INTERNATIONAL
INVESTMENT

SPECIAL REPORT: FAMILY OFFICES

BOUND FOR THE STRATOSPHERE

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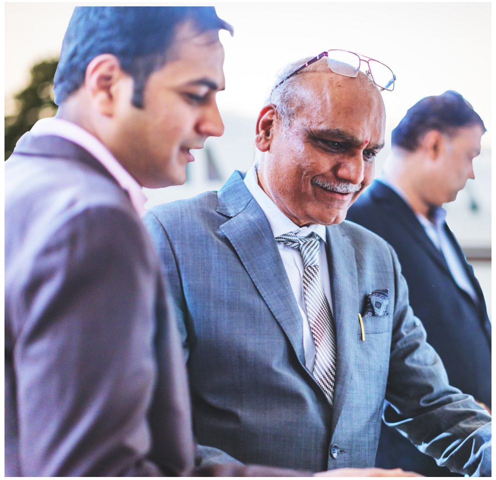

INDIA'S FAMILY OFFICE BOOM

The increasing popularity of the family office among the subcontinent's ultra-wealthy

PROFESSIONAL SERVICES

A directory of some of the biggest players in offshore financial services

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SAVE THE DATE...

This year The International Investment Awards celebrate their 20th year.

The II Awards will now take place on **Wednesday 16 October 2019,** at Gibson Hall in the City of London.

The new categories are: **Excellence in International Private Banking, Best Fintech Innovation, Excellence in Fintech, Best Family Office, Excellence in Client Service (regional), International Campaign of the Year.**

Click here to view the full list.

INTERNATIONAL INVESTMENT

INTRODUCTION

A major force in the global investment landscape

"FAMILY OFFICES MANAGE AROUND $4TRN OF ASSETS BETWEEN THEM. THEIR RISE HAS GONE HAND-IN-HAND WITH THE RISE OF ULTRA-HNWIS, ESPECIALLY IN ASIA"

– Christopher Copper-Ind, publisher, International Investment

FAMILY FORTUNES

Although the first was founded by Rockefeller in 1882, the family office is coming to be seen as a 21st-century success story.

Today a major force in the global investment landscape, the world's 10,000 or so family offices manage around $4trn of assets between them. Their rise has gone hand-in-hand with the rise of ultra-HNWIs, especially in Asia.

As the number of ultra-wealthy investors continues to increase, financial advisers are developing specialised practices tailored to their needs, often in the form of family offices.

Structured as single-family offices that serve the needs of one ultra-high-net-worth family, or multi-family offices, which pool resources to serve the needs of a few to perhaps several dozen families, this segment of the financial services landscape is rapidly expanding around the world.

Our correspondent Pedro Gonçalves delves deeper into the Indian family office. And I interview Eric Wagner, a lawyer with Kleinberg Kaplan who advises both hedge fund managers and family offices.

We also have a guest feature by Siobhan Riley, of Carey Olsen, in which she puts answers to some of the most pertinent family office queries.

INTERNATIONAL NEWS

The latest financial services news from around the world, with a particular focus on family offices

GLOBAL

FAMILY OFFICES ON THE RISE AS WEALTHY INVESTOR SEGMENT GROWS

As the number of ultra-wealthy investors continues to increase, financial advisers are developing specialised practices to serve their needs, with family offices becoming increasingly sought after.

Structured as single-family offices that serve the needs of one ultra-high-net-worth family, or multi-family offices, which pool resources to serve the needs of a few to several dozen ultra-wealthy families, this segment is growing worldwide.

In Canada, family offices are booming. “Ten years ago, people didn't really know what a family office was,” Chris Clarke, family office director and chief executive officer at First Affiliated, a multi-family office in Collingwood, Ont., that works with about 70 high-net-worth families, told *The Globe and Mail*.

“Now, because of this need for independence, objectivity and holistic [financial] planning at an experiential level, [combined with the fact wealthy Canadians are also] thinking about the succession to the next generation, the needs [of the ultra-high-net-worth] are changing and their focus is changing. That's why the family office is on the rise.”

Canada has the fifth-largest ultra-high-net-worth population in the world, with 10,840 people enjoying a net worth of $30m or more, according to Wealth-X's World Ultra Wealth Report 2018 – and the trend is upward, with a year-over-year increase of 13.9% in population and 14.8% in wealth from 2016 to 2017.

In India the practice has taken off only recently.

“The rapid expansion of UHNW individuals in India has led to a growing appetite for more efficient, effective and prosperous ways to invest money and manage assets,” said a report on Indian family offices by Edelweiss and Campden Family Connect.

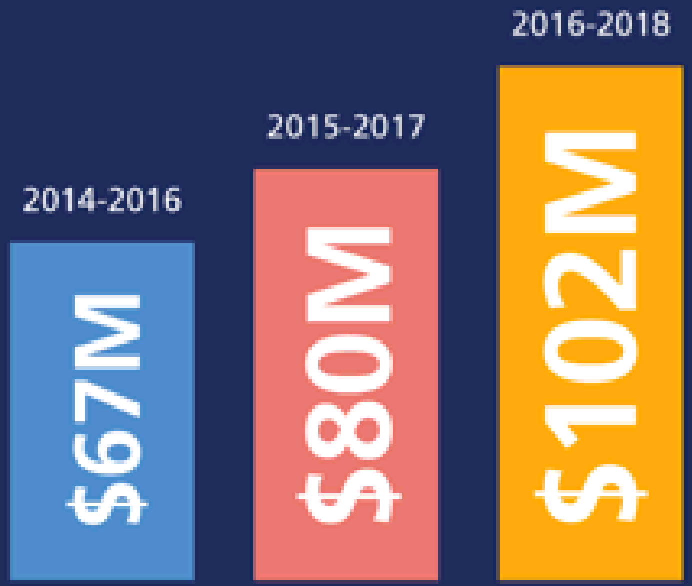
“Fuelled by global trends and a desire to further professionalise a family's practice, families of great wealth are starting to set up family offices as vehicles through which they can invest their wealth into different asset classes such as equities, private equity, real estate, fixed income and hedge funds,” it added.

