

# Swissquote: Spreading the Word of its State-of-the-Art global trading and Custody Solutions platform via its “Partnership model”

Damian Hitchen, the Singapore-based Asia CEO for Swissquote, is enjoying his new working life in Singapore, where his family has settled in ideally. In his hectic working life, he sees a world of opportunity in offering platform solutions for Asia’s many independent, external asset management firms and wealth management advisory firms, to help them evolve and thrive in a rapidly changing global financial landscape. Working with the Swissquote global trading and custody platform, he firmly believes that many such wealth management businesses can significantly enhance their capabilities and offer their clients a world of product and trading opportunities, all at a sensible entry and ongoing cost basis. Hitchen met with Hubbis again recently to elaborate on the progress so far since the company set up its Singapore hub in mid-2019, to project his vision of platform solutions for the foreseeable years ahead, and to recount how his love of golf is perfectly suited to his new life in Asia.

## Hitchen moved to Singapore

to build the Asian operations, having spent roughly five years successfully building the firm's Middle East footprint. He began the discussion by explaining that Swissquote has been a digital bank for almost two decades and that the company has a major thrust now to build its presence in Asia, having opened the new office in Singapore in July 2019 having obtained all the appropriate local licences from the MAS.

## 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. And Singapore is an ideal bridgehead into the region, it is a very exciting development for us."

The choice of Singapore as the Asian hub is driven by the move of all stakeholders in the wealth management industry towards digital delivery. Throughout Asia, Hitchen and colleagues see immense potential for Swissquote to work across the spectrum of wealth management firms from small independent firms to large regional Banks and securities houses.

"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 large focus of that money being spent on technologies to drive digital delivery, of which we

## Hitchen's Key Priorities for 2020

First, Hitchen and his team, locally and globally, are raising awareness of Swissquote. "I have gone in some detail through what we see as the advantages we bring to the market," he remarks, "our mission is, therefore, to get out and about to drive home these messages to our existing and future partners we see out there."

The second is to make sure Swissquote stays ahead of the game. "Continuous investment and development of our platform are essential. We have an internal culture of continuous feedback from our partners, whether existing or prospects, to make sure we remain fit-for-purpose with our solutions," he reports. "We have grown very fast globally in the past five years, and we continually work with our partners to further develop solutions, investing significantly to achieve that."

His third priority is to communicate the firm's vision and the market's vision of the evolution of wealth management. "We must continually look ahead and make sure we are 100% on top of market expectations, market developments, and a host of variables that will help forge the future shape of this wealth market. We aim to be at the cutting edge of this type of thought leadership initiative. We will be an integral part of that ecosystem to really help build some transparency and build a journey, a roadmap in terms of how market participants - whether they work with us or they don't work with us - see things moving and how we can be at the forefront of what is going to be a rapidly changing industry in the next two to five years."

believe we can add significant value and functionality to the ecosystem."

Hitchen himself was a private banker earlier in his career and 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.

## SOLIDITY ALIGNED WITH DIGITAL EXCELLENCE

"Swissquote is a Swiss listed bank, but we are a digital bank, and in terms of what we do in Asia from our regional base in Singapore we are providing digital global custody and multi-market, multi-asset class execution services to our partners," Hitchen explains. "Importantly, Swissquote does not give financial advice, we are execution-only, and we do not manufacture our own product, so we have an aligned partnership model with the independent wealth managers and financial advisors in the region. There is no conflict



DAMIAN HITCHEN  
Swissquote

of interest danger as we do not provide the same advisory services of our partners, so our businesses are mutually aligned in that the usage of our platform is driven by our partners providing advisory services to their clients, and executing these on our platforms.”

### BANKING AND TECHNOLOGY COMBINED

He offered more insight into what Swissquote really means by being a “digital bank”. “We see this as the mode of communication and transaction, wherein these clients are executing their relationship with us via remote channels,” he explains. “The remote channels include our range of web-based platforms, which are easy to access 24/7, offering a great UX, or it might be through smartphone or tablet apps. But the key factor is that our clients globally, which number over 300,000 - individual, B2B or institutional - all deal with us via our remote channel.”

