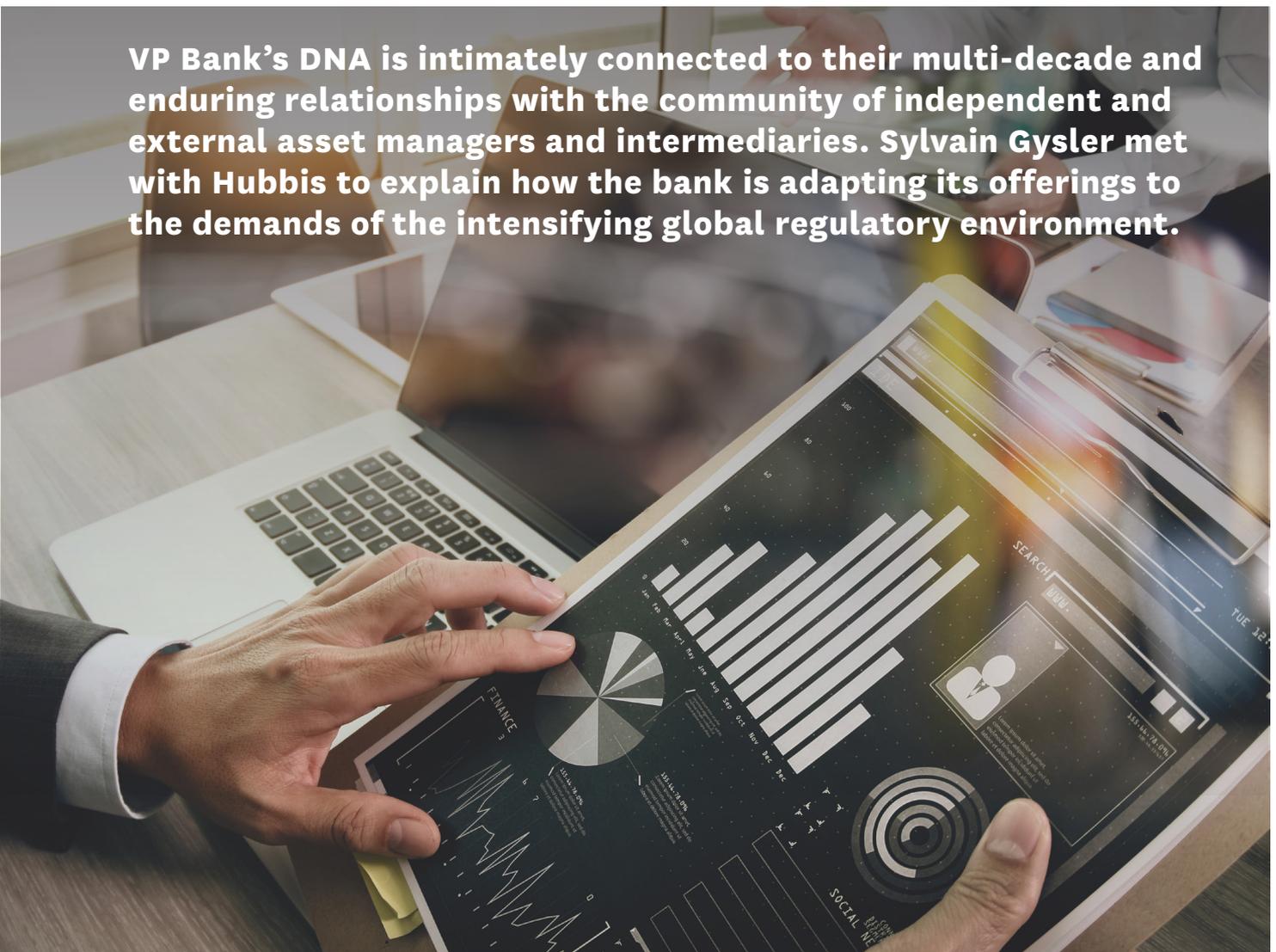


The (Bright) Future for Asia's Smaller, Independent External Asset Managers

VP Bank's DNA is intimately connected to their multi-decade and enduring relationships with the community of independent and external asset managers and intermediaries. Sylvain Gysler met with Hubbis to explain how the bank is adapting its offerings to the demands of the intensifying global regulatory environment.



