

The Impact of Technology on the Delivery of Wealth Management in Asia

Damian Hitchen, CEO for the Middle East & Asia at Swissquote, is making a big push into the Asian wealth management market. In fact, he has moved full-time to Singapore to forge ever closer relationships with existing and potential wealth management clients in the region in order to drive the firm's B2B proposition further forward as the Asian private wealth expansion wave rolls on.

Executive summary

Hitchen offered many invaluable insights to delegates at the Hubbis Investment Solutions Forum as to why wealth management firms in the region must embrace technology solutions. He enthusiastically and sincerely advised that firms wanting to survive and prosper should adapt their business models and incorporate new thinking to their businesses, as well as the latest technology, as one without the other will not be sufficient.

Hitchen is the driving force for the expansion of Swissquote's trading/custody platform in Asia, where he sees a world of opportunity as the wealth management industry expands to meet the demands of rapid growth in private wealth, and as the industry improves its offerings, and enters technology and platform partnerships to develop its overall proposition.

Hitchen believes partnerships and outsourcing are indeed vital steps to help firms evolve their products and services, to bolster their revenues and to strengthen themselves against the inevitable wave of new competitors.

Big Tech and "nifty" new entrants, both armed to the teeth with technology, strategy, and deep pockets - whether corporate funds or private equity - are revolutionising the delivery of financial services, he explained. A remarkable



DAMIAN HITCHEN
Swissquote

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example is that some 80% of all online payments in China's vast economy are now transacted through just two digital non-bank platforms.

The Asian wealth management industry will, Hitchen firmly believes, be one in which the human interface with the client remains vital for the foreseeable future, at least. But for relationship managers and customer-facing team members to be truly successful, their firms must free them up from laborious tasks, and enable their revenue generation with new technologies. To do so, they should work with specialist partners who can genuinely help them fast-track the necessary changes, or at the very least they should consider outsourced plug-and-play solutions.

Swissquote, Hitchen reported, partners with a wide range of large and small financial institutions, and wealth management firms, such as EAMs and IAMs, to offer them B2B solutions that significantly upscale their capabilities, their client service and therefore their revenue streams. And white labelling means this dramatically upscaled technology and overall product and execution offering can be seamlessly branded by the B2B client itself.

Offering full information, access, and functionality, Swissquote's platform houses over three million investment products online and access to more than 60 markets worldwide. The firm can partner with regulated firms who use their technology platforms for custody and to execute securities trading via direct market access on behalf of their clients.

Swissquote, he noted, therefore offers a state-of-the-art trading and custody platform and tools to allow the firm's customers to trade on behalf of their wealth management clients. All Swissquote customers around the world can manage their accounts and global trading via a PC, a tablet, or a smartphone. And with Swissquote's execution-only model, this means there is no conflict of interest with its B2B partners, as the partner delivers the product and advice and then executes on the Swissquote platform.

Finally, Swissquote itself is both stable and well capitalised, having been listed in Switzerland since 2000. The bank has around USD26 billion in assets under management and with a Tier 1 capital ratio of over 29%, which is at the top end of the top banks in Europe.

DAMIAN HITCHEN HEADS SWISSQUOTE'S BUSINESS in the Middle East and Asia and has an in-depth appreciation of the wealth management clientele and their needs, as well as a deep understanding of the global market that Swissquote services. Armed with this knowledge, as well as an evident passion for his subject, Hitchen cast his eye over the broad landscape of digitalisation and gave the audience some invaluable insights.

Hitchen began his Workshop by highlighting a report from EY that mobile applications are now the preferred channel of wealth management information and dialogue for 41% of clients,

whereas only a few years ago that figure was 18%. "That number will continue to rise," he projected. "Accenture has also observed that even if clients still take their advice face-to-face, as a minimum, they will require information access to their portfolios and to market data via digital delivery channels."

Noting his move full time to Singapore, Hitchen highlighted there is already improving access to wealth management products from the major banking names online, but in a market as advanced as Singapore in terms of technology and financial services there is still a lot of room for improvement. Moreover, throughout Asia, there is immense

potential for Swissquote to work with many larger and smaller wealth management firms.

"We see the fundamental driver for technology as expanding customer expectations," he explained. "There is huge money being spent within this ecosystem to move the whole financial services industry forward, with a huge percentage of that money being spent on technologies, from robo-advisory solutions to alternative finance or lending platforms."

He added that as a fully digital bank, the firm has accumulated a global portfolio of more than 300,000 clients, of which about 220,000 are individuals, and the rest are B2B partners. "One of Swissquote's missions,"

Hitchen explained, “is to become the most innovative bank in the world and to democratise finance, and we are driving further into the institutional space to deliver that proposition.”

