

THE UAE'S EXPANDING INDEPENDENT WEALTH MANAGEMENT MARKET: IMMENSE OPPORTUNITY AND MANY CHALLENGES AHEAD



INTRODUCTION

A Survey in Advance of the 2024 Hubbis UAE Independent Wealth Forum.

The independent wealth sector - comprising External Asset Managers (EAMs), Multi-Family Offices (MFOs), Single-Family Offices and select Independent Financial advisors (IFAs) - has grown apace and with considerable dynamism over the past 15-plus years in Asia's fast-expanding private wealth markets, especially in Singapore and Hong Kong. With the remarkably rapid progress, expansion and liberalisation taking place in the UAE and the wider Middle East, there are clearly huge opportunities ahead in the region's wealth market, where growth in recent years has been significant, albeit from a rather more modest base.

Moreover, there is a truly dramatic (and continuing) expansion of HNW and UHNW private wealth locally in the UAE and wave upon wave of new HNW and UHNW clients and families coming to the region to either avail themselves of the UAE's expanding and improving wealth management offering, or perhaps to move to the region, bringing some or all of their investment wealth with them to be managed in the region.

Against this exciting backdrop, the UAE's nascent independent wealth sector has immense potential, with plenty of room for growth amongst existing players and plenty of scope for greater diversity with the arrival of new entrants, both local and international. But alongside the huge opportunity, there are also numerous areas to improve upon, and key challenges to overcome.

The inaugural Hubbis UAE Independent Wealth Management Forum took place very successfully in March 2023, and the second of these annual Independent Wealth Management events is set to take place on March 6, 2024, in Dubai.

In anticipation of that event, we conducted a short 'taster' survey on the evolution of the wealth market in the UAE and the key challenges ahead for the expanding Independent Wealth community.

We received over 200 replies, with some respondents providing significant thought and detail. We have filtered and distilled these replies to produce this summary, which we hope to some extent provides a road map towards the rewards ahead and guidance on some of the challenges the market and its incumbent and newer competitors will need to overcome along the way.



THE TOP TEN TAKEAWAYS FROM OUR PRE-EVENT SURVEY

Wealth market growth in the UAE and the broader Middle East region is virtually assured in the coming years, and the long-term potential is immense

- » 84% of those we surveyed predict AUM growth of more than 15% annually in the UAE through 2030, including 34% who expect growth to exceed 25% annually. There are various estimates, but Statista predicts that UAE's assets under management (AUM) in the wealth management market will grow to some USD270 billion in 2024 and then expand at approaching 10% annually for the following three years to 2027. Others predict even faster compound growth, especially if the world continues on its path of geopolitical and political instability (as many fear is likely), which could propel more wealthy and uber-rich families to the UAE's welcoming shores.

The region is becoming a magnet for independent wealth firms from around the globe to set up shop in the UAE

- » It is of little surprise that the existing players are striving to up their game, that the region's more powerful banks are launching or expanding their wealth management arms, and that plenty of new independent entrants are coming in from other international jurisdictions such as Switzerland, London, Singapore and Hong Kong. Hubbis is aware of a growing number of established EAMs, MFos, SFOs and even IFAs either opening new operations in the UAE or planning to do so, replete with the necessary licences from their chosen centres in the UAE.

Client-centricity and differentiation are both essential and intertwined

- » The replies to our survey indicated very clearly that the qualities of client alignment and client centricity provide the key points of differentiation from the mainstream providers, such as the private banks or the wealth arms of the major local and regional banks will offer independents their critical advantages. Indeed, 90% of replies indicated that the vital qualities of independence and alignment with clients (including the delivery of high-quality advice supported by an open architecture product offering) are the keys to the independent wealth proposition. 'Hygiene' objectives such as lower fees, or easier onboarding and compliance are dramatically less important.
- » To survive and prosper in what is becoming a more diverse and competitive market, the incumbent independent players, new arrivals, and anyone planning to set up in the UAE must all set themselves a very clear differentiation strategy. The independents must align their businesses, their models, their cultures, and their talent with their clients and focus on integrity, quality, objectivity, and trustworthiness. They must offer not only sound, impartial, wide-ranging investment expertise and choice, but they also need to present a holistic offering that includes a broad range of advice to encompass the 360-degree needs of their clients.

Better estate & legacy planning and structuring skills and propositions are vital to serve the incumbent patriarchs and their families, and to connect to their next and future generations, as well as to serve the rising tide of global family wealth coming to the UAE's shores

- » Many immensely wealthy local/regional private clients are ageing, and old money is increasingly passing to the next and younger generations. By some estimates, more than USD1 trillion of wealth will be transferred to the next generations in the Middle East over the coming decade. Much of that

money is held by very traditional local individuals and families, implying that there is a vast opportunity both to manage their funds more professionally and to help those patriarchs and families with estate & legacy planning and structuring.

