

The rapidly evolving wealth management offering in Thailand

The first panel of the Thailand Wealth Management Forum brought together top-level local and regional experts at the cutting edge of shaping the local wealth industry in the years ahead. The audience was treated to a robust discussion on the state of the market and evolutionary trends.

These were the topics discussed:

- *How do the different players - wealth management, insurance and banks compete or complement each other?*
- *Asset management companies - growing well and broadening distribution?*
- *How important is digital today?*
- *Offshore / onshore. Where is the long-term opportunity?*
- *Who is making a commitment to building an onshore business and why?*
- *Is there a hybrid model where international banks can work with onshore banks?*
- *What changes are we seeing in client expectations and behaviour?*
- *Where will the continued growth come from and what are your priorities?*
- *How is regional wealth management developing?*

THE THAI WEALTH MANAGEMENT INDUSTRY IS developing apace as the country's rich and super-rich are increasingly catered to onshore, and as the ranks of well-to-do middle classes - the mass affluent - expand along with Thailand's rapidly rising economic power. The panel discussion provided a fascinating insight into how the different players compete with, or complement, each other in this growth market.

The discussion's Chair opened the panel by highlighting recent Capgemini data that there are now over 100,000 affluent and high net worth clients in

Thailand with over USD550 billion in assets, which is roughly the same size as Singapore and about double that of Malaysia.

PANEL SPEAKERS

- **Malik S. Sarwar (chair)**, CEO, K2 Leaders, USA
- **Vincent Magnenat**, Chief Executive Officer of Asia, Lombard Odier
- **Michael Blake**, CEO Private Banking Asia, UBP
- **Avishek Nandy**, Principal, Bain & Company
- **Vira-anong C. Phutrakul**, Managing Director, Consumer Business Manager, Citi
- **Pote Harinasuta**, Chief Executive Officer, One Asset Management
- **Jirawat Supornpaibul**, Senior Executive Vice President, Private Banking Business Group Head, Kasikornbank
- **Benjamin Cavalli**, Chief Executive Officer, Singapore, Head of Private Banking, Southeast Asia, Credit Suisse Private Banking



A representative from a global bank with a long track record in Thailand noted how the country's household wealth has been growing at 9% since 2000 and the combination of its size and this growth impetus is creating an increasingly dynamic wealth management market.

Wealth managers' sights focused on key segments

"We see an increasing divergence of needs across the different segments here," reported one expert. "The banks today see clearly that the mass affluent, affluent and high net worth segments are very different. We conducted a survey that showed considerable differences in demand for products and the delivery, with some 50% of mass affluent more interested in self-directed advice through digital. The market is slow in adopting that."

He explained that in the affluent segment - with USD3 million or more in assets - the focus is more on financial advisory, but in this arena, the emphasis has been more on product pushing and lending by the providers, while less than 30% of those surveyed believe they are receiving good financial advice.

And in the HNW segment, as elsewhere in this region, the clients are looking for a more seamless experience in a one-stop shop. "They are expecting best in class products and open architecture and the

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VINCENT MAGNENAT
Lombard Odier



MALIK S. SARWAR
K2 Leaders, USA

broad range of advisory services alongside, such as access to advice and execution capabilities on trust matters tax, legal, transition planning and so forth.”

Opening the market with open architecture

The move by some of the leading Thai banks and other financial institutions towards open architecture is seen as a vital catalyst for accelerating the market’s growth.

“In our asset management space, without a branch distribution network one needs to rely on other parties selling funds for us,” explained a panellist. “Some of the foreign banks operating here have been real pioneers in getting as many fund houses products on their platform as possible. What we see now is that most of the leading Thai banks are doing the same, so we are moving onto some of the platforms of the universal banks who are increasingly open to the one-stop shop concept. The banks do not need to produce the funds, but they end up with a good slice of the fees, which is an area the SEC is looking at currently to ensure solid transparency going forward.”

“For banks that bring in other fund houses it does mean their subsidiary fund house will suffer in volume,” he added, “so there are losers along the way as well. But the banks win in other ways, through fee sharing and enhancing their customers’ access to products. We believe this is the way forward and we



MICHAEL BLAKE
UBP

certainly embrace open architecture as we always want more volume.”

Regulatory imagination as a catalyst for growth

A panellist noted that a great advantage for Thailand is having some of the most receptive and forward-looking regulators in the region. “Our onshore expansion here has,” he said, “certainly been facilitated by their vision and flexibility. They are helping create the fertile ground for the growth and diversity of this wealth market.

