

# The Evolution of the Relationships with Custodian Banks and the Rise of Digital Connectivity

Hubbis invited a group of wealth management experts in Asia to a behind-closed-screens discussion on the evolution of the association between the independent wealth community/family offices and the custodian banks and how digital delivery and connectivity is redefining those relationships. Hubbis has distilled some of the key insights and observations here, all on a non-attributed basis.

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## THESE ARE SOME OF THE QUESTIONS AND TOPICS ADDRESSED

- » What do you like about the offerings from some of the custodian banks compared to others and that, in particular, help your EAM/family office business?
- » What do you not like, and what are your main pain points with certain custodian banks?
- » What features and services should a 'good' custodian bank offer to the EAM/MFO community?
- » How can the private banks improve their digital platforms and tools in ways that will help the EAMs in their business and operations?
- » To what extent is the availability of online tools (portfolio reporting, execution system, research) important to you and what needs to be done to improve them?
- » What do you expect from the banks when you consider the curation of investment portfolios? Access to DPM? Fund selection?
- » How important is an automated interface to the custodian bank and what information are you missing? How could the community help the banks to better data quality and connectivity?
- » Do you want to engage your own end-clients with digital tools? Do you want to give clients the ability to self-serve (for example, direct access to trades, online access to accounts)? Why or why not?
- » What is the right 'pricing' for these services?
- » Will the banks truly and significantly improve their custodian support for the EAM and family office community? Or will only some of them up their games? Why?



**In distinguishing between the different types and quality of custodians, agility and responsiveness are essentials**

The first observation came from the head of a significant EAM based out of Hong Kong and Singapore, who appeared to indicate that the global brand banks are most useful for very accomplished credit research and DPM, whereas the boutique scale international PBs tend to be highly automated, offer extremely good user experiences for clients and for the RMs, while the third category is the digital/online platforms that offer highly efficient and cost-effective custodian services for a selective range of assets, but they offer less in terms of ancillary services, such as credit.

**The major global banks need to greatly boost their offering for the EAMs, which today demand seamless execution and high-level responsiveness**

The head of a multi-family office in Asia agreed with those comments, noting that what really matters today is the efficiency of the platforms and the responsiveness, with the major global brand banks disappointing in both areas. "A lot of the workflows of these big traditional private banks are still very manual, very tedious, and very often non-digital, so there is a ton of paper involved, they want signatures in ink when it comes to the identification of the client when it comes to source of funds, so everything has to be original or at least as close to original and verified and certified almost by the Pope himself! It is all very tedious."

**And in these times during the pandemic, the shortfalls in both service and ease can be corrosive**

He added that during the pandemic, these shortcomings are even more apparent, due to the lack of travel, the failings in international deliveries and logistics – documents might arrive in weeks from remote countries today, instead of days – and these issues are not easily or comfortably resolved by phone or by Zoom. This he said means the banks need to more seriously embrace the next chapter of high touch, which is no longer a fancy dinner in a swish restaurant but a smart and efficient service with common sense, embracing new technologies such as DocuSign or other identity verification solutions. "Actually, the technology is there, they need to advance their games," he concluded.

**Service and advice are the crucial elements and all too often lacking, especially in the areas of delivering ideas, research and curating the relevant advice**

A guest explained that in his 20 plus years of prominent roles in big name private banks, the only things that matter to clients are service and advice. "Everyone's in the business of getting closer to their clients, so, in the private banking world, if you have a relationship, you're fighting with three or four other banks for share of wallet. I've recently benchmarked a lot of the advisory platforms in Asia, for a specific project, and it is clear that we need a lot more automation in terms of the middle and back office

and account opening, but also when we look at advice. If you look at it from the organisation's perspective, there are often many clients loaded up to an RM, they have investment and product teams generating ideas, but there is no efficient mechanism for getting those ideas in a uniform way to their client base. Hence, that's something that a lot of bigger banks are moving towards in terms of their advisory models, becoming more proactive in sending out ideas that are bespoke to clients based on their investment profiles and based on their needs. These major banks wanting to charge for advice are increasingly employing proactive advisory tools."

**Further and more agile digitisation of the execution platforms is a must these days**

The same guest added that there is an ongoing and urgent need to see more robust platforms where clients can enter in the orders, set levels, and have transactions executed without the need to talk to people. "In my experience, during times of high activity and market stresses, the biggest problem is trying to call in an order, but you can't get hold of an individual to actually place that order, be it an IC, be it a someone on a desk. Digitalisation is needed to really have robust platforms that can execute for clients and intermediaries across multiple asset classes, multiple markets, and that can be driven by the users."

