

# Platforms & Technology

## Digital Transformation for Wealth Management

*A panel of technology and FinTech experts, as well as wealth management users/clients, discussed the need for Indonesia's wealth management firms to embrace digitalisation. They cast their eye over the challenges to be faced and gave some invaluable insights on how wealth management firms can enhance their digital platforms and systems to be both more competitive and more responsive to the needs and expectations of clients.*

### **These were the topics discussed:**

- *What are all the component parts you need to build a sustainable and profitable wealth management business?*
- *What is the Blockchain? How will it affect this industry?*
- *What is cryptocurrency and is there an investment trend?*
- *How do we safeguard digital assets like the security we get with traditional investment in shares and bonds?*
- *What digital expectations do clients have?*
- *What is the role of technology within financial services and wealth management?*
- *What are the key digital trends and how are they changing the business?*
- *What does the platform of tomorrow look like?*
- *Are traditional banks attractive enough for the new wealth creators and next generation of customers?*
- *Revenue margins per clients will decline in the future. Is digital a way to stop revenue erosion and are banks effective at monetising new digital services?*
- *What is the future role of the RM when banks get digital?*

### **PANEL SPEAKERS**

- **Dominic Gamble,**  
Head of Asia Pacific,  
Wealth Dynamix
- **Ivan Jaya,**  
Head of Wealth  
Management & Retail  
Digital Business,  
Commonwealth Bank
- **El Lee,**  
Co-Founder and Chief  
Operating Officer,  
Onchain Custodian
- **Mark Buesser,**  
Chief Executive Officer,  
IMTF
- **Reto Wolf,**  
Head of Product,  
Asia Pacific Additiv



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## THE KEY TAKEAWAYS

### The drive for personalisation

The wealth management customer wants everything to be much faster, and they want more personalised and seamless communication.

### Regulatory requirements

The proliferation of regulations means a vast amount of internal and external rules for banks and other providers, so smart RegTech solutions are the only way, realistically, to manage the scale and complexity of these issues.

### Cryptos - a puzzle that must be solved

Cryptocurrencies such as Bitcoin are, one expert opined, here to stay. The blockchain that enables Bitcoin, for example, as well as e-assets and tokenisation will be increasingly used in a variety of financial services areas, so people should embrace this technology or risk losing out.

### The art of being Appy

In countries such as Indonesia with its huge and growing population, low wealth management penetration - less than 0.7% - and rapidly rising private wealth, the smart use of apps for all generations, especially the younger ones, will put incumbent banks and financial institutions in the optimal position to leverage their business models.

### Enhance what you offer

Banks are thinking not about digital disruption, but digital enhancement of the wealth management firm's relationship with the customers, staying true to their business models, dramatically improving the client experience.

### Believe in the model

Panellists debunked the thesis that in markets such as Indonesia, FinTechs and Challenger Banks would rise and conquer. Instead, they advised the incumbent institutions, which have accumulated their client bases, to employ smart technologies and digitalisation to boost their proposition, while sticking to their core beliefs and protocols of human advice but enhanced by digital.

### Seeking scale through transparency

Banks in Indonesia have the scale, so the use of technology to help achieve a better customer experience and facilitate greater transparency should be keenly pursued.

### Here come the micro apps

Micro apps are increasingly seen as enhancements to the apps in existence, allowing a boosting of the proposition and also even partnerships with other types of businesses to enhance client penetration of the customer experience.



EL LEE  
Onchain Custodian

**“T**WO KEY ELEMENTS DRIVE THIS INDUSTRY,” AN EXPERT BEGAN. “The customer wants everything to be much faster and in time, and they want personalised communication. Then there is the complexity of all the regulations, which are making relationship manager’s life very difficult because as we know it is almost impossible to know all these things by heart. To address these two key needs, you need technology, a platform which connects everything, your different silos must communicate with each other, and with your customers and your employees.”

“Our particular value proposition,” he continued, “is actually a platform really can link up all these elements, it offers other services as well and is integrating your existing tools. And the platform can help manage the rules; imagine how many rules there are for a global private bank which may have 20 booking locations and perhaps 50 advisory locations. Well, the answer is far more than ten thousand, so technology is, of course, essential, to have a system of managing the complexity of these rules concerning AML and KYC, concerning suitability, concerning cross-border issues, and for this we have a RegTech platform which is working in more than 200 banks globally between London and Hong Kong.”

The discussion turned to digital asset custody. The younger generations, an expert reported, are increasingly used to e-tokens, and digital assets and



MARK BUESSER  
IMTF



RETO WOLF  
Additiv

this area of expertise should be incorporated into wealth management offerings, to be competitive.”

