

Is wealth planning the answer for private banks in Asia?

Can private banks in Asia satisfy their clients' growing needs for advice as well as their firms' constant need for revenues? Where do client relationships and fee income meet in some form of harmony? A panel of leading wealth management private bankers assembled at the Hubbis Asian Wealth Solutions conference in Singapore to debate the world of wealth management and planning - a huge opportunity for private bankers but also a path strewn with pitfalls.

These were the topics discussed:

- *What are some of changes you see in the industry - and what are the challenges and opportunities they represent for you?*
- *Will the opportunity pass private banks by?*
- *What does the word 'advice' mean today - and who is licenced and capable of providing it?*
- *Are banks providing the services clients want - or just selling them the services they have to sell?*
- *What's the role and relevance of wealth solutions specialists within banks today?*
- *RMs don't tend to get paid to give wealth planning advice - so how do you monetise the engagement?*
- *How have you structured your organisation to meet the needs of family businesses in Asia? What services and products do you need to offer?*
- *How will technology impact the engagement with clients? How can you embrace technology?*
- *How do you co-exist with professional services firms when bringing the right solution to your clients?*
- *Banks are trying to institutionalise their clients - but is it possible to do that in this space?*
- *Should a bank pay a retainer to an independent provider who is qualified and licensed to have a wealth solutions conversation with the client?*
- *You need to cross borders to 'win the war' - how can you achieve that?*
- *Is an in-house one-dimensional solution any good?*

PANEL SPEAKERS

- **David Koay**, Managing Director, Head of Wealth Management, Singapore & Malaysia Markets, BNP Paribas Wealth Management
- **Lavanya Chari**, Managing Director, Head of Global Products and Solutions, Asia Pacific, Deutsche Bank Wealth Management
- **Simon Lints**, Chief Executive Officer - Singapore, Schroders Wealth Management
- **Lee Wong**, Head of Family Services, Asia, Lombard Odier
- **Arjan De Boer**, Head of Markets, Investments & Structuring, Asia, Indosuez Wealth Management



DAVID KOAY
BNP Paribas Wealth Management

WE ARE HERE TO SERVE OUR CLIENTS,” said one senior banker with a European bank. “I see all this as opportunity, because our clients are faced with an increasingly complex financial and regulatory landscape, oftentimes across many jurisdictions. We need to move away from product focus and move towards advice and leveraging expertise to provide honest, clear solutions in collaboration with our expert partners around us.”

The need for compliance with CRS [common reporting standards], automatic exchange of information, local regulatory requirements and so forth is vital but also presents cost pressures to the private banks and to the clients.

“To correctly manage these challenges, we must build our relationships and really understand the clients. From this aspect, bigger is not necessarily better in private banking. Personal and hands on is preferable and often the smaller, boutique investment



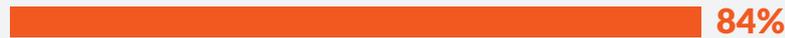
LAVANYA CHARI
Deutsche Bank Wealth Management

ARE BANKS PROVIDING THE SERVICES CLIENTS WANT OR JUST SELLING THEM THE SERVICES THEY HAVE TO SELL?

They are providing services clients want



They are selling them the services they have to sell



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore



SIMON LINTS
Schroders Wealth Management

banks can do that better. Clients will pay for that added value approach.”

Building relationships to build fee income

Private banks are in the relationship business and often those connections last years, decades. If client relationships are correctly managed then private bankers can assist clients by bringing to them a complete range of external expertise, rather than trying to sell them products. But the bankers need to work out how to earn the right level of fees for this, which is effectively understanding the clients well enough to promote outside experts, who also take their fees.

One banker did however note that some clients are transactional by nature, seeing their private bankers as media for trades and execution. The other type of client is advice driven.



LEE WONG
Lombard Odier

DO YOU REGULARLY HAVE CONVERSATIONS WITH YOUR CLIENTS ABOUT WEALTH SOLUTIONS?



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

In both cases there are trends to manage - digital transformation, growth in mass affluence and rising demand for transition advice and positioning. In some cases, the founder or creator of the wealth is also structuring in test for his family and in-laws and so forth to gently transition their expectations.

Another expert noted that there are assorted styles at private banks. Some banks are in the growth phase looking for clients to transact and then build relationships for wealth and succession planning.

Others, generally the longer-established banks are more focused on personal and corporate governance and the dispassionate advisory side. Each approach can suit diverse types of bankers, or the same bankers at separate phases of their lives and careers. The issue

if often how to charge for the second approach, when to invoice clients and so forth. In Asia the fee practices are not the same as, for example, in Switzerland, where the practice of charging for time and advice is much more common and accepted.

