The Regionalisation of Wealth Businesses - a Digital and Platform Perspective

FNZ is a global wealth management platform provider that offers fully outsourced technology and administrative services to banks, insurers and asset managers around the world.

FNZ IS A MARKET LEADING PROVIDER OF THESE SERVICES IN THE UK, and in the last five years the company has continued its expansion in APAC, establishing a solid base of institutional partners. FNZ is also now aiming to expand in to the US and further across mainland Europe in the near term.

Tim Neville is the Chief Executive Officer for APAC at FNZ, and has had a regular dialogue with Hubbis about the wealth market players in Asia. Here he discusses the Asian developed and emerging markets which, according to him, are rapidly maturing and growing their mass affluent segments. This will ultimately require scalable wealth management platforms to service millions of customers across multiple geographical, and more importantly, jurisdictional locations.

Speaking at the Hubbis Digital Wealth Management Forum, Neville explained more about FNZ and its ambitions in Asia Pacific. Highlighting how, through a core platform, the fintech firm can service multiple jurisdictions - offering multi-channel, multi-lingual, multi-asset, and multi-currency solutions - Neville told delegates that in a market afflicted by margin compression, providers have little choice but to keep pace with the modernisation of wealth management infrastructure, supporting clients to be agile and responsive to delivery of propositions into the market.

In Asia, Neville says a convergence is taking place between the private banking market, the mass affluent market, and the mass retail space - changes that require tailored, client-focused

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Link to Content Summary page
Link to Article on website
Link to Presentation
Link to Event Homepage

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solutions to all customers, not just the high net worth.

"This has been going on for some time globally," he explained to delegates, "but in Asia, it is happening at varying rates across different geographies."

"In this environment," Neville added, "a multi-channel approach is required, harnessing a spectrum of distribution channels for use by insurers, banks, private banks and wealth management firms. This should of course include robo-advisory solutions, which rather than being a standalone channel, should be used as one of a number of channels tailored to what the client and the market needs."

He added: "People will always pay for good advice and good guidance and we think the future lies in a hybrid of robo-advisory and person to person."

Platform as a Service is the Future

Neville told the delegates, he believes there are limitations to financial institutions developing middle and back office services. The FNZ proposition is a full Platform as a service (PaaS) model to the marketplace, creating a line of defence against Big Tech attacking client markets, or actually simply buying the big banks and insurers which is only 5 years away in his view.

The FNZ PaaS model for wealth management is fundamentally different from most other vendors in the Asian market, being a fully outsourced service of both technology and retail investment operations. FNZ has only ever provided this outsourced offering, which is now seen as the future direction of the market.

Neville explained that the FNZ solution is focused on enabling agility, allowing for different user interfaces that are completely localised to a jurisdiction but running from one core platform. He said at the conference:

"Every core platform configures the local tax laws and local practices, including of course localised onboarding and 'know your customer' type requirements."

"While at the same time - and this is converging more and more - there is a level where certain components of the platform around order management, document and fee management are completely commoditised globally, and where some extreme cost efficiencies can be achieved."

He explained that the platform must provide full connectivity

into the marketplace and enable the institutions to greatly improve time to market, flexibility to change and of course the overall customer experience.

"We achieve scale aggregation through a single technology and operating model globally, allowing our customers access to the scale-based pricing and continuous innovation of a platform they often do not want to build or maintain themselves. In addition, we also offer continuous security and data protection, as well as global market connectivity and operations across all asset types."

Neville adds: "Platform as a service is the preferred model in most developed markets, allowing firms to outsource all the commoditised middle and back office elements of wealth management whilst still owning and differentiating their customer propositions both digitally and through products offered.

"As a result, FNZ can deliver regional wealth management platforms through a single core platform that allows clients to enter multiple Asian markets through just one system. "

Robo-advisory and predictive analytics

FNZ offers robo-advisory solutions that are aimed at optimising investment outcomes for end investors through individualised solutions. Many current robos simply automate the advice process, which really only achieves efficiency, not enhanced investment outcomes for the customer.

And another key area for FNZ in the region is predictive analytics, which is machine learning and statistical modelling applied to data. FNZ has been progressing quickly in this space. It has rolled out an investor attrition predictive model, which attempts to predict the risk that a customer may leave a wealth product, platform or service. And predictive analytics can be used to produce targeted mutual fund marketing by identifying which group of people are the most likely to purchase a particular fund based on historical fund purchase profiling.

Neville had previously explained to Hubbis that the FNZ approach creates the opportunity for banks and insurers to fully outsource their front, middle and back offices so that they can focus on sales, distribution partnerships, product manufacturing and strategy.

"The good news in Asia is that the cost to income ratios of the banks and the insurers remain relatively favourable because significant fee compression is only starting to occur now."

"Asia has more time to transition to where the UK, US and Australia are at, but margin compression is a reality, and our advice to customers is to address these matters sooner rather than later." ■

New Growth in Asia but Well Established Globally

Founded as a start-up in 2004, FNZ was originally created as a unit within the New Zealand branch of Credit Suisse. Expanding to the UK in 2005, there was a management buyout of the firm in January 2009. Growth in the decade since then has been remarkable, so much so that in October 2018 Canada's CDPQ and Generation Investment Management agreed to purchase two-thirds of FNZ in a deal that valued the business at GBP1.7 billion.

FNZ currently has GBP330 billion assets under management, a dramatic rise from the roughly GBP5 billion AUM when the management buyout took place in 2009.

The firm employs around 1,800 technology and investment operations specialists across Europe and APAC, primarily in Edinburgh, London, Shanghai, Hong Kong, Singapore, Sydney and Wellington.