their skills and knowledge into Asia.

Ipac is on the ground in Hong Kong, Singapore, Taiwan and the Philippines, and after four years running a firm in Singapore, Professional Investment Services (PIS) has just concluded negotiations to buy 20 per cent of Malaysian practice Standard Financial Planners.

PIS chief operating officer Greg Whimp established the Singapore practice to provide the nation's investors with local advice.

"There are a lot of nomadic advisers that fly round Asia and provide the Isle of Man [tax haven] type products to expats. While we are looking into ways to provide advice for expats, for the past four years we have focused on providing to Singaporeans," Whimp says.

To do this, PIS leveraged its Australian resources and knowledge, and recruited local advisers savvy to the needs of local residents.

Adequate knowledge of cultural and economic sensitivities has obvious benefits – Malaysia's Islamic Capital Market a perfect case in point. This is a market where the activities are carried out in ways that do not conflict with the conscience of Muslims and the religion of Islam, and it plays a similar important role as other capital market components in generating the economic growth of the country.

Pflaum says local knowledge like this is irreplaceable.

"If you're in the business of providing financial advice you have to be a member of that community; so expats can provide advice to other expats but I think it takes locals to provide advice to their own countrymen," he says.

"Probably the more successful business models going forward will be those models that successfully marry foreign expertise, infrastructure and ideas with local distribution. In providing financial advice you must know the local market."

He explains foreign support is helping the local markets grow in their own right.

"It's very much a case of trying to leverage foreign experience and expertise into the local market. In Singapore, the IFA [independent financial adviser] market is actually dominated by locals who have leveraged off or gone into partnership with a foreign firm just for that expertise," he says.

While some dealers are explicitly targeting local investors, there is still a

David Thomas: good opportunity

good living to be made from mining the traditional expat realm. David Thomas was a financial adviser in Hong Kong for eight years, and now promotes and exports Australian-style financial advice to Asia through his Sydney-based firm, Think Global. Fresh from a trip to Hong Kong, his appraisal of its advice industry is unflattering.

"The local market is very fragmented. They focus on transactions rather than relationships. It's also highly commission driven, which means the local population, particularly the expatriate population, is pretty cynical about local financial advice. There's a very good opportunity up there for Australian planners to provide good professional fee-based advice," Thomas says.

Whimp agrees.

"Our competition is varied, but mainly it's the tied sales forces of big insurance companies – AIA, Prudential and Great Eastern – facing off against each other. It's very similar to the competition between AMP and National Mutual in the 1980s," he says.

The Hong Kong authorities seem to have realised this and have recently embarked upon a reform of its regulatory system – with the help of former ASIC head of financial services reform Ian Johnston, who recently departed the Australian corporate regulator to take up a position as special adviser to the Hong Kong Securities and Futures Commission (SFC).

Thomas says the move was a canny one by the SFC, and certainly Australian advisers setting up in the region can benefit from his thorough knowledge of the market there.

"Hong Kong is now looking to update their regulatory system and obviously Australia proves a good role model and it's highly regarded as a well-regulated system. So plucking Ian out of the Australian market and putting him in Hong Kong is a good idea," he says.

"Hong Kong is a different environment. It doesn't have the same sort of social security, super and tax complexities we have in Australia, so it's more of an investment-driven culture rather than a planning culture, and its probably more short term than it is in Australia. But more regulation in Hong Kong is inevitable."

He explains that in Hong Kong alone there are 45,000 expat Australians, many of them with a very high disposable income. Add the super-type Mandatory Provident Fund required by each employer and tremendous tax breaks to the mix and the client base becomes very attractive.

"In Hong Kong the highest rate of tax is 16 per cent personal tax and that's only payable on income, so they don't pay capital gains tax and they don't really pay tax on their investments, so they can accumulate some pretty significant wealth there," he explains.

Already Australian dealers are looking to grow beyond their barely established bases in Asia. Ipac has made no secret it is looking to transplant its model into whatever country has the right fit, and PIS also has greater horizons.

"We are establishing our presence in Malaysia and Hong Kong at the moment and projects in four more countries – Thailand, Korea, Sri Lanka and India," Whimp says.

And what of China? Despite its massive macroeconomic growth story, it is surprisingly absent from the radars of most advice firms – at least for the immediate future. Pflaum says the consumer market is still too underdeveloped while even the ambition – and chequebook – of PIS is stalled by the infrastructure challenges posed by China.

Whimp says: "China is obviously the biggest jewel in Asia but it's not without its challenges. We've got plans to launch into other parts of Asia so if we can build up our network of contacts it's certainly on our horizon. But not for a few years."