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How do wealth management firms future proof businesses?

Setting the scene for the day's panel discussions and presentations, the first panel at the Hubbis Digital Wealth Asia event on November 9 contemplated how wealth management firms might be able to future proof their businesses with the strategic implementation of digital technology solutions. Although each coming at this debate from slightly different angles, the panel members were all of one mind – wealth firms that ignore technology risk obsolescence.

These were the questions we asked:

- *How will firms in Asian wealth management use technology and digital to improve the business?*
- *What's innovative, interesting or challenging to you?*
- *How do you create an ecosystem that genuinely embraces fintech?*
- *What will firms be spending money on next year? Is your technology budget getting bigger?*
- *How do you select vendors today?*
- *How do you view the different regions from a technology perspective?*
- *What are the trends in Regtech?*
- *How do you feel with the security risk that comes with digitisation?*
- *What stops your private banker from communicating in ways they should not?*

PANEL SPEAKERS

- **Michael Haupt**, Chief Operating Officer, Investment Advisor, Asia Pacific, Vontobel Wealth Management
- **Terence Tam,** Executive Director, Head of Wealth Management Technology, Asia ex-Japan, Global Information Technology Division, Nomura
- **Mark Buesser**, Chief Executive Officer, IMTF
- **Marko Milek**, Head of Global Exchange, APAC, State Street
- **Thomas Achhorner**, Global Head of Solutions, Additiv
- **Ian Woodhouse**, Senior Business Advisor, Orbium

ONE OF THE MAJOR CHALLENGES is the impact of regulation, requiring the banks to comply and causing considerable cost, which naturally eats into budgets otherwise needed for front-running digital interface with customers.

Accordingly, many wealth firms have reacted with a 'silo' approach, but realistically a more holistic digital strategy is essential to be efficient and compliant internally, to empower advisers and to achieve seamless interface with clients and offer them an interesting, positive experience.

MICHAEL HAUPT
Vontobel Wealth Management

Think holistically, digitise the platform

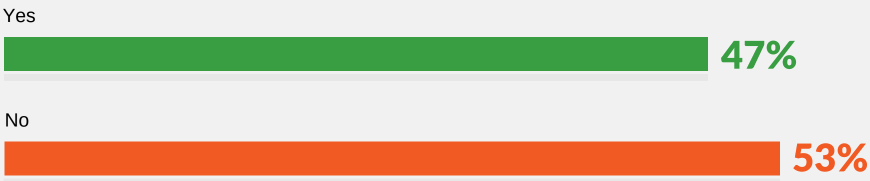
Banks should look at the digitisation of the entire platform, particularly all the client facing functionalities, multi-channels, AI, and other facets. But, there is no single solution, each bank and wealth provider must determine what is best for their institution. Moreover, a top down approach might be advisable in order to drive the changes and to leverage the platform. Onboarding for clients, improving the client experience, enhancing the 'usability' of banks' software and hardware are all vital elements of the technological upgrades on offer.

TERENCE TAM
Nomura

Regulatory change a driver for technological evolution

"Fundamental changes to the wealth management industry's business model are driven by two factors, regulation and digitalisation," said one panel member. "We are seeing clearly is that not everybody will

WILL TRADITIONAL WEALTH MANAGEMENT FIRMS LOSE BUSINESS TO START-UPS?



Source: Hubbis Digital Wealth Asia, November 2017 - Hong Kong

MARK BUESSER
IMTF

FUNDAMENTAL CHANGES TO THE WEALTH MANAGEMENT INDUSTRY'S BUSINESS MODEL ARE DRIVEN BY TWO FACTORS, REGULATION AND DIGITALISATION

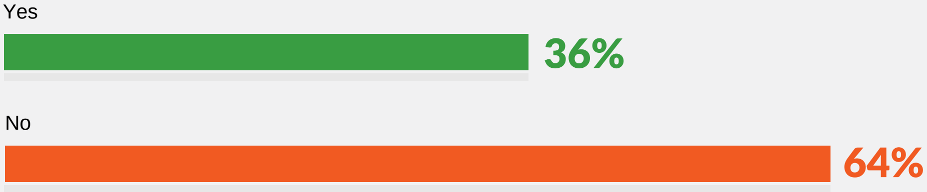
WE BELIEVE THAT DIGITAL OFFERS US A TREMENDOUS OPPORTUNITY TO REGAIN GROUND AND IMPROVE THE QUALITY OF THE CLIENT RELATIONSHIP

survive in this unfamiliar environment. Competition is intensifying between the traditional business models of the banks and the new business models of multifamily offices, external asset managers, and robo-advisers. Probably in the end the winners will be those who can blend the traditional and the new."

Frontier market institutions - for example in Vietnam where private banking is growing - are in some respects well situated as they do not have legacy systems or cultures, they are therefore leapfrog by leveraging innovative technology. Wealth management is behind the curve when set against other global business sectors. Wealth managers do at least now recognise that they need to digitise, for example robo-advisory and other advanced solutions, but only about 10% of their firms have those solutions so far.

