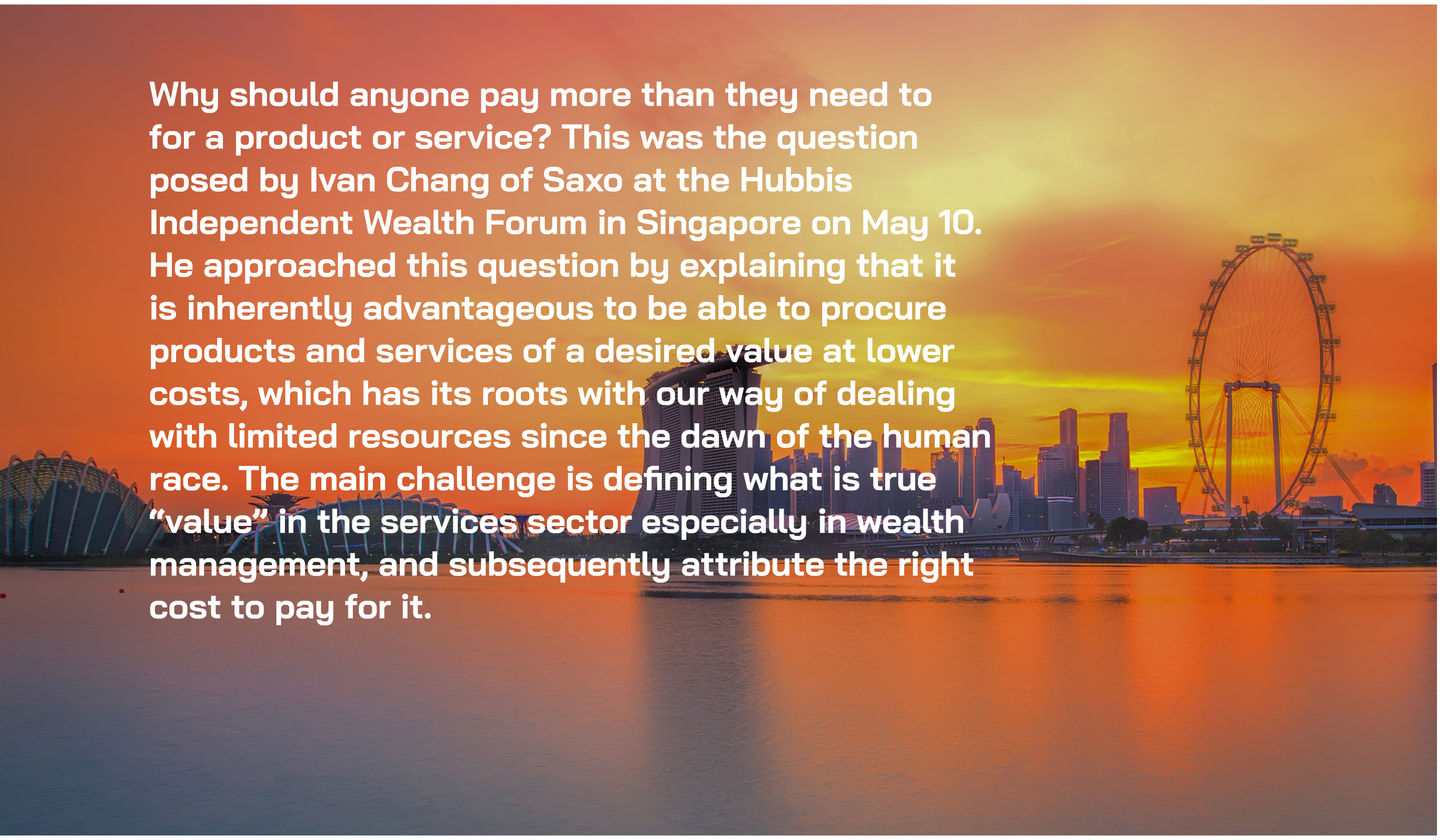
Ivan Chang, Regional Head for Institutional Business at Saxo on "True Value for Wealth Managers"



Why should anyone pay more than they need to for a product or service? This was the question posed by Ivan Chang of Saxo at the Hubbis Independent Wealth Forum in Singapore on May 10. He approached this question by explaining that it is inherently advantageous to be able to procure products and services of a desired value at lower costs, which has its roots with our way of dealing with limited resources since the dawn of the human race. The main challenge is defining what is true "value" in the services sector especially in wealth management, and subsequently attribute the right cost to pay for it.

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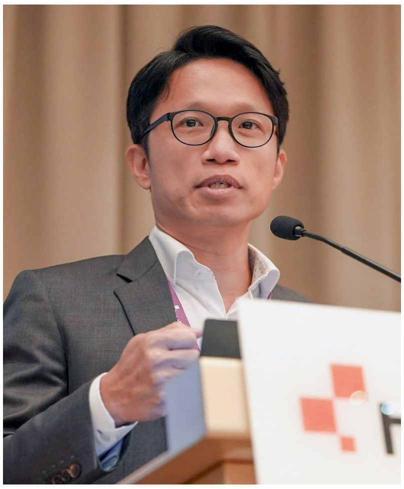

Ivan Chang
Saxo

The vital elements required to build trust

There are four key components that define value for this segment: safety of assets, availability of products, a good set of tools and excellent customer service.

