

# How Pictet in Asia is Tailoring Traditional Private Banking to its Global Vision of the Future

Pictet Wealth Management in Asia has been on the move for some years already, driving its particular brand of private banking out to Asia's growing ranks of HNW and UHNW clients. Claude Haberer, equity Partner of the Pictet Group, moved from the role of CEO to Chairman of Pictet Wealth Management (PWM) Asia in August last year and Tee Fong Seng took over as CEO, moving from his former role as Chairman of EFG Bank's Asia advisory board. With an illustrious career already – before EFG he was Asia vice-chairman and Hong Kong CEO for Credit Suisse – Fong Seng has been tirelessly applying his first-class credentials to what was already a top-flight franchise in the region, where the bank has more than 280 staff across Hong Kong and Singapore. Fong Seng 'met' with Hubbis recently by video link to expound on his concept of the continuation of Pictet's brand of private banking, one that is attuned to today's markets and client expectations while being carefully positioned for the decade ahead. Haberer's tenure as CEO from 2011 onwards saw the team expand more than five-fold from just 50 people. Looking through the prevailing mists of the pandemic, Fong Seng is optimistic that the bank will continue its robust growth trajectory in the region in the decade ahead.

**Pictet in Asia** has already grown rapidly in the past decade and is aiming to maintain its robust growth in client numbers and assets by staying in tune with its long and illustrious history. This is rooted in driving expansion by increasing its range of products and services, as well as its coverage on the ground, by bringing on board bankers who embrace the long traditions of private banking and wealth management that have allowed Pictet to endure for more than 215 years to date. While doing so, the bank is aiming to boost the awareness of its brand, unique characteristics and key areas of expertise and differentiation.

At least until Covid-19 appeared, Asia's HNWIs and their investible assets had both been growing dramatically for several decades, making the region the engine room for global growth. Pictet has chosen to focus primarily on offshore wealth management for the Asia region out of its Singapore and Hong Kong hubs, where the bank also increasingly competes vigorously in those onshore markets.

Fong Seng is completely in tune with the traditional private banking mindset and is aiming to help the bank further emulate in Asia the very powerful presence it has in Switzerland and in Europe, bringing to HNWIs, UHNWIs and their families Pictet's long-term vision of investment, wealth preservation and wealth planning across the generations.

### **Private to the core**

Pictet Group's core businesses globally are wealth management and asset management, with total assets under management and custody at USD595 billion as of 31

### **Fong Seng's Key Priorities**

Brand awareness, the expansion of Pictet in Asia, the building of talent and resource and the expansion of Pictet's clientele across the generations are his four key priorities, Fong Seng reports.

"We are patient," he reports, "We know it will take time and we are prepared to invest in order to build the brand awareness of who we are and precisely what we offer. This is our first priority. We have also our 'Vision 2025' strategy, and as a partnership, we will build our business in Asia and expansion plans around those key elements of change and evolution. To achieve this, we need more people, so hiring is core to the fulfilment of our vision in this region and our second priority. To double the size of the business in Asia in the next three years or four years, we will have to double our team, and of course, we need to front-load that effort in time, so the results flow through over a period."

The third priority is the investment platform. "With a growing number of bankers and increasing client demand for Asia-focused products, it is essential to ensure appropriate support. We currently have a strong team of investment specialists based in Hong Kong and Singapore, who cover DPM, advisory and multi-asset, but we want to reinforce our capabilities in these areas even further."

The fourth priority is growing the bank's connections to families. "Globally," Fong Seng reports, "Pictet has been remarkably successful in developing relationships with the broader families and across generations. In this regard in Asia, we are promoting our credentials as a family bank."

In the Asia Pacific region, Pictet will therefore leverage the expertise and vision of Stephanie Lair Crommen, the bank's global head of wealth solutions, who knows Asia well and who will be even closer to the Asia business as the bank extends its reach.

