Saxo Markets' Asia CEO Adam Reynolds on Evolving the B2B and B2C Models Amidst Intensifying Competition

Saxo Markets continues to set an enviable pace for the rollout of digital wealth management solutions in Asia. In the latest of a series of trend-setting initiatives, in December the online trading and investment platform announced the launch of pricing plans for clients in Singapore, making Saxo the first in the investment and brokerage space to offer bundle packages for investors, and Singapore the first international market where Saxo is rolling them out, with their other core markets to follow. Shortly before that, Saxo had announced a deal with HSBC, with Saxo's platform enhancing the bank's digital investment offerings in Singapore, with the aim of keeping costs under control while boosting their competitiveness. To put these developments in context and to update us on the evolution of the Saxo platform in the region, Adam Reynolds, Saxo's Singapore-based APAC CEO, 'met' with us by video call. He explained how these latest moves fit into the continuously evolving Saxo offering in the region, how they are racing fast and working smart to pre-empt competition, and why he believes Saxo can stay ahead of the crowd through innovative thinking and swift action around the platform's evolution, for both its B2B and B2C business models.

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The November announcement of collaboration between HSBC in Singapore and Saxo centred on HSBC adopting Saxo's end-to-end, self-directed trading infrastructure for equities investments. The collaboration will enable HSBC Singapore to strengthen its equities investment offering to all retail banking customers, including those residing overseas. By incorporating Saxo's trading infrastructure into HSBC Singapore's digital platform, HSBC customers will access new platform features, new global markets, and an enhanced user experience.

Supporting HSBC's ambitions

HSBC's ambition is to become Asia's premier wealth management provider in five years and digitalising its wealth capabilities at scale with a mobile-first approach is key to that thrust. At the launch, Anurag Mathur, Head of Wealth and Personal Banking, HSBC Singapore, said: "To meet our customers' need for best-in-class digital banking and wealth solutions, we need to work with like-minded partners to scale up our digital capabilities at pace. Saxo's well-reputed trading infrastructure will allow us to boost our equities trading capabilities and deliver an end-to-end solution to our customers."

Reynolds is enthused by the deal, noting that Singapore will be the first HSBC operation to adopt the Saxo trading platform, and that it will deliver natural synergies for both companies to deliver an enhanced trading and investment experience to their customers. He adds that it also enhances Singapore's reputation as a major private wealth hub. "Saxo's OpenAPI technology provides best-in-class efficiency and scalable investment and trading architecture," he says, "while allowing HSBC to focus its energies and resources into client servicing and experience."

Singapore and beyond...

"From here, we will be looking to extend our collaboration with HSBC as they continuously improve their wealth and private banking offerings," he explains. "The advantages are of course keeping their costs low, boosting their proposition for customers, and ease of functionality, with Saxo handling all of the back office and other functions, execution and custody, for all of their access to the markets. Moreover, it brings about a much better user experience for this segment and seamless, easy access to the universe of domestic and global equities. And, for the record, our state-of-the-art tech stack allows all client data to stay with whichever partner we work with, and with anonymity, so we do not know the end clients."

He says this is therefore all about outsourcing expertise to Saxo while retaining that last mile of connectivity to the end client, with partners such as HSBC still owning that omni-channel user experience.

"We believe this is game-changing for investors and traders because this not only gives them more bang for their buck when it comes to managing their investment activities, it also creates more transparency in where their money is going when they use a broker. We believe there is no such thing as a free lunch, and the hidden fees behind some of our competitors' low commissions are rarely discussed. We are here to make things simpler and more transparent for investors, and the account plans are another step in that direction."

Pre-empting the competition

Turning to the pricing plans announcement of December 6, Reynolds says the new pricing plans are open to all new clients in Singapore and will be made available to existing clients in the coming months. He explains that industry research reveals that Singaporeans are looking for ease of use, ease of account opening, low fees and mobile access when it comes to online investments.

"Our additional proprietary research showed that investors in Singapore would value more data feeds and free trades, for instance, and less custody fees," Reynolds elaborates. "Singaporeans are already familiar with how subscription models work from packages for mobile phones, Netflix and the like. The beauty of these is their simplicity and convenience – and that is exactly what Saxo wants to offer investors."

He says that based on the insights from their research, the elements that go into each bundled plan are carefully curated, hand-picked by pricing and product specialists in Saxo to best reflect client needs. This is reflected in the popular Gold bundle, which most people find the most accessible and efficient package to meet their investing needs.

