Private Banking Heads Discuss their Vision of Wealth Management in Asia

As the world waits for the next evolution of the global pandemic, and prays collectively for effective vaccines to allow some semblance of normality to return, Hubbis on October 8 assembled an outstanding panel of private bank leaders to offer their insights on the year to date and on the outlook for private banking in Asia in the foreseeable future. The discussion ranged over the big picture including coping with the pandemic, then moved on to consider how to build the private banking USP and expand revenues, at the same time as adopting more and better digital technologies and solutions. The panel of experts discussed how the events of 2020 have perhaps confirmed and reinforced the directions their businesses and operations had already been taking, and accelerated their journey towards digitisation. The wealth management industry has been shifting its mindset, its products, solutions and talent towards a far more client-centric model than had been the norm in recent decades. Private banks had been broadening their proposition far beyond investments, deep into wealth and estate planning. They had been driving their business models to become truly the trusted advisers to their clients by offering higher value-added advice, insights and solutions, all delivered by RMs whose skills and productivity were being honed by training and enhanced also by advanced digital tools and solutions and thereby become more client-relevant and responsive. They have been aiming to build their own platforms, or to work with specialist digital platforms to boost their offering and to build true open architecture. The banks have been driving towards greater predictability of revenues as they refocus talent and effort on their advisory and DPM propositions. The panel ranged their impressive experience over all these areas, offering delegates a very valuable overview into the key drivers of change, and the optimal ways to adapt the private banking business and operational models. Above all, the panel confirmed yet again that the industry must boost its expertise and its client-centricity if it is to remain relevant and successful in the years ahead.

MARK SMALLWOOD
Rapier Consulting

ALEX NG
Pictet

CAROLYN LENG
Maybank

EVRARD BORDIER
Bordier & Cie

KAREN TAN
VP Bank

KEES STOUTE
EFG Bank

CLICK HERE TO VIEW WEBINAR ON DEMAND

CLICK HERE TO VIEW OUR DIGITAL DIALOGUE SERIES HOMEPAGE

PLEASE CONTACT US FOR CPD/CPT OPTIONS

PARTNERS

H&P Henley & Partners

Swissquote
THE SWISS LEADER IN ONLINE BANKING

A guest opened the discussion by commenting that the pandemic had accelerated the evolution of the banks in a way he had never before witnessed, maintaining that it brings many challenges but also certain opportunities for the sector, hastening the pace of digital transformation that will in reality pave the way ahead for an industry that was still far too reliant on face to face interaction.

Living with Covid-19

Another panel member concurred, adding that transaction processing had become more advanced, with the clients much happier to deal with online models, a negative for the banks that are driven by transactional revenues, but a positive overall for the industry. "I think there are always opportunities if you adapt rapidly, and if you enhance the quality of your service offering, you therefore succeed in increasing the value added for your customer base."

Another perspective came from an expert who noted the significant engagement of clients with life insurance since the crisis emerged. "Insurance," they reported, "has become a far larger element in their overall wealth management and planning, even for those who had rather denied its importance before."

A slightly different view came from a banker who commented how cost savings on office space are now much more viable, due to WFH and also from hot desking the space available and combining with WFH practices. "And suddenly clients see us as people, they connect to us in our homes and in some ways, this is completely natural, perhaps easier."

Post-event Survey Insights

WHAT TYPE OF WEALTH MANAGEMENT INSTITUTION IN ASIA WILL BE THE WINNER IN THE YEARS AHEAD?

Where Europe leads...

The same banker observed that in Europe, there has been a greater effort to minimise the work disturbance. "Switzerland, for example, is very different from Singapore," he reported. "Masks are for public transportation, but in many ways, it is work as normal, without masks, and most staff are back to the offices, at least much of the time." And that of course is very different to life in Asia. Perhaps, said another guest, Asia can therefore be considered as the trailblazer in adapting to the new environment.

The ease of communication by calls, or apps was highlighted by another banker, who commented how as clients also have more time, being unable to travel or commute, their engagement with many of the clients has improved. "We can often have a better conversation, we can get to know them better as well," she said, "so, it's actually been a very positive change for us."

