

Swissquote Poised for Robust Asian Growth from New Singapore Hub

Damian Hitchen, Chief Executive Officer of Swissquote Pte Ltd, the Swiss company's newly formed Singaporean hub for Asia, believes that to survive and thrive, wealth management firms in the region must both adapt their business models and swiftly bring in the latest available technology to enhance their offerings. He met with Hubbis in August to elaborate on the opportunity he sees for Asian clients to utilise Swissquote's global custody and trading platform, and to explain what he and his colleagues will be doing to boost brand awareness and build their business in the region.

HITCHEN HAS RECENTLY MOVED FROM A SUCCESSFUL FIVE-PLUS YEAR ADVENTURE with Swiss-

quote in the Middle East, where he successfully developed the region's business from a stand-ing start in early 2014. Now in Singapore, where the firm has just opened its new regional office, he is the driving force for the expansion of Swissquote's custody and trading platforms in Asia.

Hitchen sees a world of opportunity in Asia as the wealth management industry continues to expand to meet the demands of rapid growth in private wealth, and as the industry strives to improve its offerings, a core part of which he believes will be enabled by firms entering technology and platform partnerships to develop their overall proposition.

Huge potential

"The Asia-Pacific market opportunity is remarkable," he states. "The region offers the largest accumulation of private net worth in the world, surpassing North America back in 2015, and the growth in APAC is remarkably dynamic."

Hitchen has an in-depth appreciation of the global wealth management clientele and their needs, as well as a deep understanding of the global market that Swissquote services. He highlights how while there is already improving online access to wealth management products from the major banking names in the region, in a market as advanced as Singapore in terms of technology and financial services there is still a lot of room for improvement.

Stakeholders go digital

The choice of Singapore at this time is driven by the move of all stakeholders in the wealth man-

Key Priorities

For the year ahead, Hitchen's main priority is to boost brand awareness in the Asia Pacific region. "We now have our licence, so we are able to really accelerate our efforts," he reports. "Whilst we are a listed Swiss bank, we are relatively new to the region. The first segment we are focusing on is the external asset manager community, some of whom already work with us, but we will be reaching out to the other EAMs in the market, as well as local securities firms, family offices, insurance companies that want to extend their global investment footprint for their clients."

He explains, for example, that Swissquote has recently been discussing with insurers how the firm can help them in their digital journey, to provide their clients with what he calls more elegant, more efficient investment opportunities within the insurance space, especially the bancassurance segment.

He adds that armed with its new CMS licence, the regulatory environment allows Swissquote to onboard accredited and institutional investors in Singapore and the firm has conducted an intensive review of the region's cross-border rules and requirements, resulting in a defined target market of around 10 countries across the region where the firm can deal with B2B counterparties and institutions.

agement industry towards digital delivery. Throughout Asia, Hitchen and colleagues see immense potential for Swissquote to work with many larger and smaller wealth management firms.

"We see the fundamental driver for technology as meeting the expanding customer expectations of today," he explains. "There is huge money being spent within this ecosystem to move the whole financial services industry forward, with a huge percentage of that money being spent on technologies, from robo-advisory solutions to alternative finance or lending

platforms, built around digital delivery, of which we believe we can add value to the ecosystem."

Freeing up your resources

The Asian wealth management industry will, Hitchen firmly believes, be one in which the human interface with the client remains vital for the foreseeable future."Whilst being an execution-only, digital provider of financial services, our success is directly linked to the continuing face-to-face or personal advisory services provided by our partners who provide advice to their clients and custody and execute via our platforms." But



DAMIAN HITCHEN
Swissquote

for relationship managers and customer-facing team members to be truly successful, their firms must free them up from laborious tasks, and enable their revenue generation with the support of new technologies. To do so, they should work with specialist partners who can genuinely help them fast-track the necessary changes, or at the very least they should consider outsourced plug-and-play solutions.

Swissquote offers a state-of-the-art global custody and trading platform with tools to allow firms to trade on behalf of their wealth management clients via direct market access of the Swissquote platforms. The firm's clients in their rapidly growing B2B segment include full-service global banks, private banks, independent/external asset managers, insurance companies and family offices, all of which are looking to provide their clients with an enhanced digital experience to sit alongside their professional face-to-face advice.