- » The consensus amongst respondents is that only a small portion of these families – 25% or less – have fit-for-purpose legacy and succession planning in place. While there is no inheritance tax in the region, these families often have assets dotted around the world, and they also often have very extensive families, all of which means they need careful planning to ensure their estates and families endure in the future and hopefully harmoniously. The skills and successes achieved in these areas can also easily and logically be extended to the numerous HNW clients and families coming into the UAE from across the globe, and the rising ranks of UHNW clients and families arriving, some of them establishing substantial SFOs that will likely at some stage also require significant legacy & planning support.
- » It is far better to serve their needs within the region than to have these clients fly off to Zurich or Singapore to obtain the best specialist advice and execution. But all this requires a more intense focus on this area, as well as a significant deepening of the region's professional services ecosystem.

Optimal digital tools and solutions are needed but with carefully targeted investment in key areas of most importance to the independents

- » It was very clear from the survey that sensible investment in digital solutions is valuable, but it was also clear that the independents need to focus mostly on the front end, delivering an excellent human-led but digitally supported offering and experience and supporting client-facing RMs and advisors with technology. They also need the right technologies to work closely and collaboratively with the external digital investment platform providers and private banks, the latter of which, incidentally, need to boost their support of and focus on the independent segment, including with more EAM/MFO desks and direct business connectivity with the independents.

The independent wealth firms in the UAE need to collaborate as well as compete

- » The independent firms are competing with each other as well as competing for clients with the wealth arms of the domestic/regional banks and the international private banks. But they also need to collaborate with each other, and with the wider industry ecosystem. This will help to help deliver a clear and consistent message to the client base, to the regulators (and stimulate more two-way communication), and to any investment platforms, EAM desks, custodians, and to the expanding ecosystem of fiduciary, legal, accounting, consulting and other services providers. By way of example, 83% of those we polled maintain that the private banks and leading banks in the region should be doing far more to support the independent wealth market in a whole range of areas.

There is a loud call for greater professionalisation of the wealth industry generally in the UAE and specifically in the independent sector

- » Many replies focused on the need for the independent sector to shake off its past and embrace best-in-class international standards. The UAE is no longer just a niche wealth market for some wealthy local clients, for an assortment of international HNWIs and the numerous well-to-do expats in the region. The UAE is increasingly positioning itself to compete with the best and long-established global wealth centres, especially in Europe, Singapore and Hong Kong. To do so, there is broad recognition that higher professional standards and skills are needed, as well as greater transparency and the articulation of a longer-term vision, all of which will help to engender the trust and reliability that serious clients from the region and globally need and expect.

The financial sector infrastructure and ecosystem need to expand, diversify and improve to more fully support the wealth management sector

» Singapore and Hong Kong are immensely successful wealth centres partly because their banking and financial market infrastructure is so extensive and, nowadays, highly professional, and all supported by the entire ecosystem of fund management, insurance, fiduciary services and other professional advisory specialists. The UAE must aim to emulate that in order for the wealth management sector to flourish – HNW and UHNW clients from the region or from across the globe need access to this complete range of support from reputable institutions from the world over. This will not happen overnight in the UAE, but it must be a long-term goal of the authorities, regulators and those competing in the financial and wealth markets.

Without the right talent, the entire market's growth is under threat. But fear not; the glass is probably half full, and the authorities appear to recognise the need to both attract more talent to the region and nurture talent in the UAE through more training and a bigger financial and wealth management ecosystem. There is also a clearer understanding today of what skills and characteristics the RMs and advisors need to thrive.

» A major challenge for independent wealth providers seeking to seize the full growth potential the region offers is the shortage of skilled RMs and other professionals available. But the glass is more full than empty, at least for now. Some 66% of respondents, or two-thirds, indicated that while it is not easy to find the right people to hire, it is possible. Comments received reported it is very clear that the authorities and the regulators must address this issue before it becomes more critical and truly hampers growth in the wealth market. As more and more competitors expand or arrive in the region, the demand for talent will likely escalate rapidly. Everyone must get ahead of this game, or the situation will become untenable.

» We also asked for views on what key attributes are likely to make an individual EAM/MFO Relationship Manager successful with HNW and UHNW private clients. We learned that the RMs clearly need a variety of skills and characteristics in order to deliver the independent wealth proposition. Client centricity is the most important element, according to 35% of the replies, with a further 26% pointing to the vital need to be fully objective and transparent.

There is a growing collective 'voice' calling for more of everything to support the independent wealth sector in the UAE

» Throughout all the replies received, the experts we polled called for more. More EAM desks to support their businesses. More potential for booking in the UAE. More domestic/regional custody solutions and a far more professional custody ecosystem. More investment products. More life insurance providers and specialist brokerages. More competitors of all types. More global banks to focus more intensely on the region and on their needs. More Shariah products and services. More fiduciary providers, more top-flight law firms and lawyers. More liberalisation from the regulators. More talent from offshore, more talent to be nurtured in the region.

In short, more... and more...