According to the report, which studied 78 families of wealth in India, nearly half (49%) utilise family office services.

Globally, assets managed by family offices “growing at a faster pace” than that of advisers that cater to the more traditional high-net-worth market, or those with $5m or more in investable assets, according to Cerulli Associates. **PHG**

ZURICH

WE'LL ALWAYS HAVE YOU COVERED.



Total benefits paid

Source: Zurich Middle East, Jan 2016 - Dec 2018

Our 2019 Customer Benefits Paid Report reveals key health risks in the Middle East, reinforcing the importance of protection and demonstrating our strength in delivering on our promise to our customers.

CHINA

CHINESE FAMILY OFFICE GRANTED HONG KONG LICENCE

Hefeng Family Office, a Guangzhou-based wealth management firm, has been granted licences to trade in Hong Kong.

The licence was confirmed from the financial regulator, the Securities and Futures Commission (SFC), which has approved several such mainland-based family office licences in recent months.

Hong Kong

Hefeng"s Hong Kong office will be headed up by Stephen Pau, chief investment officer, and Songcheng Jiang, the company's founding partner.

The SFC said that both asset management and advisory activity will be limited to professional investors. Other Hefeng offices are located in Beijing and in offshore centres across Asia, Europe and the United States.

Driving forceFamily offices are increasingly a key component of Hong Kong's private wealth industry. A 2018 survey of Hong Kong-based wealth managers, carried out by KPMG and the Private Wealth Management Association (PWMA), revealed that 41% confirmed that family offices are an increasingly important source of business. **CCI**

INDIA

INDIA'S HNWIS SEARCHING FOR FAMILY OFFICES TO MANAGE WEALTH

More than half of Indian families are interested in setting up or joining a family office according to a report by Edelweiss Private Wealth Management and Campden Family Connect.

The study reveals that Indian family businesses continue to overlook succession planning and that only 19% of families have formally agreed or written succession plans.

According to the figures, 58% of families are interested in setting up a family office themselves or joining one added that half of them are already in the process.

India remained the focus for family investment with 99% of families investing in the country. A total of 44% of families said they started their family office to successfully transfer wealth between generations.

The UHNW population in India grew by 290% in 2006-16 and it is predicted India will produce on average 1,000 UHNW individuals a year over the next decade.

India has the sixth largest economy globally and is expected to be the second largest economy by 2050.

Amit Patni, director of Campden Family Connect, told specialised media outlet Campden FB India had witnessed the generation of vast sums of personal wealth, thanks to the sales of assets, exits from family businesses and the economic growth of the country.

“Consequently, family offices are becoming increasingly popular in India,” Patni said. “However, the fact that there are only about 45 formal family office structures in existence demonstrates that there is a dearth of understanding of the purpose and services offered by family offices.” **PHG**

HONG KONG

PRIVATE WEALTH MANAGEMENT ASSOCIATION SEEKS TAX CHANGES TO ATTRACT FAMILY OFFICES

Hong Kong’s Private Wealth Management Association (PWMA) is pushing for changes in the domestic tax regime as it proposes four tax policy initiatives to attract family offices.

In a white paper, the 45-member association recommends that the existing list of Offshore Fund Exemptions should be expanded and non-resident High Net Worth Individuals (HNWIs) should remain exempt from Hong Kong tax. In addition, the taxation treatment of Hong Kong trusts should be modified in order to encourage their use as an investment holding option for HNWIs and family offices.

Hong Kong is aiming to attract more family offices, which have been identified as a key growth engine for the industry, and its recommended changes follow in the footsteps of rival financial hub Singapore.

Altogether, the white paper lists a total of 13 recommendations, which also cover areas suchas talent development and technology to facilitate client on-boarding.

“Hong Kong’s private wealth management industry continues to grow, but the market is also undergoing rapid changes. It is important for us in the industry to work together to ensure Hong Kong maintains its competitiveness,” said Amy Lo, chairman, executive committee of PWMA. **PHG**

UNITED STATES

ROCKEFELLER CAPITAL EXPANDS FAMILY OFFICE IN SAN FRANCISCO

Rockefeller Capital Management, a relatively new wealth management firm serving ultra-high-net-worth clients, has announced it is strengthening its San Francisco presence by hiring a former $1bn UBS team as its first Bay area advisers.

Bruce Tenenbaum has joined the Rockefeller Global Family Office as a managing director marking Rockefeller's expansion into the Bay Area and Pacific Northwest to serve UHNWIs.

"The Tenenbaum Group is our inaugural team in San Francisco and exemplifies the type of high-quality, experienced advisers we will continue to add," said Christopher Randazzo, president of Rockefeller Private Wealth Management.

"Bruce and his team bring extensive wealth and investment planning knowledge that can be augmented by the comprehensive family office expertise at Rockefeller, including tax, lending, portfolio construction and trust and estate services," he added.

Bruce Tenenbaum started at UBS a decade ago, and Andy Lam joined the Swiss bank in 2014. The team managed $1bn at UBS, according to a person familiar with the matter.

Their group focuses on wealth planning and investment management services for some of the wealthiest individuals and families in the Pacific Northwest, including entrepreneurs and executives in technology, venture capital, private equity and real estate.

"Bruce has more than 25 years of experience in private wealth management, helping clients preserve and grow substantial wealth with customized solutions and planning," said Anthony Grosso, managing director and Head of the San Francisco Office.

"His background in advising entrepreneurs and investors will be of significant value to the firm as we continue to build our business in the Bay Area."

The arrival of The Tenenbaum Group comes five months after Rockefeller announced it hired Anthony Grosso, a former Merrill Lynch executive, to set up and manage its San Francisco office.