Gradual change taking place in Asia

“I think there is a gradual change taking place in Asia,” said another banker. “We are certainly not where we want to be yet, but we can see the changes. Europe is far ahead because of the complexity of regulations and other reasons. But Asia is moving forward, and banks are garnering more assets under management [AUM] and doing more on wealth planning, wealth solutions, tax, legal matters, succession planning, estate planning and so forth. I for one expect things to change and fees to be more accessible for this advisory work.”

Another banker tempered this view. “Succession planning, liquidity planning, family governance, asset protection, all these are huge opportunities for us. But we are not yet at the stage of being able to monetise these appropriately.”

Wealth planning professionals are also not easy to locate in Asia, as many have a far more transactional background. “Finding the right talent to service clients and their families holistically has so far proven very difficult,” said one banker. Another added: “wealth planning is a catch all for someone with a variety of different skills and identifying the right skills set in one person is challenging.”

Are some so-called wealth planners little more than glorified insurance sales? “No, said one senior banker, “for us a successful private banker and wealth planner knows their client and knows the latest tax, legal and regulatory situations, they are far from insurance salesmen.

Even though they may not be licensed as legal or tax advisers they can advise clients when to bring in those experts and advise on the firms or individuals most appropriately skilled or who might suit



ARJAN DE BOER
Indosuez Wealth Management

WE NEED TO MOVE AWAY FROM PRODUCT FOCUS AND MOVE TOWARDS ADVICE AND LEVERAGING EXPERTISE TO PROVIDE HONEST, CLEAR SOLUTIONS IN COLLABORATION WITH OUR EXPERT PARTNERS AROUND US

IS THERE ANY WAY IN WHICH TECHNOLOGY CAN ADVANCE YOUR WEALTH SOLUTIONS OFFERING?



Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore

clients from a personal perspective. They add value but are constrained of course in exactly what they can and cannot do.”

Pressure to produce returns

To counter this view, however, another banker noted that pressure for fees is such that often bankers do take on insurance work as it has immediate returns, while wealth succession might therefore take a back seat in priorities. “Bankers oftentimes have KPIs [key performance indicators] to meet as un-

derstandable business pressures of an organisation. So they have to make choices in their time allocation.

Moreover, some banks tell their bankers not to comment on CRS or tax as they are not qualified or licensed to do and the risks are larger than the returns. The world is getting very scary on a compliance front.” Tax advisers can more easily charge fees directly for tax planning work, even though it might be the private banker that highlights the need for action in certain area. There are more instances of bankers telling clients

they will waive transactional fees in lieu of advisory fee based on the portfolio, transitioning therefore to more portfolio management responsibility.

Wealth planning has in some banks become less client facing and more internal control because of compliance issues, noted one expert. So, how can wealth planning be monetised by the banks? One banker said that clients are more receptive to pay fees than before, and banks need to leverage technology to make their bankers more efficient.

Do relationships + skills always = future fee income?

But it all boils down to the relationship building to ensure retention and expansion of the AUM of the client. “Clients look at why should they stake their AUM with one or another bank or banker. We therefore need to look holistically, for example at the future, providing ideas for example, perhaps private equity to other opportunities the clients might not have looked at.”

The reality is bankers deal with many types of client. One might be the traditional family office, interested in a diversified portfolio, equities, bonds, funds, and so forth. And might be old money that wants the bank to handle a portion of their wealth on a discretionary basis. Another might be a younger

person managing a portion of their family money and investing in areas he or she understands best - for example technology companies.

“Can we as a bank make money from that third type of client?” the banker asked. “We can make introductions to tech businesses around the world but fees are not likely to flow until that individual has a larger portfolio and stays with us. This is relationship building, in the hope and expectation of future advisory or transaction fees.”

Digital transformation means many things to many people. One banker gave an example of continuous engagement of his clients across time zones to analyse portfolios, investments, currencies and so forth.

A challenge here is for the bankers with the relationships to ensure they receive their share of revenues, without the fintech businesses taking it all via their sophisticated platforms.

Much work still to be done

The panel discussion concluded with the reaffirmation of the firm belief in the creed of the relationship. However, the conclusion must be drawn from the panel experts that mining out the right level of fees to satisfy personal and institutional aspirations remains as much of a challenge as an opportunity. ■

WHO IS GOING TO MAKE THE BEST OUT OF THIS WEALTH SOLUTIONS OPPORTUNITY?



- Private Banks
- Licensed professional services firms
- Independent Wealth Firms

Source: Hubbis Asian Wealth Solutions Forum November 2017 - Singapore