Are you ready?

The discussion turned to how well adapted the private banks are to the new world situation and how ready they are to take the next leaps forward, whatever the course of the pandemic.

"Since the global financial crisis, banks increased investment in compliance and legal and since this pandemic arrived, we can see the industry needs a new array

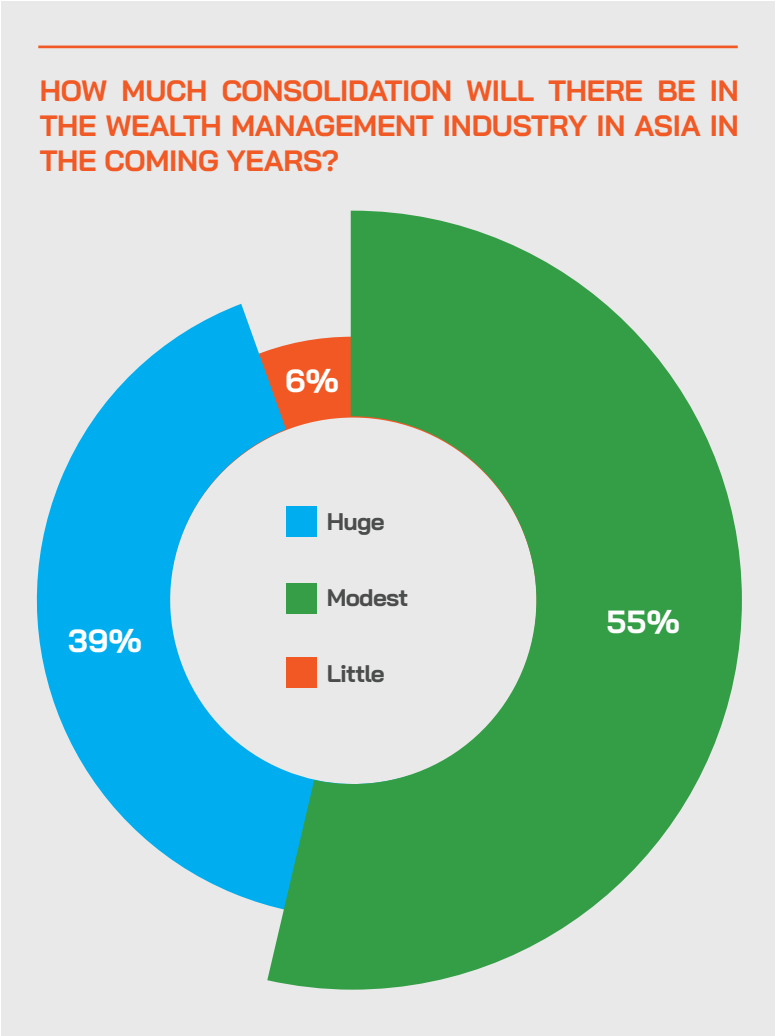
of investment in digital, remote working, remote transacting, cybersecurity and so forth," said one guest. For example, our clients are asking if they can sign things digitally, but in most of the cases, for the banks, they are not quite ready for that. So, we have to find a way to work with our legal and internal and external to resolve that. Another factor is that clients spend more time at home, they have more time to look at their portfolio, so they want real-time analysis, real-time updates on their portfolios, and so forth.

Adding value

Another expert remarked that the private banks have known for some years that to survive in this industry, they must add value to the relationship. "We need to engender the type of relationship with our client that goes beyond the basics of buy this, sell that, we need to understand the clients' lives, their aspirations, their ambitions, and produce ideas and relevant solutions, to become super fit for purpose in order to build a long and successful career in this beautiful industry."

In Hong Kong, commented another banker, the Private Wealth Management Association (PWMA) meets monthly to discuss key issues, including of late cross-border matters to help them deal with countries they cover in the region such as the Philippines, Taiwan, China, and others.

