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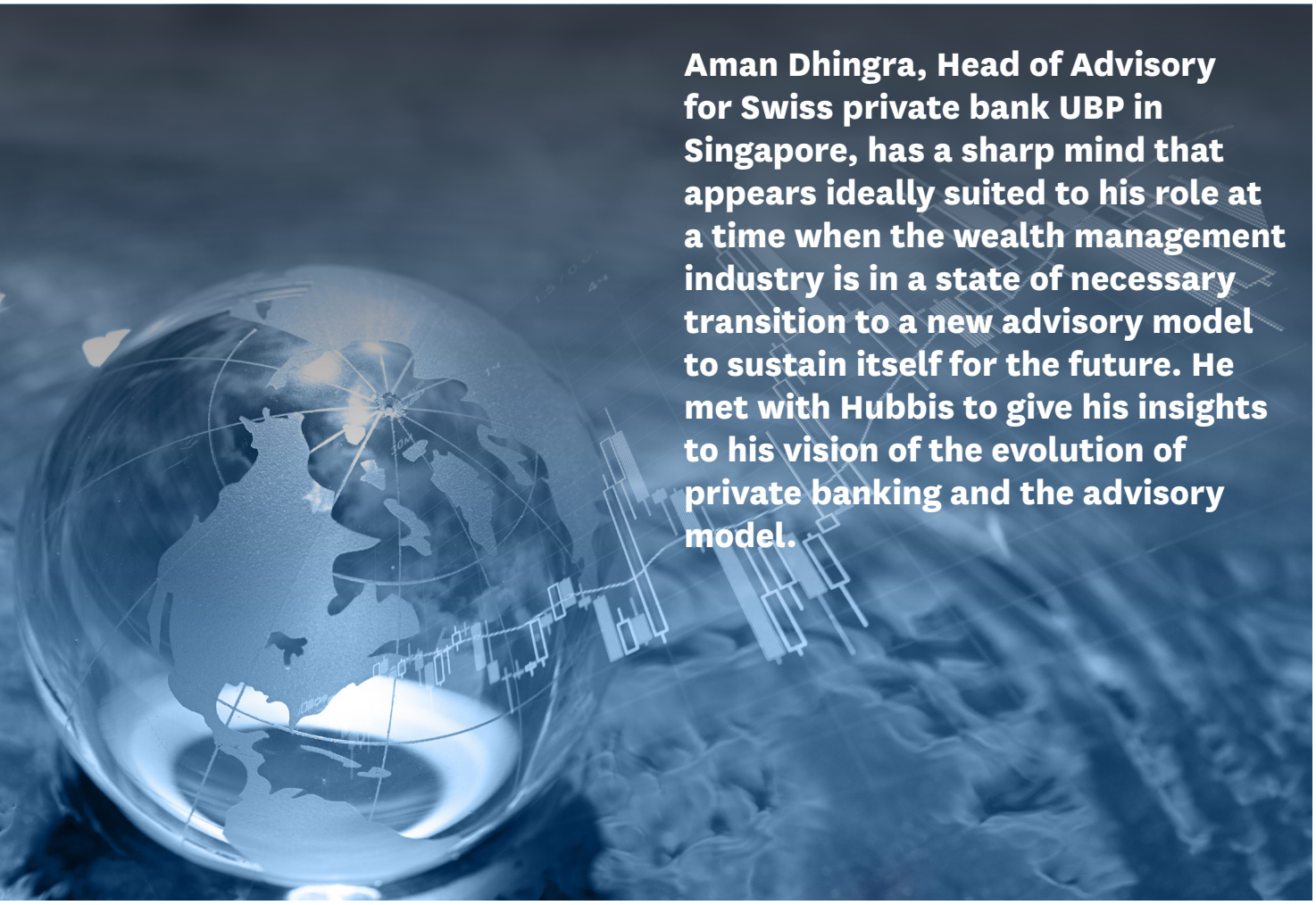
UBP's Aman Dhingra and his Take on the Future of Private Banking Advisory in Asia



Aman Dhingra, Head of Advisory for Swiss private bank UBP in Singapore, has a sharp mind that appears ideally suited to his role at a time when the wealth management industry is in a state of necessary transition to a new advisory model to sustain itself for the future. He met with Hubbis to give his insights to his vision of the evolution of private banking and the advisory model.