Rockefeller Capital Management launched in March 2018, emerging from Rockefeller & Co., the family office set up by oil magnate John D. Rockefeller. The firm has recruited other advisers, including two former Merrill Lynch teams in Atlanta.

Rockefeller's expansion in San Francisco is the latest development in the firm's strategic growth.

The company continues to add wealth adviser teams as well as senior executives across its Global Family Office, Strategic Advisory and Asset Management businesses to enhance its capabilities and grow geographically. **PHG**

For more family office stories, visit: www.internationalinvestment.net.

GLOBAL

RESEARCH HIGHLIGHTS WEALTHY FAMILIES FEAR FAMILY OFFICES ARE NOT PROVIDING BESPOKE ADVICE

Wealthy families are becoming increasingly sceptical on taking wealth advice, harbouring concerns over whether the services provided to them by family offices are truly bespoke, according to a new study.

Findings from Sanlam UK and international wealth association Global Partnership Family Officers showed the ultra-high net worth individuals who use family office set ups believe the same wealth advice solutions are often given to multiple families.

This made them more resistant to seeking external wealth advice.

The research said: "Families are becoming more resistant to wealth advice and is essential to think about what is right for each family as each family is different, and then structure service requirements appropriately."

The report added that some in family office arrangements rely on recommendations from their advisers and have strong relationships while others seek only basic advice. It said advisers should be able to assess each stage of the family's journey and offer tailored advice.

"It's also important that families are aware of, and understand, any decisions advisers take on their behalf. Service providers often form strong relationships with the family across generations. Yet each generation may need their own set of advisers to cater to their evolving requirements and it must ultimately be the family who make any decisions," the report said. PHG

INDIA

INDIAN FAMILY OFFICES EXPANDING TO SINGAPORE AND MIDDLE EAST

Indian family offices are expanding abroad to follow the wealthy NRIs as they settle in the Middle East, Singapore and Hong Kong even with all the restrictions.

Credit Suisse estimates that there are close to 760 Indians with over $100m in net worth, and some of these ultra-high-net-worth individuals make up the nation's 16.6 million-strong diaspora.

“With the world's largest diaspora population, it comes as no surprise that Indian family offices have sprouted up outside India,” Armin Choksey, a partner at PwC's Asian Investment Fund Centre told Citywire Asia. “Many wealthy Indian families today have members who reside in various jurisdictions and have different outlooks on family wealth,” he added. **PHG**

GLOBAL

MORGAN STANLEY TO TRAIN PRIVATE WEALTH ADVISERS IN FAMILY OFFICE MANAGEMENT

Morgan Stanley is enrolling its financial advisers in a 150-hour online course to improve the service provided to firm's wealthiest clients.

According to specialised media outlet Advisor Hub, the 500-strong private wealth management group's advisors will be required to complete the course which culminates in a two-day in-person exam, in order to obtain a Family Wealth Director (FWD) designation.

Advisers who fail the tests will be allowed to re-sit them. Morgan Stanley's private wealth management group comprises 270 teams, and all will be required to have at least one FWD recipient in their number by the end of 2019.

The program is designed to ensure that advisors are making use of the Family Office Resources unit. Formed in March of last year, the unit comprises 66 specialists that advise UHNWIs and their family offices in issues from tax planning to "lifestyle advisory".

The family office resources unit, which Morgan Stanley expanded last year, includes specialists in areas such as estate planning and philanthropy and is aimed at helping Morgan Stanley's advisers compete with specialty firms such as Rockefeller, the news outlet reports. **PHG**

IRELAND

KBIGI SEES FAMILY OFFICE INTEREST UPTURN

ESG specialists KBI Global Investors is targeting the family office and high-net-worth-individuals and ultra-high-net-worth-individuals marketplace with a series of propositions with minimum investment levels of between $5m and 10m.

The Dublin-based investment specialist - a key player institutionally, with outlets into the retail market through various platforms and propositions - said that has seen a significant increase in appetite for its investment range from family offices and the HNWI and UHNWI international market.

With some minimum investment levels of between $5-10m, KBIGI's range of investments have been made more be accessible to a large range of family offices across Europe and internationally.

“We are certainly seeing a lot more interest in our business from family offices recently," Geoff Blake, director, head of business development and client services at KBIGI, said. “As the appetite for ESG investments rises, we are well positioned.”

The company started in the 1980s and 1990s in responsible investing and the KBIGI journey moved on into ESG and active shareholder involvement. But it recently that the business has, as Blake explained: “It has exploded in the last two three years.

“Every country and asset that we visit there is growing interest, with 45% of public pension funds now incorporating ESG for example.

“A lot are jumping on the bandwagon. ‘Greenwash’ is the term people use, but with our track record and experience we are finding more interest in our services. Our clients can see that we are and the difference that brings.” **GR**

GLOBAL

DEUTSCHE WM LAUNCHES INVESTMENT TEAM FOR FAMILY OFFICE CLIENTS

Deutsche Bank Wealth Management is launching a new unit aimed at UHNWIs and family office clients, the company said.

The newly-launched Institutional Wealth Partners (IWP) is meant to harness the firm's resources to offer wealthy clients various “institutional quality” services, such as tailored lending, investing and corporate finance, according to a press release form Deutsche Bank.

IWP is available to Deutsche clients around the world including its Latin American customers, who primarily book in New York, Hamburg and Geneva.

“Continuing to strengthen the bridge between Wealth Management and other offerings within

Deutsche Bank will ensure we are creating tailored and comprehensive solutions for clients," Patrick Campion, head of Deutsche Bank Wealth Management in the Americas, said in the press release.

The team is led globally by Todd Stevens, with Dan Kaiser serving as the head for the Americas. Deutsche Bank hired Alan Brody to serve as head of IWP Americas' investments. Brody was formerly part of JP Morgan's global investment opportunities unit.

