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Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

Does Digital = Faster, Cheaper and Better Wealth Management?

The Indian economy has for many years been driven forward by technology as well as the sheer weight of the country's numbers and consumer boom. Is the country's wealth management keeping pace with leading exponents of digital transformation?

These were the topics discussed:

- *How important is digital today?*
- *How is it developing in India today?*
- *What's the likelihood of the traditional wealth managers being challenged by a digital alternative?*
- *How do asset management companies use digital? How does it help with client education? Improve the client experience? Enable you to connect with Millennials? Broaden distribution?*
- *How does technology help with the investment process?*
- *Is it possible to deliver Digital Advice?*
- *What is a Digital Robo-Advisory Platform?*

PANEL SPEAKERS

- **Aditi Kothari, Executive Director and Head – Sales, Marketing & e-Business, DSP Investment Managers**
- **Erdem Ozgul, Managing Director, South India, Numerix**
- **Kunal Bajaj, Founder, Chief Executive Officer, Clearfunds**
- **Sharad Singh, Chief Executive Officer, Valuefy**
- **Aniruddha Chatterjee, Head – Buy-side, South Asia, Thomson Reuters**
- **Abhishek Chandra, Partner, Head – Technology, IIFL Wealth Management**

ADITI KOTHARI
DSP Investment Managers

EXECUTIVE SUMMARY

There is no doubt that the relatively young Indian wealth management industry has much catching-up to do with some of the other business sectors in the country, in terms of its investment in and use of technology. Digital evolution of the private banking, asset management and financial advisory models are all benefitting from investment in new digital platforms and processes.

But exactly what should the wealth management industry be focusing its money, its management time and its intellect on when it comes to the industry's digital revolution? A panel of leading technology and wealth management experts deliberated on these and other matters and concepts. There was not widespread agreement on how great an impact digital will have, or exactly where the greatest efforts should be directed, but there was a universal consensus that digitisation can significantly enhance the speed, ease, and quality of wealth management firms' interface, internally with employees, externally with clients and from every facet with the ever-more discerning and attentive regulatory community.

A PANEL OF TECHNOLOGY AND WEALTH MANAGEment experts assembled for the closing panel of the Hubbis India Wealth Management Forum to mull over the key trends they are witnessing as the wealth industry in India strives to make its offerings more client-friendly and to improve the efficiency and skills of the advisory community.

ERDEM OZGUL
Numerix

KUNAL BAJAJ
Clearfunds

An expert in online wealth robo-advisory opened the discussion with his observation that for the Indian market the essential change taking place is for digital to make wealth management accessible to a lot more people that really could not afford the services of a one-one-one type human advisory relationship. "I would call this the democratisation of advice and say that it has a long way to run and will for many result in greater financial freedom."

SHARAD SINGH
Valuefy

Digital democratisation

Another expert, whose firm provides fintech solutions mostly to institutions in the financial sector, remarked that his firm's solutions are designed to work not only on one platform but across connected networks of open architecture. "Technology implementation becomes a true fintech offering and as my panel colleague mentioned thereby helps broaden financial services to a wider spectrum of end clients or investors at large."

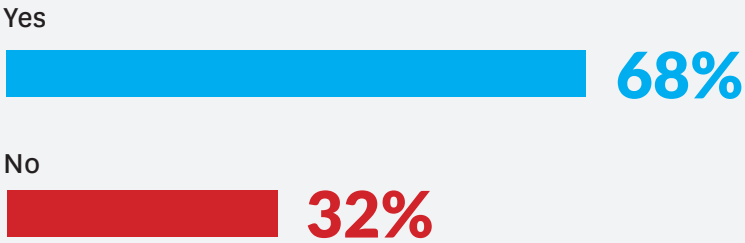
Addressing the question of whether some solutions are no more than digital lipstick, another panellist observed that the digital objectives can be both to create a very high-quality user experience for the typical self-directed investors or to empower the advisers so that they offer a better, differentiated service. "Our data, our system, our analytics work across these two spheres and certainly increase our client's productivity and efficiency, as well as improving client experience. Our broad and long wealth management experience in the North American market translates to clients here engaging and returning to us. They are, for example, talking to us about how they can use their own information, get information from external sources and try and embed tools which are machine learning and artificial intelligence empowered and then leverage that to create solutions for the advisers, for the customers. In short, a lot is happening in this market."

Another panel member admitted that there has been some resistance to change. "We focus on those points of resistance at our clients, as it is important to convert them to participation," he said.

Customer-centric solutions required

"When one looks at financial services, perhaps the customer has not been kept at the centre of importance," observed another expert. "That has led to so many companies coming up in various forms which we call

WILL THE NEXT GENERATION PREFER TO DO ALL THEIR WEALTH MANAGEMENT ONLINE?



