Navigating a new private banking reality in Singapore

A private gathering of business leaders from Asian private banking – co-hosted by Thomson Reuters and Hubbis – highlights the need for a practical approach to tackle the multi-pronged challenges of compliance, client trust and carving out a niche in order to find sustainable avenues for growth.

Two models are very clearly emerging in the tougher and more cut-throat private banking landscape.

The first is more along the lines of a universal approach, either by international or regional players, offering a one-stop-shop across a range of services. This also includes a highly-commoditised service offering for most clients up to the UHNW segment.

On the flipside, this creates a depersonalisation of relationships at some banks – in the aim to reduce costs and increase efficiency via greater commoditisation – according to some business leaders. The other model, at the other end of the spectrum, involves the more boutique players with niche offerings.

These firms have become more and more focused over the past few years as they realise it is not viable to be all-things-to-all-people.

Ultimately, to succeed, senior industry executives believe an institution must be clear on what it does well and where its key strengths are, and then only do this. These were some of the views at a thought-leadership discussion with private banking leaders in Singapore, co-hosted by Thomson Reuters and Hubbis.

Beyond certain hygiene products and services, there needs to be a reason for a client to look to that bank over another, they believe.

Relationship managers (RMs) can still be a key part of this point of differentiation, which some banks view as important and a sign that client relationships cannot be entirely institutionalise without potentially losing some of the value-add on offer today.

A commitment to the markets the firm is engaged in is also key as a success factor going forward.

This is measured in the sense of investment in the resources and infrastructure needed to develop the offering. This hasn't been the case in the past three to four years as many players have entered and exited markets relatively quickly.

DEALING WITH THE COMPLIANCE BURDEN

In the past 12 months, it hasn't been unusual for some institutions to see the number of compliance resources they needed in Hong Kong and Singapore double; certainly the cost has risen by such an amount.

In particular, the Hong Kong landscape a lot more challenging regulatory environment, especially when it comes to suitability.

And solutions to compliance challenges via pre-trade suitability and self-selection of products are easier said than done. Would a utility work? Is there any way to use KYC and other requirements to differentiate via the risk management and compliance function?

Getting compliance professionals to become more business-like is one way to try to reduce the account-opening process and new client boarding.

Getting issues on the table and discussing them in a more open way internally at the outset, to understand specific nuances of each case, can help to highlight problems or stumbling blocks. It can be an effective way to pinpoint accounts which will not be feasible to onboard at all, say some senior management. In turn, this then makes it quicker to advance and onboard those clients where there is more of a win-win.

This also highlights the importance of having more experienced individuals in the compliance role, and people with a diverse background, not just banking.

The biggest challenge, however, comes from trying to 'clean' out the legacy book of clients and the need to apply today's standards.Indeed, the tolerance to risk within an institution cannot be out of line with what the regulator prescribes or asks for, say business leaders.

This is particularly the case for foreign banks where headquarters might make certain demands which need to be factored into the local regulatory and compliance environment.

GETTING PAID IN THE RIGHT WAY

There also continues to be a questionmark over the extent to which private bankers are capable of rising to the challenge and delivering the type of advice or breadth of solutions required will be forced out of the industry. This is required to ensure organisations get themselves into a position to charge for certain aspects of the advice they give. This already happens with some of the better-quality bankers – but it is nowhere near widespread enough.

While there is no expectations that clients move in large swathes into discretionary, the proportions will move in the favour of managed solutions. This is inevitable give the performance and returns have been harder to come by over the past couple of years.

Those private banks which have already managed to amass a higher percentage of their book under discretionary advice have done so due to a genuine focus on longer term relationships.

Experience in working with the same clients over time is a key success factor. Yet the fact that the number of private bankers in markets like Singapore and Hong Kong is falling, raises questions about how to ensure there is a consistency around the approach taken to client relationships.

IN SEARCH OF TRUST

This is at odds with what many clients want from their private banker today. Industry leaders say clients want to trust someone – whether this is the institution or the individual RM.

They want to bank either with an institution with the right brand and approach, or simply with the individual they know and who understands them.

This all points towards the importance of advisers spending more time on, and paying more attention to, winning the trust of their clients. Being there for the long term, to service their clients, and not just for themselves, will make a difference going forward. ■

Developing a digital blend

According to a number of business leaders, the question about the role of technology as an enabler of investment and wealth management services is only effective if there is the added dimension of human intervention.

The industry is not yet ready for digital offerings to take away the personal relationships, say some senior executives.

For example, they see many grey areas where emotional aspects in relation to wealth planning, the family business and other personal matters require a tailored approach – or at least a conversation.

Further, when markets are down and people can feel the pinch in their portfolios, some practitioners say they want to get some advice and to bounce ideas around to generate a sense of comfort.

When it comes to fintechs, in particular, the fact many will likely fail is to do with the challenges of them being start-ups – not them being financial technology providers per se.

The biggest challenge fintechs have got, it seems, is that they lack clients, yet it is expensive to get clients. So they need the right business people to make them successful.

As a result, the B2B model has more potential, although there are a lot of ideas out in the market compared with what seems genuinely innovative, viable and, therefore, likely to succeed.