"As family offices and ultra-high-net-worth clients are seeking greater involvement and opportunities in how their capital is deployed, we believe our IWP team provides focused and tailored solutions to their unique needs through providing global access into Deutsche Bank's CIB capabilities," Kaiser said.

The bank's wealth management unit oversaw around $318bn for clients worldwide as of the end of February. The Frankfurt-based bank has been expanding its US wealth management operations in recent months. **PHG**

FAR EAST

GROWING NUMBERS OF ASIA'S ULTRA-RICH FUEL FAMILY OFFICE BOOM IN SINGAPORE AND HONG KONG

Family offices or private investment vehicles are increasingly mushrooming around Singapore and Hong Kong as they scramble to cater to the wealth management needs of Asia's ultra-rich. The rich are favouring family offices as they get personalised attention and are able to have a bigger say in their wealth management, Reuters reports.

A relatively new concept in the region, there are an estimated less than 500 family offices in Asia compared to thousands in the West that offer a one-stop and personalised management solution for high-net worth individuals including investments, charitable giving, taxation and wealth transfers.

"This year the activity for setting up family offices is definitely more," Lee Wong, Swiss private bank Lombard Odier Asia's head of family services told Reuters. "The growth of family offices in Asia should continue on its current trajectory."

Six private bankers on average estimated the number of new family offices in Asia had risen 15% in the first three quarters of this year over the year-ago period. This could pick up pace with a worldwide wealth transition of $3.4trn expected over the next two decades, as per the UBS/PwC report.

The number of family offices in Singapore quadrupled between 2015 and 2017, a spokesperson from the Monetary Authority of Singapore told Reuters. Hong Kong plans to introduce a new structure that will offer more flexibility and choices in setting up funds. PHG

A TALE OF SOARING SUCCESS

Offshore Jersey law firm Carey Olsen's Siobhan Riley examines the rise and rise of family offices

FAMILY OFFICES: A TALE OF SOARING SUCCESS

In the the past 10 years, there has been a notable increase in the number of family offices being established globally. It is a trend that is gaining more and more attention but one that people still have plenty of questions about. Here, *Siobhan Riley*, head of Carey Olsen's trusts and private wealth practice in Jersey, answers some of the most pertinent family office queries

Why were family offices first established?

The roots of family offices are recorded as early as the sixth century and involved managing royal wealth. The aristocracy across the ages have also recognised the value of the stewardship of family wealth seen most vividly with family offices used to run landed estates.

The *New York Times* reports that the Rockefellers first pioneered a more modern family office in the United States in the late 19th century. The family office that they founded is still in existence although it now manages billions of dollars in assets for a range of families, individuals and institutions and not just for family members.

The reasons for creating a family office remain relevant to this day. It helps with the efficient and orderly management of a family's wealth and insulates the family from having to deal with that administrative burden.

With the right support team the family office provides peace of mind that the family's affairs are being well-managed.

A good family office will shield the family from having to deal with multiple professionals about multiple issues and will also help the family take informed decisions about their strategic priorities whether in relation to their wealth, their well-being or their cohesion as a family.

What are the different kinds?

Some family offices exist only to support the lifestyle of a family and are therefore known as providing 'concierge' services. Those offices primarily concern lifestyle management and personal assistance and can include emergency dog-walking when required!

Siobhan Riley, Carey Olsen

More commonly now and certainly for more business-orientated families, a single dedicated office is usually set up to help co-ordinate (in the main) investment. Lifestyle support may be provided as part of the family office's services but it is not the main focus of its work.

Just as the Rockefeller family office started off as a single-family venture, family offices run well usually attract interest from wealthy friends and business associates who desire a similar level of service and support for their own financial affairs. If the family is amenable, a single family office can evolve into a multi-family office which then shares running costs.

Some 'self-styled' multi-family offices are established as such from day one and tend to be niche trust company businesses with very experienced personnel who have elected to serve only a small number of very high net worth clients.

They can still provide a family with an excellent, well-priced service managing both the financial and lifestyle affairs of the family.

What has led to their increase in numbers in recent years?

The increasing complexity of tax reporting and the burden of regulatory compliance is certainly one aspect that has led to an increase in the number of family offices being established. Families need bespoke assistance to help manage their affairs across a number of different jurisdictions and it is often more cost-effective and less stressful for the family office to manage that ongoing process than for family members to try to co-ordinate that process themselves with the help of various third parties.

Historically, these matters were simpler to manage. Families tended to live in one or two locations and reporting requirements were more straightforward and could be managed by the finance arm of the family's business. Reporting requirements are now so extensive and specialist this is no longer viable or advisable from a risk perspective.

This can be particularly difficult and time-consuming for large families which have multi-horizontal and vertical strands where it can be extremely time-consuming for one or more of the family members to co-ordinate the team of advisers needed to ensure the family's affairs are properly planned and correctly reported to relevant authorities.

Preserving the wealth of a family is difficult even when a family get on well and have shared beliefs about wealth management. It is even more difficult if there is no common ethos shared by the whole family about how the wealth is to be used. Some families react very strongly to ostentatious shows of wealth by family members; others have no such inhibitions and the family's wealth is spent at a furious rate without much regard to its longer-term preservation or replenishment.

Many families train their young to be good stewards of the wealth and to understand the responsibility and privilege which comes with having a lot of money. Family offices can be used to help reinforce and encourage those common values.

The family office can also help to educate and indeed regulate certain of the activities of family members particularly where there is concern that certain behaviours from one or more members of the family will cause the wider family reputational damage, or indeed where excessive spending is risking the longer term financial security of the whole family.

These sorts of discussion amongst family members can be emotionally charged and can be very difficult for families to manage from within. Experienced family office personnel can help raise these sorts of sensitive issues in a non-confrontational way.

What role has Jersey played?

