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AP
ADVISOR PRIVATE

MiFID II

We're ahead of the game

By PierEmilio Gadda

"MiFID II is just round the corner. Many firms aren't ready yet: they're taking their time to decide whether or not to operate as independent advisors. Others, instead, are acting as though they're unconcerned about the effects of the new rules, which extend and implement the principles behind the first directive on markets in financial instruments. We anticipated MiFID II by 17 years: from our very first day we have never applied retrocession fees; the market knows that our strengths are our transparent fee structure and the absence of any conflict of interest," explains **Massimiliano Cagliero**, founder and CEO of **Banor**, one of Italy's leading independent asset management companies, providing wealth management and high-net-worth advisory services. "We don't expect there to be any impact on our balance sheet," says Cagliero. "None of our sources of income will suffer adverse effects. The bureaucracy will be more complicated, however, and this will need to be taken into account."

The CEO firmly believes that the new rules will speed up the ongoing market consolidation process, to the advantage of independent firms. "On the one hand," he says, "several international players have moved out of Italy and domestic firms are ready to fill up that space". He is referring, more or less explicitly, to big players of the calibre of **Merrill Lynch** and **Morgan Stanley**, which made a brief foray into Italy but have since divested their wealth management business. "On the other hand, a process of consolidation is under way, and some independent firms have decided to sell their business to other banks, Italian or foreign." Cagliero may be alluding here to the transaction between **Kairos** and **Julius Baer**.

Over the last 12 months, meanwhile, Banor SIM has achieved 30% growth in assets under discretionary management. At group level it boasts total assets in excess of 6 billion euros, of which 4 billion under management in Italy, in the hands of 75 investment professionals, a team of CFAs and a staff of specialised portfolio managers, with 8 product lines.

One of the areas in which the company has been investing heavily for some time is that of sustainable investment. "Socially responsible investing (SRI) doesn't just apply to religious finance. In the US," explains Cagliero, "all the major institutional mission statements already establish a link between social and environmental responsibility criteria and purely financial measurement parameters. This approach will become more widespread on the Italian market, too."



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On a more general level, Banor's management philosophy is based on value investing principles. In other words, it aims to uncover the value of a business not expressed by its stock market price. Banor's experts, backed by a team of financial analysts, meet at least twice a year with the senior management of the firms being monitored and hold regular discussions with international asset managers: all part of the task of selecting money managers for the various asset management programmes. This means that Banor has a direct line to the big American investors and can see at first hand how their view of Italy is evolving.



Mario Morelli

Matteo Renzi

Mario Draghi

"At the moment, they're more concerned about the state of Italy's banks than interested in the debate on an early election," says Cagliero. This is a mistake. "Because the **Monte dei Paschi** situation has almost been resolved. The problems of the Veneto banks can be overcome. And some Italian financial stocks offer a very good investment opportunity. However, if we want investors to buy into our country again, then we need to carry out a clear plan of agreed reforms. Of course," he concludes, "we also need to be able to present it well."