

Sticking to what's core for a successful platform

Private banks must constantly evolve and fine-tune their digital platforms to deliver on what clients want and how they prefer to interact with their advisers, according to UBS' Stefan Arn. But they must do this in line with a clear strategy and plan of execution.

As private banks big and small grapple with how to prioritise the evolution of their offering via digital platforms, they need to focus on what's core versus non-core.

out those aspects of the offering where it believes it can bring the intellectual capital of the firm to life. This is mainly around the advisory process, where UBS enhances investment decisions through

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Yet this doesn't mean identifying which of their products and services are more or less important to the business – rather it is about how they allocate their resources to leverage on their competitive edge – with a genuine focus on clients.

UBS Wealth Management, for example, is betting its digital future on building

a fully automated robo-system in conjunction with the opinions of the chief investment officer (CIO).

Clients benefit from customised portfolio construction capabilities, daily portfolio health checks and repositioning recommendations which match their individual risk appetite and financial targets.



STEFAN ARN
UBS

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cially since time to market is becoming so crucial," says Stefan Arn, chief information officer for UBS Wealth Management and also UBS Switzerland, as well as IT head for strategic regulatory initiatives at the group level.

GETTING THE CORE RIGHT

The temptation for many private banks which are playing catch-up is to try to react to the rapidly-changing service and product habits of individual markets or specific client demographics.

However, operating a platform in this way is also a very costly exercise.

As a result, for example, the online wealth management offering that UBS has in Switzerland and Germany is based on a single platform.

Although this creates a larger and more complex back-end than the competition, it also leads to what Arn describes as a superior offering to the rest.

This is based on various factors. For example, UBS uses more data sources than other banks, capturing the investment news of the 900-person chief investment office. Then the bank has the largest product shelf in the market

It is something Arn has thought about. But he prefers to adapt and evolve what he has in place already – rather than building it again from the bottom up.

It isn't the money which puts him off; instead, the need to be quick-to-market drives his mind-set.

From a client perspective, being able to deliver valuable, contextualised content also highlights the value of an established system.

Building a GUI is only 1% of the overall IT cost, and without the right data and content, there is nothing to bring it alive.

Being a market leader also poses its own set of unique challenges for Arn.

"This is why we can't lose a minute," he says. "It has become a scale play."

Hypothetically, he explains, assume the bank is able to create one wealth management platform capable of serving all markets that UBS wants to be in, as well as meeting all the product suitability requirements in each location and adjusting very quickly to any changes.

If the bank successfully does this, then depending on the business appetite, it can offer the platform to a level where the CIO opinion provides certain product insights and directs the execution platform, which interfaces with the wider market.

FINDING A ROLE FOR FINTECHS

One of the ways Arn says UBS has experimented to aid out-of-the-box thinking is running a competition with a number of fintech companies.

The hope with any such collaboration, he explains, is it will bring a viable idea

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Instead, a key component in the overall objective for any private bank must be consistency, urges Arn.

Apple represents perhaps one of the best examples of how to achieve this. There is standardisation from the colour of the product to the design, even, of the stairs of its retail outlets from New York to Hong Kong to Zurich.

Such a philosophy is particularly important for a bank with the market coverage and influence of UBS, and which must be cognisant of maintaining its track-record of systematic advice.

Arn says this starts at the back-end, which typically absorbs 95% of the IT cost.

from which it can recommend suitable investments and strategies. And this is all integrated with a suitability engine which currently covers more than 90 regulations globally.

"We can do all the cross matching that we need to," explains Arn.

It is built to handle, for example, a Canadian client living in Singapore and booking in Switzerland.

NOT STARTING FROM SCRATCH

Amid the mind-boggling complexity of getting all this right raises a question about whether it would make more sense in the long term to abandon all the legacy systems.

to justify UBS partnering with them. Yet these situations are the exception rather than the norm.

“The challenge is finding the ‘pearls,’” he says. “But given the global investment in the double-digit billions into fintechs in 2015, there must be some pearls to find.”

In his opinion, this is unlikely to come in the form of a fintech being able to disintermediate the business.

Onboarding clients, for instance, requires an IT architecture that is set up to pull data from multiple sources to facilitate and support the suitability discussion that is required.

As a result, fintechs are more likely to be useful to him in providing specific pieces of the jigsaw which UBS prefers not to do itself for its wealth management business – which goes back to determining what is core.

“So if a firm comes to me with yet another idea for an aggregator, then this is less interesting since we have done this ourselves for many years,” explains Arn.

“But if someone is able to provide a way for us to handle a product on our shelf in a more convenient way, that’s exciting,” he adds.

Or, when somebody offers Arn another way to do a payment, this is also appealing to him, because it is not core.

In a decade’s time, he says that he would expect to see some significant changes to the banking landscape when it comes to the areas of execution, settlement and transactions.

“One area of these developments is digital currencies and blockchain technology, where there is high chance to increase transparency and automation,” he explains.

Among the main shortcomings with fintechs for the time being, however, include the timeframe within which most of their ideas will actually be scalable.

Further, they might only be relevant or useful in a particular market.

And given Arn’s desire for a standardised offering, an investment in anything which runs contrary to such a goal seems unsustainable.

NECESSITY FOR SURVIVAL

The consequences of banks not investing in their platforms, or not doing so

with cross-border business. “Operating large franchises with multiple locations [around the world] will eventually be not viable [without scalable digital platforms],” says Arn.

From his perspective, scalable means being able to more easily cope with adding more clients.

The platform itself has to be elastic; that’s proven at UBS.

“In Germany, for example, we operate at marginal costs when we on-board new clients,” he says.

“So the predicted savings have materialised,” he adds.

Ultimately, and regardless of the various ideas and innovations that float around

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in a strategic and sustainable way, are so far-reaching that it explains the current scramble by many senior management across the industry to upgrade their platforms now.

In short, it becomes prohibitively costly to do business without embracing digitally-led change in this way, especially for larger international players

the market, most important for any private bank looking to create a competitive and relevant platform is for it to stay focused.

“It is all about people, strategy and execution,” confirms Arn.

“If one of those three fail, we don’t have a business.” ■