

# Waterfield Advisors forges ahead with advisory-only model

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Waterfield Advisors is something of a vanguard firm in India's wealth management industry, having taken the bold step to go the advisory-only route. It is also a reaction of sorts to endemic conflict of interest issues experienced by its founder and CEO, Soumya Rajan, during her years as a banker.

"I felt that as long as you are sitting in a bank, you must always deal with this, and so I believed the time was right for India to have a national MFO player," Rajan told *Asian Private Banker*.

"There was a clear need for an organisation that could source the best solutions for families irrespective of where they come from."

While arguably logical from a fiduciary and strategic perspective — domestic banks at the time were not actively discussing family offices and clients' needs outside of investments, and major international players had yet to extend their family office services to India — Rajan's decision to set up a pure advisory offering for India's wealthiest families in 2011 went against the grain of a distribution-led industry where clients were not accustomed to paying a fee for advice.

"When I founded the company, I knew it would be a harder and longer road," Rajan said. "But clients — as well as employees — need a credible choice. In the past, if clients wanted a fee-only choice, they wouldn't have been able to find one."

Waterfield is gradually gaining traction with UHNW families — the firm had US\$2.2 billion in AUM at the end

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of 2017, up 83.3% YoY — and recent moves from India’s regulators could stir up tailwinds. The Securities and Exchange Board of India’s proposal to separate advisory and distribution activities and force wealth managers to choose one line of activity, while controversial, understandably strikes a chord with Rajan, who describes the initiative as a potential “gamechanger”.

“Regulation is in a grey area, but the regulator is trying to find a direction,” she said. “It is looking at what is happening elsewhere in the world and is trying to figure out how to prevent mis-selling, and to increase transparency and provide a better client experience.”

“We have a five-year head start on our competitors because it is difficult to build an annuity business. It’s a nice cycle once it starts to operate, but for anyone who wants to come into it, it will take time to build their credentials. For us, it would be a wonderful regulatory tailwind. It would make clients much more aware that firms like us exist.”

The firm also has ambitious plans to amass scale by pushing down the wealth curve, although such a move would necessarily entail a tweak to Waterfield’s business model given the cost implications of deploying advisory services to those below the US\$40-50 million mark.

“For the lower end of the pyramid, to make money, you need very good technology that will help bring down the cost of transacting. This US\$5-40 million segment presents a good opportunity for advisory firms, and this is where we will grow,” she said.

Waterfield is currently looking to raise capital for its scalability play, which Rajan said is likely to involve a ‘hybrid’ human-tech interaction model, especially as clients are only now beginning to understand risk in financial products.

“Wealth managers are very good at telling you when to get into a product but never when to get out. Intrinsicly, there is an enormous amount of inertia, so we need a solution that responds to the holistic needs of the client,” Rajan concluded.

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