Jersey is an ideal location for family offices for a number of reasons. The island has a prime location geographically, being almost equidistant between the Americas and Asia, lending itself to maximise investment windows within each of the market time zones and also to be on call for family members whichever side of the world they happen to live in.

Jersey also has a very large community of professionals such as accountants, trustees, investment specialists and lawyers which provides a strong pool of candidates from which to select a family office team.

Why are HNWIs abandoning traditional trust company business for family offices?

There's no expectation that they will be abandoning traditional trust companies as such because trust company services still provide a cost-effective way of managing a family's affairs without needing to rent exclusive space or hire dedicated staff.

We do however see families consolidating their affairs into Jersey because it is easier than dealing with three or four different service providers. We also see families wanting to hand-pick staff they know and trust and they enjoy receiving exclusive service from the professionals they employ.

How do you think the family office will develop in the future?

The number of family offices will continue to increase in number and will evolve into even more sophisticated organisations than they are already. Some family offices are already starting to look like multi-disciplinary partnerships of expert accountants, lawyers, tax advisers, compliance professionals and investment consultants. There is also the possibility that family offices will increasingly become the enforcers of the family's values and will help to educate the family's young and manage non-financial issues such as cybersecurity, well-being and the family's media profile.

How are they regulated and are any regulatory changes imminent?

The regulation of family offices in Jersey is relatively light-touch, after all it is the family's own money which is being managed by the family office. Given their prominence and increasing importance to Jersey's economy, the status of family offices will be kept under review to ensure that Jersey offers a suitable framework with an appropriate level of reassurance to the families seeking to establish offices here.

Siobhan Riley is head of Carey Olsen's trusts and private wealth practice in Jersey.

VIDEO: COMPANY VIEWS

We speak to multi-family office TwinFocus and Jersey fiduciary business Fairway Group

VIDEO: FAIRWAY GROUP

In this video interview **Peter Culnane, Director & Head of Pensions, Fairway Group,** discusses the company's plans for 2019 and shares his views on how Brexit might impact on Jersey-based companies.

Darren Toudic, Director, Fairway Group, shares his thoughts on working with family offices

What gives Fairway the edge in this [the family offices] marketplace?
As a fiduciary group with expertise in funds, pensions and trusts, we are able to provide a suite of solutions and through our close association with Bracken Rothwell, a Jersey Chartered Accountancy firm, we are able to access a global network of high quality professionals to assist with our international clients.

In a marketplace dominated by private equity deals, we remain consciously independent and always will do.

How does your Jersey base help? Jersey really is at the forefront family office wealth structuring. It is a well regulated, highly regarded jurisdiction with a large pool of qualified financial services staff.

Jersey is also conveniently located within an hour of London and Paris, together with a convenient

FAMILY FOCUS

In this video profile **International Investment's Gary Robinson** visited TwinFocus' Mayfair offices. He met **Harinder Hundle, Managing Partner (Europe)** to discuss the multi-family office approach and why he feels that TwinFocus can stand out in this competitive market.

time zone for communication with clients in the US, Middle East and Far East, all of which are able to communicate with staff in Jersey during their own working hours.

Jersey is often recognised by third parties as the top ranked offshore financial services centre in the world.

What areas of investment are you seeing more interest in in 2019?
We have seen 2019 as a period of consolidation for some of our families.

Having made good gains in recent years, some have taken some of their risk off of the table ahead of what they feel may be a time of uncertainty for global markets.

This conservative approach has been fueled by global political uncertainty, with concerns over the China/US trade tariffs, the future of the EU and recent tensions in the Gulf between the US and Iran. This has led to larger allocations in defensive stocks such as gold, but also a concentration on a smaller pool of blue chip stocks. **GR**

FLYING THE FAMILY OFFICE FLAG ACROSS THE USA

Kleinberg Kaplan’s Eric Wagner discusses the challenges of setting up a family office in the United States

Eric Wagner, partner at Kleinberg Kaplan in New York

"REGULATION IS ONE OF THE REASONS THAT WE SEE ASSET MANAGEMENT BUSINESSES BEING CONVERTED TO FAMILY OFFICES"

In a wide-ranging interview, Eric Wagner, a partner at Kleinberg Kaplan in New York, talks to *International Investment*'s *Christopher Copper-Ind* about the challenges family offices confront in the US

Christopher Copper-Ind: Tell us about the history behind Kleinberg Kaplan.

Eric Wagner: Our law firm started in 1971. I was one-year-old, so obviously I was not one of the founding partners. I joined the firm in 1997, after two years at a large New York City-based firm named Rogers & Wells. Kleinberg Kaplan was already involved in representing asset managers.

Today, it has grown to represent probably 75% to 80% of our practice. We have 61 attorneys all in New York, and they represent asset managers of all shapes and sizes. A lot of those are hedge fund managers and private equity managers, although many of them also manage alternative types of investments such as real estate.

A number of our clients are family offices that manage only their own family money. Some of those family offices may have started off managing client money, but now they manage only their own family money.

Most of our family office clients are people that made their money in either the hedge fund or private equity fund industries, or the real estate industry. These people often have an asset management background, and decided at some point to close down that business for one reason or another, and just manage their own or their families' money.

A lot of our family office clients make private investments in operating businesses, and the businesses can be extremely wide-ranging, from investing in a wholesale bakery to buying a minority interest in a professional football club.

We are not trying to be a full service firm for a Fortune 500 company.

What we do well is focus on the asset management industry, and really be full service to the people that manage assets for a living.

CCI: Are we talking about clients who are largely based in the States, or is the company international?
EW: Our family office clients are primarily based in the United States. We have a handful of clients that are based overseas that need our help with US regulatory work. We practice law only in the United States.

CCI: What are the main reasons for setting up a family office?
EW: The asset management industry in the US is highly regulated, and providing investment advice to clients as part of a business requires a whole host of registrations, filings and other types of compliance infrastructure.

