

A GROWING ROLE FOR FAMILY OFFICES IN INDIA

THE CONCEPT OF FAMILY OFFICES IN INDIA IS GAINING TRACTION, SAID PANELISTS AT THE HUBBIS INDIAN PRIVATE BANKING FORUM 2014 IN MUMBAI IN LATE AUGUST. NOT ONLY DO THEY PROVIDE INVESTMENT ADVISORY, BUT OTHER KEY SERVICES ALSO SUCH AS FAMILY GOVERNANCE.

The penetration of family offices in India is low, and disproportionate to the increasing number of wealthy families.

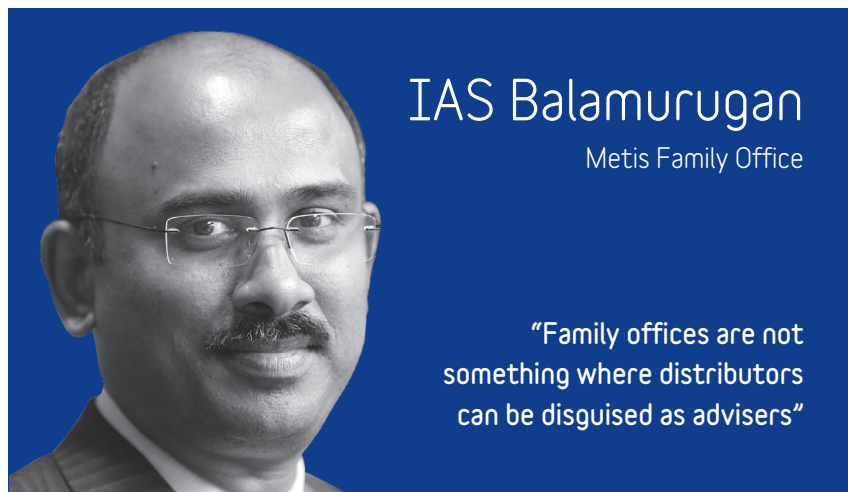
However, with the increase in inter-generational wealth transfer and liquidity events involving first-generation entrepreneurs, the concept of family offices is slowly picking up, agreed speakers at the Hubbis Indian Private Banking Forum 2014, held in Mumbai in late August.

GROWTH OF FAMILY OFFICES

According to Rajesh Iyer, head of investment advisory services and family office at Kotak Wealth Management, his is the oldest family office in the country, having existed for more than two decades.

"We have worked with a lot of clients on the investment side," he said.

"In spite of that, we have not seen much of the governance or trans-generational frameworks that we talk about. As the business environment improves, people will be in a better frame of mind to get into a more comprehensive way of handling their investments or business."



However, IAS Balamurugan, co-founder of Metis Family Offices Services, said he believed that family office as a business has reached an inflection point.

Yet he made a distinction: "Family offices are not something where distributors can be disguised as advisers. If one is keen about their distribution commission, then don't even call yourself a family office. In our scheme of things, wealth management is incidental."

Soumya Rajan, managing director and chief executive officer at Waterfield

Advisors, agreed with Bala. "What one sees is that there are more and more families in India which are far more aware of the fact that there are conflict of interest issues when they deal with their existing private banks."

Because it is necessary that if you want to give unbiased advice, Rajan added that it is important to set up a structure that is outside the scope of the banking framework.

Rajan pointed to the Patni's as an example to further emphasise her point.



are three big issues to consider while setting up a family office, she said. First is in terms of complexity of finances; secondly in terms of conflict resolution; and thirdly the need to have a coordinated set of strategies for all of an individual's needs.

Bala said families predominantly need a bouncing board. "Our experience comes from medium-sized family businesses – typically about INR 250 crores onwards up to INR 4,000 crores. They want someone who is an external counsel to come and help them out."

Despite the emergence of a number of single and multi-family offices in India, the market isn't very evolved at this stage, added Iyer. "We do set up a structure and work with multiple external partners, be it legal, tax, accounting, governance, etc. However, families are not very comfortable discussing such issues."

He added that it all boils down to who has which kind of expertise to deliver. "An advantage as a private banker is that even if we don't have the expertise, we know where to go and find the right people from – to become the adviser of an adviser." ■

"The concept of family governance is more prevalent in Europe and when we benchmark our progress to that of Europe, it has been slow."

"When the Patni's came into their wealth in 2011, private banks started crowding them with products rather than trying to understand what is that the family wants to do."

According to Rajan, people prefer family offices because they prefer to build a deeper relationship with existing clients rather than focusing on the number of clients they have.

In this regard, Bala mentions that the concept of a family board review has worked very well for them.

However, Rajan, whose family offices works with the Patni's, says it is not just investments they are looking for. There

WHY A FAMILY OFFICE?

Historically, wealthy clients chose to seek out family offices primarily for investment advice.

However, in the past few years, the concept of governance has emerged, according to Iyer. "The concept of family governance is more prevalent in Europe and when we benchmark our progress to that of Europe, it has been slow," he said.

