

How leading private banks and wealth managers are building their WM 2.0 models?

A panel of very senior wealth management experts opened the Hubbis Asian Wealth Management Forum in Singapore. Their mission was to highlight key challenges facing private banks and other wealth firms in Asia as they strive to achieve their WM 2.0 business models.

These were the topics discussed:

- Has anything really changed in this industry over the last ten years?
- Has the WM industry truly become client centric or are wealth managers still just sales focused?
- How have you changed your business model to be client centric? How has frontline comp changed to align to client interests?
- What tangible digital progress has been made and what's your client feedback?
- What is the biggest scope of disruption? Who will benefit most: big banks, FinTech's or BigTechs?
- What next: AI, big data and its impact?
- More opportunity for boutique / independent wealth managers?
- What's your strategy for millennials? What's your strategy for women?
- Does any young person want to be a private banker today?
- How can you continue to cut cost without killing the client proposition?
- What's your view on competency standards / continuous professional education?

REGULATORY TIGHTENING, TECHNOLOGY AND AI, evolving client demands, compensation, competition from Fintech and Big Tech, the rise of family offices and ongoing professional learning. These are just some of the challenges for private banks and other wealth firms to overcome as they forge their new business models to suit the

PANEL SPEAKERS

- **Malik S. Sarwar** (chair), CEO, K2 Leaders, USA
- **Su Shan Tan**, Group Head of Consumer Banking & Wealth Management, DBS Bank
- **Pierre Masclet**, Asia Chief Executive Officer, Singapore Branch Manager, Indosuez Wealth Management
- **Michael Blake**, CEO Private Banking Asia, UBP
- **Eng Huat Kong**, Senior Managing Director, Chief Executive - Singapore Branch, EFG Bank
- **Edmund Lin**, Partner & Director, Global Head of Financial Services, Bain & Company

THOSE WHO IGNORE THE NEED FOR CONTINUAL EVOLUTION AND ADAPTATION DO SO AT THEIR PERIL.





MALIK S. SARWAR
K2 Leaders, USA

demands of the clients, and the marketplace, of the future. Those who ignore the need for continual evolution and adaptation do so at their peril.

"If we look at our achievements in recent years," reported one banker, opening the dialogue, "we are most proud of having developed an outstanding group of people and a genuine corporate culture, which together drive our business forward. We have also been actively converting our mindsets to embrace the culture and potential of technology. And our relentless focus on the customer has helped us make the client journey a more pleasant and positive experience."

This banker noted that the bank had, more than five years ago, recognised the need to evolve well beyond the bank's monolithic mainframe systems and to build an open API protocol.

"We saw that as a vital step to becoming more agile and client-friendly. We must become more client-friendly in terms of interface and client enjoyment of working with us. A big fear we have is that mainstream social media companies move into banking - how often does someone open their banking app each day, compared with their social media or messenger apps? That is a worrying thought for us, so we must react, smart and fast."

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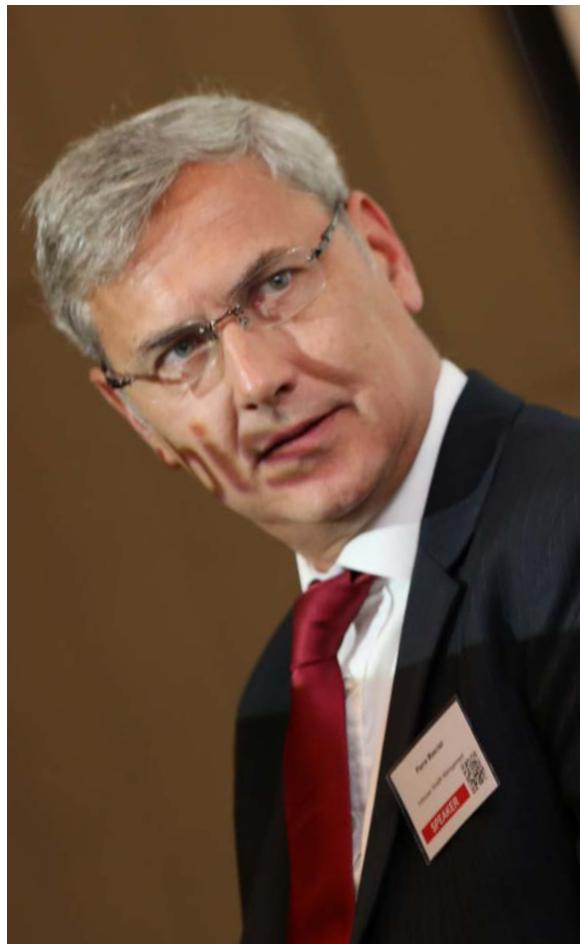
SU SHAN TAN
DBS Bank

