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Is Digital Faster, Cheaper & Better Wealth Management?

The Hubbis Digital Wealth Asia Forum concluded with a panel of experts debating how digital can make wealth management faster, better and more profitable. The conclusion was that most of the digital tools are already sufficiently advanced, but that the private banks and other wealth management businesses now need to be brave enough to adopt the new solutions. Meanwhile, nifty new competitors must focus intently on the wealth management clients of tomorrow.

These were the topics discussed:

- *How will new platforms impact the wealth management space?*
- *Is Robo still a term that's misused and misunderstood?*
- *Is it possible to integrate Robo offerings into existing wealth platforms?*
- *What does the platform of tomorrow look like?*
- *What's the likelihood we can engage clients directly?*
- *Have consumers, banks and consultants really embraced 'new stuff'?*
- *How can digital improve investment outcomes for clients?*
- *How can you improve the middle and back office?*
- *What should the investment engine behind digitized advice be?*
- *Can you deliver 'advice' using digital?*
- *Is digital just about doing this cheaper?*

PANEL SPEAKERS

- **Mathias Helleu, Executive Chairman, 8 Securities**
- **Clarie Kwa, Director, 360F**
- **Tariq Dennison, Investment Specialist, Retirement Plans; GFM Asset Management**
- **Gabriel Goh, Head of Research and Development, Asia-Pacific, FNZ**
- **Audrey Wong, COO & CFO, Quantifeed**
- **Matthew Chan, Senior Consultant, Mercer**

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EXECUTIVE SUMMARY

Resistance to change needs to be broken

Many, perhaps most, of the digital tools exist, but the private banks and other wealth management businesses have a variety of business, internal politics, career anxiety and other reasons to resist the adoption of change, bearing in mind the needs and demands of their high-net-worth (HNW) clientele. Fintechs and others must recognise this and work out how to break down this resistance to change.

Digital adoption remains uninspiring

Panellists were surprised to note how few of the friction steps that have made traditional wealth management expensive, cumbersome and inefficient have been solved thus far. Without moving into the more esoteric realms of digitalisation, more of these "nuts and bolts" hurdles can first be overcome.

Robo-advisory is about customer-centricity

Robo-advisory solutions must prove themselves effective and most of all accessible. But the one vital element for wealth management firms is the customer's needs, the human touch element. Therefore, firms are advised to maintain a keen focus on personalising robo-investment advice via their technology platform.

Customers need time to realise what they want

Robo-advisory is still taking a lot of time to develop traction because customers still need to be educated on why they need advice, they often need to be persuaded, they need to understand more about investment planning itself.

Robo-advisory can create engagement

The platform is what enables the robo-advisory element to shine through. If structured properly the more retail or mass affluent platform and the robo-advisory, combined with other digital enhancements such as AI, machine learning, and data analytics, can help create a more actively engaged community.

Understand the market

It is essential for fintechs and the adopters of digital evolution amongst the wealth management firms to understand the underlying dynamics of the market itself. For external providers, they need to delve deeply into the legacy systems and cultures of their target clients. For the banks, they need to understand the needs of their clients today, and of their anticipated clientele tomorrow.

Motivators of change

It is essential to see digital from a multi-dimensional perspective. Customer need is one element, but the factors of margin compression at the banks and wealth providers due to commoditisation of traditional financial services is another, as well as the enhance regulatory and compliance risks that must be overcome.

CLARIE KWA
360F

"**HOW SURPRISING IS IT** that in this day and age we still use paper and 'wet' signatures," remarked one expert as the discussion began. "A lot of the better, faster and cheaper steps for digital wealth management are simply plain old nuts and bolts mechanics."

The need, he continued, is to eliminate a lot of the friction steps, which have made traditional wealth management expensive, that made it difficult to repeat, that made it much more dependent on how your human wealth manager feels when he gets up in the morning. "Robots in many ways keep much better audit trails," he remarked, "they do things far more systematically, they do things with fewer errors. So, in addition to better, faster, cheaper, those are some of the features I think we are looking for."

In the US, it is the major fund management groups such as Vanguard that dominate robo-advisory, according to another guest, but he wondered if they really offer robo-advisory or simply a rudimentary automation of some facets of customer interaction.

"To my view," came one voice, "anything automated is to some extent robo, whether it is client onboarding, or automated asset allocation, automated profiling and tax profiling, even tax advice could be robo."

"My definition," opined another expert, "is that robo is first and foremost about accessibility. Who wants to go to a bank branch anymore? Ease

AUDREY WONG
Quantifeed

MATTHEW CHAN
Mercer

of access at any time and any place is essential. And we must make sure there is no conflict of interest between provider and customer, so, for example, there is total transparency on pricing and the client is not bound to make any action, for example, trading, if he does not want to. And lack of conflict means I have no incentive to choose one investment product over another other than what is in the client's best interest."

Private banks – too resistant to change?

A strong contrarian view on the progress, or rather the lack of, came when one panellist noted that the major banks with major volumes of HNWI and ultra-HNWI clients have some resistance to faster and cheaper, as they can still charge clients high entry fees for simple investments, such as funds. "These big institutions have no immediate incentive for robo," he stated. "If you can charge a billionaire 5% for taking a fund, would you want to change?"