The CMS springboard to the region

Swissquote's new Singapore operation obtained its CMS licence from the Monetary Authority of Singa-

Getting Personal

Hitchen hails from Lancashire in the northwest of England. His birthplace, Chorley, is in between Manchester, Preston and Bolton, a region famous for its football and rugby, especially the rugby league version of the game. He attended the University of Hull in the neighbouring county of Yorkshire, studying accounting and finance.

He began his career as a management accountant and then moved to Dubai in 1999 with HSBC, where he worked in a variety of senior roles, including the wealth management side for almost a decade, before working with a variety of Swiss banks.

"I helped HSBC set up their wealth business up in the Middle East, which turned out to be a big market for HSBC," he recalls. "I left the bank in 2008 and after several other roles arrived at Swissquote in late 2013 to focus on the firm's expansion in the Middle East."

During the period from 2014 to 2019, Hitchen built a successful B2C-B2B office from the DIFC, Dubai with a major focus on the development and upgrade of the bank existing institutional platform services. In July this year, he relocated from Dubai to head up Swissquote's new office in Singapore, which will act as the regional booking centre for its business development in the Asia-Pacific region, with a focus on professional, industry and institutional clients such as external asset-managers, insurance firms, securities brokerages, family offices and local regional banks/private banks.

Married to a South African, the couple have one son who will turn five years old in November. Given his background and his wife's nationality, it is little surprise that their son is already enjoying rugby lessons in Singapore. "We are a very sporty family, so, for example, I played virtually everything as a boy, from football to rugby to cricket and then golf later on, and I am certainly looking forward to golfing around this region, now that we are based out here."

pore at the end of July and is now able to provide custodial services and book assets in Singapore. "This means our Asian clients can now legally contract with us under

Singaporean law and under the protections of the MAS regulations," Hitchen explains, "we can deal in all types of securities and financial products for any clients

wanting to leverage our 3 million-plus product, multi-asset class global trading platforms.”

Although the Singapore office has only just opened, Hitchen has been visiting Asia regularly in recent years, and the firm has assembled very considerable knowledge of this market. “We have made extensive efforts to get to know market players in the region in recent years,” he reports, “and we know there is some real frustration in terms of the service that the

By Tier 1 players, Hitchen is referring to the global custody banks. “One of the key challenges in terms of delivering a digital platform, particularly for the large global banks, is that it requires full integration,” he reports. “We see the major banks able to put together a shiny all-singing, all-dancing front-end which looks lovely to the customer from the UX experience, but behind the scenes, the middle and back office is struggling to execute the transactions in an integrated solution.”

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independents, the external asset managers and smaller wealth firms may be getting from the incumbent players, here I mean the large Tier one players.”

Seamless ease and efficiency

But Swissquote, he explains, has been honing its platform offering for more than two decades, and has put an enormous amount of

work and investment into this. “We are actually a listed Swiss bank,” he notes, “but around half of our staff are tech people, and as such we are often referred to as a ‘fintech bank’, offering state-of-the-art end-to-end architecture that is incredibly elegant and efficient.”

“We are very different from your normal traditional Swiss bank or Swiss private bank,” Hitchen adds. “We are a fully digital bank offering a global banking, trading and custody platform that is purely online.”

Partners first

As such, Hitchen and his colleagues are intimately involved in the evolution of digital financial services. He reports that Swissquote’s approach is somewhat unique, as the firm gives all its client-partners direct access to its trading platforms, which is quite unusual in the custody space. “This,” he says, “means they our partners can log on from wherever they want, whenever they want and everything is available online, everything has an audit trail, everything is available on the system.”



Hitchen reports that perhaps the biggest USP for Swissquote is the direct market access and control it gives to independent wealth managers. "The mission," he elucidates, "is to provide the EAMs and wealth managers access to a global trading platform on which they can control their trading activity directly, rather than having to use the traditional model of a relationship manager desk from the global custody banks for the execution of their clients' trades."