This same banker added that, in an allied initiative, the bank has also endeavoured to make its RMs investment counsellors to clients. “We look at them and say how can we make their journeys easier, how can we arm them with more technology, more tools, so we see them almost like our in-house clients. I need to make their journey as painless as possible, to make the RMs as efficient as possible. We also try to make them as connected as possible to the clients, even to the point of creating what we can term emotional connectivity.”

Concluding, the banker added that a priority was for the bank to ‘own’ the Singapore ultra-HNW space, building family office type services as well as forging deep, ‘sticky’ relationships based on understanding the wealth creation process, linking the wealth business to the bank’s corporate banking, investment banking and other core arms of the bank. “And we want to look at new markets, firstly building our digital penetration into major wealth markets such as China, India and Indonesia, and other markets.”

A panellist explained that for their bank, having bought over another bank’s private wealth business in Asia, the mission in the past year has been to embrace that bank’s proposition and to rapidly build AUM and staffing, an initiative which thus far has progressed well.

“Key elements,” he said, “are the improvement of the client experience, building our product expertise and RM skills, approaching new markets, building new product offerings and adapting to regulatory changes.”



PIERRE MASCLET
Indosuez Wealth Management

ARE WE MORE FOCUSED ON THE CLIENT TODAY?

Yes

49%

No

51%

Source: Hubbis Asian Wealth Management Forum 2018

Building through acquisition, merging cultures

And another CEO, whose bank has also been absorbing a recent purchase of a brand-name private bank, explained that melding the two corporate cultures has allowed the firm to focus on being what he described as a ‘pure player’. “To be a pure player,” he elucidated, “we need to be very clear on our niche and our value proposition. We focus on three product services, on direct investments, on alternatives and also on tailored portfolios for clients who have over US\$5 million with us. And we make a huge effort to expand our RM number, capacity and capability for the benefit of our clients, which is a major challenge, but one we have been winning at.”

Another bank CEO said their bank is pushing its DPM [Discretionary Portfolio Management] business. “We are building out our global penetration into the Singapore and Asia markets. The conduct and culture of the front office is another area of focus, especially as there is regulatory scrutiny for all of us, so we are embracing ethics and good conduct, focusing on the clients’ interests first and foremost, not simply concentrating on compliance. And a challenge we are balancing is the need to achieve all this whilst maintaining the entrepreneurial drive of our teams.”

Improving economics to face the future

A priority for the wealth industry in Asia should be consolidation of acquisitions, business cultures and strategic models to improve the economics of the key players in the wealth management industry.



MICHAEL BLAKE
UBP

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HAS ANYTHING REALLY CHANGED IN THE PRIVATE BANKING INDUSTRY IN THE LAST TEN YEARS?

Yes

76%

No

24%

Source: Hubbis Asian Wealth Management Forum 2018

"The rising tide of wealth in Asia has allowed for sub-par economics in this industry," explained one expert, "but we are at a time when cost-revenue metrics must improve. Connected to that is a major push for digitalisation, which is far easier for a business that has the right economics. The world of wealth management is changing, and it is dangerous for the players if they insulate themselves and rest on their brands and old business models."

He explained that advisory his firm had conducted in-depth research that shows that even some 60% to 70% of HNW and ultra HNW individuals are receptive to working with the household name non-bank platforms if they enter the private wealth market seriously. "Digitalisation," he added, "can therefore fundamentally reshape existing wealth management models and stave off the threat from new entrants."

Remuneration for a competitive business model

The people side of the business is also changing, he noted. "The business and remuneration culture historically in the private banking world out here can be characterised as the 'eat what you kill' mentality. But, as we see it, for the next five years or so, this industry must shift to building the client balance sheet; those who understand client centricity will understand this, will not only survive but will enjoy participating in the solid growth that is still inherent in this market."

