Private banks must ponder service value proposition

Rising competition and regulatory pressure is forcing banks to reflect on how to succeed in wealth planning. Lee Wong of Coutts believes they should focus on where they can add genuine value and place client interests at the forefront.

Private banks need to have a paradigm shift in their thinking and should look to restructure their wealth planning business models, in the face of rising competition and regulatory pressure.

HNW clients are becoming increasingly sophisticated, and banks will have to consider how to continue adding value to them in order to remain relevant, shares Lee Wong of Coutts.

"Private banks ultimately need to ask themselves: what kind of organisation am I?" says Wong, the Singapore-based head of wealth planning for South Asia and global non-resident Indians.

"Over the past few years, many private banks have attempted to grow coverage to non-traditional areas in an effort to increase market share.

"As the wealth management landscape continues to evolve, private banks should consider adopting a more focused approach, targeting areas they are good at in order to be successful."

Wong believes that part of this recalibration process should involve banks returning to their original purpose of supporting HNW clients meet their personal and family aspirations, in relation to their private wealth.

Products should be used to facilitate meeting clients' specific needs; not merely to increase sales. She says the focus should be to help clients understand and use the products to achieve their objectives. By placing client's interests first, profits will follow.

Technological advances make it far easier for clients to compare and contrast investment products online, via broker platforms or robo-advisers.

Private banks seeking to succeed in this environment will need to realise that access to a comprehensive product suite is just one facet of HNW client requirements. The differentiating factor may well shift to quality of advice, analysis and research.

LEE WONG
Coutts

FIDUCIARY FOCUS

With an increasingly challenging regulatory landscape, private banks need to re-consider how to conduct their fiduciary business going forward.

International regulators' demands for jurisdictions to introduce automatic exchange of information will make it more difficult for wealthy individuals to keep their assets confidential.

Hence, clients will have to evolve to come to terms with the greater demand for transparency in the new world.

Meeting their primary objectives of succession, legacy planning and seamless generational transition through more sophisticated compliant structuring will be the key focus in the future.

"A particular structure might help to address a client's succession concerns, but perhaps a will or an insurance policy might better serve his overall objectives from a cost or reporting perspective," says Wong. "As his adviser, I should maintain my neutrality and advise what is best for the client and coordinate it."

That sort of impartial advice would help banks to stand out with wealthy families and individuals.

"Is there room for people to play this role? I think so," says Wong. "The question for the client is whether it's easier to find it from a private bank platform or an independent adviser platform. I hope they will find that banks like ours can deliver it."

KNOW YOUR STRENGTHS

Private banks or independent advisers conducting such self-examination should consider their core strengths. This includes being prepared to work with entities outside their organisation should clients' needs extend to areas outside their strengths, instead of attempting to monopolise their interest across all services, says Wong.

She thinks this is a particularly important point when it comes to servicing wealthy Asian clients who require complex wealth structuring in relation to their non-financial assets.

"For example, where clients residing in Southeast Asia require assistance to address succession concerns relating to their financial assets," Wong says.

"This is usually relatively simple, as countries like Singapore and Malaysia have fairly benign tax regimes. "But the moment a client says 'I have children who have migrated to the UK or are studying in Australia and I need to make distributions to them', the bank should offer to put them in touch with appropriate law firms or trustee companies capable of servicing them, if it is beyond the bank's expertise. That would demonstrate a genuine desire to put the client's needs first."

THE WAY FORWARD

The ultimate question for private banks will be to decide the extent of wealth planning advisory and fiduciary administration services they should provide.

"Financial institutions with a wealth planning advisory and fiduciary administration practice have to determine their commitment level," says Wong.

"Private banking-focused or large institutional banks where private wealth management is a core segment of their business might decide such a practice is integral to their service delivery.

"In coming to that decision, they will have to be committed to invest in people with the relevant technical structuring skills and a platform that is robust and equipped to address the more rigorous compliance and regulatory environment going forward."

Meanwhile, other banks may focus on what they do best, and work with external service providers in areas that are not their core services, Wong adds.

"For complex structuring, particularly in relation to non-financial assets, I expect these banks will steer much of the fiduciary administration piece of such structures to independent trust companies and the advisory piece to law firms." ■

"Private banks ultimately need to ask themselves: what kind of organisation am I? As the wealth management landscape continues to evolve, private banks should consider adopting a more focused approach, targeting areas they are good at in order to be successful."