Another banker with a global bank highlighted the relaxation of onshore FX regulations in 2015 as a key moment in the expansion of their offshore investment opportunities to their clients. “In the past, we had a basic suite of products, but nowadays we can provide a much more interesting array of products and ideas to the higher echelons of wealth here.”

He also noted that the bank can work with offshore partners to further enhance that range when clients move further up the wealth spectrum. “We practise open architecture and have partners, both onshore and offshore, that helps us to provide a broad range of investment products that meet every type of need.”

Offshore brands and onshore powerhouses

Several notable partnerships between universal banks in Thailand and brand name international private banks have been formed in recent years to

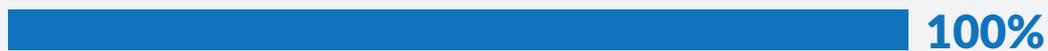


AVISHEK NANDY
Bain & Company

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ARE YOU POSITIVE ABOUT THE GROWTH OF WEALTH MANAGEMENT IN THAILAND?

Yes



No



Source: Hubbis Thailand Wealth Management Forum 2018

boost the wealth offerings of the universal banks and to provide access for the offshore banks to local clients who would otherwise have been too difficult, or too costly, to win over.

“We have had remarkable success with this initiative,” explained one banker. “We have already grown to more than USD1 billion in AUM in less than three years for our offshore partner here in Thailand. A key driver has been migrating deposits to more sophisticated investments and certainly, the USD1 billion does comprise some of those funds transitioning, as well as other investments upgrading to recommendations from our offshore bank partner. The risk-based asset allocation they have been promoting has been winning more and more clients, achieving success by focusing on controlled risk to achieve expected returns.”

Risk management is a huge element of the wealth management equation that was all too often forgotten, especially before the 2008-9 global crisis, agreed another panel member.

A private banker present highlighted his firm’s long experience in the region, far longer history in Europe and the success of the bank’s partnership with a local universal bank. “The investment culture across the world is ever more global, and to combine the two great strengths of our firms is a unique value proposition for their and our customers here.”

“We take a holistic approach,” he elucidated, “protecting assets, helping attain growth and working with families to pass on wealth through the generations.



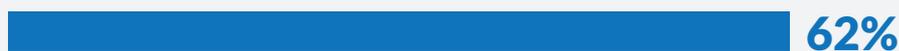
VIRA-ANONG C. PHUTRAKUL
Citi



JIRAWAT SUPORNPAILBUL
Kasikornbank

IS THE BIGGEST OPPORTUNITY

Onshore



Offshore



Source: Hubbis Thailand Wealth Management Forum 2018

We are pleased to be working with a local partner with a similar vision. We aim to grow onshore assets by providing multi-asset, global, risk-based offerings as well as some more tailored products driven by client demand. And we work with families on structures, governance and wealth transition.”

Tackling the market from offshore bases

Another approach is to compete locally but from bases offshore in the region, primarily Singapore and Hong Kong. “We have grown the business at more than 20% in the past couple of years,” said one foreign banker, “but we now need to decide if we continue on the direct route or move to a partnership arrangement here. We are open-minded on this and see the logic of partnerships with onshore domestic players as a very interesting proposition that is beginning to prove it works in practice here.”

The discussion turned to key features of wealth management, with one expert noting that the relationships often begin with the business connection and migrate to the private banking arena. Another panelist in a pure private bank noted that his firm empowers RMs to drive the relationships. “We never seek to institutionalise relationships,” he claimed.

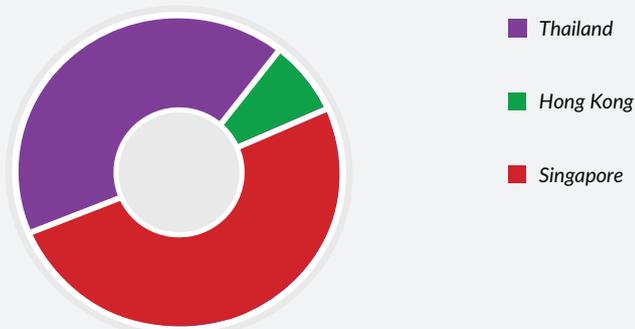
Taking the longer-term view

One panel member noted that patience and long-term relationship building is vital. “Many clients are tired of frequent calls to encourage them to buy prod-



POTE HARINASUTA
One Asset Management

WHAT IS RANK OF THAI WM IN TERMS OF CLIENTS AND AUM?