Executive summary

Aman Dhingra, Head of Advisory for Swiss private bank UBP in Singapore, is juggling the needs of UBP's advisory business of today with his vision of the banker and the private bank of the future. He met with Hubbis to explain, in some detail, what he believes the bank and the bankers must do in order to prepare themselves for the future and to more accurately and incisively service their high-net-worth clientele.

"In this future, as he envisages it, the banker will be far more knowledgeable, structured and attentive to the needs of the clients, who themselves are becoming both more sophisticated and more 'millennial', year by year."

In the decade to come, the role of technology as an enabler will, he argues, free up the banker's time through the lightening-fast crunching and filtering of masses of data that today is simply too labour intensive and costly to handle. Technology, will allow the private bank's single platform to service a wider array of clients, from the mass affluent to the ultra-wealthy, while also making regulatory compliance more efficient and accurate.

This vision is a long-term one spanning the foreseeable years ahead. To achieve that, the banks of today must adjust themselves to these new realities by converting more of their HNW clients to advisory mandates, or risk marginalising themselves and failing their clientele.

AMAN DHINGRA
UBP

DHINGRA BEGAN BY LOOKING BACK AT THE ADVISORY MODEL FOR PRIVATE BANKING OF A DECADE AND MORE AGO. "We can recall that the world of regulation was there, but not that well defined or that pervasive," he remarks. "Within that the bank took what we can term a 'comfortable' interpretation of those regulations and spent little time internally educating bankers on those regulations or on the policies of the banks."

At that time, he notes as a broad generalisation, the private banks were more focused on their own corporate and banker priorities, with client outcomes as a second priority. "It was not all negative, of course," he adds, "as there were some positive intentions and some good outcomes, but all too often the client played second fiddle and that model is outmoded and certainly not the future of private banking, as we see it."

The cathartic element of change, Dhingra argues, has been regulation. "The basic tenets of investing remain as they were five, ten or 20 years ago," he observes. "Behavioural finance, asset allocation, holding power, cash management, sensible management of leverage, diversification and so forth. But the regulatory oversight has encouraged the banks to up the quality of their advisory and research staff, and that has helped improve client portfolio formation and management. The clients have also become generally more sophisticated and the banks have gradually been catering to their increasing needs and expectations."

Key Priorities

Aman Dhingra elucidates his three key priorities for client portfolios for the year ahead. "There are three areas we need to discuss more with clients," he reports. "The first is the whole technology-led disruption and on which we have been very busy both in the manufacturing space and distribution spaces. By manufacturing I mean working with our asset management group, and by distribution, I mean working with third party providers."

He gives the example of a 2017 product launch named 'Car of Tomorrow', which focused on investment opportunities where there is disruption brought on by the arrival of autonomous cars, electric vehicles and so forth. But the focus of that idea was not owing the car manufactures but on the supply chain investment opportunities.

"That was an example of the disruption impacting the world we live in today and that will have ramifications for the future," he explicated. "That is just one example from a large list of ideas that look thematically at tech-led disruption and projects forward to the world we foresee tomorrow."

The second investment topic on which UBP wants to more actively engage clients is the general area of volatility. "It is here already," he states, "and as a house we believe it will last some time and we therefore need to prepare our clients' portfolios. Accordingly, we have a robust array of defensive products, which clients can access to stabilise their portfolios for any downturn that may be more pronounced."

Dhingra cites, for example, directing clients towards funds that are run by quality growth managers, as they tend, he said, to be 'defensive' in any downturns. Or focusing the client on structured products with deep strikes. "These are just a couple of examples of many products that are on the shelf probably already," he explains. "Our role is to present them in a organized manner, to help clients focus on them as a holistic set of tools available to create defensiveness for their portfolios."