Source: Indian Wealth Management Forum

disruptors such as robo-advisers. We are in that business and our mission is to imagine how can we help the banks, private banks and wealth managers give their customers that digital 'uber-experience' they have in other spheres of their daily lives."

He also explained that regulatory and other pressure shave increased the need to improve efficiency and reduce costs. "Tech can bridge these gaps and provide solutions in a very cost-effective manner. Moreover, tech enables scaling up via the savvy use of data, analytics and other solutions."

An expert directed the discussion to the millennials, explaining that there is virtually frictionless tech roll-out to this demographic, whereas there is still some anxiety and resistance in the older generations. "The younger generations need speed, interface, quality of the product, and great ease of use. In some respects, millennials have become lazy and the easier you make it for them, the more addicted they will be to your product."

ANIRUDDHA CHATTERJEE
Thomson Reuters

Target – quality not quantity

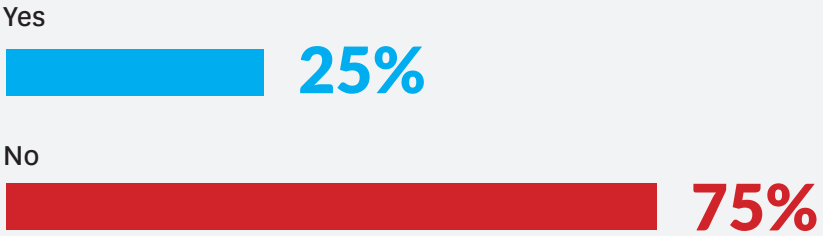
However, he voiced concerns that the younger generation is not yet so well-informed or educated in financial matters. "A lot of the robo-advisers have portfolios or readymade portfolios that separate people according to their goals, but many of the customers want to do it themselves. So, they do their own scanning, find the highest return fund and go for that, without necessarily factoring in all variables, especially risk. Education to view these products and ideas more objectively will help."

Another expert summarised the impact of technology on this sector as being able to deliver personalisation at scale. "At any point in the day, there are about 10,000 versions of Facebook running," he observed, "with each one tailored to a different market and demographics. What we tend to do as wealth managers or advisers is offer cookie-cutter solutions, but the customer really wants a solution or a product that is relevant to and meaningful to him or her. So, the key is understanding the clients."

Humans not yet redundant, in fact far from it

An expert interjected to comment that technology can master the IQ element of wealth management, but the EQ element - delivering the advice and maintaining the customer relationship - is a human skill."

CAN A ROBOT REPLACE A FINANCIAL ADVISER?



Source: Indian Wealth Management Forum

"Yes," said another panellist, "the human element will remain important. I do not, for example, think we should yet get too excited about things like chat-bots and so forth. They might prove to be not such a big deal after all."

Ever-shorter attention spans

An expert focused in on the lack of attention customers have and the minimal time they are prepared to spend understanding products or services. "A video of more than 120 seconds is not generally viewed fully," he reported. "So, we managed to shrink a snapshot of client portfolios into less than 120 seconds; by reviewing who accesses this we can hone the delivery of our services more accurately and it helps us sell more or more accurately to those clients."

A panel member turned the discussion toward the use of technology for the increasing burden of regulatory and compliance challenges. "We have been working with wealth management clients in Hong Kong and Singapore in recent years and the focus is more on the compliance aspects than the speed or ease of the investment," he reported. "Private banks and other wealth managers must ensure the compliance aspect is fully respected; we have seen cases where institutions get fined or their reputation is badly tarnished by failing in this regard." So, we see all this as combining ease, speed and general user-experience with the business needs of compliance and reporting. The two are essential."

The discussion turned then to whether robot-advisory fintechs are better at raising money from private equity sources or from the end-customers themselves. "Many have done well in raising cash but had 'rather spectacularly' failed to win over much money for assets under management," a panel member commented. "My own view," replied another expert, "is that robo-advisory is going to struggle to make a great impression, but the jury is still out on this."

ABHISHEK CHANDRA
IIFL Wealth Management

But a counter-argument came from a panellist who said that out of India's population of more than 1300 million people, less than 17 million hold mutual or other funds. "There is a massive amount of space for robo-advisors to play in," he concluded. "I believe there is plenty of room for them to penetrate the market, especially as the younger generations become richer and have more investible money." ■

WHEN YOU THINK ABOUT HOW TECHNOLOGY CAN HELP YOU - WHICH DO YOU THINK IS MOST IMPORTANT?

Source: Indian Wealth Management Forum