LOOKING AT THE BIG PICTURE - THE WIND IN THE UAE'S SAILS

It is also worth painting a quick picture of the immensely encouraging environment the UAE currently enjoys. Economic growth in the UAE and, more broadly, in the Middle East is very encouraging, with the International Monetary Fund (IMF) forecasting that the UAE's real GDP will grow by a further 4% in 2024, and the Central Bank of the UAE taking a more bullish stance, projecting 5.7% growth this year.

The population of the UAE is projected to exceed 11 million by 2030, and the Emirates sit within the Middle East, where the population (including Egypt) is approaching 500 million. Moreover, the region is closely connected to the immensely populous continent of Africa, as well as to West Asia, and it is only just over three hours to fly from Dubai to Mumbai in India. And of course, the time zone in the UAE is ideal for doing business and connecting to both Europe and most of Asia.

The UAE offers great political/leadership stability, and houses an increasingly diverse array of people amongst its population and residents, with more than 200 nationalities living in the country for work, education and nowadays, at least for HNW and UHNW individuals and families, for alternative lifestyles, for convenience, and for access to the UAE's world-class property, leisure, lifestyle, healthcare, education and travel infrastructure, all of which continues to expand and improve apace.

More and more global money continues to flow into the region from all sources, whether Russia, China, or indeed from literally anywhere. According to the Financial Times, a new generation of wealthy individuals and families have been basing themselves in Dubai, which gambled successfully on keeping its borders open to the world during the pandemic. And this relocation is not limited to Dubai alone as other states such as Abu Dhabi are also cultivating and harvesting these inflows.

The Henley & Partners Private Wealth Migration Report 2023 predicted that the UAE would attract 4,500 new HNWI's in 2023. According to various sources, the number of UHNWIs (both indigenous and 'imported') in the Middle East is growing considerably faster than the rapid growth of some 10% annually currently being registered worldwide.

With its stability, strong rule of law, safety and privacy, with top-class infrastructure and outstanding global connectivity (some of the best airports, airlines and reliability in the globe), and with its increasingly global approach to international wealth, it is little wonder that the UAE has become a rapidly growing wealth management centre catering to an expanding pool of local, regional and international HNWI and UHNWI clients and families.

In recent years, the UAE has very clearly emerged as a global private wealth hub to reckon with on the world stage. According to Statista, the assets under management (AUM) in the wealth management market in the United Arab Emirates (UAE) are projected to reach USD270 billion in 2024 and then set to grow at approaching 10% annually for the following three years to 2027.

By comparison, Singapore's total wealth market AUM stands at slightly in excess of USD1 trillion. It is very clear that Singapore's success – growth of AUM there is set to exceed 7.5% annually for the next several years – is founded on its deep financial and professional services ecosystem, the depth and variety of the investment fund industry, its sound financial regulation, the strong rule of law, political and economic stability, and the breadth and depth of institutions that provide a full suite of wealth management services.

The UAE's leaders understand all this and are very clearly intently focused on emulating many or all of these characteristics in their own markets.

Moreover, times are changing, as the old money changes hands to the next and younger generations – by some estimates, more than USD1 trillion of wealth will be transferred to the next generation in the Middle East over the coming decade. Much of that money is held by very traditional individuals and families, implying that there is a vast opportunity both to manage those funds more professionally and to help those patriarchs and families with estate & legacy planning and structuring.

There is a steady and expanding flow of new wealth and other financial sector operators coming into the region, including many established independent firms – mostly from Europe but also from Singapore and Hong Kong - looking to add the UAE to their platforms.

And they have a significant range of choices available today – most opt for the Dubai International Financial Centre (DIFC) or the Abu Dhabi Global Market (ADGM). But the options extend to the Dubai Multi Commodities Centre (DMCC) free zone, or the newer Dubai World Trade Centre Free Zone, which now offers not only a single-family office (SFO) option alongside its MFO offering. What characterises all of these centres is that they are competing keenly and often imaginatively to attract more business from the world over, all of which is of course helping to expand and, hopefully, improve the overall financial and wealth management infrastructure and ecosystem.

With the UAE's strong and rising appeal to HNW and UHNW individuals from across the globe and the government's policy to welcome them to the UAE's shores, the outlook is indeed very encouraging for broad-based growth to exceed even some of the more optimistic expectations.

