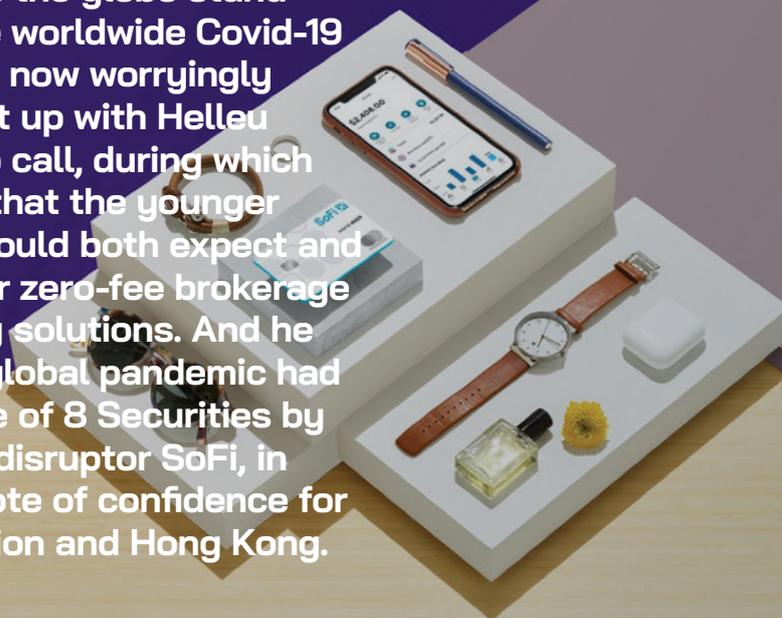


# US Personal Finance Disruptor SoFi Votes with its Wallet for 8 Securities and Hong Kong

Mathias Helleu, Executive Chairman and co-founder of Hong Kong-based robo-advisor and commission-free brokerage 8 Securities. He has spoken several times at Hubbis wealth management events in recent years; in one such talk, he opened with a slide showing deserted shopping malls and cinemas, brought about, he then predicted, by the rise of global Big Tech in the form of brands such as Amazon and Netflix. As malls across the globe stand largely deserted amidst the worldwide Covid-19 crisis, these predictions are now worryingly closer to reality. Hubbis met up with Helleu again just recently by video call, during which he reinforced his message that the younger generations of investors should both expect and be delivered both minimal or zero-fee brokerage and AI-driven robo-advisory solutions. And he explained how the current global pandemic had failed to derail the purchase of 8 Securities by US online personal finance disruptor SoFi, in what Helleu calls a major vote of confidence for both the firm's business vision and Hong Kong.



## Helleu and 8 Securities

have for the past seven years been at the cutting edge of the transformation of the investor in Hong Kong to a 100% digital relationship attained without the need for a human advisor. The target market is the younger generation of investors, especially the Millennials, which he and team members have considered poorly served by the incumbent brokers and other leading financial institutions in Hong Kong, who persist in charging high commissions and in offering poor digital interface, uninspiring investment solutions and mediocre service.

## TICKING THE RIGHT BOXES

The progress 8 Securities has made, and the business model it has presented to the market attracted the attention of SoFi, which entered discussions with the firm in 2019, evidently looking through the extensive social unrest at the time. And in April this year, the result of those initial discussions materialised as a 100% acquisition of 8 Securities, which will after regulatory approvals result in the firm being re-branded as SoFi Hong Kong.

SoFi is evidently a strong believer in the reputation 8 Securities has achieved as Asia's first mobile-only investing service, robo-advisor and zero commission brokerage, with a strong track record of innovation. SoFi is one of the largest and fastest-growing online personal finance companies in the US, with over one million members, and this deal marks SoFi's first international foothold outside the United States.

Helleu opens the discussion by commenting: "Over the course of our discussions with SoFi, it

## Helleu's Key Priorities

His first priority will be to communicate to existing and potential customers who SoFi is and why they should henceforth be the brand of choice for their target customer segments.

"Our competition is the traditional Hong Kong institutions, as well as some Mainland Chinese players coming here through their local virtual bank licences," he explains, "so SoFi will stand out as the American brand of choice. We have a great story to tell and as I said earlier the background is that we are competing with entrenched and solid incumbents, but that they are also players who have disappointed the Millennials for too long."

His second priority is to consider – based on market opportunities and regulation – what regional geographic expansion potential exists. "We will first see where the target customers are either under-served, or poorly supported, and then analyse whether from a regulatory perspective the time is right for us to venture into those markets," he elucidates.