Source: Hubbis Thailand Wealth Management Forum 2018

ucts, so we can spend more time and effort on their real needs and more sophisticated wealth planning from a wide variety of angles, looking at all their holdings, including property. For example, many clients are considering monetising their real estate and moving that to marketable investments, so we have a dedicated team now for that.”

Another expert said his firm advises the RMs to focus on their client relationships, not just what they can sell them, but on advice, value-added services, non-financial services and bringing all that together.

“Making the paradigm shift from products to achieve an overall relationship and breadth of services is the key to building sustainable growth models,” he said. “Transparency is another issue that concerns clients globally, so focusing on that area will help instil and maintain client trust and loyalty. Learning from customers’ behaviour and views is also vital, what we can call customer advocacy.”

The regional perspective

The Chair asked panel members to advise on what trends that are taking place elsewhere in the region might likely migrate to Thailand.

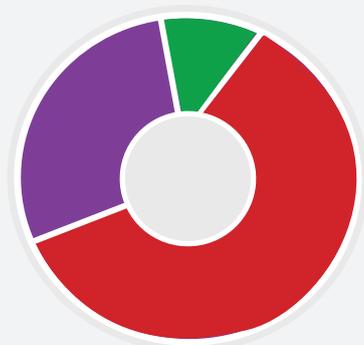
“In Asia, we see a huge demographic shift and there are noteworthy differences with Europe and the US,” reported one wealth management expert. “The HNWIs



BENJAMIN CAVALLI
Credit Suisse Private Banking

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WHAT'S MOST IMPORTANT TO GROW THE BUSINESS IN THAILAND?



- Digital
- Collaboration with foreign banks
- RM education

Source: Hubbis Thailand Wealth Management Forum 2018

out here below 50 years old represent about two-thirds of the clients, meaning that it is a considerably younger demographic than in Europe and the US. A lot of this is also inherited wealth so there is a lot of work required in estate planning, especially with new laws on inheritance coming in here in Thailand. Universal Life can play a much bigger role here as well, as we have seen in Singapore.”

Digitisation will play an even more prominent role, reported another expert. “Banks across the region are launching their platforms and their upgraded client interface, especially with a focus on the younger generations of HNWIs and mass affluent.”

Demographics and staff loyalty

“A surprising amount of our asset management clients are women,” noted another CEO. “Given that we have achieved diversity there already, our focus is actually more on the younger generations. Out of the 66 million population of Thailand, we estimate around 8 million people have access to the capital market, so there is a collective effort here with the authorities as well to broaden access. Digital platforms will encourage the acceleration of the participation of more people, more from around the country and more of the younger, working, middle class.”

Another member noted: “We aim to serve the client regardless of gender to be honest, however, by demographic we will have more women as our

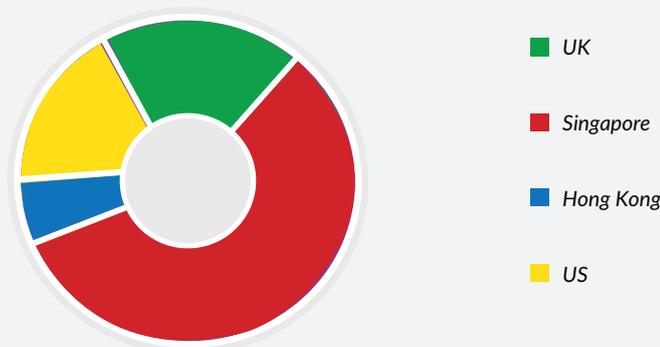
customers by default; there are more women in the world, women live longer and generally stronger. We should note that women expect more of a total relationship management approach, so looking at broader family needs is essential.”

And some experts noted that more RMs are being poached amongst wealth firms, and the key targets are often those with relationships beyond Bangkok, as well as those with relationships with wealthy Thais holding offshore accounts and assets in Singapore, Hong Kong or Switzerland. The aim is to bring more of the wealth back onshore, as investment opportunities increase.

Closing the discussion, a panel member reminded the audience of the value of high-quality staff that are committed to the cause, educated in the latest products and trends, and fully engaged with their roles. ■

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WHICH COUNTRY DO YOU THINK HAS THE BEST WM BEST PRACTICES?



Source: Hubbis Thailand Wealth Management Forum 2018