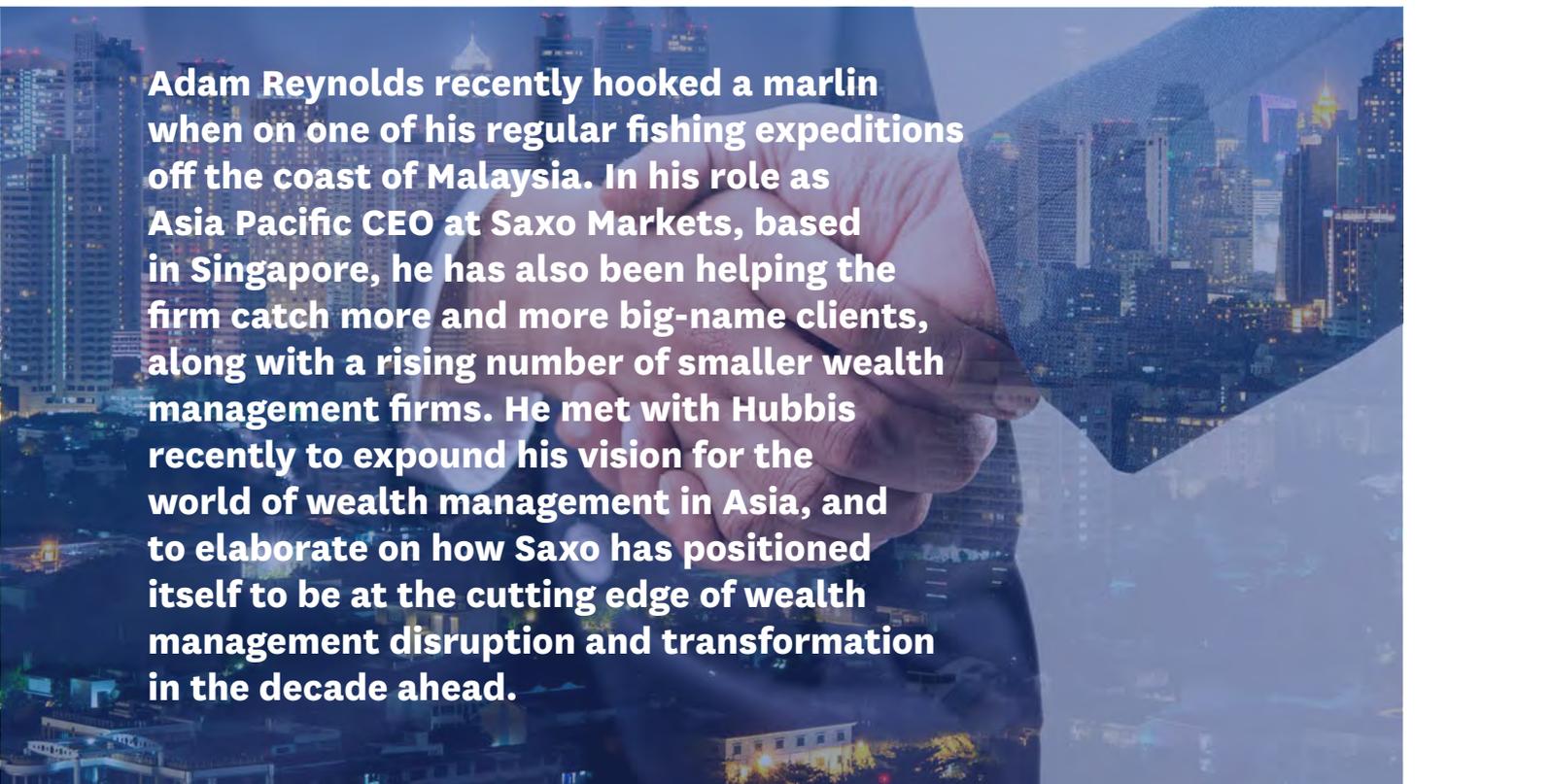


Saxo: Winning New Partners and Clients with its Vision, Drive and Compelling Proposition

A person is shown from the chest up, holding a large, dark fish. The background is a blurred city skyline at night with many lit-up buildings. The person is wearing a dark shirt and a tie.

Adam Reynolds recently hooked a marlin when on one of his regular fishing expeditions off the coast of Malaysia. In his role as Asia Pacific CEO at Saxo Markets, based in Singapore, he has also been helping the firm catch more and more big-name clients, along with a rising number of smaller wealth management firms. He met with Hubbis recently to expound his vision for the world of wealth management in Asia, and to elaborate on how Saxo has positioned itself to be at the cutting edge of wealth management disruption and transformation in the decade ahead.

