

**NAVIGATING THE FUTURE:  
A HUBBIS 'TASTER'  
SURVEY ON THE KEY  
OPPORTUNITIES AND  
CHALLENGES FACING  
MALAYSIA'S WEALTH  
MANAGEMENT MARKET**



## INTRODUCTION

*This Hubbis 'Pre-Event Survey' was designed as an 'appetiser' in anticipation of the main event, namely the upcoming Hubbis Malaysia Wealth Management Forum on May 8. We have aimed at collecting actionable insights and expert perspectives on the trends and challenges in the Malaysian wealth management sector. The mission is to help inform, align and enrich discussions at the Forum, where wealth management professionals, investors, lawyers, consultants, regulators, and digital/tech innovators will explore the future of the industry in Malaysia, thereby facilitating a collaborative environment for sharing experiences and strategies for the sector's growth and transformation. We hope in some small way, this review offers a roadmap for banks and firms as they navigate the complexities of an increasingly mature, competitive, diverse, digital and client-focused future.*



### KEY FINDINGS AT A GLANCE:

#### Market Growth and Diversification

- » Malaysia's wealth management sector benefits from robust economic growth and strategic diversification, driven by relatively stable political conditions, geographical advantages, and pro-liberalisation policies. The sector sees significant contributions from manufacturing, services, natural resources, and emerging areas like fintech, contributing to new wealth generation avenues. All these elements and the widespread optimism in Asia present fertile ground for the continuing expansion of private wealth and the ongoing maturation and also diversification of the wealth management ecosystem.
- » For the wealth market itself, 47% of survey respondents reported a 10-20% growth in AUM/profits, while 25% reported growth exceeding 20%, indicating a dynamic market expansion, especially within digital and high-tech sectors.

#### Digital/Technological Transformation

- » A profound digital transformation is underway, with a critical role of digital transformation viewed as crucial in shaping the future of wealth management in Malaysia. Some 89% of replies indicated that the digital proposition is either already very good (17%) or improving apace (72%).
- » Moreover, the thrust is across the board - the findings show that the market sees the value of digital transformation across all aspects of their businesses, meaning that a holistic, 360-degree perspective is required to achieve broad-based digital excellence across all these key facets, with priorities broadly and quite evenly spread across all facets of the business, from back office to AI-supported client-facing RM enhancement and a better overall client experience. In short, this shift towards digital-first strategies aims to stay competitive and meet evolving client expectations, showcasing a sector-wide commitment to technological innovation.

#### Elevating the Client Experience

- » Enhanced client experience through digital innovation is prioritized by 19% of respondents, emphasizing personalization via AI and analytics.
- » The emergence of robo-advisory services caters to a growing demand for automated, personalized investment management solutions, reflecting a broader industry trend towards efficient, tech-driven client engagement.

#### Regulatory and Compliance Challenges

- » Navigating the evolving regulatory landscape, particularly KYC and AML standards, is a significant challenge, with firms investing in digital solutions for compliance. The industry faces the task of adapting to regulatory changes and new challenges, for example managing the rise of digital assets within stringent frameworks, underscoring the importance of maintaining trust and integrity in the expanding sector.



### Evolving Investment Preferences and Trends

- » A shift towards international allocations, ESG and alternative investments is noted, driven by increased client sophistication, with 78% of professionals observing heightened investor acumen regarding investments. There is rising demand for personalised, advisory-driven services, indicating a move towards more nuanced wealth management approaches tailored to the needs of HNW and UHNW clients.

### Talent Management for Industry Growth

- » A significant talent challenge is highlighted, with 67% of respondents indicating a shortage of skilled professionals, underlining the need for digital tools and continuous learning and training to enhance capabilities and address evolving marketplace needs, as well as demanding more agility and imagination in terms of remuneration structures to facilitate a more client centric offering that still provides the right levels of reward for RMs and advisors.

### Estate & Succession Planning

- » Estate and succession planning are increasingly important, with 96% of replies indicating this is a hugely important area to focus on and get right, especially important as respondents noted that only 54% of clients have properly organised wealth transition plans, pointing towards a need for more comprehensive, family-inclusive advisory services. Indeed, wealth management firms are expanding services to address financial, emotional, and relational aspects of estate planning, highlighting the shift towards holistic family wealth stewardship.

### Fighting Back - Developing the Onshore Proposition for HNW/UHNW Clients

- » Singapore is on the doorstep and much high-end wealth has traditionally been managed there. But there are robust efforts to enhance the onshore wealth management offering, focused on a more global and sophisticated investment proposition, Islamic finance, sophisticated estate planning, and at the same time there are regulatory reforms to attract and retain domestic wealth onshore. This means there is greater diversity in the overall proposition at home, with heightened competition across the market, especially in the retail and mass affluent segments, as more fintech startups, digital banks, and other firms push traditional institutions towards innovation and digital enhancement, reshaping the competitive landscape.



