


April 2013

The Guide to

**INDEPENDENT WEALTH MANAGEMENT
IN ASIA 2013**

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FOREWORD



To all independent / external asset managers...

You are independent and therefore you're focused on your clients' interests. You are small and therefore you're agile. You are senior private bankers and therefore you're experienced. You are regulated and therefore you're credible. You are entrepreneurs and therefore you're motivated and responsible.

Does all this mean that the independent business model is the best alternative to the traditional private banking services offered by large institutions?

Looking at the significant attendance and listening to the enthusiastic presentations during the Hubbis Independent Wealth Management Forum 2013 in Singapore in March, I feel tempted to say "yes". In fact, this isn't only an alternative business model, but more and more often the solution.

This being said, however, I don't want to be naively optimistic; there are still some hurdles to overcome. Among them I see the loneliness of the entrepreneur, who faces an increasingly-complex world of tightening margins.

Ten years ago, I would have said that merging two complementary entities was the only path toward economies of scale. Today is different. Social networks have slipped into our societies at a dazzling speed and disrupted the traditional hierarchy between economic agents.

Aggregating talent, pooling interests and exchanging expertise with limited constraints are no longer idealistic dreams – this is today's reality. The tool has been invented; it is the industry's responsibility and interest to learn how to use it.

As demand for truly independent and holistic advice continues to increase, this Guide looks at the various opportunities and challenges in relation to independent models, strategies, platforms and operations, regulatory influences, and the relevance of the linkage between Europe and Asia in this space. It also includes the outcome of the inaugural Hubbis Asian IAM / Family Office Poll 2013 – conducted to determine the key organisations and individuals who provide the highest-quality value & services to you, and more generally in supporting the development of this community in Asia.

I hope you enjoy reading this timely publication – which, on behalf of Lombard Odier, I am delighted to be a part of.

Olivier Collombin

Partner, Lombard Odier & Co Capital Partners
Founder, E-MERGING



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STRATEGIES FOR INDEPENDENT FIRMS TO FLOURISH IN ASIA

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MAKING THE FEE-PAYING MODEL WORK

The willingness, or acceptance, in Asia by clients to pay fees for advice is core to the long-term success of IAM and MFO models in the region. Delivering value – whether through investment performance, service quality, wealth structuring or any other method important to a client – is the only way to achieve this.

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Creating secure, robust and efficient businesses that meet various regulatory and compliance obligations, support the frontline and help differentiate their offering is a key goal for IAMs and MFOs. Achieving this requires careful selection of which third-party providers to work with, and a clear vision to support decision making.

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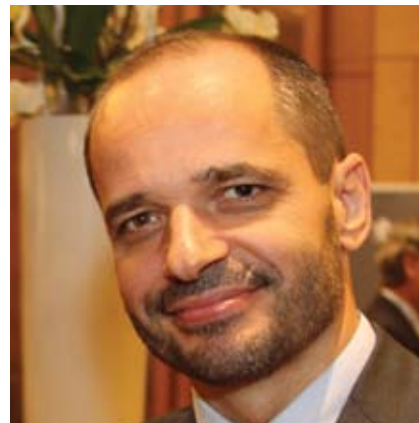


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BNP Paribas Wealth Management has set its sights on building a dedicated yet flexible offering for IAMs in Asia as the market looks ripe for growth, say Eric Aubin, head of wealth management, international & other Asian markets, and Gregor Hochet, head of professional banking in Asia.

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Lombard Odier has always been a pioneer in IAM services. We started in the 1980s in Switzerland and rapidly expanded our capabilities to external offices.

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DEALING WITH A TOUGHER REGULATORY ENVIRONMENT

The ever-more burdensome regulatory environment within wealth management also creates multiple challenges for Asia's burgeoning IAM industry. These range from managing increased costs to breeding a culture of compliance.



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Hubbis Asian IAM / Family Office Poll 2013

In an industry-first for Asia, we highlight those organisations and individuals who leading practitioners think stand out for the quality of their advice and service.

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SHAPING ASIA'S FAMILY-OFFICE FUTURE

William Chan, founder and chief executive officer of Stamford Privee, looks at the current global landscape for family offices – as well as expected trends and opportunities in Asia.

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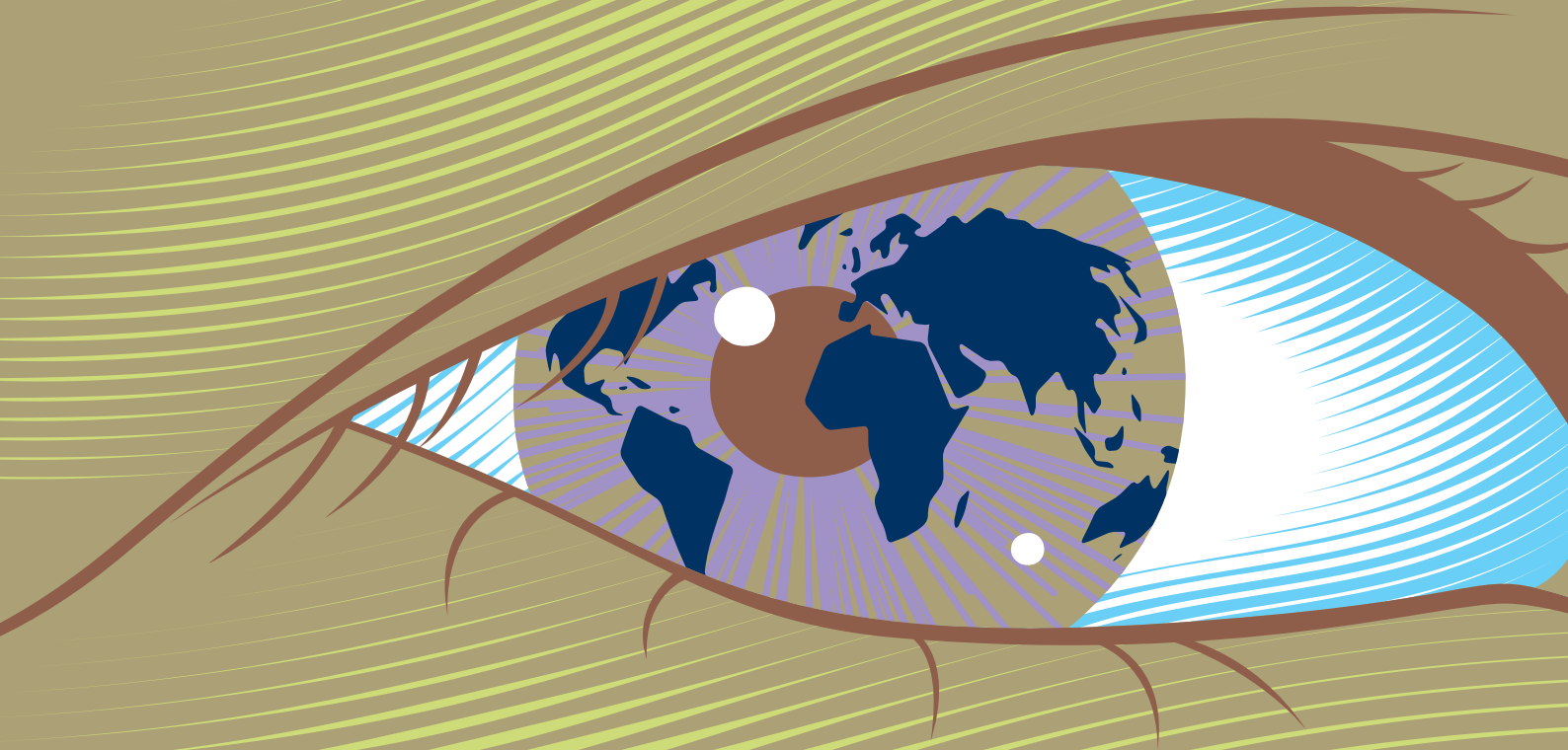
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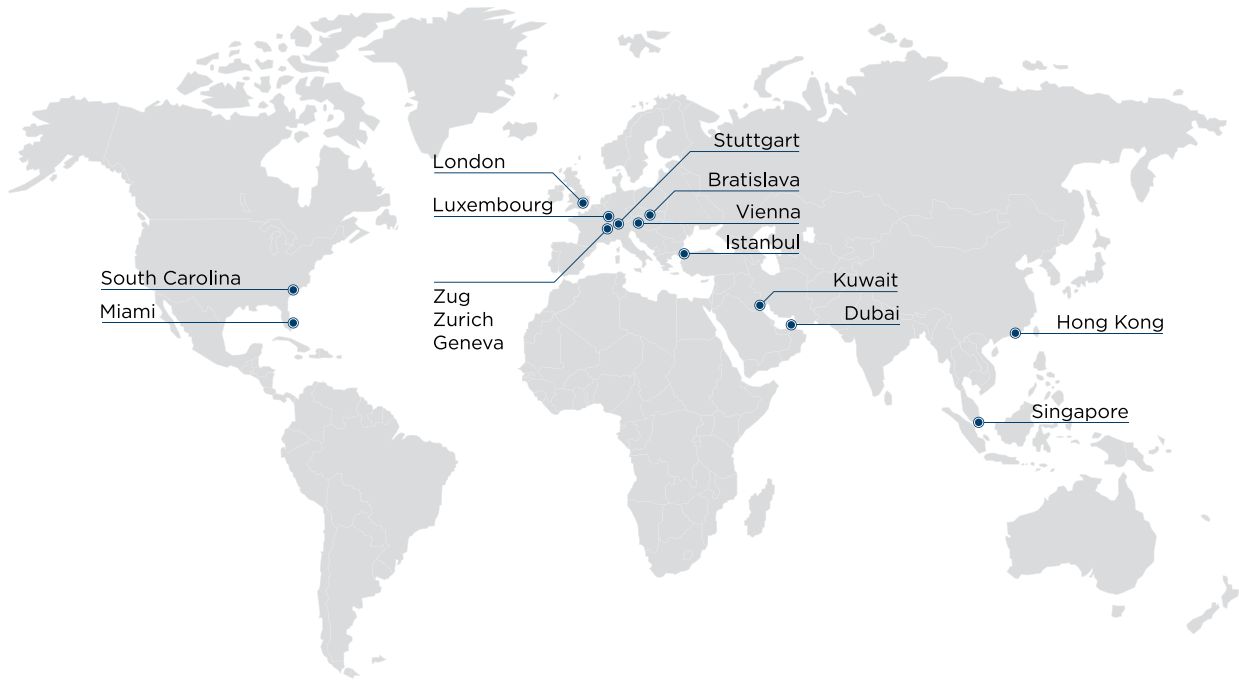
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Feature article

ASIA'S GROWING PROMISE FOR INDEPENDENT WEALTH MODELS

The various dynamics driving Asian wealth management today – ranging from the industry's demographics, growth rates and stage of maturity, to compliance controls, client needs and business profitability – underpin the excitement over the potential for independent asset managers and multi-family offices to become more prevalent.

Despite the relative infancy of independent asset managers (IAMs) and multi-family offices (MFOs) in Asia, there appear to be big things to come for this niche but growing segment of the region's wealth management landscape.

In short, Asia is experiencing seemingly-unchecked growth in wealth, a maturing private banking industry and an influx of global investors – yet the proportion of assets managed by independent advisers remains limited.

Choosing this route is, therefore, a logical development as an increasing number of clients look for bank-neutral advice.

KEEPING CLIENTS FIRST

Aside from the demographics and economics fuelling the general optimism surrounding wealth manage-

“Over the next five years or so I expect to see a lot more senior bankers moving to independent firms.”

ment in Asia, a specific driver of the positive expectations for independent models is the fact that, increasingly, clients are looking for senior, trusted professionals to help them manage their wealth.

“One of the things that’s happened is the focus on the client has, in some cases, become secondary to the running of the business or the institution,” explains Richard Piliero, regional executive for Finaport.

“And in running that business there’s been an emphasis on products and on key performance indicators that tend to relate to revenue, as opposed to really listening to the client.”

While he says this doesn’t exist in every bank, nor with every banker, the move in that direction has been very noticeable over the past five to 10 years. This has been due to the rising costs of the wealth management business for compliance, IT, staff and other reasons – and at a time when revenues have fallen amid the financial crisis, absolute interest rates have been low and margins have been squeezed – all leading to shrinking profitability for the banks. “So they’re searching for ways to become more profitable,” says Piliero.

Yet that’s not healthy from the client’s point of view. As a result, investors generally are looking for a more holistic approach.

For example, a lot of entrepreneurial Asian families have only become high net worth (HNW) and ultra high net worth (UHNW) individuals in the last 10 to 15 years or so, or even more recently in some cases. But they are realising that they’re still being serviced in the same way as when they were a much smaller client, says Homiyar Vasania, chief executive officer and fund manager at River Valley Asset Management.



Richard Piliero
Finaport

“The focus on the client has, in some cases, become secondary to the running of the business”

“Their requirement now is a lot more holistic,” he says. “They expect more of a one-stop-shop from their advisers, where even if the adviser is not an expert on the issue they have at that time, you can refer them to the right people through the network. That’s the sort of structure we need to see.”

Adds Jon Dingley managing director of TTG in Hong Kong: “Clients are looking for someone they can always pick the phone up to and talk to; someone who can give them advice on asset management, structuring a will or a trust,

or whatever aspect it might be. And although we might not be experts in that particular field, we have the right connections and can steer them in the right direction, to find a company that are good at what they do and that they can trust. The asset management is just one part; we can provide an all-round service to the client.”

Evonne Tan, chief executive officer & managing director at Magenta Advisors, an Asian-based IAM with Asian clients and no European clients, adds that as a lot of first-generation clients

Growth is likely to come from several sources: client acquisition, greater share of wallet from existing clients, and strategic partnerships, as a prudent way to expand the business.



Mandeep Nalwa

Taurus Wealth Advisors

“Since 2008, a lot of clients have been feeling jaded with the private banks”

business model as well as the value proposition of the IAM is driving an increasing market share of the industry,” he explains.

“The opportunity is huge,” confirms Mandeep Nalwa, chief executive officer and founder of Taurus Wealth Advisors. “Since 2008, a lot of clients have been feeling jaded with the private banks. They feel as if their interests weren’t fully looked after. There’s now a far higher expectation on the banks to have deeper relationships with and a better understanding of their customers.”

reach their 60s, 70s and older, they need experienced advice about generational planning and also about how to educate the children on managing the wealth they will be inheriting.

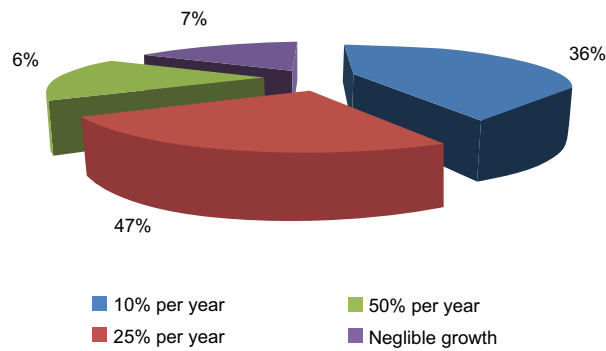
“What’s key is to understand their needs – it’s not so much traditional portfolio management,” says Tan.

Ultimately this benefits everyone. “The banks that are good at what they do – being custodians with good products – will flourish; the independent advisers / wealth managers will flourish because they’re really one-on-one with the client; and the institutions which lose a senior banker to a firm like ours will flourish because they’ve converted a fixed expense to a variable cost,” says Piliero. “And who’s the winner? Basically it’s the client.”

So in combination with the creation of new wealth in the region, the institutional specialisation of IAMs and economies of scale are attracting an increasing number of clients to consider using IAM services, says Christian Christow, director and head of the IAM desk for Deutsche Asset & Wealth Management in South-east Asia.

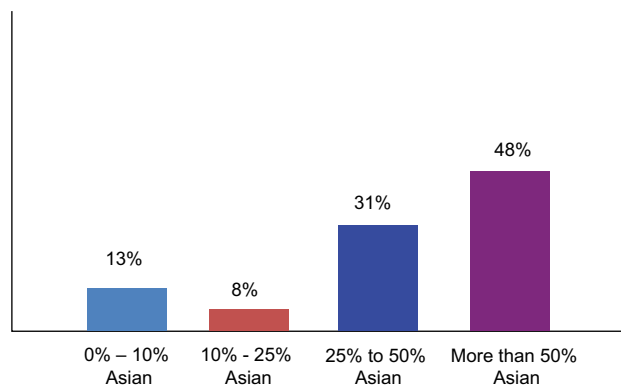
“The transparent segregation of roles and responsibilities in a dedicated IAM

Expected annual growth rate of IAM industry in Asia



Source: Hubbis

Main source of AUM



Source: Hubbis

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SMALL IN SIZE, BIG IN OPPORTUNITY

An important force driving the growth of independent models in Asia is the early stage of development of the IAM and MFO businesses in Asia.

"In terms of volume we are still at the infancy stage compared with the US and Europe," says Oliver Balmelli, managing director, European private banking, at BSI Bank in Singapore.

"The growth potential is therefore enormous and makes it very attractive to enter or increase the presence." At the same time, the relative nascence of IAMs and MFOs in Asia mean the market is less crowded, leaving enough space for new entrants, he adds.

The Association of Independent Asset Managers (AIAM) in Singapore, for example, has around 25 IAMs as members, although it was only formally established in 2011.

Plus, the measured pace of the industry's growth is also a symptom of the Asian private banking industry being fairly young, at around 25 years.

Cliff Go, chief executive officer of Swaen Capital in Singapore, predicts the IAM industry will see "spectacular" growth. "If you look at how this business has been established in Europe and in the US, it accounts for a substantial part of the total wealth management business," he explains. "In Asia, it's just scratching the surface. In my opinion, the number of players here will be limited, but the growth we'll see will be near to 50% or more."

This will be especially true if IAMs have their own client base in Asia, adds David Schmid executive director and head of structured solutions

How clients now manage their wealth

As banks standardise their services and offer wealth management to the mass affluent across Asia, those individuals with greater wealth are realising they can manage it themselves, says Mandeep Nalwa of Taurus Wealth Advisors.

"Over the last few years, I've seen HNW and UHNW individuals become more aware and active in terms of investing," he explains.

At the same time, more exotic products are being made available, he says. "Clients can now deploy their funds into whichever asset classes they like – which is another reason that they've become more active in wealth management."

In addition to this, more and more clients have lost a lot of faith in financial institutions and other third-party organisations over the last few years, adds Nalwa.

Finally, cost of execution has become a lot more important for clients, although this depends on the region and the market.

Says Nalwa: "This is forcing advisers to move towards a volume-based game instead of a value-based approach. The volume-based method will only result in over-investment – through gearing or into certain favoured asset classes – where clients will suffer losses."

At the same time, it is an ongoing struggle to ensure clients better protect themselves and manage their own expectations. Nalwa says many clients unfortunately shun lower-risk initiatives, and therefore they force private bankers and advisers into including higher-risk investments in portfolios. "For example, I've spoken to numerous clients who refuse to talk about plain vanilla options and are only interested in dual-currency investments," he says.

"This makes it the client's fault, and not the bank's, when the portfolio doesn't deliver the results they were hoping for."

While banks and advisory firms have been suggesting that clients move towards discretionary management, after 2008 Nalwa says he can't see many clients being comfortable passing the control to somebody else to manage their assets. "As a result, I believe the advisory model works well, as long as the adviser ensures their client is aware of – and understands – all the risk elements."