**The mundane aspects of administration and reporting must be delivered seamlessly via automation**

This leading ex-banker reported that people need to be able to look at their transactions, look at



their portfolios, look at some basic analytics online. "It doesn't matter if you are an independent wealth manager, a multi-family office or a private bank, you need a better client experience, which enhances advisory services to clients," he explained. "Things can go faster, and people can manage this for themselves, they can obtain the right and detailed information, so starting with research proactively through to execution, and then being able to monitor it all online in a reasonably sophisticated manner. That is what I am seeing, that is where some of the bigger private banks are spending their money. I don't think anyone's cracked the case yet, but that is the direction in which they are heading."

### **Boosting the order execution interfaces and enhancing the EAM/custodian connectivity are vital for all parties**

Another speaker remarked how boosting the order execution protocols and interfaces can really help the EAM and family office community to work more efficiently and to trade directly with the banks. "All of these EAMs have a multi-custody setup and they do not want to duplicate inputs at their systems and the custodian systems, and we have achieved these efficiencies in Switzerland, where we are ahead of the curve to some extent," he reported. "In the Asia market, I see that a lot of custodian banks are struggling somewhat to provide these services in a bi-directional way. Unfortunately, I have to say that not all the banks are ready in terms of data content, and also data quality, and it can be somewhat surprising to see what the

banks deliver to our system on a daily basis. We are always in the middle, between the EAM and the bank and we try to bring in our technology to bridge the gap, so we are also conducting daily reconciliation etc. as a service work for our clients, to ensure that everything is fine and positions are reconciled, so that they can start analysing the portfolios, entering the orders and use the system as it is supposed to be used."

### **Look at the challenges and the opportunities from both the buy and sell sides and cater to**

A leading banker commented that this problem needs approaching from both the buy and sell sides. "I totally agree that on the sell side, we need to be fully equipped with automated tools and auto digitised platform, no matter if you are in frontline or supported by the investment counsellors, or portfolio constructions or back-end to do all the calculation, valuation or whatever. And it must be mobile because frontline people go out. And you also need it secure. I am a keen proponent of digitalisation in all these areas."

But she explained that on the buy side there are clients amongst the HNWIs and UHNWIs who like to do it all themselves or through their assistants, and others, perhaps the older clients, who like to talk to the bankers, to perhaps confirm or affirm their planned actions. "These clients need the personal touch," she remarked. "They like to be kept informed, and they like to hear views. But the younger generations, and it is they who are inheriting so much of the wealth in this region, they are fully digitised, they like to do it themselves, they like the seamless

simplicity, and they often do not like the RMs calling them.”

**For the professionals running major family offices, automation is a must, while for the principals they can maintain the banker relationships and human ‘touch’**

An ex private banker now representing a family office controlled by a billionaire-plus family then reported how they had totally embraced digitalisation. “I want the banks to equip me with everything, I don’t want them to call me too much, I want them to just tell me information or give me a link,” he explained. “Some of the local banks [in Singapore] are not actually digitised at all, they call the RM for everything. Note that I am a professional running the family office, and I greatly prefer automation, but perhaps for the boss, the family members, they still prefer to speak to bankers, it is a different process and relationship.”

**EAM desks at the private banks are upping their games but there is much further to go**

Another specialist observed that the EAM desks at the banks are aiming to offer their EAM clients ease of execution and automation, to deliver information and news, but not perhaps advice, with the EAMs connecting mostly to the RMs to obtain that type of input. “Trading, reporting, consolidation, all that should be automated entirely, but in many banks, both local and international, it’s not yet there,” he observed. “In particular onboarding is a struggle, it is far from digital so far, and everything is still very manual, so many banks are still far

behind, the onboarding even for easy clients can take weeks and for complex clients goes into months. If this is better, it is better for everyone including the EAMs end-clients of course. And for the banks, it is of course very beneficial to have a client onboarded quicker to have them trading and acting themselves, so onboarding, trading interface, and standardised data feed, these are areas where custodian banks should focus on and sadly to say still, many are far behind.”

**Personalisation is a key objective, but there are compliance angles to consider when offering advice**

Another expert agreed, adding that regarding an earlier comment on personalisation, the banks often shy away from giving advice to EAMs and their end clients. “There are regulatory hurdles and considerations, so it will be interesting to see in coming years how they handle this, as it is difficult to give advice from a regulatory perspective currently.”