And the third priority investment theme is the broad concept of impact investing. "This focuses on the UN's seventeen sustainable goals that they want people to drive towards," he elucidates, "such as clean water, food for everyone, education, equality, human rights and so forth, basically anything an investor might invest in order to form a portfolio that has positive impact on humanity for the future. The investments might be in the mainstream, liquid markets, or in more private, illiquid structures."

And advice is...

Dhingra has a clear view of what he believes constitutes solid advice. “It is not only about portfolio performance, it is about how we engage and conduct business with the client; we believe that when any adviser engages with a client there needs to be a simple framework for that engagement.”

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He explains that the framework might, for example, start with the most basic foundations, such as what currency the client wants to reference ultimately, so that every discussion can be framed with that in mind. It might be what type of investment products or asset classes the investor wants, or what returns they expect, or how much risk they will take.

“These are all basic elements that have been around for decades, but they must be structured in a formalised manner at the beginning of the relationship,” he elucidates. “They are not static, so during the relationship they can be regularly redefined against the basic framework reference points. It is a simple approach, but a considerable advance from what we can all recall as the ‘product pushing’ days of before. It is therefore about defining and creating the right mandate for the portfolio management approach and therefore operating within a framework for a client.”

Getting Personal

Aman Dhingra has come a long way since he was born in the small village of Nainital in the Himalayan mountains. Today it is a major tourist attraction but then it was a pristine, untouched, remote town where Dhingra spent his idyllic early years. "I have wonderful recollections of those early times, it is a beautiful small town set amidst the mountains and on a lake. Today, tourism has had its usual effects and it is no longer what it was."

He attended school and university in Delhi and post graduate studies in industry management were in the city of Lucknow. "This was a private school near home in Delhi and I recall fondly how I would cycle to and from school every day. It was all rather quieter then."

His current role at Swiss private bank is head of advisory in Singapore. He is responsible for a team of client-facing advisers who help their clients with their investment portfolios through advisory mandates. He also connects between the advisory team and his colleagues in investment services for key product launches and assessing trends and ideas as the next drivers of business. And in the third element of his role at UBP Dhingra overseas the ’funds’ team for the advisory growth in the region, based out of Singapore.

His career spans selling chocolates for Cadbury Company in rural India, working with a team to design financial modelling for credit cards, a spell as a fixed income dealer during the global financial crisis and private banking with two well-known banks before joining UBP.

When not immersed in work or playing at home with his five-year-old daughter, his current focus is on getting fit and losing weight. "This is this year’s personal project," he notes, "but over recent years it was painting. I took to that passionately, much to my wife’s concern as it took up a lot of time and she has been obliged to hang my ’works’ on the wall, which she oftentimes finds difficult to do with a straight face. I understand, of course, but for me it was ’ and still is - a great relaxation."

The wide array of skills required

Add to that the softer, interpersonal skills and the adviser as he or she is evolving today becomes a much more multi-dimensional character with a wider range of skills, missions and the capacity to achieve more client-centric outcomes, whilst also achieving corporate and personal career objectives.

Dhingra adds that high energy levels for the advisers also help, as the job is both intense and demanding. “This is a dynamic industry in constant flux,” he explains. “You need to be able to constantly interpret the markets and communicate that to the clients and into the portfolios. Finally, we need our advisers to have a strong ethical and moral compass; this is a harder to measure, but a vital element for the banker and for the bank.”

Dhingra then turned his focus

onto the measurement of an adviser's performance and skills. "Numbers are a reference point," he says, "but these should be divided into two facets. One facet is the client performance set against certain benchmarks and risk factors, and the other facet is the revenue generation of the adviser."

Keeping things on track

He observes that the two must be balanced by the adviser to achieve both in some degree of harmony. "Additionally," he notes, "we seek qualitative feedback from the clients and from those people that the advisers interact with, internally and externally. It is therefore a combination of hard and soft skills and achievements that makes a great adviser stand out."

