

# Technology - The Future of Private Wealth and Asset Management?

*Private banks and asset management companies competing in the wealth management space can learn a lot from the razor-sharp focus of the nifty new entrants now, or soon to be, stepping on their toes. It is time to swallow some pride, lift some of the conservatism, and carefully review what these new entrants offer and also what is working in other sectors so as to maintain competitiveness and ensure digitalisation does not leave the traditional players behind. The technology panel discussion at the Hubbis Malaysia Wealth Management Forum pondered these and other critical, possibly even existential, matters.*

**These were the topics discussed:**

- Are banks going in the right direction in their digital journey?
- What digital expectations do clients have?
- Has the investment in 'digital' justified the cost? What has worked elsewhere?
- How can we improve efficiency?
- What does the word 'platform' mean to you?
- What's the role of AI?

## PANEL SPEAKERS

- **John Robson**, Chief Commercial Officer, Quantifeed
- **Andreas Wenger**, General Manager, Asia Pacific, IMTF
- **Kelvin Lim**, Head of Business Development, Asia, IRESS
- **Michael Gerber**, Chief Executive Officer, 360F
- **Julian Kwan**, Chief Executive Officer, InvestaCrowd
- **Allen Chote**, Head of Strategic Partnerships - South East Asia, FNZ



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## THE KEY TAKEAWAYS

### Onboarding still slow-going

Panellists were incredulous at how onboarding experiences can differ so wildly depending on location, jurisdiction and institution. They called for the leading wealth management players to truly move with the times and learn from innovative competition, or risk being left behind.

### Digitalisation squashing fee revenue

While attendees acknowledged that increased efficiency and reliance upon digital augmentation can reduce chargeable fees, this can be seen as a positive, as it encourages focussing upon added value and premium service to boost revenue.

### In-house versus outsourced technology

With data security still a primary concern, there is still resistance to outsourcing technology, even when there are clear benefits to relying upon experts in their field. This residual anxiety or distrust must be addressed if we are to trust those experts and move forward in the digital revolution.

### Experimentation in the digital space

While around seventy percent of all innovations ultimately fail, a small proportion of those experiments pay off to great effect. The wealth management industry should not be afraid to take a gamble and learn from mistakes rather than refusing to take risks and falling behind.

### Focus on the mass-affluent

The mass-affluent is the fastest growing segment in Asia, which is in turn the fastest growing financial market in the world, say experts. Banks should be putting efficient systems in place now to provide basic advisory input and digital delivery to these individuals. This is where digitalisation will really shine in the next few years.

### Implement strategies, but digitalisation is no magic bullet

With all this talk of taking risks, it is important that business strategy is what propels wealth management businesses to the next level, rather than simply applying a scatter-gun approach to digitalisation. Before adopting a new technology, it is essential to ask what purpose it will serve and to plan and implement assiduously.

### Blockchain defined

Blockchain can be viewed as a superior type of database that removes the need for intermediaries in transactions. The technology has been heralded as the means by which all financial transactions will be conducted in the near future and therefore has massive implications for the financial sector and of course for wealth management.

### Blockchain is one to watch in the coming months

While the initial hype around blockchain has certainly died down, it therefore remains one of the most important technologies to focus on in the near future. In the private assets space, blockchain has the capacity to make illiquid assets far more liquid and transparent.

**“** IN RECENT TIMES, THE BUZZWORD FINTECH HAS been replaced by blockchain,” began a panellist. “What exactly is blockchain, and how is it starting to impact upon us in the wealth management space?”

An expert replied that blockchain can be viewed as a superior type of database that removes the need for intermediaries in transactions. “Put simply, it allows individuals to exchange value in a safe, transparent way,” he explained. The technology has been heralded as the means by which all financial transactions will be conducted in the near future.

One of the potential benefits of blockchain is that it enables individuals to access illiquid assets such as private equity, property and art. “The biggest problem with private equity is that your capital is locked up for a long period of time,” an attendee clarified. “Blockchain makes it possible to create digital shares of an asset, fund or product and begin trading those shares within the duration of investment.”

**“BLOCKCHAIN MAKES IT POSSIBLE TO CREATE DIGITAL SHARES OF AN ASSET, FUND OR PRODUCT AND BEGIN TRADING THOSE SHARES WITHIN THE DURATION OF INVESTMENT.”**

**Shake up that system front-to-back**

The group then moved on to the KYC [know-your-customer process], a sticking point for many in the quest for an ever-increasingly simple customer experience. “I set up a private bank account in Singapore recently, it took 11 months to complete,” a guest complained. “Compare this to setting up a retail bank account in Ho Chi Minh, where, armed with only a passport, I received my card within three minutes.”

This vast discrepancy is due to the wealth management industry still being largely paper-reliant, with complicated systems that throw information from front to back to front again. “Banks are still messy creatures, even in Singapore,” a guest explained. “It is in everyone’s interest, not just the clients but the bank staff too, to bring everything into the 21st century.”