Another expert agreed, adding that from his background working in a number of the major brand banks, and now having begun at an EAM, the structures and costs of compliance were throttling the banks’ flexibility and activities. “Compliance too often controls things, they stop deals or transactions for example due to concentration risks or other reasons. They prevent the bankers from actually giving advice. And that’s where I believe there’s a niche for us as EAMs to serve the clients from the client side. That’s why I moved up and joined the EAM.”

However, he also remarked that there are areas of progress, for



example certain custodian banks moving the EAM community more centre stage rather than a marginal business as it was before. He explained they are trying to improve service, boost digitisation and offer more help and support to the EAMs, but the EAMs can then deliver their advice on a specific basis to specific clients. “But the most important to us is their digital connectivity and delivery as custodians,” he reported.

He explained the custodians need to do better, they need to have better-trained people, better technology, better responsiveness and service and they need to react sharper and faster. “If they go more digital, I do believe they will solve many of these issues and problems. We want a better service and a faster response.”

### **The private clients like to connect to their EAMs and not necessarily the banks/ custodians**

A multi-family office head explained that their end-clients generally prefer to connect to their teams at the EAM and not the custodians in the background. “The relationship with the platform of the bank as a custodian and execution is much more interchangeable than the relationship with our clients to us, which goes back many years, and that is based on trust and alignment,” he commented. “The banks tend to have more of a product-push and sales incentive type of environment, whereas we are aligned entirely with the long-

term interests of the clients. The technology available should help us make that relationship with the client more efficient, to give him access to his assets, to manage his assets, to manage his risks, to give him an overview, consolidation, reporting, and so forth.

### **Solving the clients’ problems should indeed be front and centre of the vision and mission**

Another guest agreed wholeheartedly, expressing his concerns that the major banks still have quarterly targets and are run by business strategists, many of whom are armed with a Harvard MBA. “That means the transactional model,” he cautioned, “and that is not true banking, where the bankers solve the client problem. The EAM model, which really started in Switzerland to deliver a model where there is not the pressure of bankers on the clients. As an EAM, the custodian banks actually serve us, it is we who actually manage the money for the family or the investor, so they serve as our back-office, we need excellence in all aspects of that but no more. And we need them to custodise a wider and wider range of assets, listed or non-listed, although many custodian banks still only custodise OTC products and listed products. We would like them to handle non-market products, property, diamonds, and even projects. And we need access to their research teams globally, that is also important.”

A fellow guest agreed, noting that some of the banks are well ahead in these regards, others are

catching up. “I would like to see RMs maybe look a little bit more at providing solutions, and not selling so much, and I want to see the quality of the bank-delivered data improve. Technology can achieve so much, it can help greatly, but the data must be also improved by going back deeper into the system, to the backbone and improve things there. I am sure players like Expersoft could be of great benefit to support this journey”

### **The final word – the rise and rise of the EAMs in Asia must be matched by an elevated offering from the banks, and some will prove willing to be more competitive, while others won’t**

“The EAM business in Asia is a rapidly growing business, but for many banks, it’s not yet the big piece of the cake,” an expert concluded. “When I speak to some of the local banks, they remind me that they might have 400 RMs, but their the EAM desk has 10 bankers. However, EAMs and family offices are expanding, and the banks want to have a piece of those cakes, so those banks who take it seriously will invest and win the major share of this business, while others will fall away in this field. We will see greater differentiation between the banks who really want to focus on supporting the EAMs with the right partners, the right tools and the right service, those that will make the necessary commitments and investments and the others.” ■

For a more detailed look at Expersoft and its activities in Asia, see this Hubbis feature article, published in November last year:

<https://hubbis.com/article/expersoft-s-apac-head-on-building-solutions-and-brand-awareness-across-the-region>

### **EXPERSOFT – A BRIEF OVERVIEW OF A SWISS WEALTHTECH MAKING GLOBAL WAVES**

Swiss WealthTech Expersoft began business operations in 1993, shortly thereafter becoming a leading provider of innovative software solutions and related services for asset and wealth managers and their mid and front offices. Offering its bespoke solutions, Expersoft has established itself as a trusted leader in portfolio and wealth management software for banks, insurance firms, professional asset managers, brokers, and financial services providers. From its Singapore hub for Asia, the firm has been successfully expanding its offering and its client base amongst the EAM/MFO community and the private banks.

