

Technology and Digital Transformation in the Middle East's Growing Wealth Markets



Technology and software specialist Avaloq provides comprehensive banking software solutions designed to meet the diverse needs of banks and wealth management firms. Over 160 financial institutions around the world rely on Avaloq's front-to-back software and services, including private banks, wealth managers and investment managers, as well as retail and neo banks. The firm has set its eyes on building out its presence in the Middle East, where it sees strong opportunity for financial institutions to establish and expand their wealth management services, in some ways emulating the remarkable progress and diversification that Avaloq has supported in Asia Pacific's dynamic wealth markets. Hubbis met recently with two key individuals who are helping to make this happen, Akash Anand, Avaloq Regional Director and Head of the Middle East & Africa, along with Gery Dachlan, Commercial Head of Asia Pacific, the Middle East & Africa. Together, they articulated how they will help the region's financial institutions compete more effectively, while futureproofing their operations and business models.

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AKASH ANAND
Avaloq

A region with potential

“Akash opens the conversation by highlighting the extent to which institutions in the Middle East have lagged more mature wealth management markets in terms of leveraging the power of technology and digital solutions to overcome the challenges they face.

“Regulatory complexity, costs and margin pressure all keep increasing,” he notes, “At the same time clients of banks and wealth managers demand greater simplicity and an elevated experience. Technology can help firms to scale their bespoke offerings to a larger client base while ensuring compliance across jurisdictions.”

Getting Personal with Akash Anand

Akash Anand is Regional Director & Head of the Middle East & Africa at Avaloq, with 30 years of experience in banking, capital markets, wealth management and technology. He is responsible for driving Avaloq’s expansion in the region and is based in Dubai. He works closely with wealth management firms and private banks to ensure the successful digital transformation of their wealth management platforms.

Driving a more comprehensive approach

In the past, financial institutions in the region experimented with different tools and solutions, but that approach is not ideal over the long term, as it can result in disjointed systems that lack integration, according to Akash.

“At Avaloq, we offer a more holistic approach to help firms enhance their wealth management proposition and integrate functionality across the front, middle and back office,” he states.

“The solutions required span from back-office processes, onboarding and compliance to client-facing investment and advisory activities,” Akash continues. “Here in the UAE and surrounding GCC markets, we are in close discussions with financial institutions, helping them

to review their entire approach to technology and digitalization as they seek to expand their specialized services for wealth management clients.”

Tackling complexity

Akash notes that wealth management is becoming increasingly complex, from onboarding through to transacting a far wider array of products and assets, monitoring portfolios and reporting to clients and regulators. “Avaloq provides firms with the scale and capability to address these requirements,” he states.

Adding to this complexity is the arrival of new investment options, including crypto and other digital assets– areas where the UAE is positioning itself as a leader and innovator.

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GERY DACHLAN
Avaloq

Looking more broadly at the evolution taking place in the region, Akash pointed to a PwC report that indicates 73% of wealth managers in the Middle East are actively investing in digital technologies to enhance their client offering.

“We see many financial institutions in the region focusing on upgrading their front end to elevate the connectivity between the relationship managers and their clients,” he explains.

Getting Personal with Gery Dachlan

Gery Dachlan is the Commercial Head for Avaloq’s business across Asia Pacific, the Middle East and Africa (APAC & MEA). He joined Avaloq in 2013, most recently heading Avaloq’s South Asia and Australia business, and has been an integral part of the company’s growth story in Asia’s wealth management and private banking market. Gery has more than 20 years of industry experience, bringing an understanding from both the vendor as well as customer sides of the business. Before joining Avaloq, Gery was with TradingScreen, where he was the Head of Private Banking Sales in Asia. Prior to that, Gery held various regional leadership roles at Temenos, Odyssey Financial Technologies and Thomson Financial.

Opportunity beckons

“In June, we announced a partnership with BlackRock to further enhance our offering around portfolio and risk management, a key area for what is a fast-growth market. Banks and wealth managers need to keep control – and to do so, they require world-class systems and technology.”

