

Private Wealth Management - The Era of Dramatic Change

The wealth management industry is going through a grand shake-up, not least in Malaysia, due to digitalisation, increased regulation and changing business models. Panellists suggested ways to boost revenue and cater to those most valuable assets, namely the customers.

These were the topics discussed:

- What are the main opportunities that will continue to drive growth in wealth management in Malaysia?
- What are the challenges that will prevent growth in wealth management in Malaysia?
- Any regulatory hindrances and roadblocks?
- What trends are we seeing in global and regional wealth management?
- How can you get the right people and proposition in front of the right clients?
- Do you have a structured sales process? To what extent does this need to be improved / changed?
- What can you do to improve the value proposition in wealth management?
- What changes are we seeing in client expectations and behaviour?
- Transparency, Margins, Costs and Fees - what's changing?



PANEL SPEAKERS

- **Khoo Lin Wein**, Head of Private Wealth, Malaysia, Maybank
- **Kimnis Pun**, Senior Managing Director, Head, Greater China, EFG Bank
- **Robert Foo**, Managing Director, Founder, MyFP Services
- **Sammeer Sharma**, Managing Director & Head - Wealth Management Malaysia, Standard Chartered Bank
- **Ming Hui Yap**, Founder & Managing Director, Whitman Independent Advisors
- **Kenny Suen**, Principal Officer, Chief Marketing Officer, Bill Morrisons

[Link to Content Summary page](#)

[Link to Photos](#)

[Link to Event Homepage](#)



THE KEY TAKEAWAYS

Big player health check

The panellists saw Singapore and Hong Kong as the obvious wealth management centre benchmarks in the region but wondered if the lack of transparency surrounding the numbers for private banks operating there is masking a genuinely difficult environment for them.

Malaysia's potential clear for all to see

The panellists seemed to agree that Malaysia has the potential to grow neatly alongside those more well-established offshore financial centres, as long as participants in Malaysia can manage the tighter regulatory demands, pay due attention to the Islamic finance market requirements, and boost the relatively limited array of product offerings, all of which are somewhat slowing the trajectory.

An ever-evolving business model

Digitalisation, increasingly savvy demand from customers and diversification in the revenue generation avenues available are the hallmarks of the wealth management model as key protagonists would like to see it develop in Malaysia.

A wider advisory offering

Wealth managers must endeavour to reap the benefits of a fee-paying advisory model rather than possibly drowning in a sea of ever-lower product fees, which are consistently being driven down by both competition and regulatory demands. The wealth management industry is seeing an increasing trend away from solely focusing on investments and asset management and towards insurance, family office services, estate/legacy planning and even investment migration solutions.

Is Malaysia's growth at risk?

However, panellists expressed concerns that increasingly strict regulation of the wealth management environment in Malaysia is having a negative effect on the growth and stability of this evolving business model, because the variety and diversity of products on offer is far more limited than the offerings available in other Asian countries. This means that Malaysia is at risk of losing customers - especially the wealthy and ultra-HNWIs - to those more appealing jurisdictions.

Mistrust must be addressed

Wealth management is viewed as an industry suffering a deficit in trust by many customers in Malaysia, said panellists, and to combat this, wealth managers must put in the hours with their HNWI clients to prove that they are trustworthy and truly care about their clients.

Trust is built from day one

The process of building trust begins even from the onboarding process, so that relationship managers (RMs) can build a true engagement with the clients, and fully understand their personal and family needs and aspirations. Taking the time to ensure plentiful face-to-face human contact are important bridges towards achieving the necessary levels of communication and trust.

A call for open architecture

There was a strong call for regulators to embrace the concept of open architecture in order to boost the onshore proposition and to keep wealthy clients from moving their investments through offshore centres.

Advocating the value of a mixed basket

Delegates advocated the mass affluent segment as a relatively untapped but fast-growing opportunity. With so many in the wealth management industry fighting over the relatively small group of HNWIs and ultra-wealthy clients in Malaysia, the huge potential within the mass affluent space market lies ahead for those well-positioned firms.

Digital access and delivery

Robo-advisory may be the best way to bring affordable advice to these customers. Wealth management firms must consider the optimal ways of combining both digital with human advisory in order to offer the best propositions to the mass affluent segments, a good number of whom will later grow into the HNWI space.