He elaborates, adding that this digital DNA of Swissquote is marketed currently partly through a tagline called ‘Challenge the Code.’ “Part of our DNA has always been to look at the banking

### Swissquote’s First-Class Stamp of Approval

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. “Once you are onboarded as our B2B partner, we will teach you how to use it, we will show you where you can make your different revenue streams, with the key point being our partners then have complete control over their trading and client management independently, they have direct access for instant action in the markets, and do not need to rely on us to execute their plans.”

“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.”

industry and see how we can help do things differently,” he comments. “The mission is always a more client-focused proposition, delivery through the customer’s preferred communication channel, automation at every possible step,

and a cost-effective total solution. That is part of our DNA, our culture.”

He explains what the Singapore hub has been created for. The firm obtained its CMS license in August 2019, and the office

is now an important booking centre, regulated under the highly respected Monetary Authority of Singapore rules. And the focus is very much in the institutional or the partnership space, whereby Swissquote is bringing its global custody and global multi-asset class trading platforms, first to key B2B and institutional partners in Singapore and Hong Kong, and then the wider region.

### A BROAD MANDATE

“And to clarify,” Hitchen explains, “we when we talk of institutions, we are really talking about B2B2C. We refer to these clients as our “partners” who use our platforms to serve clients of their own. They are effectively adding to and enhancing their service proposition with their clients by using our platforms. Our target partners include family offices, EAMs or

Hitchen explains that clients span all the way from proficient, self-directed investors to the largest client, which is another Swiss bank. And between those two parameters, he explains that Swissquote has over 600 B2B partners across the globe using their range of online platforms and tools. Those same clients are managing accounts of anywhere from USD500,000 (private client) to institutions running billions of dollars of client assets. “This underlines both the flexibility and scalability of our platform, and also that we have an open-door policy to our clients. Unlike certain large global custody banks, we do not ask you to have a minimum account size of tens/hundreds of millions of assets, or pay a sizeable minimum platform fee before you can work with us, we really do care about the partnership model, which in many cases helps our partners grow from a small firm upwards during the relationship.”

**“There is a greater region-wide acceptance of the move to digital and to slightly different operating models, especially those that also offer tools today’s clients increasingly want, for example real-time reporting and portfolio valuations. Our partners can offer their end-clients face-to-face advice, which we still firmly believe in, but then access and execute through us in the most efficient, transparent and cost-effective way.”**

IAMs, general financial advisory firms, local securities brokerages, regional banks with a strong Asia footprint but limited global footprint, local Asian banks, or insurance companies. Our partners work with us to achieve a more convenient and more efficient way of managing either their money or their clients’ money.”

While historically the main viable options for Swissquote’s target market in Asia were the Tier I private banks for custody, that has changed. “For example, Swissquote is a listed and well-regulated Swiss bank, with over CHF32 billion of client assets, so we are becoming more visible and accepted in the region as a very





strong and competent provider,” Hitchen comments.

“Secondly,” he continues, “there is a greater region-wide acceptance of the move to digital and to slightly different operating models, especially those that also offer tools today’s clients increasingly want, for example real-time reporting and portfolio valuations. Our partners can offer their end-clients face-to-face advice, which we still firmly believe in, but then access and execute through us in the most efficient, transparent and cost-effective way.”

This all means, he concludes, that the old paradigm of “the only way to custody is with the large Tier I global private banks” is changing, and of course, that is good for the business potential in Asia.

Hitchen addresses the concerns its Asian clients might have about the safety of custody via Swissquote. “This is a key element of our brand awareness in our first year in Asia, and it is important that the partners, who in turn recommend us to their clients, appreciate we are first and foremost a listed, regulated Swiss bank with strong Tier I capital ratio, which at around 22%, is amongst the highest in Europe. We are not simply an online brokerage; we are a fully licensed and listed Swiss bank that operates a world class online brokerage platform.”

He continues, “the platform has arguably a wider range in respect of investment universe than most incumbent global custody banks offer – our partners can access over 65 exchanges, and currently we have >3 million tradeable across the platform from your online access, in addition to our OTC dealing desks, from my 20

years + experience in the wealth and private banking market, to have all of this available at your control, on demand from your user login is quite unrivalled!”