MARKO MILEK
State Street

WILL PRIVATE BANKS AND WEALTH MANAGEMENT FIRMS BE ABLE TO RESPOND QUICKLY ENOUGH TO CHANGES IN TECHNOLOGY AND CLIENT EXPECTATIONS?



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PANELLISTS AGREED THAT WITH WEALTH GROWING SO RAPIDLY IN ASIA PACIFIC THE PROBLEM FACING WEALTH MANAGERS IS NOT THE MARKET, BUT THE SOLUTIONS THEY CAN PROVIDE AND MONETISING THOSE EFFICIENTLY

THOMAS ACHHORNER
Additiv

Learn the client, learn to monetise

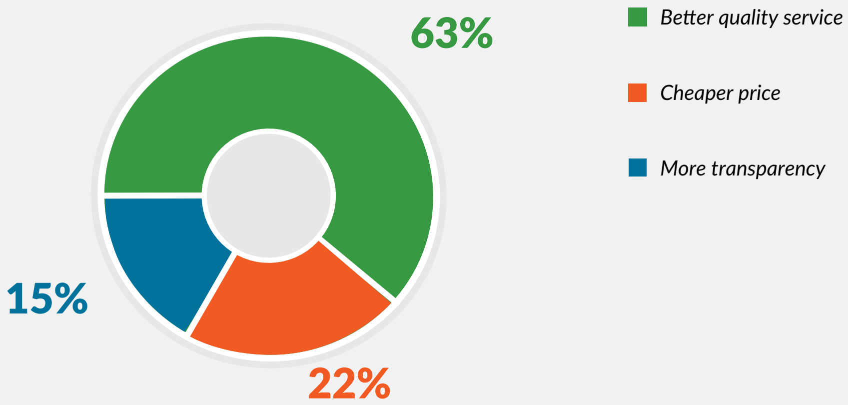
One banker explained that the essential first step is to understand their clients, their needs. Then decide how to obtain and disseminate third party data. And next how to monetise that information and technology to create custom investment solutions. "But that is a Holy Grail in effect and frankly we are still far away as an industry."

The future is working in ecosystems, said one panellist. "The ecosystems can be ecosystems of product providers, they can also be ecosystems of software providers," said one banker.

"We believe that digital offers us a tremendous opportunity to regain ground and improve the quality of the client relationship. For example, digital can simplify a lot of the early administration on taking on board a new client, it can also ease the regular communication and information flow."

IAN WOODHOUSE
Orbium

WHAT WILL DRIVE PEOPLE TO NEW BUSINESS MODELS?



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Banks are at the initial stages of new business models that will be digitally enabled. They will know more about the client through personalisation, through digitalisation and the banks will also ensure that compliance standards are met. Cloud technology is winning ever more customers because the major cloud providers have amassed such a scale that they can offer service at a price point that no single entity can afford individually.

Panellists agreed that with wealth growing so rapidly in Asia Pacific the problem facing wealth managers is not the market, but the solutions they can provide and monetising those efficiently.

Small and nimble can complete with big

Technology is also allowing the lines to become blurred between the big and the smaller wealth management providers. "What we find is that smaller, nimble players find it much easier to change their business models," said one panellist. "They find it easier for example to let go parts of the value chain where they cannot compete and to leverage things technology. Larger institutions might be able to split the compliance costs across a broader asset base or base of clients, but they are often a lot slower and more cumbersome in their approach to novel solutions or digital propositions."

The private banking industry needs to embrace technology more rapidly due to the accelerating pace of compliance requirements for the never-ending flow of new regulations. And the industry needs to become more user-friendly, to provide the client with a more pleasant and interactive experience, to become more relevant to the client's needs and interests. It is vital for the banks use digital to enhance the client experience, understand their needs and provide relevant and compliant advice and accessibility.

Cyber-security

Security of data management will become ever more crucial. Cyber security is at the forefront of every discussion between technology providers and wealth institutions. "I cannot even imagine how much we spend on penetration testing and hiring third parties to break into our systems," said one banker. "That is the new normal without a doubt." There is one view that taking data back into the banks is a sensible consideration due to the potential risks of outsourcing, both from a management perspective and from a compliance and legal viewpoint.

On the other hand, there are many who consider that a professionally managed cloud solution might be slightly more secure than an in-house hosting model. "Professional outsourced solutions providers are in the business of managing security," remarked one panellist. "They train their people and there are severe penalties, contractual penalties, if security is breached. So, I think, ironically, outsourcing at the cloud is perhaps already better than the internal model."

Today's younger generations are digital natives

The rising wealth of the younger generations in Asia, as well as their rising numbers, are other drivers for technological change in the wealth industry. "The wealth management and advisory community needs to understand these new generations and access the communities in which the millennials are operating and deliver them the right technological interface relevant to their communities, remarked one expert.

The second big opportunity related to rising populations and wealth is intergenerational transfer from the older generations. Banks need to become more adept at holding on to assets when transfers take place between generations. This is partly an advisory function, but it will be enabled by digitisation and data. The younger and older generations will both benefit from the upgrade of technological expertise and functionality at wealth advisers. With the rapid rise of the younger generations and frontier markets in Asia, technological evolution and revolution will not be a luxury for wealth firms to contemplate, it will be a necessity.