KELVIN LIM  
IRESS



JULIAN KWAN  
InvestaCrowd

Indeed, with modern retail money transfer solutions beating the banks at their own game for speed, efficiency and transparency, banks are going to have to play catch-up. “Is there realistically any chance that these big and often inflexible banks can remain competitive or not?” asked an attendee.

“To bring the big banks back up to a competitive level, they must learn quickly from the new start-ups,” a guest replied. “These innovators are what drives our financial services ecosystem to keep evolving.”

**Where is the money coming from?**

Another issue is that digitalisation can lead to compressed fees due to reduced processing time and increased automation. “Does digital necessarily mean lower fees?” asked a concerned panellist.

“Absolutely, it does mean lower fee revenue,” an expert confidently responded. “You can see this happening right now. There is a race to the bottom for fees, but to counteract this there has been an upsurge in added value and premium advice.” This means that the advisers offering something extra can command higher fees, while the ‘plain vanilla’ advisers may struggle.

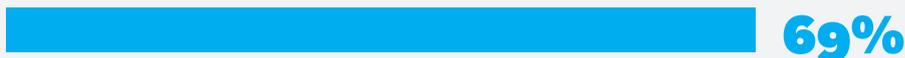
A guest then asked if it is better to keep technology in-house or outsource it to the cloud. “There is definitely a transition towards cloud solutions but there is still some tension around how data is secured,” a delegate responded. With cloud technology still in its infancy, especially in financial services where



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WHEN DOING YOUR OWN WEALTH MANAGEMENT WOULD YOU PREFER TO?

Speak to a person



Speak to a robot



Source: Malaysian Wealth Management Forum 2019

data sovereignty and security are incredibly important, there is still some resistance to outsourcing software, platform and services rather than keeping it in-house, although panellists say this is slowly changing.

**Back to the future with the ‘mad’ professors**

“How should banks navigate this new frontier, and how should they justify the effort and costs?” asked a panel member.

Panellists agreed that there is a lot of experimentation in the digital space currently, especially at the front-end. “We are also getting creative with our product offerings and robo-advisory,” a guest explained. “However, it is sometimes hard to quantify the return on investment. Customer acquisition is another important factor, with delegates choosing to focus upon the presentation layer to attract new business. However, one of the biggest issues for some attendees was the need for an operationally efficient back-end, to manage and keep all those customers serviced.

“With innovation there is always trial and error,” a panellist elucidated. “Five years ago, we were all certain that robots would be running the world within a few years.” Indeed, after a great deal of hype came disillusionment with blockchain, now it is finding a new balance within the confines of current possibility. “We should not complain about the seventy percent of



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**DO YOU THINK CRYPTO CURRENCIES AND DIGITAL ASSETS ARE RELEVANT TODAY TO MAINSTREAM WEALTH MANAGEMENT?**

Yes



**48%**

No



**52%**

Source: Malaysian Wealth Management Forum 2019

innovations that fail, instead we should applaud the thirty percent that succeed, that take us in new directions,” a delegate urged.

Private banking and bespoke wealth management have historically been a considered a luxury, but wealth is growing in Asia faster than anywhere in the world, say panellists.

“Banks here have a fantastic opportunity to bring wealth management to the growing affluent middle sector,” a speaker summarised, “and to serve this demographic, an efficient, time- and cost-effective system must be put in place now. This is where digitalisation can really shine.” According to the group of experts, this segment of mass-affluent individuals do not need elaborate estate-planning, they simply wish to be advised on what products to buy and where their money should be deployed to enable dignified their retirement.

**Technology is not a panacea**

Panellists were keen to point out that simply deploying digitalisation would not make up for the lack of a strong business model. “Technology can help, but it is not a magic bullet,” clarified an expert. “Do not aim for a digital buffet, instead there needs to be a strong strategic reason for each choice. Evolve with your clients and remain flexible,” he added.

“Everybody loves talking about AI, but what exactly is it and why is it important to wealth



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management?” an attendee asked. A delegate responded that machine learning is the most exciting component of AI, and that it had the potential to revolutionise the financial industry.



“It is a common misconception that robo-advisory is already able to pick stocks better than a human adviser,” a panellist explained, “but what it does very well is identify client segments that are right for certain products at a certain time and create targeted campaigns.”

**Forget the hype, blockchain is a workhorse**

The assembled experts then predicted the course of blockchain over the next year. “Right now, what people are not seeing is the massive amount of behind-the-scenes work being done to develop blockchain technology and get systems put in place to use it,” a guest explained. “Private banks are then going to be using blockchain to digitise their asset shares in a liquid structure.”

Another attendee elucidated that there had been some disillusionment in the last year and a half about the realities of blockchain technology being used in real financial markets. “There is more positivity now that credible experts are combining their capital markets knowledge with the powerful technology,” he clarified.

As a final note, a panellist reminded the assembly how far blockchain had come since its beginning coupled with cryptocurrency. “There will be so many opportunities to use blockchain



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technology to drive automation across the financial industry, from creating and distributing assets to low-cost back-end functionality, which will be rolling out across Asia in the near future,” he said, to conclude the discussion. ■