"Our wealth solutions offering entails a structured approach dedicated to families. It aims at providing families innovative solutions in family governance, wealth planning, private funds, credit and philanthropy," he reports. "While many private banks have family office business, we want to go one step further by giving our clients access to a more holistic approach. Our wealth solutions offering is also closely allied to our capabilities in sustainability, co-investing in private assets, and ESG, so we have immense strengths and experience to offer. Sustainability and ESG in particular are areas of interest to the younger generations who represent our future clientele."



**TEE FONG SENG**  
Pictet

December 2019. Of this total, on the wealth management side of the business, the firm looks after around USD242 billion of its clients' global assets.

As a private firm since inception – it is structured as a partnership – Pictet has the luxury of taking a long-term perspective to the building of client relationships, helping build wealth portfolios and assisting with estate and wealth planning. This alignment of interests is resonating ever more acutely with clients across Asia's different and dynamic economic and cultural landscapes.

"We are genuinely not focused on short-term performance," Fong Seng begins. "We have a long-term perspective at heart, for clients, for the bank and for everyone in the Group. We have every confidence that, based on our history and our success, we will win a solid share of any client's business over time. We are entirely dedicated to an investment-led ethos, always achieving a top-quartile ranking in terms of performance, year on year, and sticking to our true colours of being a privately held private bank positioned for HNWIs, UHNWIs and for families and family

offices. This is a growing segment in this region and one in which we have immense expertise."

### Seven - Pictet's vision of the future

Fong Seng explains that the bank's vision of the future is distilled in a statement of intent in the bank's 'Ambition 2025' strategy, a core element of its 2019 annual report. The 2025 vision comprises seven key themes that the bank sees as changing the world we know, including the world of wealth management.

**"Across these three areas, we have identified seven themes that we believe will shape the business of finance in the coming five years and more. Certainly, the ramifications of the coronavirus crisis will deeply affect the way these themes play out in the coming years, intensifying a number of the trends already identified here. Each theme offers opportunities - and risks - for investors, our clients and the way we do business."**

"As the new decade opens, we expect a growing transformation in macroeconomics, technology and society," the report states. "Across these three areas, we have identified seven themes that we believe will shape the business of finance in the coming five years and more. Certainly, the ramifications of the coronavirus crisis will deeply affect the way these themes play out in the coming years, intensifying a number of the trends already identified here. Each theme offers opportunities — and risks — for investors, our clients and the way we do business."

Fong Seng offers his insights into these seven key themes the bank has identified as priority areas on

which to focus in the years ahead. "In the macro environment we face," he explains, "we envisage profound changes, represented in the first four of the seven themes."

### Asia - Pictet's top priority

First of these is the rise of Asia, led by China. Before long, the region will become a financial superpower and by 2030, the region, Japan included, will account for 40% of the world's wealth, accruing more and more global capital and being increasingly prominent in global financial indices.

"The headline for us here in this region," Fong Seng comments, "is the vital importance of Asia, as the bank sees the region as our number one priority for growth. The second key focus is in private assets, an area we are expert in and where Pictet itself commits a lot of money, as do the partners and their families, alongside of course our clients. This represents a great opportunity, and of course, the private nature offsets and hedges somewhat the volatility of public market assets."

### Falling rates

The second macro theme is that the persistently low and falling interest rates are driving

investors to higher-yielding and risk-diversifying private assets. “Such demand,” he elucidates, “is being satisfied by a large and rising supply of firms aiming to turn or stay private, attracted by fewer short-term pressures and lighter regulation. As this tendency grows, private equity, debt and real estate will become ever more mainstream, no longer to be considered alternative.”

The third macro theme is leverage, or rather its dangers. “The idea that the world has been deleveraging since 2008 is a total myth,” Fong Seng reports. “In fact, the world has levered up and the debt market may be the catalyst for the next major episode of financial instability, the result of a two-decade-long build-up in government, corporate and household debt that may ultimately become unserviceable,” he warns.