He elaborates, noting that Swissquote can also offer partners the ability to hold money market and deposit products with the bank, or with other banks for their clients. “We offer fully open architecture in every respect, so if a partner or their clients had a concern keeping large volumes of cash with us, they have the options of fiduciary deposits with other Tier 1 banks and some of the leading money market funds globally” he explains.

### EXECUTION-ONLY

Hitchen is careful to explain that Swissquote does not cross any lines in the sand with regard to the firm’s partners and their expertise. “We are an execution-only operator, we do not provide any financial advice. That is a real positive. First, because there is no conflict of interest between us and for example, an EAM, as they provide the advisory services, the discretionary services, they then use our platform for execution and custody. And there is a growing interest in tailor-made or bespoke product offerings, for example model portfolios (DFMs-DPMs) based on themes or geographies, our platform allows our partners to build, manage and re-balance those types of product solutions on our platform, but with their own management flavour and skills.”

He offers further insight into this, highlighting a platform functionality named portfolio templates that allows partners to build multi-asset class strategies or solutions on the platform. “Our partners can then offer

that to their clients, and then monitor, rebalance or reweight through our platform. We spend a lot of time with our partners to understand their businesses and their requirements, and then tailor our solutions and platform services to those, so we are truly a one-stop solution.”

## FINANCIAL ADVISORS AND THEIR JOURNEYS

Aside from the category of EAMs and IAMs, Swissquote has been having a lot of conversations in Asia with financial advisory firms. “We are seeing the FA firms looking to move up the value chain, moving beyond their typical retail clients to providing more EAM, IAM, or even mini-private banking services. Indeed, a lot of them in the marketplace now are potentially recruiting or have recruited ex-private bankers. To do so, they need the depth of the investment universe, product capability, functionality, efficiency, of a private bank, to deliver this new business model seamlessly. At Swissquote we offer precisely that, and more, thereby helping these ambitious FAs to move up the value chain, but at low entry and ongoing-costs, and with solutions tailored to their needs.”

## FACILITATING INSURANCE SOLUTIONS

He also mentions the insurance industry, highlighting how impor-

tant investment-linked insurance products have become, with literally multiple billions of assets under administration or coverage through numerous policies in Asia, some of which are very substantial indeed.

“We are seeing some of the major players, largely in the higher ticket insurance segment products such as the jumbo life, the VULs, and other policies starting to change the way in which they offer these into the marketplace. “For example, they are allowing the advisors of their policyholders to be able to manage the underlying securities that go into one of these jumbo or VUL products,” he explains. “We can facilitate that ideally, whereby the insurance companies can open a custody account with us, get access to our global investment universe, our product sets and our private banking functionality and the authorised advisors, such as the EAMs can manage the investment portfolio within the insurance product.”

## WORKING ALONGSIDE THE PARTNERS

Hitchen draws the main discussion to a close by re-affirming how Swissquote sees itself first as an enabler and partner for any of its clients. “We build the solutions to meet the required functionality and ensure cost-efficiency for all our partners, of whatever size, to start a relationship with us. In terms of pricing, we are highly efficient and very transparent. When we

work with our partners, we give explicit fees in terms of charging for custody, brokerage execution and access to our platforms. By using our platforms, our partners are benefiting from back, middle office services and very efficient settlement and transaction processing. Particularly for smaller firms this means they do not need to build large-scale operations departments to run a more manual model, we provide a large majority of back-middle office services as core within our platform.”

In this way, Hitchen believes Swissquote is providing a wider range of revenue opportunities when compared to those available from the incumbent players. “We believe that for the independent wealth management operators,” he explained, “our model of a sensibly aligned partnership, which provides outsourcing of certain operational functions, are an optimal way to rapidly help them to evolve their products and services, to bolster their revenues and to strengthen themselves against the inevitable wave of new competitors.”

“To fast-track change,” he says, on closing, “wealth management firms must identify the areas where they can and want to change and then either do it themselves, or, as is more advisable for most of 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.” ■



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### Hitchen's Snapshot: Some Core Reasons for Engaging the Swissquote Platform

Hitchen first sets the market situation in perspective. "We know there is revenue compression, there is downward pressure on margins, increased regulatory and reporting requirements, as well as growing demand for digital delivery," he reports. "Simply, this adds up to these players needing to organise their businesses differently." And with that, he then summarises some of the major benefits that Swissquote's platform solutions brings to the Asian markets.