Swissquote’s unique, tailored offering

Swissquote offers a state-of-the-art trading and custody platform and tools to allow firms to trade on behalf of their wealth management clients. The firm’s clients include B2B, for example, full-service global banks, private banks, independent/external asset managers, insurance companies and family offices, all of which are looking to provide their clients with an enhanced digital experience.

“We are a fully digital bank offering a global banking, trading and custody platform that is purely online.”

Offering full information, access, and functionality, Swissquote’s platform houses over three million investment products online. The firm can partner with anyone who uses their technology platforms for custody and to execute securities trading on behalf of their clients.

“Swissquote is as much a software house and fintech as a fully licensed, regulated and stock market listed bank,” Hitchen elucidated, “because of the six hundred staff globally, more than half of them are software and development professionals. So, based on the feedback from our B2B partners, we can build the platform uniquely for them, which also has the option of being white labelled.”

“We are very different from your normal traditional Swiss bank and indeed Swiss private

bank,” Hitchen added. “We are a fully digital bank offering a global banking, trading and custody platform that is purely online.” As such, Hitchen and his colleagues are intimately involved in the evolution of digital financial services.

Hitchen also explained the biggest USP for Swissquote is the direct market access and control it gives to independent wealth managers. The mission, therefore, is to provide the EAMs access to a global trading platform on which they can control their trading activity directly, rather than having to use the traditional model of a relationship manager desk from the global custody banks for the execution of their clients’ trades.

“Our platform,” he reported, “is effectively theirs to work with their end clients, as they require and at their convenience - effectively removing the ‘middle layer’ of the EAM RM desk, speeding up transactions and reducing the amount of manual work for all parties.”

First class delivery

Hitchen further explained that Swissquote’s largest partner globally is Post-Finance (the Swiss Post Office), which is in fact also a bank. “They have numerous branches across the length and breadth of Switzerland and people used to have savings with them in the old days, so they bank millions of customers.”

Swissquote and Post Finance several years ago entered a

partnership to provide the wealth management platform for their customers with billions of assets and savings.

Hitchen explained that the Swissquote platform can be specifically tailored to the B2B partners’ needs and the universe of investments they want to be included. “For Post-Finance,” he reported, “we made our platform modular, and we allowed them to build their own bespoke universe for their client. And we white labelled it under their brand, so clients of theirs can then log in to their online banking and access their chosen investment universe and are then able to execute directly on the platform.”

“We essentially give our platform back to our institutional partners,” he continued. “We say that once you onboard it as our B2B partner, we will teach you how to use it, we will show you where you can make your different revenue streams, but they have it directly and have direct access for instant action in the markets.”

He then highlighted how easy it might be for a B2B client to build a multi-asset class strategy for a client or another strategy. “You can then sell that to your clients and offer to rebalance on whatever time interval you prefer. In short, we are also providing our B2B partners with functionality and the right services to allow them to do what their clients are asking to do in the marketplace.”

A world of investments in the showcase

Armed with a real-time system operating in front of the delegates, Hitchen went into considerable detail in the Workshop on exactly how the interface works for the platform, as well as underlining many of its key functionalities and

advantages. He highlighted the breadth and depth on offer in the more than 3 million products on the Swissquote platform and the over 60 markets the platform serves.

“Additionally,” he advised, “if you have a portfolio of securities for your client and you want to take financing, Lombard lending is in our platform, already there for our existing clients. If, for example, you have a client with a diversified portfolio of USD2 million in various securities, you can apply, and we can deliver in an efficient and cost-effective manner.”

“We see ourselves as an enabler and partner for any licensed and regulated firm, even for a family office,” he reported. “We try to make it cost efficient for all our partners, of whatever size, to start a relationship with us. And in terms of pricing, we are highly efficient and very transparent. We heard in a panel earlier about a global custody bank

that charges zero fees but be assured they will get their fees in many other ways. But when we work with our partners, we give explicit fees in terms of charging for custody and access to our platforms if you are using that technology and we will give you some back-office support, and very efficient settlement and transaction processing.”

A new paradigm

Hitchen raised the concern that in Asia, especially as more of the younger generations make or inherit the region’s vast wealth, brand loyalty is low and falling, opening the door to Big Tech entrants to the wealth space and to smaller, targeted, nifty fintech competitors.