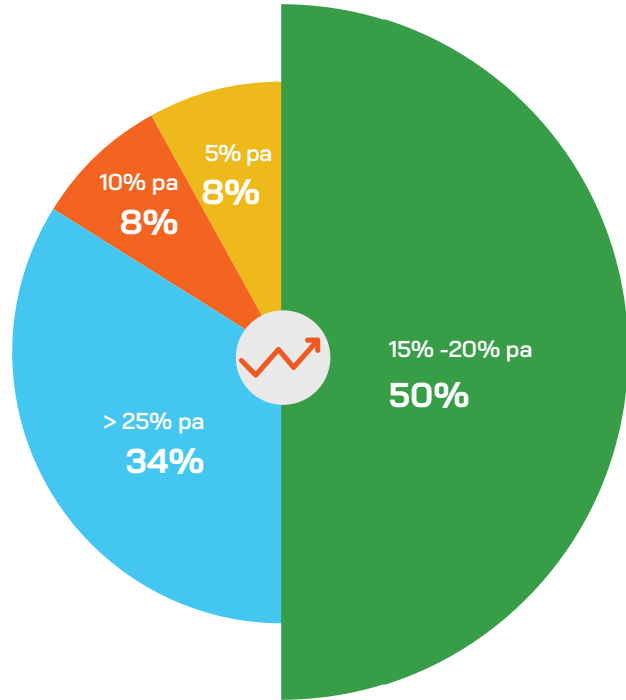


SURVEY FINDINGS & COMMENTARY

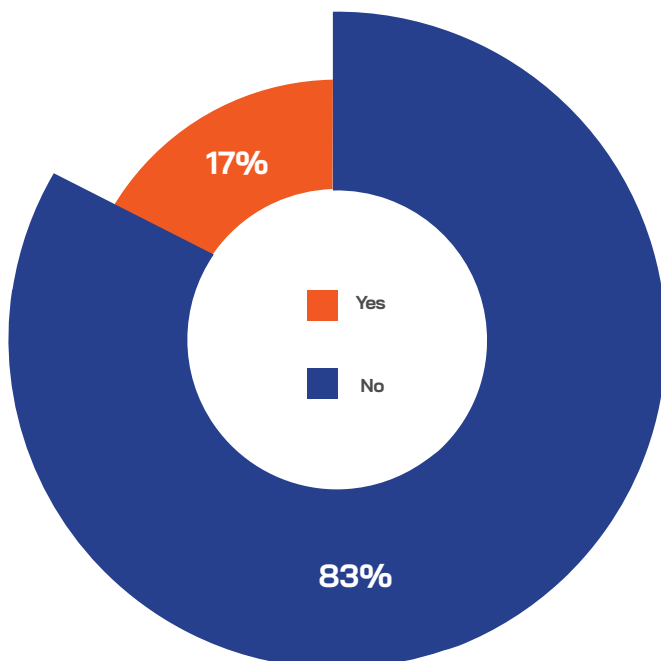
Dramatic growth lies ahead, the replies indicate, and emphatically so.

A whopping **84% of those surveyed** predict AUM growth of more than 15% annually in the UAE through 2030, including 34% who expect growth to exceed 25% per annum.

What sort of annual AUM growth do you think the overall Independent Wealth Management sector will achieve in the UAE from 2024 to 2030?



Do you think that Independent Wealth Managers will book more assets in the UAE in the next 2-5 years?



There is no doubt that AUM growth is on the cards, and **83% of those polled** also expect more independent sector AUM to be actually booked in the UAE in the coming five years, implying that the booking and custody industry in the region is set to achieve significant progress. But much work and investment will clearly be needed in order to achieve those objectives.

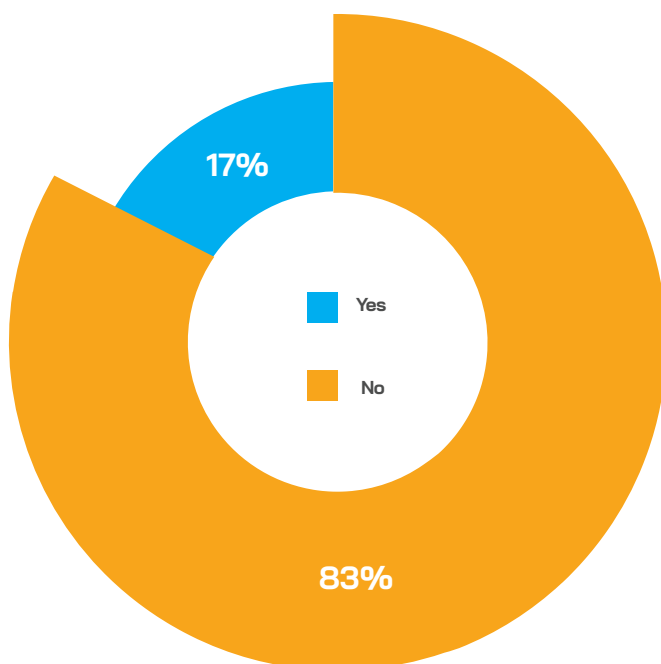
90% of replies indicated that the vital qualities of independence and alignment with clients (including the delivery of high-quality advice supported by an open architecture product offering) are the keys to the independent wealth proposition. Meanwhile, only 10% of respondents think that easier onboarding and compliance procedures and/or lower fees will win over more clients. Evidently, it is the qualities of client alignment and client centricity that will provide the key points of differentiation from the mainstream providers (such as the private banks or the wealth arms of the major local and regional banks) and thereby offer independents their critical and potentially more enduring advantages.

What are the key attributes that make the UAE's independent wealth firms valuable for HNW and UHNW private clients compared with the global and international private banks?