Dhingra clarifies how it is also vital to ensure that the bank acts commercially and that the clients fully accept that this is a business relationship. "We ultimately want to see all accounts where advice is provided as advisory portfolios on which we charge advisory fees," he reports. "We know that not every client will pay a fee immediately, we also know that even those who will pay fees might not pay large fees. But we also know that this is a trend we are determined to pursue and as a result our advisory fees, in the past two years or so, are rising even faster than our overall business expansion, largely because more and more clients recognise the value we add."

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To further define an advisory mandate, Dhingra explains that where there is investment input being given to clients, that should henceforth be recognised as advice. "We do not want to call it an execution-only account," he explains, "so, over time, any client

asking for our insights and advice on their portfolio becomes an investment advisory mandate and they are charged, obviously with their consent."

Dhingra also notes that the process of conversion to advisory mandates is earned, not automatic. "We have relationships dating back many years and the clients will pay if we then have the relevant discussions with them and can convert them to this view. It is far from an easy discussion, I can assure you, but it is the right way forward."

"A factor encouraging this development is the evolution of external asset managers, family offices and independent advisors in parallel to the private banks. These entities are helping educate clients on the concept of advisory fees and how it leads to better

alignment of interest between the advisor and advisee. Private Banks too are keen on encouraging clients to move away from pure brokerage based model. At UBP we now offer our clients bespoke fee models including, for client who so desire, an all-in fee model."

Tech disruption

Looking ahead to the advisory model of the future, with a 10-year time horizon, Dhingra envisions a model driven by technology.

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However Dhingra sees that the application of robo-advisory will impact more on the retail side rather than for HNWI and ultra-HNWI clients who will still value the human elements of the advisory process and a certain degree of financial creativity.

"Beyond robo-advisory, I call my model of the future an enhanced advisory service," he clarifies. "I can explain it further by breaking that down into regulatory and compliance requirements on the one side and value-add services to the client on the other side, both of which of course go in tandem."

He notes that banks have a cupboard full of data on each client, from the KYC information through to the frameworks for their portfolios and a history of their their investment activities. "Technology," he says, "will help establish sophisticated product suitability frameworks, going beyond the simple model of today, so that at the click of a button we can identify a certain product, or a certain asset allocation/re-allocation decision, or a hedging need and so forth for each client. Today, that is manual and highly in-efficient, in the future (with technology support) it will be rapid, accurate and cost-efficient."

The other facet of advisory that must be addressed, he says, is the distribution of content. "The newer generations of HNWI clients want everything on their mobile phones or tablets," Dhingra observes. "We can envisage many different inputs covering, for example, product strategy, macro views, specific investment ideas, and all arriving to the mobile device and accessible as required."

Moreover, all legal and regulatory information pertaining to investment products will also need to be part of this digital delivery protocol as well, with the prospectuses on investment products and other vital information all accessed via a central repository. "All this can and will be built very seamlessly into an online platform," Dhingra notes.

Freeing up the banker of the future

The role of the banker will thereby be freed up for greater client engagement as the adviser's bandwidth is enlarged through technology disintermediation.

Achieving these goals, says Dhingra, then brings into question the segmentation of mass affluent clients, HNWIs and ultra-wealthy clients. "To my way of thinking," he explains, "if you have a strong platform you can seamlessly cater to this broad range of clients, with dissemination of ideas and products related directly to each of their financial capacities, investment frameworks and risk-return profiles. As clients migrate to other segments, for example from HNWI to ultra-HNWI, they can then effortlessly transition across, but within the one platform. The differentiation will come with the product mix as well as the service levels provided."

Dhingra says this also solves the ever-greater regulatory cost conundrums. "Compliance teams today put increasingly complex processes with multiple checks in place to satisfy themselves that regulatory requirements are met. These requirements often translate into sub optimal client experience and high cost for the organization. If you have a platform robust enough to handle all these with strong controls, then a large element of the anxiety (and associated cost) over these compliance elements is removed."

Dhingra concludes that this is a longer-term vision. "We have our immediate priorities right now, as I explained earlier, but we are at the same time strategizing and positioning ourselves for the future of private banking and wealth management. I hope I have elucidated what I think we as an industry need to be looking at holistically for the next 10 years." ■