### Rising debt, rising taxes

He explains that the Pictet authors fear that if central banks continue to print money to avert a crisis, this could lead to a new debt climax, currency instability or a surge in the value of real assets. “As they comment,” he elaborates, “the next downturn would not then be cyclical, but one with a major long-term impact on the economy and the financial industry.”

Fourth, a downturn or fully-fledged financial crisis would reinforce existing tendencies towards greater tax transparency, populism and deglobalisation. “The bank has observed that governments are already contemplating a major review of global taxation in which wealthy individuals and multinationals are

likely to be pursued systematically,” he reports. “Such reform will radically disrupt where and how businesses operate.”

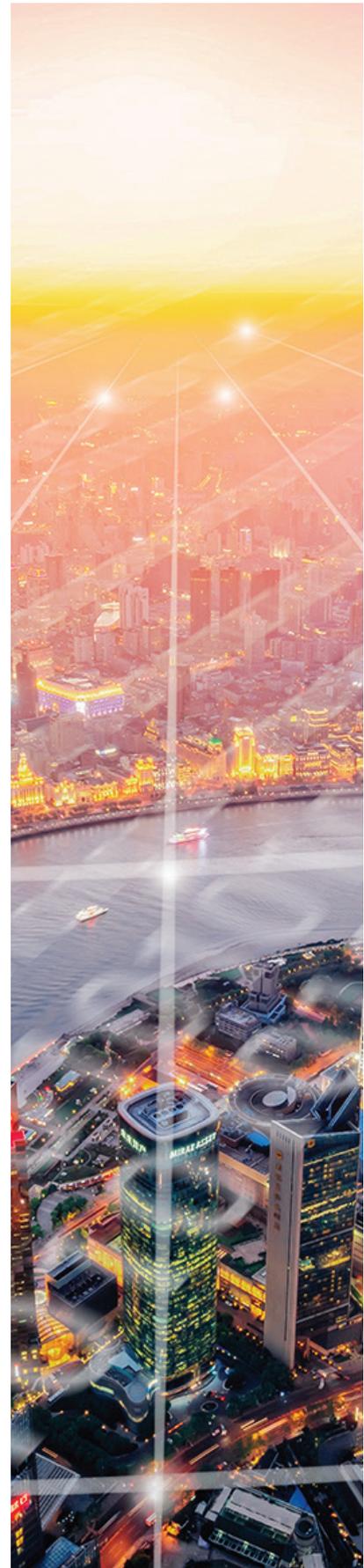
As a result, the authors explain, digital businesses will be a primary target, but so will the service sector, and the financial industry in particular. “These trends,” Fong Seng cautions, “will advance the deglobalisation already manifest in the rise of political and economic populism.”

### Disruptions galore

Other key areas of the Pictet vision for the wealth management industry include technological disruption, digital endangerment from cyber-threats, and societal pressures for a change in the allocation of resources and the distribution of wealth.

Elaborating on each of these three themes, Fong Seng explains that AI and machine learning are technologies leading an accelerating digital advance that will dislocate the wealth industry and the providers’ relationship with clients.

“As data becomes ever more valuable, data science that uses these technologies will transform the way investment information is gathered, analysed, employed and presented,” he says, citing the report. “Clients will also expect the most advanced digital solutions. However, we also observe that technology is a double-edged sword, so for financial institutions, cyber is the new systemic risk. Resilience to attack will be essential, as will a robust balance sheet in the event of breaches. This ultimately means that financial institutions, already trusted as data collectors, may find a new role as data custodians.”





Finally, the authors identified a drive for a more responsible form of capitalism. “Companies will be driven by a wider purpose, rather than the single-minded creation of shareholder value,” he explains. “The gap between the top tier of the population and the middle class is forecast to widen, leading to the most fortunate members of society significantly increasing their commitment to philanthropy and responsible investments.”

