

Adding Value and Enhancing the Offering as Private Wealth in Thailand Surges

Jirawat Supornpaibul, Senior Executive Vice President and Private Banking Business Group Head at Kasikornbank, has a wealth of experience at his fingertips, having been so intimately involved in Thailand's financial sector journey for nearly two decades before taking up his current role back in 2013. He met with Hubbis to discuss the bank's approach to private banking and wealth management. Surveying the landscape for the industry's evolution amidst Thailand rapid accumulation of private wealth, he sees growing competition, the need to add value, and a world of opportunity for the smartest players.



A DDRESSING THE STATE OF THE WEALTH MANAGEMENT INDUSTRY

first, Supornpaibul observes that the market is far more active than ever before, with participants focusing most of their energies on chasing down the onshore money rather than the offshore funds.

“We can see that major foreign private banks have been setting up here to focus on the onshore segment,” he reports. “With the appropriate regulatory approvals from the Bank of Thailand, they have come and established offices, with most of the advisory given to those clients directing at stimulating outward investment through Singapore, or Hong Kong. For most of the foreign banks, Thailand appears to be a hub to boost remittance out of the country for investment in overseas assets.”

Foreign banks mine the local money

He clarifies this statement by explaining that rather than having the money in Hong Kong or Singapore, the clients then obtain permission from the central bank to remit money out of the country.

Those foreign banks traditionally plying their wealth management trade in Singapore or Hong Kong, he observes, are today facing more mature markets, whereas they see what he calls a ‘wide blue ocean’ in Thailand.

“That is the prevailing model,” he reports. “Whereas in the past we were competing with only the local competitors who focus on onshore and those foreign operators competed among themselves with the offshore money, the situation now is that everything is mixed up, the foreign banks are targeting the onshore money that

is currently onshore. It has therefore become very challenging for us and highly competitive.”

The same old story

Supornpaibul remarks that while economic expansion in Thailand is currently modest, the rich keep getting richer. “Because of the current distribution of the wealth and income here, the poor are really not becoming better off, actually they really are getting little or often zero uplift, while the rich are taking more than their share of the economic expansion.

Key Priorities

“The individual client will typically invest based on momentum, and we had weak momentum in early 2019 because of the problems in 2018,” he reports. “Nevertheless, the momentum is picking up so far in 2019 and hopefully there will be no big correction, perhaps caused by factors such as the central banks, trade wars or other concerns. However, we cannot control any of those factors, so we are aiming to hedge our clients against a return of volatility by promoting more controlled-volatility products, more risk-based allocation products.”

“The second challenge is to keep and build our talent pool,” he reports. “We just paid the annual bonus last month and often people will leave after that, but this year we haven’t seen that so far. In short, talent management and talent retention are vital areas for us.”

The third key priority for Supornpaibul is to further expand the land loan activity. “It has started,” he notes, “but we must now make it really successful. Utilising the illiquid asset will always be unfulfilling for clients, and the land loan is one potential solution. All we need to do is to introduce and explain the concept to clients. We need to convince clients of the right way to achieve a positive carry. Truly understanding the concept, we believe, will assist them to realise how useful the activity is. We think if we can do so it is a secret weapon that will work very well for us this year in adding new wallet share from existing clients be, as I said, leveraging up their existing illiquid assets.”

That’s the equation here. So, the rich upper level just keeps growing and growing.”

He turns his focus to the expectations of the clientele. “They expect us to help them in many aspects, the investments, the capital market solutions, investment advisory, and other facets,” he reports. “Accordingly, our positioning is not only as the provider of investment advisory but as a comprehensive wealth management service. As you know, in the past two years we have embarked on a friendly

partnership with Lombard Odier for wealth planning services, where we promote ourselves as experts not only on investments but where we also help with family wealth planning, and on vital family matters.”

Family matters...

The family issues concern a variety of essential matters such as ownership, governance, the family council, the family constitution, optimal asset holding structures, succession planning, amongst others. Even though SS concedes that the bank does not make much money from those

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initiatives, it certainly helps the bank strengthen relationships and to obtain a broader overall picture of the clients’ family structures, assets and objectives. “And they like us because we provide them an integrated, comprehensive service,” he notes.

Supornpaibul explains that Kasikornbank is also the first bank to initiate what it calls the Property & Land Credit for Investment, so called “land loan” for investment purposes. “The rich own a vast amount of land here,” he reports. “I would expect that at least half of an HNW family’s wealth would be in land and property, or more. Right now, we have AUM of around USD20 billion, but by including those illiquid assets that figure could be double or even triple.”

Illiquidity made liquid

Accordingly, the question for the bank was how to convert that illiquidity, for example of non-performing land, into liquid investments that create cashflow? “The answer,” he explains, “is that the bank now allows such clients to pledge their land as collateral and use the funds raised for investment purposes, thereby achieving a positive carry allied to sensible leverage.”

He explains that this is a similar idea to the Lombard Finance structure, but rather than using the investment portfolio as collateral, the bank uses the raw land as

surety. “In this way,” he adds, “we offer a more comprehensive package, including the non-financial assets as well as their financial assets. It can be seen as part of the overall planning service for the clients.”

