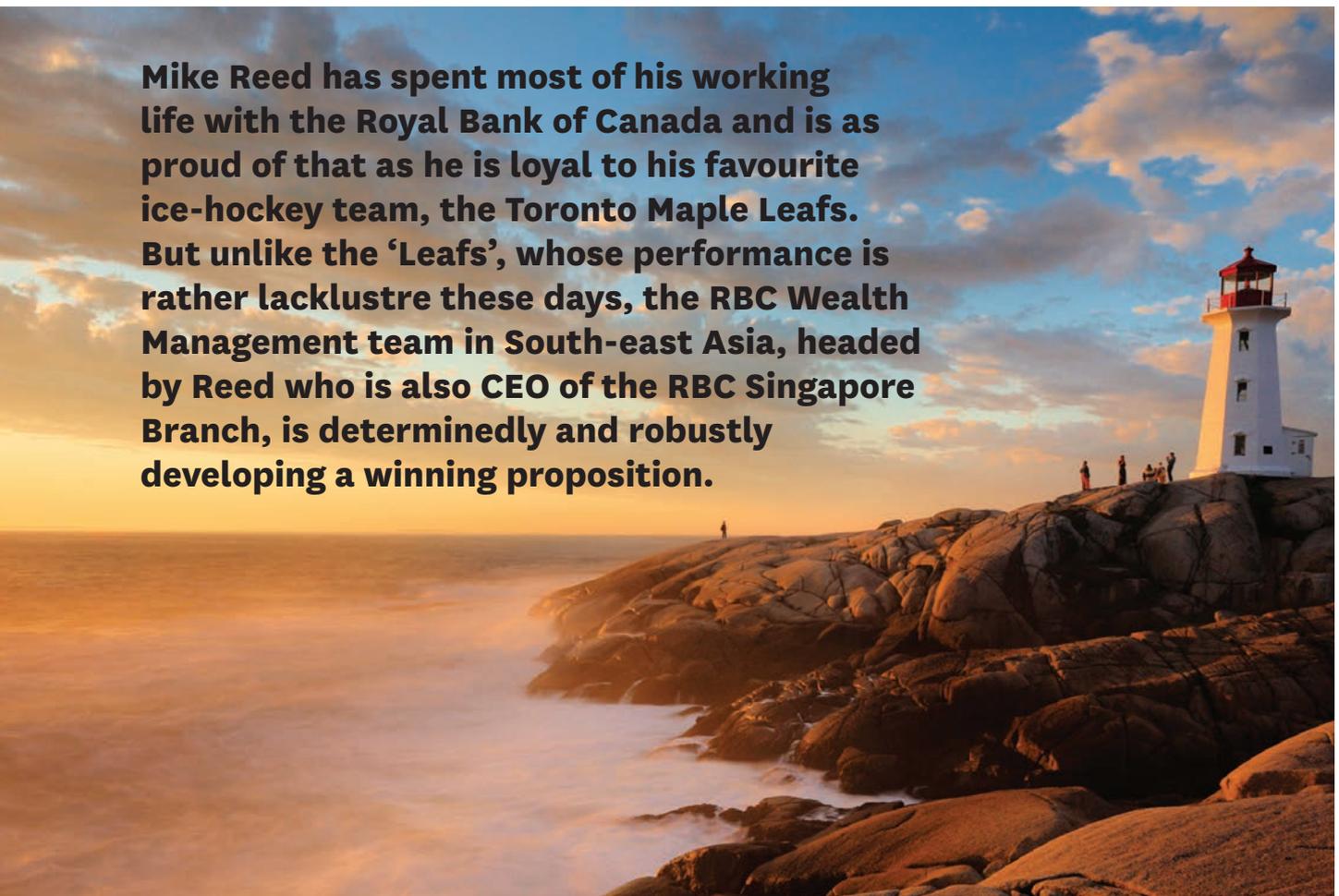


RBC Wealth Management: A Niche Strategy for Asia's Global Families

Mike Reed has spent most of his working life with the Royal Bank of Canada and is as proud of that as he is loyal to his favourite ice-hockey team, the Toronto Maple Leafs. But unlike the 'Leafs', whose performance is rather lacklustre these days, the RBC Wealth Management team in South-east Asia, headed by Reed who is also CEO of the RBC Singapore Branch, is determinedly and robustly developing a winning proposition.



Executive summary

For Reed, competing in the world of private banking and wealth management in Asia is all about understanding, consistency, focus and the development of a niche in which the team can win.