### See, understand, adapt

Fong Seng explains that the Pictet team observes that investors increasingly recognise how environmental and social challenges will critically affect business results in the years to come, and that finance will be central in the move towards a more regenerative and circular business model. “All this,” he says, “ultimately means we must adapt to recognise and adjust our models and our capabilities to position ourselves for this future. Doing so will enable us to best serve our clients and stakeholders.”

Turning his attention back to Asia, Fong Seng explains that the bank will strategically expand in wealth and asset management in the region, while enjoying greater autonomy of decision-making.

### Applying the vision to Asia

“The way we are investing into Asia is from front-office to middle- and back-office, so very clearly the commitment is there. The vision and the resource are also available as and when we make the key decisions,” he reports. “The reality is that Pictet is very successful in Europe and has done very well in Asia, but is still underperforming this region’s vast potential, which has led to our very ambitious plans.

While some of those strategic plans may have been somehow held back by the virus, in terms of revenues and business, we have in fact been doing very well this year.”

Strategic partnerships with regional financial institutions are one way forward, he notes, but he explains that whatever the ambitions, Pictet remains extremely selective, prudent and measured in its approach.

### The talent shows

Fong Seng arrived at Pictet with a team of top bankers, including the new CEO for the Hong Kong operation. “These are really top bankers in their previous organisations, so this underlines the appeal of a move to this bank for exceptional talents in their fields,” he states. “A huge appeal is our image of being fit to run a marathon. For those banks and operators that are driven by quarterly numbers, the pressure becomes quite overwhelming for the bankers and the clients. We represent a truly different path, and a new career opportunity for these accomplished bankers.”

He adds that Pictet is immensely selective, avoiding a hire and fire culture with recruitment policies that are, he says, as solid as the bank itself. “Why is this so essential?” he ponders rhetorically. “Because we are playing the long game, so we are investing hugely in the potential of our people, over time; in aviation terminology, we offer a long runway for their take-off as well as a long and hopefully smooth flight ahead.”

### Core values

Fong Seng steps back to comment on how Pictet sees the evolution of service for the bank’s clientele, noting that patience, compliance,

transparency, and value are all essential to the model. “We are intently focused on product suitability, client suitability, portfolio suitability, and risk profiling,” he reports. “All these facets provide comfort and transparency to the clients, and ensure we comply with local and global regulations.”

**“While Singapore is really well-positioned in various ways, I personally believe Hong Kong will grow robustly, as it has immense strengths in so many areas. For our Asian clients and Asia business, we see a triangle ahead of Switzerland, Singapore and Hong Kong, supporting through other booking centres like Luxembourg.”**

Fong Seng explains that he is bullish about Hong Kong longer term. “While Singapore is really well-positioned in various ways,” he comments, “I personally believe Hong Kong will grow robustly, as it has immense strengths in so many areas. For our Asian clients and Asia business, we see a triangle ahead of Switzerland, Singapore and Hong Kong, supporting through other booking centres like Luxembourg.”

### **Confident in the offering**

He is not fazed by the growth and expansion of digital platforms.

“Private banking is private banking, and Pictet is truly emblematic of the best in this regard,” he comments. “We are not going to compete for a few basis points lower-cost execution at the click of a mouse. Where Pictet will make a difference is in its performance across a wide

range of asset classes and as a one-stop for clients seeking top quality and safe execution, advisory, fund curation, and discretionary management.”

He explains that the bank is constantly reviewing how it can grow each of these four pillars. “That said, differentiation of quality and approach is central to our proposition,” he explains, “not a drive to compete with every online platform out there. What we offer and aim to keep refining, is to provide the best execution, best advisory, best performance

and best service, across all asset classes, public or private.”

### **Raising awareness**

This, in turn, leads Fong Seng to comment on the Pictet brand in Asia. “We have traditionally been low profile, the stalwart type of bank that has an image in people’s minds and wins clients through excellence, consistency and word of mouth. But in Asia, we will focus more on boosting our image, selectively of course, through high-end events and specific branding initiatives in order to convey our image and messages to the clients out there across so many countries in the region.”

