

The Development of the Wealth Management Offering in Vietnam

Vietnam remains a frontier economy. But Vietnam has recently registered its first home-grown billionaire and the government hopes the country will soon become an emerging market. Is Vietnam's onshore wealth management market keeping pace with the nation's evolving wealth? A group of experts deliberated this and other matters germane to the market's evolution in the first panel of the Hubbis Vietnam Wealth Management Forum.

These were the topics discussed:

- *When will we see a 'real' wealth management offering?*
- *Whats the role of the regulators?*
- *How do the different players - asset management, securities firms, insurance and banks compete or complement each other?*
- *Whats the opportunity for international private banks potentially in the future?*
- *What's the role and growth of the commercial banks in personal / retail banking?*
- *How important is digital today?*
- *What changes are we seeing in client expectations and behaviour?*
- *Where will the continued growth come from and what are your priorities?*
- *How can we offer a more complete service for our clients?*
- *What's happening in the insurance market?*
- *How can we make the most of the opportunity to provide wealth management products to the affluent segment?*

PANEL SPEAKERS

- **Dung Dang Tuyet, Deputy Chief Executive Officer, and Chief Executive Officer of Retail Banking, Maritime Bank**
- **Johan Nyvene, Chief Executive Officer, Ho Chi Minh Securities**
- **Minh Nguyen, Country Manager, Aetna International**
- **Kimmis Pun, Managing Director, Head of Private Banking, VP Bank**





EXECUTIVE SUMMARY

Vietnam boasts a rapidly growing economy and a fast-growing population that already stands at over 96 million people. Wealth management is in its infancy in the country, but there are more and more banks, brokerages, fund management firms and insurers that are gradually seizing the opportunities being thrown up by the rapid expansion in the mass affluent sector, as well as by the fast escalating numbers of high-net-worth individuals (HNWIs).

At the moment, the range of opportunities available onshore in Vietnam is modest to low, even for the HNWI segment. But those already competing to expand the range of investment opportunities are determined to improve the product range, expand their financial planning and advisory capabilities and to bring in multi-sourced products, including insurance and other solutions.

A key impediment to growth will be the lack of skilled personnel in the country, with the banks providing much of the core training and development, but with other financial services institutions then keen to snap those skilled and experienced individuals up for their own businesses.

What is certain is that Vietnam's economic growth will continue, albeit probably with some road bumps along the way, and the range of products and services opening up in the wealth management sector will also expand apace. This is a multi-decade prospect, but certainly, one that will open immense opportunities for businesses, personnel and their clients.



JOHAN NYVENE
Ho Chi Minh Securities

THE PANEL COMPRISED THREE EMINENT LOCAL financial market professionals and one regional private banker. The first perspective shed light on the retail segment, with a banker explaining that individual investors who traditionally placed money on mostly deposit with the banks have been branching out into investments. “Ironically,” he reported, “they began with equity investment, which is a natural step although of course riskier, so we are educating the market in terms of other capital market opportunities. There is more on offer nowadays in the space between deposits and equity investments.”

Another expert noted that while there has been a certain migration away from deposits to equities, the evolution has somewhat stalled of late. “We have seen a degree of stagnation in terms of being able to generate additional investors in the market, additional liquidity. We see a bigger pull for broader investment market opportunities rather than just the existing retail investor products that we see in the securities market.”

A collective effort to spur growth and expertise

This expert commented that to improve the market will require the combined efforts of the various financial sector players. “We need a consistent effort from the retail banks, from the fund management companies as well as from foreign institutions to bring knowledge, risk appetite, market considerations and product



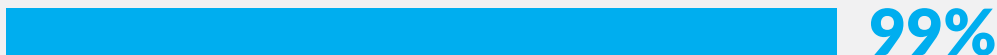
KIMMIS PUN
VP Bank

specialities into this market, so that we can reach out to the mass market.”

Another guest highlighted the opportunities to introduce insurance solutions and to deliver those with technology enabling their distribution. “We can add value to the bank commercial banks and also other financial institutions with our product innovation and customised solutions and technology,” he reported. “We see they are moving into bancassurance recently, which has grown very sharply in the past five years to about 10% of the overall distribution, but there is far more growth out there, as evidenced by the dramatic growth in countries such as Malaysia, where bancassurance represents more than 40%. Collaboration is required between wealth management, financial institutions and insurance companies.”

DO YOU THINK THE GROWTH IN WEALTH IN VIETNAM IS A GOOD OPPORTUNITY FOR YOU?

Yes



No



Source: Vietnam Wealth Management Forum

Pooling the (still limited) resources

Another panellist highlighted the opportunity opening up for banks working with financial industry partners to build a ‘pooled ecosystem’ and also leveraging fintech innovation as well. “We also need the shift the concept from simple product sales to financial planning,” he added.