REYNOLDS HAS A COMPELLING 'BIG PICTURE' VIEW THAT FINANCIAL SECTOR INCUMBENTS IN

Asia must reinvent their financial advisory business in the face of the very challenging regional and worldwide competitive environment, using all the available digitally enhanced solutions at their fingertips. Saxo, he believes, is at the forefront of this revolution with its solutions and its vision of the future.

Saxo Markets in Singapore is a licensed subsidiary of Saxo Bank A/S of Denmark (Saxo), a leading FinTech specialist and global multi-asset facilitator of capital markets products and services. Saxo Markets has operated in Singapore since 2006 and serves as the APAC headquarters, and is the conduit for facilitating the trading of more than 40,000 instruments from what can be a single margin account. Additionally, Saxo provides institutional clients such as banks and FinTechs with Open Banking solutions, from multi-asset execution, prime brokerage services, to trading technology.

Founded in 1992 and headquartered in Copenhagen, Saxo launched its first online trading platform in 1998 and today boasts AUM totalling more than EUR45 billion. The group employs more than 2,000 people in financial centres around the world, including London, Singapore, Amsterdam, Shanghai, Hong Kong, Paris, Zurich, Dubai and Tokyo.

Saxo since late 2017 has been 52% controlled by Geely Financials Denmark A/S, a subsidiary of China's Zhejiang Geely Holding Group Co. Ltd. Saxo's founder and CEO, Kim Fournais, owns 25.71%, while Sampo Plc, a Finnish conglomerate that is also the biggest shareholder in Nordea

Reynolds' Key Priorities for Saxo in Asia in 2020

"We launched a number of new investor products including mutual funds last year, and mission number one is to further build relationships in the adviser space to leverage off those additional capabilities and products," Reynolds explains. "Saxo also offers extremely rapid and efficient KYC and onboarding. For a Singaporean who is not going to invest above a certain threshold, in other words, where there is no source of wealth issue, opening and funding the account is a five-minute process, virtually instantaneous. That is not possible at any private bank or any retail bank, so you can see that our client user experience is second to none. Consistently improving this onboarding experience remains a high priority."

The second priority is boosting SaxoSelect's managed portfolios. "We have 12 managed portfolios here, with BlackRock a single provider for three of them, and there are Morningstar, Nasdaq Dorsey Wright and Brown Advisory, which is in Boston and focuses on ESG strategies. We also have our own internal quant team curating portfolios. We want to expand the number and range of portfolios available this year. In this segment, a client can invest into the portfolio, and the provider then automatically rebalances. It's a very nice simple, easy to understand product enjoying rapid AUM growth for us."

The third priority is boosting the adviser space and building out the number of local markets that Saxo covers. "Here in Singapore," Reynolds adds, "we are expanding in the local adviser base through the partnership with Quantifeed. We are working with them on developing an adviser workstation, which will make them more efficient and more profitable by enabling them to handle more clients per advisor, and more efficiently. As I mentioned, these types of firms have limited tech budgets, so this is an ideal solution."

Bank, holds 19.9%. Minority shareholders, including current and former bank employees, hold the remaining shares.

Saxo offers trading through its online platforms in a wide variety of financial products and instruments, functioning as an online broker with a bank license. In addition, Saxo facilitates access to markets through its state-of-the-

art digitised platform, built on an HTML 5 cloud-based environment using open API. Saxo works with many banks and other financial intermediaries that are using its technological expertise and financial markets know-how to enhance customer experience, thereby freeing up those partners for the growth of their core businesses. A core element of its busi-



ADAM REYNOLDS
Saxo Markets

ness is partnerships with more than 120 financial institutions globally that service their end clients via Saxo's platforms on a 'White Label' basis. Besides these white labelling partnerships, Saxo offers full value chain outsourcing, risk and compliance management, digitised investment management, custody and prime brokerage and other services.

With these offerings in place, Reynolds sees Saxo as immensely well-positioned to help financial sector intermediaries adjust to the challenges he sees.

Navigating the perfect storm

Responding to a question on the direction of wealth management in the Asia region, Reynolds highlights a Forbes article that defined the top three challenges for global financial advisers, namely maintaining their own operations, secondly finding a unique value proposition, and then increasing revenue and profits.

His thesis is that there is therefore literally a perfect storm of problems, including margin pressure, rising costs and process inefficiency. "For example, advisers have to deal with these remarkably complex onboarding challenges,

Getting Personal with Saxo Markets' Adam Reynolds

Reynolds is CEO of Saxo Markets APAC, with overall responsibility for growing the business for active traders, investors, and wholesale clients and to position Saxo as partner and leader in digital transformation, as well as a major player in the institutional brokerage market.