His final word is that Covid-19, as awful as it is, has to some extent highlighted and reinforced Pictet’s image as utterly resolute and completely reliable. “The Pictet Fortress is our term,” he reports. “This highlights how, in good times and bad times, we are strong, stable, resolute, consistent, and patient. This came out in the aftermath of the global crisis 12 years ago, and again now, as we have been performing, behaving and projecting ourselves as remarkably solid, and we hope astute, throughout the crisis. This gives our clients the reassurance that the continuity of their wealth planning is both central to our being and assured.” ■



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## Getting Personal with Tee Fong Seng

Tee Fong Seng is a Malaysian by birth and pan-Asian by inclination and career history. As Chief Executive Officer of Pictet Wealth Management Asia since mid-2019, he is bringing his immense private banking experience to bear to help build the bank's presence and penetration in the Asia region.

Before joining Pictet, he was Chairman of EFG Bank's Asia Advisory Board and a member of its Global Board. He spent much of his career with Credit Suisse, in his last role there as Vice Chairman for Asia, and previously as CEO of the Hong Kong Branch and also Head of Private Banking Singapore. Before that, he was at UBS, where he was Head of Wealth Management South East Asia and Deputy Branch Manager for UBS Singapore.

Between 2017 and 2020 he chaired the Singapore Management University's Wealth Management Advisory Board. He is also Dean's Fellow at the university's Lee Kong Chian School of Business, and a Board member of apVentures, a non-profit venture philanthropic organisation. Fong Seng is a Chartered Management Accountant (ACMA, London) and holds a Bachelor of Business Administration from National University of Singapore.

### 13 – a lucky number

"I have a fairly colourful background," Fong Seng reports. "I was born into a very large Malaysian family and grew up with 12 siblings, and as you might imagine, it was all about survival of the best, with a real focus on studying and excellence. I came to Singapore from aged 12 to study, right the way through to qualifying as an accountant, but knew early on I would go straight into banking."

He then experienced different facets of banking, from foreign exchange to investment and corporate banking, and then emerged into what he describes as the best career move of his life in private banking from 1992, initially with Paribas at the time, before later joining UBS for 15 years and Credit Suisse for 10 years.

### Loving the life

"I loved working in Hong Kong," he recalls, "in my four years there, I have been able to see Hong Kong evolves to a key financial hub for wealth management in Asia and to witness the incredible China growth story. I was initially cautious about Hong Kong, as I was a Southeast Asia expert but never say never, and I later ended up running the Credit Suisse Hong Kong private banking operation. Thanks to the encouragements of my old mentor, Marcel Kreis, former Chairman Private Banking Asia Pacific at CS, I ended up staying there four years, and loved every minute of it, and then EFG and now Pictet followed, quite naturally. I have been very lucky, really."

Married with a son of 30 years old and daughter of 24, his wife sits on the Prudential Singapore board, and also represents United Nations Women as an independent voice on the oversight committee. "My son is finishing up his Master's at Booth, Chicago and will join a global consulting firm, while our daughter has finished Accountancy School in Singapore and is interested in digital technology."

Fong Seng cemented many a good client and business relationship on the golf course, but although he still loves the game he today suffers from a bad back, which has curtailed his enjoyment of the sport. "I still play a bit, but not like before, when we had golf with friends, clients, business partners and so forth all around the region, and even globally," he reports.

His final comment is that he still loves his work. "I could be very comfortably retired, of course," he says, "but I joke with friends that my retirement is to keep working, it is what gives me great satisfaction and interest, even to this day."

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## Pictet in Asia – Tradition & Innovation Combined

Pictet Group's core businesses globally are wealth management and asset management, with total assets under management and custody at USD595 billion as of 31 December 2019. Of this total, on the wealth management side of the business, the firm looks after around USD242 billion of its clients' global assets.