**KEY FINDINGS & NAVIGATIONAL POINTS IN ADDITIONAL DETAIL**

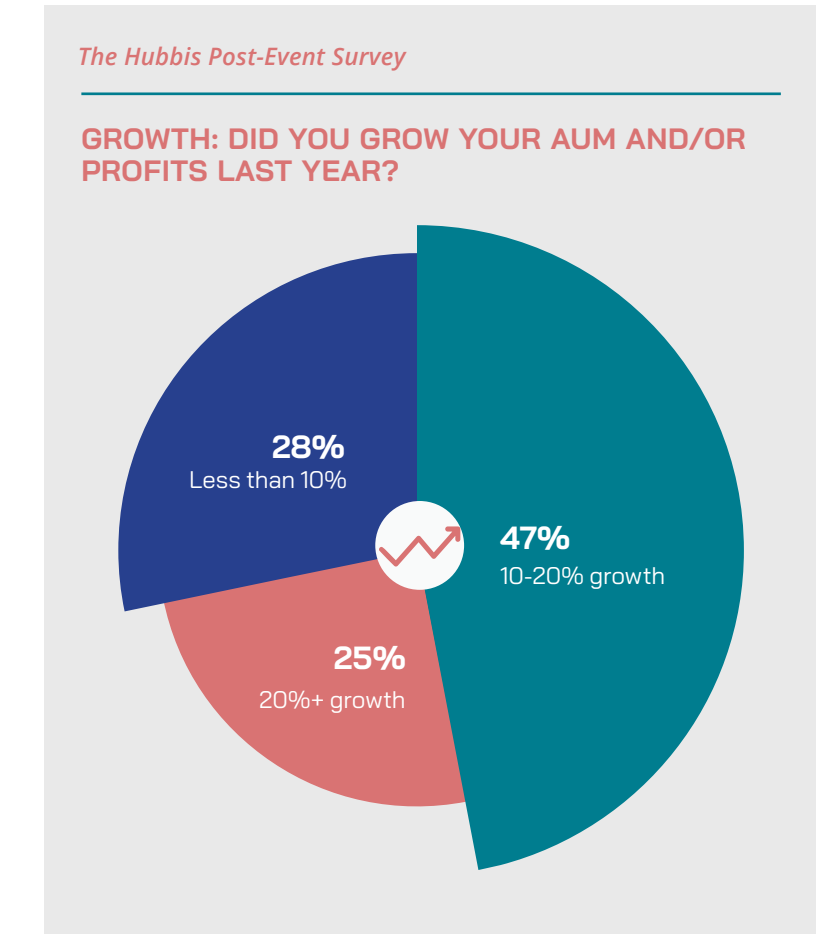
**Economic Growth Underpins the Maturation and Diversification of Malaysia's Wealth Management Sector**

Malaysia's wealth management landscape presents a segmented panorama, tailored to cater to the varied financial needs and preferences spanning different wealth brackets, from retail to UHNW clients, all of which are growing robustly. At the zenith are the high-net-worth (HNW) and ultra-high-net-worth (UHNW) individuals, distinguished by their intricate financial planning needs and increasingly diverse and sophisticated investment portfolios, driven by the dual objectives of maximising returns and judiciously managing risks through diversification.

Although Malaysia's population is relatively small and growing far slower than markets such as Indonesia or the Philippines, there is a rising thrust towards the 'finalisation' of wealth across all segments, with retail and mass affluent customers increasingly investing in the capital markets rather than simply putting money in savings accounts.

The growth is encouraging, even if not quite as dynamic as in some other Asian markets such as the hugely populous India, which is literally turbocharged across all segments.

A notable 47% of survey respondents reported witnessing a 10-20% growth in assets under management (AUM) and/or profits over the preceding year, while an



additional 25% recorded growth surpassing the 20% mark.

The narrative of wealth in Malaysia further unfolds to reveal the mass affluent segment, a significant and growing portion of the market characterised by individuals with substantial disposable income actively seeking avenues for efficient wealth augmentation. This demographic is increasingly inclined towards a blend of more traditional equity and savings investment opportunities, with a marked interest in the convenience offered by digital investment platforms and the innovations of robo-advisory services.

At the foundation, the emerging affluent and mass market segments are progressively

gaining access to wealth management services, a development facilitated by the democratisation of financial services via digital platforms. Predominantly focused on wealth preservation, these investors lean towards equities, fixed income products, savings accounts, and insurance products. However, there's a burgeoning appetite for equity and mutual fund investments, fuelled by improved financial literacy and broader access to financial information.

In essence, Malaysia's wealth management sector is navigating through an era marked by significant economic growth and diversification, underscored by the advent of new wealth generation channels and an evolving investor

demographic. The detailed segmentation of the market into distinct categories, each with unique investment behaviour and needs, underscores the critical importance of offering bespoke wealth management solutions.

