Link to Article on website
Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

How can IAMs Grow their Platforms and Offerings?

How do the independent wealth advisers and asset management firms attract the right people and then retain them, when it is so tough to train younger professionals in-house? How do the smaller firms create and impose their identity in an intensely competitive industry? Is consolidation in the sector inevitable, especially in face of rising regulatory burdens? A panel of experts gave their insights in the third group discussion at the Hubbis Independent Wealth Management Forum.

These were the topics discussed:

- *How do you attract the right people without paying them a massive basic salary?*
- *What motivates them to join YOU?*
- *Bankers bring legacy clients to the EAM platform but how can you get new clients?*
- *What's the alignment of interest?*
- *Who owns it? Is it the same as working for private bank if you don't own it?*
- *Let's imagine you want to add just two RMs to your platform this year - what are the challenges? Is it difficult to find someone to join you that shares your value system and embraces the unique culture?*
- *Can you improve processes? And can you make the connection between this and increased revenue?*
- *Is critical mass an issue? When do economies of scale kick in? When a company grows you face ballooning costs. Can you travel the road from 'small' to 'medium sized' without dying on the journey?*
- *If you diversify will you damage the existing value proposition?*
- *How can you best deal with your practice management, governance and controls?*

PANEL SPEAKERS

- **Mark Brady, Executive Director, Institutional Asset Management, Venture Smart**
- **Jon Dingley, Head of Private Wealth, CBH Asia**
- **Riccardo Lehmann, Managing Director, Swiss-Asia Asset Management**
- **Rohit Bhuta, Chief Executive Officer, Crossinvest**

A PANELLIST BEGAN THE discussion by defining what for his boutique firm in Singapore represents growth, namely the volume of assets under management (AUM). "We want assets, and this does not necessarily mean more and more people, as we want to run a very scalable model. Besides which, we know from experience that finding the right people in Asia is very tough."

"I agree," said another guest, it is about carefully finding and nurturing the right people and then building the business and clients and culture that all matches well. Building a sustainable business to weather the bad as well as the good times."

Addressing the question of who might fit today, another expert replied that the ideal person joining an independent wealth manager should be aligned in how they think and their value system, as well as being highly entrepreneurial. "Actually, for me," he said, "numbers, AUM volumes and so forth are secondary to how we look at talking to new people who may want to join us. It is about the commonality of ideas and approach, how we look at the clients and whether we are the right partner for that individual or partner firm."

Seeing both sides of the coin

Another panellist remarked that if the person has a preference for the corporate life, the big brand name, that is unlikely to change. "You can

ROHIT BHUTA
Crossinvest

MARK BRADY
Venture Smart

say that technically we are an EAM, but we are owned by a family-owned private bank in Geneva and they, in turn, treat us as an independent here in Hong Kong. We even have our own booking centre here and we do even work with other private banks, so we have that option as well. Essentially we are a hybrid type of organisation."

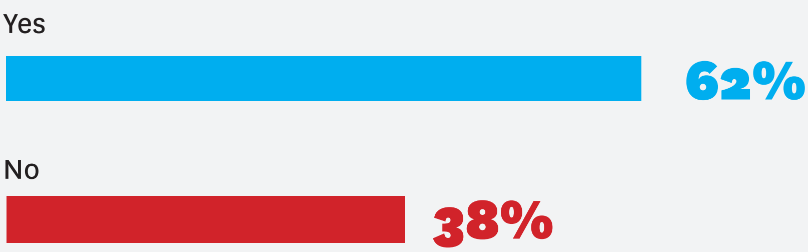
Turning the focus of the discussion on how to develop hiring discussions, one panellist said his firm avoid remuneration in the early stages. "If someone comes to me and the first question in the interview is on pay, then I say 'sorry, strategically and culturally we are not the right match'. I feel people coming from the private banks almost need to unlearn their habits. We do not take retrocessions, or commissions, or other kickbacks. We are medium to long-term driven, we do not focus on tactical trades. So, 100% of our revenues come from our clients."

Alignment of principles

This means that the discussion centres around the model and whether this person buys into that concept. "Are you aligned, we ask," he added. "Are you then able to communicate properly with the client, to convince the client that you no longer want to push products for the benefit of the bank you worked for? There are lots of very successful private bankers in Singapore, working for successful and profitable private banks, but the behaviour is really no

RICCARDO LEHMANN
Swiss-Asia Asset Management

DO PRIVATE BANKERS GET OVERPAID TODAY?