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South-east Asia within the EFG Financial Products division at EFG Bank, Singapore Branch. "I think also the IAMs' confidence in acquiring [local] clients – not only transferring clients from Europe to Asia – is definitely increasing. Therefore, together with the growth in Asia, with Asian clients and better market conditions, [this] will definitely help IAMs."

Independent firms also stand to gain as a result of challenges international private banks are facing.

For example, relationship managers (RMs) in private banks are looking at other options for the next step of their career, says Massimo Hilber, managing director of Aris GSK Solutions. This is because their compensation packages have been decreasing, he explains, and it is more difficult for them to offer advisory services to their clients and spend enough time with their clients to generate sufficient revenues.

This is partly because practitioners who work for a private bank tend to be limited by the pros and cons of what that firm can offer.

A growing number of seasoned people therefore want to operate within a framework that doesn't impede them through politics or for other reasons. Increasingly, what's important to them is the opportunity to be independent; they want open architecture, and access to products. And that's only expected to increase.

"As a result, those RMs which have a reasonable book of business will look to set up their own businesses, or join existing IAMs," says Hilber.

Adds Urs Brutsch, managing partner and founder of HP Wealth Management: "Over the next five years or so I expect to see a lot more senior bankers moving to independent firms."

Why work for an IAM versus a bank?

According to Nicolas Duchene, managing director of Reyl Private Office and chief executive officer for Reyl Singapore, there are several benefits of working for a small, boutique-like firm such as an IAM.

First, the decision-making process is much faster. Secondly, the way people are remunerated within the company, and the fact that some key executives are shareholders in the subsidiaries of the Group, create an alignment of interests. "RMs are rewarded on income they generate on assets, and not through discretionary bonuses, which is a common practice in many other institutions," he explains.

Thirdly, while many larger banks invest a great deal of energy into focusing on product innovation, Duchene says RMs at Reyl, for example, mainly manage the relationship with the client and benefit from the Group's overall expertise across its products and services.

Finally, RMs at IAMs and MFOs tend to have very diverse backgrounds and a broad range of experience. This enables them, for example, to hold discussions on the corporate advisory side, as well as perhaps introducing private equity, for example. "It has proved beneficial for us to have this variety of disciplines," says Duchene.

However, senior bankers must be mindful of the risks and rewards in moving to an IAM platform.

As with any organisation, the risk is always in making sure there is an alignment of values, and that the firm has the core competencies so that the bankers can achieve what they want for their clients. "Basically that means a good IT platform, good relationships with custodian banks, and a good reputation in the industry," says Richard Pillero of Finaport.

"The risk remains," warns Pillero, "that if you do not retain your client relationships, then maybe you'd ask yourself, 'Why did I leave the salary and the security of a big bank?' But otherwise it's a win-win for everybody, in my view."

This has been a relatively quick turnaround. "About 12 years ago when I was working within a private bank in Singapore, few people [in Asia] were familiar with the external, or independent, asset management concept,"

explains Mario A. Bassi, managing director and head of Asia for Solution Providers Management Consulting.

The logical consequence of the maturity of the private banking industry



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Passion to Perform



in Asia is growth in the independent wealth model, says Philippe Legrand, chief executive officer of London & Capital Asia. "We felt there was a gap for clients; we go beyond liquid assets to help families [with their overall wealth]. We are very focused on helping clients with corporate advisory as much as private banking."

CARVING ITS OWN PATH

The focus by Asian-based IAMs on servicing the higher-end of private clients means the industry will unlikely grow to the scale seen in Switzerland – which has anywhere from 2,000 to 3,000 IAMs, but mainly due to a lot of firms having less than three staff.

Instead, the way forward for the industry in Asia is likely going to be firms of larger sizes than are typically seen in Switzerland. This is inevitable given requirements from regulatory, compliance and operational perspectives, making it difficult for small firms to exist and be successful.



Cliff Go
Swaen Capital

"The number of [IAMs in Asia] will be limited, but the growth we'll see will be near to 50% or more"

Further, the motivation for many of the initial IAMs starting up in Singapore has been different from that in Switzerland.

"For instance, 80% of IAMs in Asia set up after the global financial crisis, showing how convicted these IAMs were in their plans and ambitions," says Bassi at Solution Providers, based on an industry survey he conducted in Singapore in early 2012.

Another key point is that Singapore should not try to just "copy and paste"

the IAM model from Switzerland, says Schmid at EFG Financial Products. Even though synergies exist with a lot of Swiss-based IAMs, industry players including the regulators need to define the market for themselves and adapt to local client needs and also regulatory requirements.

Also, seasoned private bankers are probably more likely to want to join existing firms – both because of the infrastructure and also the costs involved in setting up their own business as well as the desire to work within existing platforms.

In addition, says Bassi, while more than 80% of IAMs in Singapore as of mid-2012 had some element of Swiss heritage, there are more and more Asian IAMs.

This is in line with the increasing proportion of assets under management coming from Asian-based clients, agree industry practitioners.

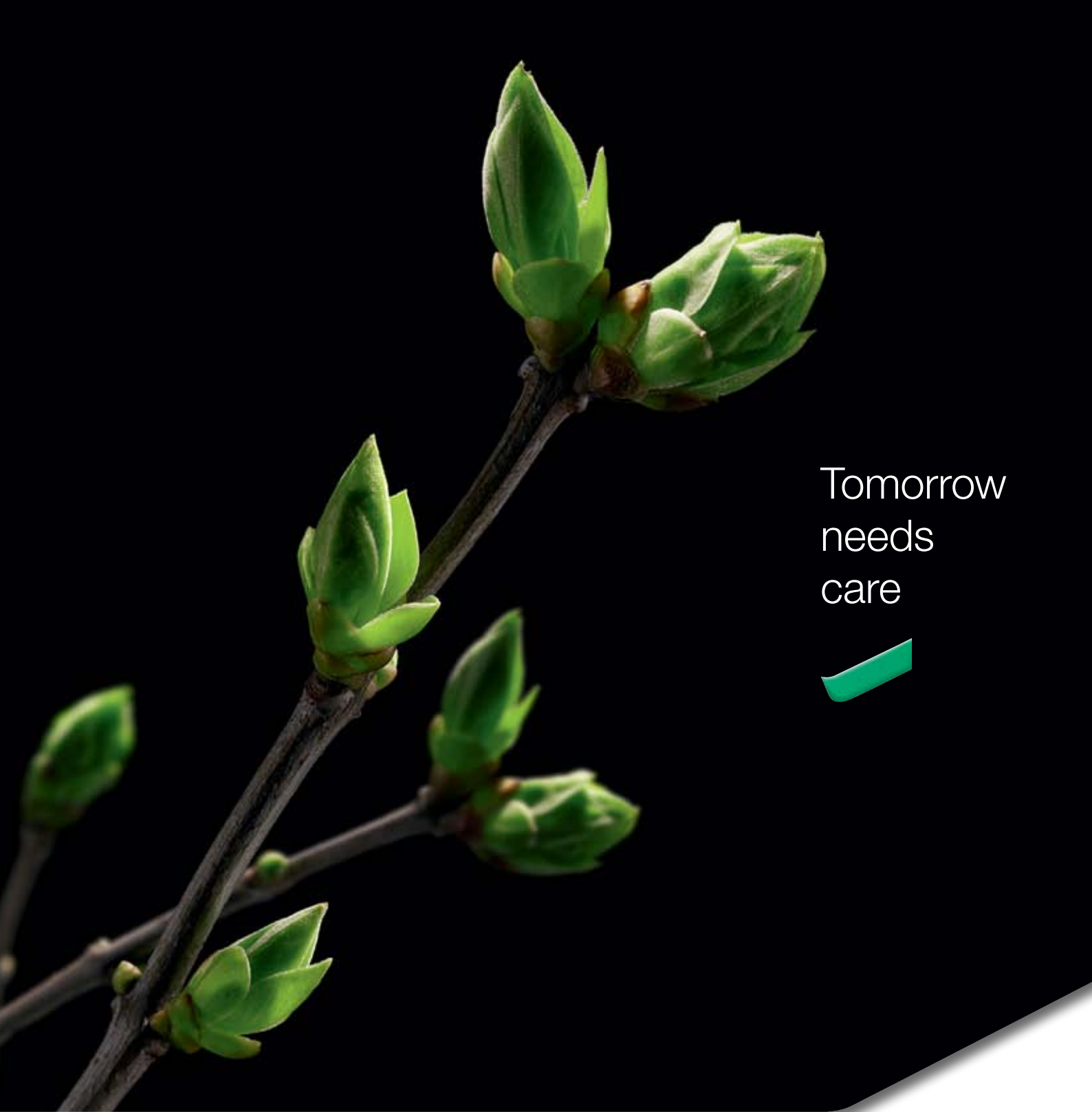
Although IAMs in Asia currently only have around 3% of total managed AUM, Bassi expects to see AUM grow significantly.

That is likely to come from a combination of several specific sources: cli-



Oliver Balmelli
BSI Singapore

"The relative nascence of IAMs and MFOs in Asia mean the market is less crowded"



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Mario A. Bassi
Solution Providers

“There are more and more Asian IAMs”

ent acquisition, greater share of wallet from existing clients, and strategic partnerships, as a prudent way to expand the business.

However, says Philipp Piaz, partner with Finaport: “With strategic partnerships it is important to differentiate what is genuinely strategic and what is just required in order to survive.”

In some countries, such as China, strategic partnership is required, says Mark Lea, managing director, Lea & White International Advisers Limited, and a member of the International Advisory Panel, Labuan Financial Services Authority.

But in general, clients are now less likely to do things on their own and more often look for a local partner, he adds. The structuring is therefore approached with that in mind.

Piaz adds that local client acquisition and growing share of wallet are, in the long run, the way to go, given Asia’s impressive domestic growth story across the region.

However, it is important for the IAM industry as a whole to make sure it

differentiates itself and delivers a consistent message to the market.

As a result, the AIAM in Singapore imposes a rule which specifies that to become a member a firm needs to derive at least 50% of its business activities and revenue from the IAM model, says Anthonia Hui, chief executive officer of AL Wealth Partners, and president of the AIAM.

“With the significant amount of new developments in recent years, family offices, multi-family offices, fund manager and private equity managers are also branching out to provide IAM-type advice or business,” she explains.

This also comes down to continuing the push on client education.

Yet since IAMs are focused on servicing HNW individuals who are qualified, or accredited, investors in various financial centres, educating these individuals needs to be done via the right channels, says Hui.

“This can be done either through the banks, industry forums, or interviews to explain the way the business works and the services being provided.”

However, the independent model and concept is still very new to Asia.

Therefore the biggest challenge, according to Nalwa at Taurus Wealth Advisors, is educating clients.

Despite the model not being well-known or fully understood in Asia, explained well to local investors they will see the value and specific benefits of the independence of the business model, says Brutsch at HP Wealth Management.

Another challenge is attracting the right kinds of people to join the business, with a further one relating to limited resources, explains Nalwa.

Other challenges for IAMs to capture more of the growth in the region relate to having a deep enough understanding of local target markets, compliance requirements and the operational requirements expected by the regulators.

Also, according to Carlo Rossi, managing director at Trendlab, the industry needs to become more institutionalised. “For example, I think it should become mandatory for IAMs to publish their performance figures, as part of more regulation,” he explains.

“Clients should be able to have as much transparency as possible in terms of whether they are getting value for money.”

Adds Christow at Deutsche Asset & Wealth Management: “IAMs have to adjust their business model by defining core competencies, promoting their specialisation and independence, and adjusting their marketing to local market requirements when exploring opportunities in the region.” ■

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STRATEGIES FOR INDEPENDENT FIRMS TO FLOURISH IN ASIA

David Reymond, market head for Asia, independent asset managers (IAMs) & global custody, at Bank Julius Baer, explains why he expects to see the independent model flourish in the region – and reveals how these firms will be able to grow sustainably.

What has driven the growth of IAMs in Asia so far?

We believe three elements have been key in driving growth in the IAM space in Asia.

The first of these is the shift in economic powers towards Asia, which has led to increased wealth for the population in this region.

According to our Julius Baer Wealth Report: Asia 2012, we estimate over 2.82 million high net worth (HNW) individuals in Asia by 2015 with a combined stock of wealth in excess of US\$15.8 trillion. This rapid growth in wealth and the significant future growth potential has attracted IAMs to set up operations in the region to tap into the Asian growth story.

Secondly, as the private banking industry matures in Asia, HNW individuals are enjoying a wide array of choices in wealth management offerings as well as top professionals in the industry who can provide advisory on these offerings. As such, we have seen an increase in wealth management professionals in the region over the past years, particularly in key financial centres of Hong Kong and Singapore.

With knowledge comes sophistication, and sophistication brings about choices. As a result, more of these wealth

professionals are increasingly considering alternative working environments – with IAM being one of these options.

And thirdly, the market share of IAMs in Asia is still below the industry average of the mature markets in the Western

“With knowledge comes sophistication, and sophistication brings about choices. As a result, more wealth professionals are considering alternative working environments.”

“One of the ways I foresee the industry to develop further in Asia is for private bankers to join established IAMs, rather than them establishing new companies themselves.”

world. This presents an immediate upside for growth in this region.

As a case in point: in Switzerland, approximately 25% to 30% of the nation's assets under management (AUM) are managed by IAMs, whereas the current estimates for Asia stand at only 3% of the AUM pool in the region.

How is the market likely to evolve?

Clients need to understand and embrace the concept of independent advice, and we are, slowly but surely, starting to see the shift in acceptance. HNW individuals are beginning to see the added value of what IAMs can bring to their portfolio beyond the simple measurement of performance – that is, the aspect of a focused and dedicated approach of providing unbiased advice.

While it has been observed that the entrants to the IAM space in Asia were largely international providers over the recent years, we have noticed the momentum of locally-based IAMs increasing as we speak.

The regulatory environment also plays an important role in the industry's development. While it is overall a positive situation that more IAMs are setting up offices in Asia, I believe that a balanced level of governance and regulatory supervision will aid in ensuring the right quality and



David Reymond

Bank Julius Baer

process of providing advice to investors among this group of advisers.

This will ultimately lead to greater confidence from clients in terms of the quality and credibility of advice and services rendered by IAMs.

More specifically, what do you expect the IAM segment to look like in the next three to four years?

Overall, I expect the IAM industry to move closer to double-digit market share in terms of AUM over the next few years.

One of the ways I foresee the industry to develop further in Asia is for private bankers to join established IAMs, rather than them establishing new companies themselves.

This will lead to the emergence of larger IAMs to continue; where they have the added advantage of a clear focus and specialisation in some areas than those we have seen in Asia to date.

What's needed to help the market grow in this way?

As alluded to earlier, awareness of the concept of independent advice among clients and HNW individuals is critical for the IAM industry to grow.

Many ultra HNW individuals and HNW individuals are very accustomed to dealing with their private banks, so they have yet to have the opportunity to better understand or experience how IAMs might add value to them.

Further efforts to enhance transparency and pricing across the IAM industry also play an important role in developing the industry further. These factors will help enhance the value proposition of independent advice.

Finally, as we continue to see greater collaboration across different players within the financial services industry, independent advisory providers and other non-banking related entities will have more of a greater role to play in the overall wealth advisory value chain.

What strategies can help IAMs penetrate the local market and access a meaningful client base in Asia?

IAMs need to adapt their offerings to cater to the varied and diverse needs of local clients in Asia.

For example, we know that brand positioning is very important in Asia.

Therefore, emphasis on the way an IAM showcases the offerings and quality of service is an integral part of the process local IAMs need to bear in mind and go through.

IAMs should also look to promote their expertise in areas where they might be stronger in – individual asset classes, strategic asset allocation or complementary advisory areas.

At the same time, many wealthy clients in Asia are still in the relatively early stages of their entrepreneurial lives, and therefore, would place more emphasis on corporate and family-related needs.

IAMs which can provide this broader scope of advice will naturally stand out within the field.

It is also important for local-based IAMs to develop pricing models based on what would be relevant in local markets, and not to base it on the same approach as that in Europe.

This might mean for IAMs to adapt pricing models to put more emphasis on transactional elements and combining them with discretionary schemes.

To what extent are the drivers changing for those European-based IAMs or family offices interested in investing in Asia?

Any regulatory arbitrage between Asia and other financial centres are long gone.

These days, family offices and European IAMs are coming to Asia because they want to participate in the growth happening in this region; they hope to branch out and gain access to this growing market.

Additionally, the asset allocation of western portfolios generally still tends to have limited exposure to Asian investments, so there is a realisation of the need to have a larger portion of wealth allocated to Asia.

To achieve this, IAMs need to be present locally, or be closer to these Asian markets, to build up their local market expertise. ■

“Emphasis on the way an IAM showcases the offerings and quality of service is an integral part of the process local IAMs need to bear in mind and go through.”

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MAKING THE FEE-PAYING MODEL WORK

The willingness, or acceptance, in Asia by clients to pay fees for advice is core to the long-term success of IAM and MFO models in the region. Delivering value – whether through investment performance, service quality, wealth structuring or any other method important to a client – is the only way to achieve this.

Despite widely-held beliefs to the contrary, Asian clients will pay fees for advice and service if they feel they get value for money.

There is a big misconception that Asian clients won't pay fees for advice, says Urs Brutsch of HP Wealth Management. "But I think that most bank-

ers just don't ask them to. Every one of our clients pays some sort of fee."

Another significant misperception in Asian wealth management is that clients often don't know they are paying fees when they use a private bank, as the fees tend to be hidden, says Carlo Rossi at Trendlab.

“There is a big misconception that Asian clients won't pay fees for advice. But I think that most bankers just don't ask them to.”

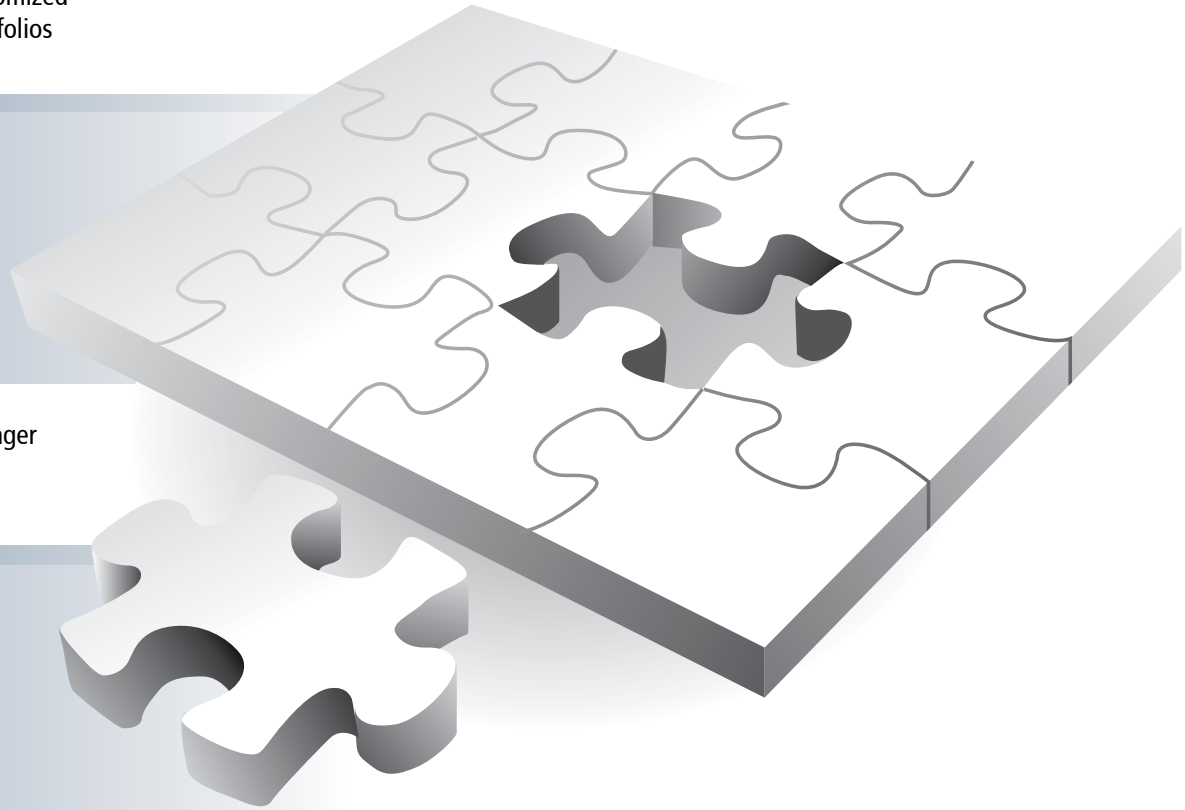
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By contrast, he says, independent firms will tend to charge less because the fees are, inevitably, transparent. Plus the other advantage is that there is no conflict of interest.

