

# Re-Engineering the Wealth Management Offering in Asia: Products and Platform

*What does it mean today to 'add value' to a client? What do wealth management firms and their clients need from their investment platform? What role will digital play, will robo-advisory and AI gain more traction? Are digital disruptors circling the wagons? Is discretionary winning? These and other vital questions were debated in the first panel of the Hubbis Investment Solutions Forum.*

*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?*
- *How will you grow your platform in the next few years?*
- *Can a digital approach be innovative for the investment engine? Is it possible to deliver 'digital' advice?*
- *Should we be using AI / data / robo? Can it enhance the ability to make better investment decisions?*
- *To what extent do you see new firms - possibly digital - disrupting your business?*
- *Impact of key business trends like passive investments, fees and transparency?*
- *You had a great year in 2017. What's your revenue replacement strategy for the next two years? Is there a likelihood you will see outflows 2H this year?*
- *How important is 'credit' risk today? And other risk? How do you manage it?*
- *Where will net new assets (NNA) come from?*

## PANEL SPEAKERS

- Lemuel Lee, Managing Director, Head of Investment Services Hong Kong, BNP Paribas Wealth Management
- Rohit Jaisingh, Head - Equity Investment Products DBS Bank
- Harold Kim, Founder and Chief Executive Officer, Neo Risk Investment Advisors
- Sandro Dorigo, Founding Partner, Leonteq Securities
- Malik Sarwar, CEO, K2 Leaders
- John Robson, Chief Commercial Officer, Quantifield





MALIK SARWAR  
K2 Leaders

## EXECUTIVE SUMMARY

A panel of experts quickly reached the conclusion in a discussion at the Hubbis Investment Solutions Forum that investment in platforms and digitisation are both essential to the growth of the wealth management sector in Asia.

However, there was also broad agreement that machines and algorithms will not replace the human adviser and relationship manager in the foreseeable future.

Instead, digital should be seen as an enabler, incorporated into the banking systems and the corporate cultures as a tool to empower the people that connect to Asia's fast-expanding ranks of high-net-worth individuals (HNWIs) and the growing number of ultra-HNWIs.

The world's bourses house more than 40,000 different stocks, so how can one individual, with all his or her responsibilities, possibly monitor and advise on even a tiny portion of that universe?

The answer is that digital platforms, weaponised with artificial intelligence (AI), machine learning for data analytics, and other nascent technologies, will provide ever-greater capabilities to those client-facing experts at the private banks, asset managers and others in the wealth advisory industry.



JOHN ROBSON  
Quantifeed



HAROLD KIM  
Neo Risk Investment Advisors

**H**E ADDED “DIFFERENT CLIENTS AND their different needs mean that there is no one-size-fits-all solution,” began one of the experts on the panel. “As a generalisation, we are focusing on moving the traditional capital markets brokerage type business more from execution to advisory and managed assets, which are both more recurrent revenue generators. There are plenty of challenges, as clients today are extremely demanding and they need customisation. The investment required in technology is therefore very considerable.”

Another expert noted the evolution of wealth management towards what he called a much more convenient and client-centric model. “We have been developing software platforms, sometimes called robo-advice platforms on a B2B basis and we deliver these to banks, brokers and insurance companies in the region. Over the past five years we have thereby been enabling these banks to provide a more engaging experience to their customers; so for example from their sofas at home, they are able to obtain much more information than ever before. We augment the wealth management business to enhance digital engagement and the client today expects that from his financial institution.”

Turning the discussion to the market conditions, one guest noted how dramatically the Asian equities market has changed from the excellent

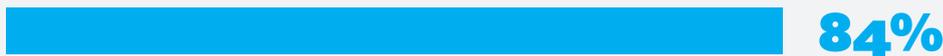


SANDRO DORIGO  
Leonteq Securities

---

DO YOU EXPECT THE INVESTMENT MARKETS TO BE SIGNIFICANTLY MORE CHALLENGING IN THE NEXT 12 MONTHS?

Yes



No



---

Source: Investment Solutions Forum 2018 - Hong Kong

conditions of 2017 to today's more volatile market, so allocations should have changed dramatically from January 2018 onwards. "We view risk management as identifying the risk regimes that we are in and then making sure that our investments, our allocation strategy is optimised for that," he explained. "We approach this in a rigorous quantitative way and if you do so then, over time, you will have a better risk exposure at all points in time, and you should perform better due to enhance allocation strategies."

Digital tools are essential, another guest opined. "We have been incorporating these in our work on a daily basis, for example for simple matters like price discovery and execution," reported one banker. "But we are going far beyond that to areas such as data analytics, asset allocation, portfolio modelling, employing a combination of digital tools and artificial intelligence, in conjunction with the skills of the client advisers. It is worth noting that digital is enhancing, that it does not replace, both have parts to play and need to work in unison. Clients need human connections and digital tools make lives easier and more efficient and effective for the client adviser to deliver value to their clients."

