Link to Article on website

Temenos Managing Director, Asia Pacific: Insights on Asia's Evolving Bank Technology Landscape

Martin Frick, managing director of Temenos Asia Pacific, met with Hubbis recently to articulate his perspective on the future of wealth management in the region, and to delineate why Temenos is ahead of the game and ready to help propel clients to the digital future ahead. From his very considerable vantage point, he sees the larger banks investing mainly in technology for automation and cost efficiencies, and he sees new entrants as nibbling away at the incumbent banks, but not threatening their models. He is a keen proponent of financial institutions embracing digitalisation and believes that the human element of wealth management will be complemented by, but not endangered by, AI and machine learning.

TEMENOS AG (SIX: TEMN) IS A WORLD LEADER IN BANKING SOFTWARE, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve industry-leading cost-income ratios of 25.2% and returns on equity of 25%, 2X better than the industry average. These clients also invest over 53% of their IT budget on growth and innovation versus maintenance, which is 2.5X the industry average, proving the banks' IT investment is adding tangible value to their business.

Frick begins the discussion by observing that he is generally optimistic that changes in demographics, technology, environment and social behaviour will establish firmer ground for rapid digital transformation in the wealth management industry. But he says that for the moment, the larger banking clients are working mostly on automation, efficiencies and cost savings and appear less focused on technology for revenue enhancement.

Pragmatism first

"For example," he says, "we see them merging retail wealth and private banking onto the same platform and streamlining their systems and IT organisations across different geographies. There is still a lot of hype that everybody wants to produce some digital revolution at the front-end, but frankly I don't see great things happening there, and the focus is largely on the money and effort going towards automation; whether it's in client onboarding, at the backend, streamlining platforms, and so forth."

Frick adds that anyone who has been in the financial services sector for many years knows how most banks have built up siloed solutions and a lack of connectivity internally. "What we see now is a major thrust towards digital automation and the breaking down of those silos," he reports. "But what we're not seeing so much of are any great advances on the front-end customer experience."

"What we see now is a major thrust towards digital automation and the breaking down of those silos," he reports. "But what we're not seeing so much of are any great advances on the front-end customer experience."

Keeping things efficient

Frick deconstructs some of the hype around AI and machine learning, adding that amidst a lot of excitement about its applications at the front-end, the most important application will in practice, be the more rudimentary end of automated client onboarding via more sophisticated chatbots.

"Chatbots have steadily taken over the more tedious administrative aspects of client service, especially in the middle and mass wealth management markets," he reports. "The most important area is the complete new client onboarding cycle; from process initiation all the way through to process completion - allowing banks to maximise efficiencies and reach more of the middle market in Asia, which has traditionally been underserved."

Where AI is winning though is in the field of helping the formulation of intelligent decisions based on big data. "We see uses in areas such as credit risk scoring, anti-money laundering, and fraud

Key Priorities

Frick's key priority for the future is to work with banks and help them transform their digital operations and innovate faster. The second priority is around what Frick calls the retail wealth segment, where simplification and improved solutions are most required. And his third priority, he says, is to bring the wealth front end more efficiently onto the cloud by creating a distributed database which offers full elasticity and resilience across multiple clouds.

MARTIN FRICK
Temenos Asia Pacific

management," he reports. "These are core areas where AI is advancing capabilities."

AI and the future of robo-advisory

Frick also considers that AI should be the next step to boost robo-advisory. "Robo-advisors today are essentially rule-based engines," he remarks, "applying certain rules to portfolios and market situations to make investment decisions. But they don't yet cover preferences of the client or the behaviour of the owner of the portfolio, so the big next step in robo-advisory for me is to add these learning capabilities to offer greater personalisation to the experience."

What is important is that banks using AI applications do not operate them as 'black boxes'. Regulators globally are increasingly mandating that financial institutions should be able to explain to their customers the results of automated decisions that affect them. This is why banks need Explainable AI (XAI) platforms which can give them transparency and explainability of AI automated decisions at the same time help them harness AI technology to create seamless customer journeys and automate manual processes.

As to the front-end, revenue-generating sides of digitisation, Frick is ambivalent. "Successful wealth managers can certainly also differentiate themselves by their use of technology," he comments, "in order to enhance the customer experience and innovate using insights gained through advanced analytics. But the average RM's capabilities in the region are perhaps somewhat limited, and the applications are perhaps more pertinent for the retail and mass

Getting Personal

Frick is Swiss and hails from a small town named Wil, near Zurich. Educated in Switzerland, he later completed his MBA in the US. He worked for several years as a software developer with Raiffeisen Bank in Switzerland, before moving to the private bank, Clariden Leu, which was later bought over by Credit Suisse.

"Raiffeisen then asked me back," he recalls, "and after fixing an IT project for them, I moved over to build out a project portfolio on the business side, which was fascinating, all about assets and liability management, building a treasury solution for them. Raiffeisen then acquired an IT company, merged their internal IT and the CEO at the time asked me to go back into the technology side."