He noted how the PWMA as an industry body will lobby the Hong Kong authorities and regulators to help encourage them to find solutions to some of these important issues. Another banker agreed, noting how in Singapore the MAS has not yet approved video account opening, but that industry members are working internally to find viable means of certifying clients via video conferencing, as well as watching them sign on documentation, having it recorded at the same time. "We want to get around these hurdles," they said, "and certainly working with authorities to help us with this as well."



Expert Opinion

EVRARD BORDIER, CEO and Managing Partner, Bordier & Cie (Singapore)

"The market volatility from the pandemic has affected how we think about money, prompting many investors to reassess their priorities. As such, we have had to rethink how present wealth management framework needs to evolve to address the fresh concerns of our clients. The direction remains the same: we are committed to helping our clients achieve their main financial objectives, we are just adapting to more digital ways of communicating our solutions."

Adapting to virtual documentation

Another banker concurred, noting that on this matter, Swissquote already provide that opening, automatic onboarding and signatures. "They also software that allows you to scan your passport and determine whether your passports are reading the code bar is real or not," he reported.

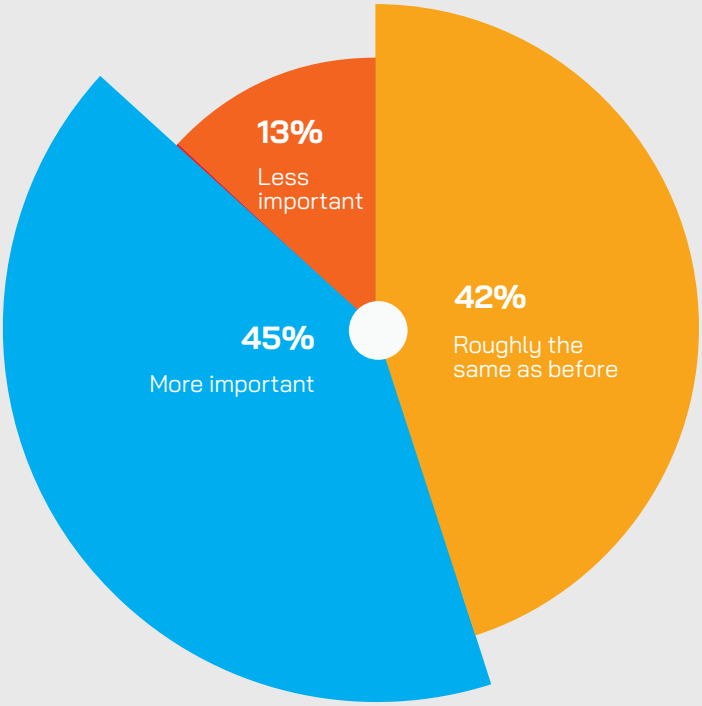
"Another key issue relates to the cloud," he added, "and here the regulators have not really taken a strong position, they've allowed it, but obviously making the obligation on the institutions to safeguard and to protect the client privacy. Migration to the cloud will continue, partly because of the mass of data and the complexity of our profession and we will also see more use of blockchain. The technology is there, it's just a matter of how it is accepted by the clients, but as a more boutique size private bank we cannot risk being the trendsetter."

Regulators must be more adaptable

A banker observed how in Malaysia the regulators were working hard to strike the right balance with new needs and current practices. "We still have a mix of new systems and old systems," they commented, "so this is a puzzle for us banks to blend these things together. For the regulators, they are also struggling to say, okay, this you can't do, that you can do. They are fairly positive, however, in the sense that they leave it to the banks and they say that, look, do what you need to do but as long as ensure that the client is being protected, that investors are being protected, ensure that you fulfil all the KYCs that they understand what they're investing into, and that the necessary documentation is in place. It is encouraging actually here."