"Our platform," he adds, "is effectively theirs to work with their end clients, as they require and at their convenience - effectively removing the 'middle layer' of the EAM RM desk, speeding up transactions and reducing the amount of manual work for all parties. The majority of the global custody banks do not offer this direct access, clients must work through an RM desk or an EAM desk, for example. That can be cumbersome, so we offer speed, efficiency, transparency, a very wide investment universe, and of course at a manageable and competitive cost."

"We also offer our partner firms a wide range of revenue-sharing options when using the platform. We have explicit fees for the use (lease) of our platform, custody and brokerage execution, and our partners are free to mark-up or add margin across the above revenue streams, physical foreign-exchange and even on collateralised lending ("product financing / Lombard lending)." In this way, Hitchen believes Swissquote are providing a wider range of revenue opportunities when compared to those available from the incumbent players.

Hitchen is also a firm believer that for the independent wealth management operators, sensibly aligned partnerships and outsourcing are the optimal means to

Swissquote's First Class Swiss Partner

Swissquote's largest partner globally is Post-Finance (the Swiss Post Office), which is in fact also a bank. They have numerous branches across the length and breadth of Switzerland, and as so many locals have had savings with them over many, many years, they continue to bank millions of customers.

By way of example of exactly how effective a partnership with Swissquote can be, Swissquote and Post Finance several years ago entered a successful partnership to provide the wealth management platform for their customers with billions of assets and savings.

"For Post-Finance," Hitchen explains, "we made our platform modular, which allowed them to build their own bespoke universe for their clients. And we white labelled it under their brand, so clients of theirs can then log in to their online banking and access their chosen investment universe and are then able to execute directly on the platform. Our platforms provide middle and back office services, and with PostFinance we took it 1 step further and built the front-end for them, via both a branded web-based platform but also by building their smartphone App on both Apple & Android - so if required we can provide front-middle and back-office services."

This relationship, Hitchen explains, shows how Swissquote can essentially "give" its platform back to the firm's institutional partners. "We say that once you onboard it as our B2B partner, we will teach you how to use it, we will show you where you can make your different revenue streams, but they have it directly, and they have direct access for instant action in the markets."

"We see ourselves as an enabler and partner for any licensed and regulated firm, even for a family office," he elucidates. "We try to make it cost-efficient for all our partners, of whatever size, to start a relationship with us. And in terms of pricing, we are highly efficient and very transparent."

rapidly and efficiently help them to evolve their products and services, to bolster their revenues and to strengthen themselves against the inevitable wave of new competitors.

The choice is yours...

Swissquote, Hitchen enthuses, partners with a wide range of large and small financial institutions and wealth management firms,

to offer them B2B solutions that significantly upscale their capabilities, their client service and therefore their revenue streams. “We also offer a full white labelling service, meaning that our partner firms can brand our platform to look and feel like their own - we have done this for our largest B2B partner which is another Swiss Bank, down to smaller EAM firms and as we see more ex-Bankers making the move out to the independent space, this can provide additional differentiation and brand-building value for firms.”

Bank and fintech combined

As Swissquote is as much a software house and fintech as a fully licensed, regulated and stock market listed bank, the firm can rapidly and efficiently work with B2B partners to build the platform uniquely for them.

Hitchen explains that Swissquote has accumulated a global portfolio of more than 300,000 clients, of

which about 220,000 are individual direct clients, and the rest are clients from its B2B partners.

Hitchen gives the example of a hypothetical multi-family office client. “They, like other independent asset managers, need a robust custodian partner that gives access to all the required markets and products, across the asset classes, and through which you can execute trades smoothly and efficiently.”

Solidity

Safety and security are core to the Swissquote proposition. “We are a custodian ourselves,” he reports, “and we also use a range of major global banks as sub-custodian counterparties, so clients know the assets are held with a regulated listed Swiss bank, Swissquote, or with a respected global counterparty network.”