Source: Independent Wealth Management Forum 2018 - Hong Kong different from what I saw when building a business in India and what we have seen from the press in Australia." In other words, the client comes lower down in terms of a priority than the bank and the RM.

The same expert explained that trying to change the mindsets of the clients is tough. "A client might say look we are happy with our 5% return," he commented. "But we might then say, well the bank you work with is taking 3%, but we could achieve 7% for you and charge you 1% in a fully transparent manner. However, getting that message across and fully engrained in the client is tough, more education of the market is needed."

The broad-based approach

Another panellist noted that his firm provides a much broader approach to wealth management, developing strong client relationships based on providing a wide range of products and services, from discretionary management to advice on insurance to estate management, trusts and wills. "We try to be less reliant on the pure wealth management elements," he explained. "Although those are very important, we aim to build such close relationships that clients will be loyal to us over time."

"We must all find our niches," added another expert. "Specialisation certainly helps differentiation."

Watch those costs...

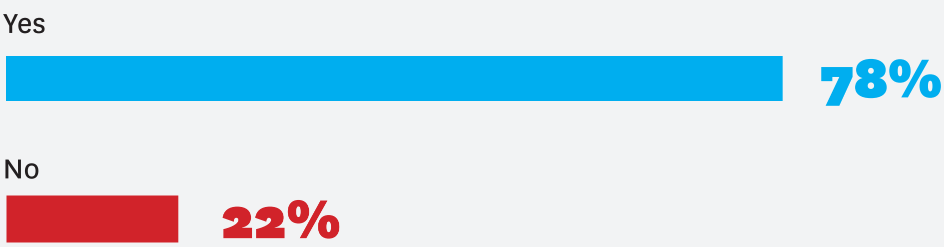
The discussion turned to costs, with one

JON DINGLEY
CBH Asia

"ALTHOUGH THOSE ARE VERY IMPORTANT, WE AIM TO BUILD SUCH CLOSE RELATIONSHIPS THAT CLIENTS WILL BE LOYAL TO US OVER TIME."

panellist noting that wealth management in Hong Kong or Singapore is a costly venture with office and living costs, as well as the rising compliance burdens. "That is why we are seeing changes in the industry, with merger and acquisition

DO YOU THINK THERE WILL BE A CONSOLIDATION IN THE IAM INDUSTRY IN THE NEXT FEW YEARS?



Source: Independent Wealth Management Forum 2018 - Hong Kong activity, because for a smaller entity to operate these days, it is tough and getting tougher. Over time we are likely to have fewer EAM companies, but they will be much bigger through consolidation."

Another expert warned of the dangers of smaller firms spreading their clients' custodial arrangements across too many private banks, because of the administrative burden of dealing with multiple organisations. "Moreover, aside from the red tape, those custodians are pushing up the thresholds and the costs all the time, so we for one have been consolidating our relationships, dealing with fewer firms, but building stronger relationships."

Getting connected?

A perennial problem is getting the banks' systems to connect efficiently with the independent firms' platforms and administrative systems. "We managed to get 9% of the banks we work with to connect to our internal reporting system in the past year," quipped one panellist. "The two biggest banks we work have not even been able to and send us pdf files for reporting. It all takes time, money, huge effort, it just shows how far the private banking space is from really being efficient, fully automated and therefore able to really concentrate on enhancing the client experience. Right now we seem to be stuck at the basics."

A guest with a strong technology background explained that he had helped his firm build a new end-to-end fund platform over the past year. "The trouble is we are so often dealing with legacy systems, but we are fortunate enough to build the platform from scratch, the way this technology is fully automated front to back in terms of workflows and reporting, risk management, basically everything."

The discussion closed with a brief comment from one panellist on outsourcing. "We cannot outsource the client relationships or the responsibility for what we do, but we could potentially outsource some administration, compliance, day to day checklists and so forth. That is almost like the hedge fund industry works. We need to focus on what we are best at or can be leaders in. We can outsource other areas where it proves to be more efficient and cost-effective. But outsourcing is not cheap and needs to be managed efficiently." ■