A vision of success for Malaysia

As participants in the Malaysian wealth management sector strive to develop their offerings and propositions onshore, it is important to aim high and navigate potential obstacles. Panellists believe the regulatory hurdles can be overcome with 21st century strategies, including RegTech solutions, to fit today's requirements, while customers hopefully will be able to gradually access a greater diversity of products and services they require.

The Islamic wealth management opportunity

Another core area of growth in Malaysia should be the Islamic wealth management proposition. Malaysia has a head start globally in Islamic finance and their door is open to build the country into a global Islamic wealth management centre.



THE GLOBAL WEALTH MANAGEMENT SPACE IS CURRENTLY IN A PHASE of great change with the advent of digitalisation, increased regulation and the need to evolve both the onshore and offshore business models.

Panellists began the discussion by looking at how private banks in Asia are navigating the new environment. “They like to exaggerate their success but are not disclosing actual figures,” said one panel member. But the question is whether this is an indication of an industry that is really struggling, or one that behind somewhat closed doors is adapting to the needs of the current and future environment?

The changing trajectory of success

The experts examined how private banking has changed over the years and looked at the prevailing trends. “The first trend we have noticed is that digitalisation and robo-advisory has edged the business model from human-to-human contact towards an ever-evolving human/ robo combination,” a guest observed. “Secondly, customers are becoming increasingly savvy, they have higher expectations from their bank. Thirdly, private bankers are no longer focussing solely upon investment, but are diversifying to sell insurance, family office, legacy and migration solutions.”

Next, the discussion moved towards how providers can adapt to make the money that they firmly believe is still there to be made in wealth management, albeit in a different way.

“Fee revenue is now a stable source of income, especially with the margin compression on loan interest,” an expert elucidated. “Traditionally, banks have focussed upon the asset side, but over the last ten years regulations have changed, margins have compressed, and advisory and recurrent fee income has become a significant driver.” Although that model is still struggling to gain traction, there are increasing signs that should encourage the industry members.

Panellists then examined whether Malaysia is being left behind in comparison to other regional markets. “The general consensus is that Malaysia has been suffering somewhat of a lack of innovation and progress,” a guest reported. Another perspective is that there is a ‘trust deficit’, with clients not entirely confident that they are securing the best products and advice for their needs.



KIMMIS PUN
EFG Bank



KHOO LIN WEIN
Maybank

Tech-derived and remote methods of communication in Malaysia mean that customers no longer have the close personal relationships with their wealth managers. “But HNWI’s and the very rich still want to talk to real people to develop that trust,” said one expert. Another view was that perhaps other wealth centres that have better adapted to the digital revolution have already found a better balance between human and robo advisory.

“Customers know what they want in terms of products and solutions, but an issue is clearly that wealth management firms in Malaysia disappoint them with their lack of product selection, as everything is much more constrained by regulation these days,” an attendee clarified. Indeed, if customers try to compare solutions in Malaysia with the much more developed wealth advisory industry in Singapore and Hong Kong, they will continue to be dissatisfied until Malaysia catches up. The regulators must address these concerns with the industry members in order to boost the overall proposition.

Restrictive regulation a detriment to progress

The panel then focussed more in more detail on how regulation is restricting product selection and diversity in Malaysia.

A view came that the regulators are trying to use outmoded techniques to control the 21st century environment, which means everything is geared around an outdated paradigm, perhaps, an



MING HUI YAP
Whitman Independent Advisors

expert offered, to protect the bigger local players.

“Truly open architecture, for example, is met with some resistance,” an expert observed, “even though clients are so often asking for it.”

One panel member warned that this often drives Malaysian clients offshore when the Malaysian onshore wealth industry does not offer them what

IS THE DEVELOPMENT OF THE WEALTH MANAGEMENT PROPOSITION IN MALAYSIA -

Acceptable



Slow and painful



Source: Malaysian Wealth Management Forum 2019

they need or want. “Trying to keep investors in Malaysia is like trying to nail jelly to the wall,” he quipped, “as wealthy clients will not be corralled by strict regulation.”