Hitchen also highlights how Swissquote itself is both stable and well capitalised, having been listed

in Switzerland since 2000. The bank has a core capital ratio of 22% as of mid-2019, a figure which is at the top end of the top banks in Europe. Swissquote had CHF30.5 billion in client assets at mid-2019 and achieved net new money of just over CHF753 million in the first half of this year in Asia, out of total global net new assets of some CHF3.41 billion.

The world at your fingertips

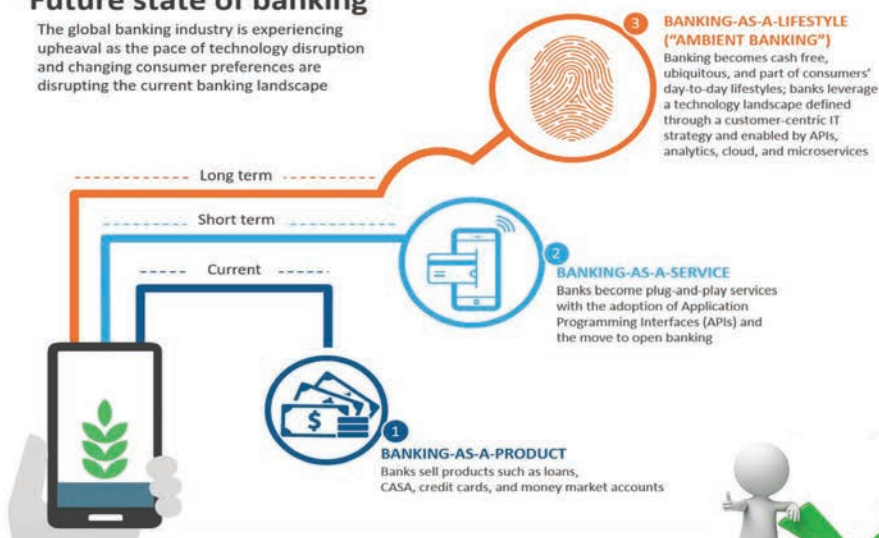
Offering full information, access, and functionality, Swissquote’s investment universe of global markets includes the ability for clients to gain access to stocks, ETFs, funds, fixed income, structured products, options, futures, indices, derivatives and FX, both physical and leveraged, and commodities. As well as the 3 million products available via the platform, Swissquote also offers an OTC Trading desk for B2B partners.

All Swissquote customers around the world can manage their accounts and global trading via

1. Retail / Personal / SMEA financial services

Future state of banking

The global banking industry is experiencing upheaval as the pace of technology disruption and changing consumer preferences are disrupting the current banking landscape



Progress

1. Banking as a (digital) product >> *global take-up and implementation*
2. Banking as a (digital) service >>
 - ‘Aggregators’ of multiple Banks
 - Link into 3rd party partnerships – such as Robo – InsureTech
 - *This is emerging*
3. Banking as a lifestyle
 - Big-data / behaviour driven
 - *R&D phase very much the future (but new entrants such as FB-Amazon etc would have a head start on data side....)*

a PC, a tablet, or a smartphone. And with Swissquote's execution-only model, this means there is no conflict of interest with its B2B partners, as the partner delivers the product and advice and then executes on the Swissquote platform.

Hitchen explains that being a B2C and B2B player, Swissquote has a range of platforms available for customers. "The platform for us is basically giving our clients a landing page tool, where they can log on, they can see their bank accounts, they can see their global

assets and they can trade and execute their global asset classes."

Swissquote offers clients the choice of two legal and operating models. The traditional EAM desk Model and the Swissquote 'Full' relationship model.

Hitchen's 'big-picture' premise is therefore evidently that an alliance with a firm such as Swissquote can solve many of the dilemmas facing many of today's wealth management players.

"To fast-track change," he says on closing the discussion, "firms

must identify the areas where they can and want to change and then either do it themselves, or, as is more advisable for all but the very biggest players, work with a partner who knows what they are doing, a specialist, and plug and play into that platform, that solution. Partnerships, from both a purse and a business perspective, are strongly preferred. And outsourcing is the next level of preferred option. In short, the opportunity here in Asia is both vast and exciting." ■

