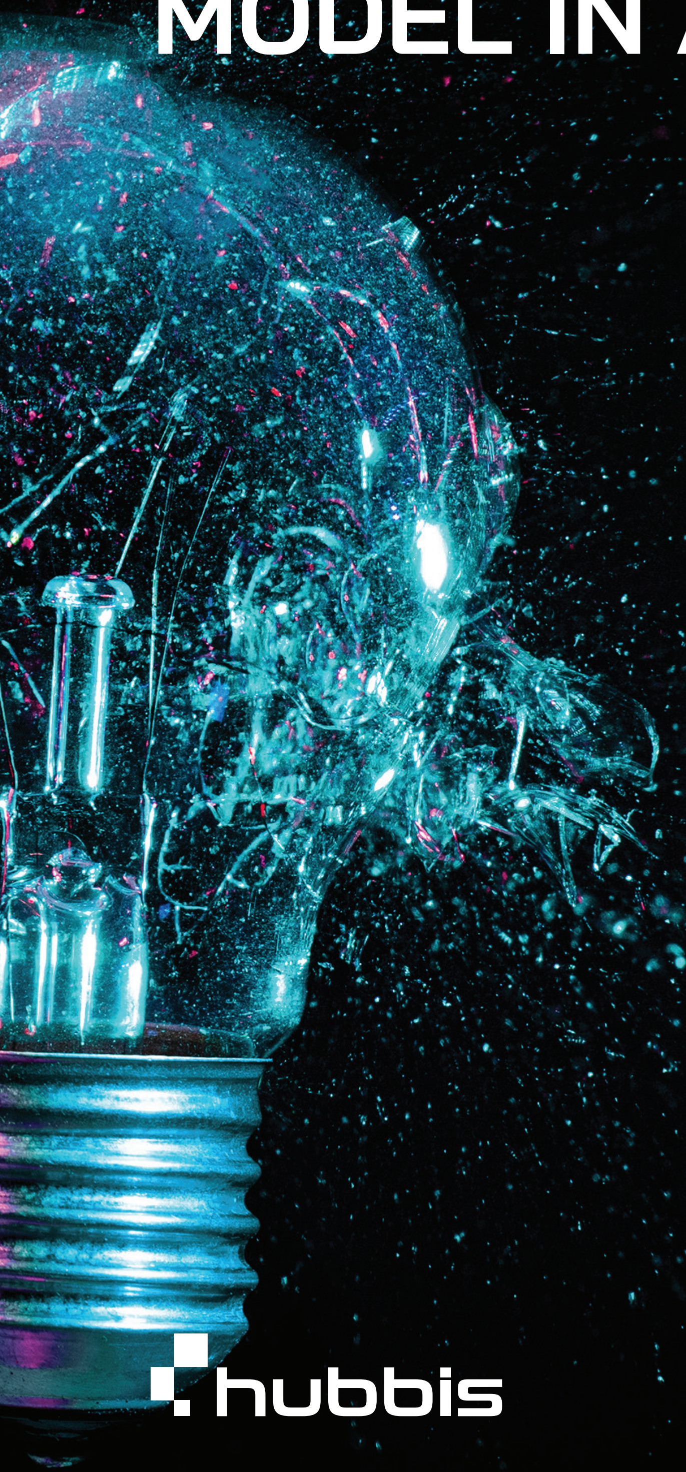
COOs AND WEALTHTECH LEADERS TURN THE SPOTLIGHT ON EVOLVING THE BUSINESS MODEL IN ASIA



SUMMARY

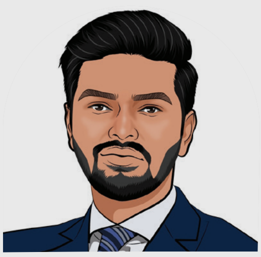
An erudite and influential panel of leaders and COOs from Asia's wealth management market and technology firms assembled for a virtual discussion on October 12 to drill beneath the surface of how the private banks and/or EAMs and MFOs are adapting their approaches, technologies and platforms to cater to the evolving needs and expectations of their private clients. The discussion was driven by a focus on their increasing client-centricity and greater personalisation, both of which are key targets, while automation and other digitally-enhanced missions are, theoretically at least, becoming more 'hygiene'. Or are they? And amidst all this, where is the differentiation so vital to what is a very people-driven industry, especially at the upper segments of wealth? The experts offered some remarkable insights into the alignment of technology with the wealth management business to help future-proof imaginative private banks and the 'smarter' independent wealth firms.