“CUSTOMERS ARE MORE READILY TAKING MORE NEW INVESTMENTS ACROSS THE EQUITIES THAT WE OFFER TRADITIONALLY, AS WELL AS MOVING MORE TOWARDS FUND MANAGEMENT OPTIONS. THEY ARE MORE RECEPTIVE TO IDEAS FOR HIGHER RETURNS AND FOR FUTURE FINANCIAL PLANNING, AS WELL AS CONSIDERING OTHER STRUCTURES. WE REMAIN PRODUCT-DRIVEN BUT WE KEEP AIMING TO DRIVE THE BUSINESS TOWARDS FINANCIAL ADVISORY.”

The same expert reported strong growth in the mass affluent segment of the market, as well as in the high-net-worth (HNW) sector. “Customers are more readily taking more new investments across the equities that we offer traditionally, as well as moving more towards fund management options. They are more receptive to ideas for higher returns and for future financial planning, as well



DUNG DANG TUYET
Maritime Bank

as considering other structures. We remain product-driven but we keep aiming to drive the business towards financial advisory.”

Another banker noted how the evolution of wealth management in Vietnam will likely follow the patterns seen elsewhere in the region over the past several decades. “Across Asia experts see that HNWI wealth numbers will grow faster than in the US or Europe and that it grew almost 20% last year alone, twice the rate of the US, for example. In short, we are sitting in a region of massive growth potential. In Singapore, insurance, investments, financial derivatives are almost like our daily bread, not just for the HNWI banking, but also broadly for the mass affluent and for retail banking. Vietnam will no doubt follow this path.”

DO YOU THINK WEALTH IN VIETNAM IS GROWING?

10 percent per year



20 percent plus per year



Source: Vietnam Wealth Management Forum

Earnings and wealth rise fast

Another expert noted that average earnings at his firm have risen from about USD250 a month to some USD1500 in the past decade and with a range in the region of USD500 to USD15000 per month. “As you can see personal wealth is, therefore, expanding rapidly. And the number of active accounts we have has grown fast, too. We estimate about 20,000 active accounts, people trading on a weekly or monthly basis and then maybe 5,000 of those accounts might be trading daily and then there are perhaps 500 accounts of USD500,000 or more solely for equity investment and trading.”

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He also explained that the firm had initiated a business concept called ‘managed’ accounts. “We do not have a fund management licence, so we manage discretionary accounts; this is a relatively new concept for Vietnam in the past year or two and focuses on those able to invest USD1 million or more, and then in the range of up to USD10 million. We manage those accounts without any management fees as we do not have a licence, but we can manage discretionary accounts and generate a return for the clients and earn a performance fee. We were profitable in 2017 from that business.”

A guest turned to the subject of regulation, noting that in order to improve the range of options for customers, this must also develop in a positive way. Technology, he said, is another enabling factor to improve distribution and access and to provide customers with a better overall view of their financial status. “With our deep customer base, we are working with fund management companies to widen the information and analysis flows, the client understanding and broaden the investment options at the same time as helping with risk management and good decision-making.”



MINH NGUYEN
Aetna

Insurance solutions – a world of growth

Another guest highlighted the opportunities for life insurance, where penetration rates are now just over 1% of, having grown more than 300% over the last year, driven by bancassurance, which he said is the key growth channel for life insurance. “Collaboration between the major commercial banks and life insurers enhances revenues and opens up more value and opportunities for the customers, including of course the HNWI’s.”

“We need to encourage customers to look at insurance options far earlier in their lives,” added another guest, “and not simply wait until they are older, when very often the costs are higher, and the coverage is less due to age and health. We need to encourage proper planning for retirement and other life changes far earlier.”

Another expert noted that bancassurance in the region has been expanding at double-digit rates for the past several decades in Asia. “But,” they said, “in

order for Vietnam’s risk management industry for insurance to be successful commissions must be transparent so that the client will have a clear understanding where their premium goes. Secondly, the quality of the agents needs to be upgraded. I believe if following global best standards the agents must be qualified and obtain ongoing annual certification. We would like to create a financial planning association of Vietnam to link to industry groups and best practices overseas.”

Another panellist noted that as wealth becomes more widespread, insurance as a risk management tool will grow apace in volume and sophistication. “In other Asian markets we see a widespread practice of leveraging the premiums, so that, for example, the client puts in 30% and borrows 70%, with the borrowed portion then used to reinvest in assets that will produce ongoing returns. We do not see that in Vietnam yet, but it will come eventually. We can also put the policies in family trusts for future distribution on death.”

Returning to the market’s growth pattern, an expert noted that the wealth generation is coming mostly from entrepreneurs, from business people. “We are beginning to see that money becoming more organised via family offices and in general the younger generations are more focused on planning for their and their family’s future.”

Expertise must improve

But to achieve broadly based growth in the financial planning and wealth management sector the skills base must improve significantly. “The banks are central to this,” noted one expert. “Very few salespeople really know how to start a conversation with customer focusing on personal financial planning.

We need to build their sales and advisory expertise and change the way they approach this business to see a longer-term perspective, rather than just quick returns. They should be looking at their career in the bigger picture, at the same time as building value for the customer.” ■