"Clearly," said another expert, "as part of this evolution that we are going through, it really requires

IN THE CURRENT AND ANTICIPATED ENVIRONMENT IS THE RELATIONSHIP MANAGER LIKELY TO BE:



Expert Opinion

EVRARD BORDIER, CEO and Managing Partner, Bordier & Cie (Singapore)

"This historic economic contraction has many worried about another market decline before the pandemic is over, but we believe there is opportunity in the current environment. As clients navigate their way through disruptive investments, we predict that clients would rely on more support and advice going forward. RMs will therefore need to have the strategic agility to be able to provide assurance and demonstrate value so that they can retain and attract clients. A business mindset is also crucial in these tough times, RMs are expected to be more hands-on and involved when it comes to suggesting novel solutions that can be implemented across silos, thereby enhancing their own productivity."

the regulators to step up to the plate, probably much more than they have done before, because as the banks are moving into new territories or new areas, such as digital documentation and verification and so on, there needs to be leadership on the part of the regulatory authorities, so that a bank is not taking risks that may turn out to be unacceptable to the regulator. So, clearly, the dialogue really needs to be there with the regulators, and obviously increased guidance received."

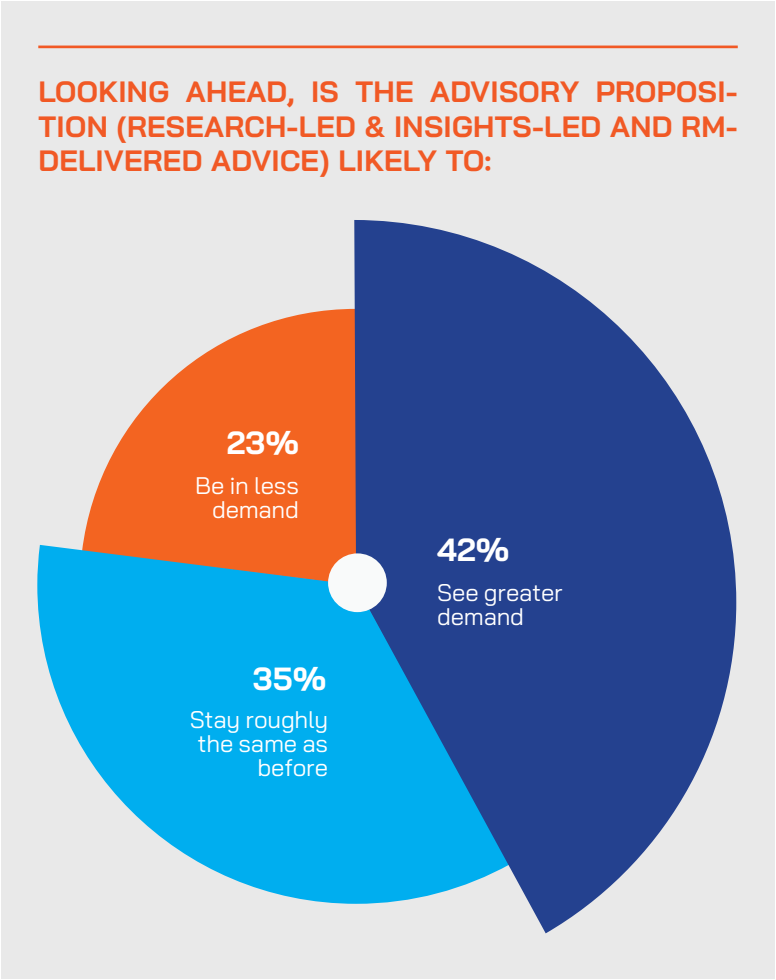
The role of the RM

Turing to the role of the RM in the future, a guest commented that the RM continues to be relevant in post-pandemic world. "Technology," he said, "will ultimately make RMs more effective, more precise and targeted in the way they work; it is a way for us to keep this highly personal nature of wealth and asset management in mind, so they can develop the relationship and understanding, tailor ideas and solutions for each client's specific needs. Technology cannot do that alone."

Another guest said the RM should evolve more to a specialist, akin to visiting a doctor for a holistic diagnosis, rather than simply treating the symptoms. "The doctor can then come to a deeper, a proper diagnosis of the person and truly add value. If we can do that as an industry in that way, there will be a beautiful future for wealth consultants or relationship managers."

Demographics and segmentation

Turning to client demographics, the experts agreed that younger clients are more naturally digital,



while older clients prefer the conversational banking approach. And they agreed that the younger clients tend to be in the lower wealth categories, building their wealth and in that segment, it is more economical to serve their needs digitally, and these typically younger clients want more information flows that can increasingly be delivered digitally and very effectively.