SPEAKERS

JEROME THUILLIER
UBP

KEES STOUTE
EFG BANK

JEFFREY WONG
HYWIN INTERNATIONAL



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SYNPULSE

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APIAX

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Setting the Scene for the Discussion

An erudite and influential panel of leaders and COOs from Asia's wealth management market and technology specialists assembled for a virtual discussion on October 12 to drill beneath the surface of how the private banks and/or EAMs and MFOs are adapting their platforms to cater to the needs and expectations of their private clients. The discussion focused largely on the HNW and UHNW segments but also acknowledged the mass affluent market, which for some key players is a key segment they are scaling up to penetrate more effectively.

« Expert Opinion - Jerome Thuillier, Managing Director & COO, Singapore, UBP: "Building a successful banking ecosystem requires a hybrid approach of human interaction and digitalisation. Digitalisation can be further enabled through efficient connectivity of core banking systems with agile solutions." »

The experts set the scene for the development of the wealth markets in Asia and offered their views on what they have accomplished in 2023, what they plan to focus on in 2024, and, of course, how they are positioning their banks, their firms, their technologies and their teams to seize the opportunities ahead and overcome the inevitable challenges and surprises around the corner.

Most importantly, the discussion was driven by a focus on their increasing client-centricity, as the private banks and the independent wealth firms position themselves to cater to the emerging and younger generations who will be dint of their own efforts or bloodlines soon control far more of Asia's private wealth.

ELEVATING THE EXPERIENCE

The discussion traversed how the platforms can deliver the right investor experience and array of assets to these private investors, especially as HNW and UHNW investors diversify portfolios into a more interesting array of markets, geographies, private and alternative assets, and even digital assets. They considered how the right platform can bring clients the right experience to boost client 'stickiness' and draw in more AUM, winning hearts, minds and wallet share along the way.

The discussion concentrated significant focus on the ongoing digital transformation of operations in the region. Digitisation has advanced further and faster than many might have anticipated, but there is still much further to go on those particular journeys, as the banks and other firms need to position themselves adroitly.

As technology potentially revolutionises the offerings and efficiencies of private wealth managers and the broad wealth management community across the region, Asia's wealth management leaders are spending a lot of time focusing on the right strategies and processes for ensuring that curation and then implementation of decisions throughout their businesses are soundly based, well-judged and then executed with precision, in a timely manner and to great effect.

But they also acknowledged that selecting the right tools and the best technology partners and then implementing those transformative digital solutions right are far from easy tasks. And they commented that teams internally need to buy in to change, which is not always so easy.

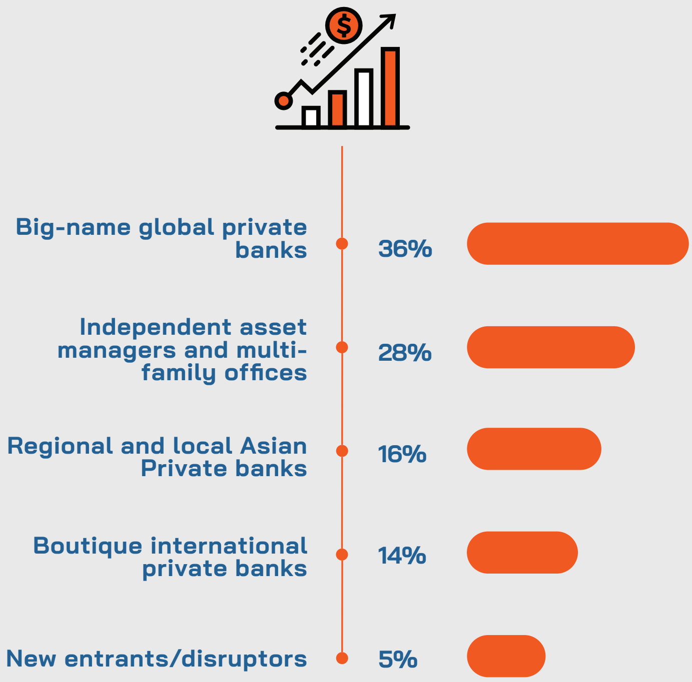
Talent is also a key priority for any competitors to be taken seriously in the wealth management markets, and not only do the leaders need to keep hiring the best in the market, but they also need to enhance training in order to develop skills and talent internally, and not just expertise in the products and solutions, but to also further encourage RMs and other team members to become even more client-centric, relevant, responsive, communicative and also to be much more engaged with the new digital tools and their objectives.