Reynolds joined Saxo Bank in 2014 and also serves as Chairman for Saxo Markets Australia, working out of the Saxo's Singapore office. Within this position, he is responsible for all activities related to the Saxo Markets' Asia Pacific region, including sales, marketing, operations, accounting, staff management as well as business growth.

He has more than 30 years' experience in the financial markets as a macro trader and manager of financial markets trading, sales and portfolio management teams. Prior to Saxo, he was Asia CEO for The Cambridge Strategy Asset Management and before that he worked at both Merrill Lynch and Société Générale in MD level roles in Europe and Asia.

Reynolds has an MSc in Finance from The School of Oriental and African Studies at The University of London and is a member of the Australian Institute of Company Directors and the Singapore Institute of Directors. Born in England, his family moved to Australia when he was just seven years old. He lived in Australia until 1993 when he was 26 years old, since when he has lived and worked mostly in Asia, with a spell also in the UK for eight years with Merrill Lynch. In what has been an impressive career he has run FX institutional sales for Merrill Lynch in Europe and FX and Fixed Income for SocGen in Asia.

Reynolds is also somewhat prolific in the family stakes, with four children ranging from 30 to 13, and even one grandchild.

Leisure time might include him watching his favourite soccer team, Arsenal, or passionately glued to the screen or the seat watching cricket. "I am a mad keen cricket fan, of course supporting Australia," he adds. "As an aside, the person I most fear and revere in cricket is Ben Stokes, he is so incredibly talented, it is simply not fair that he is not Australian!"

Reynolds also loves big sea fishing, hunting down King Fish out in New Zealand or enjoying a run up the coast off Malaysia for mahi-mahi or other trophies. "I actually caught a marlin out there a few weeks ago, that was truly fantastic," he enthuses. "And we go for sailfish further off the coast, it really is a wonderful pastime for a great day out."

taking their focus away from their client relationships and building of new business connections,” he comments. “And the business model sees them partnering with multiple institutions, such as execution brokers, prime brokers, custodians and insurers. It is also increasingly challenging to achieve scale, with new entrants competing hard and a host of other headwinds.”

“We are helping them rise to these challenges,” he says. “By providing investors with curated investment ideas, managed portfolios, and direct access to a wide range of listed products from an intuitive platform, we simplify investment for them,” Reynolds reports. “And through open bank-

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ing solutions, we empower our partners - currently more than 120 banks and brokers and over 300 financial intermediaries - by providing them with multi-asset execution, prime brokerage services and trading technology.”

“On top of these many challenges,” Reynolds explains, “you have new entrants, you have huge and growing regulatory and compliance requirements, and at the same time, wealth management clients are increasingly demanding more personalised services and higher quality advice. In short, I believe there is an increasingly urgent need for financial advisers to reinvent themselves and their

business model to stay relevant for the years ahead.”

As wealth advisers currently spend so much of their time - some estimate around 80% - on non-value-added activities and far less preparing for the client meetings, digesting what the client said, and following up, technology can liberate their time to concentrate much more fully on their clients. Technology is therefore enabling, not removing, the human elements.

Reynolds therefore advocates that financial advisers and wealth managers must take a step back to evaluate their offerings and re-define how they provide financial advice to better meet client needs and expectations.

Winning over the digital natives

Financial intermediaries around the globe must, Reynolds also comments, be wary of the growing dissatisfaction amongst millennials and other digital natives in the branded banks and other financial services providers. At the same time, that demographic is growing ever more trusting of the ‘Big Tech’ social media and online retailing giants through which they spend so much time communicating and purchasing.

This background, combined with the sheer pace of change, makes it even more essential that banks and wealth providers now become

highly introspective and objectively analyse their core business, decide where they truly add value, and then build their technology and business strategies accordingly.

This, Reynolds maintains, is likely to involve key partnerships to allow them to provide the level of services across many facets that clients will expect from those institutions in the future. And the FIs need to rigorously assess how to manage new technology projects and external partnerships. The right strategic partnerships can dramatically enhance the client experience while freeing up the financial institution to focus its expertise on its core value-added.

Partnering with Quantifeed

To walk the talk, Saxo has forged several new partnerships and deals. In late 2019, for example, Saxo Markets and Quantifeed announced a joint solution to enable financial advisers to scale quickly in a challenging environment. They signed a Memorandum of Understanding to deliver a platform-based solution that will help financial advisors provide planning and advisory services with greater efficiency, flexibility and scalability.