He later moved to UBS and then at the age of 40 decided to move to Asia and where he held senior roles in the technology sector.

In 2014 he became the Managing Director for Temenos in Asia Pacific. "It has certainly been an exciting time for the past 11 years out here," he recalls.

Frick has 15-year-old twin boys who go to school in Singapore. "They are big into sports, like me," he reports, "and now enjoy rugby and ice hockey. I also love sports and still play ice hockey myself as well as soccer. I am a very competitive person; I need the competition and love team sports. For ice hockey, I am about twice the age of most of the opposition, so let's see how long I can keep that going!"

When he was younger and living in Switzerland, Frick was also a keen and accomplished snowboarder and loved paragliding. "Singapore is not the best place for either of those activities, as you might imagine," he notes, "and anyway I stopped paragliding when the boys were born - under strict instruction!"

affluent markets, where AI and machine learning can result in more active aggregation of social information by banks to build sales leads in those segments."

Leveraging social media

Indeed, some leading Asian banks have been creating their own pages on social media platforms and then applying big data tools to help find new customers for their products and services. "Wealth management is one of the financial services most vulnerable to disruption," he notes, "and as long as the contact is not invasive, customers these days expect to be contacted about specific products and services that will benefit them."

For the typical HNWI client segment, in other words, the clients with USD5 million or more in assets, AI and machine learning can, more realistically, help to construct relevant proposals in the context of what's happening in the markets and the client portfolios.

Keeping things personal

Frick is also a firm believer that technology will enhance and complement the typical private banking client experience, but not eliminate the human element. "Clients today," he reports, "and this is particularly true for HNWIs, still expect the human contact for the nuances of each service category or product group, and they expect their wealth managers to tailor these to their needs and profiles, which thus far chatbots are not yet able to do. At some point, therefore, wealth management clients in Asia want the reassurance of decisions made with the support of their advisers."

That is why Temenos believes the hybrid model for wealth management will prevail in the decades to come. "Humans will make vital decisions and deliver bespoke advice," Frick explains, "while robots and software will mine data, provide intelligence, and automate some of the cumbersome administrative processes. In short, as we see things, humans and machines will be working side-by-side in Asia's wealth management sector for a long time to come."

The new entrants

Frick turns his attention to the mainstream world of banking in the region and the arrival of new entrants. "These new entrants, for example, the neobanks," he explains, "offer a great opportunity, but they are not often seen in the wealth management space. We have good traction at Temenos with the neobank clients in the region, who are attracted by our cloud offering and our more than 700 APIs, which help them attract clients and provide more services than just banking."

API, or Advanced Programming Interface, is a means to exchange information in a structured way between two systems talking to each other. "In this new world of platforms everybody wants to be a platform for something and be able to collaborate extensively," Frick observes, "hence why we built our major Marketplace offering. It allows different companies and partners and people with great solutions to come together and offer our customers the potential to seamlessly create a new and better client experience."

Stepping back somewhat to survey the evolving banking landscape in the region, Frick comments that he does not expect any of them to challenge the mainstream operations of the major Asian and global banks. "Leading brand name financial institutions and banks have an established

position and will keep and expand their client bases because they have the trust, the clients, the capital, and the assets under management," he asserts.

He notes that in general, the banks are lacking an optimised sense of the consumer experience, while the new entrants lack the history and understanding of the resilience and reliability of being an established player. "For the established names," he says, "it's important for them in this technological world to offer customers new capabilities and experiences, so collaboration with FinTechs and others remains important to stay ahead of the curve."

Nibbling away at the fringes

Frick maintains the new entrants, meanwhile, will eat away at the value chain by offering cost-effective or more efficient solutions for certain products, services and transactions. "The regulators seem to prefer to offer protection to the incumbent financial institutions, so have generally been opening competition only in certain segments, especially under-served areas such as the SMEs and other areas that need further support."

He does, however, imagine that a game-changer could be if one of the global Big Techs were to partner with a global bank brand. "But as long as those two elements are not coming together, and there is no sign of this as yet, I actually don't see somebody really replacing the traditional banks."

Frick reports that the Temenos market position in the region is solid and growing. Of the 20 biggest private banks in Asia Pacific, he says half use Temenos. Our difference is our ability to tackle the problems and offer a cloud-native, cloud agnostic end-to-end digital banking platform," he reports "be it a front office solution, a channel solution, a back-end solution - or modularly renovating step-by-step as we do for some bank clients. And we have outstanding cloud technology and API solutions, compared with the competition."

Tokenisation

Another area of technological advance Frick sees on the radar is the arrival of blockchain in private banking and wealth management for the purpose of tokenisation of assets.

"Non-bankable assets like very expensive paintings can theoretically be tokenised," he notes, "so it's possible for retail investors to end up buying a tiny slice of a great master. However, I don't think blockchain will play a big role in automation, because whether you send a payment order in a standard SWIFT, or in a blockchain, it doesn't make a difference, it is still just a payment order, as long as you are forced to have a regulated intermediary for payments." ■