« Expert Opinion - Jerome Thuillier, Managing Director & COO, Singapore, UBP: "Streamlining administrative tasks isn't just about saving time; it's about investing time where it truly matters – with our clients. By simplifying the complex and automating the routine, we free our bankers to forge deeper connections, offer more personalised and differentiative solutions, and ultimately provide the quality of service that defines our commitment to client needs." »

This is especially important as clients seek a more holistic wealth management proposition and as key players seek to elevate their business models well beyond the transactional, even if at the same time they are boosting their platforms and their digital user-friendliness.

The Hubbis Post-Event Survey

WHICH TYPES OF WEALTH MANAGEMENT INSTITUTIONS IN ASIA ARE MOST CLEARLY GAINING MOMENTUM AND WINNING MORE CLIENTS?



Digital transformation is more agile and faster to expedite these days; it starts with controlling costs, but the real 'value' of the journey is through to the front end with far greater personalisation and an enhanced client/user experience

A speaker opened his observations by zooming in on controlling costs and boosting profitability. "Digital transformation is core to the drive to control costs and elevate the proposition," he commented. "As a private bank competing internationally in Asia, we need to be constantly reinventing ourselves."

He said that in the past, creating automation and efficiencies was a much more protracted project with long-term strategic core changes of platforms that were both fairly expensive and fairly slow to implement. "What has changed today is that we can be more agile, integrating quite rapidly key additional solutions on top of our core banking platform, leveraging APIs, achieving better outcomes and a faster time to market whenever we see opportunities and want to introduce new initiatives."

He added that the agility and flexibility allow for small as well as major changes. "We do not need to pursue the total or major transformation which might take years, but we can swiftly achieve incremental gains," he told delegates. "Cost efficiency, for example, centres also on making our bankers more efficient and productive, helping them better engage with clients, freeing them from low- or no-value activities, and enhancing their productivity, all of which improves client retention and satisfaction."

A panellist added that progress requires a 360-degree vision of the business; for example, he said compliance improvements come not only from direct applications such as RegTech tools but also from empowering the front-line bankers with processes and solutions that help them focus more time and energy on relevance and suitability.

"There are ways to make it easier for bankers to meet the standards required, to information they need and in the right form to help with decisions and to apply that without hunting all over to look for it. Combined with simplifying other internal processes, these are fairly easy advances that we can make with agility and speed."

A banker dug deeper into the needs around suitability, noting that their bank has a scorecard system which ultimately translates through to impacting bankers' bonuses.

"It was the case that the bankers had to remember all the suitability criteria themselves, which is rather taxing and stressful, but we have a responsibility as an organisation to provide a platform that helps the bankers to comply, that acts as a bridge between them and the rules and their application," he elaborated. “So, we have invested in technology and once the bankers have agreed on a transaction, the system automatically generates an email which contains all the necessary disclosures they need to make. This is definitely an area where things have improved.”

Data assembly and management are crucial to evolving a modern approach to personalisation and individualisation

A speaker observed that astute control and management of data are also central to evolving the private bank proposition, combined with a less siloed and more collaborative approach from the teams internally.

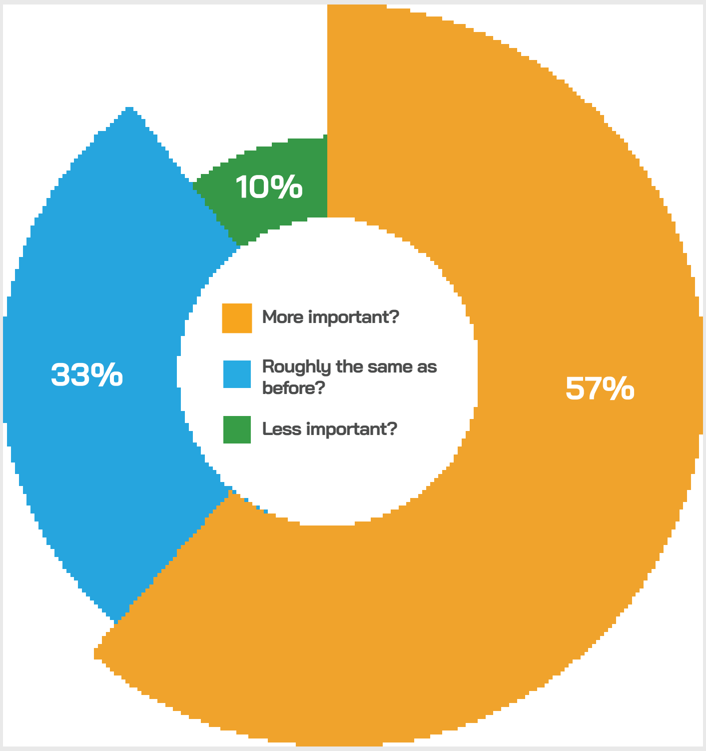
“This is all about change management,” he explained, “which is helping people buy into and participate in the transitions that need to take place. Change, as I said earlier, needs to take place in the longer-term and nearer-term, and to implement those changes, we need traction, and to achieve that we need to get team members to see the big picture, not just the big developments, the end game, but the smaller changes as well.”