Built on top of Saxo’s OpenAPI, Quantifeed’s robo-advisory technology brings a comprehensive solution that streamlines the digital wealth management experience. “This will be available from Q2 2020,” Reynolds reports, “and will provide seamless integration of backend functions, freeing advisers from administrative work to focus on client-centric advisory activities.”

The platform will include three core functions: portfolio and account management, which lets advisers construct, customise and rebalance portfolios and screen investments in just a few clicks; CIO

notices, which provides advisors with actionable intelligence that enables them to help customers respond nimbly to market events; and “interactive investment journey”, a tool through which advisors can deliver a simple, fast, informative, transparent and personalised investment journey to customers digitally.

“From our conversations with financial advisers and wealth managers, there is a strong desire to overcome barriers to go digital and get to scale quickly, but many are bogged down by high costs and a multitude of disconnected systems,” Reynolds adds.

In essence, Saxo and Quantifeed see the opportunity to offer advisers the ability to reduce, by up to 70%, the time taken in paperwork when onboarding new clients through a fully Digital Onboarding Flow that connects to the adviser and broker simultaneously. Aligned to this, it will offer access to Saxo’s world of over 4,000 ETFs and more than 500 Unit Trusts worldwide, over 19,000 stocks across core and emerging markets on 36 exchanges worldwide, and access to more than 5,000 government and corporate bonds.

“Moreover,” Reynolds explains, “there will be a state-of-the-art tool for rebalancing client portfolios across large numbers of advisers and end clients. And it will offer a huge increase in operational efficiency by optimising and digitising operations and backend functions, as well as significantly boosting the ability of advisers to deliver in-depth and personalised investment advice to customers more quickly and effectively.”

“Partnering with Quantifeed to deliver this solution is a win-win collaboration as we tap into their strengths in robo-advisory tech-

nology,” Reynolds says, concluding his views on this particular new relationship. “Combined with our OpenAPI technology and global market access, we can now offer advisers the widest range of asset classes and geographies, which they can then translate into the ability to design optimal portfolios for their clients, while significantly improving their productivity.”

“Digitisation is the answer, and the fastest and most cost-effective way is to tap partnerships and FinTech solutions to expedite the integration process, especially for the smaller players who have fewer resources,” Reynolds states. “The solutions allow financial advisory firms to future-proof their business with a modern platform-based business model. The increased scale and automation of back-end processes frees up advisers to focus on investment performance, customer management and acquisition. For the firms themselves, there is a low cost of ownership, and they can keep pace with technological innovations but at lower ongoing capital and operating expenditure.”

Saxo LGIDirect - client centricity in action

Saxo LGIDirect was launched in October 2019 to offer investors direct access to LGI funds and single stocks, bonds and ETFs offered by Saxo.

LGI, part of the powerful Singapore Oversea-Chinese Banking Corporation (OCBC) Group, was the first fund house in Singapore to collaborate with Saxo to offer its funds through Saxo’s user-friendly investment management tool, Saxo Investor. “Speedy digital onboarding with immediate funds transfer allows investors to start investing in just minutes, instead of days,” Reynolds reports, “and





that means LGIDirect will have a major competitive edge.”

It is accessible via desktop or mobile web browser and allows investors to access a common interface with direct access to LGI funds to build a diversified portfolio of core LGI Funds and other investment products offered by Saxo, such as stocks, bonds and ETFs.

“And the Saxo LGIDirect platform also lowers costs for the investor, removing traditional costs such as sales charges and platform fees,” Reynolds elaborates. “Creating a win-win solution for our partners has always been core to Saxo’s DNA, and this joint initiative does exactly that.”

Moreover, he adds that the SaxoInvestor platform is easily customisable to meet the needs of institutional and wholesale partners of all types. “As you can see from this case, we believe Saxo’s solutions and world-class technology enables LGI to offer an optimal service to their investor clients that are ideally suited to today’s environment,” Reynolds states.

Reynolds observes that self-directed investing is taking more and more market share simply because the ability to find investment information and strategies online for client portfolios is much more readily available than ever been before and is continually improving. This means people can divorce their investment decisions from the mechanical side of execution.

Keeping the ‘old school’ friends

Another fascinating deal for Saxo came in mid-2019 when the firm acquired BinckBank in the Netherlands. Binck is one of the largest online brokers in the Netherlands.

“What is most interesting about the BinckBank acquisition is that

they have a much more advisory focussed and wealth focussed business than Saxo does,” Reynolds explains. “Historically, Saxo has been very much driven as a self-directed trading, execution-only type platform, but in recent years we have become much more investor focussed, putting more investor products on, adding mutual funds on, adding lot more focus on the different stock markets that we have. So, with the addition of Binck it’s going to allow us to become much more competitive in the advisor space.”

