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Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

Digital Developments in Wealth Management: Trials, Tribulations & Achievements

What new digital applications are coming through? Will artificial intelligence, big data and machine lead the way forward? To achieve true digital capabilities, do firms go build-your-own or plug and play? The second panel of the Hubbis Digital Wealth Forum pondered the state of digital.

These were the topics discussed:

- *What new and interesting digital services are we likely to see in 2018?*
- *When will we move from 'digital lipstick' to real commitment?*
- *Digital tools provided to RMs for RM advisory - what has been the Banks' experience on the adoption and value add, and any challenges faced?*
- *What is the client experience supposed to look like?*
- *What are the lessons to be learned so far from elsewhere in the world?*
- *Does the cost of delivering financial advice and services needs to be reduced?*
- *Build it yourself or PLUG & PLAY?*
- *What's the impact of artificial intelligence (AI) and big data analytics?*

PANEL SPEAKERS

- **Urs Lichtenberger Director, Client Platform, Asia Pacific, Credit Suisse**
- **Mark Wightman, Partner, Wealth & Asset Management Advisory, EY**
- **Damien Piper, Regional Director, Asia, Finantix**
- **Thomas Achhorner, Global Head of Solutions, additiv**
- **Sandeep Mukherjee, Managing Director, Head of Wealth Management Proposition Design, Standard Chartered Bank**

hubbis

EXECUTIVE SUMMARY

The evolution of digital solutions - internal and external - for private banks and other leading wealth management firms in Asia is expensive and time-consuming but essential to their future prosperity. Some technology experts argue that Big Tech will blow the traditional business models of the banks and other financial institutions out of the water. The leading private banks argue that their high net worth clientele will still need many areas of traditional expertise that Big Tech will not be able to replicate if they move aggressively into financial services.

While this debate will become ever more public and high profile in the months and years ahead, the wealth management firms must calculate the value-added they are achieving through their hefty and demanding transitions towards fully digital capabilities. Most firms know that they must move beyond what is termed 'digital lipstick', in other words, digital merely layered on their institutions but not fundamentally changing their identities. They also know that the core of their future will be listening to their clients and building their businesses and their digital revolution backwards from a far more client-centric viewpoint.

The second panel of the Hubbis Digital Wealth Forum tackled these difficult topics in an enlightening and perceptive debate.

A LEADING GLOBAL PRIVATE BANK AT the cutting edge of digital transformation told the audience that the bank had already achieved a 60% penetration rate for digital uptake, referring to core clients with assets of USD20 million or above. And the bank is seeing over 40% of its standard equity trades, FX and other trades processed seamlessly through a digital channel. And the bank has had considerable success working with a fintech partner building account aggregation across all of the banks a client might work with.

"Digital is here to stay, and we are aiming to work with the ecosystems of our clients so that we can communicate seamlessly, as well as moving into robo-advisory. To make our relationship managers (RMs) smarter, we are going into predictive analytics, internally for the time being and later we hope for our clients as well." He also explained that the investment in the pure digital private bank is already paying off through revenue generation.

But this view was acutely challenged during the discussion by one technology expert who reported what he sees as a fundamental disconnect within the banks. He issued a stark warning to the traditional banks and financial institutions.

Can banks really face up to Big Tech?

"The issue the wealth management industry is facing today is that the firms are populated by people who are financially literate but essentially technophobic and who are trying to serve an

SANDEEP MUKHERJEE
Standard Chartered Bank

MARK WIGHTMAN
EY

increasing population of financially illiterate digital makers," he claimed. "That just does not match up."

His premise is that this is a problem that the Big Techs do not have. "So, for example, the Chinese Big Techs applying for banking licenses in Hong Kong is a warning to the wealth industry as it has been. The only reason the Facebook and Google type names are not in financial services in a big way yet is that they still make more money from banks on advertising revenues than they can make in banking immediately. But the tipping point will be reached soon enough."

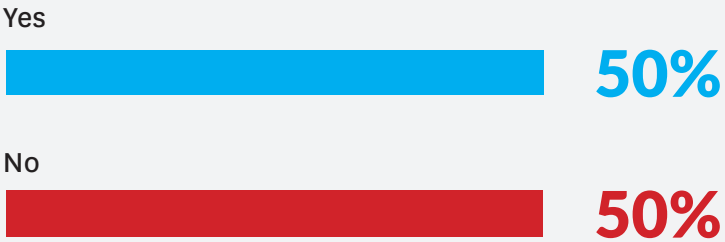
He warned that ordinary banks including wealth managers might only have about five years to go before the intense competition cuts deeply into their business models. "For five years or so the lazy money will stick to them and they will sit on their reputations and they will use their technophobic business models to serve some of the leftover technophobic customers, but then the tipping point will be reached, and it will be the Big Techs that take over as they have taken over many other sectors."

THOMAS ACHHORNER
additiv

Knife to a gunfight

He noted that Big Tech has a massive head start on, and understanding, of artificial intelligence (AI). He commented how when one Chinese Big Tech understood that big data analytics is central to financial services they immediately hired a thousand data scientists in a week. "The banks are taking a knife to a gunfight," he warned starkly,

DO YOU LIKE THE DIGITAL TOOLS YOU HAVE BEEN GIVEN?