For RBC Wealth Management, that niche is connecting HNWI and their families in Asia with the key markets in which the powerful RBC group - amongst the world's most valued financial institutions at a market cap of roughly USD151 billion - has developed its businesses and its eminent reputation over many decades, namely Canada, the US and the UK.

The ultimate target for Reed and his team are Asia's global families, and the firm is now on an expansion drive to serve the unique needs of this client segment, propelled by the continuing rapid growth in both the volume of wealth in the region and the number of HNWI, along with the increasingly mobile nature of these HNWI.

As the firm reaches out to these families, it is engaging ever more with the younger generations who will make or inherit the region's wealth, and with more and more women who are controlling an increasing percentage of the world's wealth. As RBC does so, it is engaging all of them with more impactful asset and estate planning strategies that are core to the RBC proposition, and that more closely align the clients' plans with the global trends towards sustainability.



AS CANADA'S BIGGEST BANK, and one of the largest in the world based on its market capitalisation of around USD151 billion, the Royal Bank of Canada's message to customers and investors is that it offers a diversified business model with a focus on innovation and providing exceptional experiences to the 16 million clients in Canada, the USA and in 33 other countries.

Reed heads up the Singapore operations of RBC Wealth Management, which is itself wholly owned by Royal Bank of Canada, a full-service bank with operations from universal banking through capital markets, global custody, wealth management & insurance,

to maintain and then build on through the GFC and its aftermath.

"We have managed to maintain our conservatism while also building into one of the largest and most valuable financial institutions in the world," he reports. "With primary activities in Canada, the US and the UK, it is clear that our reputation is strong, and all those jurisdictions have close ties to Asia historically and today. For example, an estimated 300,000 Canadian passport holders reside in Hong Kong, and there are many, many people of Asian descent living in Canada."

"We are here to offer a global solution to increasingly global families," Reed explains. "The speed at which wealth is being

"The destinations of choice are the US, Canada, UK, and Australia," he explains. "Those countries offer education, lifestyle, sound property markets and quality retirement options that appeal to many of the high net worth families we serve."

and so forth. "In Asia," Reed explains, "we have three different business lines, namely capital markets, investor and treasury services and wealth management that is covered out of Hong Kong and Singapore, with booking centres in both locations, having opened the Hong Kong booking centre last year."

Carving out the niches

Reed does not believe most large banks can be all things to all clients, which is why in RBC's case focus is vital. He says that RBC has benefitted from the reputation for strength and reliability it managed

generated out here is remarkable, and there is an estimated USD18.8 trillion in wealth in Southeast Asia, and 5.5 million high net worth individuals." (Source: Cap Gemini World Wealth Report, 2017).

Another facet of the wealthy in Asia, says Reed, is that many of them want to either emigrate or obtain alternative citizenship elsewhere. "The destinations of choice are the US, Canada, UK, and Australia," he explains. "Those countries offer education, lifestyle, sound property markets and quality retirement options that appeal to many of the high net worth families we serve."

Key Priorities

Acquiring new clients is the first mission. "While we will continue to provide best-of-class service to our existing client base, we want more clients, the type that we know we can truly support, and the hires should be tied into that theme," he reports.

Secondly, the firm aims to make onboarding easier. "We know this can be a differentiator these days, and we want to be better at it," he comments. "We need to more efficiently resolve the myriad of complexities involved." And the third priority is to grow our discretionary and fee-based business.

Reed explains that a core element of RBC's USP is being able to offer these global Asian families support and services in all these aspects. "We are different because we fully understand the nuances and challenges of being a globally-mobile citizen connected between Asia and these jurisdictions," he reports. "We offer solutions on both sides of the equation; we manage the many complexities such families face in being multi-jurisdictional."

Financial & Wealth planning

Reed reports that RBC has invested significantly in financial and wealth planning as a core area for development.

"This is as much about the planning and the goals as the solu-

tions,” Reed explains, “and it is an ideology spreading to Asia and to our UK businesses from Canada, where we have over 300 people dedicated to giving insight and recommendations on areas such as the client’s estate plan, financial plan, projections, and retirement. We take a long-term and holistic view, and we believe once you have identified what people are looking for, then the solutions fall into place. Other firms might lead with the solution, but we do not.”

As to fees, Reed explains that this varies from client to client, but that the bank is gradually moving towards more discretionary and fee-based mandates. “For example, here in Asia,” he reports, “clients are interested in a solution, so we charge them a fee that covers the broadest possible range of solutions, so that in effect we are sitting on the same side of the table as they are, and the cost is fixed whether we end up making one trade as a result or many trades for them.”