He elaborated on these views, noting that the bank had conducted internal surveys on these matters to help encourage feedback and to then aid them in evolving technologies, processes, teamwork and so forth.

“For example,” he said, “in terms of KYC and onboarding, we want simplification of the execution and RFQ process for bankers, but we need to convince people that they are part of the progress, that the advances actually work, and that they are vital to the whole process.”

The idea is that this translates to their bankers’ dealings with the clients, as the bankers are on board with these developments and in a better place to convince their clients as well and talk the issues through with them. “Technology is the tool to help the various teams but to effect real change, we need to get real buy-in internally and make sure everyone is pulling in the same direction,” this banker added. “This is an important area of focus for us.”

IN THE CURRENT AND ANTICIPATED ENVIRONMENT FOR HNW AND UHNW CLIENTS, IS THE RELATIONSHIP MANAGER LIKELY TO BE:



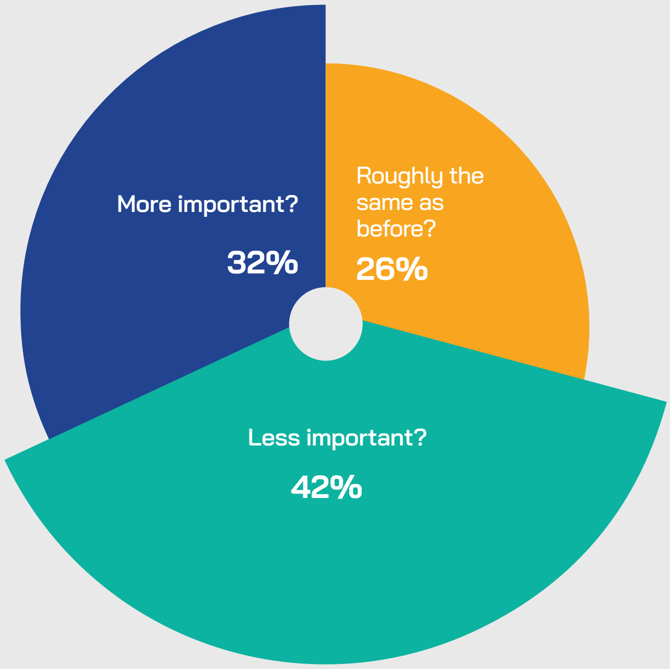
The thrust to greater personalisation is seen far and wide across the region

A speaker explained that there is a widespread drive to digital solutions, with KYC and onboarding a priority, with the elevation of the client-facing bankers’ capabilities vital, and with personalisation a pressing mission. Automation of data, processes, reporting and a host of other areas helps to free up the RMs and advisors to concentrate on delivering a more relevant suite of products and more holistic advice to their clients, making their relationships far more individualised.

"We all know what a challenge there is from compliance and regulators around suitability," he said. "We must ensure the advisors are empowered and liberated to focus on these complexities. Faster and smarter for the processes in the banks, but more accurate and more relevant ideas, advice and products ensure both a compliant approach and greater client satisfaction."

He said that this approach helps deliver newer concepts such as ESG more easily, as more is known about the clients, and the bankers have more time to focus on delivering better ideas. "We can get a clearer picture of the client preferences and we should also make sure that the portfolios of the clients are aligned with that client preference," he said.

