

# Mashreq Bank maps out wealth management journey

*Subroto Som of Mashreq Bank talks to Hubbis about his plans to leverage the institution's heritage and retail customer base to offer wealth management products and services to clients of all types and, eventually, across generations.*

Mashreq Bank's wealth management and private banking business has quickly become one of the drivers behind the institution's growth in its overall retail banking division.

"This is a new focus for us and since I joined Mashreq about 12 months ago, I see the biggest opportunity for growth coming from the wealth management space, followed by SMEs and then personal banking," says Subroto Som, executive vice president and head of retail banking group at Mashreq Bank, and a veteran banker with more than three decades of experience in all aspects of consumer banking across Asia and the Middle East.

This is building on solid foundations in personal banking via mortgages, personal loans, credit cards, and in online, mobile and branch banking.

"There is a lot more investible wealth [in the GCC] than you see in other

parts of the world, because investors hold a lot of cash and property, but the numbers invested in equities, bonds and other asset classes is relatively low," he adds. "So there is a good opportunity for more penetration of those products."

## WELL MATCHED

Wealth management appeals to Som for several reasons. For one, it uses very little capital, creating a healthy return on capital.

Although cost-to-income ratios can be traditionally high in the wealth management business, Mashreq Bank operates smartly and balances the book across different parts of the business.

Secondly, Som is keen to ensure he can serve clients when they need to protect, preserve or grow their wealth.

This enables him to cross-sell various complementary products to existing



**SUBROTO SOM**  
Mashreq Bank

customers. "These include transactional banking, online and mobile banking, and mortgages which are becoming a very big wealth product," he

explains. "Property is an asset class for growth and investment property is good for people to park their money for long-term appreciation."

Another driver for Mashreq Bank's wealth management strategy is the volume of customers who come through its network and whose needs evolve towards one or a combination of protection, preservation and accumulation.

"The biggest challenge in wealth management is customer acquisition and [controlling] customer service cost," he says. "If you have the customers, you must fulfil their needs. That's why we are in the wealth business."

#### **CLEAR ROADMAP**

The potential is vast, and the bank's journey of growth has only just begun. Som estimates that the penetration of wealth-related products to the bank's customers is currently just over 10%, but this is starting from a low base and growing fast.

At the moment, Som and his team are actively acquiring new customers – not even yet 'farming' them.

"I want to grow this significantly," he says, "but by some of the benchmarking we have done so far, our profit per customer is at the higher end."

To get to where Som wants the wealth management business to be, the first of his three main goals is to ensure he brings on board the right type of customers, from a KYC and AML point of view.

This requires the bank to do the right risk profiling to understand client needs well enough to service them or provide product options to match their risk ap-

petite and returns expectations. Next for Som in ensuring a successful business is putting the right infrastructure and people in place.

"There are a lot of new technology developments today, including robo-advisory, and online statements and portfolio analysis," he explains. "We are investing in that space to get this right."

From a people perspective, this also includes certification and qualifications. The third key goal for Som is leveraging all of this to drive growth. "If you have the right people and technology, you should be able to navigate the challenges in this environment, both from the risk and return perspectives."

The reality for many clients has got increasingly harsh in recent years in this respect, changing their expectations and tolerance. "Managing expectations is a big challenge for the industry," says Som.

Where the new risk-return equation – coupled with the increasing openness of other asset classes – might have an influence on client portfolios, he adds, the key is in motivating them to become more diversified and balanced.

Ultimately, this all ties into delivering a unique customer experience, which is a key differentiating factor today in this segment of the industry.

The advent of online and mobile capabilities, in particular, have created the potential for an integrated, omni-channel experience which also allows for personalisation. And in striving to make banking simple and fun – albeit at the retail end of the spectrum – Mashreq Bank recently launched the first mobile service of its type in the region to offer

### **Readying for growth**

*Mashreq Bank is the oldest bank in the UAE and has branches across the Emirates, as well as Europe, the US, Asia and Africa.*

*The bank's retail network is across the UAE, Egypt and Qatar, and consists of three major segments – wealth management, personal banking and business banking. Wealth is segmented into Mashreq Gold, an affluent-focused offering, and private banking, which is relatively new.*

*"Mashreq Bank is quite unique in the sense that we are a local bank in the UAE and we provide all kinds of asset classes, from global to GCC," explains Som. To give the bank more firepower overall, it can count on Mashreq Capital and Mashreq Securities.*

*Som also bolstered his team around the middle of 2016 by appointing Rajesh Malkani as head of private banking and wealth management business, along with a team of qualified RMs, product managers, and service and execution managers, to look after the product, segment and delivery.*

*He also recruited Basker Rangachari who was previously Standard Chartered's global head of brand and retail marketing, and is now responsible for building the positioning of Mashreq's brand, marketing and customer experience.*

*"We have built a competent and sizable team, and we had some good growth in 2016," adds Som.*

customers a mobile banking app which enables them to transfer funds using Siri, Apple's virtual personal assistant. Transactions get confirmed using either the user's smartphone password number or thumbprint identification.

### **RAISING THE BAR ON ADVICE**

Another hurdle for the development of the wealth management industry in the Middle East is the ability of banks to deliver 'advice' to their clients, via needs-based conversations.

The current industry business model tends to be primarily transaction fee-based – which often leads to product pushing and the churning of portfolios.

A shift to a more portfolio or performance fee-based approach, therefore, may indeed eradicate some of these problems in the region.

"The fundamental driver of this change will come when the way in which revenue is generated in banks or other wealth management institutions moves away from transactions and towards portfolio management," says Som.

At the same time, he is realistic that the willingness of local investors to pay a fixed fee for the service and a performance fee on the outcome is limited compared with the US and Western Europe, for example. "Most private banks [in Asia and the Middle East] have an offering at the entry level which is still product and transaction-based," he adds.

At the higher end of the spectrum, by contrast, discretionary portfolio management takes a more conducive approach to aligning the needs of customers and the bank. He believes technology will help to lower the cost of managing investments and transac-

tions. "I think we are getting to a place where that shift [in fees] will be easier, where wealth managers get paid on the outcome of a solution as opposed to just selling it."

When this will happen in any significant way is anybody's guess, but this transition is in the interest of the customer and the wider industry, adds Som.

### **A FAST-EVOLVING INDUSTRY**

In the meantime, various dynamics are playing out as the wealth management market in the Middle East evolves – including a host of providers vying for customers' assets and attention.

of different profiles of customers, to be able to deliver the right level of performance to them.

"This is where I think wealth specialists will become even more important," adds Som. "The advisory function will become more critical and will be paid for, but will be more defined in scope."

### **BEING MORE HOLISTIC**

The next few years will also see Mashreq Bank develop its offering to provide more value-add to the overall business and personal assets of customers, at relevant points in their lifecycle. For example, this will include corporate

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First, explains Som, there is more information which is readily and quickly available to individuals than ever before – possibly too much.

As a result, some level of screening is needed to control the quality, relevance and timeliness.

Secondly, technology is making transaction execution available to the customer wherever they might be, for an ever-wider number of products and asset classes.

Yet even armed with the information and online or mobile tools, there is still a vital role for wealth managers to play in reviewing the objectives and needs

finance for the business, transitioning of wealth to the next generation and legacy planning.

"My personal view is that there is connectivity between business owners and wealth management, and in my experience, while they may keep their accounts separate, their behavior determines how we manage them," says Som. Combining the offering also reduces operating costs significantly and creates synergies.

"We can bring the rest of the bank to the customer, which is the biggest plus of a more holistic commercial bank as opposed to a boutique wealth management house," he adds. ■