A big reason asset managers decide to convert their firms into family offices is so they can professionally manage their own capital without being subject to onerous regulation.

A lot of them have enough money and expertise to justify building or maintaining a professional money management infrastructure themselves, as opposed to saying: "'OK, Goldman Sachs, here is all my money, you go manage it."

However, you are probably not going to go out and hire a full time CFO and a trader and invest in the trading systems and the infrastructure unless you have enough capital to make it worthwhile.

Part of the impetus in forming a family office is to be outside of regulation by the Securities and Exchange Commission to the extent possible.

CCI: Your UHNW clients are seeking to have considerable input in, and control of, their

investments. Does this make your job more complicated
EW: It is not harder. In a sense, that's what they pay us for, and I think we are pretty good at it. But it is certainly more work. It is more complex. They want to engage in certain activities, and in some cases, it is not really clear whether those activities would cause them to cross the line into now being, once again, required to be registered with the SEC.

We need to work with the family office to establish what it is they want to accomplish and where we think the boundary needs to be set so they can reach their goals while avoiding registration. In our experience, once de-registered, very few go back to operating an SEC-registered investment advisory firm.

CCI: The family office requires still very much that personal, tailored approach that you were describing. I am wondering what you consider to be the scope for fintech to disrupt the industry as we're seeing elsewhere?
EW: I am not sure it is a disruptor, per se. There is, in a traditional family office, the need for technology, and any professional investor or adviser has a need for technology. That need has existed for some time, of course.

With family offices, often they do not need the technology that a client-facing investment advisory firm needs. The primary concern is generally cybersecurity. Companies are very concerned over issues of security and confidentiality, but I don't see that as something new. It's more a continuation of how it's always been amid increasing online threats.

CCI: Many in the financial industry cite regulation as a major headache, having to get to grips with international regulation, making sure that people can understand it. Would you put that up there as one of the concerns you have these days?
EW: Those companies that have client-facing businesses that manage money for other people have a really tough time trying to navigate all of the overlapping, state, local, and US Federal regulations.

It's challenging when you're trying to run a business that invests around the globe to comply with all the various laws and regulations, especially in the US where we have 50 different states that often have different rules, and every month, new ones seem to go into effect. We need to work closely with our clients to navigate these various rules and regulations.

It is not the exclusive reason, but the host of regulations is one of the reasons that we see asset management businesses like David Tepper's being converted to family offices.

These firms want to minimize the headaches and expenses and time spent trying to deal with those regulations. Once you are managing only your own money, and you are not servicing clients, your regulatory burden is a lot lower in the United States.

CCI: What you are implying is that the regulatory environment is a direct driver of the family office's rise.
EW: Absolutely, I think it is one of the bigger contributors to the growth of the family office industry. The other big contributor is the success

that some of the longer-established hedge fund managers and private equity managers have had and who are now shifting course to setting up family offices.

A lot of these managers' funds have been in existence for 20 or 30 years, and the amount of success they have had allowed them to have the personal wealth accumulation that they do not need to rely on a third party to manage their personal capital. They would rather do it directly.

So, they have had that chance that people like David Tepper now have the opportunity to say: "Now, I will just manage my own money. I do not need the regulation anymore. I do not need layers of lawyers and compliance people.

"I want to simplify my life and my business and its returns and just manage my own affairs." That is, in essence, what is happening.

CCI: Given the sector's growth, where do you see then your company in, say, five or 10 years from now?
EW: I think Kleinberg Kaplan will continue its focus on the asset management industry, including family offices. I do not think the industry is going anywhere.

Most people still need professionals to help them manage their money and there are still some very talented people out there, in terms of how effective they are at managing third party money.

Regulation is not going away, so for us, we feel like every new regulation passed helps ensure that we've got a place with our clients, because they depend on us to interpret the rules and help them comply.

The regulations are not getting any less complex either. I foresee, then, a period of managed growth.

When I started here, in 1997, we had 17 attorneys, and now we have 61. Fundamentally, we have grown only through internal growth, we have never merged with another firm, and we do not expand outside of our core competencies.

For example, some of our clients started actively investing in distressed companies, companies in bankruptcy or companies teetering on the edge of bankruptcy.

So about 14 years ago, we went out and hired partner-level bankruptcy attorneys to help our clients navigate those situations. That is how we grow.
It is obviously very hard to anticipate where our clients will be investing in the future. Our role is to be adaptive, and respond to clients' needs accordingly.

Christopher Copper-Ind is publisher of *International Investment*.

"ONCE YOU ARE ONLY MANAGING YOUR OWN MONEY, AND YOU ARE NOT SERVICING CLIENTS, YOUR REGULATORY BURDEN IS A LOT LOWER IN THE UNITED STATES"

Eric Wagner, Kleinberg Kaplan

THE BIG INTERVIEW

Walter Jopp, CEO, Zurich Middle East

"We work very closely with the NRI population and NRI advisers to try and build solutions that are fit for purpose... There are some nuances but ultimately the needs are the same."

"People want to pay for kids education, pay for their retirement and protect themselves and their loved ones."

Walter Jopp, CEO, Zurich Middle East

LEADING THE WAY

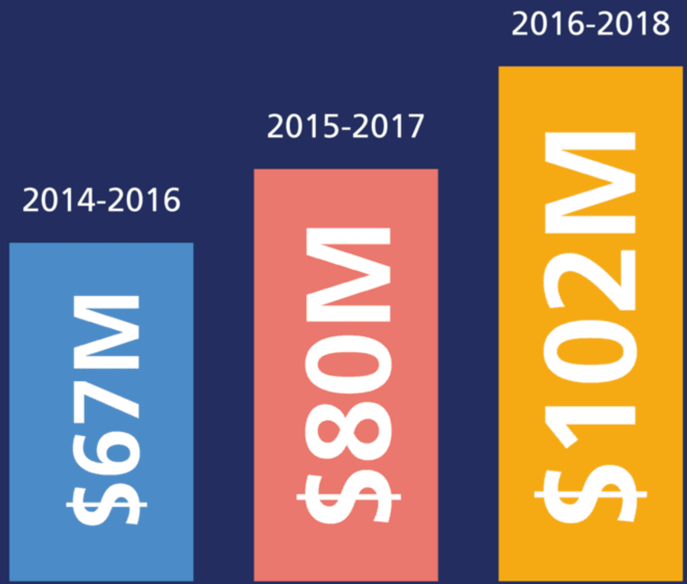
Four years into his role as the head of Zurich's Middle East business – Walter Jopp is still a man on a mission.