IN THE CURRENT AND ANTICIPATED ENVIRONMENT FOR MASS AFFLUENT LEVEL CLIENTS, IS THE RELATIONSHIP MANAGER LIKELY TO BE:



Differentiation is in the eyes of the creators and the beholders, but it is less and less driven by technological prowess, which is becoming more widespread, and anyway, it is widely expected by clients

A banker tackled a question on the differentiation of the investment and indeed wider private banking offering. "Digital transformation is one thing, but clearly at [our bank] we are in the upper segments of wealth, and we believe in the delivery of human advice, connectivity and the building of trust, so we emphasise those qualities constantly. We are in a people business first and foremost, and we do not want to cloud the relationship with particular functionalities that impede those relationships. We want to make everything as convenient as possible for clients, and user-friendly, but we want to ensure the human touch is what they remember us for."

He explained that their differentiation is also in providing a value-added approach to investments and transacting. "Advice comes first and the quality of thinking," he said, "and the other elements are secondary. We want to help clients adopt a portfolio approach and a more complete view of their investments, and to do so we need to offer good advice, and quality and for the clients to trust our judgment and guidance."

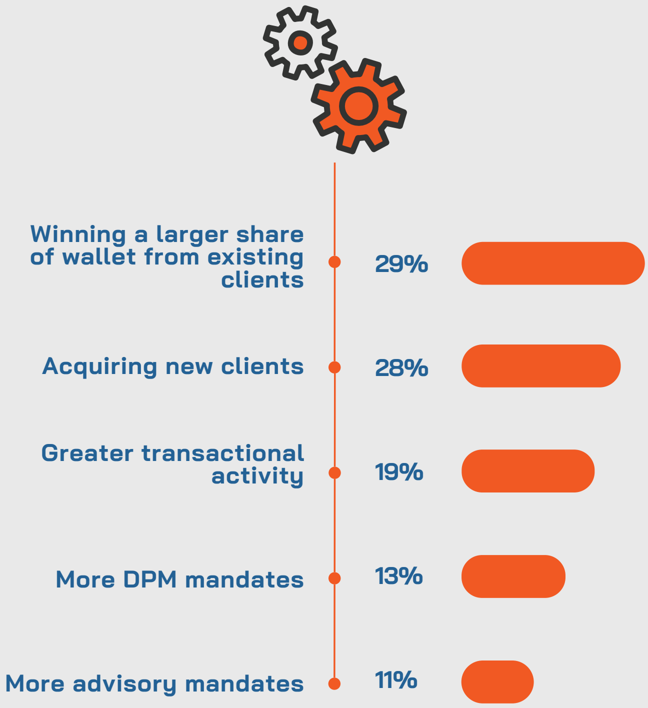
Differentiation for the more bespoke private banks is also all about adding value and delivering wealth management at a very direct and personal level

Technology, said one expert, is producing a more level playing field, as digital solutions become increasingly 'hygiene' without which firms are no longer competitive. But the vital element, he explained, is to deliver the connectivity that in turn, realises the goal of differentiation. "These banks and wealth firms become very similar with technology, but we need to try to distinguish one from another, as we are all delivering similar technologies and providing similar products and similar services," he commented.

"There is somewhat of an arms race in terms of making organisations more operationally efficient, but it is people and their soft skills that then make the discernible difference for clients. Client satisfaction in our view comes from dealing with the people in the organisation, not technology."

Onboarding and KYC are remarkably challenging and costly even today and need addressing carefully; otherwise, the gains made at the front end might end up being neutralised by a poor 'entry' experience for clients. Getting this right requires investment and application; it might not seem to generate revenues, but if institutions get it wrong, the business will likely suffer. But remember, whatever steps are taken, the teams and talent internally need to buy into these changes, and that is sometimes the hardest part of all...

WHERE DO YOU SEE THE MOST GROWTH AHEAD?



The perennially tricky issues of KYC, onboarding and more generally compliance are never far from any discussion on improving efficiencies and all the panellists confirmed that banks and other firms spend a lot of time and effort on trying to improve in these areas, implementing the latest FinTech and RegTech solutions wherever possible.

A guest explained that compliance used to be entirely paper-based, with bankers and other team members needing to refer to PDFs of all the rules. Moreover, with each country having its own very country-specific regulations, and different rules and nuances, it was all incredibly complex and extremely difficult to effect change.

He said that in the past, any changes needed or wanted were on a case-by-case and tool-by-tool basis and implemented or partially implemented into the bank's core system, which might end up with the bank later employing five, 10, or even 20 different systems, making it incredibly difficult for all to coordinate, including the RMs and advisors. Moreover, each system would have several regulatory restrictions embedded, confusing the issue as to who then maintains everything.

However, he said this need no longer be the case, as we are today in an era of greater flexibility and agility, with APIs and a service-based approach. "Nevertheless," he reported, "in our experience, the regulatory teams in the banks and other firms are somewhat less familiar with all that. This means there is a big shift required on behalf of the legal and compliance teams, as they start to adopt those technologies."