Reed claims that RBC in Asia has had considerable success with this method. “The approach of leading with understanding of their investment needs and charg-

ing for the total service has helped us boost our fee-based business to almost 50% of our investment-related revenues, in Singapore for example. We have managed to appeal to the right clients with the right product and provide something that they really value and are prepared to pay for.”

Leading by example

Reed cites some examples of just how the firm’s wealth proposition can play out in Asia. He gives the case of a Canadian passport holder and also a permanent resident of Singapore, who has lived there a long time, has amassed a reasonable net worth and is in the process of reorganising his affairs.

“He wants to stay in Canadian Dollars but the local Singapore bank does not work so often in Canadian dollars or Canada, but if he wants a certain type of secure investment, let’s say a specific bond or bond portfolio, for us it is just one simple call back to Canada, and we have whole desks of expertise to help with the solutions.”

Another example is a Southeast Asian family whose patriarch wanted to begin distributing his

wealth to his four children, one of whom lives in the US. “This, of course, created complications that we could overcome with items to speak with his tax advisor about, like setting up a US trust and being fully PFIC compliant,” he reports.

NextGen focus

This leads Reed naturally to discuss the vital importance of connecting to the next generations of Asian wealth. He explains that to sustain RBC Wealth’s proposition, the bank must connect to the next generation.

“That is what we worry about a lot,” he says, “because there is nothing to say that if you are your parent’s adviser that you will also be the adviser to the next generations, so we have to work hard to reach out to them and help understand where we can be mutually beneficial to each other, thereby becoming their first choice.”

He reports that the firm conducted an event in Singapore with a visiting INSEAD professor, Randel S Carlock, focusing on business and asset transition to the younger generations. “He wrote a great book on this, ‘A Family Business on the Moon’, all about the



challenges of passing over control, which is going to be a significant challenge here in Asia as the older wealthy age.

“Asia is predominantly first-generation business owners,” Reed notes, “and the second generations are increasingly being educated in the West - in all our key jurisdictions - and trying to bridge the gap is one core reason we are expanding our wealth planning team. There is no one magic solution, it is all about having the discussions and figuring out the family dynamics and then providing them with a bespoke solution.”

Not being all things to all clients

“As I have said, we do not pretend to be experts in other jurisdictions, but between Asia and the US, Canada and the UK we are experts and those are massive markets,” Reed comments. “With a keen focus on this niche, we are hiring, and as we do so, we must remain fully focused on where we deserve to win and what our niche is.”

He also notes that RBC has a trust business based in Hong Kong that he says complements its large Channel Islands fiduciary business.

The firm also has trust businesses in the US and Canada and together they add to the suite of solutions Reed and colleagues can offer the Asian global family clients.

RBC’s forward-looking approach

Reed also highlights two key initiatives the RBC group is focusing on globally, one being the rising prominence of women in global wealth creation and therefore wealth management, the other being the growing importance of ESG-driven investing and philanthropic positioning of families and their portfolios.

RBC released its 2018 ESG Performance Report and Public Accountability Statement (PAS) on March 1 this year, underlining what the bank says is its commitment to environmental, social and governance priorities, as well as the bank’s purpose-driven, principles-led approach to delivering leading performance.

The ESG Performance Report and PAS provide investors and other stakeholders with information about RBC’s strategy, commitments and performance, and they outline RBC’s commitment to the

certain priority areas: governance and integrity, value for clients, value for employees, value for society and environment sustainability. They also outline RBC’s contribution to the economy and society in Canada, which the bank states are key measures supporting RBC’s purpose to help clients thrive and communities prosper.

Reed explains that the group’s approach is that ESG should be fundamental to a client’s entire process, as more and more HNWI’s seek out ESG-driven solutions.

“This is already fundamentally entrenched in how we make our investment decisions,” he reports, “and in Canada for example we just launched a new ESG fund. What we are seeing is that particularly the next generation, the Millennials, they are looking for ties between their investment and their philanthropic goals, and actually this is surprisingly prevalent in Asia, where more than three quarters of wealth clients are focused on impact investing, based on a study we conducted last year with the Economist Intelligence Unit.”

In 2018, RBC also became the first Canadian bank to publish a stand-alone Climate Change





MICHAEL REED
Royal Bank of Canada

Position Statement and was also named as one of the Top 100 most diverse and inclusive organizations in 2018 globally by Thomson Reuters D&I Index.