In your view, are the private banks and regional banks competing in the UAE doing enough to cater to the needs of the growing community of independent wealth management firms?

83% of those polled maintain that the private banks and leading banks in the region should be doing far more to support the independent wealth market.



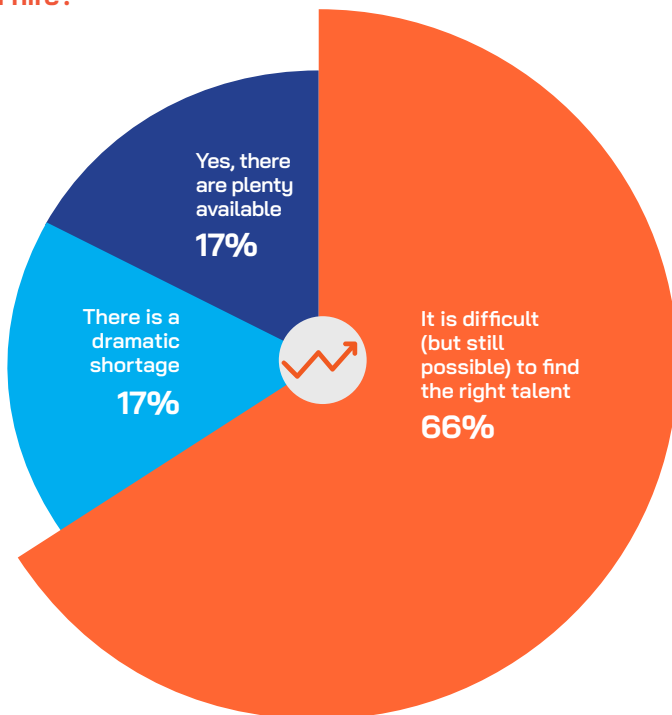
But in which key areas should the market infrastructure expand and advance?

Well, **84% of replies** are calling for a better and deeper ecosystem to support the independent wealth sector, including (as we surmise from many respondents' collective supporting commentary) more dedicated and professional EAM/MFO desks available from the banks (both local and international/global), more opportunities to book and provide custody in the region, and generally better and more offerings from the banks and the external investment platform providers.

Which key elements of the emerging private wealth market ecosystem most need to improve or expand to help the independent wealth offering in the region?



Are there enough skilled and experienced RM/advisors already in the UAE from which the independent firms can hire?



A major challenge for independent firms seeking to seize the full growth potential the region offers is the shortage of skilled RMs and other professionals available. But it is not yet a totally uphill battle – while 17% of replies indicated that there is a dramatic shortage of talent, a matching 17% said there are plenty of RMs and advisors in the market right now.

Moreover, **66% of the respondents** indicated that while it is not easy to find the right people to hire, it is at last still possible.

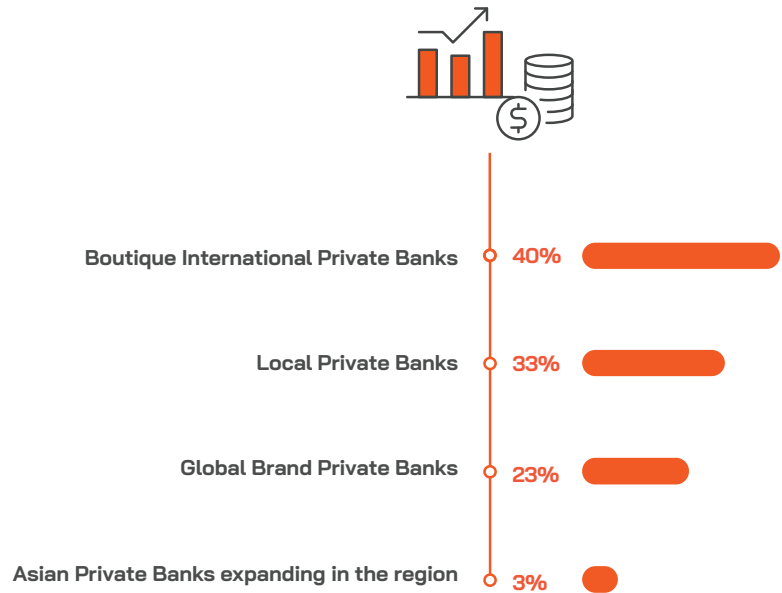
The question now is whether the wealth market's growth can be matched by the expansion of a skilled RM and advisory pool, and that partly depends on how the banks and other institutions nurture domestically available talent, by how the authorities will help by opening the doors to the arrival of more talent from overseas, and indeed whether that international talent will find the appeals and potential of the UAE sufficient to lure them from their well-paid and often comfortable positions in Europe or perhaps Asia. Time will tell...

These two questions and their replies at first glance seem to be contradictory. If the independents are most likely to turn to the global private banks for investments, execution and custody, why then do only **23% of replies** indicate that these global banks will be most successful at working with the independent wealth sector?