International Investment's ***Gary Robinson*** visited Zurich's new Dubai offices to sit down with Jopp and discuss the company's plans for 2019 and find out how it is aiming to stay ahead of the pack in the increasingly competitive Middle East life insurance market.

In this revealing interview we discuss the nuances of the local market and Zurich's history in the region.

We also look back on his career with Zurich that has seen Jopp enjoy positions in international outposts from the UK to the US through Latin America to Hong Kong and now the Middle East.

For more videos with key industry figures and our new **The Big Interview – The Advisers** section visit internationalinvestement.net.



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INDIA'S FAMILY OFFICE BOOM

Pedro Gonçalves explores the increasing popularity of the family office among the subcontinent's ultra-wealthy

INDIA EXPERIENCES FAMILY OFFICES BOOM

Family offices are becoming increasingly popular among India's growing ultra-wealthy population. If in the early 2000s the concept of a family office was barely know, as India got richer, it was only a matter of time for this segment of private wealth management to flourish as wealthy Indians started shifting from traditional assets such as gold and property to financial services. *Pedro Gonçalves* reports

Traditionally, European and American families have dominated the global office space, However, India's family office scene can no longer be ignored.

Increasingly, India's rapid increasing population of UHNWIs have started to set up their own family offices to manage and grow their wealth and create a lasting legacy for future generations.

The tide turned when Uday Kotak, the eight-richest person in India, announced last year that he was setting up a family office to invest his $10bn fortune. Up until then, India's wealthy preferred to reinvest any profits they made back into the family business. Avoiding risky ventures was the rule.

However, this boom is still in its early stages. There are only around 45 family offices in India. That figure is a far cry from an estimated 5,300 single family offices worldwide, according to the *Family Wealth Report 2018: a Roadmap for the Indian Family Office* published by Campden Research in partnership with Edelweiss.

"The rapid extension of UHNWIS in India has led to a growing appetite for more efficient, effective and prosperous ways to invest money and manage assets," the report said. Over the next five years the number of family offices in India is expected to soar to around 1,000, according to Aditya Gadge, founder of the Association of International Wealth Management and CEO of Priwexus.

"Fuelled by global trends and a desire to further professionalise a family's practice, families of great wealth are starting to set up family offices as vehicles through which they can invest their wealth into different asset classes such as equities, private equity, real estate, fixed income and hedge funds," the report added.

According that report, which surveyed 78 wealthy families in India, practically half (49%) rely on family office services. Of the respondents using family office services, 19% have established single family offices that are independent of the family business, while around 8% have established or are joining multi-family offices.

Of the remaining 51% who do not use family offices, 32% said they simply do not use wealth management, or they take their wealth management advice from family or friends (18%) or rely on external advisers.

The average assets under management of the family offices represented by the report stands at $318m, with that number almost doubling to $645m when looking at the average net worth of the families.

The report also looked at the wealth transfer and found that around 62% of families in India now have some form of succession plan in place.

If succession planning is usually a difficult subject to touch in most countries, It is even harder in India. With very few patriarchs wanting to discuss it, stories of in-fighting in some of India's largest high-profile families are not uncommon.

Of those with a plan for the future, only 19% had a written and formally agreed succession plan. The remainder are either simply verbally agreed (14%) or informally written (29%).

Reports by Credit Suisse and Kotak Wealth estimate India has more than 55 dollar billionaires and 622 tycoons with a fortune between $100m and $1bn. Experts estimate India's wealth managers to be dealing with a $2trn market.

"India has about 150,000 HNW families with a cumulative net worth of $2trn. This number is expected to rise to 400,000 HNW families with a net worth of $5trn by 2025. We are witnessing openness from these families to the concept of a family offices beyond traditional wealth management," Anshu Kapoor, head of private wealth management at Edelweiss, said.

WHERE DO YOU DO BUSINESS MOST?

- MEANA
- UK
- Europe

See results

As old economy businesses lose some of their appeal and cutting-edge new economy opportunities keep popping up, family offices are moving the fortunes of some of India's wealthiest towards investing in startups and riskier ventures such as private equity in order to make sure that families are not putting all their eggs in one basket. By investing in startups working on new technologies like AI, traditional families get to stay updated and are not taken by surprise when the latest wave of innovation hits the market.

Some of India's wealthiest families have decided to take the international plunge as the country braces for an impending decade of wealth transfer. Singapore and Hong Kong seem to be the destinations of choice. Both offer a robust financial services sector and competitive corporate tax rates of 17% and 16.5% respectively, making them appealing locations for setting up family offices. India, charges a corporate tax rate of 30%, with a reduced rate of 25% for firms with an annual turnover of less than $34m.

As dramatic changes are taking place in India's corporate culture, family offices are helping local tycoons protect their personal wealth and stay ahead of the times by investing in cutting-edge new economy businesses.

Pedro Gonçalves in *International Investment*'s financial correspondent.

INTERNATIONAL
INVESTMENT

DIRECTORY:
PROFESSIONAL SERVICES

A listing of some of the biggest
players in offshore financial services

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Profile: Canada Life International Limited (CLI) established 30 years ago remains one of the leading offshore providers with assets under administration of £14.3bn (as at 31 March 2017). CLI is the only offshore insurer to maintain a five-star AKG Annual Financial strength rating for 14 consecutive years. Through CLI Institutional Limited, institutional and UHNW clients have a level of policyholder protection that isn't otherwise available in the UK offshore market. In 2015, CLI also completed the acquisition of Legal and General International (Ireland). This has enhanced the choice available to UK investors by providing them with a choice of jurisdictions within one compelling offshore proposition.