Transparent and cost-effective

"Our pricing plans are designed with our clients in mind – for a very reasonable monthly charge, they contain all of the services and access that they have told us they love, and we have also removed the items that they don't enjoy. We're giving Singaporeans more choice and control; they can remain on a plan with no monthly charge and their current rates if that suits them best. In short, this is all about reducing the stress and complexity of investing, making access to investments much easier for more people and providing what is actually an enjoyable user experience."

If upgrading from the free account, for a monthly charge from SGD5 up to SGD145, investors can choose the package that best meets their investing and trading needs. This monthly cost will be waived if clients earn enough Saxo points by trading. For example, an investor who signs on for the Platinum pricing plan pays SGD45 per month, but that is waived if they earn 45,000 Saxo points, plus they get the same amount worth of commission credit, which they can use toward trading commission costs. Under this bundle, they also receive access to free real time price data on US, European, UK, Swiss and Singapore stocks.

In addition, the pricing plans from Silver to Diamond have no custody fee for clients who opt into Securities Lending, which lets Saxo borrow eligible securities from clients. For the securities loaned out, clients receive a monthly payment of any extra revenue generated by the loan. Investors will always be able to see which securities are on loan and

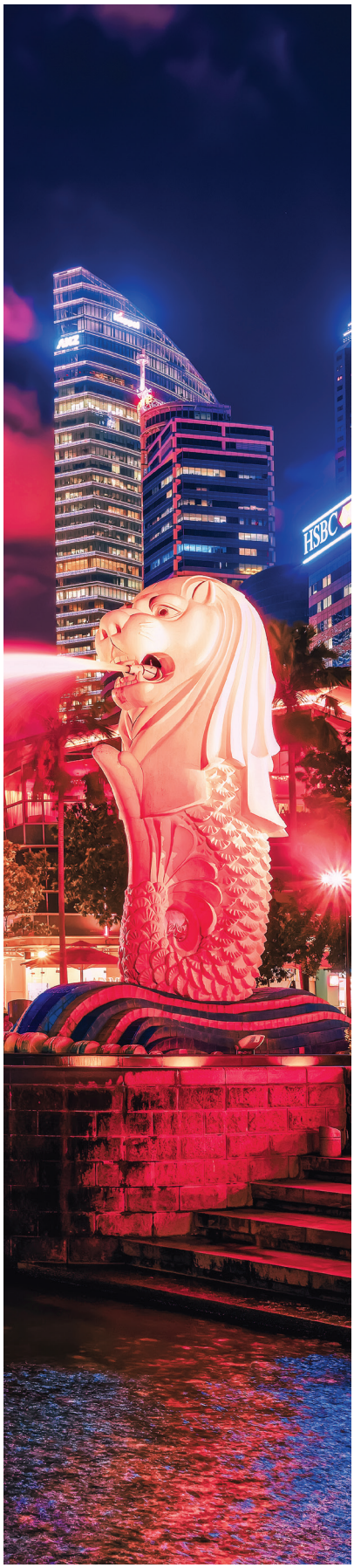
Saxo Markets – A Snapshot

Saxo Markets is a licensed subsidiary of Saxo Bank, a leading FinTech specialist that connects people to investment opportunities in global capital markets. Saxo Markets has operated in Singapore since 2006 and serves as the APAC headquarters. As a provider of multi-asset trading and investment, Saxo Bank's vision is to enable people to fulfil their financial aspirations and make an impact. Saxo's user-friendly and personalised platform experience gives investors exactly what they need, when they need it, no matter whether they want to actively trade global markets, invest into their future or do both.

Founded in 1992, Saxo Bank was one of the first financial institutions to develop an online trading platform that provided private investors with the same tools and market access as professional traders, large institutions, and fund managers. Saxo combines an agile FinTech mindset with close to 30 years of experience and track record in global capital markets to deliver a state-of-the-art experience to clients.

The Saxo Bank Group holds four banking licenses and is well regulated globally. Saxo offers clients around the world broad access to global capital markets across asset classes, where they can trade more than 40,000 instruments in over 25 languages from one single margin account. The Saxo Bank Group also powers more than 135 financial institutions as partners by boosting the investment experience they can offer their clients via its open banking technology.