Executive summary

Since its founding more than 60 years ago, VP Bank has prided itself in being a reliable, leading-edge partner for financial intermediaries of all sizes. To service this demanding segment successfully requires a deep understanding of the different and ever-changing needs of clients, according to Sylvain Gysler, Head of Intermediaries at VP Bank Ltd Singapore Branch, who says the bank keeps a constant, watchful eye on regulatory requirements, which are increasingly critical to the future of the private banking and wealth management sectors.

Gysler met with Hubbis to give his insights into the future for the smaller, external asset managers (EAMs) in Asia in face of the intensifying and ubiquitous regulatory changes taking place globally.

He concludes that Asia's EAMs and other smaller intermediaries should focus on partnering with a boutique private bank such as VP Bank that can offer outstanding digital capabilities, as well as a tailored, personal relationship and well-chosen products offered from an open architecture platform.

For those that understand the changing world they operate in and act smartly in face of the unfurling evolution, the future, Gysler believes, is bright.



GYSLER'S STARTING POINT FOR THE DISCUSSION WAS THAT while regulatory changes have been designed to strengthen the protection of wealth management clients, there are question marks over their efficacy, due to the increased complexity of the documentation required.

"The MiFID II regulations as seen in Europe are of course designed to protect clients," he observes, "but there is such a proliferation of documents and each one is far larger than before, so the question must be whether clients can absorb all this information, or whether it is all somewhat counter-productive."

Every coin has two faces

For example, he notes that instead of a single billing document, three documents are required for the customer today, while an investment proposal that might have been 20 pages long could now be 100 pages. "But," he wonders, "does this truly protect the end customer? The future will show."

What Gysler can conclude is that two core results of this regulatory revolution are inevitable: the banks may not offer so many products to their customers in the future and all processes must become digital for ease of tracking.

"Fewer products mean reduced risks for the bank, but on the other hand this will also reduce the customer's product universe," he observes. "Moreover, in order to ensure the reporting obligations from the point of view of the bank and the intermediary under the new legislation, all processes must be managed digitally, in order to provide digital records that are easy for the bank,



SYLVAIN GYSLER
VP Bank

the intermediaries and the regulators to check."

According to surveys by intermediaries a few years ago, Gysler reports, the number of custodian banks with which an asset manager maintains relationships should also be reduced in order to make regulatory compliance more manageable, although in most cases this has not happened yet.

Consolidating the EAM relationships

"With the ever-increasing digitisation of processes and the need for monitoring," he elucidates, "we believe that asset managers will stick to fewer banks, ie those offering such digital interfaces. VP Bank has already decided to major investments in this regard since 2017, with the aim of enabling a standardised bidirectional exchange of orders and documents. In short, we are ahead of the game here, we believe."

Gysler also notes that the number of support systems, such as portfolio management tools, including reporting, or customer relationship management (CRM) software, which have already incorporated compliance checks,

is increasing rapidly.

"Thanks to such digital developments," he says, "the assumptions that smaller asset managers will not survive are simply not true; we believe smaller and independent EAMs will need to be more digital and organised than they have been in the past but that the better firms are already well positioned to achieve that. Working with partners such as VP Bank will, we believe, help them achieve these and other goals."

The digitisation of documentation

Gysler also considers that the future in the intermediary business will be hybrid consulting. "What we mean by this is that digital and personal advice will increasingly go hand in hand," he explains, "with paper documentation replaced by digital, which will free up the human element of the client relationships."