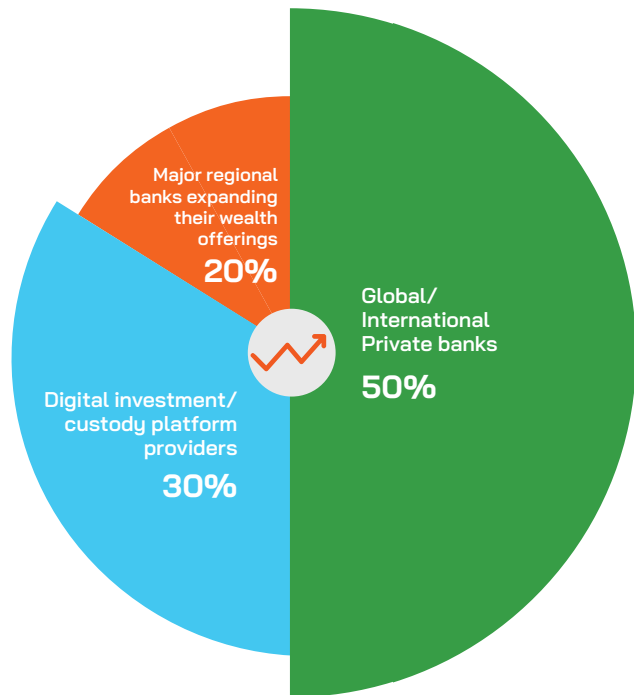
The answer seems to lie in the intent, commitment and attitude – the boutique international private banks, the local/regional banks and increasingly the digital-access international investment platforms are already setting out their stall to compete more aggressively for independent wealth firm business in the region, and increasingly promoting themselves as the independents’ partners for the future, in a host of areas.

In short, these other operators are wooing the independents away from the global PBs, and a significant tug-of-war looks likely to play out in the years ahead, especially if the overall wealth market grows so rapidly, and if the independents win an ever-larger share of this expanding pie.

In your view, which types of banks/private banks competing in the UAE will be most successful at working with independent wealth firms?



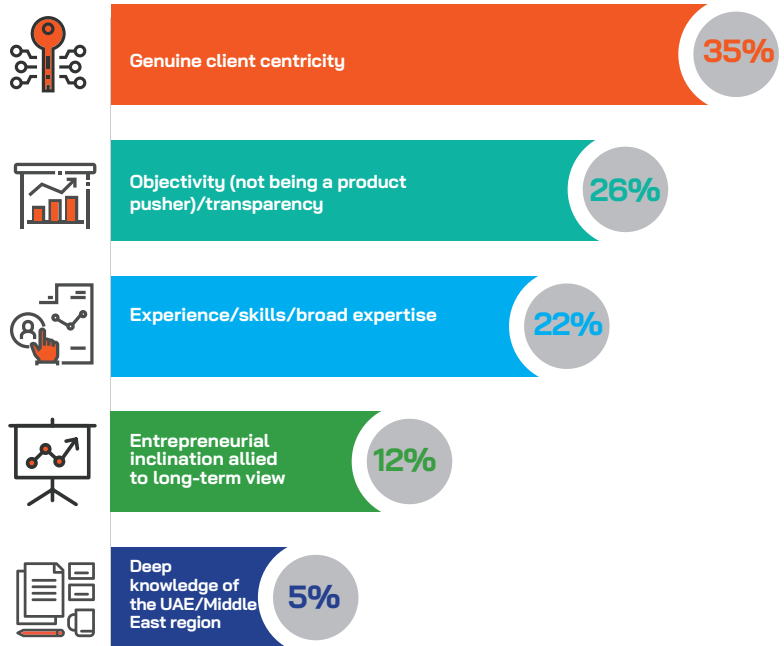
Which entities/institutions will the independent wealth sector use for outsourcing their investments, execution and custody?



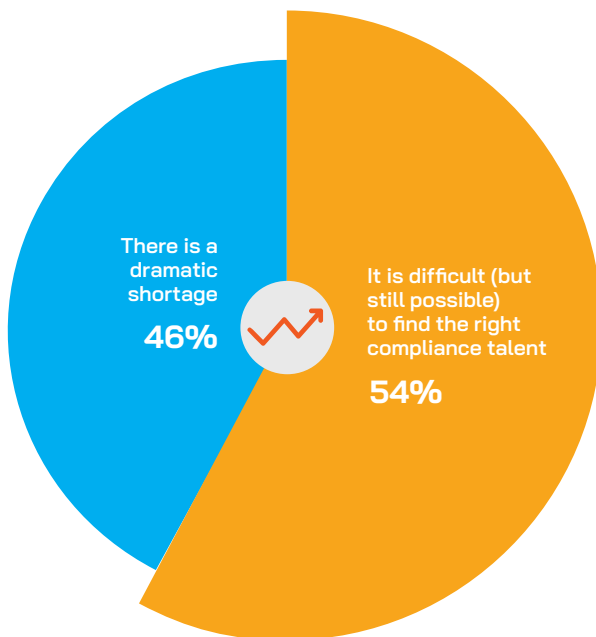
RMs clearly need a variety of skills and characteristics in order to deliver a genuinely world-class independent wealth proposition. Client centricity is the most important element, according to **35%** of the replies, with a further **26%** pointing to the need to be objective and transparent as of great importance.