Firstly, there is an elegant onboarding service, reducing time, improving clarity, and cutting costs, he notes.

Then there is the direct market access. "It is vital," Hitchen reports, "when you are providing advisory services, to ensure that you not only provide your clients with a very broad and good choice of investments but also an efficient execution to market. One of the challenges of the incumbent model in Asia is that it remains a very old-fashioned operational model. For example, the EAM devises a strategy with its client, and the client agrees to a multi-asset class portfolio to be executed. For many EAMs this means they then go to their custodian bank, through an RM, and place the multi-asset orders. Perhaps the RM answers immediately, perhaps not, and then the RM may need to place the various orders across the different dealing desks. This all takes a lot of time, and from our constant feedback from the market very rarely meets "best execution" targets, the current model is inefficient, some partners argue non-transparent, due to this old operating model. Most large global custody banks have internal-facing systems, not external facing to the partner, and this results in an inefficient execution process."

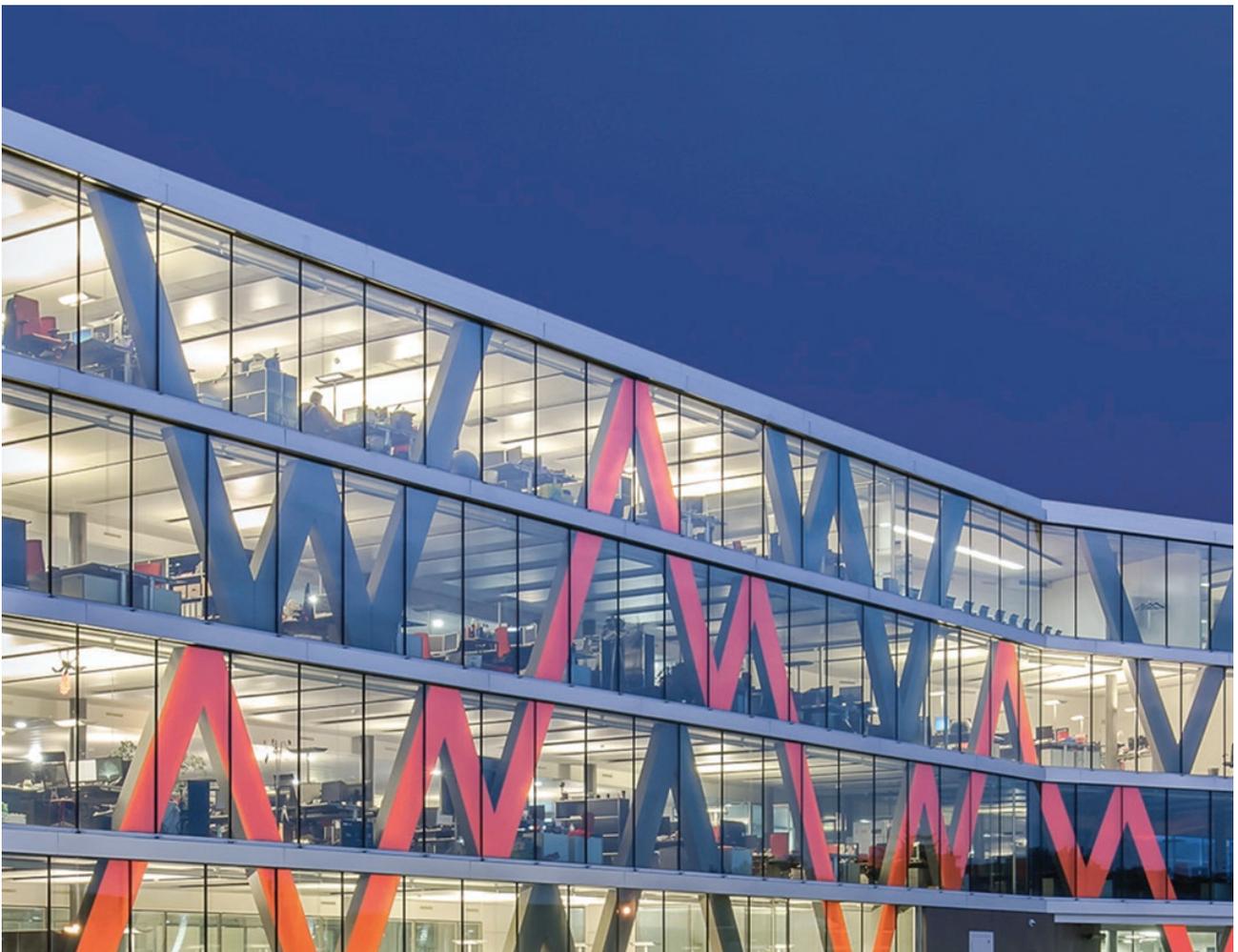
He explains that he hears many anecdotal stories that it can take anywhere from the same day to as much as five days to get an acknowledgement. "In markets that are ever more volatile, such as we are seeing right now with Covid-19 market reaction, optimal execution is vital," Hitchen comments.

