

Patience to pay off in China

Ron Lee of Goldman Sachs explains the drivers behind the bank's targeted strategy in China, and why it is now well-positioned for its cross-platform capabilities to bring the country's ultra-wealthy more sophisticated solutions, both at home and abroad.

More than 10 years since Goldman Sachs went onshore in China, the long-awaited potential of providing real wealth management solutions to the country's ultra-wealthy is now more of a reality than ever before.

The bank was inspired in the early 2000s to apply for its licence in the wake of the privatisation wave of state-owned enterprises and general opening of China's economy a decade before that. Although the much-anticipated liberalisation of the capital markets and currency has taken longer than first thought to materialise, all that matters to Ron Lee is that it is finally happening.

This fits with the long-term vision that he and the bank share in arguably the world's most promising wealth management market.

"We didn't get the licence as part of a 10-year strategy," explains Lee, head of private wealth management for

Goldman Sachs in Asia Pacific. "We intend to be there for decades to come," he adds.

Finally, driven by the all-pervasive regulatory reforms inside and outside the country, UHNW clients are seeking advice and solutions – rather than just individual products.

And as they look at all aspects of how they now manage and protect their business and personal assets in China and overseas, Lee and his bankers believe they are well-placed to meet those needs.

CHINA COMPELLING

Lee is confident that the strategy and value proposition he has in China is different from that of his competitors at the same level.

For a start, Goldman Sachs Private Wealth Management focuses exclusively on UHNW clients with over



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US\$100 million in net worth. Plus, it purposely keeps the number of client relationships per adviser low, with each looking after around 20 to 30 clients.

The aim is to give them the benefits of the expertise and scope of the bank's total offering. "We offer a one-firm approach to clients, who can access our investment banking platform, private investing opportunities and investment solutions managed by Goldman Sachs and carefully-vetted external managers," explains Lee.

This means getting private equity opportunities as well as cutting-edge trading ideas and other deals.

alisation, Shanghai-Hong Kong Stock Connect and Mutual Fund Recognition present interesting opportunities.

And these are potentially just the tip of the iceberg.

Next on the regulatory agenda for discussion, awaiting the fine-print, is QDII2 – the Qualified Domestic Individual Investor programme, the second iteration of a scheme whose first version was limited to institutions.

It calls on Lee and his bankers to weave together the various threads of conversation from inter-generational, trust and estate planning, to the investment profile and objective, to capital markets deals, to provide guidance on what clients might want to do with their underlying business exposure.

"Our clients have created their wealth and want to preserve it, so they need to understand how to achieve this," says Lee. "It then becomes a different engagement based on providing them with solutions, not just selling products."

"The deeper pool of liquidity being created... via the opening of the capital markets, drives our business."

But while Lee's team taps into the pipeline from the bank's capital markets franchise, this is a small sub-set of his overall business. "The much bigger part is the linkage between the opening up of China's capital markets and our private wealth capabilities. The deeper pool of liquidity being created by individuals, via the opening of the capital markets, drives our business."

IN NEED OF ADVICE

The tide certainly seems to be flowing in the direction of the bank's private wealth offering to its Chinese clients. This is a result of a combination of slowing growth rates, and uncertainty over the environment in which HNW individuals operate, says Lee. At the same time, the rapid pace of reform is leading to an accelerating level of sophistication among clients.

In addition to the opening up of the capital markets and RMB internation-

"Day by day we see UHNW individuals being more and more thoughtful about wealth management," says Lee. "We are moving from clients wanting ideas to seeking solutions."

He welcomes this as a positive evolution from the days when these individuals were simply interested in stock tips or funds to invest in.

It breeds far more interesting conversations, which in turn enable the bank to add real value, he adds. For example, clients are dealing with issues relating to competitive pressures on their business; or the fact that their kids don't really want to run it in the future; or concerns about investment opportunities being limited or over-valued.

But to respond to this type of "what should I do?" question requires a certain amount of expertise, combined with experience offshore as well as onshore.

CONNECTING THE DOTS

Today's more transparent world, coupled with the evolution of the market structure and regulatory framework which increase the flow of Chinese UHNW clients overseas, trigger questions and a need for advice that also play to Lee's value proposition.

"The way we deal with these dynamics is by having aspirations to be more local than global competitors, and more global than local competitors," he says.

For example, with a team of bankers in China, Lee has a larger onshore presence than most of his competitors targeting the same client segment. "This is our attempt to be more local than our global competitors. We don't need to fly in and out to service clients."

On the flipside, the bank is not trying to compete with A-Share brokerage firms, opting instead to work with clients on their global ambitions for their business and investments.

"Our connectivity to different geographies and markets is greater than our local competitors can provide," he says. "It enables us to connect the dots." ■