Panellists therefore agreed that advocating for more open architecture in finance and wealth management in Malaysia to allow growth and keep pace with Singapore and Hong Kong and other jurisdictions is of the utmost importance. In addition, they feel that regulators should pay closer attention to those offering unregulated products in order to keep the playing field honest and level.

Trust, an important asset

Panellists felt that it is important to remember that the client is not merely an acquisition, the client is a human being with a life, family and aspirations. To succeed, wealth management advisers need to spend time with clients, ensuring that they are getting what they want and need.

“We are in a trust-deficient industry,” an expert explained, “so at the beginning of the relationship we must spend a lot more time understanding the client, showing them that we care by doing very thorough research regarding all their assets, wealth distribution, family tree, wishes and aspirations. This shows that we are invested in serving their needs.”

So how can the wealth management space be boosted in the near future? The group examined income funds as an example. “If we look at

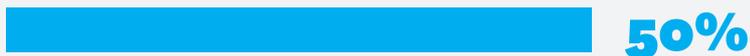


SAMMEER SHARMA
Standard Chartered Bank

Singapore, people invest significant amount of money into income funds and get regular pay-outs. Here in Malaysia, we have a regulation that only allows returns from realised gains. This means that our version of income funds does not always have a pay-out,” a guest complained.

IS THE TALENT SHORTAGE IN MALAYSIAN WEALTH MANAGEMENT -

Getting worse



Improving



Source: Malaysian Wealth Management Forum 2019

From a client’s standpoint in Malaysia therefore, they may or may not get the regular return that they are looking for, and there is a need to open up and allow customers to invest into offshore funds.

One expert had a different perspective, however. “To be fair, the regulators are facing a conundrum,” he argued. “Should we open our industry to global competition, possibly to the detriment of our local players, or allow our nascent banking industry the necessary space to grow?” It is perhaps better to have partnerships between

“SHOULD WE OPEN OUR INDUSTRY TO GLOBAL COMPETITION, POSSIBLY TO THE DETRIMENT OF OUR LOCAL PLAYERS, OR ALLOW OUR NASCENT BANKING INDUSTRY THE NECESSARY SPACE TO GROW?”

local and international firms to boost the onshore proposition and keep the clients at home and transacting through the domestic entities. An expert suggested the more foreign funds should be allowed in but only if offered via partnerships with local players so that the local players can benefit from the added revenue and sophistication.

The group of experts then considered how the next year could be put to good use improving the wealth management platform. “The HNW space is managed through face-to-face advisory, so robo-



KENNY SUEN
Bill Morrisons

advisory is of little use there,” explained an attendee. “However, there is a huge segment of clients who are not being serviced face-to-face due to the economics, because personal advice is too expensive.”

Digital platforms could therefore engage the mass affluent and offer investment and insurance solutions at an affordable cost.

“The mass affluent are looking to diversify their assets both domestically and abroad,” a delegate elucidated. “There is huge potential in this area, especially in the independent asset management sector.”

WOULD YOU ENCOURAGE YOUR CHILDREN TO JOIN THIS INDUSTRY?

Yes



No



Source: Malaysian Wealth Management Forum 2019

An attendee then described their vision of the future of private banking, breaking it down into three points. “Firstly, Malaysia is not a front-runner in product diversification, but with time, education and some understanding from the regulators, there is much potential here,” they said. “Secondly, we need to upskill all of our private bankers and wealth managers. Finally, the age of digitalisation provides a cheap, easy, quick way to onboard new customers as well as streamlining transactions, investments, reviews and advice.”

“We must not forget the importance of Islamic finance in Malaysia,” an attendee added. There is a major opportunity available for the development of the Islamic wealth management proposition in a country with a considerable percent of Muslim citizens and that has clearly made considerable progress in its local, regional and global Islamic finance offerings.

A final point was raised that wealth managers often conflate the value of advice with the distribution of products. “You share your priceless financial wisdom and only charge for products! Where is the logic there?” quizzed an expert



ROBERT FOO
MyFP Services

incredulously. Going forward, it seems that the wealth management industry needs to push for advice to be valued. “There is value in our advice, and we should create a market where it receives remuneration,” the expert urged, to conclude the discussion. ■