And as a result of the pandemic, the panellists noted how more of the older generation are embracing the digital, by dint of necessity. "But it is the case still," said a banker, "that for the HNW and UHNW segments, face to face definitely still plays a bigger role and that's what's going to cultivate the relationship as well."

Adding value?

One expert explained that their two main business areas were private clients and the intermediaries, the latter being orders, execution and custody. "On the private banking side, it is a bespoke offering, with the RM role still really important in terms of advisory and in fact, during this period of pandemic, the situation has actually brought the RMs and clients closer because clients no longer could travel, they have more time and it is a good distraction for the clients to analyse their portfolios with their bankers.

They added that understandably the peak activity for their bank was in February and then in March, April, May everything slowed down, but September had turned out

to be the best month of the year. "Accordingly," they commented, "it looks like this relationship via webinar, phone calls and talking to clients has turned the business around again."

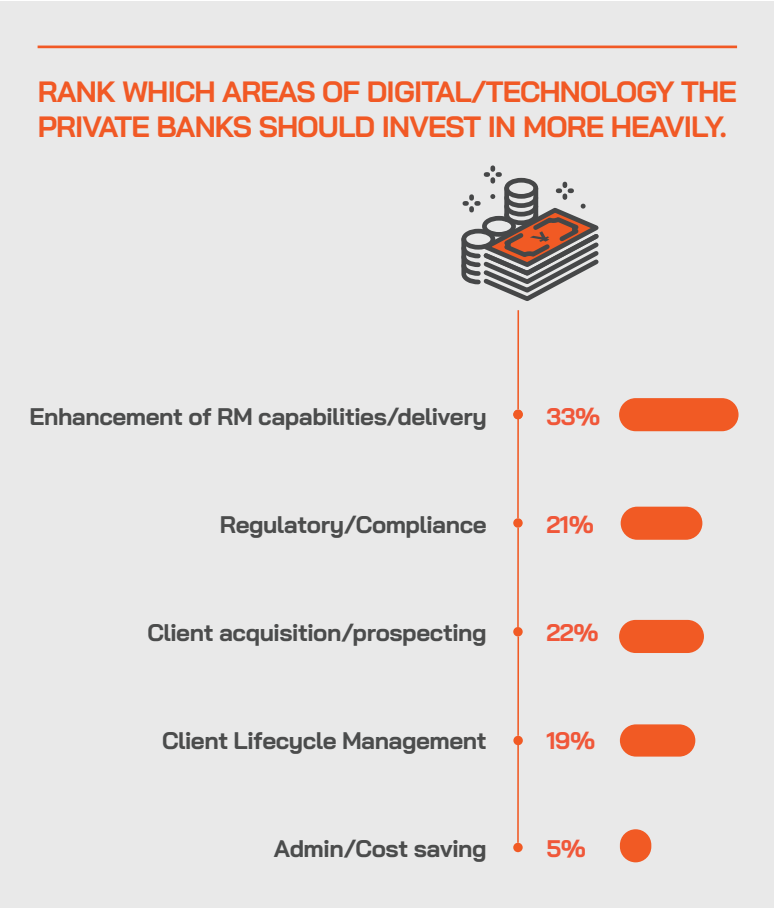
Driving for DPM

Another banker commented that many of the private banks want more predictable revenues, and commented that DPM is a core strength of his particular bank, representing about 40% of the bank's global wealth management assets and in Asia around 20%, low relative to the world but high compared with their peers, he advised, where DPM penetration is still in the single digits.

"We all understand this industry continues to be on a journey from execution to advisory and DPM," he commented. "Given the recent volatility, perhaps discretionary mandates are becoming more relevant today than they have been in the past few years, but it is a journey that may take time to evolve."

"Yes," said another participant, "we heard recently that at one bank DPM had outperformed 85% of the advisory portfolios, probably because the lack of discipline that can be driven by emotional reactions to market volatility."