The degree of importance of each component may differ for each client, so finding the right provider that matches the client's expectations will ultimately gain trust. What's more, being able to obtain that desired combination at a lower price would represent a good deal for your clients, who would certainly be grateful for it.

Evidently this process is difficult because it requires a lot of effort on the wealth manager's part to determine if a provider is every bit they claim that they are. Chang offered a way to evaluate each segment when choosing the right bank, broker or custodian for your clients.

In times of trouble, be especially careful

Consider the first element, safety that is usually the most critical component in wealth management but sometimes gets overlooked.

It is difficult to tell how a financial institution (FI) is run simply by looking at their brand. We often make assumptions that big FIs would not fail, and that they will prioritise their clients' interest over the FI's own profitability.

However, the past 20 years have provided many examples where those assumptions are both false and dangerous. With increasing pressure for corporate profitability, many well-known global FIs had taken excessive business, market or financial risks at the expense of their client responsibilities – putting their own interest ahead of their clients. When market dislocations happen, such as the one we are experiencing now, FIs that take too much risks get into financial trouble and affecting their clients' asset safety in the process.

Performing the necessary due diligence on a bank, broker or custodian has never been more important. You could end up paying too much by having your assets with an institution whose prominent branding may mask an organisation that has been taking too much risks or has underlying financial issues. On the other hand, there are safer FIs for placing client assets that may be overlooked, especially FIs whose main business is predominantly agency, with no inherent exposure to market or interest rate risks. That in combination with a well-capitalised balance sheet will ensure that your client assets are safe irrespective of the economic cycles.

"We are not running any form of large proprietary books, we are not warehousing, and in fact we are simply happy to be an agency broking service provider," he stated.

Diversifying portfolios and risks with more access to products

Chang turned his attention to products and asset allocation, noting recent publications by GIC and Goldman Sachs Asset Management that expectations of returns of the classic 60% equity and 40% fixed income allocation model should be adjusted lower as compared to the past decade of low interest rate environment. Instead, adding greater asset diversification will help create a more macro-resilient portfolio, potentially improving returns and reducing risk at the same time.

This means that clients are looking for greater global diversity of investment products, markets, and asset classes. But of course, with greater choice comes more complexity, and with it additional costs to the wealth manager and client to obtain these products from various providers. Therefore, it has become even more important today to find FIs that provide access to as wide an array of asset classes, thereby minimising the operational costs of establishing and maintaining multiple FI relationships.

Ease of access and delivery

Having obtained the provider with the necessary diversity of products, they must be delivered seamlessly and efficiently. In this day and age, you want to be able to transact cash, securities or other investments without an onerous administrative burden. Access to platforms and online tools to manage your clients and their portfolios would make it a lot easier to scale and simultaneously minimise errors.

Not to mention the criticalness of the ease of onboarding, which has been a major bug bear for wealth managers. Work with an FI who has invested in compliant and efficient eKYC systems, coupled with competent onboarding teams who could deliver a good onboarding experience for your client.

An FI that provides you these accesses and tools to help you scale your business will make a world of a difference on how you serve your clients better.

People are also key to wealth management

Last and certainly not least, Chang touched upon the people centricity in the wealth management industry. Likewise, the FI that you choose to place your clients' assets must not only leave you with self-serve online tools, but also match your expectations of a client-centric service.

Every wealth manager and every client is unique, requiring something different that does not quite fit the standard mould. When these situations arise, and it could be often, FIs that provide you with the best customer experience and help you solve your unique situations will be invaluable to you. These FIs also need to hire, train and maintain competent service teams that evolve with the ever changing needs of the wealth management industry.

Saxo's approach to service the EAM segment

Chang emphasises that Saxo prioritises safety: "We are not running any form of large proprietary books, we are not warehousing, and in fact we are simply happy to be an agency broking service provider," he stated. Saxo runs a very conservative risk management framework with a strong balance sheet in all aspects, including having a much higher Tier 1 adjusted capital ratio than the average US or European bank.

He further explains that Saxo has always offered a great diversity of products and assets that is needed for modern wealth managers' needs. The firm is also constantly improving its comprehensive array of platforms and digital tools for EAMs to easily onboard, transact, manage portfolios and service their end-clients.

Finally, he closed his talk by emphasising that Saxo understands the personal nature of the wealth management industry. Being an inherently strong digital broker and custodian is not enough, and to be effective in servicing wealth managers and their clients, Saxo has invested in a full service team that is comparable to EAM service teams of the private banks.

The combination of safety, products, technology and service is what makes Saxo a uniquely compelling provider in this space. ■

Saxo – A Snapshot

Founded in 1992 in Copenhagen, Saxo was one of the first financial institutions to provide private investors with the same online trading tools and market access as professional traders, large institutions, and fund managers. Saxo combines an agile FinTech mindset with close to 30 years of experience and track record in global capital markets to deliver a state-of-the-art experience to clients.

Clients across the world entrust over USD 100 billion in assets with Saxo. The company has more than 2,500 financial and technology professionals serving clients around the world including local teams in Singapore, Shanghai, Hong Kong, Tokyo, London, Zurich, Paris, Dubai, and Amsterdam.