The keys to unlocking Malaysia's wealth opportunity

Conditions remain ripe for the growth of the country's wealth management industry, but there is still more to be done to enhance product options and advisory models.

The growth of personal assets and a rising mass-affluent population mean all stakeholders in Malaysia's wealth management industry will need to up their games.

There has been substantial progress over the past few years, but the industry is demanding more measures to enable it to compete with regional rivals.

For Carolyn Leng, head of private banking, Malaysia at CIMB, recent regulatory moves to liberalise the country's asset management market should enable wealth managers to better meet clients' needs.

One measure introduced by the Securities Commission allows boutique fund managers, or those with AUM of up to MYR750 million (USD198 million) to establish businesses in Malaysia with paid up capital of MYR500,000 versus the MYR2 million required for a fully-fledged fund manager licence.

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RAKESH KAUL
Citi

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"This will give a tremendous uplift that we very much needed," says Leng.

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CIMB Private Banking

solutions standpoint. If you are just a wealth manager in the preferred [banking] segment this is not so much of an issue, but if you are in a private bank you have to provide solutions.

"We have to search for global products to fulfil asset allocation needs."

Rakesh Kaul, Malaysia country head for retail banking, mortgages and wealth management at Citi, was equally impressed by regulatory developments.

He notes there has been continuous engagement between Malaysian authorities and wealth managers to explore new investment options that might be introduced to the country.

Expanding the range of investment options could boost Malaysia's wealth management industry by encouraging HNW and UHNW individuals to keep their money in the country rather than move it offshore.

"We have stiff competition from Singapore," says Kaul. "Rather than funds and assets going out [the regulator] wants to bring in bring in global or regional products so clients can get access here to products for which they now have to go overseas."

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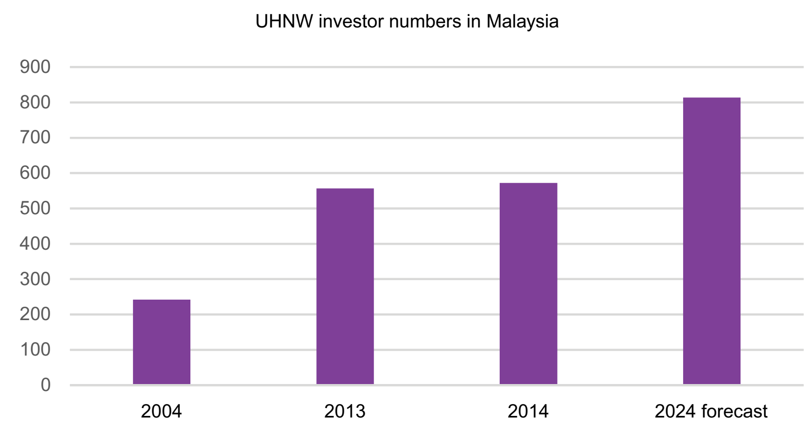
The ASEAN funds passport could also enhance competition in the industry as successful regional players entered the country, Kaul adds. "Very clearly Malaysia has a fantastic opportunity to leverage these changes and bring the best wealth management opportunities to clients."

The industry would not thrive merely on new products, however, as it still struggled with a lack of acceptance of wealth management as a concept among the Malaysian population, believes Pramod Veturi, Standard Chartered Bank's managing director and country head for wealth management.

"The challenge most institutions face is the penetration of wealth manage-

MALAYSIA'S GROWING WEALTH



Source: Knight Frank Wealth Report 2015

ment solutions within their customer base ranges from [just] 15% to 30%," he says.

"Concepts like regular savings are not big in the market at this stage, [but we still think] they represent a huge opportunity for banks like us."

Wealth managers themselves also have a responsibility to lead growth of the industry, which would include a shift towards moving to an advice - rather than transaction-based model, argues KJ Raju, founder and group chief executive officer of financial planners the Blueprint Group of Companies.

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PRAMOD VETURI
Standard Chartered Bank

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"The key drivers for us as practitioners will be thought leadership, to simplify financial products and effectively use social media and technology," he says.

"The advisory model should take shape quickly and be seen as a profession in itself. This will differentiate the successful practitioners in the wealth management space."

