Thai regulatory shift nudges advisers to refine offerings

Thailand's commitment to international rules on tax transparency and compliance, coupled with a gradual flow of funds back into the country, highlights the urgency for wealth managers to refine their offerings to meet the changing needs of HNW Thais.

Thailand's decision to sign-up to Automatic Exchange of Information (AEOI) in January 2017 heralds a new dawn for how the country's wealth managers need to adapt and evolve their offering, in particular how they service wealthy Thai families.

With the country now the 139th member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, the various incentives which existed previously for these clients, to keep their assets offshore are fading fast.

As a result, they are being forced – in a positive way – to rethink their structures and investment portfolios.

This all stems from the fact that there is greater merit to onshore structures than there was before. And having money and assets closer to home is making clients more aware of the use of structures to meet needs relating to wealth planning and succession. They are no longer simply focused on investment performance.

At the same time, they are seeking more customised services and solutions than ever before, and demanding more from their professional advisers.

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This shift in client behaviour is, in turn, creating a burden on the wealth management industry to respond with the required depth and breadth of service and product. More pointed questions from wealthy Thais is putting the spotlight on the quality of advice available.

There is therefore an urgent need to invest more time and resources in educating and training advisers on the one hand, and enhancing their suite of solutions on the other.

Without this type of commitment, the opportunity for an institution to play a more meaningful role in a client's business and personal life – from a wealth management perspective – will be lose.

These were some of the key take-aways from a series of conversations with business leaders within the Thai wealth management community – across retail banks and private banks.

COGNISANT OF CLIENT BEHAVIOUR

There is no doubt that wealth Thais are becoming more educated and sophisticated when it comes to their wealth-related needs.

> **“Clients are looking beyond book-driven solutions towards wealth planning services such as family wealth planning, including non-capital market solutions. And they are choosing their institutions accordingly.”**

Experience with overseas private banks, for example, means they have typically been introduced to more than just investment products.

They are increasingly aware of their need for any structures they use in managing their wealth to be compliant and more simplistic.

They are now therefore looking for advisers in the local market which have the capacity and competency to deliver on these needs and expectations.

In particular, these clients are looking beyond book-driven solutions towards wealth planning services such as family wealth planning, including non-capital market solutions. And they are choosing their institutions accordingly.

Against this backdrop, those wealth managers who prioritise about the client experience and delivering customer satisfaction will do well.

This comes down to serving local clients onshore with the capability of an offshore private bank.

The Thai regulators – the Bank of Thailand and the Securities and Exchange Commission (SEC) – have played their part in facilitating offshore investing for HNW individuals. But to build lasting confidence and trust among clients within the community requires advisers to know how to guide clients appropriately.

> **“International banks with established platforms can lend much-needed hand-holding to clients as they realise the extent of the solutions to benefit their situations.”**

BLURRING BOUNDARIES

The progressive approach of the country’s regulators hasn’t only created a good opportunity for local investors to diversify their investments.

It has also given some foreign banks greater incentive to develop their onshore offerings.

Credit Suisse was an obvious example of this in 2016. Towards the middle of the year, it set up a dedicated onshore wealth management team in Thailand to tap rising demand from local HNW individuals.

It had already operated full-service securities brokerage in the country for 16 years. But it wanted to more specifically target two key client segments: HNW individuals with assets of more than USD2 million; and UHNW individuals with assets of USD50 million, or USD250 million in net wealth.

It saw these first- and second-generation entrepreneurs with family-owned businesses as potential clients which are increasingly keen to diversify their wealth through global investments.

More broadly, international banks with more established platforms can lend much-needed hand-holding to such clients as they realise the extent of the solutions which would benefit their situations.

For local institutions, too, onshore wealth management is becoming more lucrative with wealthy clients looking to do more onshore.

This is both from an investment perspective as well as in terms of their wealth structuring.

Indeed, Thai banks say they are seeing a trend of HNW Thais bringing money back onshore due to it being more straightforward than before to structure their assets.

BUILDING CAPABILITY

The wealth management industry in Thailand clearly needs to develop the competency and capacity to handle this impending wave of business.

As clients look for a coordinated and streamlined service offering, they want to be advised by wealth managers who can understand the overall needs, both of their family and the business.

Some of the more forward-thinking local institutions are looking to accelerate the development of their businesses in these areas – and especially the quality of their key staff – via partnerships with foreign players.

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There are only two potential problems that money coming onshore faces.

First, every transaction a client makes in and out of Thailand needs to be reported to the Bank of Thailand.

This becomes cumbersome to the client. And secondly, the amount of tax levied on offshore investments in unclear.

Four or five years down the track, however, senior wealth management executives in Thailand predict that the differences which will exist between offshore and onshore structuring will be negligible.

Kasikornbank (KBank)'s tie-up with Lombard Odier is perhaps the most notable and well-documented (see box).

The aim is to leverage the experience and training that it can access from the 220-plus year old Swiss private bank in servicing the Thai bank's HNW and UHNW clients. Family business succession planning, and single-family office financial management are two of the main areas of focus.

KBank-Lombard Odier partnership shows way to stronger offering

In 2014, Lombard Odier, one the oldest Swiss private banks, entered into a partnership with KBank, Thailand's second-largest bank by market capitalisation.

The aim was to create a win-win partnership for both parties. For the foreign firm, it was a route to entering the Thai market in a significant way.

And with Thai wealth having risen 12.7% per annum compared with the Asian average of 9.5%, it was only natural that it wanted to invest in and partner with a local player.

Meanwhile, serving the local community more effectively and comprehensively while holding onto its market share was a key driver for KBank.

More generally in the Thai market, business leaders seem to appreciate the urgency for training.

They is especially the case since they acknowledge that the Thai education system gives little reason for optimism when looking to produce quality financial advisers.

Doing it themselves, however, requires time, as well as a clear commitment to send their personnel abroad to gain a combination of valuable experience and also market knowledge. ■