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DBS Wealth Management on a Roll in Indonesia, but the Time is Ripe for Consolidation before the Next Leap Forward

Keng Swee Koh is Executive Director/Head of Investment Product and Advisory, PT Bank DBS Indonesia, a role he has been relishing since moving to Jakarta in April 2019. The only negative for him right now is that he has been so far unable to travel home to Singapore to see family members since the pandemic struck earlier this year. But while firmly entrenched in Jakarta, he has had the time to contemplate the direction of the DBS Indonesia (DBSI) business in Indonesia's hitherto rapid growth private wealth market, where retail and mass affluent assets have been growing apace, and where there is a very considerable depth of HNW and UHNW families. Keng Swee is responsible for developing DBS Indonesia's wealth management business which includes DBS Treasures Private Client and DBS Treasures, his remit covering both offline and online strategies for investment products and advisory. Despite the heavy toll the pandemic has thus far imposed on the equity market, which at one stage was down 40% in the worst of the rout, he remains optimistic that people will gradually return to equities, although for now with domestic rates so high that 10-year government bonds yield above 7%, it is tough to steer investors into risk assets. He 'met' with Hubbis recently to elaborate on his bird's eye view of the wealth market, on the DBS strategy for continuing its stellar progress of recent years, and how right now is the time for consolidation before embarking on the next phase of expansion.

Keng Swee explains that his move to Indonesia was timed to be part of DBS' drive to build up the Indonesian business, given that it is the third-largest by contribution to the consumer and wealth management businesses within the group.

Vast opportunity ahead

"And we see an immense opportunity," he says, "Indonesia has the largest GDP in ASEAN and with some 270 million people across its vast lands and islands, and rapid population growth, the country will only continue to become a global economic powerhouse. We really do see immense opportunity in Indonesia, especially as there is such a close and robust relationship with Singapore, where many wealthy Indonesians visit for medical treatments, education for their children and so forth."

He explains that the business lines in country span from institutional banking, global transaction services, to consumer banking and wealth management, which is Keng Swee's area of focus.

DBSI – the state of play

DBS Indonesia (DBSI) is one of the leading foreign wealth managers in Indonesia, with more than 200 RMs and close to 30 advisory specialists. With an AUM of some SGD2.3bn, DBSI is arguably the largest foreign wealth manager in Indonesia, boasting a comprehensive range of products ranging from government and corporate bonds, local and offshore Shariah unit trusts to FX and structured products.

DBSI has three customer segment groups: TPC (Treasures Private Client) where clients have AUM of at least 10 billion Rupiah (SGD1m), Treasures where clients have AUM of 500 million to 10 billion Rupiah (SGD50,000 to SGD1 million) and retail.

"This client segmentation," he says, "allows DBSI to offer a differentiated approach to client engagement, which is typically a mix of RM and IC-led advisory coupled with digital solutions."

The big picture

He zooms in to focus on the developments in the market before and after the arrival of Covid-19. "Before the pandemic struck a couple of months ago, really, you're talking about an industry that's growing very rapidly across all product lines from fixed income to unit trusts to FX and structured products, partly oiled by deregulatory moves to encourage more people to invest locally, and since so much money had repatriated during the tax amnesty launched a few years ago. Wealthy investors clearly have options around the globe, so the wealth market here needs to mature and diversify ."

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In May 2019, DBSI launched its first wealth product on Digibank, which is the SBN or retail government bond IPO. "The launch was met with very strong response from our clients, and significant uptake at every launch," he reports. Subsequently, other products such as online remittance, FX and secondary bonds were also launched on the platform. Online unit trusts will be introduced in early-2021. With a comprehensive suite of offline and online products bolstered by strong advisory capabilities, DBSI is well positioned to seize opportunities in the Indonesian wealth management market and cement its position as the leading foreign player in Indonesia."

He reports that since his arrival, the market had been buoyant, with revenue growth of 40% last year across product lines boosted in particular by fixed income. "And as the government has been forward-looking, they have encouraged participation digitally in their retail market bonds, so we have benefitted from that as we are well advanced in that realm," he explains.

KENG SWEE KOH
DBS

Fixed income amidst high rates

He notes that the market has become even more fixed income-centric since the pandemic struck, as the local equity index slumped some 40% in March and even today are still down about 20%, lagging the recovery in the more developed markets, especially those with high numbers of technology stocks, which Indonesia still lacks.

"We are aiming to shift client focus back to equities," he reports, "as it is good for a diversified portfolio, but with equities weak and rates so high here, it is a tough job."

Diversification of investment opportunities

Stepping back from the front line, Keng Swee observes that the diversification story in Indonesia nevertheless remains central to the evolution of the market, as regulators and market players aim to gradually expand the array of assets and products on offer. "We are certainly of the view that a healthy mix of products makes for a healthy business and healthy investment," he says.