VALUE FOR MONEY

Advisers who can show the value of their advice can charge for it, explains Mario A. Bassi of Solution Providers Management Consulting. This is also linked to the type of relationship that is developed.

That's the challenge Asian-based RMs face, says Brutsch. "They're not sure how to deliver value; they try to compete on price and so on, but that's not what makes a long-term relationship with a client."

In the survey Bassi conducted in 2012, for example, most IAMs he spoke to said they charge management fees – which he says has something to do with the maturity of the relationships and level of trust with clients.

If a client pays you, they know you're working for them, and not for a bank or a product provider, explains Brutsch. "That's the only honest way to advise a client; by charging a fee and deliv-



Carlo Rossi
Trendlab

"Clients often don't know they are paying fees when they use a private bank"

If a client pays you, they know you're working for them, and not for a bank or a product provider.

ering value. If the client's happy with the value they get, they'll stay with you. If not, they'll move on. That's the way it works: survival of the fittest."

It is also about how to position the question of fees. As more and more players have arrived in the Asian wealth management industry over the past 20 years, the concept of paying fees has disappeared as the competition has increased, explains Philippe Legrand of London & Capital Asia. "Yet clients are still willing to pay if they see added value."



Philippe Legrand
London & Capital Asia

"Clients are still willing to pay if they see added value"

FEE TYPES

It then comes down to a question of which types of fees clients are willing to pay – as well as them knowing what fees they are paying.

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Philippe Legrand - CEO

Philippe brings nearly 30 years of experience with International banks in private, corporate and Investment banking. He developed the Asian private banking platform for Rabobank/Sarasin in the late 1990's and subsequently headed the Private Banking North Asian operations of ABN AMRO. He was recently Deputy CEO of BNP Paribas Wealth Management North Asia, a group where he worked for more than 13 years. Based in Hong Kong since 1995 he has also worked in Europe, North America and India. Philippe speaks fluent English and French.



Sanam Ramchandani - Deputy CEO

Sanam brings nearly 30 years of experience in the International financial Industry. She was most recently Managing Director at BNP Paribas Wealth Management. Her experience includes 15 years of managing senior private bankers in BNP Paribas, ABN AMRO and Rabobank; prior to that she held various positions at Ernst & Young and the Rockefeller Family Office. Sanam is fluent in English, Cantonese, Hindi and Sindhi.



Benson Wong - Managing Director, Corporate Advisory

Benson brings nearly 20 years of experience in Investment Banking and has transacted more than US\$12 billion in mergers and acquisitions, capital markets and corporate advisory deals. He was most recently head of Greater China Debt Capital Markets (DCM) at BNP Paribas. Prior to that he was head of DCM at Bank of China and a Director in mergers and acquisitions at ING Barings. Benson speaks fluent English, Mandarin, Cantonese and Shanghainese.

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criteria with respect to client fees and how to charge will in reality find it difficult to implement because every client's different.

"For us to say that we're only going to charge them an annual fee, or a percentage of performance, or whatever, isn't easy to put into practice," he says. "You have to be flexible enough to accommodate each client: you've got to have different models or different solutions for every client, and find the right fee structure to make each client happy." ■

"Clients are not always willing to pay a flat fee for investment advisory, but they are more inclined to do so for corporate advisory," says Legrand.

Adds Nicolas Duchene of Reyl Singapore: "We mainly charge flat fees and performance-linked fees for corporate advisory deals."

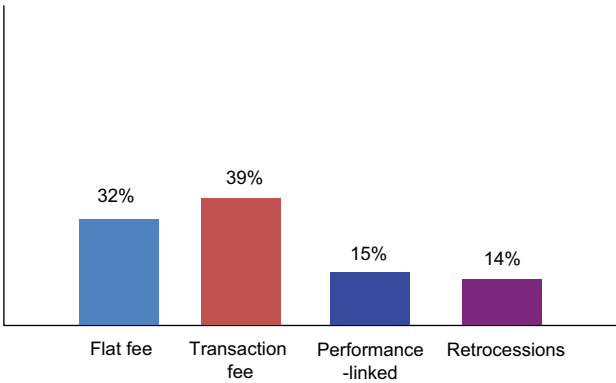
Meanwhile, Rossi says Trendlab only charges a performance fee. "We think that approach aligns our interests with that of a client. Then it becomes like a joint venture where the client puts in the capital and we put in the labour."

Homiyar Vasania of River Valley Asset Management agrees that HNW and UHNW clients in Asia are prepared to pay fees for performance.

"So the value-added services have to be built into that," he explains. "One thing I've realised is that if performance is transparent and clearly shown to them on a regular basis, they will pay for it. If it is more qualitative, they won't. They need to see the numbers."

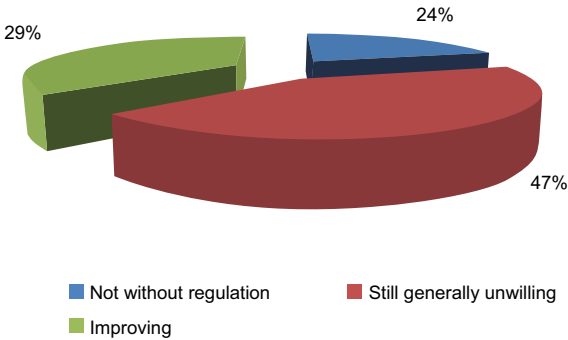
However, Jon Dingley of TTG in Hong Kong thinks that IAMs which have set

Main types of fees charged by IAMs in Asia



Source: Hubbis

Client acceptance of paying fees



Source: Hubbis

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A BRIGHT OUTLOOK FOR HOME-GROWN IAMs

Urs Brutsch, managing partner and founder of HP Wealth Management, outlines his priorities as an IAM for the year ahead, and his outlook for the industry in Singapore.

As a leading IAM in Asia, what are your key priorities in 2013?

We continue to play a role in helping to raise the profile of the IAM industry and ensuring open dialogue with the Monetary Authority of Singapore (MAS).

“The regulator now interacts with the AIAM in Singapore about new regulations for Capital Market Service license-holders.”

The regulator now interacts with the Association of Independent Asset Managers (AIAM) in Singapore about new regulations for Capital Market Service license-holders.

This is a positive development for the evolution of the local IAM industry.

At an individual firm level, we are looking to hire a couple more bankers to grow the business.

I expect this to become a bit easier than it has been to date as more experienced bankers see the value in operating within an independent model and really focus on clients, rather than working within the increasingly uncertain environment of private banking.

What are the implications of the regulatory developments in Switzerland, and more recently Singapore, for the development of the IAM industry?

Many of the IAMs which originally came to Asia were from Switzerland, opening up in Singapore to try to distance themselves from the Swiss regulations and authorities

We haven't seen any new European-based IAMs set up in Singapore since the MAS announced last year the tax criminality regulations to come into effect in July 2013.

Those firms which set up operations in Asia going forward need to focus on local clients.

If they don't have an Asian network or some locally-based clients, it will take them several years to be successful.

So I think the next generation of IAMs will be developed from within the region, either by Asian nationals or experienced bankers which have been based here for a long time and are committed to Asia.

How will the Swiss wealth management industry develop going forward?

Switzerland will reinvent itself. There is a lot more expertise in Switzerland overall than there is in markets like Hong Kong and Singapore. Plus, Swiss banks know what clients want.

The challenge for them, however, is that they have for far too long lived off banking secrecy, where there was also no transparency over fees.

Now, clients want to know where their fees are going and they want more certainty over investment performance.

Once the Swiss banks have adapted to the new reality, they will experience growth again.

What do clients in Asia look for today in their wealth management relationships?

Clients really now look for people they can trust. They want to work with people where they are confident that after they decide on the action to take for their portfolio and overall wealth, it will get done according to what they want.

They also want advisers who they are comfortable with and who can continue to work with the next generation.

Service quality – relating to approachability and accessibility – is also very important to clients today.

Further, clients want to know to whom they are paying fees, which works well for the IAM model. ■



Urs Brutsch

HP Wealth Management

“Clients want to work with people where they are confident that after they decide on the action to take for their portfolio and overall wealth, it will get done according to what they want.”

Feature article

PUTTING IN PLACE THE RIGHT PLATFORM

Creating secure, robust and efficient businesses that meet various regulatory and compliance obligations, support the frontline and help differentiate their offering is a key goal for IAMs and MFOs. Achieving this requires careful selection of which third-party providers to work with, and a clear vision to support decision making.

When it comes to the infrastructure and platforms required to run successful and sustainable businesses for IAMs, senior management face significant challenges at two levels.

First, they need to know what are the right infrastructure and systems to meet this goal; and secondly, they must find custodians and other third-party providers which can deliver on their promises.

This is a complicated and constantly evolving situation given the need for the platform to be flexible and meet multiple requirements – ranging from risk management to product offerings to IT systems to client reporting.

That these are inter-connected and difficult to prioritise relative to each other further adds to the complexity of building the right platform.

Flexibility is a critical, over-arching consideration as part of finding the right solutions and systems.



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"We see the need for a platform and infrastructure in general as a layered approach," says Jean-Luc Freymond, chief executive officer of S.A.G.E. S.A. "It is first necessary to have a comprehensive system to gather client information in one place; the system also has to deal with multiple asset classes. Only then is it possible to build the right analytics and risk management system."

Flexibility, too, is a critical, over-arching consideration as part of implementing the right solutions, systems and processes.

For instance, to help minimise upfront costs, Peter Lee, managing director of Veco Invest Asia, says it is important to have a flexible platform, rather than platforms which come in what he calls a "bundle".

"This enables us to pick-and-choose what we need as the business grows," he explains. "For example, to have more detailed statements or create a specialist model for a certain product."

This type of approach also works for product providers such as EFG Financial Products. "It is important to maintain the flexibility and agility of the system," says Michael Hartweg, found-



Peter Lee

Veco Invest Asia

"There are no excuses for a custodian to make any mistakes in relation to execution"

ing partner and deputy chief executive officer / chief financial officer. "So we have created it in a way where we can replace modules if there are additional needs or new markets requiring new functionality. These would need to be plugged in easily."

FOUNDATIONS OF MULTIPLE LAYERS

For IAMs which want to build a long-term business model and grow, it is important to have an integrated

solution. This means ensuring the right risk management system is in place. In addition, as volumes grow, transactions need a proper audit trail. Strong back-office support and good data quality are other key components of the infrastructure required to grow and support the business.

At the same time, technology has become ever-more important over the last 10 years – for reasons including consolidation of information, compliance with regulation, risk management and the overall customer experience.

"In today's market, you cannot get away with taking a few notes on a piece of paper," says Mario Casty, business development manager, APAC, at Expertsoft Systems. "You need a system to help and support you."

As a result, he says the firm focuses on gaining access to different information across many different banks by building interfaces. "From a technology side, we help with interfaces that enable transmission of information," adds Casty.

This is tied to what is required in terms of client reporting. Given that clients can be quite creative in terms of what



Jean-Luc Freymond

S.A.G.E. S.A.

"We see the need for a platform and infrastructure in general as a layered approach"

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Geoffroy Ganshof

EuroFin Asia Group



“We might have different custodians to cover all the needs we have depending on what specific clients want”

they require, customisation of reports is needed for IAMs to be able to respond in a timely and relevant way. Plus, it’s one of the ways in which the firms differentiate themselves from the private banks.

“There is no one-size-fits-all solution,” says Geoffroy Ganshof, head of wealth management at EuroFin Asia Group. “The firm’s needs depend on the types of clients we have – ranging from simple statements to more complex and bespoke offerings.”

Getting personalised solutions is one of the reasons clients come to the

firm, he adds, although this requires it to have two IT individuals internally developing software for clients, in addition to using external providers.

In terms of reporting, clients want tailored solutions, says Lionel Biennier, managing director and head of business development Asia Pacific at TeamWork Management. “The relationship between the client and the IAM is essential, and the fact the IAM can customise the reporting by using our solution makes it a valuable tool for the IAM. The customisation of the reporting in our solution is a key asset for IAMs.”

Functionality like performance summaries and key performance indicators that the IAM wants to show an individual client are crucial aspects of this, adds Biennier.

“Our system can consolidate different financial assets held in the custody of different banks, as well as non-financial assets. So if the client owns art or real estate, for example, these assets can be documented.”

As the industry further evolves and regulation increases the burdens on IAMs, flexible and more advanced systems are required to reduce the manpower needed and concentrate the efforts of employees on being client-facing instead.

For example, says Lee at Veco Invest Asia: “It is increasingly helpful for us to get data feeds on a real-time basis from our custodian banks. This enables us to provide consolidated reports and statements to our clients which are up-to-date. I would like to see this in Asia, especially as it would help us to reduce costs overall.”

Plus, as the growth in number of custodian relationships continues, it makes data-feeds even more important to reduce costs and enhance efficiency.

Yet for the time being, so much of the data is still entered manually, says Ganshof, “which adds the potential for errors in the system”.

Mario Casty

Expersoft Systems



“From a technology side, we help with interfaces that enable transmission of information”

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“It is increasingly helpful for us to get data feeds on a real-time basis from our custodian banks. This enables us to provide consolidated reports and statements to our clients which are up-to-date.”

custodian banks – as well as other third-parties such as product manufacturers, technology companies, legal and tax advisers, and trust and fiduciary services providers – plays a sig-

nificant role in the overall success of the business.

Combined with the growing complexities in doing business and competing

effectively in Asia, making the right choices based on individual needs and in line with the strategic vision is more important than ever before.

For example, when European IAMs first came to Asia, only the big Swiss banks and some of the German institutions understood the IAM model.

Today, a lot of other banks view these firms as a potential means of growing their assets, and are approaching them to start relationships.

It is all about being selective over which banks to work with, says Claudia Neuenschwander, chief executive officer for Finaport in Asia.

“Obviously product expertise and service are key,” she says.

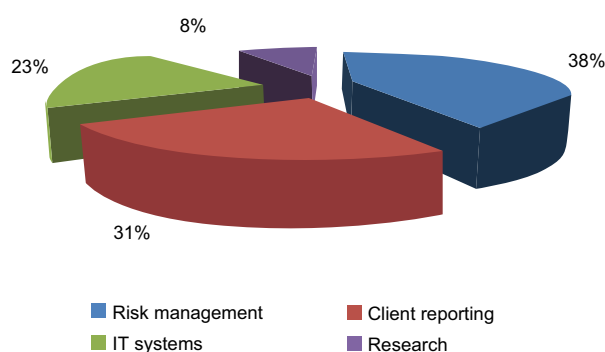
“Separation within the bank is also very important. We don’t want 10 different private bankers also chasing our clients. Instead, we’ll talk to these 10 bankers, if necessary, and filter that information to the client.”

One challenge is that the bank, which is the major partner in this triangular relationship between client, IAM and custodian, it has to see the IAM as a partner, and not a competitor, says Mario A. Bassi of Solution Providers Management Consulting.

Another challenge is that even though there is now an increasing number of custodian banks providing services for EAMs, the platforms are not always ready; business with IAMs is mainly infrastructure business.

“So [banks] must have efficient processes; they must have efficient systems in order to provide a good service,” says Bassi.

Key infrastructure need of IAMs



Source: Hubbis



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Although he adds that this seems to be slowly changing in Asia.

Adds Lee: “When we recommend custodian banks to clients, we give them different options depending on the type of institution they have a preference for. But it depends on the type of client and their profile.”

For example, says Pierre Donnet, executive director at Banque Privée Edmond de Rothschild: “Because our businesses are principally private banking and asset management, we

This is especially important in Asia, where IAMs are focusing on HNW and UHNW clients, so banks must have proper, accurate and timely execution – the basics.

“What I often hear from IAMs,” says Bassi, “is that apart from in the cases of the largest custodian banks (which have already been in Asia for 10 years or so), the platforms are not ready.”

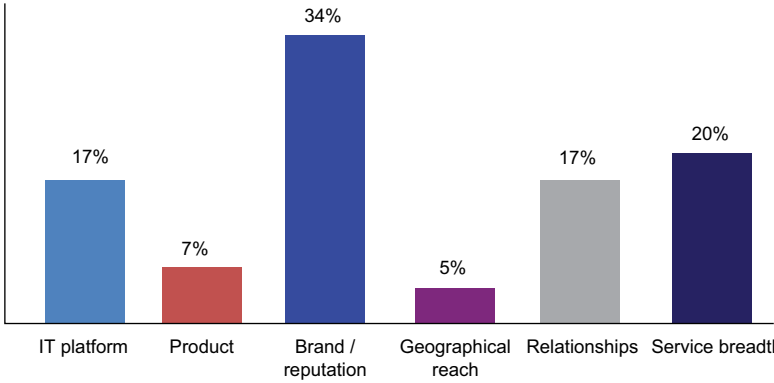
Flexibility therefore becomes ever-more important to the decision-making process, especially given the different needs of individual clients.

“We might have different custodians to cover all the needs we have depending on what specific clients want,” says Ganshof.

Further, decisions IAM make will be made based on the relevance and responsiveness of banks to the needs of independent model.

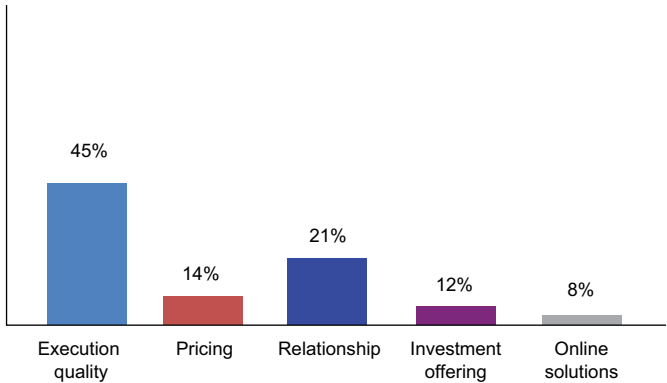
For example, banks have generally been quite reluctant to invest on the integration infrastructure such as creating interfaces, says Vedat Tuzun, director at Expersoft Systems.