All the restrictions and suitability requirements, ESG rules, prospectus restrictions for investment funds, cross-border offerings, and other restrictions are then defined in a central repository, which is then maintained as it must be. And then, as other panellists have observed, with service-based, API-based approaches and tools, they can start to connect those restrictions to the respective systems.

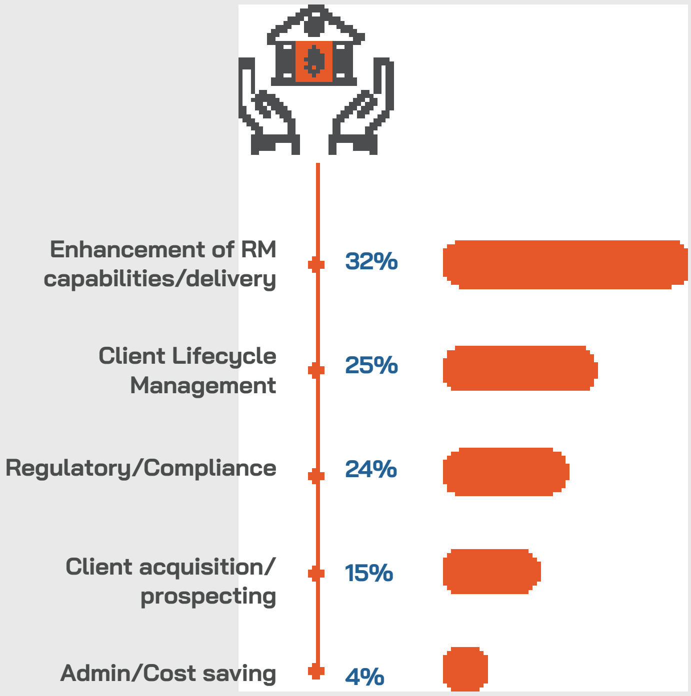
"This is the development that we see that wealth management leaders are adopting right now," this expert elucidated. "In the past, you have taken the rules and you have put them into one system, or put them into another system, and after two or three years, no one had the overview anymore, they lost track of which rule was checked in which process and faced other key issues. But now we see a lot of development that we can describe broadly as the arrival of the rule repository or an API kiosk. More and more compliance departments and regulatory departments are heading in this direction."

And that all means the lawyers, who are generally not really used to dealing with the latest technology, need to adapt and change. "That in turn means what is happening requires a transformational process within the organisation," he stated. "The key participants need to buy into and support all this to improve the processes and outcomes for everyone concerned, and to significantly improve the control framework in the organisation."

AI is coming and it is a juggernaut! But when it comes to compliance, transparency is required both by internal management and by the regulators. Can that be guaranteed if machine learning and AI are effectively driving precedents and decision-making? Perhaps not, at least for the foreseeable future.

We all know the magnitude of the arrival of AI, and it will certainly impact certain roles in any business, and within banking. But banking and private wealth management are intensely regulated, with multiple lines of defence, and the regulators want to have a clear vision of protocols

IN WHICH AREAS OF DIGITAL/TECHNOLOGY SHOULD THE PRIVATE BANKS INVEST MORE HEAVILY?



and actual practices, including what the RM might have offered, what the client signed, and which controls have been put into action.

Although in theory there could be a shift from a more definitively rule-based approach into an AI-based approach or a generative AI-based approach, it is less likely to happen than some might think.

"There is a very big 'but' in all this," an expert opined. "Because we are in perhaps the most regulated industry, the challenge will always remain in being able to explain to any parties, especially the regulators, what has happened. And with a generative AI-based approach, that outcome is not that clear and it can change over time because you're training the model and with every answer the system is providing, the next answer can be slightly different.

That in turn means what we will need and what we are working on already is basically what we call a verification layer. On the one hand, leveraging the incredibly powerful AI technology and models which are out there. And on the other hand, giving the organisations the control functions and the capabilities to assess and monitor the answers the AI model has provided.

"Without this verification element, it will be extremely difficult to use those technologies," he cautioned. "In summary, this is a hugely powerful technology coming up, but to use it effectively for compliance, it must be harnessed. And that is right now still far from clear in our incredibly highly regulated and accountable industry."

