

## Incapital snaps up Blue Sky Asset Management

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US securities and investment banking firm Incapital has acquired UK plan manager Blue Sky Asset Management, which will be merged with Incapital Europe, the US firm's London-based subsidiary established in 2003.



**Chris Taylor, Incapital Europe**

The takeover comes a year after Blue Sky conducted a strategic review, after which it decided to look for a partner, according to Chris Taylor, formerly Blue Sky chief executive and now managing director at Incapital Europe. James Chu and Mark Dickson will become joint managing director of the new company and all three will take an equity stake in Incapital LLC.

"While independent wealth managers need and value independent providers, not least for their open architecture counterparty platforms, all the independent providers in the UK, including Blue Sky, are too small and too fragile," says Taylor. "Recent events show that they fall over at the first regulatory scrutiny."

Two UK plan managers – Keydata and NDFA – have been placed into administration by the UK's Financial Services Authority following the onset of the global financial crisis. Keydata's demise was subsequent to the uncovering of a fraud, whereas NDFA fell foul of regulatory requirements related to the sale of Lehman Brothers-backed plans. The remaining plan managers in the UK have been subject to intense scrutiny from the regulator.

Those firms that continue to do business are adapting to the new regulatory regime and recessed financial markets. "The quality of literature for the retail market has improved immeasurably following the regulator's review," says Adrian Neave, managing director at Gilliat Financial Services in London. "Only the new regulator can decide whether there should be another review," he adds.

Intermediary sales in the UK account for around 20-25% of the retail structured products market and IFAs are increasing their use of the products. "We felt we could not achieve the necessary capital strength, depth of resource and scale through organic growth alone, even over a 10-year horizon," says Taylor.

As well as creating a stronger financial position, the tie-up will improve distribution capabilities and help expand dealings with national and network adviser firms.

Blue Sky's book of plans will be transferred to Incapital Europe, where they will have ongoing service to maturity. Any plan in 'open offer' will continue as a Blue Sky plan, until shortly after their strike dates, when the responsibility to IFAs will transfer to Incapital LLC, which is wholly owned by Incapital Holdings and is an investment bank based in Florida and Chicago. Incapital Holdings is owned by staff including founder Tom Ricketts.

Blue Sky Asset Management appointed Reyker Securities to manage the administration of any plans it had launched since October 2009. Earlier plans are administered by Keydata's estate, though Blue Sky is negotiating with insolvency administrator PricewaterhouseCoopers about moving the pre-October 2009 plans to Reyker.