Getting Personal with Keng Swee Koh

Keng Swee is Executive Director/Head of Investment Product and Advisory, PT Bank DBS Indonesia, and joined DBS group in Singapore in May 2008, working in various locations before moving to Jakarta in April 2019. He is responsible for developing DBS Indonesia's wealth management business which includes DBS Treasures Private Client and DBS Treasures. His remit covers both offline and online strategies for investment products and advisory.

Prior to relocating to Jakarta, Keng Swee worked in Hong Kong, where he oversaw DBS HK's offline and digital investment business and where he launched the award-winning iWealth, a best-in-class desktop and mobile app that allow clients to trade Equities, FX and Funds round the clock.

Prior to moving to Hong Kong in 2015, Keng Swee worked in Singapore, where he headed up DBS Private Bank's FX business, and before DBS he had worked with Citi in Singapore and London.

Keng Swee has been on the fast track from what he paints as a normal, middle class background in Singapore, earning a government scholarship from the Singapore Economic Development Board to study abroad, winning a place at Cambridge University to study mechanical engineering, and later becoming a CFA charterholder.

"I spent four wonderful years in the UK in Cambridge and London, which were truly memorable years he says. The Singapore government must be commended for the help it extends to ordinary Singaporeans like me. It was a humbling and wonderful experience."

Keng Swee enjoys life in Indonesia and visiting domestic tourism destinations, the closest of which is Puncak, a roughly 1-hour drive from Jakarta at the weekends. "it's ideal for this current situation as it is one of those places where you don't have to fly, you can just grab a car and you can go up there and you can come back at night and lots to see and has fresh air, nice venues and some excellent Chinese restaurants."

Golf is another pastime he has returned to during lockdown, armed with a little more time for R&R than usual when travelling extensively. "And of course food here is outstanding," he reports. "I am a committed foodie and Asia as a whole is remarkable for that. When out of lockdown but not travelling, I had time to check out new places and I can attest to the fact that the food scene in Jakarta is actually really interesting from high end restaurants to just stalls in North Jakarta, where Chinatown is, or close to the area called PIK – Pantai Indah Kapuk - where there's a great range of Chinese food available."

Keng Swee is also looking forward to December, when all being well, he will pop back to Singapore for the first time since March to see family and friends. "Life and work is great here," he says, "but these have been long months away from family and close friends."

"And to help this process," he adds, "DBSI has this year been offering more offshore equity products in the form of Shariah-compliant mutual funds and unit trusts denominated in US dollars. We began this year with two funds, one from Manulife and another one from Schroders, and both to considerable success, following which we have onboarded some other funds, out of BNP focusing on the US and China stock markets, and also from Mandiri/JP Morgan, looking at global disruption theme, while we are also soon to launch an ESG-centric fund here, especially focused at the HNW market. All these choices are ideal for the HNW market here, offering equity exposures worldwide while waiting for the local stock market to recover. And even as and when the market here recovers, we think it only sets the stage for a better suite of products and choices for the clients ahead."

out on their careers and earnings, but settled, established and ready and open to the DBS offering.

"Currently," he reports, "with 30-year government yields at about 7% they are inclined to that segment, and as bonds are actually somewhat volatile here, there are opportunities also to sell at a gain without having to wait till maturity, and much of the volatility is dependent on foreign fund inflows and also the course of rates here. In fact, back in March, when the pandemic struck, prices shifted anywhere between 3 to 4% between the falls and the recoveries, within a few days, so actually, there are plentiful trading opportunities in these assets as well. Meanwhile, as I explained, the equities drive is more offshore for now."

He adds that DBS, like all other licensed banks in Indonesia, is not permitted to offer equities

"They need guidance, they need advisory, they need people to highlight to them what are the best opportunities. A lot of banks would say that digital is the way forward, which we don't disagree. But could it be completely this? Could it be completely digital? I don't think so. In fact, in DBS, we have a term called 'Phygital', which is all about complementing our excellent digital access with human advice. This hybrid model works very well here and covers all corners. And to be able to get an advisor on the line, in our Treasures or TPC segment, that is possible seamlessly."

Mass affluent arise

Keng Swee reports the sweet spot for DBSI as customers in the 'Treasures' segment; he explains that these clients are in their 30s and 40s, certainly not just starting

trading directly to customers, so DBS clients will instead buy equity funds and unit trusts unless they want to buy single stocks, in which case they will need an account with a local brokerage. "And the ETF

market here remains very limited, and in any case, those must be bought through a brokerage as well, unless they are ETFs wrapped in a fund or trust structure."

"But," he elaborates, "the real 'challenge' here right now in any distribution and advisory service, is the very high government bond yields, after all a risk-free 7% plus yield and inflation running about 1.5% makes a compelling case against equities that might yield a few percentage in dividends, but which could easily register significant capital losses."

Turning negatives to positives

But Keng Swee says this environment does not translate into a negative scenario for DBS, as one might assume in the face of it.