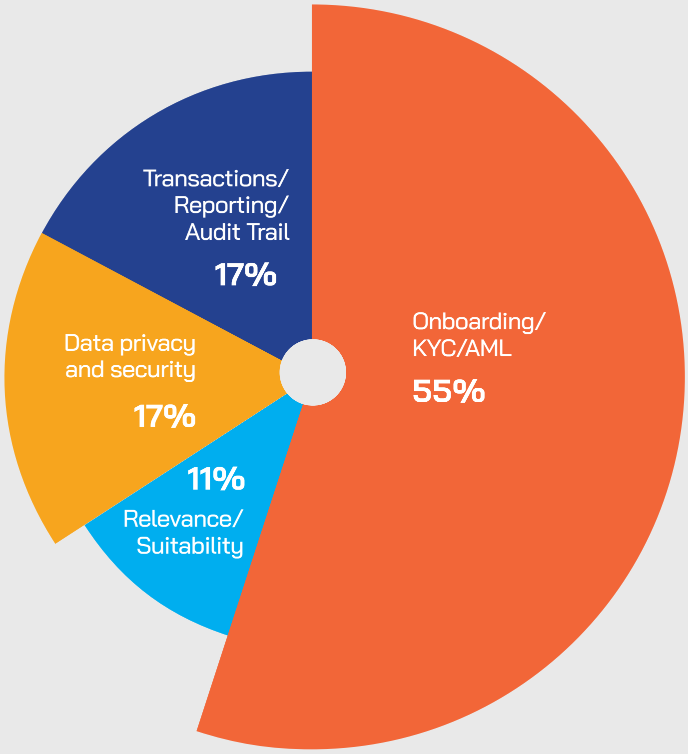
In the world of compliance, could the silver bullet be far greater standardisation of regulation across all the different jurisdictions and regulatory bodies? Very unlikely, said one compliance expert

A guest stated that in his view regulatory alignment across jurisdictions will not happen. He said there is cooperation and to a certain extent regulator A looks at what regulators B and C are doing, and there is some copying of frameworks, but it always ends up with a local flavour. That is why compliance solutions must address these country-specific complexities when conducting cross-border business, as they do so very often in the world of wealth management. "I think it is extremely unlikely that regulation will ever be standardised to make all this simpler, even in a world in which cross-border activity is so much greater and rising all the time."

Technology remains a key driver and a major area of focus, with the ability to empower talent internally and to drive more robust and 'rewarding' client relationships

One particular banker closed his observations by reporting on his key priorities for the year ahead. The major project is indeed the digitalisation of the onboarding process but aligned with a team-wide understanding and commitment. Secondly, the bank is working hard on improving the client interface, providing more hygiene, convenience, and better functionality at the front end, whilst retaining the hybrid or human approach.

WHERE IN THE COMPLIANCE ECOSYSTEM DO YOU FACE THE MOST SERIOUS CHALLENGES TODAY?



Additionally, he indicated that the bank is concentrating efforts on the small wins and incremental changes he had highlighted, for example enhancing the user-friendliness of the bank's interface with clients and enhancing the user experience, but again all the time keeping the bank's people approach front and centre.

Another banker observed: "Technology helps but it needs to be adapted to make the best use of it. And there are so many solutions that banks, and other organisations must continuously scan the technology providers and Fintechs to understand what is on offer and what can make for differentiation and competitive advantage in certain specific areas." But he also warned that while there are opportunities, at the same time threats of course because you can bet on the wrong horses and then you spend a lot of money without making much impact.

Progress is being made but refinements are arriving all the time, and innovation and agility are vital

Another area of improvement is around data collection and filtering to make sure that different systems involved are either connected or bypassed to make sure the process os not too cumbersome for the bankers. He explained: "We do not want to impact the efficiency and the productivity of the relationship managers, so we focus on a new environment we are working on so there is one system that then extracts the information from the various systems in a very efficient manner; that in turn translates to a screen statement detailing what the bankers need to know about the clients, and that is up to date."

Another expert concurred with the last point, adding that a bugbear for them is the lack of a standardised reporting protocol across different organisations and custodians.

"As an asset manager that deals with many banks, we would absolutely love banks to come up with a standard reporting format; it would save a tonne of time for everyone. For us, dealing with multiple custodians and multiple brokers and banks, I think the key challenge is always in integrating and standardising all the data that we receive and turning it into some kind of common language which we can then use to explain to clients. Data acquisition and data standardisation are areas we really prioritise."

