Tick-box mentality no longer a compliance solution

A recent Hubbis survey of over 50 leading wealth planning and structuring experts in Asia, has highlighted the urgency of having needs-based conversations to assess the source and substance of client assets – or risk falling beneath the compliance standards required to operate today.

As the wealth management industry grapples with a move from the old way of doing business to new, more rigid and prescriptive regulatory and tax frameworks, advisers need to do a lot of work to adapt how they interact with clients to get the clarity they need to be compliant.

Many industry practitioners believe that given some much uncertainty about what information is required, advisers need to take an upfront approach.

They need to make their clients aware of the intentions of new standards and, therefore, steer them away from trying to find ways to circumvent – or even ignoring – the compliance requirements they now face. No longer can they simply follow a step-by-step, box-ticking process. The consequences are too great and the spotlight too bright. This is according to more than 50 leading wealth planning and structuring specialists in a Hubbis survey.

EDUCATION URGENCY

The importance of advisers educating their clients is highlighted by the fact that the new environment of global transparency, within which the presumption is 'offshore' accounts will be open to scrutiny.

But practitioners believe that these initiatives should have little effect for those clients that have chosen the path of planning rather than avoidance – or even concealment – from the beginning.

"We have always encouraged our clients to pursue an active engagement with the relevant authorities," says Ian Black, head of wealth solutions at AAM Advisory. "We promote the use of compliant, non-contentious planning strategies to legally minimise the impact of taxation."

And since no two clients are the same, practitioners say the new international norms further enhance the need for advisers to know their clients better.

PETER TRIGGS
DBS

Although regulations inevitably require certain procedures to be followed and specific documentary evidence to be obtained, they can never replace the use of experience and discretion by the professional managing a client's affairs.

"The challenges of regulations are lessened when dealing with financial intermediaries who have invested in good systems and people," adds Andrew Niles, business development director at Intertrust Guernsey.

"Decent and effective interpretation of the new rules will give clarity to both, the client and the adviser."

INCREASED COMPLEXITY

The new regulations also now demand more sophisticated tax and legal advice. This in turn places a much greater burden, as well as risk, on large private banks. And it is posing a big challenge for many institutions.

"The tax and legal issues for many clients maybe across four to five jurisdictions. But there is a shortage of advisers who can really add value in the in the multi-jurisdictional space," explains comments Peter Triggs, managing director, regional wealth planning at DBS Bank.

ANDREW NILES
Intertrust

The uncertainty comes from two main places, he adds: from a lack of knowledge as well as from the fact that legislation and compliance requirements are in a state of change.

Further, where clients have a number of interests across many countries, it creates a certain amount of regulatory overlap. "[This] suggests that a trusted adviser in one jurisdiction has difficulty, for regulatory reasons, providing advice in another jurisdiction. In many cases, competing and conflicting regulations can raise questions about which rules to apply," explains Black.

The problem is compounded by the increased cost associated with dealing with such complexity.

Onboarding clients therefore gets more challenging. While the procedures should be risk-based, too many institutions are insisting on 100% certainty that a customer is "clean."

The burden of going to this extreme then hampers the ability of an adviser to get the job done.

EXCESSIVE TIME BURDEN

Wealth planning specialists say that this increase in complexity and reporting all lead to a significant increase in the amount of time it takes to open new accounts and service existing clients.

Given the state of flux, there is a consensus of views that clients should consider the broader view of where the environment is headed – and plan their wealth succession or investing based on current rules. But, they must also factor in flexibility for change.

TAN WOON HUM
Shook Lin & Bok

Woon Hum Tan, partner at Shook Lin & Bok LLP, says this leads to a sense of frustration for clients.

"It is agonising for [them]. The amount of information that is required of them and the amount of time that it takes to process information is bizarre. It does not look like it will be abated any time soon.

Many clients have started to accept it as the new norm when dealing with regulated advisers from international financial centres."

At the same time, however, this increases opportunities – especially for more sophisticated independent asset management firms and multi-family offices which can deliver on the promise of a holistic approach to wealth management. ■