Source: Digital Wealth Asia Forum 2018 - Singapore

"there should be a dramatic sense of urgency and a much more fundamental change of attitude if they are to fight back."

A senior banker disagreed fundamentally with regard to the high net worth business that his and other leading private banks service. "Big Tech is certainly a competitor to watch out for, but is what is happening potentially as dramatic as what we just heard? We genuinely do not think so. Predictive analytics might assist for basic investment advice but there are many more sophisticated areas - assessing a forthcoming IPO as an investment opportunity, or estate and inheritance planning to name but two out of many areas - that are crucial to the HNWI and ultra-HNWI market we serve."

DAMIEN PIPER
Finantix

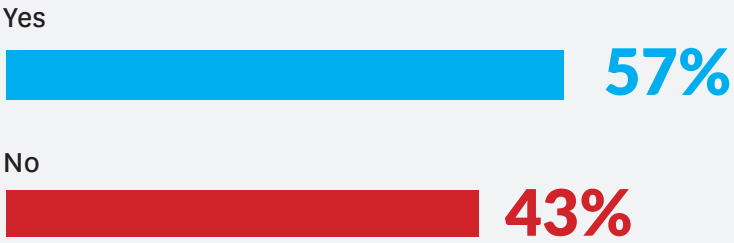
HNW market has its own specific needs

"Accordingly," he added, "we see it rather as an add-on to have the digital channel and the digital capabilities. The relationship manager and the financial and other specialists will play a major ongoing role in the segments we are in."

Another banker responded by noting that on his bank's path towards digitisation there are indeed critical problems to overcoming legacy systems. "However," he said, "this is the legacy of an institution that has built a brand and client trust over many decades. We have the trust of our clients across Asia, so we have incumbent advantages as we re-build, so that is a fair trade-off against starting anew. Our challenge is to become truly client-centric with our digitisation - building products and services customers want as opposed to simply building platforms - then we are very well positioned. Part of this is an understanding that clients prefer goals-based investing rather than having products pushed at them by banks such as ours."

"WE SEE IT RATHER AS AN ADD-ON TO HAVE THE DIGITAL CHANNEL AND THE DIGITAL CAPABILITIES. THE RELATIONSHIP MANAGER AND THE FINANCIAL AND OTHER SPECIALISTS WILL PLAY A MAJOR ONGOING ROLE IN THE SEGMENTS WE ARE IN."

IF GOOGLE OR FACEBOOK OFFERED WEALTH MANAGEMENT WOULD YOU USE IT?



Source: Digital Wealth Asia Forum 2018 - Singapore

Watch, listen, learn, adapt

He advised learning from Big Tech and from major media names such as Netflix to more fully understand what it means to become fully client-centric. "We do not want to become a factory, we want to become a client-centric, human-centred, digitally enabled design."

At a somewhat less dramatic level, the discussion focused on the practicalities of the implementation of digital strategies. A banker observed that in his view there is no such thing as plug and play. "We have the legacy systems that must be transformed, and this is difficult as well as time-consuming. We began in late 2014 and it has been a learning process. We have been focusing closely on what the clients expect, their profiles and how those affect their needs, then working backwards to build our offerings. It has been slow and costly, but we are finally starting to see products come to market and double-digit uptake in terms of revenue coming from the platforms as well as user adoption."

A representative from a technology products firm specialising in banking and insurance technologies reported that their business has evolved to the point where, working with Tier 1 banks, there has been a shift from installing teams in those banks to integrate systems to working as coaches and platform providers to help make sure the systems fit the user experience, which is critical to the whole effort.

A tech expert observed that what he termed 're-platforming' is widespread amongst the banks to ensure the back-end platforms work well. "We provide the facilitation and the global expertise to make sure they move in the right direction."

Less lipstick, more core identity change, please

A fintech representative specialising in robo-advisory observed that between some of the digital lipstick taking place at the front-end and the core banking systems there is something more fundamental happening. "We call this the digital core," he explained, "into which the banks need to bring the key elements of their business - customers, products, processes and business logic - out of the core banking system because in there they are not agile, not much can be done with them, it is like they are welded into place."

URS LICHTENBERGER
Credit Suisse

His thesis is therefore that banks need to manage those elements in a new digital core in a well-synchronized and consistent fashion. "Business rules change, your processes change, your products might change, and the arrangements between your customers and your product change all the time. So, you need an integrated approach and this is what we see as the new generation, the traditional core replaced by the digital core. Unless banks do this - and not themselves otherwise they will create the next legacy systems problems - they will miss the very fundamentals of digitalisation."

Priorities for the foreseeable future for one leading bank include digitising the onboarding space, digital enhancement of cross-border advisory capabilities and managing growth and digital capabilities to scale up the business.

Another banker highlighted his bank's drive towards greater collaboration across domains of expertise, such as investments, technology, design, marketing, the compliance function and so forth. "Combined with a great client-centric approach, the collaboration will add further capability and potential. ■