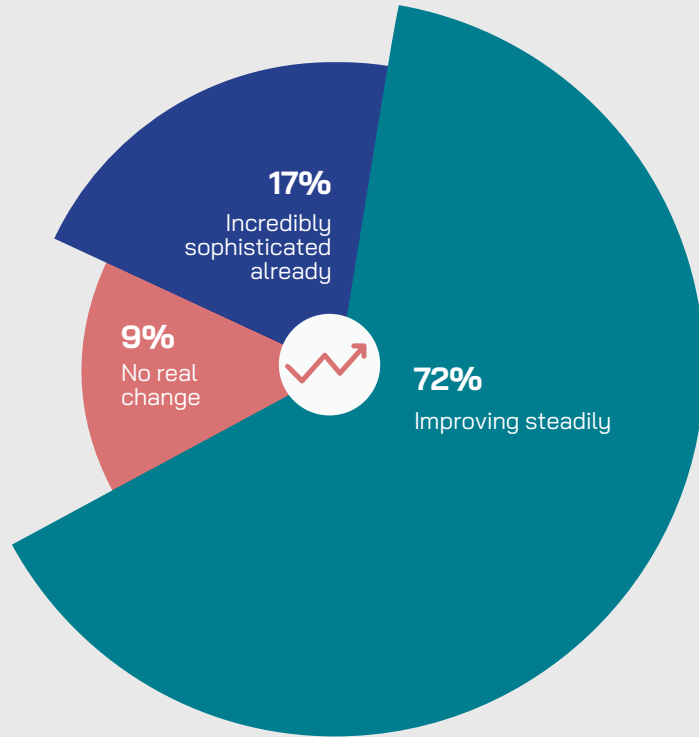
### The Vital Importance of Digital/Technological Transformation

The digital transformation within the Malaysian wealth management sector is unfolding at notable pace, reshaping the operational, strategic, and client engagement models of firms across the industry. The efforts are broad-based and recognise the multifaceted impact of technological advances, from improvements in KYC/onboarding to the adoption of artificial intelligence (AI) and machine learning (ML) for investment guidance and delivery of advice, to the emergence of digital banks and robo-advisory services. Our findings show that the market see the value of digital transformation across all aspects of their businesses, meaning that a holistic, 360-degree perspective is required to achieve broad-based digital excellence across all these key facets.

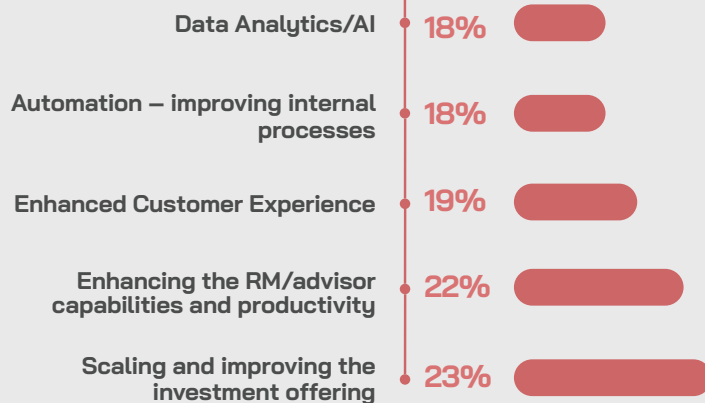
### The Client Experience

At the heart of digital transformation efforts is the unwavering priority to enhance the client experience. Notably, 19% of survey respondents identify customer experience enhancement as their top priority, supported by the integration of AI and analytics (18%) to tailor services uniquely to each client's needs. This emphasis on personalisation is further exemplified by the growing adoption of robo-advisory services

