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Accessing and capitalising on the Asian wealth story

With unrelenting growth in wealth across Asia, our annual event in Zurich explored the real risks and challenges of investing in the region as well as the issues and opportunities in terms of managing family wealth – based largely on the views of market practitioners from Hong Kong and Singapore.

Delegate, speaker and sponsor summary

- *More than 30 speakers*
- *Senior practitioners from across Europe attended and participated – including CEOs, senior management, product gatekeepers and fund selector, business heads and other professionals at European-based Family Offices, Independent / External Asset Management Companies, Private Banks and other relevant wealth management institutions.*
- *Sponsors: Amicorp, First Names, Fullerton Fund Management, Henley & Partners, IMTF, Rosemont, SSI Asset Management, Trident Trust, Vistra, Heritage Trust Group, Alpadis, Iyer Practice, Swiss Asia, and Profidata*

Many people based outside Asia often don't understand the reality of the opportunity that the region's ever-growing numbers and overall amount of wealth represents.

Making the wrong decisions about where to invest in terms of accessing different markets and products, and about how best to segment and service new clients, is inevitably costly. Yet the real risks and challenges are often difficult to detect.

Against this backdrop, the agenda for this event addressed various relevant topics, divided into some broad themes:

- Conversations about what the growth in wealth means to wealth management firms in Europe
- Insights on how to advise wealthy Asian families amid the regulatory and transparency spotlight
- How and where to invest across various Asian markets
- The potential to leverage the digital opportunities in Asia

KNOWING THE REALITY

Being profitable has been a constant challenge for international private banks in Asia. And with cost income-ratios increasingly under pressure, the complex regulatory landscape, and clients reluctant to invest in today's uncertain and low-yield environment, the pressure for many players is increasing.

Despite these challenges and the trends in consolidation and down-sizing in recent years, the allure of Asia continues to attract investment from institutions trying to access existing and new HNW and UHNW clients.

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The fact that the industry currently manages only USD1.5 trillion in AUM in the region, out of an estimated overall asset base of around USD6 trillion, highlights the scale of the opportunity.

Yet how much longer can head offices in Europe or the US tolerate under-performing businesses?

Private banks don't seem to have changed their business models much to adapt, but they need to do more in terms of thinking about the kinds of clients they want in the future.

They also need to be more realistic in terms of the time it takes to build a sustainable business in Asia.

The private banking industry currently manages USD1.5 trillion in AUM in Asia – out of an estimated overall asset base of around USD6 trillion.

The minimum size for a profitable business in Asia with its own booking platform is broadly considered to be USD20 billion. Some of the very focused niche players are also profitable.

As a result, the players in-between face the biggest problems, where the full complexity is not loaded with the required volume to scale.

For the international players which can get it right, the potential for recurring fee income is growing, especially in Hong Kong and Singapore, where there is now a much higher willingness among clients to put more money into managed or discretionary solutions.

Further, big brands still seem to count among Asia's wealthy, so some of the well-known Swiss names can leverage this.

Perhaps the key question relates to how far international private banks can scale up and what share of top/bottom line a specific bank expects to get from their private banking operations. The answer to this question might well lead to further exits.

For some of the more senior private bankers, they have already opted to go down the independent route.

Key topics and themes

- *What opportunity does Asia represent to you?*
- *What's the outlook for independent wealth in Asia?*
- *Trends in residence & citizenship planning for Asian individuals*
- *Creating robust family offices*
- *How corporates can tap Asia's potential*
- *Helping Asian clients address concerns over confidentiality, transparency, security and asset protection*
- *Where in Asia should your clients invest?*
- *Managing investment risk in Asian equities*
- *Removing the funds penetration blockage in Asia*
- *Investing in Vietnam*
- *China: steady as she goes*
- *What are the opportunities as Asian wealth management firms become more digital?*
- *Access to the Singapore market: a regulatory introduction*

There has been solid growth, especially in Singapore and Hong Kong, in the numbers and influence of independent / external asset management firms and multi-family offices.

If these firms have a clear strategy, focus and tangible proposition in terms of relationship, capability and experience, then they are set to prosper as client awareness and openness to such an approach grows.

FINDING RETURNS

Asia also offers European-based clients much more hope in terms of generating returns than they have closer to home.

Equities and fixed income in certain locations, for example, represent alpha opportunities, assuming there is a process to manage risk when investing.

The region remains very relevant from a global investor perspective. Some of the factors for this include high GDP versus the rest of world and other EM regions, plus strong consumer balance sheets and governments in good financial shape to support reforms.

Generally, India and Indonesia are favoured countries, outside of China, due to structural reform underway to the benefit of consumers.

In other markets, such as the Philippines and Thailand, political risk reduces the positive stance for some people. Yet, more broadly, political risk is maybe also a basis for investing in Asia in search of returns.

European clients higher up the wealth pyramid are also looking for connectivity to clients based in Asia for co-investment opportunities – for what they see as the ultimate way to get exposure to the region.

THE RIGHT ADVICE FOR ASIAN FAMILIES

Beyond their investment portfolios, there is also a lot of scope for helping Asian clients address growing concerns over confidentiality, transparency, security and asset protection.

The impact of automatic exchange of information (AEOI), the Common Reporting Standard (CRS) and other regulatory initiatives has led to more questions than answers.

But amid the complexity, it is clear that advice for wealthy Asian families on cross-border succession

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planning, existing and future structures, family governance, location of tax residency and choice of jurisdiction are all more important than ever. This is increasingly urgent given the small – and closing – window of opportunity to get things in place.

Amid the hunt for new solutions so far, there has been a significant fall in demand for pure 'offshore companies', replaced by a move to mid-shore and onshore companies; Singapore and Hong Kong have been beneficiaries.

Although the pace of clients addressing the issues they face is inconsistent, advice to all clients must only be about how to stay compliant and, where relevant, to take advantage of amnesties to regularise their tax situation.

At the same time, advisers need to understand that only a limited amount of reorganisation will still be effective. In particular, they must avoid being seen as 'enablers' in criminal tax issues.

A DIGITAL DRIVE

The increasingly loud and frequent discussions in Asia around digitalisation offer potential for the wealth management business to adapt and evolve. This is happening as more and more institutions look to integrate the consumer into the value chain via various tools. Further, online technologies are enabling new business models, such as fintechs, which bring with it a disruptive potential.

While these trends are generally global, they are happening even more quickly and aggressively in Asia, where consumers tend to be particularly tech savvy. In line with this, many banks are embracing innovation.

China is an obvious case in point, with several billions of US dollars dedicated to fintech to create something new that can be rolled out worldwide.

Yet such changes more broadly require a culture shift, and provide real possibilities for vendors and other specialists to import their experiences from other markets in helping to shape the digital banking future in Asia. ■