Realistically but unfortunately, the history of wealth management in the UAE is one in which a lack of professionalism and objectivity has too often been prevalent amongst too many operators. However, there is clearly broad recognition amongst the regulators, the market players, the new entrants and indeed increasingly the clients themselves – now more international/global rather than purely local/regional - that greater professionalism and greater capabilities amongst the wealth management providers and RMs are not only valuable but indeed essential. The rising competition in the region and the focus of more and more international banks and EAMs from overseas are already creating a more client-centric and professional offering. Long may that continue...

What are the key attributes that you think make an individual EAM/MFO Relationship Manager successful with HNW and UHNW private clients?



Are there enough skilled and experienced compliance specialists in the UAE from which the independent firms can hire?



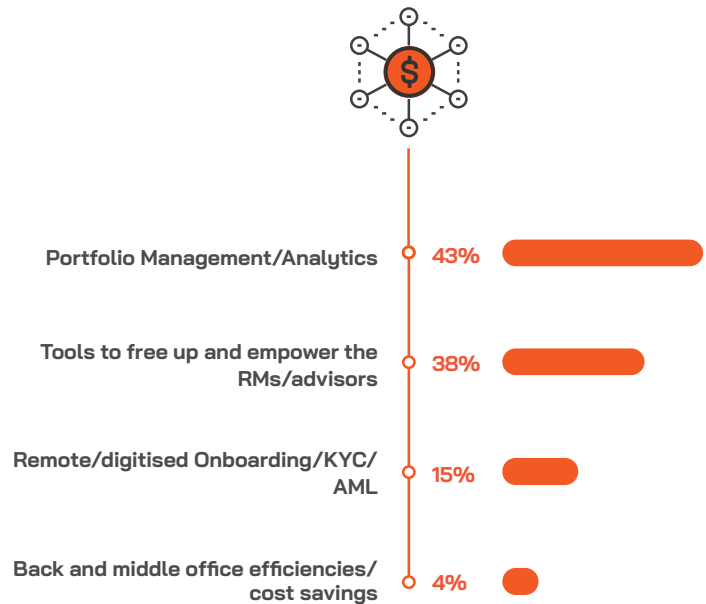
Incidentally, it appears to be the case that it is most challenging to identify and locate the right compliance professionals, with **46% of replies indicating** it is extremely difficult to find those people. To some extent, the expansion of EAM/Family Office desks and other outsourced services will help mitigate these shortages, but there is also clearly a need for urgent attention to this issue. For the moment, there is no need for immediate panic, as 54% of those polled said that, although challenging, it is possible to find compliance talent locally, meaning the situation is just about tenable.

There are several inevitabilities in any wealth management market around the globe, one of which is that there is a seemingly constant need for ongoing digital transformation taking place as technology advances, as competition intensifies, and as client needs evolve. Interestingly, the focus amongst independent firms in the UAE is mostly on the front end, with **81% of replies** indicating that the independents need more solutions targeting investment analytics and portfolio curation & management, data & analytics, and more tools to help RMs and advisors become more efficient, more relevant and more productive.

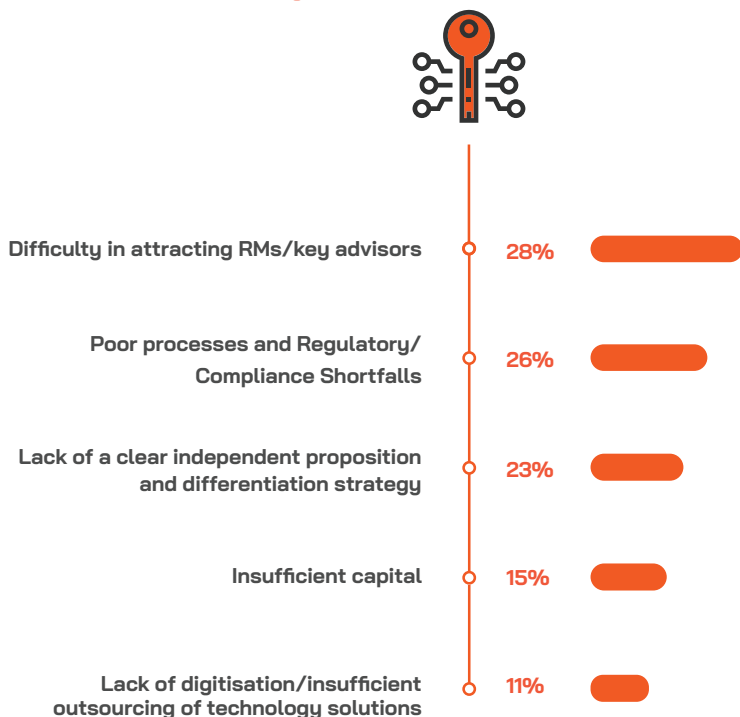
While the first steps as a client into any financial institution can be fraught with challenges, the KYC/AML headaches are mostly with the banks