Gery Dachlan also offers his own perspective on the evolution of the wealth management market in the region and the drivers for growth. “We aim to replicate the success we have seen in Asia Pacific to help the region’s financial institutions to digitalize their operations and deliver a specialized wealth management offering for investors. We have witnessed remarkable

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progress in the Middle East but from a base that was behind well-established financial hubs such as Singapore. There is still plenty of growth potential in the region in terms of creating and preserving residents' wealth, attracting international assets and diversifying revenue streams for the region's financial institutions" he reports.

Positive momentum

Gery says the region is developing greater sophistication in terms of the products and advisory services on offer, as well as in the approach to private banking clients.

"We have seen a similar impetus in Asia Pacific, and we are confident that wealth management is set to be a major growth area for leading regional banks and wealth managers, as well as for international players," Gery states. "There will be rapid expansion and diversification ahead in both the onshore and offshore offerings."

He also adds that a key area of focus for the industry in the Middle East is to deliver a 360-degree view of portfolios, tasks and transactions.

"Many of the banks rely on legacy systems and piecemeal solutions and lack the ability to bring them all together in one centralized vision," he says. "That means their relationship managers and advisers are often frustrated and hampered, spending time handling administrative tasks when they could be focusing more on their clients. In the simplest of terms, we solve those problems to help enable them to grow their business."

Key Priorities

Gery notes that Avaloq's initial focus in the region is the markets of Kuwait, the UAE and Saudi Arabia, where major financial institutions are rapidly upscaling and developing their wealth management business.

"We already have strong relationships with firms here through their international entities in markets such as Switzerland," he notes.

"We are expanding our relationships, while building up local teams," Gery explains. "We are establishing ourselves in this community, demonstrating our commitment to the region's growth story."

He adds that Avaloq is also leveraging its experience of how the wealth management market in Asia developed, starting with private banking, and then gradually developing more scale across the rapidly growing mass-affluent segment. "We anticipate a similar path ahead in these markets," he says.

Gery says Avaloq has learned a lot from its experience in Asia as to how financial institutions can approach and address the needs of wealth management clients – and that Avaloq is very well-versed in helping these types of institutions to scale into new markets and client segments. "We have been part of the growth story for banks and others in Asia, and we are embedding ourselves in the Middle East to help firms here to grow from strength to strength, both onshore and offshore," he reports.

Gery then discusses the importance of successful delivery and implementation. "The vital first step on the implementation journey with financial institutions is to fully understand their business models, their pain points and their priorities. "There is no one-size-fits-all approach. Each client is unique and once we more fully understand their aims, we can devise a strategy and then a deployment approach and timeline that make sense for them."

Know your market

When asked where Avaloq sees the most potential, Akash says there are two main categories. The first comprises the larger Middle Eastern banks, many of which are looking at overhauling their wealth management business, or their core fund management,

portfolio management, or fund administration operations. The second consists of small and midsize asset managers that are looking at upgraded systems, often seeking a software as a service model for rapid deployment without the cost of maintaining and upgrading systems inhouse. ■

A Short Note on Avaloq

Pascal Wengi, the Managing Director for Asia Pacific, the Middle East & Africa (APAC & MEA) and a member of the Group Executive Board at Avaloq, explained to Hubbis in a detailed interview in 2023 that Avaloq is actively expanding its coverage of the Middle East and Africa.

He said the firm sees the region following an interesting path ahead, in some ways mirroring the dynamic trends in Asia, where in the past five to seven years, Avaloq has seen a notable shift in the wealth management landscape, particularly in Singapore.

There, wealth management was previously mainly offshore, with private banking focusing on high-net-worth individuals. However, Pascal observed there had been a growing emphasis on the mass-affluent segment within onshore wealth management, with Pascal estimating that local banks in Singapore now derive about 30% of their EBIT from wealth management.

He explained that Avaloq believes the UAE could track this trend, and along with the rise in offshore wealth management and the general uplift of the economy and diversification and growth, the region offers many appeals. As all this takes place, technology and digital solutions will be increasingly used to help upgrade and scale the wealth offering in the UAE and further afield in the MEA.

For more information and a deeper understanding of the firm and its wealth offering in the region, see: www.avaloq.com

For further reading on Avaloq, see this May 2023 Hubbis report: <https://hubbis.com/article/avaloq-s-apac-mea-head-highlights-how-the-firm-is-grasping-the-immense-growth-potential-ahead>