And Saxo is keen to build on the Binck-type traditional wealth manager advisory model in Asia. “Saxo is also focusing intently over the next few years, especially here in Singapore, on this core ‘old school’ type of wealth management business,” Reynolds reports. “Accordingly, we are looking at the independent financial advisors, the external asset manager space and also partnering with some of the private banks to provide the platform for them. We also have a significant number of family offices that come directly to us, and we will have a portion of their assets which they actively trade.”

Working with the private banks

Saxo has also been working hard to maintain and build its relationships with the traditional private banking community. He explains that Saxo works with a considerable number of clients to handle a certain portion of their assets that they actively trade, while those clients will keep the bulk of their assets with a private bank.

“This,” he says, “is because the value proposition of the private bank is safety, and they are implicitly, if not explicitly,



guaranteed by the governments. The private banks do not take our platform as a self-directed platform for themselves, but instead, use our infrastructure to access Saxo's enormously broad range of products and different markets, all through a single platform." Moreover, he adds that the banks can, if they choose, also build their own user interface to front it up rather than using Saxo's UI.

The private banks, Reynolds explains, have different silos with different systems, whereas Saxo offers a unified system, so the customers can build one connection to Saxo, which can then run all the account structure, all the operations, all the corporate actions, the execution and even the custody. "The clients can then build their own client experience, build their own front-end, whether that is to be via the relationship manager or self-directed," Reynolds elucidates. "And what we do is all the back-end facilitation for them using our infrastructure."

"Saxo is here as a highly efficient, cheap access to a broad range of markets, a broad range of products, so if you're an active trader or self-directed, of course, you would consider coming to us rather than the big, expensive private banks," Reynolds elaborates, concluding his views on this topic. "The private banks are more of a vault where you store assets, so I don't see a huge amount of competition between us and them."

The rise of the machines

A fascinating and evolutionary trend Reynolds and Saxo are both excited about is the rise of the robo-advisory space. He also reports that Saxo has also been very successful in pushing into the robo-advice space and is already working with seven of the ten robo-advisors in Singapore as their execution and custody partner. "These new entrants are spending a lot of money marketing in the past couple of years," he reports, "and they are having

different levels of success. Overall, we have started to see much more accelerated growth in their AUM as their marketing efforts are paying off."

He observes that as their client acquisition costs go down, these robo-advisories can become more efficient. "I think the next phase is the bigger names will also start to move into that arena more themselves," he remarks, "as we have seen already with DBS and OCBC. Generally, this will be in partnership with a technology provider, such as Quantifeed or WeInvest. Both of those technology providers are partners of ours, they build the front end and then will connect to us for the backend stuff."

Changes ahead, but no race to the bottom

Another key trend Reynolds foresees is with regard to the evolution of fees and charges. He foresees, for example, an end to trailer fees, otherwise known as retrocessions. "If that happens, if the regulator

acts, as we expect will happen, the traditional wealth management model will be significantly impacted,” he comments.

Reynolds also observes that the rise of the ETF market has further propelled the growth of AUM in the passive space. “The execution platforms such as Saxo will continue to help drive costs lower for self-directed execution,” he comments, “although we do not expect that the zero-cost model will make it to Singapore because underpinning that model is a whole lot of hedge funds who will pay for the order flow that they’re getting from those big US platforms.”

He elaborates, noting that in the US there is a phenomenon called PFOF - payment for order flow. “The thesis is that retail traders do

not have any inherent knowledge, so their buying and selling gives hedge funds an opportunity to make money from the spread, so there are market makers in the form of some huge hedge funds, well-known names, that pay the online brokers and platforms to give the order flow to them from retail clients. However, this is not legal in Europe, and not really practiced in Singapore.”

“In Singapore,” Reynolds adds, “the market is frankly too small, so you can’t get an income from giving your flow to someone, and the costs of executing here on the exchange are quite high, so it would be loss-making to move to zero, whereas in the US they can still make their revenues from the trades that are coming in being

paid for the flow. In short, I don’t see the margin compression here taking it down to those sorts of levels. We are probably the cheapest broker here in terms of local and international activity, we don’t feel the pressure to go any lower, and we are very happy with the levels we have at the moment.”

Keeping the passion

Reynolds may be a veteran of the financial markets and wealth management, but his passion for the business is evidently as undiminished as his love of fishing. And at Saxo, he seems to have all the right hooks and lures to help bring in more ‘big fish’ clients, as well as many more of the smaller catch in the region. ■

