

# Key is to adopt advisory fee-based business model

FROM PAGE 27

is factored in. “We’re not a stand-alone private bank; we’re very much entrenched in the [parent] bank,” says Tan. “When [our bankers] go to see a client, they understand the business, they understand the wealth management and other needs, and the solutions they come up with are so much more relevant.”

## Paying for advice

Size isn’t everything, though. Officials at large as well as small private banks say the key to sustainable profitability is to adopt an advisory fee-based business model. Among the big believers in this is Urs Brutsch. In 2009, he left the relative comfort of a senior position as the Asia-Pacific head of Swiss firm Clariden Leu to start his own wealth management business called HP Wealth Management.

“At that time, I was 48 — young enough to start something but old enough to have learnt a lot from the banking industry,” he tells *The Edge Singapore*. He also figured Asia’s private banking clients were ready for the new business model he had in mind. “We work for the client. [One of my partners] coined the phrase that we used to work for banks with clients, but now, we are working for clients with the banks.”

Instead of charging clients a fee or commission each time a product is bought or sold, HP Wealth Management was one of the early movers of a transparent pricing model that levies an annual fee as a percentage of assets under advice. “We have never worked with retrocessions [from product providers],” says Brutsch, of the splitting of fees between parties to a transaction. “From day one, we worked



BRYAN TAN/THE EDGE SINGAPORE

**Tan:** MAS thought it would be a good idea to get the industry leaders together to come up with [regulations for the financial community]

without retrocessions, and it was a very conscious decision, as we felt that at some point, retrocessions would disappear. In the UK, for example, there was a revision and you can no longer take retrocessions. And, in Switzerland, a bank cannot keep the retrocession for discretionary portfolios.”

With these clear trends in other major financial centres, Brutsch believes it is a matter of time before Singapore follows suit. “We want to be aligned with the client completely, and we cannot do that if we take payments left, right and centre from the product providers and distributors.” HP Wealth Management has less

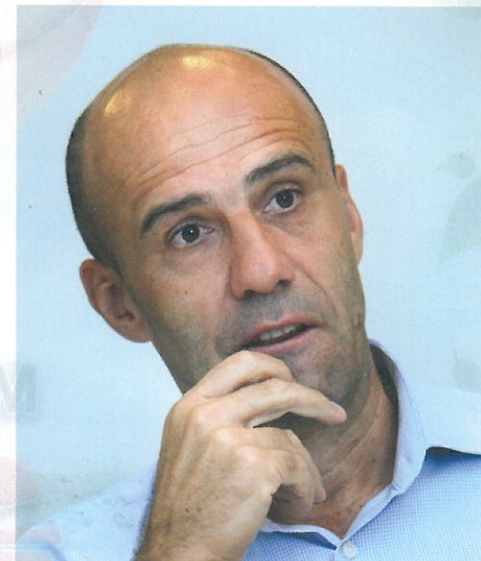


**De Guzman:** We collaborate closely with [OCBC] in terms of providing commercial and investment banking products to our clients

than US\$1 billion of assets under advice, but it isn’t the only player in the field experimenting with an advisory fee-based model.

UBS, among the largest players in the region, launched a service to Asian clients this March known as UBS Advice, with a simple percentage fee that wraps research, portfolio monitoring and commission-free trade execution into one seamless system. First offered to European clients last year, UBS Advice aims to replicate institutional-like benefits and features for individual clients.

As at June, the UBS Advice platform had garnered close to US\$500 million, a tiny sliver of its



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total Asian AUM of US\$250 billion. Koh of UBS attributes the slow movement of assets into the advice-based mandate platform partly to clients being leery of the markets, owing to geopolitical concerns about the Middle East and Eastern Europe, as well as other risks closer to home. It is also a little too early to judge the success of the new platform after just three months, as it will take time to change clients’ mindsets.

Whatever the case, it seems clear that Singapore’s ambition to become the Switzerland of Asia is very much alive. And, despite the challenges that have emerged, its bet on wealth management is still paying off. **E**