Headquartered in Copenhagen, Saxo Bank's client assets total more than USD80 billion and the company has more than 2,000 financial and technology professionals in financial centres around the world including Singapore, Sydney, London, Amsterdam, Shanghai, Hong Kong, Paris, Zurich, Dubai and Tokyo.



how much revenue (if any) they have earned. Silver to Diamond accounts also do not require minimum account funding, offering investors a lot more freedom and transparency.

Inspiration from the big techs and telcos

Reynolds says that in devising the new account plans, they took some of their inspiration from the telcos and the streaming video industry to devise an innovative and imaginative package of options. He notes that, for example, the Gold tier costs SGD15 a month, and customers receive about SGD55 a month worth of freebies, plus they get a significant improvement in their execution pricing compared to the standard pricing.

"The quid pro quo is that they're then committing to trade with us for the month ahead," he says. "Additionally, we are putting out a special offer where we'll give people SGD88 of additional commission credits upfront, which they can use to trade, and that they don't have to pay a monthly charge until April next year. In short, it is far better, fairer and more transparent, as well as being excellent value."

Intensifying competition

Reynolds sets this development against the backdrop of the digitised investment market in Singapore, which he says is particularly dynamic, with a lot of new entrants coming in, with names such as Moomoo, Interactive Brokers and Tiger Brokers arriving in recent years, and names such as Webull and Robinhood arriving soon.

"That all represents an aggressive escalation in the competitive landscape in the Singapore broking market over the last 18 months, which is a challenge to us because we have a strong position and we were one of the stronger growth players in the market in recent years," he says. "We are still growing robustly, but it has been certainly impacted by the new entrants. In short, while we have considerably the strongest platform, and actually the more sophisticated clientele, we realised we needed to do something to reinforce that, to put us in a stronger competitive position. Competition and prices reducing are, of course, great news for Singapore's traders and investors."

"This probably means that organisations will lift the level at which you get a high-quality private banker to a higher AUM, or shall we say, revenue level, and that they will do more to fill the gap in between with digital alternatives, or potentially extend the hybrid approach."

Worrisome trends in the market

He also says that he has concerns about the approaches taken by the intensifying ranks of competitors in Singapore. "I really don't believe that clients should have to have their broker sell their business to hedge funds to get great pricing," he says. "We believe this is game-changing for investors and traders because this not only gives them more bang for their buck when it comes to

managing their investment activities, it also creates more transparency in where their money is going when they use a broker. We believe there is no such thing as a free lunch, and the hidden fees behind some of our competitors' low commissions are rarely discussed. We are here to make things simpler and more transparent for investors, and the account plans are another step in that direction."

He explains the core of the problem, as he sees it. "Many competitors work on payment for order flow, to subsidise their business," he reports. "This practice is not permitted in Europe or Australia, and might soon be banned in the US. What that model means is these disruptors will have major asset management groups and hedge funds paying them for their flow of clients; that is essentially how they slash their brokerage fees so low. But we don't believe that is in the best interests of the customers, so we provide transparency and value within what we think is a more compelling offering."

Ground zero?

Can investors distinguish between better value and lower fees? "As long as payment for order flow exists – which gives the false impression that low fees and zero commission trading don't come at a cost for the investors - we will still be in that race towards zero."

Priority – work ahead of the market trends

Reynolds comments that there has been a lot of contraction of talent in the wealth market as people retire, often early, adjusting their lives and lifestyles to the pandemic. And although there is a lot of hiring taking place, this is often of younger, less experienced bankers and advisors, leaving something of a shortfall for those clients who need or expect a much more personal approach and the requisite experience from their RMs.

"This probably means that organisations will lift the level at which you get a high-quality private banker to a higher AUM, or shall we say, revenue level, and that they will do more to fill the gap in between with digital alternatives, or potentially extend the hybrid approach," he comments. This in turn may mean that the segment in between retail and those higher value clients will need much more digital delivery, and any RMs servicing them may not meet the typical standard of RMs previously seen in the wealth industry.

B2B and B2C – harmonious growth

He closes the conversation by commenting that the Saxo B2B and B2C models work alongside each other. "We like having the partnership business run alongside our B2C business," he states. "The B2C business helps us understand what the clients want, and the B2B business gives us the scale, and allows us to build solutions and scale relatively quickly. Working with major names such as HSBC proves our value and ability to deliver with scale. And I can say we are expecting to deliver more interesting news on developments in the coming months, especially as some of those names we had discussed these ideas with before have seen what we have done with HSBC." ■