He expands on this train of thought, explaining that the key elements of a wealth manager's success will increasingly include their efficiency in terms of the processes and systems they adopt and employ.

"But," he explains, "the target of these digital advances must be to help the wealth managers rediscover the passion of asset management, which is after all their core business, by freeing up the time and capabilities of the client-facing professionals and allowing them more time to build and expand the personal relationships and time for mutual development with the customer. Aligned to an exciting and regulatory-compliant set of products and services, there should be rewarding times ahead for all concerned."

Offsetting margin compression

Nevertheless, he also cautions that margins will decline, due to the increasing price sensitivity of the clientele, especially the younger generations, as well as the higher IT and regulatory costs.

“Accordingly,” he comments, “banks and intermediaries need to think carefully about some key elements, such as which customers they want, whether their IT infrastructure is being optimised, what sort of products they can, or should offer, which partners should they work with and which custodians offer the right level of interface and support.”

Despite the ongoing global regulatory onslaught, Gysler reports that there is, in fact, a growing number of EAMs, IAMs and other smaller intermediaries. These firms and individuals are seeking to work more with the smaller boutique private banks rather than with the global or regional behemoths of the wealth management industry.

Seeking the best partners

“They seek out the type of institutions that can provide bespoke solutions and first-rate, personalised service,” he observes. “We believe VP Bank is precisely that type of bank.”

Gysler expands on the relationship and services the bank offers. He says VP Bank works with external asset managers to provide targeted, proactive support from its Active Advisory Team, which offers specific investment recommendations, switch ideas and portfolio consulting.

Another feature of VP Bank’s relationship work with intermediaries is the ‘ProLink’ platform, which has been

specifically designed for use by intermediary clients.

“We offer them a simple and speedy way to access the most important information and services for their daily work,” he reports. “This includes extensive coverage of financial market events, regular publications on business and economic issues, as well as the latest news on tax and regulatory developments and the

“We offer them a simple and speedy way to access the most important information and services for their daily work.”

relevant VP Bank forms.”

And Gysler also notes the bank’s five international booking centres, offering what he says is an unusually broad global presence for a bank of VP Bank’s size.

VP Bank’s DNA

Historically, the VP Bank intermediary business was an integral part of the bank’s DNA at the time of its inception. Founder Guido Feger was himself one of the most successful fiduciaries in Liechtenstein, and the intermediary business has been a core activity of VP Bank Group ever since. “There are few other institutions that value these relationships as much as we do,” Gysler claims. “We are continually investing in ideas and infrastructure to hone our intermediary business for today and the future. We keep an eagle’s eye view on the changes as they emerge and adapt accordingly to the advantage of the bank and our intermediary partners.”

VP Bank Ltd was founded in 1956 and, with almost 900 employees worldwide ranks amongst the largest banks in

Liechtenstein. VP Bank is present in Vaduz (Liechtenstein), Zurich, Luxembourg, Singapore, Hong Kong and Tortola (British Virgin Islands).

An open relationship

“We offer tailor-made, boutique services and a highly personalised relationship,” Gysler reports.

“Our genuinely open architecture allows clients to benefit from our

independent and sophisticated investment recommendations. With our A- credit rating from Standard & Poor’s we are very stable financially and our listing on the SIX Swiss Exchange shows our commitment to transparency and longevity.”

In Singapore, VP Bank was established in 2008 as the Asian subsidiary of the bank. Today, as a branch, VP Bank has more than 60 employees and continues to build its presence in Asia. From its Singapore base, VP Bank provides specialised wealth management solutions and family office services for high-net-worth clients and professional asset managers, as well as for external asset managers and other financial intermediaries.

Gysler closes with a reiteration of VP Bank’s stability and goals. “We have been around for more than 60 years and we have a strong and proven track record as a steadfast and enduring partner,” he concludes. “Our goal is to offer clients efficient, reliable, cost-effective and intuitively-conceived banking services and data and records handling in an optimised digital environment.” ■