### HOW WOULD YOU CHARACTERISE THE DIGITAL PROPOSITION OFFERED BY THE ONSHORE WEALTH INDUSTRY?



### DIGITAL TRANSFORMATION: WHERE ARE YOUR PRIORITIES REGARDING DIGITAL SOLUTIONS AND TECHNOLOGY?

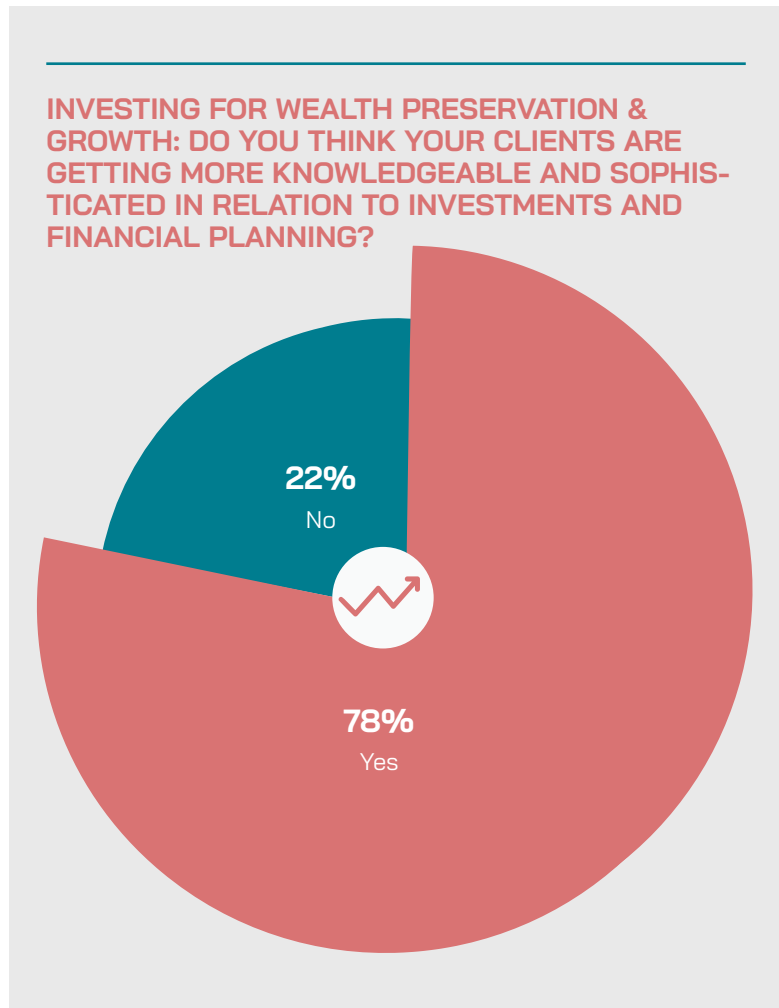


- these platforms, leveraging algorithms and AI, offer automated investment advice, creating and managing personalized investment portfolios that align with clients' risk tolerance and financial goals. Robo-advisors represent a significant shift towards efficient, low-cost portfolio management solutions, complementing traditional advisory services and catering to a broader range of client preferences for digital interactions.

### Sector-Wide Emphasis on Digital Innovation

The survey very clearly underscores a sector-wide commitment to digital innovation, with a clear trend towards enhancing RM/ advisor capabilities and scaling investment offerings through digital means. This shift is not just a local trend but aligns with Malaysia's broader ambitions to become a leader in the digital economy within the ASEAN region. The introduction of digital banks signifies this changing competitive landscape, highlighting the necessity for traditional wealth management firms to leverage technology in enhancing client experiences and operational efficiency.

In conclusion, the digital transformation taking place in Malaysia's wealth management sector is a complex, multifaceted process that requires a strategic approach to technology adoption, talent management, and client engagement. As the industry navigates this digital evolution, the emphasis on personalised client experiences, coupled with the innovative use of technology in service delivery, will be critical in defining the success of wealth management firms.



### Managing Potential as Competition Intensifies

The Malaysian wealth management landscape is witnessing an unprecedented intensification of competition, spurred by both technological advances and regulatory liberalisation. New entrants, including fintech startups, robo-advisors, and digital banks, are challenging traditional wealth management institutions by offering innovative, cost-effective, and highly personalised investment solutions. These digital-first players leverage advanced technologies such as AI and machine learning to analyse vast datasets, providing insights

and investment opportunities that were previously inaccessible to the average investor.

Simultaneously, established financial institutions are responding by enhancing their digital capabilities, developing comprehensive online platforms that offer a range of services from real-time portfolio management to personalized financial advice. This dual pressure from both new entrants and traditional players evolving their offerings is reshaping the competitive landscape, placing a premium on innovation, agility, and customer experience.

Moreover, more international wealth management firms have

focused or re-focused in the Malaysian market, attracted by the country's economic growth and wealth accumulation, adding another layer of competition. These firms bring global expertise and investment opportunities, appealing to the increasingly sophisticated demands of HNWI and UHNWI individuals seeking diversification and global investment exposure.

To navigate this heightened competitive environment, firms must not only invest in technology and talent but also cultivate a deep understanding of their clients' evolving needs and preferences. Developing unique value propositions, whether through bespoke investment solutions, superior customer service, or access to exclusive investment opportunities, will be key to differentiation and long-term success.

### Regulatory & Compliance Challenges

From the open questions we presented to respondents we found that the Malaysian wealth management industry faces major challenges due to the constantly evolving local, regional and global regulatory landscape. As highlighted by survey respondents, the necessity to adeptly navigate the tightening regulatory demands is more pronounced than ever, with continuous updates and shifts in compliance standards demanding agile adaptation from firms.

### Tightening Regulatory Demands

The focus on Know Your Customer (KYC) and Anti-Money Laundering (AML) measures is indicative of



a broader, global shift towards enhanced financial oversight. These measures are not arbitrary impositions but are critical in safeguarding the integrity of the financial system against misuse for illicit activities. For Malaysia as it aims to boost its onshore proposition, adhering to these stringent standards is imperative for maintaining international trust and competitiveness.

Malaysian wealth management firms are making significant efforts by incorporating more and better digital solutions to meet these regulatory demands. Investments in technology are not just about compliance but also about leveraging efficiency and accuracy in client verification processes and compliance reporting. The digital transformation within compliance processes not only reduces the potential for human

error but also significantly enhances the speed at which these critical operations can be conducted, thereby ensuring that firms remain on the right side of the law while delivering seamless service to their clients. For wealth management firms, this means a continuous investment in both technology and training, ensuring that their teams are well-equipped to adapt to new regulations promptly.

One particular area of focus is the increasing interest in digital assets, including cryptocurrencies, which pose unique regulatory challenges. The transparency and security offered by blockchain technology, which underpins these digital assets, present new avenues for compliance but also require a firm understanding and adaptation of existing regulatory frameworks to this rapidly evolving space.



## Maintaining Trust and Integrity

The dual investment in compliance manpower and digital compliance solutions is not merely a response to regulatory demands; it is fundamentally about maintaining trust and integrity within the financial system. As the wealth management sector in Malaysia continues to grow and diversify, the importance of robust compliance frameworks becomes increasingly critical. Clients, especially those in the HNW and UHNW segments, expect not only excellence in investment advisory and management services but also the assurance that their wealth is being managed within the bounds of the law.

