

Laying the foundations for wealth management in Vietnam

If banks and other financial institutions in the country start to take wealth management more seriously – plus work with regulators to develop the capability, capacity and infrastructure required – a more meaningful role for the industry looks likely over the coming decade.

Currently, the market size for wealth management is small compared with other developing countries.

Multiple obstacles are still in place. Among them, the concept of financial planning is in its infancy.

More broadly, most local banks have not yet been seriously looking at wealth management as a viable business. Many of these institutions look to leverage products from insurance companies to focus on the protection needs of clients at the moment – largely servicing the mass-market segment.

A clear strategy to target the affluent or event HNW segments is of secondary importance for many banks, although some changes seem to be in the pipeline.

But the market needs to start somewhere. And certainly the next decade holds a lot of promise, according to many market players.

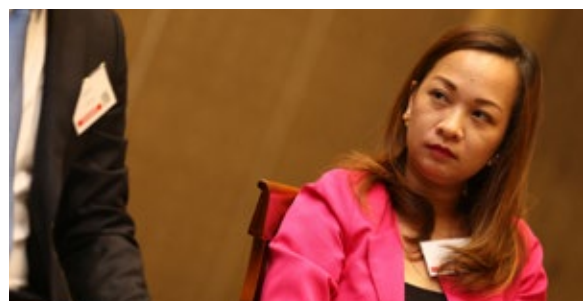
For example, Vietnam is one of the fastest-growing countries in Asia; there is a young and dynamic population, with around 60% at working age; there is a growing middle class predicted to hit 40 million by 2020; and GDP forecast by the government at 6.7%.

In short, a sizeable chunk of the population is expected to benefit financially from the various trade initiatives and industrialisation efforts driven by the Vietnamese government.

These were some of the views of speakers at the 2nd annual Hubbis Vietnam Wealth Management Forum 2017 in Ho Chi Minh in September.

Panel speakers

- **Lan Anh Do**, Head of Wealth Management, Vietnam, Standard Chartered Bank
- **Fred Lim**, Executive Director, Retail Banking, UOB Ho Chi Minh City Branch
- **Johan Nyvene**, Chief Executive Officer, Ho Chi Minh City Securities Corporation
- **Bao Nguyen**, Chief Executive Officer, Vietnam Capital Advisors
- **Kenneth Atkinson**, Chairman, Grant Thornton Vietnam, Chairman, British Business Group Vietnam
- **Sylvie Ma**, Managing Partner, Vietnam, Henley & Partners



Lan Anh Do
Standard Chartered Bank

WORKING TOGETHER

One of the challenges that Vietnam faces stems from the fact that the mix of banks, insurance companies, securities firms and fund management houses need to be able to connect to create a fair and transparent environment for clients.

Part of this involves banks and insurers working together to promote financial literacy – for instance via initiatives such as worksite marketing and financial workshops.

Banks, in particular, also continue to be focused on their lending books, based on suggestions by portfolio managers to increase lending growth rates for 2017.

Yet a poll of delegates suggested that local banks and fund management firms are likely to be more successful than any other type of organisation in taking advantage of the development of wealth management in Vietnam over the next 10 years.

CATALYSTS NEEDED

To kick-start the domestic wealth management market, industry practitioners believe there are several key areas to focus on.

First, is the regulatory environment, which needs to be more open. Singapore and Malaysia potentially provide some relevant benchmarks believe some industry players.

There is also a requirement for penetration of mutual funds and bancassurance.

At the same time, financial advisers need to be well trained to achieve this. Since qualified financial planners play a key role in promoting financial literacy, financial institutions have to invest in training.

Further, there is a requirement for the industry and regulators to ensure there is a certain fairness embedded in the culture. This is key, say some business leaders, to enable firms to create sustainable business models.

Customer education represents a big gap in the market, holding wealth management back at the moment. At the core, financial literacy is in high demand – even the basics of saving money for retirement, protection against untimely death or critical illness, and cashflow for monthly household budgeting.



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Affluent individuals as well as HNW clients will need objective advice on their financial planning, especially those people who have suffered losses in the stock and real estate markets through their own investment decisions. However, there is no shortcut, believe practitioners; it is only realistic to be done over time in line with the evolution of the market.

This also involves developing an investment mind-set among customers, given the relatively limited understanding of the concept of risk assets, plus the lack of risk protection.

Without a more developed domestic mutual fund industry and corporate bond market, this will take some time.

44%
Respondents who think that regulation is the fastest way to drive wealth management forward in Vietnam

Only with these elements can clients start to expect to understand the risks and returns related to investment products, and be able to make choices based on their knowledge as well as an understanding of their own personal risk profiles.

This requires not just well-trained advisers, but they must also operate within a framework with governance and controls around mis-selling.

This is pertinent, given that just over two-thirds of poll respondents at the event think that people working within wealth management in Vietnam do not conduct themselves in an ethical way.

And this will become increasingly relevant as developments occur in Vietnam – such as the launch of derivatives.

This offers customers greater choice in their investment options, as well as the opportunity for them to diversify and invest across various asset classes. ■



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