

China puzzle unravelling for iFAST

Financial culture and regulatory issues are not deterring investment platform expansion plans.

INVESTMENT PLATFORM SPECIALIST iFAST is making moves to replicate its successful business model in China but, unlike the rapid acclaim the company found in Singapore, Malaysia and Hong Kong, the roads leading to Shenzhen and Shanghai are littered with speed bumps.

China has proved to be challenging, according to Keith Neo, iFAST Financial China's Executive Director. "I would still say the business is still a work in progress. Just like the whole business environment in China, the financial industry and the regulatory structure is still changing and evolving. We have some traction, but ef-

fectively not as much as what we experienced in the early days of Singapore or even Hong Kong or India, so that is definitely a work in progress."

iFAST's platforms enable investors to maintain one or more composite portfolios and invest in numerous mutual funds and other financial products managed by different fund managers, based on individual financial planning needs. The platforms are built to allow clients to create their own wealth management solutions quickly and easily.

The company has placed an emphasis on providing high-quality technology, which has resulted in awards acclaim for its websites and mobile applications, which Neo believes will be crucial to conquering the China market.

"China is evolving and changing, but the magnitude of change is still not very direct," Neo said. "The way we view banks in China is that the main headquarter branch is likely to be in Shanghai or Beijing, but they have hundreds of branches elsewhere. So, the decision on products is decided at the HQ level, and the way the sales people sell is through scripted marketing materials, product materials, which is very top down.

"In that structure, it's not easy for them to directly evolve into a wholesale or full spectrum of non-product advisory, so when you go to similar branches of the same bank you will have the same products. Of course, there are some private banking segments that are evolving in the banks and they will have more customised services, given their high net worth and ultra-high net worth clients, but if you talk about the full spectrum of current services, we don't see this changing very radically because of the way it's structured."

The fact that China has a different mindset from oth-



KEITH NEO
iFAST

WE HAVE SOME TRACTION GIVEN OUR EXPERIENCES IN THE EARLY DAYS OF BUILDING OUR BUSINESSES IN SINGAPORE, HONG KONG, MALAYSIA AND INDIA, WHICH SHOULD BE ABLE TO HELP US ADVANCE OUR WORK-IN-PROGRESS.

er areas where iFAST operates is also not lost on Neo, who believes that patience will be needed, along with time, to see their expansion plans come to fruition.

“The China wealth management industry is still very much product centric,” Neo said. “A lot of people go to customers very much selling product, with not much asset allocation, so we are pushing the global financial advisory model, where we help customers do the asset allocation, the portfolio and everything else that is required. In our initial years in Singapore, Malaysia, and India, we had difficulties in terms of directly selling the advanced global wealth management concept. The advisors or the customers would be introduced to the process in stages, initially product centric, then slowly get them used to asset allocation and portfolio and wrap concepts.”

“In Singapore, we took about two- to- three years to develop an effectively structured wrap model, so I think in China hopefully with the high adaptability of the Chinese environment, we should be able to do it within the same time or even shorter. That’s something we are hoping for, but I think the regulatory environment is also very important.”

Neo believes that impending regulatory moves by the Chinese authorities will spur rapid growth within the financial sector. “When the Financial Advisory Act comes into play, we expect to see its embracement in similar terms to the industry in other countries. I don’t think it’s going to be very different from other Asian regions, even though the banks are more predominantly selling mutual funds.”

“Our main target partners are the small- to- medium-sized financial institutions, because they may like what we do and in terms of resources, in terms of the commitment to inject financial resources into the business, they may not be so upfront as the bigger players. That’s where iFAST comes into play. The small and medium banks want to do the wealth management business effectively, but it’s not their core banking services, so, iFAST as a platform suits their require-

ments in terms of number of product bookings and puts them on a par with the bigger players in terms of backroom support and in terms of research support and everything else. That is how we see the China model panning out.”

Neo looks to entrepreneurs in China who have launched various technologies that have taken root and are now booming as a sign that the adoption of iFast will follow suit.

“Jack Ma has demonstrated that the wealth management with technology can actually go down to every individual and has a very low entry point. We hope that with our technology capability, we are supporting our advisors, so they can be more cost efficient in terms of servicing their full spectrum of clients with features such as robo-advisory.” Neo said. ■

MASTER AMONG PEERS

iFAST Executive director for China, Keith Neo, is candid when he surveys his company’s peers and competition and is firm in his belief that his business model is second to none. “There are a couple of them,” Neo said when asked about competitors. “But if you look at it, and if you are talking about the wrap platform, then effectively none are actually doing the full aspect”.

A lot of them are very much transactional platforms, because right now there are hundreds of similar licensed entities like us. A few of the earlier ones and some of the later part who received a licence along with us in 2014 (as direct competition) come up initially as very transactional platforms. They worked with partners and provided transactional API.

“At iFAST, as a platform, we are not just transactional, we support our customers in terms of research, training, marketing and everything that goes along with a full service company. In that aspect, we are seeing others coming in to the market and a few are competing against us for customers, but they may not have the full direct complete services that we are offering to our clients in the likes of Hong Kong and Singapore. There are couple of similar competitors at this moment, but they are still evolving whereas we have the complete deal.”