Moreover, the international dimension of wealth management, with clients often holding assets across multiple jurisdictions and across many different offshore assets and markets, adds another layer of complexity to compliance. Malaysian firms must navigate not only domestic regulations but also these demanding international standards, making the task of compliance a multidimensional challenge that requires both local expertise and a global perspective.

## Evolving Investment Preferences and Trends in Malaysia's Wealth Management Sector

The landscape of investment preferences in Malaysia is undergoing an ongoing evolution, as indicated by the survey findings. An overwhelming majority, 78% of respondents, acknowledge a rising tide of sophistication and knowledge among their clients concerning investments and financial planning. This evolution

in client acumen is significantly shaping investment strategies and offerings within the wealth management industry.

## Globalisation, Rising Sophistication and ESG Investing

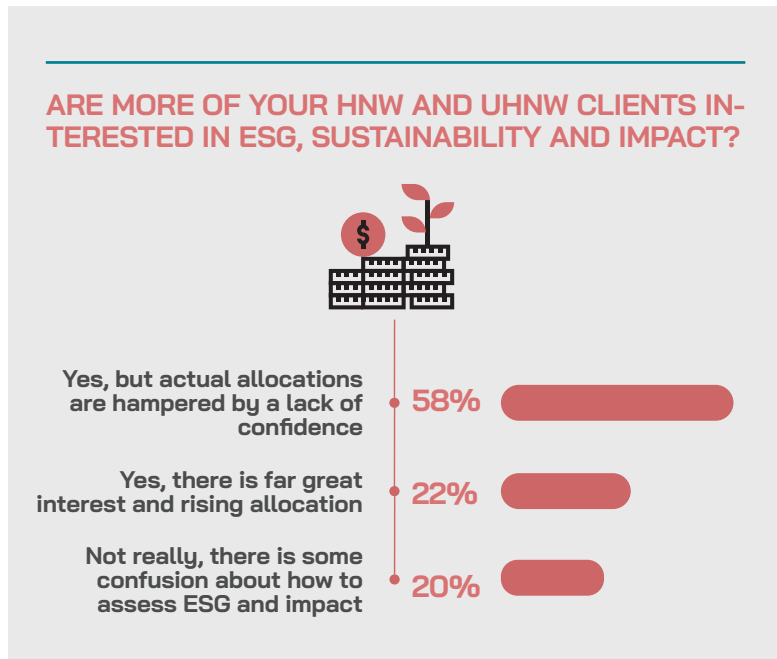
This burgeoning sophistication among investors is notably driving a rise in interest towards Environmental, Social, and Governance (ESG) investing. Today's investors, particularly those within the HNW and UHNW segments, are increasingly aligning their investment choices with their ethical values and concerns over social and environmental issues.

ESG/impact investing has been gradually transitioning from a niche interest to a more mainstream demand, with wealthier and especially the wealthiest clients seeking not only financial returns but also positive impacts on society and the environment. However, there is a major caveat – only 22% of replies indicated rising allocations while 58% said interest

is rising but allocations are not, and 20% said clients prefer to avoid as they are confused as to what makes ESG and impact investments viable. In other words, they are struggling with it.

## Rising Interest in Alternative Investments

There is also noticeable uptick in the appetite for alternative investments amongst HNW and UHNW clients. These investments are largely private equity, credit and real estate, but also to some extent digital assets. The allure of alternative investments is multifaceted, offering the potential for higher returns, risk diversification, and access to returns away from the volatility of public markets, as well as to innovative digital technologies and markets. However, for private assets, this also requires both patience (holding periods are longer) and a deep understanding of these assets' unique characteristics and risks, further emphasizing the need for



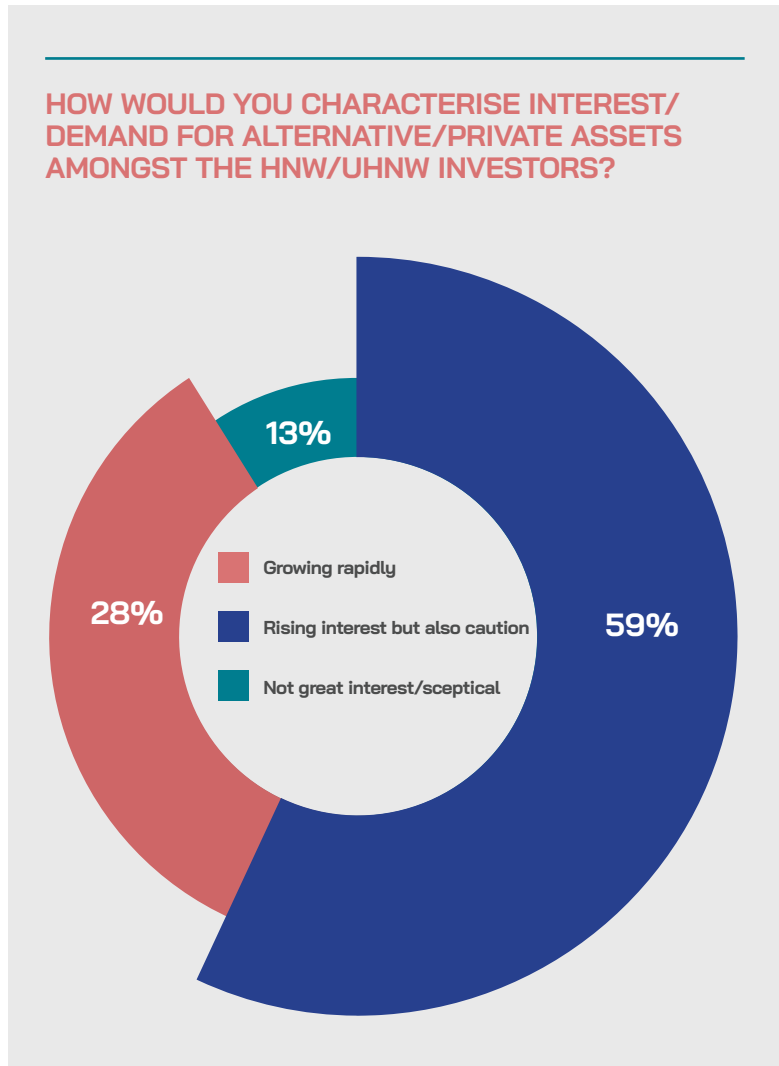
sophisticated investment advice and management.