"Unless there is someone at the top who is a little bit of visionary," he added, "and who has the energy to push this through, there is inertia. In short, this is all ready and available, but it is being blocked or slowed by politics and committee. It is taking forever."

"I agree with some of that," said another panellist. "Everything is available, but the institutions often, generally, in fact, lack the motivation to change, they do not want to try new stuff, they have no motivation to risk their own career to try to push something they don't completely understand or that perhaps they understand but don't understand the downside."

Focus on customer needs, on the end client

"The real question," stated another expert, "is whether robo-advisory is here to stay or just a passing fad. The one vital element for wealth management firms is the customer's needs, the human touch element, and what we as robo-advice providers can do. So, for us, accessibility, cost reduction and so forth are givens, but what we focus on most is personalising investment advice using an all-enabled technology platform."

Another guest explained some recent advances they have made on behalf of a Taiwanese bank. "The new digital wealth management platform

MATHIAS HELLEU
8 Securities

"THE NEW DIGITAL WEALTH MANAGEMENT PLATFORM WE CREATED ESSENTIALLY ALLOWS ACCESS TO THE BROADER POPULATION THAT FINANCIAL ADVISERS COULD NOT REACH, DUE TO THE SHEER NUMBER INVOLVED,"

we created essentially allows access to the broader population that financial advisers could not reach, due to the sheer number involved," she explained. "The platform can integrate with their advisory platform, their product management as well as the business process so that the entire journey can be managed through an automated digital process.

For clients' financial planning, our platform or the process has allowed them to really convert complex investment decisions into a goal based and goal driven mode, from which we then help them to select the appropriate product to match their goals and risk tolerance as well as their time horizon. They can then manage that throughout their journey."

"What we believe differentiates us," she added, "is that we immerse ourselves in their business operations and processes and existing systems so that it becomes fully realistic for the bank to offer the service using our platform, and that is also 100% regulatory compliant."

But, do customers know what they want?

Another expert from a start-up dealing primarily in the wealth advisory, distribution and application space on a B2B basis observed that advisory truly begins with the customer acquisition. "Robo," she said, "takes a long time to develop traction because customers still need to be educated on why they need advice, they often need to be persuaded, they need to understand that about investment planning itself. So, we are really about converting this word of mouth to an automated basis."

"For us," remarked another fintech expert, "it is about converting the low hanging fruit, the younger customers who are the clients of tomorrow, and who are not being well serviced by the banks. We could also target the wealthy private bank clients, but for many of them we think that the face-to-face element they receive there is irreplaceable."

"You might be surprised," said a private bank veteran. "You should also go directly after the private bank clients. The banks will retain the face to face private banker relationship with the client but have a fully digitised distribution channel. But many HNWI clients are in the gig economy and they may prefer to be fully digital, including digital advice."

"We need to see this area not just about robo-advisory, but in relation to the platform," a guest remarked. "The online travel agent is a very good example, we see a very actively engaged community with their own feedback there, their own ratings, and this pretty much encourages everybody to even participate more and then robo-advisory simply has generated advisers by themselves."

TARIQ DENNISON
GFM Asset Management

"THE DELIVERY AND THE KEY DISTRIBUTION CHANNELS ARE NOT GOING TO CHANGE WITHIN THE SHORT TERM," A GUEST OBSERVED, "SO WE NEED TECHNOLOGY TO WORK WITH THESE INCUMBENTS, TO HELP THEM CHANGE, TO BECOME BETTER, AND ULTIMATELY THAT FEEDS THROUGH INTO OUR SOCIETY."

Hand in glove

The discussion turned to the generation gaps. "The younger generations use the internet all the time," he noted, "unlike many of the older generation, so we need to consider these targeted segments." Costs and service will follow, as they can compare, and contrast must more easily than ever before.

"It is about the clients themselves," agreed another expert. "Some prefer digital solutions and interface, some prefer the human advisory connection."

"The delivery and the key distribution channels are not going to change within the short term," a guest observed, "so we need technology to work with these incumbents, to help them change, to become better, and ultimately that feeds through into our society."

"We spent the past six years building our platform and understanding how the wealth care dynamics are changing," added another voice, "in order to appreciate whether and how financial institutions have recognised the need. So, I am not saying we are better but we are definitely much more experienced in that regard, especially understanding how to work with financial institution, how to help them embrace the changes and how to work with them to integrate with the system that they either have to deal with it from a legacy's perspective or the new system that they are changing."

There are several key motivations, another guest remarked. "The customer need is one, but margin compression due to commoditisation of traditional financial services is another, as well as regulatory risk. We need to address all these areas in order to achieve success."

The discussion closed with a private bank industry veteran noting that more senior executives from the private banks should become more involved in such discussions and events. "What we have seen and heard today from the fintechs and others is that the solutions to go digital are there, there are all the solutions available, so the trend is inevitable, and the banks can take the necessary steps."

GABRIEL GOH
FNZ