And his third priority would be to see what SoFi offers in the US that might fit well in Hong Kong or elsewhere in the region.

was immediately clear that we share the common goal of making investing simpler, faster and more affordable for young investors. SoFi's commitment to enter Hong Kong is a big vote of confidence in 8 Securities, in our zero-commission trading app Tradeflix, and in our city."

The release about the SoFi acquisition stated that SoFi Hong Kong would be the only brokerage service that delivers fee-free stock trading of over 15,000 US and Hong Kong stocks, as well as ETFs, with zero commissions, zero platform fees and zero custodian fees. Members will be able to follow the investment portfolios of top-performing members of the community and learn what they are buying, selling and holding. Members will also see where their

own performance ranks against their peers.

## SOFI'S INTERNATIONAL EXPANSION

"We underwent an extensive process in considering our initial expansion into an international market, and it quickly became clear that Hong Kong, as a major financial capital of Asia, is ripe for innovation," said Anthony Noto, CEO of SoFi. "Based on the platform we've built, SoFi, together with 8 Securities, can meet the needs of both experienced and novice investors alike, as part of our overall efforts to make headway on our mission outside of the US to help people get their money right. Because when it comes to achieving financial independence, investing is not optional - it is imperative."



**MATHIAS HELLEU**  
8 Securities

Mathias Helleu and his co-founder Mikhaal Abdulla, who had before that led E-Trade's international business across 14 countries, created 8 Securities all the way back in 2012, and since then had raised USD70 million from investors backing their vision.

**TARGET: DIGITAL NATIVES**

"Our target since our early days in 2012," Helleu reports, "are the digital natives, especially the millennials who make up the majority of our customers. We have been growing the brokerage and robo-investing business here in Hong Kong, where only 10% of the population traded stocks directly and where there was, and still is, great potential for digital investing solutions."

He explains that 8 Securities has in recent years achieved a variety of firsts for innovation in Hong Kong, such as pioneering social trading, robo-investing, as well as zero commission trading in US and Hong Kong stocks. "When we opened conversations with SoFi last year," Helleu reports, "it was soon obvious that our shared vision would hopefully result in a win-win for all parties."

**Getting Personal with Mathias Helleu**

A Frenchman and a Parisian by birth, Helleu was educated at high school through to 18 years old in Paris but chose not to go to university, instead opting to work in the financial markets, which later led him into a prominent position as partner in a small discount broker in the 1990s that was then sold to E-Trade.

"When we sold," he recalls, "I was already based in Hong Kong, and E-Trade then asked me first to launch E-Trade Hong Kong, which led to a fascinating and exciting time for a decade expanding E-Trade here."

He comments that like SoFi today, E-Trade was then a disruptor with an established model that spawned a powerful international expansion strategy. "It was wonderful to move from a smallish company in Hong Kong and then to partner with a large and successful US firm. And then to 8 Securities," he recalls, "with me bringing my background and my Co-Founder Mikhaal coming from his leading role in E-Trade, and our CFO, Annie Lok, from her prominent role at E-Trade. In short, our core team has gone through this adventure once before, so it's great to be doing some of this all over again."

Helleu has two daughters in their mid-20s, one of whom is in France and the other in Hong Kong. One of his main pastimes is sailing: "I often compete in classic sailing boat races, when time allows." And in Hong Kong, he enjoys hiking for fitness and relaxation.

**GOAL: ACHIEVING INDEPENDENCE**

In the April release, SoFi commented about its business, stating that its aim is to help people achieve financial independence to realize their ambitions. The firm stated that its own US-based tried and tested products for borrowing, saving, spending, investing and protecting give its more than one million members fast access to tools to get their money right.

To celebrate the launch of what will soon be SoFi Hong Kong, the US firm announced it would at that time be giving away free stock worth up to USD100 to all

new members who open their accounts with an e-signature, with one whole share of their choice of Disney, Nike, Coca-Cola, Beyond Meat or Advanced Micro Devices. In keeping with their digital native positioning, they asked for anyone interested to follow their Facebook: @SoFiHongKong for more details.

**A 100% DEAL**

The deal means a new horizon for Helleu and colleagues. SoFi will buy 100% of the 8 Securities stock, and the entire 8 Securities team will become part of what will be SoFi Hong Kong, although the operations in Hong Kong will retain a considerable degree of autonomy.

## SoFi is now in Hong Kong.



But in the terminology of a sport that Helleu greatly enjoys in his spare time - classic yacht racing - the firm's progress to date has certainly not been plain sailing. "A central hurdle from the start - and one we obviously knew we would have to overcome - has been convincing our target retail customers to be confident enough to place their trust in the business and deposit funds with us," he explains. "We have managed to cross part of this major bridge but compared to the brand-name local and global financial institutions who are our direct competitors here, more work must be done. But SoFi, as one of the very few US FinTech unicorns that have a global vision, is a great partner and a solid match."