IAM criteria for choosing custodians



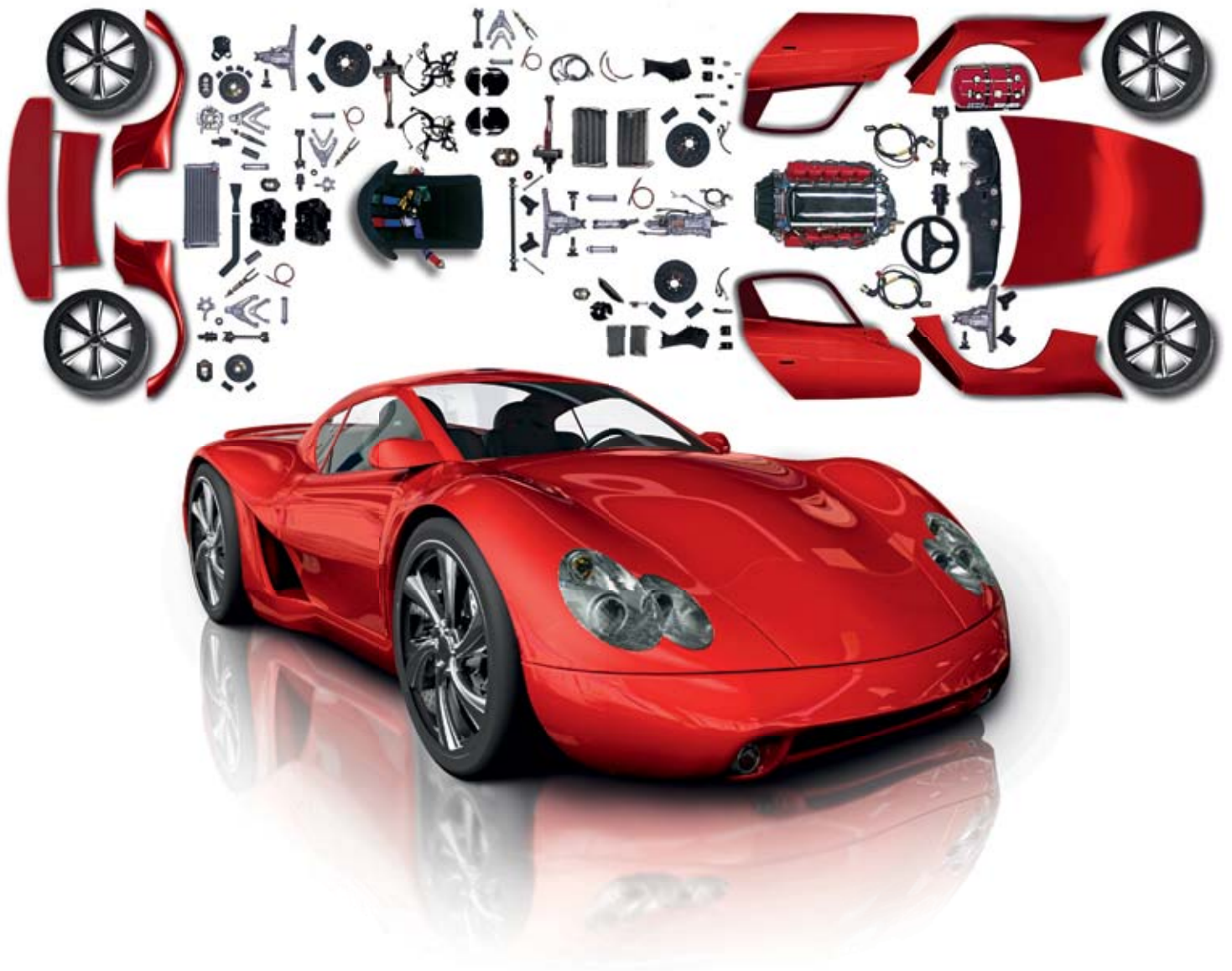
Source: Hubbis

Reasons to change a custodian



Source: Hubbis

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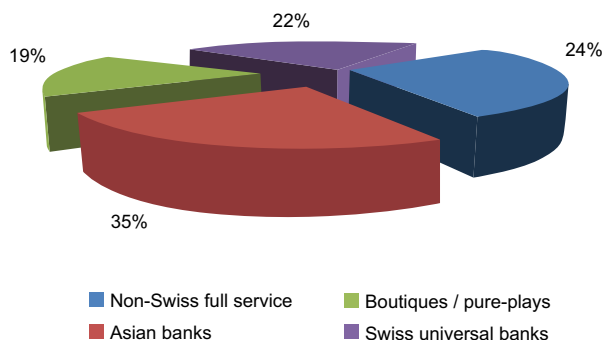
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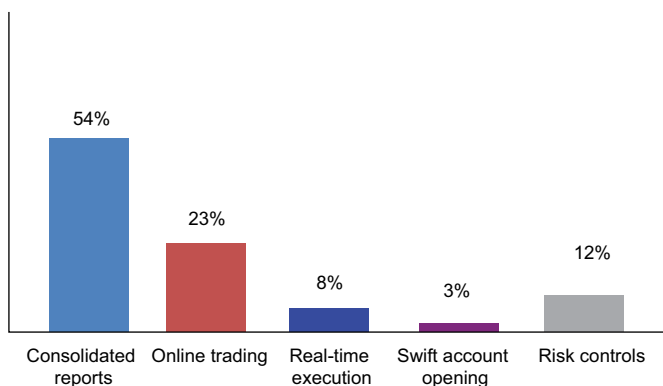

REYL
SINGAPORE

Preferred organisation types for custodian relationships



Source: Hubbis

The main IT priority for IAMs



Source: Hubbis

platform, because of the trust that clients show to their advisers when agreeing to follow their advice of where to deposit their funds.

“We like to work with well-established firms as we believe in their compliance to regulations,” adds Alison Lo, managing director at Hong Kong-based Target Capital Management.

“We will also regularly meet with them to discuss regulatory updates and changes in order to tighten our working ties and, finally, better serve our clients.”

IAMs will also look to change their custodians if required – for example if execution is poor or mis-managed, or relationships break down.

“We have the fiduciary duty to our clients,” explains Lee, “so there are no excuses for a custodian to make any mistakes in relation to execution.” ■

are perceived to be a safe-haven when compared with some other institutions which have large investment banking operations.”

Adds Donnet: “We have many things in common with IAMs because we are small and aim to provide the same high level of personalised service that they offer to their clients, so there is a natural affinity.”

Security is another key consideration for IAMs when selecting a custody





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BUILDING A SOLID PLATFORM

Christian Christow, director and head of the IAM desk for Deutsche Asset & Wealth Management in South-east Asia, discusses the requirements in terms of infrastructure, processes, product offering and other components of robust platforms to support independent firms in Asia.

What are the main considerations for independent asset managers (IAMs) when setting up and doing business in local jurisdictions in Asia?

The decision to establish a presence in Asia is a complex process, starting with defining the main purpose of the venture and an Asian value proposition, finding the right employees and trustworthy partners, and selecting appropriate local service providers.

To succeed in the Asian marketplace, it is essential to have a defined added value as well as access to a wealth management solutions platform including capital markets capabilities for IAMs.

It also depends on the IAM's intention: either to service their existing European clients with a new presence in Asia; or to acquire new clients in the Asian markets.

The complexity of this decision demands a deep understanding of the local cultures and their distinctions, the legal rules and regulations, local knowledge levels and priorities, and knowledge about the legal specifications of the relevant target markets the IAM intends to enter.

What are the complexities of operating in Asian markets?

The complexity of the Asian market is a result of the heterogeneity in the region.

There is no homogeneity in the Asian wealth management or IAM markets in terms of clients' domicile, cross-border rules, investment mentality and product preferences.

It is therefore important to have access to a local start-up support when setting up a new IAM business in the region.

Where should IAMs choose to be based in Asia?

A trusting relationship with a local partner with relevant market knowledge and a strong network is essential when determining an Asian base.

The decision to set up an IAM venture either in Hong Kong or Singapore depends on a number of the previously-mentioned factors.

Continuing development of regulatory and structural requirements in the IAM industry will drive adjustments in compliance, administration, IT and employee training.

What are the infrastructure requirements for IAMs to get access to the various opportunities in Asia?

IAM desks can establish contacts with external service providers such as law firms for license applications; compliance companies, corporate service providers and real estate agents for finding the right office; and HR companies for hiring experienced employees.

It is even able to connect potential business partners with executives from the local IAM industry, if required.

What are the components of a winning product offering?

Deutsche Bank's IAM desk in Singapore provides an integrated and flexible financial solution concept, with a wide spectrum of wealth solutions and products both for IAMs domiciled in Asia as well as IAMs looking to establish an Asian presence.

The product offering includes not only access to a holistic, open and unlimited wealth solution platform, including IAM-dedicated services and tailor-made products and solutions. It goes beyond classic wealth management products, opening the IAM access to all divisions, services and de-



Christian Christow

Deutsche Asset & Wealth Management

partments across the bank to strengthen the value proposition and differentiate it in the marketplace.

Partner banks have to understand the IAMs' business model, their core competencies and differentiation to build up a unique value proposition around a firm's business plan. This requires a deep understanding of the IAM industry, a local infrastructure with professional support and dedicated resources within the custodian bank.

What are the practical steps an IAM should take to demonstrate compliance with changes in the regulatory regimes?

Continuing development of regulatory and structural requirements in the IAM industry will drive adjustments in compliance, administration, IT and employee training.

Sound knowledge of cross-border rules in different Asian countries is essential and requires ongoing updates about changes in the industry for staff to remain current. ■

ADAPTING TO THE OPPORTUNITIES IN ASIA

Olivier Parriaud of Credit Agricole Private Banking explains to Hubbis how the European IAM model needs to be adapted to work in Asia, and how advisers might change their approach to tap the vast pool of wealth in Singapore and Hong Kong.

What's unique about your offering?

Our logistics and organisation: We have an excellent IT platform, as well as middle and back offices, which make a big difference when it comes to dealing with IAMs who each may have their own specific product ranges.

We believe we rank among the best in terms of price, quality of services, timeliness, reporting and our ability to deal with any product or to reflect its proper valuation.

How do you ensure the compliance of who you work with?

We conduct full due diligence on our clients. Having an IAM as part of the client relationship doesn't always ensure compliance, and we have to be very vigilant with referrals.

How is the IAM market changing in Switzerland?

The IAM industries in Switzerland and in Asia both need to evolve. Switzerland has the advantage of its long history of dealing with private clients, plus the fact that the clients already understand the offering.

Yet Swiss IAMs now have to adapt their business models, mainly due to cost issues. We are therefore seeing a lot of consolidation.

What are the opportunities for IAMs in Asia?

The IAM industry here is at a very early stage and many firms still need to develop their Asian clientele to cover

The IAM industry here is at a very early stage and many firms still need to develop their Asian clientele to cover their set-up costs.

In order to grab a bigger share of the enormous pool of wealth in Asia some IAMs have already adjusted their business model to advise and serve the specific needs of Asian family businesses.

their set-up costs. To develop, they'll need to change their business model and adjust to the specific needs of Asian wealthy clients.

Over the last few years we've seen a number of mostly Swiss-based IAMs set up operations in Singapore. Yet the Swiss model is mainly based on discretionary portfolio management – so simply replicating that model in Asia doesn't quite work, given that Asian clients are more hands-on when it comes to managing their assets.

IAMs in Asia need to position themselves more as advisers than as discretionary portfolio managers. They need to find the right pricing for this service, which might mean more emphasis on commission and performance fees – and no more retrocessions from the banks.

Reaching the adequate size will also be crucial; some clients in Asia are reluctant to trust a one-man-show with their money. And as the IAMs have a limited track record in this region, they need to prove they can consistently add value to the client.

At the moment, many of them lack the size and the global expertise to produce their own views, so instead just relay to clients the insights they get from banks, without digesting that information. Hence some consolidation needs to



Olivier Parriaud

Credit Agricole Private Banking Singapore

take place here as well, for these firms to expand, develop expertise and become more visible and credible.

To what extent are Asian IAMs structured differently from Swiss-based IAMs?

In order to grab a bigger share of the enormous pool of wealth in Asia – particularly in places like Singapore and Hong Kong – some IAMs have already adjusted their business model to advise and serve the specific needs of Asian family businesses.

As a result, more firms are leaning towards the multi-family office model, with a stronger focus thereon on their client business interests.

That requires them to obtain more legal, tax and corporate finance expertise, to handle both private and corporate matters. It may not be the only one but going the multi-family office way is certainly good for the IAM industry in Asia. ■

Feature article

CREATING WINNING PRODUCT OFFERINGS

Having in place investment processes and generating performance which meets client expectations rely on IAMs putting their stated client-centric approach into practice – as well as finding the right type of custodians which can deliver on their promises.

Only by taking a truly holistic approach, rather than acting as a product seller, can independent firms deliver investment performance in line with client expectations and objectives at different points in the lifecycle.

“Rather than the typical product-centric approach of banks, as an IAM, our focus is a client-centric approach,” says Hans Goetti, chief investment officer for Finaport. “This means the starting point should be the client’s

“ I am finally starting to get clients in Asia asking more questions about our expertise as an IAM in terms of what we can bring to them. This is increasingly important as the markets have become more volatile. ”

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returns expectations, followed by an asset allocation to achieve that. Only then does discussion about selecting individual products begin.”

To help implement a trusted relationship with clients, the key for us is developing an investment profile for each client, adds Sam Luft, chief executive, private wealth management, and head of private client investments, at First Degree Global Asset Management.

“This involves spending 10 to 20 man hours with a client and their family to establish their objectives, cash-flow needs and risk tolerance,” he says. “We can then translate this into a risk and investment profile as a map by which we manage and update the portfolio going forward.”

In general in Asia, objective-setting is relatively poor compared with other parts of the world, adds Andrew Hendry, managing director for M&G Investments in Asia. “This points to starting with a client-centric approach.”

This is also driven by the fact that IAMs are paid by the client, so they cannot get it wrong. “This is the most important differentiator for independent models,” says Goetti at Finaport.



Hans Goetti
Finaport

“The starting point should be the client’s returns expectations, followed by an asset allocation to achieve that”

The most important thing a custodian can do is provide their balance sheet.

At the same time, while there has been a tendency for locally-based clients to have multiple accounts with “branded”

banks, there is increasing realisation and acceptance among them that they now need an adviser in the middle who knows them – to act as a filter for the various ideas and products being offered.

It is more possible to achieve this when advisers are paid by the client to select the right strategies first, and then individual products, says Goetti. “This is starting to gain some momentum in Asia.”

Adds Luft at First Degree Global Asset Management: “I am finally starting to get clients in Asia asking more questions about our expertise as an IAM in terms of what we can bring to them. This is increasingly important as the markets have become more volatile.”



Richard Mak
Pictet & Cie

“It is also about how to follow-up and advise clients on when to exit investments”



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Explains Evonne Tan at Magenta Advisors: "The value that we, as independents, add is that we talk to many different banks, and can therefore look for the best solution and the best pricing for the client. Anyone can say they can offer everything, and most banks probably can do most things, but when you talk to different banks, there is quite a large differentiation in terms of product and pricing. That's where we bring value to the client."

Ultimately, lifecycle management, transparency and the right timing for product are among the critical aspects of in the process of delivering performance while meeting client expectations – and creating a winning product offering overall.

EFG Financial Products, for example, built its platform exactly to offer these points of differentiation for private clients, explains Michael Hartweg. "It is also important to be able to offer these benefits at smaller ticket-sizes to make the products accessible for private clients."

All of this is important because every player in the structured products space, for example, can offer any type of pay-off – which isn't a differentiator, he says.



Sam Luft

First Degree Global Asset Management

"Getting access to the US on a real-time basis is something custodians need to work on"

After-sales service is also very important, says Richard Mak, head of active advisory at Pictet & Cie in Asia. "It is easy to recommend stocks or trades to a customer, but it is also about how to follow-up and advise clients on when to exit investments."

DELIVERING PERFORMANCE

Important to IAMs is the extent of the support that the custodian can give them in delivering investment

performance to meet clients' objectives and manage their expectations.

For example, says Goetti, the investment process has to be transparent and repeatable.

"We also look at the risk management offering. Execution, best prices, research and reporting are other components of what IAMs look for."

The efficiency of the counterparty's execution ranges from market trades to account opening to credit sanctioning, says Oliver Balmelli at BSI Bank.

Cedric Lizin, head of Barclays' regional IAM business and head of key clients in Asia Pacific, says the platform the firm has built for UHNW clients also gives it a key competitive advantage in the offering to IAMs.

"At the same time," he claims, "we have one of the lowest transaction costs within the industry. Given the common fee model where we share revenues with the IAM, low-cost transactions would ultimately translate to a higher amount of net revenues for both parties."



Michael Hartweg

EFG Financial Products

"It is very important that the full value chain is centralised and directed towards client service"

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Adds Annabelle Chow, team head, independent asset managers, Asia Pacific, at Barclays: “When it comes to products, we work on an open architecture basis across all products, including FX. We also do netting, which is not the case with all private banks. Plus, we have a close partnership with our investment bank, which can offer a lot of opportunities to clients.”

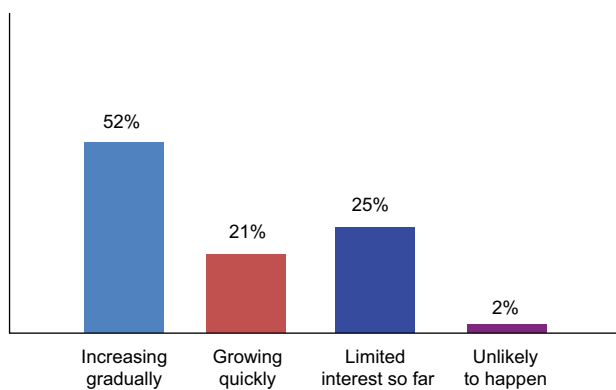
For custodians, in addition to having a stringent process, the right philosophy and independence, it is also important to have a seasoned investment team,



Lemuel Lee
J.P. Morgan

“We understand [a client’s] needs and subsequently we customise products, in the form of solutions”

Acceptance of discretionary portfolio management in Asia



Source: Hubbis

with advisers who have gone through cycles. “You cannot fast-track this process – it takes decades,” says Mak at Pictet & Cie.

For Luft, given that his firm has a globally-balanced mandate, it needs to do quite a lot of trading, which requires it to be able to access liquid markets – the New York Stock Exchange being key. “We also need to use a lot of protection so we employ various derivative strategies,” he adds. “As a result, we look for custodians which can offer us the relevant capabilities.”

In Singapore, however, Luft says he finds few custodians which can give him access to US markets during US trading hours.

Even with those which do, a lot of traders cannot always give him the expertise, liquidity and market-making he needs in options.

In addition, he says that getting access to the US on a real-time basis is something custodians need to work on if they are to provide globally-balanced mandates.