"I would agree," said another banker, "and in our experience over three to four years, DPM tends to outperform pretty consistently. But of course, that requires that when you speak to client, that you encourage them to think of the medium-term, which is exactly what we do not do when we are in the transaction mode. For the bankers, they are earning maybe half the revenues they might have achieved many years ago, as transactions have become so much more complicated, because of all the suitability rules and regulations. So, from that perspective, I think it's very unattractive to continue with that basis. As a professional, therefore, I think it's your duty to get used to selling and promoting the DPM concept because it is in the best interest of the bank, it is in the best interest of the client. There is no alternative unfortunately in my perspective."



Onshore/Offshore

A guest highlighted how many of their clients has money onshore and offshore, and the bank works seamlessly between the two, leveraging each other's skills and expertise and range, even using loans back onshore or offshore to facilitate transactions against assets on- or offshore. "A lot of our clients are entrepreneurs," they reported, "That is the sweet spot for us, especially in building the private bank because many of these clients would need advisory services, they need solutions, they also want to diversify part of the business, meaning business or corporate banking is our largest partner in terms of referrals." They explained the same is true across the bank's operations in the region, with a strident effort to build onshore AUM, because that is where these types of clients actually make their wealth.

Priorities ahead

A banker explained that their five-year vision centres around taking a long view when advising their clients.

"And we have been thinking deeply about the overarching themes that we believe what will shape the business of finance in the coming years, identifying even key trends, starting with the rise of Asia. I will not be shy in stating that Asia is very much in the radar, that our strategy in the next five years is to build this brand and make it a valuable and a profitable franchise for the group."

"My priority," said another banker, "and actually I hope it's an industry priority is that we really think through very carefully and redefine what the sustainable wealth management business is and defining we can add value and how you can improve the professionalism of this entire industry. And I think once you get that right, and you move into that direction, I think you have a wonderful future in this industry."

Meaningful relationships

"For us," said another expert, "we believe in meaningful work and meaningful relationships and trying to build an incredible team of people, RMs and people that work together as true single entity, instead simply of independent people and having meaningful relationships with client and meaningful relationship internally. Those are my goals."

The final word went to a banker who focused on the goals of evolving, looking at segmentations, scaling up in terms of optimisation and automation, and then moving forward to be able to build more competencies for the RMs and building strategic partners. ■

Views from the Market

We asked delegates after the discussion three open-ended questions to elicit their view on the biggest challenges and opportunities ahead for private banks in Asia, and briefly for what reasons. We also asked them where the private banks are most competitive against the growing ranks of independent asset managers and multi-family offices in Asia. We have distilled their views into the following snapshots from the market.

WHAT ARE THE MAIN CHALLENGES IN THE FORESEEABLE FUTURE FOR THE PRIVATE BANKS IN ASIA?

- They must remain competitive and justify their value added.
- They should catch up on the technological side, especially with stronger competition from new market entrants in the form of FinTechs or from private banks increasing their presence in Asia.
- The challenge is convincing clients in Asia who are generally more fee sensitive to recognise the value added provided by the industry.
- Digitalisation.
- There are regulatory challenges and regional geopolitical uncertainties ahead.
- Continuing to add value amidst the increasingly challenging regulatory environment as well as increasing access to information/data.
- Tailoring investment advice for the clients can be the biggest challenge.
- Legal and compliance in an increasingly virtual or online work environment.
- The cost of doing business, rising competition, keeping up with technology, and the changing landscape, especially Covid-19.
- Many digital solutions cannot be adapted because of regulatory reasons.
- The drop in equity market returns, the disintegration of yield on risk-free debt, and high costs are key hurdles ahead.
- We see poor performance, high costs and poor senior management.
- They need to reach out to the next generations.
- Competition within the region with regional/local/international banks during this challenging period, the ever-changing regulatory environments plus the credit-focused clients in the region amidst the new fixed income situation.