Another expert noted that while there is evidence that robo-advisers can achieve satisfactory investment results and at levels cheaper than people, there



ENG HUAT KONG
EFG Bank

"DIGITALISATION CAN THEREFORE FUNDAMENTALLY RESHAPE EXISTING WEALTH MANAGEMENT MODELS AND STAVE OFF THE THREAT FROM NEW ENTRANTS."

IS LOOKING AT ALL YOUR INFORMATION TO SELL YOU PRODUCTS

Relevant

75%

Creepy

25%

Source: Hubbis Asian Wealth Management Forum 2018

is also unambiguous evidence that most people, even millennials, still like the personal contact.

"So," commented a senior banker, "if the people underperformance is marginal but, for example, your RM has a great emotional connectivity and is intuitive, then there is a strong case to continue this way as this helps engender client loyalty."

One banker highlighted his bank's flat structure. "We spend time with the clients, it is in our DNA, we understand what clients want. We hire RMs who know their clients, simple as that. In my view there is absolutely no contradiction between paying RMs for performance, it can be perfectly in line with the clients' interests, as the RMs are paid for attracting and then retaining those relationships and for advising those clients. If clients aren't happy with the investment advice, they will leave. We should not feel sheepish about paying up for performance."

Another expert highlighted client advocacy as the route to creating value for the wealth industry. Compensation, he observed, should be viewed on a multi-year basis, not just one year and short-term performance. "Employee loyalty engenders customer loyalty."

Segmentation – advisable, or not?

One senior banker highlighted the millennial woman in Asia, who they characterised as ambitious, entrepreneurial and optimistic and often perhaps well suited to handling female HNW clients. "For us, looking at clients from a segmentation perspective is helpful to



EDMUND LIN
Bain & Company

SHOULD PRIVATE BANKS DEVELOP AN OFFERING SPECIFICALLY FOR WOMEN?

Yes

68%

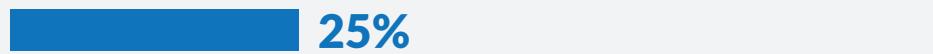
No

32%

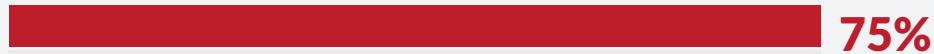
Source: Hubbis Asian Wealth Management Forum 2018

WOULD YOU ENCOURAGE YOUR KIDS TO BE A PRIVATE BANKER TODAY?

Yes



No



Source: Hubbis Asian Wealth Management Forum 2018

our business, whether it is generations, or male and female and so forth.”

The discussion’s chair then pointed to the audience poll which indicated that 60% of the room felt that private banks should develop an offering specifically for women. “Millennials and women are growth markets for us,” reported another banker, “but so far we are not dedicating focus to those segments. Any client must have more than \$10 million in investible funds to make it worthwhile for us to pursue.”

More important than the segmentation is what is the proposition, what is the product strategy underpinning the marketing strategy. “I would be excited if one can truly build a product strategy relevant to each of the segments.” Another of those present noted that ultimately with HNW clients it is necessary to see the broader family situation. “Actually, it is family

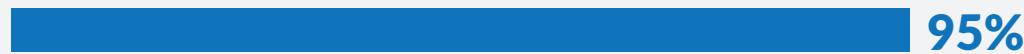
dreams, goals, objectives that we all need to meet.” One guest highlighted the phenomenal growth of wealth in China and the migration of the focus from purely wealth preservation to wealth succession. “We see that almost 80% of this immense market realise they need succession planning, but only about 20% have that in hand.”

Get ready... for a brave new world

The discussion came to a close with some of the guests contemplating the competitive landscape, acknowledging the potential for major disruption in this industry. Fintech, Big Tech and social media giants, these are all threats. “But first and foremost,” concluded one banker, “we need to concentrate on our business models and make sure that they are ready and able to compete.” And unless the existing wealth management competitors do exactly that, new entrants will find it all too easy to bludgeon down the doors into this market.” ■

WOULD YOU LIKE THE KYC AND ON BOARDING PROCESS TO BE SIMPLIFIED AND LESS PAINFUL?

Yes



No



Source: Hubbis Asian Wealth Management Forum 2018