTS that have been taking place in the UAE. He first looked at some of the key areas the bank is focusing on, including legacy planning, noting that as an industry, the professionals operating for their clients should be making this as easy as possible. “I think we even have a duty in this regard,” he remarked. A fellow panellist concurred, adding that many of those working in the UAE are also expatriates, so this drive towards legacy planning is not directed only at the HNW clients and families, but also the well-to-do expats who need to organise themselves efficiently.

Good advice core to the proposition

Another panellist agreed that good advice is essential for the market to progress and commented that the personal touch is essential. “There is a strong degree of trust amongst locals in the region for the banks here, actually,” he remarked, “and that augurs well for the many opportunities out there in this market.”

And another panel member agreed, adding that the banks and advisors must be well versed in cross-border matters, in order to be able to cater to the needs of an increasingly global clientele, as well as highly focused on governance, which he said must be core to how providers run their business, and of course how they deal with clients. “I am pleased to see that banks and institutions are paying real attention to this nowadays, it is no longer just a box-ticking exercise.



MUNEER KHAN
Simmons & Simmons



ASHOK SARDANA
Continental Financial Services

Many positive, great opportunities

There was a broad consensus that the positive conditions for the wealth management industry in the region - where many panellists said they have been enjoying record trading conditions - will continue, barring unforeseen events. “The key,” said one guest, “is for the players to service our clients to the best of our abilities, and this is certainly an area we can all improve on. I myself am very bullish, but we have to improve standards, we cannot just wait for the regulators to impose their demands.”

“Yes,” agreed another panellist, “and the regulator is actually there to protect the consumer and to protect the banks as well, so, for example, the drive for the certification of relationship manager will help ensure they are well-equipped for the role, knowledgeable about investments, insurance and everything related to wealth management, and generally better placed to advise clients in their best interest.”

Governance must be prioritised

Another guest added that there is also much more to do in this area. “Actually, if we look at the regulatory regimes across Europe, we are still scratching the surface here,” he observed. “However difficult we think it might be, bringing in the tighter regulation improves customer transparency, improves customer protection and must absolutely be embraced by the industry.”



AYESHA ABBAS
Standard Chartered Bank

Invest in your talent

One guest pointed to the need to invest in talent, then nurture that talent and retain them for the health of the business. “We must ensure that end to end, they

WHAT ARE YOUR BIGGEST REGULATORY AND COMPLIANCE CHALLENGES FOR THE YEAR AHEAD?

Price, Fees and Transparency



Conduct, Governance and Accountability



Technology and Cyber-security



Source: Middle East Wealth Management Forum 2020

are aware of the products, the proposition, the regulations, risks and the whole range of areas in the wealth management arena,” they said. “And making sure that we have the right remuneration structures in place is also essential, as that helps to then ensure that they are doing what is right for the client and hence also what is right for the bank. The right people will always be core to the success of our businesses, so we pursue a lot of internal training on our internal processes and sometimes products, and then we bring industry experts from across the world, whether they are in other parts of our bank, or other competitor banks sometimes, essentially people who are subject matter experts in each of their field. It is all about the best practices from the rest of the world.”



PAUL COX
HSBC Bank

From the top down

“And it must absolutely come from the top of each institution,” added another expert, “with the top management fully committed to this, not just in word but in practice.” The Chair concurred, noting the saying that ice melts from the top. “Leaders change cultures and cultures change organisations,”

he remarked. And with that, he asked the panel to highlight any key areas they had been working on to enhance transparency and client experiences.

A banker highlighted just one area their bank had been focusing on in the past year. “Onboarding,” they commented, “is a key touchpoint for clients. How

LONG-TERM - WHICH ARE THE MOST IMPORTANT DRIVERS OF A SUCCESSFUL WEALTH MANAGEMENT BUSINESS

Quality of Management and leaders



Quality of RMs



Offering quality products



Innovative Digital offering



Acting in the best interests of the clients



Source: Middle East Wealth Management Forum 2020

smooth, how transparent, how efficient it is. This is vital as this is the first step after the marketing that has brought that client to the bank, and it can leave a bad taste in the mouth, and that can set the tone for the later relationship, it can be difficult to repair. So, one of the things we have seen, not just here in the Middle East but also particularly in Europe as well, is the large financial institutions acquiring technology firms, Fintechs, RegTechs and so forth. Remember that more and more of the next generation of clients do not actually want to go into branches, they want digital connectivity.”

He added that the Dubai International Financial Centre (DIFC) has been developing the FinTech Hive to promote startups in the area of digital solutions, including KYC. “This is clearly a really important area,” he commented, “and they need to make sure it works, and it needs to span UAE Federal law here for AML, DFSA regulations, and also the Abu Dhabi rules as well.”

Client centric behaviour

A fellow banker highlighted initiatives to target their 100 plus RMs in the region more directly to the client needs and expectations. “It is all about client centricity,” he comments.

The discussion then adjusted somewhat to take a wider-angle perspective, with a guest highlighting



SAIF AL KEEM
Abu Dhabi Islamic Bank

opportunities in Saudi Arabia, where he indicated the authorities were keen to develop the wealth management proposition, and where they were also moving to improve the regulatory practices.

“We see them taking more action, privately and quietly, on cross-border activity relating to some of the larger institutions,” he noted. “The basic rule of thumb they are focusing on is if you are promoting

YOU’RE BASED IN DUBAI – AND WHEN LOOKING AT MENASA – WHERE IS THE BIGGEST GROWTH OPPORTUNITY FOR WEALTH MANAGEMENT IN THE NEXT 3 YEARS?

UAE



Saudi Arabia



India



Africa



Source: Middle East Wealth Management Forum 2020

financial services in a jurisdiction, you need to be regulated and licensed in that jurisdiction by the relevant regulator. I just wanted to flag this.”

“Times have changed,” said another guest. “Some of the previous practices which were tolerated are today no longer tolerated. I think there are various drivers, for example, the economies of scale they need to create their own viable financial system, so they are trying to encourage the growth of the firms on the ground and jobs, they have their own financial centres and they have their own economic visions and economic plans, and clearly, the growth of their domestic financial markets is core to that, so the regulators are tuned into that strategy. In short, just because something has been done in the past, it doesn’t mean that you can carry on doing that in the future.”

Diamonds in the raw

“Realistically,” came another voice, “let us focus on the UAE, where penetration of clients in the wealth management market remains at less than 5%. There are diamonds sitting in our backyard and so let’s focus on those first, and not worry about Saudi Arabia so much, or Africa. In fact, it is easy to get lost in Africa, and we have so much to do here first, there is so much opportunity.”

Another expert, whose bank covers Sub-Saharan Africa, the Middle East and all the way to Pakistan,

said that nevertheless, Africa is an important market for the bank for the future, but each market is so different there, for example, what will work for Ghana will likely not work for other countries. “With the right approach,” he observed, “we have been enjoying tremendous growth in those markets in the last three years, and we actually remain very bullish.”

The discussion shifted to pricing and transparency, with a guest highlighting the importance of the client understanding what they are buying and also understand how the price relates to value.

“And in the world of Syariah finance,” another expert added, “it is absolutely essential to be fully transparent, with no hidden charges, and with bankers giving the right advice to the customer. We ourselves strive to be very transparent and to make our recommendations very clear. Moreover, even once we make a deal with the client, there is a call-back notification, to make sure that all terms and conditions are fully clear to the client and he accepts that.”

Another banker closed the panel discussion by remarking that the regulator will become more persistently involved in this whole area of pricing and transparency. “If you look at other markets and action regarding trailer fees and share classes, we will likely see their introduction here in the future,” he predicted. ■