and custodians rather than the independent firms. Hence only 15% of respondents think this is a major priority for the sector in terms of investment in upgraded or new digital capabilities. Similarly, these types of small to modest-sized EAMs/MFOs do not need to have hefty back and mid-office operations, particularly if they can outsource operational functionalities to third-party providers, especially the banks. Similarly, these products and services can extend to the SFOs and larger IFAs.

The digitisation of wealth management continues apace. Which key areas do the independents need to invest in and improve upon in the UAE?



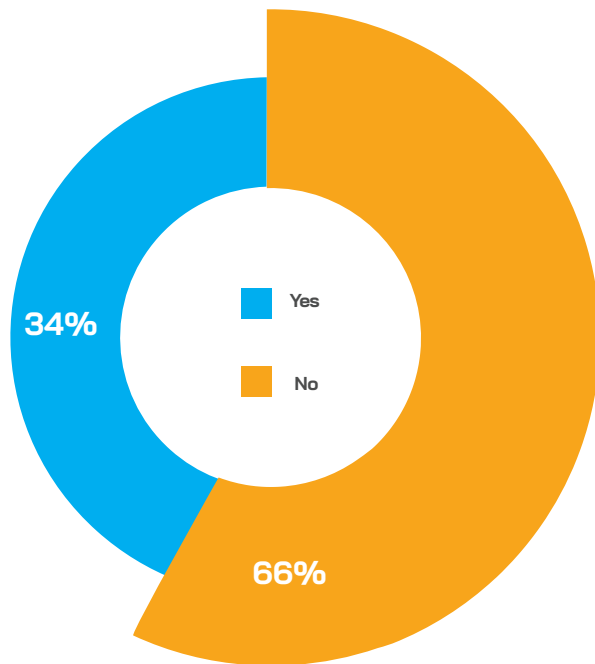
What are the key pitfalls for independent wealth firms to avoid when building their business?



Setting up a new independent wealth operation in the UAE is not to be taken lightly, it would seem. While in last year's pre-event survey, **46% of replies** called for better and more decisive differentiation strategies for the incumbent EAMs and family offices, and those establishing new operations in the UAE, this year it was only **23%**, or half the 2023 number. Why should that be? It appears from the associated comments we received that this remains incredibly important, but there is actually a feeling that progress being made fairly rapidly and decisively in terms of the thinking around the proposition.

At the same time, other key issues have simply risen in prominence, including challenges around finding the right talent (28%) and difficulties in establishing the right processes and managing regulatory and compliance issues (26%).

Are the regulators in the UAE doing enough to encourage the development and growth of the independent wealth management market?



It was nearly a 50/50 tie in 2023 when we asked if the regulators are playing their part fully in supporting the independent wealth management market, but it appears that two-thirds – or **66% of respondents** now indicate that the independent sector needs more support. Anecdotally, this is not a negative - the more detailed replies we received generally indicated that the governments and regulators and other bodies are moving robustly and creatively in the right direction in this regard.

However, there are larger and more professional EAMs/MFOs moving into the region to establish a base, and they are used to greater support and a more advanced infrastructure, for example from the regulators in Switzerland, Singapore and Hong Kong. The feeling appears to be that

as the wealth management market evolves so rapidly in the UAE, and if it is to become a genuinely world-class alternative to the more established markets, then all the relevant top-level decision-makers could be doing more specifically to help the independents – both the incumbents and the newer arrivals – build their businesses.

And of course, this also means urgent and decisive development of the entire financial and wealth management landscape in the UAE.

Singapore is a standout example of a market that has successfully developed policies over many years to expand all the major and also niche areas, including promoting a vibrant FinTech ecosystem and encouraging the development of a properly regulated digital assets infrastructure. The path for the UAE's institutions, bodies and leaders to follow has been carefully and remarkably successfully navigated by Singapore.

The lessons learned around the combination of regulatory fortitude, innovation and liberalisation aligned with government support and coordination at the highest levels are there for all to see. The independent wealth sector in the UAE can, and most probably will, thrive and prosper, but only if a holistic outlook from everyone concerned is promoted. And that requires longer-term planning, stability and commitment.

The Final Word



The UAE's wealth management market is replete with opportunity for the growing independent wealth sector. There are also very clearly many challenges ahead, but they can be overcome, and the rewards will very evidently be there for those independent wealth firms that adopt the right strategies and stay the course. Join us on March 6 in Dubai to learn more about the evolution of wealth management in the UAE and hear how the assembled experts anticipate the independent wealth sector will develop and prosper in the exciting years ahead. ■