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BNP Paribas Wealth Management: Tailoring its future to fit the new Asia

Arnaud Tellier, Head of South-East Asia and former Head of Investment Services for Asia at BNP Paribas Wealth Management, met with Hubbis recently to discuss the firm's evolution in the region amidst the changing industry landscape as well as new client expectations. He spoke of the rising importance of advisory while retaining a strong product focus for an Asian clientele that has long held a transactional leaning.

ACCORDING TO THE CAPGEMINI ASIA PACIFIC WEALTH REPORT 2016, Asia Pacific HNWI wealth could surpass USD42 trillion by 2025, representing a massive potential for the wealth management sector.

But the confluence of changing client demands, regulatory tightening, the growth of the independent wealth sector and the emergence of fintechs and other nifty competitors, means the 'traditional' wealth management industry in Asia is under pressure to reinvent its business models and develop new propositions.

"The market is indeed immense and rapidly growing here in Asia, but it is not without challenges and our development process is measured and gradual, so we can position ourselves for long-term sustainable growth," Tellier observed.

Constructing a future with new, and old, building blocks

The firm grew its AUM by more than 15% a year from 2012 to 2017, and together with the fundamental economic momentum, these factors have provided an ideal background to transition the product platform from what it used to be, namely an execution platform for structured products, more towards an advisory model. "Yet we will also remain true to our history in the region of transactional expertise," Tellier explained.

He also reported that there is much work being done by way of automation and digitisation. "As well as the current business strategies we are concentrating on, our new digital solutions will enable our RMs to deliver products and services by offering a seamless user experience across multiple channels. And the clients will be able to execute trades themselves, as well."

Tellier has a background of more than 20 years in capital markets and various senior positions in corporate and investment banking, as well as wealth management experience in Europe and Asia. Prior to his former role, he was CEO of BNP Paribas Wealth Management Singapore. As such he possesses a wide-angle perspective on the bank as well as the wealth sector.

Advisory a means to an end, not an end

"Advisory is multi-dimensional," he reported. "Advisory is not abstract; it is practical and means understanding our clients' needs and selecting the right ideas, the right products and the right asset allocation, so, for example, we might want to narrow a universe of 2,000 stocks to 30 shares on which we have a really strong conviction. Discretionary management is the ultimate stage of our services."

Tellier also noted that BNP Paribas Wealth Management has been hiring additional expertise to complement and enhance the skill set of other personnel the firm has attracted in recent years. "Our more recent hires and our current strategy are in line with the general market trend from almost pure execution towards managed assets and advisory," he said. "But we also have a great reputation in structured products and FX, and clearly we want to keep this powerful transactional franchise."

"Hence the continued hiring as well as the development of new tools, innovative ideas and new products," he added. "Our relationship with the investment bank helps greatly in this regard, to complement our very considerable in-house innovation, architecture and skill sets."

Growing skills sets and professionalism

Tellier firmly believes that the firm's RMs have developed in terms of both quality and professionalism in recent years. The tighter and more pervasive regulatory environment has also been a catalyst, helping RMs and the firm at large to focus more intensely on the clients' interests.

"The message driven home by our top management is that revenues are secondary to the client because our long-term reputation is paramount," he said. "Reputational risk is the highest risk in wealth management. We are committed to the continued strengthening of our infrastructure, our controls, and to ensure that we implement and maintain the highest level of ethics."