According to Hartweg, the investment process starts with the structuring of



Annabelle Chow
Barclays

“We have a close partnership with our investment bank, which can offer a lot of opportunities to clients”

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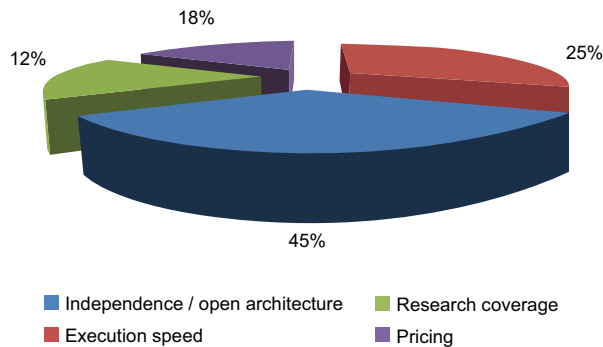
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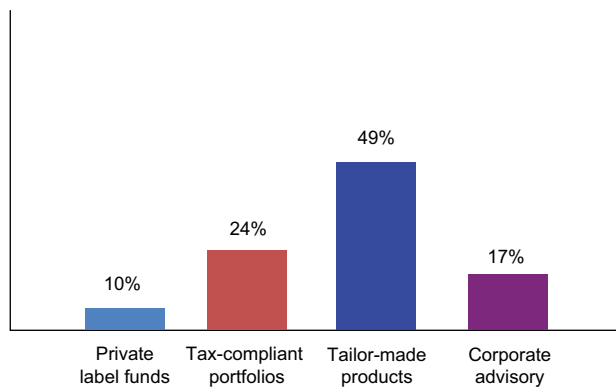
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Key driver for selecting a custodian



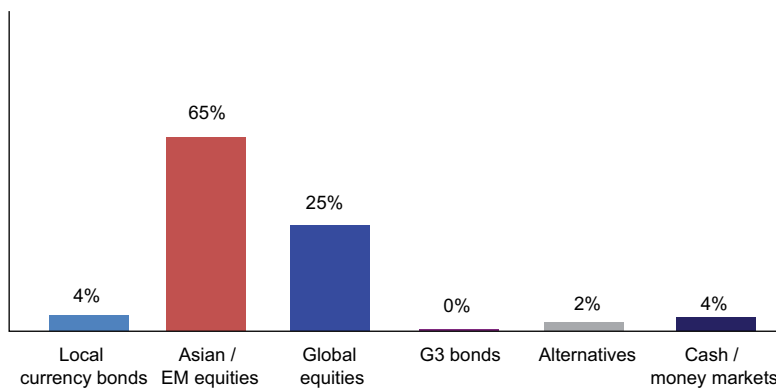
Source: Hubbis

Where innovation by custodians is likely to come from



Source: Hubbis

Expected investment appetite over the next 3 to 6 months



Source: Hubbis

the right product for the client, which requires proximity to the client. When it comes to infrastructure, for example, he explains that such capabilities need to be onsite so that the firm can be responsive in terms of the various structuring and pricing needs.

“This can be quite a cumbersome process in larger organisations, and sometimes requires responses from different time zones,” says Hartweg. “So it is very important that the full value chain is centralised and directed towards client service.”

In addition, if clients are informed about the status of the product and risk-return profile, for example, this ultimately creates trust, as well as enabling the IAM and client to make educated decisions.

In taking a client-centric approach, Lemuel Lee, executive director, customised solutions, derivatives marketing, Asia ex-Japan at J.P Morgan, says the bank tries to understand IAMs from their platform: who are their particular end-investors – whether single family offices, individuals, charities, trusts, or others.

“We understand their needs and subsequently we customise products, in the form of solutions,” he explains.

For IAMs such as First Degree Global Asset Management which manage money globally, the most important thing a custodian can do is provide their balance sheet, adds Luft.

“So if we want to do an over-the-counter trade, I want the custodian to take the opposite side of my trade,” he explains.

“This is less likely to happen at the moment in Singapore compared with New York.” ■



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GLOBAL EQUITY INCOME INVESTING – YIELD ALONE IS NOT ENOUGH

Global equity income should be considered as a compelling alternative or complement to other global equity strategies, such as value or growth. Fund manager Stephen Thornber outlines the importance of focusing on both dividend yield and dividend growth when investing globally for income, and highlights the continuing attractiveness of high dividend stocks globally despite the recent rally in equities.

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As well as focusing on companies with a high dividend yield, we look for companies with earnings and dividend growth above 5% and a robust financial structure.

We believe by focusing on dynamic, growing companies, it is possible to generate strong capital performance and maximise upside capture, while maintaining the downside protection that income strategies typically offer.

The wisdom of focusing on dividend growth is well supported by recent analysis from Bank of America Merrill Lynch. This shows that while a high dividend yield strategy has outperformed the MSCI AC World index, a high dividend yield and high dividend growth strategy has fared even better (see line graph over the page).

ASSESSING THE VALUE OF INCOME STOCKS

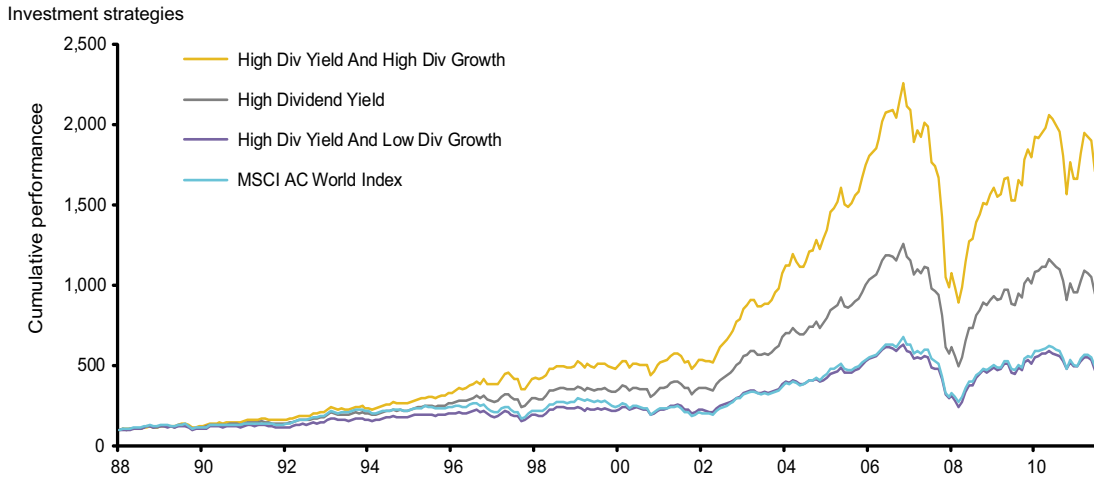
Given the growth of equity income strategies and the strong performance of many dividend-paying companies, investors are asking whether equity income is becoming too expensive and whether we are having more difficulty finding attractive opportunities.

Comparing the PE ratio of the MSCI World High Dividend Yield Index with that of the regular MSCI World Index, we find that high dividend stocks remain attractively valued and at a discount to the broader market. In fact, over the last two years, the valuation discount has widened from two-and-a-half to three PE multiple points.

When we established the **Threadneedle Global Equity Income Strategy** in 2007, we found that globally there

High dividends as a global investment strategy

■ A high dividend, and high dividend growth strategy has significantly outperformed



Source: BofA Merrill Lynch Global Quantitative Strategy, MSCI, Worldscope, as at 30 April 2012

were 1,500 to 1,700 stocks with a yield of more than 4%, and determined that this universe represented an opportunity set, which is both rich in stock opportunities and wide enough to construct a well-diversified portfolio.

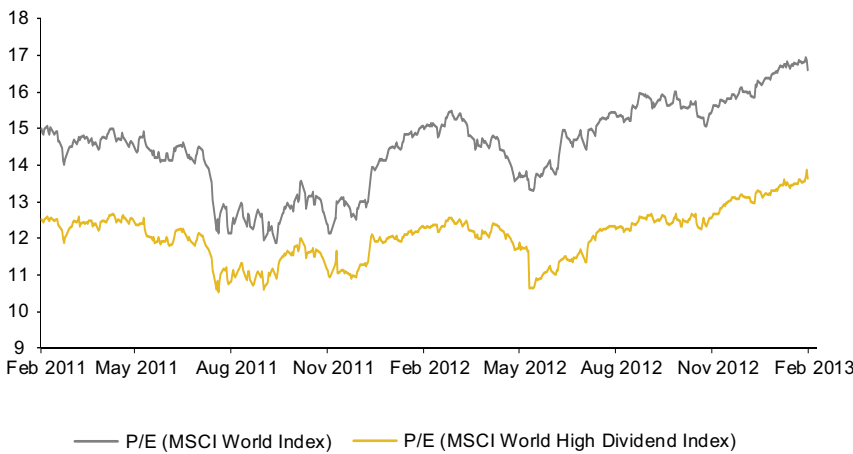
We continue to run this screen regularly and have not seen a meaningful decline in the number of such stocks.

At present, the yield on global equities is around 2.7%, which is above

the average yield seen since 1986. This suggests that global equities are not expensive on a yield basis and illustrates that our opportunity set remains stable and rich.

The chart at the top of the next page highlights this point and shows that dividend yields on global equities have proven relatively consistent over time, especially compared with interest rates, currently at historic lows.

Dividend stocks remain attractively valued

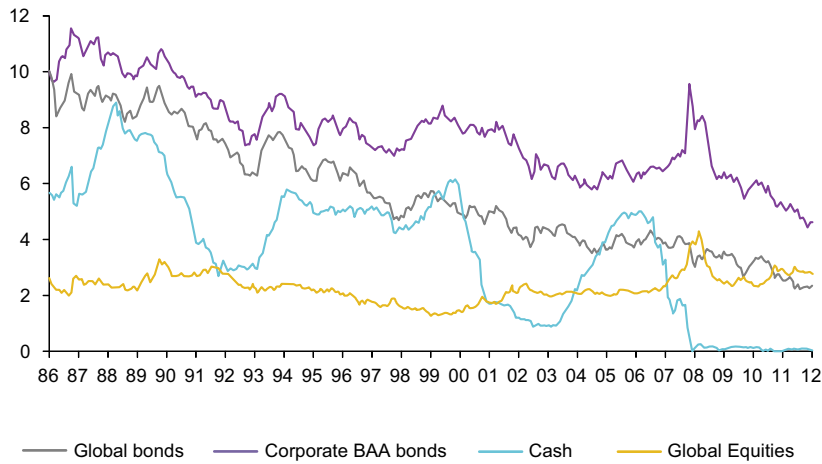


Source: Threadneedle, Bloomberg as at 21 February 2013.

WHAT IF DIVIDEND YIELDS FALL?

During and after the financial crisis, companies cut their dividend payments to conserve cash and to ride out the tough conditions. As the environment has improved, strong companies have built robust balance sheets and are increasingly looking to deploy cash. With investors voicing their pref-

Asset class yields, %



Source: SG Cross Asset Research, Thomson Reuters DataStream and Bloomberg. Data to 31 December 2012.

WHAT ABOUT SHARE BUY-BACKS?

Share buy-backs remain popular – particularly in the US. Unfortunately, the timing of share buy-backs has been poor in the past, with companies buying back shares when markets are strong, as the chart below shows.

We think rewarding shareholders consistently through dividends is a better use of capital, signalling strong future prospects and a long-term commitment to reward investors.

Our preference is for high, regular and growing dividend payments from dynamic companies, rather than from those companies that use buy-backs to increase leverage and boost per share performance metrics

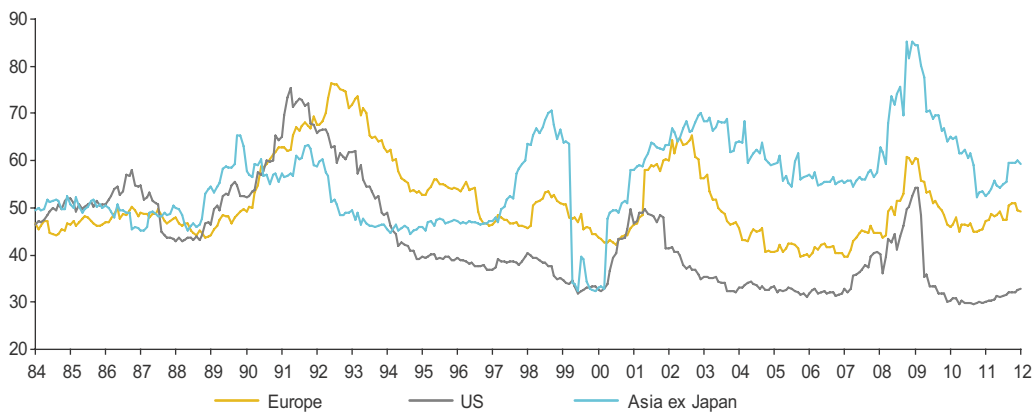
erence for cash returns, pay-out ratios are on the rise as companies respond to demand. This suggests that divi-

dend yields are likely to rise further – particularly in the US market where pay-out ratios are low.

Corporate deleveraging is complete

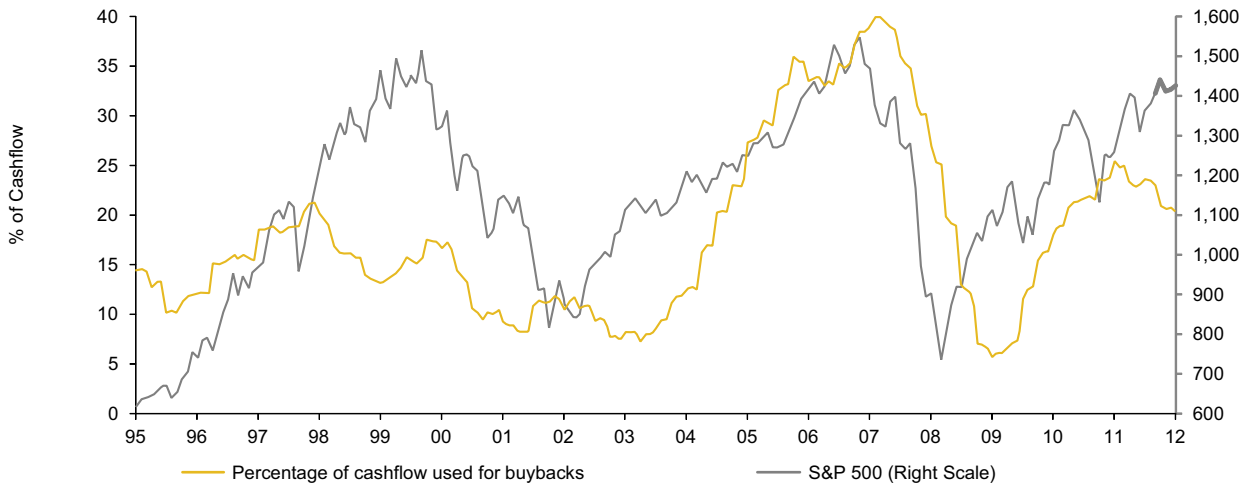
- Corporates responded to the financial crisis by reducing dividends and investment
- Strengthened balance sheets and modest economic growth favour dividends over investment

Trailing pay-out ratios by region



Source: SG Cross Asset Research and MSCI Barra.

Cash Flows used for buybacks in the US vs. the S&P500



Source: SG Cross Asset Research, S&P and FactSet. Data to 31 December 2012.

IN SUMMARY

In a low-yield world, investors seeking attractive yields are increasingly looking at equities as a source of income.

It is clear that strategies focusing on a high and growing dividend have delivered the strongest total returns since the late 1980s and we believe this approach offers investors the opportunity to maximise upside capture, while retaining the downside protection that is typically associated with global equity income strategies.

High-dividend stocks remain attractively valued both on a PE and yield basis despite the recent strong performance of equities.

Moreover, the universe of global stocks yielding more than 4% has remained large and diverse in opportunity.

In absolute terms, equity valuations may not be as cheap as they were a few months ago.

But we believe equities are attractively valued in historical terms, and the prospect of further dividend growth is supported by relatively low pay-out ratios, particularly in the US.

Given the strong long-term total returns generated by the strategy, global equity income should be considered as a compelling alternative or complement to other global equity strategies, such as value or growth. ■



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SETTING A CLEAR VISION IN ASIA

BNP Paribas Wealth Management has set its sights on building a dedicated yet flexible offering for IAMs in Asia as the market looks ripe for growth, say Eric Aubin, head of wealth management, international & other Asian markets, and Gregor Hochet, head of professional banking in Asia.

What is your approach to your IAM business globally?

We value the relationship and the trust between IAMs and their clients. For this reason, we provide the best of our products and services platform to support IAMs in their activities. An organisation must be able to adapt to the unique requirements of the IAMs. Only a dedicated platform, made up of specialists with access to all units within a bank, can be a good solution provider.

What do you think makes you stand out in this marketplace?

We listen actively to our clients. Due to the unique requirements of the IAMs, only a safe custodian bank with a brand that is recognised globally by clients has the capabilities to provide innovative and integrated solutions for IAMs. More importantly, we must have the capability to quickly adapt our platform to the needs of IAMs. In this respect, BNP Paribas Wealth Management has developed a very flexible approach.

We set up a dedicated offer – professional banking – for wealth management professionals combining dedicated technology and a team of experts in Singapore since 2007. IAMs working with professional banking can expect to benefit from all the abilities of the BNP Paribas Group. We

truly believe that this sets us apart from our competition. Through our one-bank approach, we are able to mobilise the right resources from BNP Paribas Corporate & Invest-

An organisation must be able to adapt to the unique requirements of the IAMs. Only a dedicated platform, made up of specialists with access to all units within a bank, can be a good solution provider.

ment Banking division to provide IAMs with integrated products and services such as corporate finance, equity and fixed income structuring, or commodities financing.

Our professional banking team has long-standing experience in structuring complex solutions, such as mono-counter, structured products, jet and boat financing, alternative investments and more, and has developed from Singapore an offer that can be customised to all geographical zones for ultra high net worth clients.

What are the processes, systems and technology involved in creating a leading offering?

The core services to build a top-class platform for IAMs should combine a dedicated team, online transactional IT tools, wide range of products and services as well as fast and around-the-clock execution. However, we believe that the above are basic services that any IAM will require. What sets us apart from our competition is our ability to customise our offers for each IAM.

We have conceived and maintained systems which can address the requirements of IAMs, mainly:

- Providing a solid, reliable and credible reporting on all asset classes
- Helping IAMs manage their entrusted assets through a state-of-the-art portfolio management system which allows them to have direct access to their clients' portfolios and ability to monitor market risks
- Providing data feeds which will help IAMs consolidate all the assets that they manage among various custodian banks

What are the challenges in implementing all of this?

One key challenge we are managing today is to maintain a consistent approach across our booking centres for IAMs so that they can benefit the same level of service. For example, we offer the same system in Switzerland, Singapore and Monaco.

In addition, the requirements of IAMs are very diverse in terms of operational workflow, execution, pricing and investment needs, and it is not our intention to serve them with one standard offer.

We prefer to understand the needs and requirements of the IAMs first and then develop a tailor-made solution.



Eric Aubin

BNP Paribas Wealth Management

What are the best-practice risk management frameworks you employ?

Risk management is in BNP Paribas' DNA. Our consistently-cautious approach has been highly appreciated by our clients especially during the recent financial crisis.

We are leveraging on BNP Paribas Group "savoir-faire" to implement risk management procedures which aim at protecting the bank, IAMs and clients' interest in various area such as know-your-client, investment suitability, execution and IT security.

What are your global growth ambitions?

We will continue to expand our operations in places where the professional banking unit has a strong platform and where IAMs are regulated, namely: Singapore and Hong Kong in Asia; and Luxembourg, Monaco and Switzerland in Europe.

What about your Asian vision specifically?

In Asia, the IAM industry represents a market with very strong potential, and one which we see changing quickly towards a more structured and organised set up – and then constantly adapting to the end-client's needs and investment objectives.

Considering cultural diversities, we don't have a single Asian vision but rather a few. A common point across all countries is that wealth in Asia is mostly generated by a first generation of entrepreneurs who cannot be served properly with a pure asset management approach. Therefore, we see IAMs facing issues such as building a proposal that addresses both private and corporate client needs.

So relatively, does Asia represent a better opportunity than elsewhere in the world?