### Demand for Personalised Wealth Management

The survey replies also highlighted a growing demand for advisory and discretionary portfolio management services. This trend points to a desire for a more personalised and nuanced approach to wealth management, one that caters to the specific needs, goals, and risk tolerances of individual clients. The shift towards customised investment solutions reflects the broader industry evolution towards client-centric services, where the focus is on building tailored investment strategies that go beyond generic advice and products. For the providers, there is the opportunity to expand annuity type revenues and reduce the reliance on fee-for-trade activities that have dominated the market, with the thrust towards advisory and DPM driven also by falling commissions for execution.

Other drivers include the increasing complexity of the domestic and global financial landscape, combined with the diverse investment preferences of today's investors, necessitating a depth of expertise and flexibility from wealth management firms that the clients generally do not possess, or do not have time for. By offering advisory and discretionary services, firms can better align with their clients' sophisticated needs, providing strategic guidance, and managing portfolios with a keen eye on both performance and alignment with personal values and objectives.

As the sector moves forward, the ability to cater to these



evolving preferences and trends will be paramount for wealth management firms aiming to thrive in a competitive and dynamic market environment.

### The Quest for Talent to Underpin Growth

The survey underscores a significant challenge in talent management within the Malaysian wealth management industry. A striking 67% of respondents indicate a shortage of interested and capable talent in the market, highlighting a critical area for future development. Firms are actively seeking ways to attract, train, and retain high-

performing individuals, with a particular focus on younger talent that can drive the industry forward in the digital age.

The emphasis on enhancing RM/ advisor capabilities through digital tools is a testament to the industry's recognition of the need to evolve talent management strategies. By equipping professionals with advanced technologies and ensuring access to continuous learning opportunities, firms can better meet the complex needs of their clients while navigating the competitive and rapidly changing wealth management landscape.

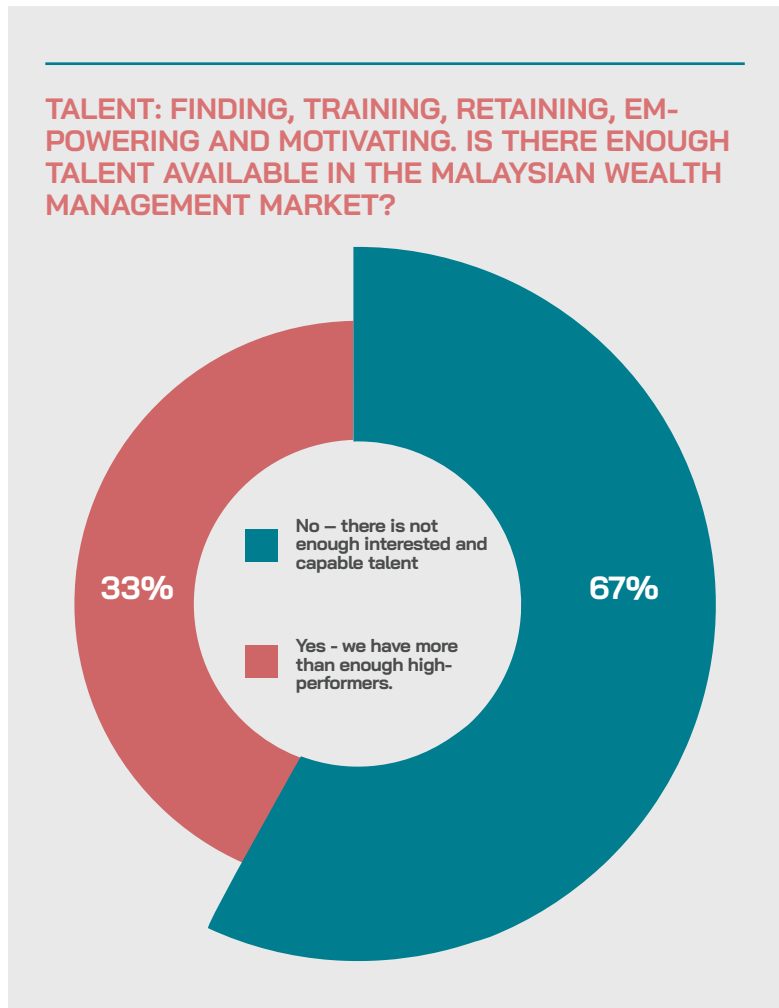
### Estate & Succession Planning in Malaysia's Wealth Management Sector

The significance of estate and succession planning within Malaysia's wealth management landscape is underscored by recent findings, with an overwhelming 96% of replies indicating this is a vital area of focus, and only 54% reporting that their clients already have an organised plan in place for the transition of their wealth. This data not only highlights the increasing prioritisation of estate and succession planning among clients but also reflects a broader recognition of its importance for ensuring the continuity of wealth across generations.