The search for talent

Finding talent to help build the wealth management business is increasingly difficult. “Things are highly competitive,” Supornpaibul observes. “So many of my team are approached by head-hunters, almost on a daily basis. And with the arrivals of more global and boutique foreign private banks here, everyone is being solicited. Let’s be honest, everyone is happy to be expensive, but it does create its pressures on this industry.”

Supornpaibul believes the bank has a responsibility to act as

a mentor and to make sure they recruit good talent. “That talent,” he comments, “can come from many different sources. Some of the professionals that handle upper tier type personal banking can upgrade to our type of private banking, people from other areas such as brokers can move to our side, especially as there is so much competition from internet brokerages, or possibly they can move from fixed income or other areas. People increasingly understand that as a private banker they have access to a broader range of opportunities.”

Looking to the longer-term

Training is essential and Supornpaibul explains that Kasikornbank embraces that particular challenge. “We have for example recently set up what we call the ‘long-term incentive programme’, which is moving our skills to international standards, not only in the service we provide to clients, but in the manner in which we keep hold of our talented people. The bank has been positive and generous to help me in this programme, so that part of the revenues created by our team will be retained for a certain number of years, which will help us retain and nurture that talent.”

Adding value

Along with increasing competition for talent, as well as for clients, there are the inevitable areas where revenues are facing compression. “We are aware that if we stick to the plain vanilla type products,” he explains, “for example the long-only equity product, or long only fixed-term fund product, then there would be considerable pressure on pricing. But if we make sure you value add to the client, if you innovate by offering products that



JIRAWAT SUPORNPAIBUL
Kasikornbank

are not so easy to compete with, not so easy to find then people do not focus on the fees. Consequently, we are gradually offering more and more value-added product to clients.”

As an example, Supornpaibul highlights a new China fund that has features to control volatility already built in. “Rather than people buying a China fund, then riding a roller coaster up and down, this fund has mechanisms for control-

ling those sharp movements, hence the investor finds it easier to hold the fund longer term without worrying about the volatility.”

Another example is that instead of an open-ended fixed term fund, with the mark-to-market and therefore volatile NAV, the bank is offering a fund similar to a closed-end fund that sidesteps the NAV issues. Volatile NAV of a fund is resulted from prices of the holding assets, such as “bond”. And the most influential factors of the bond’s price is yield. If we buy and hold the bond, we need not to be too concerned about the impact of yield or market price. Close-end fund structures, allowing holders to sell only at the maturity, can diminish the price instability and have relatively less swing of NAV. “People simply feel happier not to have these constant swings,” he observes. “With these types of innovations, this type of value-added, there is far less pressure on fees.

Supornpaibul concludes the interview with a glance into his crystal ball to imagine what the

wealth management scene might look like in Thailand in the next ten years. “Teaming up with international service providers is certainly helping to raise the standard of service here in Thailand, even though it makes more competitive,” he reports. “From a client’s perspective, they obtain a better service, and I do hope that the foreign firms bring in the right people who adopt the right style and who understand how to communicate with the clientele here.”

More education of the client base is also a necessity, he believes. “If we look at all but the very top echelon of clients, those with considerable exposure to offshore markets and investments, we can say that we need to have greater understanding amongst clients here, in terms of the right way to invest rather than the gambling mentality, helping educate everybody that real medium- to long-term investment is a better idea than the trading mentality which has dominated historically.” ■



Getting Personal

Jirawat Supornpaibul describes himself as a very local Thai, born and educated in Bangkok, where he graduated with a master's degree from the Sasin Graduation Institution, which is a well-respected joint-venture between the pre-eminent Chulalongkorn University and both the Kellogg and Wharton business schools from the US. Most of his career has been at home in Bangkok, aside from brief sorties overseas.

"All the professors at Sasin came from the Kellogg School or the Wharton School, so it was an excellent start," he recalls. "After that, I started working as an investment banker with a local firm, Phatra Securities, which later partnered with a foreign company. I had training stints overseas with SG Warburg, then Goldman Sachs in Singapore, before returning to work full-time with what became Merrill Lynch Phatra in 2003."

His first venture into private banking was when he left Merrill Lynch Phatra to join Morgan Stanley in Hong Kong, but he soon hankered for a return to his beloved Thailand and landed his high-profile role at Kasikornbank in 2013 to develop the bank's wealth management operations.

Married with three sons, all of whom live in the UK and all of whom went to Shrewsbury School which has close connections to Thailand. The eldest son is doing his PhD in engineering, on a scholarship, at the University of Manchester. His second son is soon to complete his degree in creative computing at Goldsmiths College in London. And the last of the triumvirate of sons is nearing the end of his senior school days at Winchester College.

"I am lucky as I can work hard to help them, but if only the pound sterling could weaken even further to help me pay for it all!" Supornpaibul quips, in acknowledgement of how tough it is to educate children to a high level overseas these days.

Soccer, both playing and supporting his favourite team Liverpool, is one of his pastimes. And golf is another passion, which is also helpful for building business and client relationships in Thailand.

Spare time is also spent with the family. "The Easter holidays and Songkran [Thai New Year] are coming up, so we are looking forward to all our three sons coming back to Thailand then so we can enjoy all being together. Family holidays are greatly valued times and we often enjoy family trips, for example skiing in Hokkaido, Japan last winter, which was wonderful."

