

# Why fund houses struggle to expand in the Middle East

*Regulatory change and education remain key to tapping the difficult, but potentially lucrative, Middle East market, say experts from international fund houses at a roundtable hosted by Hubbis in Dubai.*

The Middle East has a long way to go in building a viable, growing asset management industry as it grapples with changing regulations, evolving client needs and upfront commission-based distribution systems.

A shift toward more outcome-based solutions and diversified portfolios is key to boosting the funds business. And for asset managers and distributors committed to the region, long-term gains await if they persevere.

These were some of the views of senior executives from international asset managers operating in the region, who gathered in Dubai to discuss the challenges and opportunities in the Middle East at a roundtable organised by Hubbis.

## NEW CHALLENGES

While new mutual funds regulations this year have thrown a spanner in the works of the asset management indus-

try and its distributors, in the long term, effective regulation remains key to building a market which is comparable with Singapore or Hong Kong.

The new laws place restrictions on firms seeking to promote and distribute foreign funds in the UAE, with an aim in part to protect consumers and develop the industry.

But, said experts at fund houses, the fact there is so much discussion about how to effectively implement the new rules – combined with a lack of clarity over some of the details – suggests the overall goal of growing the market isn't necessarily being achieved.

Most of the participants at the roundtable agreed that while the spirit of the regulations is good, the challenge lies in implementation.

Quality of advice, or the lack thereof, was also another topic of discussion.

Right now, the starting point for most advisers in the region when a client approaches them is, 'how much revenue am I going to generate?' This is forced on them by a need to hit revenue targets, but it is unlikely to lead to advice which is in the best interest of the client.

This highlights the pressing need for education and a change in distribution models in the Middle East.

More broadly, this is considered among fund houses to be an important factor to deepen penetration in the region.

Participants said there is also a need to educate many relationship managers (RMs) about the importance of cultivating long-term client relationships.

At the same time, clients need more guidance about why they need to diversify their portfolios and reduce dependence on leverage. ■