"Actually," he observes, "it is the opposite, as our customers need our services even more than ever. They need guidance, they need advisory, they need people to highlight to them what are the best opportunities. A lot of banks would say that digital is the way forward, which we don't disagree. But could it be completely this? Could it be completely digital? I don't think so. In fact, in DBS, we have a term called 'Phygital', which is all about complementing our excellent digital access with human advice. This hybrid model works very well here and covers all corners. And to be able to get an advisor on the line, in our Treasures or TPC segment, that is possible seamlessly."

Competitive positioning

Keng Swee closes the discussion by positioning DBS's competitive edge in the market. He explains that the bank is not really competing with the large local banks, mainly because most of the customers of those banks would not necessarily identify with a foreign bank such as DBS.

"We are looking naturally at a somewhat wealthier, more urban population, people who have good earnings and on a career or business path, perhaps who are more mobile, somewhat more international in perspective, and who want to take their wealth management and financial planning to the next stage," he explains. "That's where we come in with our larger, more diverse product set and our advisory support. An example is our variant of a DPM offering called the KPD, which allows high net worth clients in TPC to invest in offshore unit trusts, securities and bonds, which some fund houses are helping us to manage. Very few competitors offer this suite of advantages."

Time to consolidate

Given this, in normal situations the bank would be on an expansion path in terms of acquiring new talent, but Keng Swee confirms that this is a time for consolidation rather than immediate expansion.

"But right now," he says in concluding the conversation, "I don't think any bank is looking to aggressively hire and to expand and open more branches, we are all at a stage of needing to take stock of where we are, monetise the major investments we have made in all areas. And we are telling everyone to hunker down and be prepared for the volatility, but at the same time, capture the opportunities when they arise, which I think there will continue to be. In any case, as I explained earlier, our business revenues in wealth management are up about 25% this year, which on top of 40% growth in 2019 means business has doubled in the last two years. Sometimes, it is a good idea to just step back and review before taking the next leap forward. That's exactly where we are today." ■

Key Priorities

"We continue to build our offshore fund access in local Shariah-compliant format," he reports. "We continue to build our fixed income offerings, and we continue to refine our digital capabilities."

Digital but hybrid

And when he talks about digital, he says this encompasses more than putting the products online for clients to access, he is referring to internal digitisation, revamping processes within the bank so that RMs and ICs could have a seamless way to discover prices to place trades, so that trades can be settled easily. "This might sound like something that all banks should be doing already, but actually, not a lot of banks have done it, or have done it well, and a lot of RMs actually have to face a mix of automated and manual processes. That creates a very frustrating experience for them, but we are well ahead in these areas and improving constantly."

Digimarkets explained

He explains that in this regard, DBS has an internal system that the bank developed called Digimarkets, which has been the recipient of more and more products. "It covers fixed income, FX and structured products primarily and is a single sign-on for RMs and ICs such that when they go in, they can pick up the phone, talk to the clients, price a bond or a structured product. And if the client says, okay, they can hit it, and it goes straight all the way to our Treasury and the back office, and documentation will be automatically sent out. It is seamless and highly efficient."

Digimarkets is an internal system built in-house by DBS, which enables RMs and ICs to price and book trades in a seamless manner. Conceived in Singapore in 2017, the system has since been brought to Hong Kong and now to Indonesia. Products covered include FX, Structured Products and Bonds.

"The intent behind launching such a system is to STP - straight through process - our flows so that when RMs or ICs speak on the phone with the client, they can concurrently price and book a trade, which will then be fed straight to operations for processing," he elucidates. "The system also contains within it an RM script, which makes it easy for sales staff to read off and ensure no critical trade or client validation details are left out."

He explains that as a single sign-on system linked to internal client systems, the result is RMs and ICs do not have to "toggle" between multiple systems to do a trade. "Critical client information such as the client risk profile and other details are fed automatically so that sales staff sees everything in one screen. We have gone live with bonds on Digimarkets and expect to go live with FX and Structured Products in late 2020/early 2021. Digimarkets is expected to lift our sales staff productivity significantly as well as improve client experience immensely."

Education and broadening horizons

Another key priority, he reports, is financial education. "Here I am not talking about making money alone, rather I am talking about seeing investments in the context of the lifestyle and higher goals that a client may have, whether it is to plan for his retirement, his children's education, to buy a property and so forth. These are all goals that everyone has, but not many banks or not many financial institutions can or will engage a client from that perspective, and then figure out a way to help the person achieve his or her goals. This is something that we want to do more of next year."

To do so, DBS has been working on an efficient system and process that would allow its RMs and ICs to understand their clients'' financial situations and then to plan for their goals in a structured manner. "Besides setting aside money, of course, they need to appreciate how much money to set aside, what to invest in, how to rebalance portfolios, these are the deeper and meaningful conversations that an RM should be having with the client, rather than buy this, buy that, sell this, sell that, which has been typically the way in which banks engage clients. We want clients to realise that we are here to work with them, to robustly help them achieve their goals."