- The challenges are twofold - the need for respect amongst private banks to take their clients' interests at heart and to think constantly of the client's situation and good.
- There is an increasing popularity amongst private clients for IAMs, EAMs, and family offices that are winning a growing share of business from the private banks in Asia.
- It is tough to handle compliance and at the same time embrace an open architecture while also trying to increase ROE per client.
- Digital transformation.
- It is challenging today to maintain human touch through automation, especially to the older generation who may not be so technology savvy.
- Legacy products or solutions. Private banks within Asia are gearing up for digital evolution but they are not fully ready for the change as they perceive switching or replacing or complementing existing solutions as expensive and time consuming. That is not the reality.
- Transfer of wealth between the first/founder generations to the next generations.
- Competition is going to be fierce.
- It is challenging to differentiate the value proposition amidst and rising preference for EAM and family offices amongst clients.
- Next generation HNWIs want more control over investments which means banks have to deliver more value.
- Disruption by innovation and the regulatory guillotine, as well as the seeming unwillingness of small to mid-size private banks to adapt.
- They need to be digitally savvy as the younger generation of wealth prefers automation and online services for research, products and DPM in the robo-advisory and platform trading.

HUBBIS: WHAT DO YOU CONSIDER THE MAIN OPPORTUNITIES AHEAD FOR PRIVATE BANKS IN ASIA?

- The market potential is there with a new generation of HNW and UHNW clients waiting to be served.
- Economic growth in Asia will be the main driver for substantial growth.
- They need to use digitisation to the banks advantage and offer segment specific digital solutions. They should focus on holistic personal relationship management in the upper tier.

- The post-pandemic world will result in higher investment in technology which might bring the PBs and clients closer.
- Digital innovation is a great opportunity, given the younger generation's reliance and love of all things online.
- Providing innovative solutions to clients in the new normal situations.
- The obvious growth of wealth in Asia means more business opportunities for private banks, and Asian markets are maturing, especially China.
- To leverage on their global reach/franchise to support their clients.
- China and other southeast Asian countries are going to get more visible and stronger with as yet untapped potential.
- The generational change with younger generations more willing to hold their family assets.
- Fastest wealth growth region creates needs for wealth management and wealth planning and demand diversification and multi-strategies.
- Due to the growing number of Asian HNW individuals, the Asian markets will grow naturally.
- To focus on the enormous growth of Asian wealth by differentiating and unique product coverage in adding value to the clients. Focus on investment in digital and technology, prioritising segments and offering bespoke solutions to meet client-specific requirements set against good relationship management.

WHAT DO YOU CONSIDER TO BE THE MAIN ADVANTAGES THE PRIVATE BANKS HAVE OVER THE IAM/EAM COMMUNITY?

- The breadth of wealth solutions beyond investments
- Easier access to corporate banking and investment banking divisions and expertise and the advantage of their regional and global presence.
- A consolidated structure, know-how and reach.
- Branding, scale and platform.
- Scale, and regulatory compliance infrastructure.
- To take advantage of their goodwill and longevity.
- Understanding clients' aspirations and facilitating relevant transactions in the market is their main advantage.

- The value proposition of RMs and a one stop shop in-house, with access to a very wide variety of advice and expertise.
- Their infrastructure and the investment dollars in technology.
- Better infrastructure and well-established systems, they have their own investment/research platform, and strong reputations.
- None really, they are second-best
- Size, branding and depth of investment research and support
- Relationship managers are still taking a more dominant role over the IAM/EAM community.
- The backroom support of a major institution behind them.
- Custody expertise and brand.
- They have the resources to make things difficult for EAMs while the latter tries to embrace products from third parties who may have better pricing. Also, private banks have more financial ability to embrace technology.
- Their strong advisory and DPM teams.
- Key advantages are the presence of a financial institution with visible financial strength and being better able to meet clients' needs and opportunities for cross-selling.
- Wider range of service and offerings.
- The main advantage will be brand and names familiar to clients.
- Investments in compliance teams and in the digital space will give them the edge over IAMs/EAMs as we move towards less reliance on RMs.
- Advantages for private banks include abundant resources in various segment, franchise networking, and sizable headcounts in various departments whereas the IAMs/EAMs are much more restrictive.
- They have robust infrastructure in digital and technology to support the clients' requirements. They enjoy brand name, reputation, trust and a wide range of product offerings, and they are one-stop shop that can provide all that clients need.