We are optimistic about the future in Asia as huge amount of wealth is still illiquid and will be monetised over the next few years through IPOs, M&A and real estate transactions. The market is opening itself and the maturity of investors is getting higher and higher.

In the IAM industries in Hong Kong and Singapore, for example, we are seeing more and more financial institutions and boutiques applying for licenses to start independent asset management businesses. Further, the ultra high net worth market in Asia is the most active in the world, and independent asset advisers as intermediaries represent an important value-add for tailor-made services.

Aside from the first-generation of senior private bankers in the region who wish to become independent, more and more financial institutions and boutiques from different backgrounds (corporate finance, retail brokerage and insurance) are planning to enter this business.

However, tight margins in Asia as well as strict regulations, and high office and staff costs are pushing up the critical mass to access the market. For this reason, IAMs based in Hong Kong and Singapore are structuring themselves from the onset as medium-sized organisations; they cannot afford to work under a one-man structure, as used to be the case in Switzerland.

What are the opportunities going forward from a client acquisition perspective?

The regulatory evolution will increase the concentration of the players and their professionalism, as well as increase



Gregor Hochet

BNP Paribas Wealth Management

client target size. We estimate the market share of IAMs today to be 2% to 3% of total Asian wealth management – while it is more than 15% in mature international markets such as Switzerland. We believe that the IAM segment will grow faster in the region as we believe Asian clients will view independence and stability of relationship as their top criteria when selecting their wealth manager.

How important to your future business success is building strategic relationships with independent firms in local markets in Asia to access new clients?

Emerging markets within Asia represent huge opportunities for IAMs to acquire new clients. We look forward to exploring business opportunities with financial intermediaries from other Asian markets provided the regulations in their respective jurisdictions allow it.

Furthermore, we have to keep in mind that Singapore is not only a booking centre for South-east Asian clients but now also a leading international financial hub attracting clients from all over the world. ■



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E-MERGING: GETTING CONNECTED TO THE WORLD

Lombard Odier has always been a pioneer in IAM services. We started in the 1980s in Switzerland and rapidly expanded our capabilities to external offices.

We launched our IAM Asian desk in 2009. Based in Singapore, we try to help the community in providing a high quality of service, unique tools and an innovative, "out of the box" way of investing / thinking.

As part of the offering, Lombard Odier decided in 2009 to start the first business-to-business social network dedicated to the community.

After a few years and the release of the version 2.0, the footprint of E-merging is growing exponentially, and we see more and more international cross-border communication between members.

CASE STUDY 1: EXPANDING IN ASIA

In 2009, a Swiss-based IAM and E-merging member expressed the wish to build a new clientele and establish a new office in Asia.

As an E-merging member, the IAM managed to contact a few companies in Singapore (members as well) and started discussing with them a potential "partnership" or "joint venture".

Of course, knowing the personality of the different parties, we try to orientate the choice of the IAM to the most suitable counterpart. In that respect, and after several talks

with other members, the Swiss IAM decided to start working closely with a Singapore-based IAM and even decided to send someone from their office to Singapore.

After some time, the same IAM (again through E-merging) and after a year of experience in Asia, decided to set-up

As part of the offering, Lombard Odier decided in 2009 to start the first business-to-business social network dedicated to the community.

The purpose of this social network is simply networking and to initiate discussions and contact.

his own firm. However, and in order to share the cost of setting up a new business, he tried to find partners through E-merging. At the same time, a few other IAMs expressed the same wishes.

Again, we helped him to find the right partners and organised several face-to-face meetings to help them concretise their idea. Again, after some discussions, three of them decided to start the adventure together.

CASE STUDY 2: FACILITATING PARTNERSHIP

Lombard Odier is not willing to take part in any discussion between two or more members. The purpose of this social network is simply networking and to initiate discussions and contact.

If we think that two characters may have a better fit than two others, we may then inform the relevant parties in order to help everyone to achieve their goals.

To help the members that are willing to merge, buy, sell or create a joint venture with other members, we also have partners with whom we work and that can help them with the legal framework and any other service that the members may require.

Partners are fully part of the platform and can be used in any circumstances.

For example, we had a case in 2010 where an IAM based in Switzerland wanted to find a new partner for his company. The aim was to replace a retiring partner and attract some new clients for the company to stimulate the existing staff.



Nicolas Delorme

Lombard Odier Darier Hentsch & Cie (Singapore) Ltd

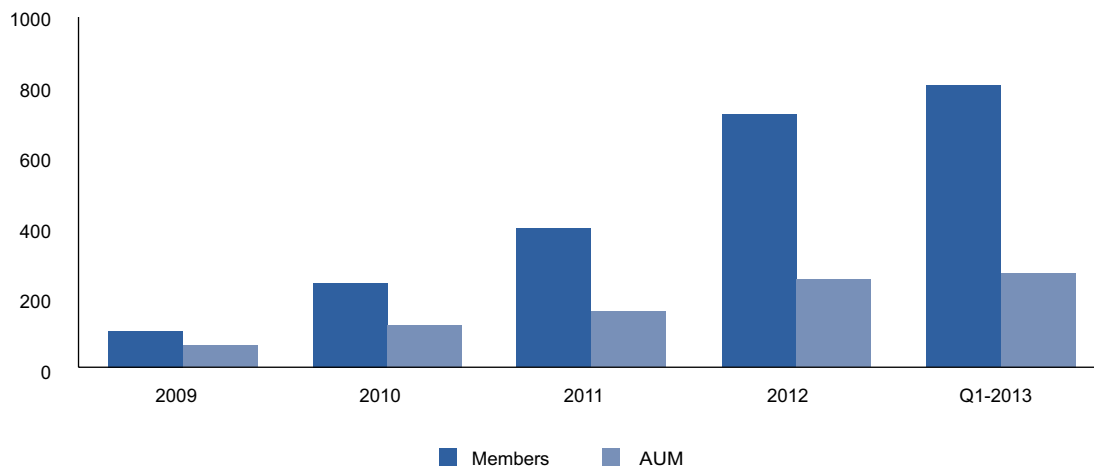
E-merging, at that time, Future Independent functionality had just launched but there were not a lot of existing options for the IAM on the platform. In order to find a solution, we decided to contact an HR company, partner of our website.

The IAM was pleased by this proactive approach and started the discussion with this HR company. After a few interviews, they managed to find the profile that the IAM was looking for and proposed that individual to become a partner in his company. After a few years of collaboration, the AUM of the company has grown, and the staff and partners are much more comfortable with the current structure.

CASE STUDY 3: ENCOURAGING ENTREPRENEURSHIP

Future Independent was also a key feature in the 2010 release of the network. We decided to open this functionality to people with entrepreneurial skills who wanted to start a new independent career but may not have had the opportunity to date.

E-MERGING members and AUM evolution



Source: Lombard Odier

In 2011, one of our members was looking for a solution to set up a company in Southern Europe. Indeed, they wanted to have an office onshore to serve clients on a daily basis with the possibility of visiting them at any time.

The objective was to provide a higher level of service to clients with an established presence in their country.

After initial research on the website, the firm found a member, Future Independent, based in this Southern European country with the wish of leaving his current institution to start an independent structure.

After a few discussions, the IAM decided to hire the individual to set up the onshore presence.

After a few years, of collaboration, the onshore office has increased its staff, AUM has grown and the IAM managed to attract some new clients because of this onshore presence.

SUPPORTING THE IAM COMMUNITY

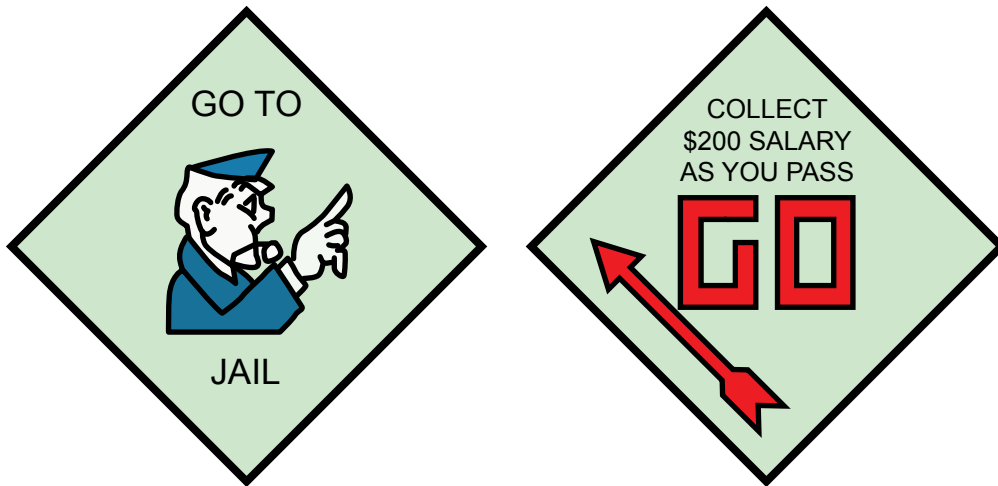
Lombard Odier is helping the IAM community to be connected. Indeed, the world is changing very rapidly. The only way to be up-to-date is to effectively communicate with our peers.

E-merging, the first social network dedicated to financial professional is helping the industry to achieve that.

This is only one of the tools provided by Lombard Odier to serve the IAM industry. Our differentiating characteristics

have been helping us throughout the years to build a sustainable and important business for the bank. To highlight this, we received an award from the Asian IAM community in 2012: "External Asset Manager's choice 2012". E-merging, and the successes associated to it, have been key to obtain this award. ■

Lombard Odier is helping the IAM community to be connected. Indeed, the world is changing very rapidly. The only way to be up-to-date is to effectively communicate with our peers.



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TAKING A PROACTIVE APPROACH TO SUPPORTING IAMs

Sylvain Gysler, head of the department for IAMs and MFOs at Bank Pictet & Cie (Asia) in Singapore and Hong Kong, outlines the infrastructure, IT systems, product range and service mind-set required to support the further development of the industry.

What types of products and services are IAM clients generally looking for, and how are you positioned to deliver these to them?

IAMs, as sophisticated bankers, have high requirements – as is to be expected from a business-to-business relationship. Therefore, we have a platform dedicated to IAMs and MFOs which is segregated from our private banking business to ensure we avoid any conflict of interest. This is a key requirement in this industry, though not a standard among peers.

From a product and advisory perspective, we give IAMs direct access to studies, analysis and financial reports drawn up by our analysts and economic strategists.

Moreover, our clients can call the local specialists directly so they get the right access to our expertise ranging from a dedicated advisory team to the structure products desk or traders.

We offer a broad spectrum of financial products on an open-architecture basis. Both in the case of investment funds and structured products, this allows us full independence to select the best products, and is something which is welcomed by a majority of IAMs.

Not having our own investment bank is definitely an advantage as we don't face the common conflict of interest of having to sell our own products.

We now work with around 500 IAMs globally, supporting their needs as they grow their businesses. We view these relationships as long-term professional partnerships.

Sophisticated IT solutions specifically built for IAMs are a must. Pictet Connect is the personalised e-banking platform that we provide to our clients.

“We are not seeing many European firms moving to Asia at the moment, if they don't already have local operations in the region.”

What are the essential IT and other infrastructure-related tools which can support IAMs? What is your offering?

Sophisticated IT solutions specifically built for IAMs are a must. Pictet Connect is the personalised e-banking platform that we provide to our clients, covering a complete range of banking services available from any location, at any time.

Not only can the IAMs access the portfolio transactions and positions of their clients, but also customised reports, Pictet Research and secured webmail with their banker.

Moreover, we provide IAMs with encrypted raw data that can be run through software provided by firms that develop PMS (Portfolio Management Service).

What trends are you seeing in terms of European IAMs moving to Asia? What challenges do they face?

The industry in Europe is experiencing a period of great uncertainty, not only because of the economic recession but also due to new regulatory requirements. Some IAMs are better prepared than others and the ones which view this as an opportunity to differentiate themselves and be proactive enough to adapt their business model quickly will be the winners.



Sylvain Gysler

Bank Pictet & Cie (Asia)

In line with this, in 2012 we introduced a tax-compliance policy for all new clients coming from the EU. Interestingly, we have hardly seen any decrease in account-opening since then, which is encouraging. As clients continue to require competitive and stable private banking services, business continues to grow.

Given the wealth creation and investment opportunities in Asia, it makes sense for more and more European IAMs to look at setting up a business in the region.

We give advice and also the right contacts and regulatory information to help IAMs set up their operations.

However, given the tougher regulatory environment to set up an IAM business in Asia, we are not seeing many European firms moving to Asia at the moment, if they don't already have local operations in the region.

In fact, we are starting to see a trend of consolidation. We also see some European bankers now willing to partner with Asian-based IAMs; this is obviously the most cost-effective and fastest solution to break into this region.

What are your expansion plans in Asia for your IAM business?

In Singapore, we have a very solid brand as we have been present since the start of the IAM industry in Asia in the early 2000s.

Moreover, Pictet's closely-held partnership model and the resultant freedom from quarterly reporting and share price fluctuations are a key enabler of the bank's long-term focus. This is an advantage for our international expansion as it gives time to build a stable business and remain focused on clients' needs.

In Hong Kong, meanwhile, while our bank is already operational for private banking, we are setting up a new IAM department in the Chinese city in the very near future.

This means IAMs will be able to book accounts not only in Singapore but also in Hong Kong, where we have hired Kenneth Chan as senior relationship manager from Standard Chartered, to run the IAM desk.

The Hong Kong operation is a key milestone in the growth of our IAM offering in North Asia.

What are your predictions for the development of the independent model in Asia?

At the moment, we assess that AUM with IAMs in Asia comprises around 2% to 3% of the total professionally-managed wealth in the region.

I think this will increase over the next five to 10 years to somewhere between 8% to 15% as an increasing number of senior bankers at international private banks are willing to become independent.

This shows just how huge the potential is for this model to succeed as a complement to the traditional private banking industry; and that's why we are investing significantly in the Asia region.

How are you positioning your business now to cater to this expected growth in IAMs in Asia in the years to come?

We have been significantly increasing our Asian focus and product development capabilities in this time zone.

For example, the Asia Active Advisory team, with five senior investment advisers, serves IAMs out of Singapore and Hong Kong. Overall, all Pictet private banking capabilities and expertise that you will find at our headquarters in Geneva are offered to clients in Asia from our Singapore and Hong Kong banks; we give them onshore access to specific products relevant to the Asian market.

Also, while regulatory pressures are increasing significantly, this is an opportunity for proactive firms to differentiate themselves and work in partnership with us to guide them.

We often get involved in advising the IAMs on the best avenues for them to pursue as they develop their businesses – which might include consolidating or partnering with other IAMs due to cost or regulatory pressures.

Finally, we have a strong fund distribution business from the asset management side of the Pictet platform. This definitely creates synergies for our IAMs, and we can even help them set up their own private label funds. ■

“While regulatory pressures are increasing significantly, this is an opportunity for proactive firms to differentiate themselves and work in partnership with us to guide them.”



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Feature article

DEALING WITH A TOUGHER REGULATORY ENVIRONMENT

The ever-more burdensome regulatory environment within wealth management also creates multiple challenges for Asia's burgeoning IAM industry. These range from managing increased costs to breeding a culture of compliance.

One of the biggest challenges for IAMs – both now and for the foreseeable future – is ensuring compliance with the evolving and increasingly complex regulatory environment.

“The global regulatory and compliance landscape has undergone rapid and tremendous change,” says Elaine Chan, partner, financial services reg-

ulatory at WongPartnership. “The regulatory reforms have actually led [IAMs] to be faced with higher compliance obligations, as well as higher expectations from regulators.”

There is a notable trend within the changing global landscape for regulators to focus on certain key themes in their rule-making – especially with the

“IAMs need to be realistic and prepared in terms of the time, resources and processes they need to commit and put in place to comply.”

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aim of boosting consumer confidence in the wealth management industry as a whole.

The themes include suitability, fee disclosure, enhancing investor protection (for example, improving sales practices), trying to raise standards of competency of professional advisers and ensuring tax compliance.

As a result, says Philipp Piaze of Finaport, one of the major challenges in Singapore and in Hong Kong will be adapting to what IAMs do with clients, to be compatible and compliant with what the framework on a legal or compliance side – be it in Hong Kong or Singapore, be it cross-border, or be it onshore platforms – will require.

Yet while far-reaching and burdensome, a lot of the new regulations being introduced are positive for the industry, agree practitioners – provided they take into account the views of related participants.

This highlights the importance of having a strong regulator for the industry and in turn a well-regulated market.



Elaine Chan

WongPartnership

“The regulatory reforms have actually led [IAMs] to be faced with higher compliance obligations”

“Regulations tend to make end-clients feel a lot more comfortable about working with IAMs.”



Beat Stamm

Marcuard Asia

“Selecting staff is also an important part [of creating a culture of compliance]”

For instance, says Mandeep Nalwa of Taurus Wealth Advisors, regulations tend to make end-clients feel more comfortable about working with IAMs. “In Singapore, clients feel that the MAS (Monetary Authority of Singapore) is monitoring the industry closely, and that is important,” he explains.

As a result, IAMs need to be realistic and prepared in terms of the time, resources, processes and systems they need to commit and put in place to be able to comply.



Is your compliance on target?

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Thierry Beck

SingAlliance

“A big challenge is to ensure all staff are in compliance with the requirements of the regulators”



One precautionary measure for firms is to look at the age of their book of business; if the money was moved to Singapore several years ago then it's more likely this was done for reasons of confidentiality and privacy rather than for tax evasion.

In general, IAMs need to have in place processes and procedures to identify clients' tax-risk profiles, as well as having frameworks in place to detect and prevent any breaches of tax rules, says Chan at WongPartnership. “How-

BEING TAX COMPLIANT

In particular, the changes in regulations in Singapore relating to off-shore wealth and the criminalisation of tax evasion – and assisting tax evasion – are creating a lot of uncertainty for market participants and institutions themselves, says Massimo Hilber of Aris GSK Solutions.

As a result, banks and their client advisers have to assess the bona fide nature of the client's assets, and ensure the client is tax compliant. Where and if necessary, the institution must file a suspicious transaction report.

Practitioners say that how this gets implemented in Singapore will be watched closely until after July 1 when it becomes effective and has to be dealt with.

“I assume everyone will follow this to the letter of the law once it is introduced in Singapore in July 2013,” says Hilber, “but it is unclear at the moment how the different banks will handle the overall process.”

IAMs need to have in place processes and procedures to identify clients' tax-risk profiles, as well as having frameworks in place to detect and prevent any breaches of tax rules.



Angelo Venardos

Heritage Trust Group

“There is a jurisdictional arbitrage in terms of regulation between Singapore and Hong Kong”

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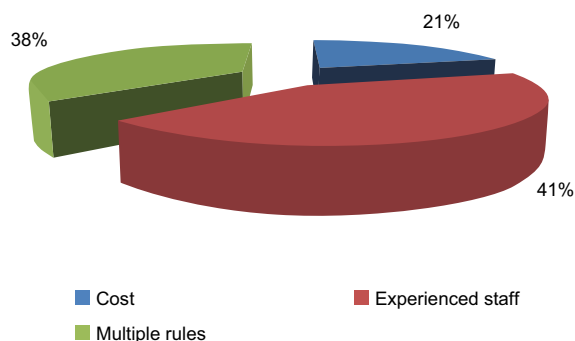
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GLOBALIZING BUSINESS

The biggest compliance challenge



Source: Hubbis

ever, there doesn't look like there will be a one-size-fits-all solution."