Expersoft remains privately owned, and covers selected markets in Latin America, continental Europe, the UK, Middle East and Asia Pacific. The firm was founded by Urs-Peter Oehen, who is a WealthTech pioneer in bringing a true world-class portfolio management system to the market. The firm is managed by CEO Philipp Bisang who joined the company in 2010 and has been contributing - with his roughly 20 years of experience in the financial software space - fundamentally to the growth over the past years. Expersoft today employs about 300 people in 12 countries, looking after some 650 clients and a total of CHF3 trillion AUM worldwide today, and with more than 20,000 professionals using its systems.

The firm believes that its cutting-edge integrated portfolio management software provides customers and users with an unrivalled and constantly expanding set of capabilities in one flexible, integrated, and easy-to-use environment. They have over 200 experienced and dynamic software engineers, analysts and designers, as well as consultants, project managers, and other staff located at Expersoft's headquarters in Switzerland, and in multiple international sales and support offices, including in Asia their Singapore hub, which is headed by Pascal Lemann, Regional Manager for APAC.

#### **World-class solutions**

Expersoft, offers world-class and innovative ultra-high quality WealthTech solutions for wealth- and asset managers. With a state-of-the-art multi-device user experience and capabilities to analyse, strategise, implement and control investments, offers a modular suite with powerful integration options, and sophisticated reporting functionalities. PM1 is designed to be multi-custodian and multi-currency, which is especially important for independent asset managers (/IAMs) and for multi-family offices (MFOs).

These Expersoft solutions allow those financial institutions to provide consolidated individualised statements to their wealthy private clients, providing a single consolidated view across all assets, wherever they are under custody, including their passive investments and non-bankable assets such as collectable cars, art, jewellery, real estate, and other assets.

The integrated CRM module and the embedded BPM engine provide the basis to drive seamless onboarding processes including modular regulatory components.

#### **Modular and tailored**

The award-winning PM1 product family provides clients with a holistic solution to transform all front- and mid-office operations, combining intelligent technology with an elevated user experience and personalised services to transform clients' business into the digital era, covering portfolio management, client relationship management, regulatory requirements, investment advisory, order management, analytics and reporting.

Additionally, Expersoft provides an e-banking and mobile app for investment advisors, relationship managers and customers to offer their end clients the capability to view their consolidated positions

and performance online anywhere at any time. This means that Expersoft is essentially covering the value chain of its customers in the wealth management space, and for bank customers, the firm can even layer in payment and ordering services over the web/mobile app solutions.

### **Gearing up with the AM-One solution**

Expersoft also has its cloud-based AM-One platform, which provides less complex or start-up IAMs and family offices with a broad array of functionalities as a holistic feel-good offering, this includes back-office services. This AM-One product is pitched as an entry-level, pre-configured solution that is modestly priced. The AM-One platform offers this range of functionalities with rapid onboarding and industry-standard features. While by default not offering the customisation degree of a dedicated PM1 installation, which is more suitable for banks and larger IAMs, AM-One runs on the same technology, but is carefully tuned to meet the typical needs of less complex or smaller firms at an attractive cost level.

### **And building the BOSS offering**

Additionally, the firm is running its Business Outsourcing Services centre for Asia Pacific out of Singapore. The firm promotes its back-office BOSS solution as being more efficient than the individual back-office operations of an Asset Manager. The seamless interplay between the BOSS and the AM-One Platform provides multiple advantages for the customer. Not only will the BOSS clients be able to dedicate the resources where they are needed most but due to the transaction-based pricing model, the IAM/MFO will profit from cost effectiveness.

### **APAC rises in prominence for Expersoft**

Expersoft has had a presence in Asia for the past 15 years and first opened an office in Singapore around a decade ago. The firm has been successful building their core customers amongst the IAMs and MFOs in Singapore and Hong Kong, as well as building in the region on existing and new major bank relationships. IAMs and MFOs are natural clients in Asia, as they are growing fast and face a host of challenges that Expersoft can help rapidly, sustainably and cost-effectively overcome. Expersoft plays also a pivotal role in transforming custodian banks EAM strategy into a digitised and highly appreciated customer user journey.

Expersoft is continuing to build its presence in the wealth management world in Asia, leveraging the expertise and products and service developed in Switzerland and other markets and expanding along with the key evolution and anticipated future trends in the market.

