

ANALYSIS - Boutique advisers step on Singapore private bank turf

By Neil Chatterjee
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(Reuters) - Boutique and independent financial advisers are moving onto the turf of private banks in Asian wealth management centre Singapore, looking to poach emerging millionaire clients in the region.

As major players such as Citigroup and UBS focus their wealth management arms on the ultra rich, the most profitable segment, after a year of cutting resources due to the global financial crisis, the door has opened wider for boutiques.

From small European private banks to local advisory firms, these boutiques are picking up business at the lower end of the wealth spectrum, targeting financial professionals investing their bonuses to entrepreneurs with a few million.

"The private banks are our main competitors. It's not as elitist and not as expensive to enter with us," said Andre Le Roux, CEO of the Henley Group, which calls itself the largest independent financial adviser to expatriates in Asia.

"We look at a wider range of clients than private banks -- top clients and people who could become top clients."

Private banks have mostly shrugged off the threat so far, but the risk is they may miss out on some of the next generation of super wealthy in fast-growing Asia. Those with \$1-\$5 million in investable assets make up 92 percent of all high net-worth individuals in Asia-Pacific, according to consultancy Capgemini.

The advisory firms, often with just a few hundred million dollars in client assets but offering inhouse research and access to investments from mutual funds to hedge funds, number about 70 in Singapore and find their advantages are going down well.

They do not hold funds themselves and so have no institutional risk, an important factor for clients worried about bank failures in the aftermath of Lehman Brothers' collapse.

They do not sell their own products but instead advise on a range of third-party providers, giving some an "independent" label that attracts clients put off by pushy salesmen or who have been burned by supposedly safe products during the crisis.

"Where we have taken clients from private banks, it is because we are more active on service and we are totally independent," said Le Roux. "People have become very wary of some institutions being remunerated on products sold."

Henley, based in Hong Kong and Singapore, has seen a 35-40 percent increase in clients in the past year, Le Roux said. Rival Meyado Private Wealth Management, headquartered in London, says its "assets under influence" have grown exponentially and sees this continuing.

FEE MODEL

These factors are also benefitting smaller private banks. Swiss Banque Heritage set up shop recently in Singapore, Asia's largest wealth booking centre and the country with the highest density of millionaires in the world, to target rich families.

For a graphic on Asia's high net-worth individuals, click

[here](#)

Swiss private bank BSI has poached senior wealth managers from RBS Coutts in Singapore in recent months, as competition for private bankers intensifies.

Paul Jefferies is an ex-RBS Coutts private banker who set up small shop Jigsaw Wealth Management that only takes lump sum investments over \$2 million. Jigsaw says clients of this size get better service at boutiques than at the major private banks.

"The trend could well be driven by more senior advisers seeking to leave the larger private banks and obtain greater independence and freedom," said Singapore-based Peter Flavel, global head of Standard Chartered Private Bank.

Flavel saw independent advisers growing from a small base in Singapore. He said they complemented rather than competed since they also used private banks for products and delivery. Increased costs of compliance will favour bigger players, Flavel added.

These extra costs are a reason private banks are focusing more on the ultra rich and advisers are also moving up to wealthier clients -- margins are higher for bigger clients.

Advisers may get 75 to 100 basis points as commission, or less on basic products, so better to earn \$100,000 from one client with \$10 million than \$100,000 from 20 clients with \$500,000 each in investable assets, private bankers say.

Financial Alliance, which says it is the biggest independent adviser and targets mass affluent Singaporeans, or those that might have 'priority banking' accounts, says it is moving towards this market of people with \$2-\$3 million.

Managing Director Vincent Ee said there were two kinds of private bank clients -- those who liked status and added services but for whom growing wealth was secondary, and those who only wanted to grow their wealth. Ee is targeting the second.

"We don't have the same muscle so we have to compete differently," he said, highlighting a performance-based fee model that earns nothing if returns are below 8 percent but could earn a commission of 10 or 20 percent above that, like a hedge fund.

"Private banking is basically a transactional platform -- at the front it's prestige but at the back it's transactional. A lot of private bank clients are realising this may not be best for growing their wealth."

Financial Alliance is looking at expanding by moving into China and Malaysia. Henley also wants to expand into China and is interested in an acquisition in Japan, while Meyado wants acquisitions to open in Malaysia and Hong Kong within two years.

"Private banks should be worried, but if you look at the size of the market there's enough to go round," Meyado's managing partner Mark Paine said. "Even if we only take five percent of what the banks have, it's enough for us to operate -- it's a question whether the banks are sensitive to that."

(Editing by Muralikumar Anantharaman)

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