The rise of women in wealth

Reed also notes how RBC is championing diversity in wealth management, focusing on the rising economic clout of women, which the bank sees as perhaps one of the most significant economic shifts of recent decades.

“Not only are women generating and managing an increasing amount of wealth,” he explains, “but they

are also directing the economy itself - heading up major corporations and pivotal institutions like the International Monetary Fund and, at least until fairly recently, the US Federal Reserve. Furthermore, throughout the global economy, women are starting and running new businesses at an increasingly rapid rate. Coupled with the accumulated effects of five decades of increasing female participation in the workforce, this translates into real financial power.”

Reed notes that research shows that globally, women held 30% of all wealth controlled by individuals or families in 2015, up from 28% in 2010, with 44% of those having grown their wealth independently as entrepreneurs.

“By 2020, women are expected to control USD72 trillion, or 32% of all wealth,” he reports, “almost 50% up from the roughly USD51 trillion figure of 2015.”

All these insights and data, Reed explains, come from a study by The Economist Intelligence on HNW women and men with more than USD1 million in assets, a report sponsored by RBC Wealth Management.

“The study shows that as more and younger women earn more wealth,” Reed notes, “they are

more often asserting themselves as decision makers over the full range of finance-related issues, with the majority of women in the Millennials segment controlling financial decisions in their households. And those with more than USD5 million in investable assets are even more often the primary decision maker, and some 69% of them the decision makers for financial planning.”

Stick to your USPs

Reed concludes that survival and the prospect of sustainable returns is predicated on sticking to the firm’s niche.

“That is what we have done, and what we are doing,” he states. “We have spent a lot of time figuring out which clients we really suit and who suit us. I describe this client as the client we have the ‘right’ to work with. So, for example, if we are managing a family in Asia which is also in Canada then we are far more relevant. There is no algorithm out there that will ever understand family dynamics, so we believe there is a genuine role for relevant firms such as ours that have real relationships and provide real solutions.” ■



Getting Personal

Mike Reed is head of Wealth Management, Southeast Asia and chief executive, RBC Singapore Branch, based in Singapore.

In his 18-year tenure with Royal Bank of Canada, Reed has held leadership roles in Canada, the US and the UK. Prior to Asia, he was head of Multi-Family Offices, Wealth Management International in London, responsible for Family Offices and ultra-high-net-worth clients globally, including those from the Middle East, the European region, the Americas and the South and East Asia regions.

During his RBC career, Reed has also acted as managing director responsible for integrating and running the RBC Trust Company (Delaware) Limited, an international fiduciary solutions provider based in the United States.

He holds an Honours degree in Economics from Queen's University and completed his MBA through the Kellogg School of Business at Northwestern University in Chicago and the Schulich School of Business at York University.

From 2003 to 2006, he acted on the panel of examiners for the Financial Planning Standards Council, a non-governmental self-regulatory body. He holds various professional accreditations such as the Chartered Financial Analyst (CFA), Trust and Estate Practitioner (TEP) and Chartered Investment Manager (CIM). He is also licensed with the Securities and Futures Commission (SFC) in Hong Kong and Monetary Authority of Singapore (MAS) in Singapore.

Born in Oakville near Toronto, Canada, Reed is proud of his heritage and proud also to have worked most of his career at RBC. "During my time at the bank, I built our financial planning team and worked on our strategy to target the retiring baby-boomers in Canada as customers for the bank."

"I also gained great experience running our trust company in Delaware," he adds, "and then the international private banking and UHNW team in London. When I moved to Hong Kong, I was working on our client strategy and business development, and now, here in Singapore, I am enjoying life as head of Southeast Asia and the chief executive of the Singapore branch."

Married to his Canadian wife, the couple now boast two dogs, but no children. "The first one is a Yorkie and our new dog is what they call a Singapore special, a mongrel of some kind that we decided to foster, but our mission there is to socialise her so that she becomes less timid and another family will take her in full time."

Spare time at weekends is often spent cycling with a group of Canadians or training for another triathlon. "I did the Ironman in New York a few years back and I have run about 15 marathons. Keeping fit is a key mission, but with the food here in Singapore it gets tougher by the year, I love hawker stalls and the durian fruit, for example."

The couple might spend other leisure time travelling and Reed enjoy watching his favourite ice hockey team, the Toronto Maple Leafs, whenever possible. "I am a diehard fan," he says, "but sadly the Leafs are not delivering much at the moment. Go Raptors!"