Tellier recounted how the launch of the firm's contractual advisory

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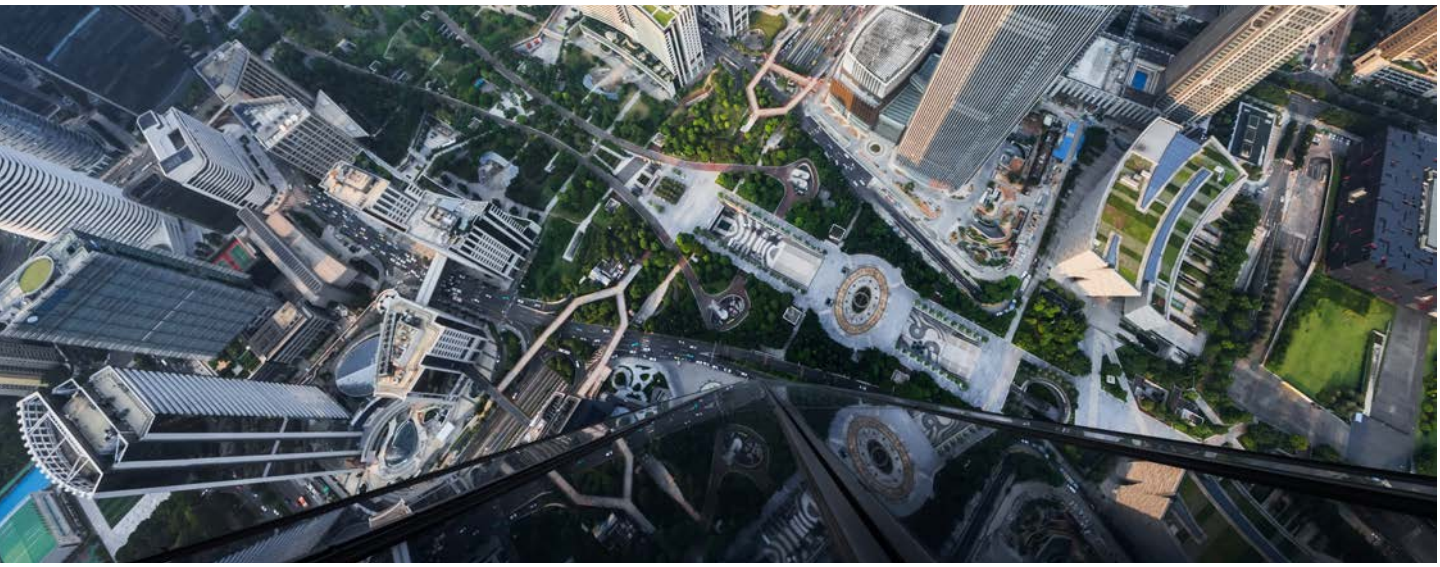

service last year was two years or more in the making. "It looks simple, but it is, in fact, a highly sophisticated tool to optimize a client portfolio - existing or in construction - at all times in order to deliver the best risk-adjusted portfolio."

The client decides

He explained that the firm charges an all-in flat advisory fee and no further fees if the clients want to invest in equities, bonds or funds, adding that the company earns no rebate, no brokerage fees and commits to a high level of service, for example, regular interactions with an investment specialist and quarterly portfolio reviews.

"This advisory model is one in which the client decides an asset allocation," he elucidated, "having had the opportunity to consider our recommendations as derived from our CIO and team. The client still makes the final investment decisions."

Tellier feels that this approach is the correct way forward. "We can, theoretically at least, offer dispassionate, objective advice with no compulsion to drive any client towards high margin products."

Cleaning up the act

But he also conceded that while objectivity of advice is the 'ultimate' goal, it is far from easy to achieve.

"Our remuneration packages for RMs and other key personnel alongside the regulatory regimes have diminished the incentives to 'churn' or 'mis-sell'. However, no system can be fully fail-safe as typical revenue motivations can still be there. Nevertheless, we are definitively moving in the right direction, for the clients and the firm at large."

He added that having empowered stakeholders is important in this regard, as it allows the firm to resist pressures to promote short-term solutions that might damage long-term solidity.

"For example, this strength helps us resist the temptation to encourage high leverage or drive clients towards highly structured or overly complex products."

The firm has an established, strong offshore presence in Hong Kong and Singapore, in addition to a long-standing historical onshore presence in China, India and Taiwan, with Indonesia the next step and other countries under consideration. "We are targeting those countries where we already have a strong corporate banking franchise set up," he reported.

"China is a strategic focus for us, and we are stepping up initiatives to tap into the fast-growing wealth pool."

The firm faces a great challenge as a traditional, universal bank with its legacy systems, which Tellier says is the 'fate' of most large organisations.

"But to our credit, we have developed a strategy to partner with the new agile, flexible, innovative fintech firms that might have the technology, but who need access to the clients, which we have," Tellier explained.

"In Europe, this strategy is more advanced, and we have even made investments and acquisitions of fintechs, although not yet here in Asia."

Tellier concluded that in his view the firm is taking the right steps towards a healthy future. "This industry is facing a lot of challenges, but fortunately against a backdrop of strong markets. We expect to be well positioned for the markets of tomorrow." ■