### Growing Awareness and Strategic Management

The surge in estate and succession planning underscores a growing awareness among clients of the crucial need to navigate the complexities involved in transferring wealth to subsequent generations. This awareness extends beyond the mere allocation of assets; it encompasses the strategic management of family assets and businesses, the incorporation of rigorous governance, all ensuring that the legacy and financial foundation built over a lifetime are preserved and enhanced for the future.

Clients are increasingly looking for ways to mitigate potential conflicts, ensure fairness, and maintain family harmony through the structured distribution of their wealth. This involves meticulous planning around various assets, including real estate, investments, and business interests, ensuring they are passed on efficiently and



in accordance with the family's wishes and values.

### Comprehensive, Family-Inclusive Advisory Services

Responding to this growing demand, wealth management firms in Malaysia are expanding their services to offer more comprehensive, family-inclusive advisory solutions. These services are designed to address not only the financial but also the emotional and relational dynamics of estate planning. By fostering transparent communication, wealth managers can navigate the sensitive conversations that estate and succession planning often entails, ensuring that all family

members feel heard, and their concerns addressed.

Tailored estate planning solutions are a cornerstone of this approach, allowing for the customisation of strategies to fit the unique needs and circumstances of each family. Whether it involves setting up trusts, drafting wills, or structuring business succession plans, the goal is to provide a holistic service that ensures long-term family wealth stewardship.

### Focus on Long-term Family Wealth Stewardship

The emphasis on long-term family wealth stewardship is particularly

important in the context of Malaysia's evolving wealth management sector. As families grow and diversify, the need for strategic guidance that spans generations becomes increasingly apparent. Wealth management firms are positioning themselves as partners in this process, helping families to not only plan for the immediate future but also to lay the groundwork for enduring financial security and prosperity.

This approach requires a deep understanding of the legal, tax, and financial implications of various estate planning strategies, as well as the ability to navigate the often-complex family dynamics that come into play. By combining technical expertise with a compassionate and empathetic approach, wealth managers can help families achieve their estate and succession planning goals, ensuring a seamless transition of wealth that aligns with their values and aspirations.

As these trends play out and as Asia's great wealth transfer accelerates, the ability to offer tailored, holistic estate and succession planning solutions will be a key differentiator for wealth management firms looking to serve the complex needs of Malaysia's wealthy families.

### Developing the Onshore Proposition

Amidst the backdrop of global uncertainty and tightening international regulatory scrutiny, there is a growing emphasis on developing the onshore wealth management proposition in Malaysia. This involves enhancing the range of investment products and advisory services available locally, to attract and retain

wealth within the country. The Malaysian government and regulatory bodies have been instrumental in this regard, implementing policies aimed at boosting the competitiveness of the domestic financial market and encouraging the repatriation of offshore investments.

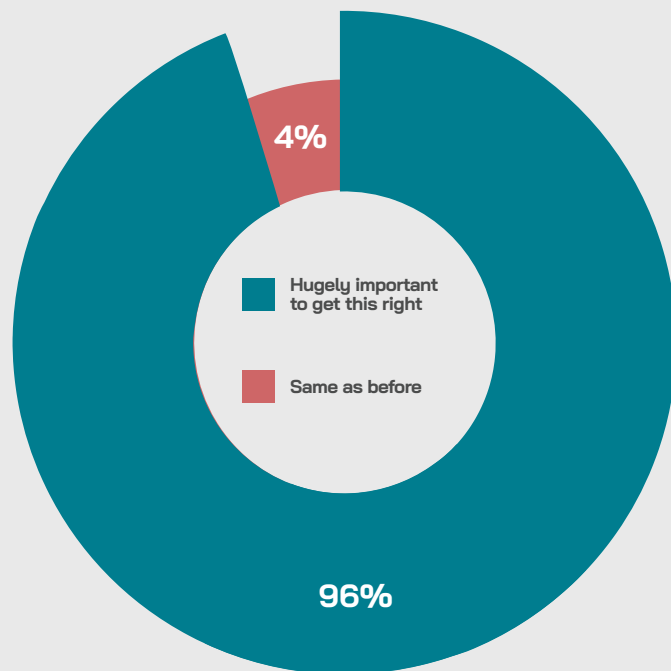
One significant area of focus is the expansion and deepening of the Islamic finance sector, which represents a unique strength of Malaysia's financial market. Leveraging this expertise, wealth management firms are introducing innovative Shariah-compliant investment products and services, catering to the significant Muslim population in Malaysia and attracting Islamic wealth from around the globe.

In addition to product and service innovation, developing the onshore proposition also means advocating for regulatory reforms that facilitate investment and protect investor interests, and raise standards. This includes efforts to streamline processes, enhance transparency, and ensure a level playing field for all market participants.