Good, and broader advice would become increasingly important as Malaysian families became more international, according to Leng. "When talking about advisory services you have to progressively move beyond just saying what you can provide from an onshore perspective, encompassing how you factor family assets into a trust or pass on the legacy," she says. "You have to evolve and growth with your families and your clients to succeed in the wealth management business."

The mass-affluent segment was one area of business worth pursuing, notes Dato' Javern Lim, founder and group managing director at VKA Wealth Planners, particularly with government initiatives to make Malaysia a high-income nation. "The latest survey by Datamonitor shows the mass affluent population has grown 16% since 2013. [It now] represents an additional 85,000 Malaysians, and this is a ready market for us," he says.

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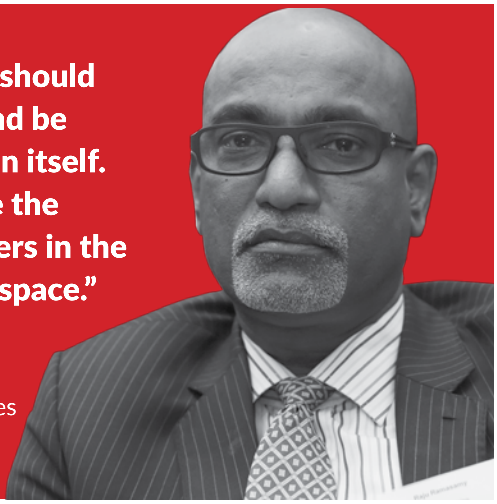
K R RAJU
Blueprint Group of Companies



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VKA Wealth Planners

Linking this with the earlier discussed idea of Malaysian wealth management moving to an advisory model, Veturi notes it was relatively easier to advise those with substantial sums to invest, but less so for lower tiers of wealth.

"The reason real estate happens to be the main choice of investment is because they know more about it than other asset classes," he says.

"This is where the notion of building advisory capability that can reach out to different segment of the client base and educate them on the choice of asset clas-ses comes in]. It is probably the biggest gap in the market today."

Education needed to be streamlined and simplified for mass affluent segment to be a scalable business, he adds.

Raju agrees, noting that developments such as the Employee Provident Fund and Private Retirement schemes, with the latter expected to reach USD31 billion by 2020.

Whatever the tier of wealth in question, it is vital to not only change the basis on which clients' investments are discussed, but also how relationship managers (RMs) are compensated for discussing them, believes Leng.

"To provide advice you have to take an impartial position and this means not being compensated based on commission," she says.

"The Malaysian wealth management scene is not ready for fees, so the best way is to manage RMs and make sure compensation is in line with compliance and the way in which they articulate investment advice to the client."

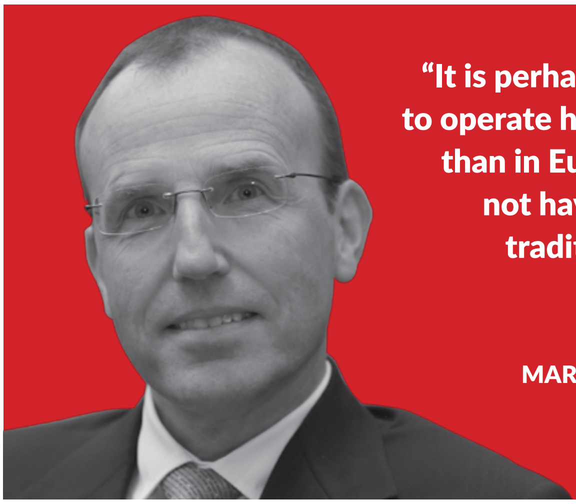
Kaul notes that Citi has already taken this approach, moving to a model whereby sales incentives only count towards 50% of an RM's compensation, and cited another institution that has moved to 100% "client experience-based" commission.

Returning to the theme of segmented advice, Martin Krahenbuhl, chief executive officer of customer communications technology provider Assentis, notes that new wealth in Malaysia meant institutions had a relatively open space within which to apply new business models.

"It is perhaps more simple to operate here in Malaysia than in Europe as you do not have so many old, traditional families," he says.

"Segmentation is more important than it used to be, and ways of communication are also different," he explains.

"With old families you have to have personal contact in all cases. They often refuse to go digital. What I see here is that people are much more into this concept and accept more digital developments," he adds. ■



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