

Transforming business models via a RegTech Ecosystem

The premise of the Orbium presentation at the Hubbis Digital Wealth Solutions event on November 9 was that the growth of the private banking and wealth advisory industry continues apace and makes the supply of software systems and processes both necessary as well as fundamentally attractive.

[Link to Slides](#)
[Link to Article](#)
[Link to Event Homepage](#)
[Link to Content Summary page](#)
[Link to Photos](#)
[Link to Video Highlights](#)

IAN WOODHOUSE, Senior Business Adviser at Orbium and Amar Bisht, Head of Wealth Strategy & Advisory, took turns to address the audience.

Woodhouse noted that growth in the wealth sector in Asia is roughly 9% each year Asia-wide and in some Asian markets hitting double digit growth, while in Europe the growth is considerably slower at around 6%.

But Woodhouse also highlighted margin pressure on private banks and other advisors, as well as demands for increasing client interface sophistication and the ever more demanding regulatory



IAN WOODHOUSE
Orbium

environment. “All this represents a wonderful opportunity, as well as a major challenge,” he observed.

A big theme for the years ahead

The Orbium presentation focused on evolving the business model, managing suitability, risk, and advice management. This is what Woodhouse termed “a massive theme in Asia for the next several years”.

Another key topic for the talk was cross border and real-time decision making to adapt to the increasing cross border regulations. And the opportunities to adapt and change by working in innovative RegTech partnerships.

Orbium sees the wealth sector evolving at different pace in different jurisdictions in the region, as well as a pattern of moving away from transaction services through advisory mandate, through discretionary services and ultimately towards financial planning, asset and liability management. With no clear winners emerging so far, Woodhouse sees great opportunity for the wealth management firms in Asia Pacific. “The challenge is to make sure that your organisation is a winner moving forward,” he told the delegates.

One-touch execution

Bisht then highlighted the 32 pre-trade checks that must be completed to comply with local and regional regulation. “We can talk about one touch execution and straight through processing, but before that single trade can be executed there are 32 checks that the banker must conduct,” he explained.

“We must also focus on cost and margin pressures at the client firms,” Bisht added. “We are helping those clients in the region to prioritise where they should spend their investment dollars. And that

underscores the importance of having a very robust suitability framework; at Orbium that is exactly what we have come up with, divided up in five main components - client risk profiling, product risk rating, pre-trade checks, surveillance, and very importantly the bank culture.”

But this is easier said than done, Bisht explained. “Bringing these elements to work together and not to operate as distinct silos still remains a challenge,” he reported, “especially pre-trade checks and surveillance. Banks still rely on sample-based testing, which creates a lot of tail risk. Accordingly, we advise clients to move towards more of a 100% surveillance mechanism, using automation, with fintech and RegTech partners to help the clients achieve that.”

Formulating the Ecosystem

Orbium has therefore developed an ecosystem of RegTech partners, for cross-border trades, product risk rating, automation of pre-trade checks outside of the

core banking system, 100% surveillance, realtime trade analytics, and core-banking.

Woodhouse elucidated. “The idea behind the ecosystem is that working together you are able to get fast solutions and to enhance the opportunity. Traditional business models are under immense pressure also from new ones, external asset managers, multi-family offices, B2C robo-advisors as well as some of the other models that we have discussed. As you can imagine, it is a fairly fluid scene.”

Woodhouse also highlighted what is required to succeed in this unfamiliar environment, pointing to four areas as key to future success for private banks and wealth institutions.

The first, he noted, is management of the performance, driving firms more towards recurring revenues and away from reliance on transactions, as margins are under ever greater pressure. The second area is regulation and the third area industrialisation, as private banks struggle to reduce their cost income



AMAR BISHT
Orbium

THE WORLD ACCORDING TO ORBIUM – BULLET PROOFING THE WEALTH MANAGEMENT SECTOR

Orbium observes the following:

- The private banking industry remains attractive but short-term headwinds require rapid business model change
- Based on client engagements, wealth management centres globally are evolving at different levels of maturity and there are no clear winners as yet.
- In Asia, investor protection obligations are driving change through the value chain, but vary by service offering.
- Changing client needs and regulations place demands on banks to better support their staff in the sales process.
- To deliver optimal client outcomes it is key to have a robust and aligned suitability framework.
- Controls and disclosures and surveillance are currently immature but rapid adoption of Reg Tech can provide novel solutions.
- The future is creating an ecosystem of RegTech and partners to deliver innovative suitability solutions.
- Banks must recognize and act on key factors to embark on a roadmap to success.

ratios. The fourth area is innovation of the product and service.

Winners... and laggards

“What we have been seeing clearly is the industry dividing into out-performers, good performers, average performers, poor per-

formers, and the firms that have decided to give up on private banking altogether. On the last point he noted that in Singapore several foreign banks have exited by selling off their operations or closing shop, or even due to regulator action.

Orbium is working with its private banking and wealth management client firms to ensure that they have the roadmaps necessary for success in this evolving sector, driven as it is by margin pressures, client expectations and regulatory change. ■