"We are very different from that incumbent model, as we are one of the very, very few providers in the marketplace that give our partners direct access to our trading platforms," he elucidates. "They not only see a centralised view of all of their clients that are held with us, through the dashboards we offer, but they can also enjoy direct market access to all the major markets, across multi-asset classes, with no hindrance. They therefore have control of when trades are executed, and the communication and the confirmations while managing an investment portfolio for their clients are vastly enhanced."

His third key USP is the availability of a very specialised, bespoke B2B partner set of functionalities. "We effectively have taken what was a platform that was built for retail self-executed investors about 10 years ago, and we built a B2B dashboard and functionality onto that. And that has been devised by people who really understand the challenges and have worked in the industry as advisors, private bankers so they are very aware of the key requirements of our partners day-to-day roles.. Moreover, we take constant feedback from our prospects and our partners in terms of what they would need, therefore constantly refining the offering."

With added pressures on revenues, this offers the invaluable potential to provide an alternative to the default model in the marketplace of a revenue share with the custody bank, which typically is focused around brokerage or commissions. "Instead," he reports, "we offer our partners a multiple revenue sharing model, so that might be for example on custody fees, it might be on management fees, it could be on mark-ups from brokerage or commissions, but it also includes giving partners the ability to share revenues on for example spot FX or physical FX, it might be giving them the opportunity to share revenues on interest rates on asset-backed security lending. We tailor our propositions to suit the market needs, with a close understanding of how our partners' business models operate."

And he adds that the firm is seeing a robust drive in Singapore to more information and more transparency, better digital solutions, all of which impose increased operational cost and requirements on the operators within the marketplace. "We are stressing to the market participants that they do not need to build this stuff themselves, that we are part of the technology-based players who they can work with, in a modular base to make their business more cost-effective, more efficient, more customer-friendly, and more streamlined. The plug-and-play model sidesteps all the upfront and hefty ongoing costs and greatly accelerates our customers' ability to offer their end-clients what they expect."



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### Getting Personal with Damian Hitchen

It is roughly nine months since Hitchen, his South African wife and their son, who turned five in November, arrived in Singapore full-time.

Given his own sporty 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, I played virtually everything as a boy, from football to rugby to cricket and then golf, and I am certainly looking forward to golfing around this region, now that we are based out here. We have certainly enjoyed being here in Singapore."

Their son is now enjoying his days at Tanglin School, and participating in many sports as well, such as football, swimming, tennis, and rugby. "We have really entered into the community of sporting events in Singapore which is very enjoyable for all of us," he says.

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 then 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 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 for Swissquote out of the DIFC, Dubai, with a major focus on the development and upgrade of the bank existing institutional platform services.

It was then in July 2019 that he relocated from Dubai to head up Swissquote's new office in Singapore, which now acts as the regional booking centre for its business development in the Asia-Pacific region, with a focus on accredited, industry and institutional clients such as external asset-managers, insurance firms, securities brokerages, family offices and local or regional banks/private banks.

Now in Singapore, he also finds time out of his busy work and family life for some of his own sporting pastimes, especially golf. "I have got into some of the golfing societies here, as golf is a great passion of mine," he reports. "Amongst the local courses I really enjoy the Singapore Island Country Club, it is quite quirky but a real old-fashioned test of golf, which is something you don't see very often these days, a great challenge."