Offering: Canada Life International Limited (CLI) offer a wide range of regular and single premium investment bonds, tax and estate planning solutions and whole of life protection solutions. Our investment options include full open architecture, links to over 40 platforms and over 150 discretionary investment managers as well as over 150 internal linked funds. Our team of technical specialists offer more than 200 years of experience in taxation, trusts, estate planning and pensions between them. In addition, we publish and back our service standards with a no quibble, non-performance penalty system.

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Profile: Generali Worldwide is a wholly owned subsidiary of the Generali Group. Founded on the strength of this international presence and wide-ranging expertise, Generali Worldwide specialises in offering life insurance-based wealth management and employee benefit solutions to a global audience, including multinational organisations, international expatriates and local resident populations in licensed territories.
The company's head office is based in Guernsey, a premier international financial centre, and is a registered insurer under the Insurance Business (Bailiwick of Guernsey) law, 2002 (as amended). It is also an authorised insurer in the Bahamas, British Virgin Islands, Cayman Islands, Hong Kong, Jersey and Singapore.

Offering: A range of individual unit-linked regular and single premium-based savings, retirement and investment plans and an open-architecture portfolio bond along with group retirement and savings products, group life and disability and healthcare products.

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Profile: Hansard International has been providing innovative financial products and services for international clients since 1987 and forms part of Hansard Global plc, which is listed on the London Stock Exchange. We administer assets in excess of US$1bn for over 500 financial advisor businesses with over 40,000 client accounts, in over 155 countries. We are celebrating our 30th anniversary in 2017, and already planning ahead for the next 30 years.

Offering: In the ever-changing landscape of financial services, Hansard International prevails as a steady and constant presence. Whilst other providers around us have changed their name, ownership, identity and focus over the years, Hansard International has remained committed to providing innovative financial products and services for financial advisers and their international clients. This strong heritage, which is coupled with exceptional levels of service and a focus on innovation through the use of technology, makes us an exceptional proposition in our marketplace.

Investors Trust

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Profile: Investors Trust was established in 2002 as an international insurance group to provide a modernised approach with products designed to meet the demands of different markets. Over the years, Investors Trust has become a leader in the industry by continuing its focus on flexible solutions, enhanced opportunities, advanced technologies and world-class customer support.

Offering: Investors Trust works with some of the world's top asset managers under its convenient open architecture platform. Specialising in medium to long term unit-linked investment products, Investors Trust offers a broad range of flexible solutions to satisfy the individual needs of international investors. With multiple jurisdictions to choose from, Investors Trust gives investors the power to select and build a plan that fits their current lifestyle while generating wealth to reach their financial goals.

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Old Mutual International is a leading cross-border provider of wealth management solutions. Our aim is to help financial advisers manage and grow their clients' investments; not just for their own future, but for their family and the generations to come.

We are one of the few financial service providers to operate in multiple global markets, offering effective financial planning solutions to expatriates and local investors across the world including Africa, Asia, Europe, Latin America, and the Middle East.

In an ever-changing regulatory landscape, it's crucial that financial advisers stay ahead of the game. We are here to give them all the support and technical expertise they need to help them maximise opportunities for their clients.

Old Mutual International is part of Quilter, a leading provider of advice, investments and wealth management both in the UK and internationally, managing over £100 billion of investments on behalf of over 900,000 customers (as at 31 March 2018). Quilter plc, our group holding company, is listed from 25 June 2018 on the London and Johannesburg stock exchanges.

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Profile: Premier Trust offers a uniquely tailored suite of unit-linked products that grant international investors the opportunity to create a portfolio of investments in a simple and sustainable manner. Premier Trust, part of PA Group's Life and Investment division, provides clients access to some of the world's leading fund and asset managers as well as best-in-class custodians. From protecting our clients' health with worldwide coverage to helping them achieve a successful financial future, PA Group creates financial security road maps for life's most significant events. For over 18 years, PA Group has guided and protected our clients with comprehensive health and wealth accumulation solutions.

Offering: Our investment products include regular savings and lump sum premium plans with principal protection in multiple currencies (USD, AUD, EUR, GBP), as well as plan options with a broad selection of investment funds and ETFs. With a dedicated administration team and a proprietary online platform, Premier Trust delivers personalised customer service with multi-language support to advisers and clients in over 40 countries. For more information on Premier Trust's investment solutions, visit www.premiertrustglobal.com.

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Profile: With a 25-year heritage, Utmost Wealth Solutions is a provider of award-winning offshore bonds for high-net-worth UK residents. Having recently opened a Dublin office to complement our long-established Isle of Man base, we can now offer a choice of jurisdiction in addition to a range of investment options, including a bond with full discretionary management. Recognising the complex and continually changing financial planning landscape, our highly-respected technical support can help you consider appropriate solutions for your high-net-worth clients. With £12bn funds under management and 36,000 policyholders (31 December 2016), we're here to make a wealth of difference.

Offering: Flexibility and choice are at the heart of our single premium bonds. Our Isle of Man-based Evolution offers access to a wide range of investment options. The Estate Planning Bond, also Isle of Man-based, is combined with a discounted gift trust and is designed for IHT planning. We also have two Dublin-based life assurance bonds. Selection offers access to a wide range of open architecture investment options, while Delegation provides access to all the investment flexibility offered via a discretionary fund manager. Utmost Trustee Solutions, our in-house trustee service delivers expert support in all trust administration matters

Thank you for reading

INTERNATIONAL INVESTMENT'S FAMILY OFFICES SPECIAL REPORT