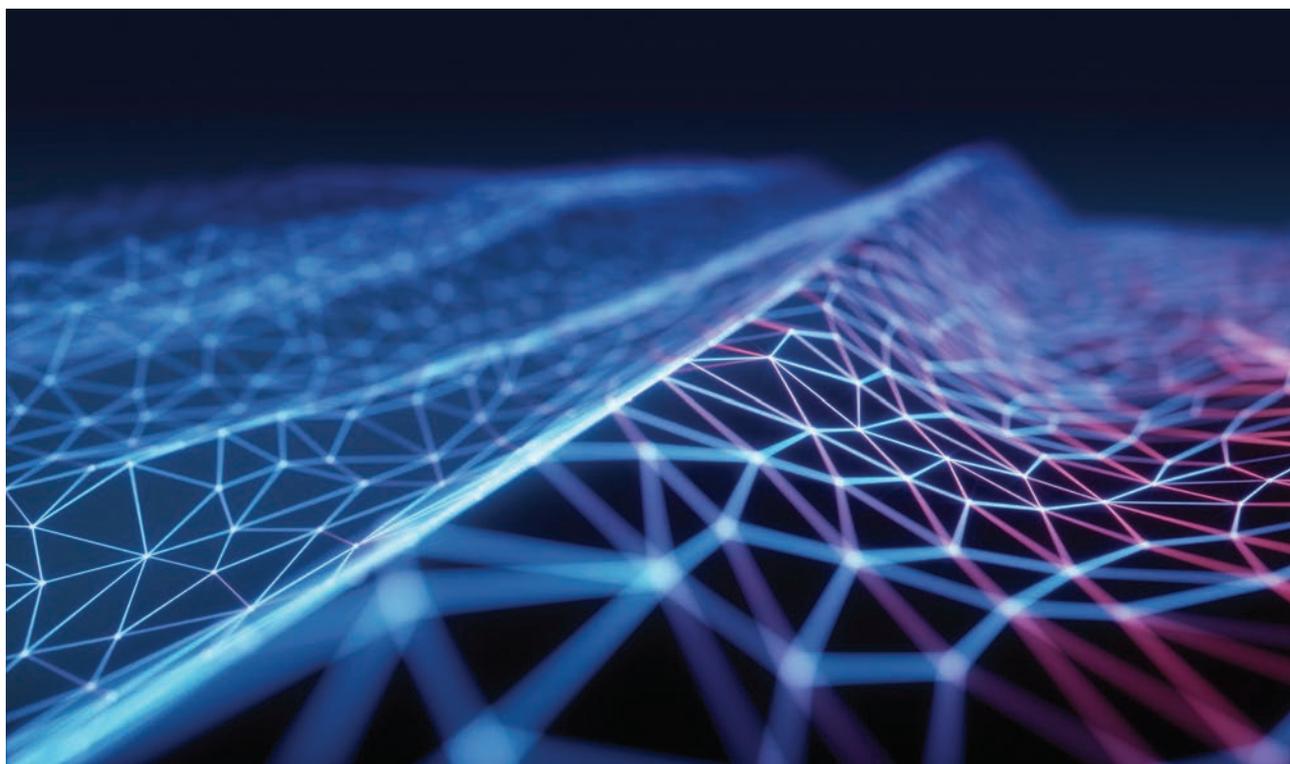
Zooming in on wealth management, Hitchen observed that it is, as he said, “way, way behind the curve”. He concluded that when the non-bank competitors go mainstream, the risk

is obsolescence for the traditional incumbents, as they miss the boat for radical transformation.

“It is globally acknowledged that wealth management, asset management, insurance to an extent is behind the retail banking and payments side of the industry, that it must improve quickly,” he reported. Accordingly, the incumbent players need to significantly upgrade their strategies, their decision-making and their implementation.

Partnerships for a better future

Hitchen reiterated how the right alliance with a firm such as Swissquote can solve this dilemma for many of today’s players. “To fast-track change,” he advised, “firms must identify the areas where they can and want to change and then either do it themselves, or, as is more advisable for most



of all but the very biggest players, work with a partner who knows what they are doing, a specialist, and plug and play into that platform, that solution.”

“This all starts with strategic analysis,” he explained. “And then how you do it. In-house is extremely challenging unless you are a huge global player and, in my experience, there are perhaps only five or 10 firms around the world who should adopt that model.”

Accordingly, his advice is clear - partnerships from both a purse and a business perspective are strongly preferred. And outsourcing is the next level of preferred option.

He defined partnership as working exceptionally closely with an external party to devise the proposition, refine the strategy, and deliver the results together. While outsourcing is taking a more homogenous, off-the-shelf service and plugging it into the institution’s infrastructure.

Attack is the best means of defence

Hitchen drew his Workshop towards a close by reiterating that if a firm cannot defend its existing relationships, it certainly cannot extend them and grow. And the firm

in question must balance its approach, for example combining the efficiencies of the robo-advisory protocol, with the many and significant advantages of face-to-face communication with clients.

He closed with a call to action, stating that the only wrong approach is to do nothing. “This is all inevitable,” he said, “it is happening today. “Think really carefully about where your business is today, where you want it to be tomorrow. Start thinking about partnerships, we are here to stay in Asia and to work closely with you.” ■