As for blockchain, which is essentially a decentralised ledger technology that is a peer to peer network where blocks of data are stored online on computers, this is also rising in prominence as a technology for recording transactions. It also supports Bitcoin. This expert offered some data, noting that by the end of 2018, there were an estimated 7.4 billion people in the world, and 4.3 billion internet users, while Bitcoin will max out at 21 million. “The question then,” he said, “is whether you actually believe in Bitcoin and the use of blockchain. Well, it is here to stay in my opinion because you can see it has already been deployed across various industries. Blockchain is just not a fad or something that will pass over time. So, if you don’t invest in it today or invest time in understanding how it works, I think you are going to be trouble in 5-10 years’ time. You must understand how to invest in it, and then how to keep it safe through sophisticated digital custody.”

Another guest pointed to the development of integrated wealth management apps, noting that these are already rolling out in Indonesia. “We understand that the trend is shifting right now from the demographic point of view, we understand that currently the baby boomers now, I think millennials and generation X are the largest contributors in terms of the number of investors in Indonesia. In the past two years we are seeing a surge in the number of domestic investors and 60%



DOMINIC GAMBLE  
Wealth Dynamix

**WOULD YOU TRUST THE BULK OF YOUR MONEY WITH A NEW CHALLENGER WEALTH MANAGEMENT PLATFORM?**

Yes



No



Source: Indonesian Wealth Management Forum 2019

of that is actually from millennials. We don't think about digital disruption, we believe in enhancing the wealth management relationship with the customers, staying true to our business model, differentiating ourselves through our delivery through the app, that we as a bank worked with a leading provider to build. You will see a lot of banks in Indonesia that will copy by creating their own wealth management app. For us, we are trying to give a 'Bloomberg with Facebook' type experience to our wealth management clients, putting ourselves in the driving seat in managing their wealth, because the millennials are the emerging affluent."

Another panellist talked about onboarding, noting that in many countries in the region, there is still the general regulatory protocol of protecting the incumbent financial institutions from Challenger Banks and others. "For example, in Singapore, they don't want to suddenly allow all of the Challenger Banks to open to cannibalise some of the core banking that Singapore is famous for."

He also urged delegates to realise that robo-advisers are good at raising money, but not yet any good at making business and money. "Even the most successful robos in America, no one is making money, no one is close to being profitable, and it is a quite considerable punt on the future that the consumers of financial services will want to self-serve. So, I am extremely cautious when it comes to the FinTech revolution regarding how quickly it is going to happen in the mass affluent, and high net worth space in particular."

"I think the type of bank wealth management app we just heard about is the way forward,"



IVAN JAYA  
Commonwealth Bank

he continued. "I also absolutely think that the relationship manager style of approach is here to stay for the foreseeable future, not just for the older generation but also for the next generation coming through, possibly the generation after. They want to do lots of things themselves online, but for the foreseeable future they also want to talk to somebody about some more details or personal matters."

The key question, he then extrapolated, is then what tools does the relationship manager have to be able to have that intelligent conversation. "Because," he explained, "as the private banking and wealth management industries grow - here Indonesia is a

**DO YOU LIKE THE EXPERIENCE WITH YOUR BANK TODAY?**

Yes



No



Source: Indonesian Wealth Management Forum 2019

fantastic case study for this over the next 10 years - where are you going to find the wealth managers from? Where are you going to hire these people from? The pool of talent simply is not there today, nor in Singapore either and you could argue even in the mature markets of Switzerland and London, for example, it is very tight as well. So, you have to have the technology to help and empower these people. That for me is sort of the two-track approach of frontend apps coming to the market, but also many more useful tech tools inside of the business to enable relationship managers to have successful conversations and better client relationships too.”

Another guest observed that FinTech offerings should not be feared, he said they are not changing the world. “I fully agree with what was just said,” he stated, “and in fact in Central Europe, 95% of all the FinTech providers have disappeared. For me, some of the technology is interesting, but it is more interesting if you can integrate that into a platform which can also integrate all the risk and gives the power to relationship managers, which then gives power to your customer, because they can communicate easier with you, for example through the app we just hear about. More information, greater ease means more ease of transactions.”

Another expert also said he was in agreement with this thesis. “The power is with the incumbent institutions,” he reported. “We read in some media about how the industry is going to be decimated,

but it is you incumbents here from established institutions that have the clients, and the hardest thing for these start-ups is acquiring new clients, the cost is astronomically high, but you have the clients. Now, clients may have complaints, but if you yourselves correctly galvanise the technology revolution then I think you have an unassailable position.”

A panellist observed that the search for profits is also about the need for scale. “We know that here in Indonesia the population is very big, but the penetration of wealth management is very low, roughly 0.7% from the total population, whereas it is over 11% in Thailand already. To build scale, transparency of fees is essential, we believe, as well as offering value-added to the client base, for example using technology to help with goals-based investing. And other ways of monetising our businesses in the future by offering new products and services.”

The final word went to a guest who highlighted the trend for micro apps, with apps incorporating add-on micro apps to rapidly and easily boost their value proposition. “By just onboarding some of these valuable micro apps that are in the market, or creating them, you can add value, access new customers, join up in strategic partnerships, for example a bank with a telco, all integrated in your offering to create an extremely powerful tool for accessing new pockets of customers and demand.” ■