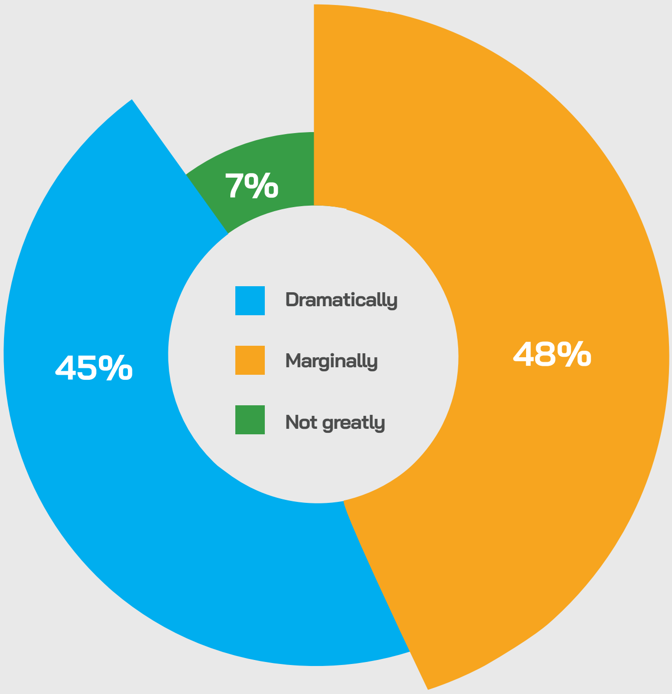
Expanding on that comment, he said that across the different teams in their organisation, such as legal and compliance, operations, accounting, marketing and sales, there is a need to integrate all the different systems in these different departments and have them all kind of feeding off of each other in the correct way so that there's no reinvention of any data or no doubling up of effort.

"The work done in one department needs to be able to be fed through into the system into another department," he explained. "Accordingly, we try to integrate all of the different tools that are available out there, trying to find a method that is consistent that can allow us to easily complete that sort of integration," he said. "But it is not easy and requires a lot of technical expertise."

Another technology expert reported that many of their wealth market clients are prioritising a customised or more user-friendly UI/UX, which is then more tailored to their actual use cases. "The middle and backend are being more standardised, and that frees up time and resources for the vital clients at the front-end," he said.

Technology is helping with standardisation, but does this mean every bank and wealth manager is jumping on board the train to visit all the stations where change could take place? To some extent yes, as technology solutions are more widespread and more 'hygiene' today. But to some extent also no, as there remains a surprising reluctance for some banks and other platforms to embrace change.

TO WHAT EXTENT DO YOU THINK AI, ML, AND DATA ANALYTICS CAN TRULY BOOST THE CURATION OF INVESTMENT IDEAS AND ROBUST PORTFOLIOS FOR ASIA'S PRIVATE CLIENTS?



That, in turn, means they might be wasting too much time, energy and money on not embracing these solutions, and that could mean missing out on prioritising what really matters to private banks – better outcomes for the clients themselves.

Open banking at the end of the day is about standardisation, a speaker observed. "You're using standard connections, connectors, and standard terminology for the same things. Banks will theoretically want to use these standard solutions if they are available. However, the reality from our perspective remains slightly different from that. When we speak to banks and wealth managers, we see that many of them really do not want to standardise."

He said that might be in the legal department area where there is a standard legal opinion available for a particular topic, but where the bank decides to go with a custom legal opinion, based on support from their law firm, and then requiring a lot of interpretation from the legal team. Or that might also be on the IT side, where, as he sees it, most IT teams would prefer to use their own expertise to build something in-house rather than adopt standardised tools and approaches.

"Accordingly, perhaps the challenge here and for the COOs on the panel is to manage these changes and evolutions internally, in order to leverage the standard solutions which are out there, but first and foremost in areas which are less relevant to where they actually provide the real USP to the clients," he commented. "Whether it is legal opinion A, B or C, we would hope that is not a driver of USP."

He said the private bank USP is around investment solutions, portfolio formation, wealth protection and wealth generation. "After all, that's why the client is with you, that is where the relationship is truly centred. Accordingly, as we see it, that is not the right area for standardisation. This is the area where you personalise, where you create in-house."

But whereas standardisation seems to be so valuable and useful in those other areas, including, of course, compliance, it is still surprising to me that here we are in 2023, and banks often remain reluctant, for whatever reasons, to adopt standardisation and for team members to buy into these changes. From my point of view, there is actually still a surprising level of freedom for the respective subject matter experts to build an individual in-house solution," he concluded. ■