Pictet has two bank licences in Asia, in Hong Kong and Singapore, that both act as booking centres. This is backed by a full product offering including international and local Asian products, discretionary management, advisory services, as well as wealth solutions, that include family governance, wealth planning, private funds, credit and philanthropy, to mention just a few.

The bank now has 69 bankers in the region, all sharing the vision of wealth management that has endured at Pictet for decades, even centuries, resulting in the bank ranking amongst the world's top 20 private banks by assets under management (AUM).

Emulating its positioning in Europe, the bank has remained true to its mission of managing the money of both private and institutional clients, with both diversified and discretionary portfolio management as key specialities.

Pictet also devoutly steers away from investment banking as both a distraction and a conflict of interest, the latter because such operators will constantly have positions they want to sell and, if allied to a private bank which then proposes these ideas to clients, then the bank and client can be on opposing sides of a transaction. "We are always on the side of our clients," Fong Seng reiterates.

Pictet in Asia stresses its independence - to this day, the bank remains unlisted, 100% owned by management, with seven Managing Partners within the bank owning equity. When they come to retirement – normally at 65 years of age – they cash out and leave, so that the cycle can continue. These financial rewards are back-ended, as the bank has a practice of issuing only modest dividends annually.

As the only top 20 private bank globally that is fully privately owned, and with the average tenure of a partner at Pictet lasting around 22 years, the structure of the bank is designed to nurture a long-term perspective.

Accordingly, the bank's relationship managers (RMs) prefer to talk strategies and long-term visions and steer clear of product pushing, with the only criteria being the combination of product quality and client suitability.

Many Pictet clients in Asia own or owned their own businesses, so the firm stresses its alignment of interests, its similarly long-term view, and a deep understanding of management-owned businesses with a strong family component. Even today, there are Pictet family members as Managing Partners.

The demographics of the Asia market and clientele are different from Europe. While Asia is transitioning from the first and second generations of entrepreneur-created wealth, Europe is much more mature, meaning that the concepts of wealth and estate planning are less established in Asia.

The firm's investment philosophy is long-term discretionary portfolio management with a three to five-year horizon. DPM represents about 40% of Pictet's worldwide wealth management assets, and in Asia, it is about 20% of the assets, roughly half the bank's global average. Anecdotally this is far higher than is normal in Asia thus far, where average DPM penetration is still less than 10%, even for those banks pushing it the hardest.

Pictet's success in this field is founded in large on the image of the bank as a family-centric institution. As Asia's families are in the process of greater institutionalisation of their family wealth, and a more refined focus on estate and succession planning, DPM fits that transition ideally.

Pictet’s Wealth Solutions team also has immense expertise in working with families in developing a structured, holistic and comprehensive approach that reflects the family’s objectives, based on three principles: family governance, investment governance and operational governance.

In addition to its core businesses of wealth and asset management, Pictet has developed great expertise in alternative investments.

Pictet Alternative Advisors (PAA), the Pictet Group’s wholly owned alternative investment company, currently manages more than USD 30bn and provides investment solutions covering hedge funds, private equity and real estate. Having completed its first customised private equity investments in 1989, PAA launched its first direct real estate fund last year, with a recent closing at over EUR700 million. In Asia, PAA sees strong interest for its offering, particularly in real estate and private equity. Pictet Alternative Advisors’ private equity team screens some 400 private equity investment opportunities yearly, and today has more than USD15 billion under management in the asset class, all formulated with a seven- to ten-year view.

Pictet also takes pride in its ability to provide an open platform that holds an extensive range of products and round-the-clock trading with seamless coverage across all significant asset classes. While it functions as a one-stop-shop by offering its custody clients trading and fund services, the firm’s offerings can also be tailored into components, allowing flexibility.

A great deal of importance is placed on technology enhancing the customer experience.

“We have a strong and growing presence in this region, and a clearly defined vision globally that we are adapting to the Asia Pacific markets, where we have the right structure and strategy to thrive in the decade ahead,” Fong Seng reports. “I am excited by the prospects for the bank in the coming years, and for the region as a whole.”