Regardless, the industry would benefit from having standards in terms of the processes and procedures which can be followed consistently.

MULTIPLE REQUIREMENTS

Another aspect of the evolving regulatory environment which is creating a significant challenge is the need to comply with multiple rules.

One of the issues arising from that, for example, is potential conflict of the different laws. One example would be the new proposal by the US Commodity Futures Trading Commission, requiring non-US financial institutions that are trading with US persons to report their derivatives trades.

"This could lead to potential conflicts with domestic laws such as privacy rules," says Chan.

The industry also faces a jurisdictional arbitrage in terms of regulation be-

tween Singapore and Hong Kong, adds Angelo Venardos, chief executive officer, Heritage Trust Group.

On the surface, the fundamentals of KYC, for example, seem to be the same, but there are some differences in reality, he explains.

Adds Claudia Neuenschwander of Finaport: "Regulators play an extremely important role in today's corporate culture, and it's in our interests to operate within a professional framework. However, we strive to act with the best interests of the client in mind, and

sometimes we find that certain legislation conflicts with this objective."

A good example is in Hong Kong, she explains, "where apparently a client over the age of 70 is no longer capable of investing in equities"!

However, for IAMs looking to set up and do business in specific markets in Asia, it isn't always appropriate to try to draw comparisons between the two centres, as both have their own merits and drawbacks, creating different niches and attracting different clients.

For example, some compliance officers at IAMs which have offices in both centres note the difficulty now of getting a licence in Singapore compared with Hong Kong. But after obtaining the licence, Hong Kong requires advisers to ask clients a lot more questions and do much more education.

Whichever jurisdiction is favoured, IAMs need to do thorough due diligence, says Oliver Balmelli of BSI Bank. "It is important to master the local knowledge in terms of regulation and client needs... [and] be very selective in establishing a local presence given that we see it as a long-term commitment."

Steve Knabl

Swiss Asia Financial Services

"Some laws might not even fit the business model of IAMs"



Labuan Foundations

Labuan Islamic Foundations

Labuan Special Trusts

Labuan Trusts

Labuan Private Trust Companies

EXPAND YOUR HORIZON



Philipp Piaz
Finaport

“One of the major challenges in Singapore and in Hong Kong will be adapting to what IAMs do with clients”

CREATING A CULTURE OF COMPLIANCE

The challenge for IAMs generally is how to stay on top of new regulations that are being introduced on a regular basis.

In addition to continually-rising costs as firms need more resources and staff to be dedicated to compliance – and trained – updating policies and procedures is another aspect to the cost element of maintaining and monitoring compliance.

And apart from the direct costs of compliance, there are also additional indirect costs in terms of the need to educate clients about how they can become compliant.

For Thierry Beck, director at SingAlliance, a big compliance challenge stems from having to ensure all staff are in compliance with the requirements of the regulators. “This must come from management to ensure all employees will fulfill their obligations,” he says.

This means breeding a culture of compliance and ensuring their business model and compliance function are aligned with the various regulatory developments taking place.

To ensure staff at IAMs have the right skills and expertise to deal with the issues that arise, based on the business model and complexity of assets being managed within the regulatory environment, in-house training is essential.

This involves helping staff interpret the regulations and how they affect

what they can and cannot do, says Jon Dingley of TTG. Plus, it is important to allow some flexibility within a set of parameters which are compliant with the relevant local regulation.

But all this requires time. In Singapore, for example, given that some of the new laws are relatively complex, it can take a long time to understand, adapt to, and implement them, says Steve Knabl, chief operating officer and head of compliance at Swiss-Asia Financial Services. Moreover, some laws might not even fit the business model of IAMs. “Laws that are implemented are not specifically adapted to our actual business which is really simply managing money for individuals on a segregated portfolio basis.”

Selecting staff is also an important part, says Beat Stamm, chief executive officer of Marquard Asia. This means hiring staff which share the firm’s culture, values and way of conducting business.

Being prepared and putting in place the right controls, processes and people, therefore, presents an opportunity for IAMs who are proactive and which think out-of-the-box to adjust their business models quickly. ■

“Whichever jurisdiction is favoured, IAMs therefore need to do thorough due diligence in relation to local customs and regulations.”

DELIVERING THE IAM VALUE PROPOSITION

Marc Geary, head of private wealth management and family office services at Harris Fraser Group, discusses the need for more client education about independent models as well as the need more broadly for more transparency in Asian wealth management.

As an independent asset manager (IAM), how do you advise and make recommendations to your clients?

As a trusted adviser and asset manager, clients engage us to manage money on their behalf. We provide holistic, global advice, and we charge a fee for this service.

The custody of assets resides with different private and investment banks.

In terms of the recommendations we make, clients' requirements are always changing.

For example, I was in Sydney recently, for the acquisition of a farm and cattle for a family. That particular asset wasn't on our books, but the requirement arose based on a specific wealth goal of the client – so we then sourced it. That strategy has lower volatility than a bond, with more than 20% returns. We're also currently in the process of executing property transactions for a client who wants to liquidate more than US\$100 million of property.

To understand the needs, desires, expectations and risk appetite of clients, we ask them to complete three separate questionnaires, followed by life examples and test trades – such as: "If this dropped by 30%, how would you feel?"

If a client says: "I want 7% return year on year," for us this is not a financial goal. In fact even common-law courts say this is not a goal. The return has to be matched to a measurable lifestyle goal accompanied by timeframe and measurable risk.

“We save a client, on average, 3% year-on-year just on trading costs, which is a lot for some high net worth and ultra high net worth individuals.”

If a client says: “I want 7% return year on year,” for us this is not a financial goal. In fact even common-law courts say this is not a goal.

The return has to be matched to a measurable lifestyle goal accompanied by timeframe and measurable risk – such as funding school fees for three generations, or a yacht, or a property – over “x” years, using “x” risk profile.

How do you present your value proposition to clients, given that IAMs is a relatively new concept in Asia?

We still face the classic problem that clients – even ones worth US\$500 million – treat advisory firms like they’re all just the same “apples” in a grocery store; they don’t really understand the role we play.

However, we recently held a joint event with one of our major private bank partners, and clients worth a total of US\$1 billion attended. The chairman of the bank described the triangular relationship between the IAM, bank and client. Two clients I spoke with afterwards, who received the same information from us, for one year, only really understand the concept of providing independent advice while still using a private banking platform after this event and after hearing the concept face-to-face with the chairman of the bank.

Our aim is to break through this knowledge gap, mainly through training and education.



Marc Geary

Harris Fraser Group

What about investors from outside Asia?

We’re not focused on European investors, but we do get referrals. We acquire most of our business through word-of-mouth, with no marketing at all. But we’re now just starting to go out and actively seek clients. However, without additional highly-trained staff, there is no point acquiring new clients; brand damage will be done. Out of 150 applicants, we interviewed five, offered two and hired one adviser.

What’s important to you when choosing which third-party providers and platforms to work with?

For every single trade we get four prices, from different brokers and investment banks. We do proper analysis, which is why we charge advisory fees.

We save a client, on average, 3% year-on-year just on trading costs, which is a lot for some high net worth and ultra high net worth individuals. We would like to see more transparency generally in the market. ■

Feature article

A MORE GLOBAL FOCUS ON ASIA'S IAM INDUSTRY

The various drivers for investing in Asia continue to lure European-based IAMs and MFOs to assess how and where they can access opportunities in the region. This promise to reinforce the optimism over the industry's future.

There has been growing interest in recent years from IAMs and family offices domiciled outside of Asia in the region's various financial hubs.

And this doesn't look like fading anytime soon.

"So far what I've seen is that a lot of European managers seem to be coming here and looking at the opportunities in Asia; either looking for expansion – bringing their businesses

over here – or in terms of investment in Asia," says Evonne Tan of Magenta Advisors.

While Switzerland still remains the number-one location for private banking, there is a huge shift in money coming to Asia based on the growth potential and future opportunities, adds Olivier Mivelaz, chief executive officer of Swiss-Asia Financial Services. "Those investors also want to be close to the action."

“If clients are not invested in Asia in some way or another, they're missing out on a lot of opportunities.”

The attraction is based on a desire by global investors to tap into the economic promise of Asia. In particular, the region has seen far stronger growth rates in the wake of the global financial crisis – and the same has happened during recoveries from previous crises.

The demographics in Asia are also very different, with the region generally having a much younger population than exists in Europe.

“Obviously we are seeing a lot of new wealth being created here, and the growth rate is also far stronger than in the rest of the world,” says Tan.

“We moved over to this time-zone some years ago in response to our clients’ changing needs and expectations,” explains Beat Stamm of Marcuard Asia. “They wanted to diversify their portfolios as well as have access to opportunities in Asia and hence moved some of their assets into Asia. Further, relocating to Asia also allowed us to start growing our business by opening our doors to local clients.”

From both of these perspectives, Asia presents a new pathway – an alternative to the difficult environment, challenges and changes that Western Europe is experiencing.



Stefano Fiala

Veco Invest

“Over the next five to 10 years, most of our growth will come from Asia, not from Europe”

Further, Asia represents good asset diversification, both in terms of geography and investment. As a result, net new money can be found in Asia, so any clients which are not invested in the region in some way are missing out on various opportunities.

“Over the next five to 10 years, most of our growth will come from Asia, not from Europe,” says Stefano Fiala, chief executive officer of Veco Invest.

Another driver of interest from European-based IAMs, family offices and end-clients in Asia comes from the uncertainty in terms of financial stability in the Eurozone.

European-based IAMs and family offices also want to broaden the services they offer their HNW and UHNW clients, which are also looking to get more exposure to Asia.

“Some of their existing clients are interested in the investment opportunities in both the developed and emerging economies of Asia,” says Pierre Donnet of Banque Privée Edmond de Rothschild, “whilst, at the same time, the IAM business model is becoming more attractive to some private banking RMs who would prefer to handle their clients’ investments from a smaller, independent platform.”

There is work coming to Asia from Europe, given the challenges families are facing at home so are looking to Asia for some of their structuring, adds Mark Lea of Lea & White International Advisers Limited. “For individuals and families coming to Asia, they want to use people on the ground.”

Adds Philippe Legrand of London & Capital Asia: “If you’re investing as an IAM, as an institution, Asia is definitely the growth area. If clients are not invested in Asia in some way or another, they’re missing out on a lot of opportunities.”

Pius Zraggen

OLZ & Partners

“For large Swiss or other European-based family offices, diversification is very important”



David Schmid of EFG Financial Products says he gets more and more IAMs asking how they can actually invest in Asia. "Asia has always been a topic in all of the newspapers in Europe," he says. "But the question remains: how do they invest in Asia – in particular, into China?"

INVESTMENT OPTIONS

According to Pius Zraggen, founding partner and chief executive officer of OLZ & Partners, for large Swiss or other European-based family offices, diversification is very important, both in terms of liquid and non-liquid assets.

To invest in Asia specifically, probably the easiest route is through liquid assets such as equities and local bond markets. Yet there is also the option of direct investments, for example in real estate or companies.

"There are also more opportunities emerging in private equity and infrastructure across Asia," says Mivelaz at Swiss-Asia Financial Services.

According to Peter Triggs, managing director and head of international clients and wealth structuring at DBS Private Bank, IAMs and MFOs should be looking at asset allocations on behalf of their clients to currencies, equities, fixed income and also private equity in Asia. This can be seen just by looking at the data in relation to what's happening in the world.

For example, he explains, the Singapore dollar has appreciated about 47% against the US dollar over the last 10 years. So exposure to Asian currencies is becoming increasingly important.

The real attraction, however, tends to lie in the Asian equity markets. De-



Olivier Mivelaz

Swiss Asia Financial Services

"There is a huge shift in money coming to Asia based on the growth potential and future opportunities"

spite performance over the last three years – where developed market equities have generally performed better – the bigger picture of Asian growth and strong corporate balance sheets justifies the desire to be invested in Asian equities, adds Urs Brutsch of HP Wealth Management.

It is also not enough just to invest in European stocks which have exposure to Asia – investors need to make the leap to investing in Asian names with businesses on the ground.

According to Zraggen, the speed at which less developed markets are becoming developed is getting quicker. As a result, he advises that more and more emerging markets are included as part of an equity portfolio to ensure diversification.

There is also inevitably interest from European clients to invest in China. While interest-rate reforms in the Chinese banking sector might squeeze margins, the shift from investment-driven to consumer-driven growth is seeing certain stocks thrive from double-digit growth in sales in retail products, luxury goods and food items, says Lim Say Boon, chief investment officer at DBS Group Wealth Management and Private Bank.

This more nuance play on Asia comes from understanding where the opportunities are – not just at the broad macro level but also the securities-selection level, he explains.

To make Asia a genuine part of the asset allocation, this doesn't just mean booking assets in only Hong Kong or Singapore.

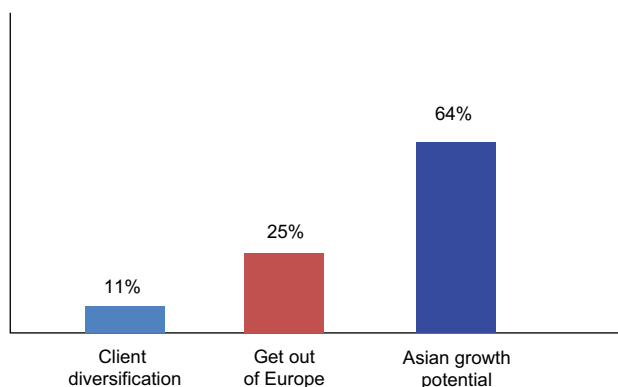
Instead, it is about managing Asian assets on the ground, where the real Asian expertise is based, says Brutsch.

ACCESSING ASIA

Despite some of the obvious opportunities in Asia, there are still a lot of IAMs which aren't fully aware of the region's potential, so they remain European focused.

Stamm of Marquard Asia says that European IAMs will only benefit from setting up in Asia if their client base is of a reasonable size, perhaps with a focus on UHNW individuals and families who have diverse global interests, to justify an on-the-ground presence, or if they want to diversify and grow their client base in this region.

Drivers for European investors accessing Asia



Source: Hubbis

To get access to Asia, they could choose to set up an office in Hong Kong or Singapore, for example, to tap into the Asian investor base.

Or they could forge some type of co-operation agreement with firms based locally, given the advantages of being on the ground, explains Legrand.

"I think the only way for them to get access is to build up synergies, and to connect more closely with banking hubs in Hong Kong and in Singapore," adds Schmid.

This is particularly important given the need for European-based IAMs and family offices to adapt their models to suit the dynamics of Asian clients and the diversity which exists within the region, explains Tan.

"Don't assume that the business model and value proposition are exactly the same as in other regions," adds Oliver Balmelli of BSI Bank.

Incoming firms need to understand these differences to be able to tweak their models to cater effectively to the local market.

"Asia is not one country," says Legrand. "It's a multitude of different countries, with a multitude of different perceptions."

It is also very important to leave enough decision-making power to the local management, says Balmelli.

"Credit and leverage are part of the investment culture and a must, and in order to mitigate the risk it is important to have strong risk and control measures in place."

"Our growth will come mainly from Asian clients," says Nicolas Duchene of Reyl Singapore.

"We are confident that our business model and our services will be well suited to the Asian market."

While Singapore has been a favourite for many European IAMs and MFOs to date, Fiala of Veco Invest says he chose to locate his Asian operations in Hong Kong to take advantage of being early in that market.

While he acknowledges that it would probably have been easier to set up in Singapore, especially because a lot of the required infrastructure is already there, he explains that he is prepared to be patient – helped by the proximity of China as an opportunity to acquire new clients.

Yet for European firms setting up in Asia, attracting skilled and experienced local professionals is a challenge.

This isn't just due to the relatively shallow talent pool, but also because convincing them to join the platform is not easy. ■



THE KEY TO SUCCESS FOR EUROPEAN IAMs

Talking about the growth challenges and opportunities for independent asset management companies in Switzerland and Asia, Olivier Collombin, partner, Lombard Odier & Co Capital Partners, and founder of E-MERGING, and Michael Ley, independent asset managers - business development, at Lombard Odier, look at where next for the serious industry players.

How much consolidation do you expect to see in the independent asset management (IAM) industry in Switzerland?

Collombin: Market sentiment is that many small players are about to disappear because of various regulatory and margin pressures. While this might be correct to a certain extent, there are those independent players which have grown via access to larger-sized clients as the industry has become more sophisticated – and this comprises the majority of activity within the IAM segment.

IAMs in the late 1990s and early 2000s were servicing smaller clients which were not getting the attention of larger private banks. That type of business could be handled by one- and two-person firms.

However, today there is a reasonable number of IAMs with more than CHF1 billion in assets under management (AUM), because an increasing number of larger clients have sought independent advice, preferring that approach to the traditional banking model.

In what ways are these trends reflected in your E-MERGING platform?

Collombin: More than 10% of the members manage more than CHF1 billion in AUM. In line with this, we are very ac-



Olivier Collombin

Lombard Odier

“For European IAMs which set up Asian platforms a few years ago, they could rely more heavily on [business from] European clients. This is no longer the case.”

tive in trying to improve our service offering to the more established players – not just the asset managers, but also professional services firms, technology companies and other vendors within the network to serve private clients.

How has interest from IAMs in Asia changed as a result of the new and more complex regulatory environment?

Collombin: For European IAMs which set up Asian platforms a few years ago, they could rely more heavily on [business from] European clients. This is no longer the case. Most of the growth in Singapore now, for example, is driven by Asian clients.

Ley: There is growing demand from sophisticated clients in Asia to have access to higher service levels, and this isn't always provided by local banks. This is where European IAMs who have been based in Singapore for the last few years have an attractive offering. These firms can now direct their focus to the local markets to offer something unique in the local context.

Collombin: There is an expectation that more locally-based IAMs will emerge to serve local clients, or forge ventures with larger IAMs.

What type of platform do private banks need to effectively service IAMs?

Ley: Having global capabilities, the capacity to generate products and robust IT tools, as well as providing back-



Michael Ley

Lombard Odier

office support and offering the networking potential that our E-MERGING platform gives IAMs is a combination of key factors. This ensures we give our clients the ability to do their job properly. ■

“There is growing demand from sophisticated clients in Asia to have access to higher service levels, and this isn't always provided by local banks.”

HUBBIS POLL

HUBBIS ASIAN IAM / FAMILY OFFICE POLL 2013

In an industry-first for Asia, we highlight those organisations and individuals who leading practitioners think stand out for the quality of their advice and service.

As the IAM and MFO industry continues to grow in Asia, it is critical that there is as much transparency and independent analysis as possible.

So we conducted an industry poll by inviting 120 senior individuals across a large number of IAMs and MFOs in Singapore and Hong Kong to participate. The aim was to highlight those

people and firms that are notable for providing the highest-quality value and services to the industry, and for supporting the development of this community in Asia.

All contributions were treated on an anonymous basis, and considered completely confidential.

“As the IAM and MFO industry continues to grow in Asia, it is critical that there is as much transparency and independent analysis as possible.”