### Digital sifting of the sands

Looking ahead, this banker envisages a time when the ability of these machines to analyse more and more complex data, and as they develop the ability to understand client personas, particular investment preferences, then it is conceivable that they will be able to offer holistic and customised advice. "That is the big element missing just now," he added, "but one can easily conceive of a situation where the robo-advisor will become the investment manager and the client advisers will become the relationship managers. And sooner rather than later we think."

Another guest concurred, adding that he sees huge efficiencies emanating from enabling those advisers with better tools for the investment management. "A lot of the heavy lifting of what the advisers have traditionally done can be done and in a very compliant way. It is all about adviser enhancement."

"Yes," said another attendee, "just look at the



LEMUEL LEE  
BNP Paribas Wealth Management

**“THAT IS THE BIG ELEMENT MISSING JUST NOW,” HE ADDED, “BUT ONE CAN EASILY CONCEIVE OF A SITUATION WHERE THE ROBO-ADVISOR WILL BECOME THE INVESTMENT MANAGER AND THE CLIENT ADVISERS WILL BECOME THE RELATIONSHIP MANAGERS. AND SOONER RATHER THAN LATER WE THINK.”**



proliferation of data, how can one adviser handle even a tiny portion of that? There are more than 40,000 stocks traded in the world. The machine can sift through that data to select economically, quickly and completely objectively and that is where the partnership between man and software can become very powerful.”

There are success stories from the US in delivering digital platforms, look at some of the biggest name retail and online brokerages there,” noted one expert. “Although slow so far in Asia this is the future and we see it coming through. We have recently launched a platform with a leading Asian bank and literally, thousands of clients are coming on to the platform each week. We all have great ambitions for growing that platform and delivering the better digital wealth management experience to the clients. Remember that the banks tend to move slower due to their size and legacy issues, but when they come it will be a massive evolution that unfolds.”

### Individualised solutions for the growing numbers of HNWI

Another guest focused on the rapidly growing demand for individualised solutions. He noted that the ultra-HNWI segment already stands at 150,000 globally, with an estimated 50,000 worth more than USD100 million and 6,000 worth more than USD500 million. “With a plain-vanilla offering it will be very difficult to survive in this segment,” he observed. “These people have highly individual needs and



ROHIT JAISINGH  
DBS Bank

digitisation and AI can certainly help. As a provider of specialised, crafter structured solutions we certainly agree that the combination of human and digital will greatly enhance the performance of the business and of the client’s investments.”

The use of fintechs to accelerate change was noted by one expert. “Clients nowadays want to be empowered, they want everything at their fingertips, they want pricing optimisation and transparency,” he reported. “The banks and fintechs working in a partnership model is something we should embrace as there is definitely a speed at which we want to achieve our goals. Fintechs can help us in a variety

### DO YOU THINK THE CONVERSATIONS WE HAVE WITH CLIENTS AROUND INVESTMENTS ARE TOO COMPLICATED?

Yes



65%

No



35%

Source: Investment Solutions Forum 2018 - Hong Kong

of areas, be it life cycle management, price discovery, prospectus maintenance, asset allocation and so forth. We also have our own digital lab at the bank, so we can make sure we are taking the best of what is on offer and incorporating it wisely. At the end of the day, we need to make sure we live with the advice to the client, so that area we control, we do not outsource.”

Another expert observed that there is one key challenge, which is that the healthy middle ground of managing money professionally is still missing. “We still have a major challenge in educating clients as to why financial planning is critical. Give them a one-page financial plan, not a 24-page dossier. Observe, plan and monitor regularly, keep it simple, keep communicating, leverage the tools and research available.” And use digital technologies as and where applicable and where they optimise the outcome.

#### **DPM - on the rise, but slowly**

Discretionary portfolio management is a key

objective of every private bank and leading wealth manager in the region these days.

“Education and performance are essential,” remarked one expert. “Asian clients have tended to want to row their own boats, but perhaps with more testing market conditions the industry might be able to make more rapid inroads to advisory and discretionary mandates.”

Another guest advised banks and other advisers to hire key people of an age or sex to suit their actual and future clientele. “We need a change in the industry and this is not yet taking place,” he said. “Clients need to more closely identify with their RMs and vice versa. In fact, we know on one firm that is predominantly staffed by women and who target the growing number of female HNWIs.”

The discussion closed with a general consensus that technology will be an ever more efficient enabler for the industry, but that investment must be in the right areas and that investment in the appropriate and skills client-facing expertise will remain essential for at least the foreseeable future. ■

