

Platforms & Technology

– The Role of Digital Transformation in Wealth Management

A panel of technology and fintech experts, as well as wealth management users/clients, discussed the need for India'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 does it mean today to 'add value' to a client?
- What do you need from your investment platform? How is that changing?
- What digital expectations do clients have?
- Transparency, Margins, Costs and Fees - what's changing?
- How must we tweak the investment engine? Can it be automated? How can we improve efficiency?
- How do we deliver 'funds' and investment products and 'advice' to our clients efficiently?
- What does the word 'platform' mean to you?
- How can you help wealth and asset managers with their fund selection, diversification and asset allocation?
- What's the role of AI?

PANEL SPEAKERS

- **Kunal Bajaj**, Head of Digital Wealth Management, MobiKwik
- **Sharad Singh**, Chief Executive Officer, Valuefy
- **Damian Hitchen**, CEO Singapore, Swissquote
- **Anupam Guha**, Head of Private Wealth Management & Equity Advisory Group, ICICI Securities
- **Rahul Gaitonde**, COO, Cube Wealth
- **Anand Moorthy**, Founder & CEO, PropsAMC
- **Shobhit Mathur**, Senior Director & Head - Advisory, Kotak Investment Advisors



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THE KEY TAKEAWAYS

Digital as hygiene

In recent years, digital was the be-all and end-all, a key differentiation for wealth management firms, but it is already hygiene, in other words, customers expect it, and today it is more important to see it as a means to access and upgrade the client connection more towards added-value and also advisory.

Added value and the value proposition to take centre stage

It is a given that firms now need to offer digital interface and solutions, so the industry henceforth needs to look beyond that to the value-added that the industry is offering to its clients.

Technology as logistics becomes tech as targeted delivery

Technology for the last 20 years has really been about technology as logistics, about making and delivering a product or a service cheaper, faster, better. But the next phase is to use digital to assess behaviour and deliver the right product to the right person at the right time, using big data analytics.

Embracing the culture

Every process and strand of an organisation can leverage technology to give the right kind of experience to the customer. It is not enough just to create an app, there is a major cultural shift which has to happen to make it all user-friendly and relevant.

Technology can help spread the word in India

With the requisite digital advances, there is hope that wealth management can access a far broader range of constituents in India, as currently only 2% of the population access financial investments. To achieve democratisation in this field, predictive analytics will be needed to select products for lower-income customers, rather than offer them choices that can be bewildering.

Real estate data can be professionalised

Real estate is the biggest asset class historically in India, and there are plans afoot to build the first platform in the country to have digitised every land record transaction, government rates, online supply, and land records on a single intuitive map.



Technology and digital platforms can upscale the independent advisers

Many too often talk about digital and the front end, without talking about the end to end process, and the reach and capabilities of many of the firms in the IAM sector, whether asset managers, brokerages, regional private banks, regional wholesale banks, family offices, or whoever can be significantly upscaled by access to a digital platform.

Tech can enable niftiness

New entrants to the industry, if they use technology efficiently and wisely, can move faster because they had much less to lose and are more transformative in nature.

Data is the new gold

Looking ahead, a panellist envisaged an environment in which the focus will be more on the fundamentals of data, clean data, the single source of veracity, takes centre stage, and as digitalisation moves side stage.

Blockchain will have major ramifications

Blockchain and the world of distributed ledgers will revolutionise many facets of the wealth management universe, in India and globally, from onboarding and KYC to tokenisation of illiquid assets.

Be well-positioned in the face of the inevitable changes

Technology evolution is inevitable. It will be vital to navigate smartly and to be on the right side of these benefits, be it scale, be it cost efficiency, be it process efficiency, or be it the ability to add value.





SHOBHIT MATHUR
Kotak Investment Advisors

“A FEW YEARS AGO,” BEGAN ONE EXPERT, “if you could create a platform and a seamless experience for your customer that was a differentiating edge, but today it is hygiene and perhaps what would differentiate in times to come will more be the power of advisory. When we talk about digital readiness and digital robustness of the solutions around the digital platform, we need to assess if the platform is intuitive or engaging enough to know who the clients are, what their risk is, their goals, aspirations, investment objectives, and then to really advise clients. Technology plays a key role in all this, so we need to create a seamless experience for our customers in the most cost-efficient manner.”

“Everyone here understands that digital is important,” came another voice, “but let’s discuss why this is so. To me, technology for the last 20 years has really been about technology as logistics, about making and delivering a product or a service cheaper, faster, better. But what technology has not been able to do just yet, and is only now starting to do, is actually deliver the right product to the right person at the right time. That is where big data analytics starts to come in. India’s wealth management market has grown apace for 20 plus years, but where it has lagged is financial inclusion. Even if we consider that half of India’s people are poor and think about the other 50%, the penetration rate is just 4% of that



DAMIAN HITCHEN
Swissquote

market. To appeal to them they are not going to look at spreadsheets, or graphs, they need very simple, bite-sized financial products, they need to appreciate that these products are right for them, they need to trust the thinking, the advice, the process needs to be automated, and that is what we are doing. But it takes time, we are on a really long runway for this.”

Another expert said that progress will be achieved when things are fundamentally digital. “You couldn’t have an Instagram, for example as a non-digital service, and we are today enabled by technology to offer a fully digital multi-asset class advisory-driven wealth management service. This was not possible just a few years ago, and you now see that things will become possible in the wealth space in the near future that you wouldn’t have imagined, it is incredibly exciting, things will grow exponentially.”