Our poll is divided into six sections:

- Private Banks / Custody Platforms
- Trust Companies
- Legal & Tax Advisers
- Product Manufacturers
- Technology Providers
- IAMs / MFOs

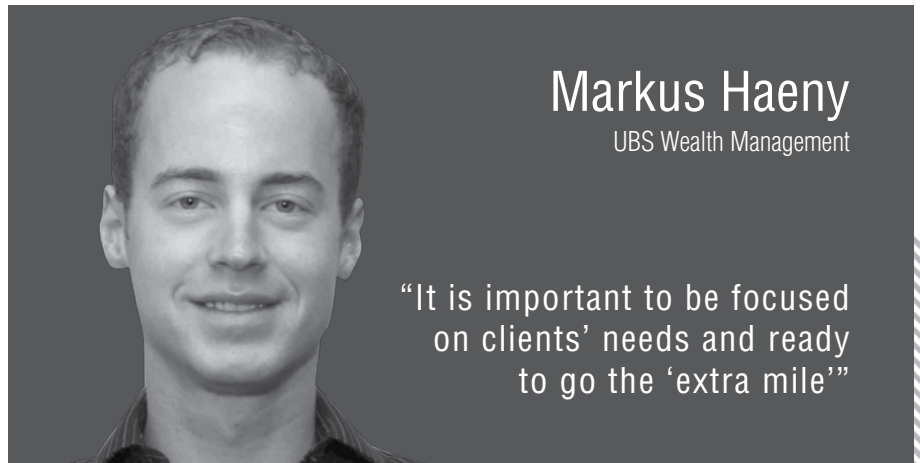
The results are listed below, along with some commentary from a few of the stand-out individuals.

We greatly welcome your feedback on this initiative – which is something we intend to build on. Please email your comments and suggestions to editor@hubbis.com.

PRIVATE BANKS / CUSTODY PLATFORMS

This section identifies who practitioners consider to be the “go-to” private banks (and individuals) in Asia for custody, as well as products and services.

The criteria upon which respondents could base their decisions included:



Client service; Responsiveness; Being proactive; Execution; IT platform; Online offering; Brand / reputation; Geographical reach; Relationships; Breadth of products & services.

Results

International Private Bank

Credit Suisse was frequently highlighted, with comments provided such as “comprehensive service”, “extensive research, good IT systems and operations to support IAMs”, “[one of] the most responsive in terms of ser-

vice, and finest in terms of spreads, and speed of execution”, and “solid balance sheet”.

UBS was mentioned regularly as another key bank for its “reputation and capabilities”, “pricing”, “overall platform”, “people” and also “good IT systems and operations to support IAMs”.

Julius Baer was highlighted for “customising solutions”, its “experienced team and strong execution platform”, and for its “flexibility”.

Other custodian banks specifically noted include:

- **Pictet** – for being “willing to invest resources in Asia” and “responsive in terms of service”
- **Deutsche Bank** – for its dbSelect platform
- **Barclays** – for being “responsive and eager to do business”
- **J.P. Morgan** – for its “reputation and capabilities”, being “professional” and the “financial strength of its parent”

Two individuals regularly noted at international private banks were UBS





David Schmid
EFG Financial Products

“Regardless of the obstacles, it is always my goal to achieve perfectionism by finding new solutions”

Wealth Management’s **Markus Haeny** and Julius Baer’s **Pamela Phua**.

Phua was noted for being “professional, friendly and diligent”, while Haeny is “on the ball, flexible, friendly and knowledgeable”, according to some respondents.

For Haeny, director business development in the global financial intermediaries business, Asia-Pacific, at UBS Wealth Management in Singapore, to stand out in the eyes of clients in the IAM and MFO space, both in Asia and Europe, it is important to have a good understanding of not only the bank’s offering but also the competitive landscape. “It is important to be focused on clients’ needs and ready to go the ‘extra mile’ and ‘live’ the team approach,” he says.

Says Haeny: “Some of the ways I approach servicing clients, to try to differentiate myself, include: carefully listening to clients / prospects to understand their needs and goals; offering in-depth analysis of what can be achieved and what is not available across the service spectrum; looking for benefits for the client / prospect first – and therefore being willing to draw on the multiple layers of expertise and service offering of UBS as an

integrated bank; putting the team approach first; and having the ability to say ‘no’, with justifications.”

Some other individuals mentioned by respondents include:

- **Nicolas Delorme** at Lombard Odier for his “excellent service”
- **Michele Paris** at UBS Wealth Management for being a “seasoned RM and very efficient”
- **Charles-Antoine Bouvet** at Societe Generale Private Banking for his “customer focus”
- **Annabelle Chow** at Barclays for “working diligently with care for her clients”

Asian / Regional Private Bank

DBS Private Bank was highlighted in the poll for “good coverage of existing clients in Asia, with extensive research and quality staff” and being Singapore’s largest bank and its “financial strengths”. It was also noted for its “wide scope of products covered”. In addition, Both DBS and **Bank of Singapore** were noted as “trying hard to upgrade their private banking platform”.

Meanwhile, individuals highlighted include **Terence Seow** at Bank of Singapore, and **Yann Mocellin** at DBS Private Bank for “working hard to cut the red tape for IAMs”.

TRUST COMPANIES

This section highlights the leading providers (and individuals) of trust and related services in Asia, according to practitioners, including: Trust Services, Fiduciary Services, Fund Administration, and Offshore Company Incorporation.

The criteria upon which respondents could base their decisions included: Client service; Responsiveness; Being



Marcus Leese
Ogier

“We are hugely selective in recruiting our staff and partners”

proactive; Knowledge of relevant market; Experience (in Asia); Reputation; and Value for money.

Results

Independent Trust Company

Heritage Trust Group was one of the smaller local and regional trust companies frequently pinpointed by poll respondents. In particular, this was for its “focus on the regional market” and being “responsive and offering good client service”.

Other companies mentioned by practitioners as standing out from the crowd included **Padang Trust, Asiatic Trust,** and **Rhone Trustees.**

In terms of individuals rated highly, Heritage’s **Angelo Venardos** was frequently highlighted, with reasons including “understanding the trust business requirements in Asia”.

Says Venardos: “Over the past 10 years Heritage has developed a ‘family DNA’ culture which is expressed through the high professional service standards we deliver. These are based fundamentally on simple principles of integrity, and being an independent [means] we are not chasing short-term profits.”

As a result, he says the team of 50 professionals aims to build a long-term sustainable business. “Most of it is internally generated – repeat business from existing clients being serviced by the same Heritage person who on average has been with us for between five to eight years,” adds Venardos. “Even the staff who are poached for higher salaries seek to come back after 12 months!”

Britta Pfister at Rothschild was also noted, for being a “content expert and reaching out with solutions”. In addition,



tion, **Alexandre Kunz** at Tao Trust “has the right answer for every client”. Other mentions include **Cara Briggs** at Asiatic Trust.

International Trust Company

Among the larger international firms in the market, **TMF Group** was highlighted for its “capability and long-standing reputation”, as well as “quick response times along with creative solutions by domain experts”.

Amicorp was also commonly chosen among the IAM community, with specific mentions for having the scale and AUM “to sustain an ever increasing business costs”, as well as offering “creating solutions”.

Intertrust also received several mentions for its quality of work.

Individuals highlighted by respondents included:

- **Katherine Chiu** at Intertrust for her “responsiveness and professionalism”
- **Peter Golovsky** at Amicorp for being “knowledgeable in the trust space”
- **Eastern Fong** at Maples Fund Services for being “client focused”

LEGAL & TAX ADVISERS

This section looks at who practitioners consider to be the leading providers (and individuals) of relevant legal or tax advice relating to their business and this industry segment, especially: regulatory & compliance advice, dispute resolution & litigation, and structuring clients’ wealth to minimise their tax.

The criteria upon which respondents could base their decisions included: Client service; Responsiveness; Being proactive; Knowledge of relevant market; Experience (in Asia); Reputation; and Value for money.

Results

Local Law Firm

Rajah & Tann in Singapore were most commonly mentioned as a leading local law firm serving IAMs.

Other firms in Singapore mentioned for the quality of their advice included **Shook Lin & Bok, WongPartnership, Drew & Napier,** and **Allen & Gledhill.**



Urs Brutsch

HP Wealth Management

“The partners in the firm are all very experienced – all with 20 to 30 years in the industry”

In particular in the local market, **Edmund Leow**, principal and head of tax & wealth management at Baker & McKenzie. Wong & Leow, was highlighted for his work.

He says the firm strives to advise individuals and families in a holistic manner, covering a wide range of legal and tax issues to cover both business issues and family issues. “In addition, because of the firm’s broad footprint around Asia and the world, we are also able to extend this coverage regionally and globally,” he explains. “Today’s wealthy families have family members and assets dispersed around the world, and they need structures and solutions that can deal with their legal and tax issues in all the relevant jurisdictions. By working with us, clients can come to one adviser who can receive input from diverse experts, and come up with a single strategic solution that will address all the relevant issues in the various countries.”

Other local lawyers mentioned included **Lee Suet Fern** at Stamford Law Corporation for her “long-standing reputation and performance”, as well as **Jasmine Chew** at Rajah & Tann for her “knowledge of Singapore offering laws”.

International Law Firm

Baker & McKenzie was among the global firms winning praise for its work in the IAM space, including for being “experts in their domain”, and “providing quick turnarounds”.

Other international firms highlighted included **Clifford Chance**, **Allen & Overy**, and **Withers**.

Marcus Leese, partner of Ogier, was highlighted for his quality of advice and service.

“I believe there are two principal areas that differentiate me and Ogier from others. First, is our private wealth advisory team. We are hugely selective in recruiting our staff and partners – intelligence and technical knowledge are necessary but not enough; practicality and commercial understanding are also vitally important. Having the right mix of people is also crucial – ensuring both experience and expertise from staff who have lived and worked in our home jurisdictions (BVI, Cayman, Guernsey, Jersey and Luxembourg) as well as local knowledge and language skills from those who have grown up in Hong Kong, mainland China and other parts of Asia.”

Secondly, adds Leese, the focus on building relationships is important because private wealth advisory work is a fundamentally personal matter.

“Central to our approach is understanding what each client is seeking to achieve and providing them with advice and documents that are tailored specifically for them and their needs, in their preferred language and within the deadlines that they require,” he says. “All aspects of our approach are designed to reinforce this.”

In addition to Leese, **Nick Harrold** of Maples and Calder was highlighted for his “understanding of cross-border requirements and his commerciality”. Drew & Napier’s **Eric Chan** was also noted, for regulatory matters and licensing.

Accounting / Tax Advisers

Ernst & Young and **PwC** were tipped by respondents to the poll for their “good reputation, broad knowledge of relevant markets and client service”.

Ernst & Young was also noted for its “willingness to take on project for mutual benefits;” while PwC won credit for its “assertion to be leader in its field”.

Deloitte and **KPMG** were among the other firms regularly mentioned – Deloitte specifically for its “honesty and diligence”.

More locally, in Singapore, **RSM Chio Lim** was noted for being “knowledgeable and offering good service”.

Individuals mentioned by respondents included **Amy Ang** at Ernst & Young, **Eileen Giam** at Deloitte, and **Justin Ong** at PwC.

PRODUCT MANUFACTURERS

Given the variety of types of providers which offer different products, this section highlights who industry players consider to be the leading firms (and individuals).

The criteria upon which respondents could base their decisions included: Pricing; Execution; Attention to detail; Product range; Innovation; Being proactive – providing smart ideas; Understanding & connectivity with other relevant clients; Reputation; Client service; and Responsiveness.

Results

In terms of Fund Managers, some of the most well-liked firms within the IAM space included **PIMCO, Vanguard, AllianceBernstein** and **Aberdeen Asset Management**.

Investment Banks regularly highlighted by IAMs included **Morgan Stanley, Citi, HSBC, Deutsche Bank, Credit Suisse** and **UBS** – generally for a mix of reputation, innovation and market understanding.

When it comes to Structured Products / Third-Party Brokers, **EFG Financial Products** was regularly noted for its platform and service levels.

Specifically, **David Schmid** executive director and head of structured solutions South-east Asia within the EFG Financial Products division at EFG Bank, Singapore Branch, was noted for his expertise and client service.

“The commitment in understanding and prioritising client requirements helps to achieve the highest quality of service and professionalism whilst managing relationships,” he explains.

“My drive to deliver this high quality of service through innovative product solutions ensures stability and security throughout challenging market environments. Regardless of the obstacles, it is always my goal to achieve perfectionism by finding new solutions and adopting a flexible approach. I challenge myself to be more than a product provider by taking the time to carefully listen to each client’s requests.”

Schmid says this allows him to understand their needs and deliver innovative solutions in the most efficient and effective manner.

“Through creating working relationships within all areas of wealth management and financial services I enjoy the challenges and opportunities which arise on a daily basis.”

TECHNOLOGY PROVIDERS

This section identifies who practitioners consider to be the leading providers (and individuals) relating to technology systems and solutions to support the IAM / MFO business.

The criteria upon which respondents could base their decisions included: Multi-jurisdictional capability; Consolidated reporting & statements; Flexibility of functionality; Client experience; Pricing; Being proactive; and Security of data.

Results

Expersoft Systems and **2S Technology** were two technology providers which were highlighted for their expertise. **IRESS** was also mentioned by respondents.

2S in particular was noted for being “flexible and friendly”, while Expersoft was mentioned for its capabilities in terms of portfolio management software (PMS), and being “comprehensive and flexible”, as well as having “good client service and being responsive”.

Other PMS providers noted by IAMs included **Advent Software** and **Allocare**.

The main individual frequently mentioned was **Vedat Tuzun**, director at Expersoft Systems.

One respondent said that he is “not only technologically competent, he is

Anthonia Hui

AL Wealth Partners

“I am always open and direct with every person I interact with”



also willing to listen and understand more than many bankers/fund managers how investment/portfolio management works, thus matching to the system features to write programmes that can be used by the fund manager/family office”.

According to Tuzun for the firm and himself to be rated highly by the IAM community is likely to be due to the good relationships the firm has built up over the years, seeing clients as business partners and being well aware that it can grow with clients’ growth and references.

Also having a strong product and a good team support from the company has been vital to being successful.

“I think it is important first to understand the needs of the client and provide them a solution accordingly,” he says. “If you try to push a solution before you understand the need, the expected results may not be achieved.”

Another important aspect is to be careful not to be in a position to teach anyone their job, so a solution is to be figured out together and you need to spend time with the client, he adds.

“A final comment relates to communication – I try to inform clients uniformly, I mean you might have some issues delivering a project but in time communication is also critical to address the issues and manage expectations.”

IAMs / MFOs

This section lists the stand-out IAM / MFO according to respondents to the poll, as well as individuals which have made important contributions to the development of the industry.

Results

HP Wealth Management and **AL Wealth Partners** were the two IAMs most frequently highlighted by their peers as standing out in the industry – with **Urs Brutsch**, managing partner and founder of HP Wealth Management, and **Anthonia Hui**, chief executive officer of AL Wealth Partners, also regularly mentioned as two critical individuals within the region’s community.

Brutsch, who was noted for his “honesty and professionalism”, says he believes that the business model of IAMs has gained traction in Asia over the last couple of years and that he thinks the AIAM in Singapore is playing its part. “As a founding member of the AIAM, I feel that the association has brought together the key players in this segment and has also made good progress in representing the industry vis-à-vis the authorities.”

Specifically in terms of HP Wealth Management, he says the business model is perhaps a bit different in the sense that it doesn’t work with retrocessions. “We charge our clients an advisory or investment management fee, regardless of transactions, product or fund selection,” he explains.

“That is contrary to the popular belief that Asian clients do not pay fees. The vast majority of our clients are Asian, and they all pay a fee. The partners in the firm are all very experienced – all with 20 to 30 years in the industry – and that this is important as the foundation of our business is strong relationships and a good network so that we can source the best possible solutions for our clients.”

Meanwhile, Hui of AL Wealth Partners says she finds it best to work with those individuals with whom the firm

shares investment philosophies and value systems. “Only when we identify a true fit do we enter into a relationship. By then, both sides have discussed and identified expectations to work towards in achieving agreed goals,” she explains.

“To avoid any surprises that lead to disappointment for clients, only those investment ideas that match clients’ profiles are presented for their consideration, to ensure all opportunities are explored and explained.”

For Hui personally, she says she sees her value-add in making a difference in someone’s life by managing their financial affairs appropriately and helping to bridge generation gaps among family members in how the wealth is to be handled.

“That is particularly rewarding when compared with their experiences with many other advisers/bankers during tough markets and financial crisis like in 1998, 2001 and 2008 – when we succeeded in preserving our clients’ wealth and guided them through the bad times, lessening the negative emotional and financial blows.”

Adds Hui: “A key reason for getting where I am now is I have no ego about myself and my achievements, and I commit personal and emotional investment to stand by my clients in both good and bad times. I am always open and direct with every person I interact with, not in fear of being judged as I hold a clean conscience for my actions. Most importantly, being honest about and facing up to my own mistakes, if any, and proactively taking action to rectify them, have earned me a good position with my clients and their trust.” ■

SHAPING ASIA'S FAMILY-OFFICE FUTURE

William Chan, founder and chief executive officer of Stamford Privee, looks at the current global landscape for family offices – as well as expected trends and opportunities in Asia.

What are the global trends you're seeing in terms of family offices?

As the family office concept has been around for a while in the US, I expect to see North American family offices heading to Asia, as families start to look for the next frontier.

For example, we have a constant stream of family offices approaching us, discussing with us what they call “synergistic partnerships”.

In addition, we see reverse flows, once individuals have made enough money in Asia, they tend to look at other geographies.

This shows the potential for a lot of exciting exchanges, which we also get a sense of in relation to The Society of Family Offices Asia.

What are the aims of the Society?

It is a platform of like-minded people who have formed a club, largely for co-investment.

The Society was very much intended to be for Asian family offices, rather than US or European offices which have moved to Asia and are generally more mature and interested in dividend income, stability and wealth preservation.

We have a constant stream of family offices approaching us, discussing with us what they call “synergistic partnerships”. In addition, we see reverse flows, once individuals have made enough money in Asia, they tend to look at other geographies.

“A typical family tree poses a lot of cross border issues – that’s heightened in Asia.”

On the other hand, Asian families have a different focus and requirements; they’re typically closer to the wealth, and they’re more speculative and entrepreneurial in nature.

What is the potential for family offices in Asia?

Statistics show that there are only around 100 Asian family offices at the moment, so this means there is a lot of potential for growth.

The crisis of 2007 to 2009 acted as a catalyst, with more and more families wanting to be in control of their wealth and ensure open architecture where they can deal with whoever they want.

There is a strong requirement for education in this segment, particularly in areas such as how to achieve wealth preservation. The relationships that are built through the society, for example, provide opportunities to transmit messages to different family members.

What is your offering in Asia as Stamford Privee?

We call ourselves a family office simply because we literally deal with family dynamics. We currently look after several families, providing not just pure investment management, but also conflict resolution and offshoring tax structures – which can be global, depending on the needs of the family.

We recently expanded into more of a wealth management platform. This actually involved narrowing our offering, therefore, which aligns ourselves more with IAMs and accepting clients in the US\$20 million range.

It was a strategic move, since it’s not practical to expect to onboard a new US\$100 million client every month.



William Chan

Stamford Privee

Typically, we concentrate on consolidation of reports, tax and other issues for these clients, and we move onto money management at a later stage.

What are some of the issues you need to help families in Asia deal with?

A typical family tree poses a lot of cross border issues – that’s heightened in Asia, where many wealthy families send their children to study in the US or the UK, for example, and the children might end up settling overseas, getting married and pursuing careers there. This creates various issues around succession and transferring wealth.

A lot of the time this means restructuring in order to be more tax efficient, rather than trying to avoid tax.

We might see, for example, a business trading in Japan that’s being hit by very high corporate taxes and is therefore looking to relocate to Singapore. There might also be very complex requirements too, such as the setting up of pre-nuptials. ■

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