### ASIA'S WEALTH TRANSITION

Asia is experiencing the largest generational transition of wealth in history, but Helleu has long felt that the banks and leading brokerages

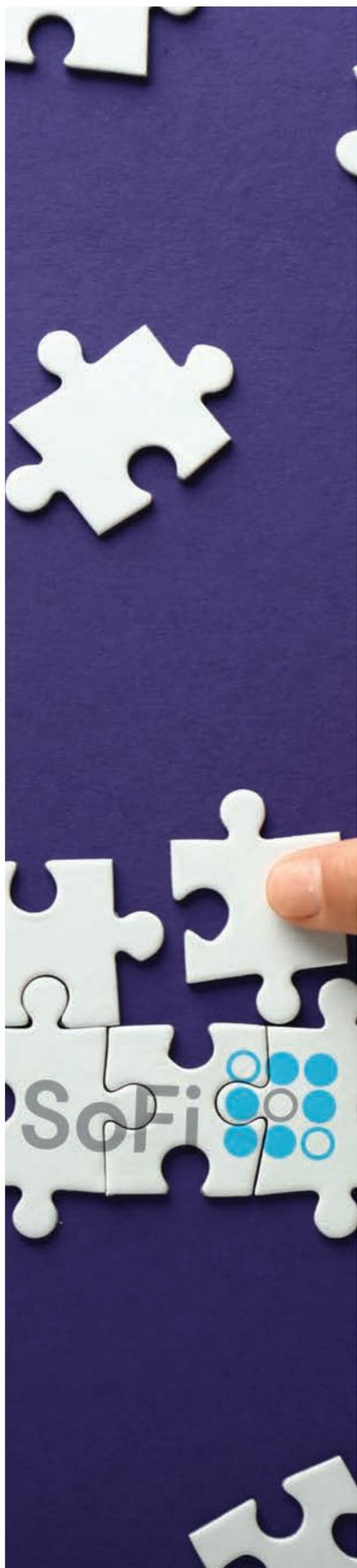
in Hong Kong seem unprepared to serve the next generations. "We note a survey a few years back that showed the great majority of millennials would be more excited about the new offering from Google, Amazon, Apple, or PayPal than from their banks," he comments. "And according to one such survey, more than 70% of them would prefer to visit the dentist than a bank! In short, we know that the vast majority of millennials in Hong Kong feel the incumbent players have not serviced them well and have not been in tune with their demands and expectations."

Helleu says that he appreciates that there is a lot at stake for the industry's old guard, remarking for example how not too long ago when a Hong Kong investor wanted to trade a US stock, firms were charging USD100 each way. "The banks earn good commission and

clearly don't have a lot of incentive to adopt those lower-cost products quickly, but I would say the wave is even more inevitable today and increasingly so all the time. We have for some time already offered those types of trades for free through Tradedflix, our zero-dollar commission trading app for Hong Kong investors."

### CHALLENGING THE STATUS QUO

He observes that the local competitors have also struggled to either embrace the concept of or adopt robo-advisory. "We launched robo-investing a few years ago already," he reports, "but we are still waiting for the banks to launch cheap, affordable, low barrier of entry, efficient instruments in particular for the younger generations of investors, so actually everything is still expensive here, including mutual funds. It is disappointing, especially as we have



seen very little education done by the big institutions, not even on why they should invest, and certainly not on why they should diversify, why owning passive instruments such as ETFs make sense, and also on what other tools could be available to them.”

Helleu and colleagues believe that the human touch is no longer vital to this industry. “Robo-advisors work 24/7, not 9 to 5, and AI can provide real-time insight and actionable plans from data that is not humanly possible to obtain or digest so rapidly. Moreover, AI is rational, not emotional, and has no conflicts of interest. AI treats an individual the same way whether investing a dollar or a million dollars. And the robo requires no salary, no bonus, no vacation, no corporate credit card. The advantages appear too numerous to list.”

**“You can get in and out of the product at any time at no cost, you can own a diversified portfolio with as little as USD100, and you have access to the best ETFs. We have known for long that it will happen in Hong Kong, so it has simply been a case of wondering and watching to see how fast the change would take place. Actually, there remains much progress to be achieved, much work to be done, but we are on the right path.”**

But Helleu’s penetration of the market also faces another fundamental hurdle, namely the lack of knowledge and education of a robo-investing platform actually is, how it works and why it solves various crucial problems for people. “We have to work hard to close many of these gaps,” he comments.

**LOW-COST AND FLEXIBLE**

Nevertheless, he also points out that the firm’s digital wealth solutions are relatively easy to understand, as the commissions are a fraction of what is charged to the typical Hong Kong customer currently, and the flexibility is immense.