A representative from an investment technology company that helps incumbent institutions, banks, and wealth managers to combat the disruption spoke. “Everyone needs to understand and appreciate digital as a culture, and each and every person in an organisation has to understand that in the digital economy, even customers are expecting something out of you. Every process and strand of an organisation can leverage technology to give the right kind of experience to the customer. It is not enough just to create an app, there is a major cultural shift which has to happen to make it all user-friendly and relevant.”



ANUPAM GUHA
ICICI Securities

“Real estate is the biggest asset class historically,” said another guest, “and we are now mapping this and adding it in as financial inclusion to the portfolio and we are aiming as a service to change the way people manage, monitor, and

DO YOU USE A DIGITAL WEALTH OR ASSET MANAGER?

Yes



No



Source: Indian Wealth Management Forum 2019

market these assets. We are the first platform in the country to have digitised every land record transaction, government rates, online supply, land records on a single intuitive map. We are aggregating all that data in a smart, intuitive platform, so you can drop a pin on the map and learn about transactions, owners, mortgages and so forth.”

A guest highlighted some of the resource issues for the independent wealth management firms in building scale as the incumbent banks, the custody banks typically will ask for a certain amount of assets and will charge a certain amount of money to get access to their global infrastructure and their execution platform.

“Accordingly,” he explained, “we saw the opening to help them access global markets, multi-asset classes, but at a relatively lower cost, and with direct market access, whereas even some of the very large asset managers working with the banks do not have this direct access, they have to go through the bank desks and often have no direct control over client orders. In today’s world, our view is that is unacceptable.”

He said he agreed that a flashy front-end is not the sole objective, far from it in fact. “People too often talk about digital and the front end, without talking about the end to end process, and it is there that we offer our platform to our partners, whether they are asset managers, brokerages, regional private banks, regional wholesale banks, family offices, whoever. When you place an order in any of our markets and any asset class around



SHARAD SINGH
Valuefy



ANAND MOORTHY
PropsAMC

WOULD YOU TRUST A DIGITAL STARTUP WITH YOUR HARD EARNED MONEY?

Yes



No



Source: Indian Wealth Management Forum 2019

the world it goes straight through processing automatically where that's possible, and then they have a trade advice within a matter of seconds in that client's account on the platform. In short, it is essential to look at that full end to end process."

The discussion moved on to the current situation in India, where a guest noted that the banks and wealth management firms have built their technology platforms with a variety of vendors and in-house teams. "Now," he discerned, "most of them are at a stage where they cannot just replace all of that in one go, they have to go stage by stage. They will be structurally much slower than an agile young organisation."

A market practitioner returned to the concept of digital as hygiene. "We live in a digital world," he commented, "and we now need to look beyond that to the value-added that we are giving to our clients, the value proposition. Why should clients come on our platform and do business with us? This thought process is now happening."

He added that new players come in and move faster because they had much less to lose and hence, they were more transformative in nature. But he said this should not hinder the larger institutions from embracing transformation. "From our perspective, we recognised for example that liquidity is a challenge, so we have now come out with a subscription-based model where one of the features for subscribers is instant liquidity, in other words money in the accounts almost instantly rather than T+2."



KUNAL BAJAJ
MobiKwik

“FROM OUR PERSPECTIVE, WE RECOGNISED FOR EXAMPLE THAT LIQUIDITY IS A CHALLENGE, SO WE HAVE NOW COME OUT WITH A SUBSCRIPTION-BASED MODEL WHERE ONE OF THE FEATURES FOR SUBSCRIBERS IS INSTANT LIQUIDITY, IN OTHER WORDS MONEY IN THE ACCOUNTS ALMOST INSTANTLY RATHER THAN T+2.”

He closed his remarks by noting that trust between the institution and customers is essential, and the power of advisory is essentially what will in the future define wealth management."

DO YOU REALLY UNDERSTAND BLOCKCHAIN AND ITS SIGNIFICANCE TO WEALTH MANAGEMENT?

Yes



No



Source: Indian Wealth Management Forum 2019

Another expert added that there is a need for the industry trusted advisers to investors to be able to offer transparency across products which other wealth managers or advisers have sold. He said technology can help in this regard.

Looking ahead, a panellist envisaged an environment in which the focus will be more on the fundamentals of data, clean data, the single source of veracity. “The basics of technology in reaching customers is there already and now less important than the next level of clean data, and then clean client reporting, these areas,” he stated.

The final word went to a tech expert who opined that blockchain and the whole distributed ledger protocol will help the wealth management world immensely in India. “It will be relevant and helpful in many aspects,” he said, “ranging from customer onboarding with KYC to the actual tokenisation of different assets to make them more accessible, more liquid, to break them into manageable ticket sizes, to be able to make sure that they are transferred between different owners without the need to have central party mediate that transaction or vouch for either part. All of these are going to improve efficiency dramatically, it is going to be very exciting indeed.”

A fellow panellist raised the concept of commoditisation of execution. “It then becomes even more imperative to understand what the customer’s



RAHUL GAITONDE
Cube Wealth

actual motivations are, what his actual needs are and then be in a position to service those effectively?”

And in closing a guest observed that with all these advances and developments, it will be even more important to be well-positioned. “It will be vital to navigate smartly and to be on the right side of these benefits, be it scale, be it cost efficiency, be it process efficiency, be this the ability to add value, and so forth,” he said. “Exciting times for the industry and we are all enthused to be here and involved at this time.” ■

