

I Have A Dream

I have a dream. A dream of a different wealth management model. A model where the interests of the staff, the firm and the clients are aligned. Where the reward relies on the minimum of subjectivity. Where the people are at the top of their field. Where the infrastructure is adequate and efficient and supports the client and the business. And where there is mutual and universal professional and personal respect.

I dream of a private wealth management model where the client comes first, and where the concept is not mere rhetoric but a commercial reality. This is the first principle. The Client Comes First. This will be achieved through the co-investment of both the firm and its people into the same products it expects its clients to invest in.

The firm and its people shall be aligned to the interests of the client. To do this, a portion of the firm's capital will be invested in the products offered to its clients. The impact of Basel 3 will be an unavoidable cost of business and no longer a convenient excuse to not invest in what is offered to clients. The firm's capital will be invested based on the Model Portfolio.

Staff bonuses shall be formulaic and contractual and designed to reflect the particular job function. For example, some roles will be based on commissions while others will have bonus caps with bonuses reduced for underperformance or high error rates and exceptions.

There shall be intellectual integrity in investing. Conflicting views are permitted. A house view will be published which will form the basis of the Model Portfolio. The firm's capital shall be invested in the model Portfolio.

Staff bonuses shall be subject to a holdback (based on

seniority and relevance). The remainder will be paid out in cash. The holdback will be locked up for 3-4 years and may be invested in the various products offered by the firm or in cash. The aggregate allocations of the staff will be published so that clients can observe the revealed preference allocations of the staff as a group. This shall be called the Principal Portfolio. Staff redemption execution will be sufficiently delayed so clients have an opportunity to act first ahead of staff. Staff will invest on the same or at least no worse terms as clients and at similar fees, liquidity and transparency terms.