“Customers are not locked in for a month, a year, or 30 years,” he explains. “You can get in and out of the product at any time at no cost, you can own a diversified portfolio with as little as USD100, and you have access to the best ETFs. We have known for long that it will happen in Hong Kong, so it has simply been a case of wondering and watching to see how fast the change would take place. Actually, there remains much progress to be achieved, much work to be done, but we are on the right path.”

And as to safety, Helleu notes that under Hong Kong rules, any cash allocated by clients to 8 Securities always sits in a segregated account with one of the banks, for example, HSBC or Bank of China, and the stock certificates themselves are held with CCASS. “Essentially, there is no risk to the

end customer, we are on a par with any financial institution here," he reports.

### SEISMIC DISRUPTION

Helleu's vision of the future has clearly been sending shockwaves through the brokerage and financial advisory community in Hong Kong, and perhaps even more so now SoFi has taken up the reins. But Helleu believes there is great opportunity ahead, as the irrepressible evolution of technology, accelerating as it is day by day, should create a very considerable opportunity for the wealth industry, as well as fundamentally change it.

He explains that there is a great opportunity ahead in Hong Kong in the broad sphere of wealth management. In a zero-commission environment, the business can, he reports, build several key revenues. "We have three near-term sources of revenue," he reports. "the first of which is margin trading. Implementing and then boosting margin trading amongst our clients here in Hong Kong will be one of our first priorities because that, of course, offers decent returns relative to the risks."

The second source will be more B2B revenue, largely helping financial institutions, mostly from outside Hong Kong, wanting to build their platforms for millennials. And the third source of revenue would be to introduce some of the SoFi products currently successful in the US. "We have long worked around the zero commission model that, realistically, will become ever more the norm in the future, so we are well advanced ahead of the trend in terms of achieving revenues that

offset the erosion or removal of basic product commissions. In fact, we have for some years been a prime mover, ahead of the game."

### THE B2B MODEL

In fact, included in the names that have invested in 8 Securities since its creation was Japan's Nomura Asset Management, which put USD25 million into the firm during 2018, at the same time agreeing on collaboration on some Asia-based digital wealth management services including a robo-investing solution for new-generation investors. The evolution of that collaboration then saw Nomura in 2019 buy out the regulated entity they had formed together in Japan.

Helleu also explains more about the firm's B2B history. "We have achieved a good track record in this regard," he reports, "including the sale of our Japanese entity to Nomura in Japan and also entering a contract with Nomura in Hong Kong to build their robo-investing platform for the younger generation of investors in Japan. SoFi will no doubt give us even more credibility from a B2B standpoint in the region. While B2C, in other words, the retail customer, is our key mission, B2B will become increasingly important, we feel."

### LEVERAGING THE US MODEL

The third key area is to introduce relevant ideas and solutions from SoFi in the US into the Hong Kong market. "This is a complete deal," Helleu reports, "and we believe we will be able to leverage what SoFi has done for younger generations of customers and we will be able to migrate some of their ideas and solutions from the US into this marketplace."



Helleu reports that in recent months the firm has been extremely busy with new customers opening accounts, accelerated in part by the lockdown in Hong Kong.

“It is interesting to see what happens to such customers when they start working with us,” he comments. “Usually when they tell us who they are, they do a risk profile, they first say they are quite conservative, and then they open a brokerage account and buy a couple of stocks, often based on ideas or tips they have received, then they end up buying more and owning Google, Amazon, or Alibaba, in short, a very concentrated portfolio that is far from conservative. This has led us to consider whether instead of having the classic robo-investing

platform we should offer more tailor-made products for each customer based on what they hold, so taking the portfolio they have created themselves and offering more balance, for example recommending some ETFs to complement their existing holdings and achieve better diversification.”

Education of the target market is a key area to focus on, looking ahead. “We see far too much activity in this market based on customer ‘tips’ from friends and families,” he observes, “and certainly, things need to change here; greater innovation and also education will help significantly.”

#### **BELIEF IN THE FUTURE**

Helleu closes the discussion by reiterating his belief in the future

of Hong Kong. “Look at things here now and compare us to the rest of the world and you can see that in fact, things here are pretty good on many levels” he comments. “Frankly, I am very positive about Hong Kong. The regulator is both comprehensive and innovative, even offering us solutions we had not thought of for certain issues. In fact, the regulator worked with us to help launch the first robo-investing platform, and as a smaller FinTech, we did not have a compliance team to sort out these issues. Additionally, there is keen interest amongst the younger generation in financial investments, and decent and growing penetration, although the next step is to make sure their needs and hopes are met with the right products and solutions.” ■