### Navigational Points for Wealth Managers

The Hubbis Pre-Event 'Taster' Survey highlight the maturation of the Malaysian wealth market, the opportunities and the various challenges ahead. To summarise some of the key navigational points, we see a market that faces

#### HOW MUCH OF A PRIORITY IS ESTATE & LEGACY PLANNING IN TODAY'S WORLD OF REGULATION AND COMPLIANCE AND MORE GLOBAL ASSET ALLOCATION?

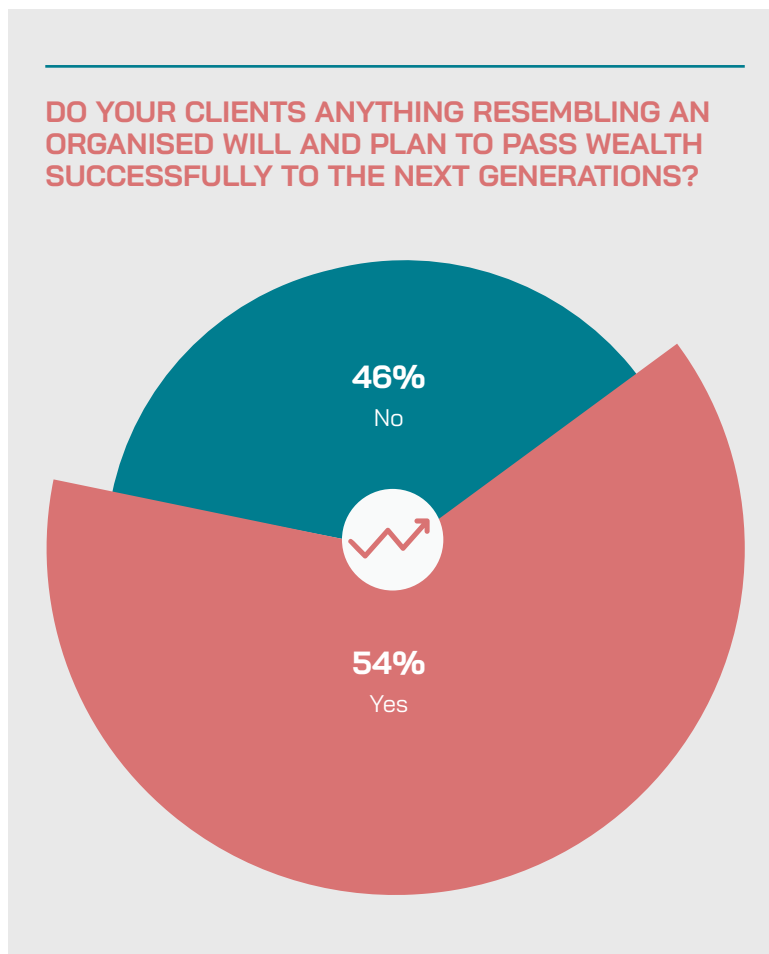




the dual challenge of embracing technological advances and adapting to an increasingly sophisticated client base, all while maintaining compliance with evolving regulatory standards. In light of these complexities and survey findings, a few key pieces of advice emerge for stakeholders within the wealth management ecosystem.

Firstly, embrace digital transformation as a core strategic priority. The integration of AI, ML, blockchain, and digital banking platforms is not merely an operational enhancement but a fundamental shift in how wealth management services are delivered and experienced by clients. Firms should continue to invest in technology that enhances advisor capabilities, streamlines investment offerings, and most importantly, personalizes the client experience. The rise of robo-advisory services underscores the growing demand for automated, efficient, and accessible financial advice, pointing towards a future where digital-first strategies become the norm.

Secondly, cultivate a culture of continuous learning and adaptability among your client-facing specialists and wider staff throughout the bank/firm. The talent challenge is real and pressing, with a significant gap in skilled professionals capable of navigating the future of wealth management. Firms must prioritise not only the acquisition of talent but also the retention and development of their workforce through continuous learning opportunities, mentorship programs, and a focus on digital literacy. Building a team that is agile, tech-savvy, and client-focused is essential for future success.



Thirdly, proactively engage with regulatory changes. The regulatory landscape for wealth management is in constant flux, and staying ahead requires a proactive approach to compliance. Leveraging technology for enhanced KYC and AML processes, as well as staying abreast of global regulatory trends, will be crucial in sustaining trust and integrity within the industry. Collaboration with regulators and participation in industry forums can also provide valuable insights and guidance on navigating these changes.

Lastly, deepen your understanding of client needs and expectations, particularly for the higher segments of wealth as they pertain to ESG investing, alternatives,

globalised portfolios, and also estate & succession planning. By focusing on these areas, firms can differentiate themselves in a crowded market, building long-term relationships that transcend traditional financial planning.

In conclusion, the path forward for Malaysia's wealth management sector is one with challenges but also abundant opportunity. The insights garnered from our survey and the forthcoming Hubbis event provide a roadmap for navigating this landscape. By embracing innovation, fostering talent, adhering to regulatory excellence, and staying attuned to client needs, firms can not only navigate but thrive in the evolving world of Malaysian wealth management. ■