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VP Bank Ltd to expand operations in Asia

Kimmis Pun, Head of Private Banking in Singapore at Liechtenstein's VP Bank Ltd, speaks to Hubbis about meeting increasing demand for personalised, boutique-style private banking from region's HNWIs.

Executive summary

VP Bank Ltd is expanding its footprint in Asia to serve the region's increasing wealth and rising number of HNW clients. The six-decade-old bank, incorporated in Liechtenstein, is bringing client-centric European-style banking to Asia, offering clients a wider choice of personalized wealth management options along with a more holistic corporate culture and governance policies covering wealth creation, enhancement, protection and transitioning, which it believes will resonate with a new generation of HNWIs here. Kimmis Pun, VP Bank's head of private banking based in Singapore, outlines the bank's plans for its growth in the region, and shares her insights on the trends she is seeing in the Asian wealth management industry.

KIMMIS PUN JOINED Liechtenstein-based VP Bank Ltd as its head of private banking in Singapore in March this year. She was most recently with Standard Chartered Bank in Singapore as Managing Director and Head of Private Banking for the Greater China region. Prior to that, she has held key roles with BNP Paribas, UBS Wealth Management and HSBC Private Banking.

Having been in the private banking industries in Hong Kong and Singapore for more than 25 years, what were her reasons for her latest move? "Over the years, the international banks I worked for have become significantly focused on product sales, rather than traditional relationship management," she says. "It was partly because these banks are more commercially driven, and profit-oriented. So I had been looking for a bank which believes in having a dynamic impact in its environmental, social and governance policies - its 'ESG' impact."

Before Pun joined VP Bank, she conducted some due diligence on the bank's controlling shareholders, and found that nearly 60% of its stakes are held by 2 charitable foundations set up in Liechtenstein. "The profits distributed by this Zurich-listed bank go to various noble causes for ESG entities," she says. "For me, this is the basis of a precious corporate culture, of preserving client relations and making long-term investments."

VP Bank has been serving HNWIs in Europe for the past 62 years and in Asia for the last decade. The bank provides investment consulting, asset management, wealth planning, custodian banking, private label fund, e-banking and family office services to its clientele out of Europe and also many these said services out of Asia.

In May this year, Standard & Poor's upgraded VP Bank's rating to 'A', reflecting the significant net new money inflows seen by the bank last year, the fact that it continues to maintain a strong capitalisation, as well as its operational progress.

Presently, VP Bank is looking to expand its private banking operations in Asia and is committed to putting more resources toward this objective, as the region continues to dominate the international private wealth industry.

According to a recent report from Boston Consulting Group, global wealth grew 12% in 2017. Out of that, the strongest growth region was Asia, which posted a 19% increase to US$36 trillion, of which Chinese residents hold 57%. According to the same report, total offshore assets parked in Singapore and Hong Kong stand at about US$2 trillion.

VP Bank 'preparing for active recruitment of talent' as a critical success factor

"Our Euro-Asia growth plan is propelled by the conversion of VP Bank to both a wholesale banking license bank in Singapore, as well as a full-fledged branch tapping into the balance sheet of our HQ," explains Pun. "We have doubled our office space here, preparing for an active recruitment of talent," she says.

"Talent acquisition and retention is a critical success factor for our expansion plans in Asia, especially here in the wealth management hub of Singapore. We are also building up good coverage in the north and south-east Asian markets

KIMMIS PUN
VP Bank Ltd

such as China, Taiwan, Hong Kong, Philippines, Thailand, Singapore, Malaysia and Indonesia."

What kinds of talent profiles is VP Bank looking for? "We hope to onboard a significant number of mature, motivated, energetic, and visionary talents to help us grow our footprint and coverage in Asia," says Pun.

"These like-minded leaders are our assets in enhancing our client experience, and streamlining the internal processes."

"We should double the number of RMs by end of the year, and double that number again in 2019," she says. "To align with our expansion plans, we are not just recruiting frontline talents, but also for the relevant functions such as credit, risk management, compliance, and operations."

What does VP Bank offer its Asian HNW clientele?

"Asian HNWIs remain heavy in cash and deposits, which reflect 44% of their wealth. The potential for growing investment and financial products is obvious," she says of her bank's plans for the expansion of its operations in Asia.

Key Priorities

- Building a strong VP Bank franchise and branding
- Investing in avant-garde digital infrastructures and e-banking and investment platforms to better serve clients
- Investing in dynamic new talent to grow its footprint and coverage in Asia

"We have well-managed private label funds for Asian families to put all their tangible and intangible assets in for succession planning and investment planning," Pun says. "They can put unlisted companies, listed shares, private equities, intellectual properties, real estate, insurance policies and financial portfolios into unitised funds, which are set up in either Luxembourg or Liechtenstein with a Bloomberg ISIN number. Thus, the net asset value of their underlying assets is easily traced through Bloomberg by the unit holders."

Asian clientele 'keeping apace with world economy'

Pun also sees the needs of wealthy clients in Asia changing with a greater awareness of global models of wealth management. "While they are capitalising and monetising their assets through capital market actions, they are also concerned with keeping apace with the world economy, through proper investments and asset allocations," she says.

According to Pun, Asian clients are also increasingly seeking holistic solutions for wealth transference to the younger generations of their families in legitimate, and tax-efficient, ways.

VP Bank has categorised these emerging needs into four broad areas: "The first need is wealth creation through engagement in capital market activities such as IPOs, M&As, debt issuance, asset securitisation and other activities," Pun says.

"Second, the need for wealth enhancement, through global investments under proper asset allocation into traditional investment classes and alternatives," she continues.

"The third need is wealth protection through asset planning tools, such as private label investment funds, family trusts, private trust companies, private placement life insurance and others."

Lastly, says Pun, there is "a need for wealth transitioning through structured generational transfers within families, and charitable social foundations."

She continues: "We intend to partner with external trust companies to offer family trusts and other structures to help families preserve their assets for their beneficiaries."

For family offices, VP Bank also offers consolidated portfolio statements for their respective custodian banks, so that families can have an overall picture of their financial investment and positions.

High tech mobile apps as value propositions

"Needless to say, market research and investment solutions are another value proposition in serving HNWIs. With high-tech mobile apps and interactive online banking, our clients can trade shares, bonds and mutual funds any time they want," Pun says. "We also have technology-savvy tools in portfolio reviews and rebalancing. The straight through processing of orders is efficient, and effective."

"In a nutshell, we understand our clients thoroughly before proposing tailor-made solutions to achieve their life objectives such as wealth enhancement, wealth preservation and wealth transfer. Our clients have a platform like what the big Swiss banks offer, but at the same time, they also have the personalised and dedicated services of a boutique bank."

Pun says that with their asset-driven developed European business, VP Bank has a solid balance sheet with a 25.7% tier 1 capital ratio, and it has an excess of capacity which enables it to lend more to clients.

She believes that Asia, at the other end of the equation, is very credit driven to leverage returns. Therefore, she says, "It is a good balancing act to tap into our significant balance sheet in Europe, and apply it to our Asia clients."

Current trends in Asian private banking

What are some of the trends that Pun currently sees in Asian private banking? "First, it's the emergence of fintech and big data in engaging robotic process automation, AI-driven portfolio management, and interactive digital client services. Big data capture and value extraction is a key differentiator," she says.

"The second big trend is evolving client needs in terms of tailor-made solutions, holistic product offerings, transparency, relationship pricing and fee-based services," she observes. "Younger clients below 40 demand better digital capabilities in product offerings and online real-time order execution. They are also more concerned with ESG products, and impact investing."

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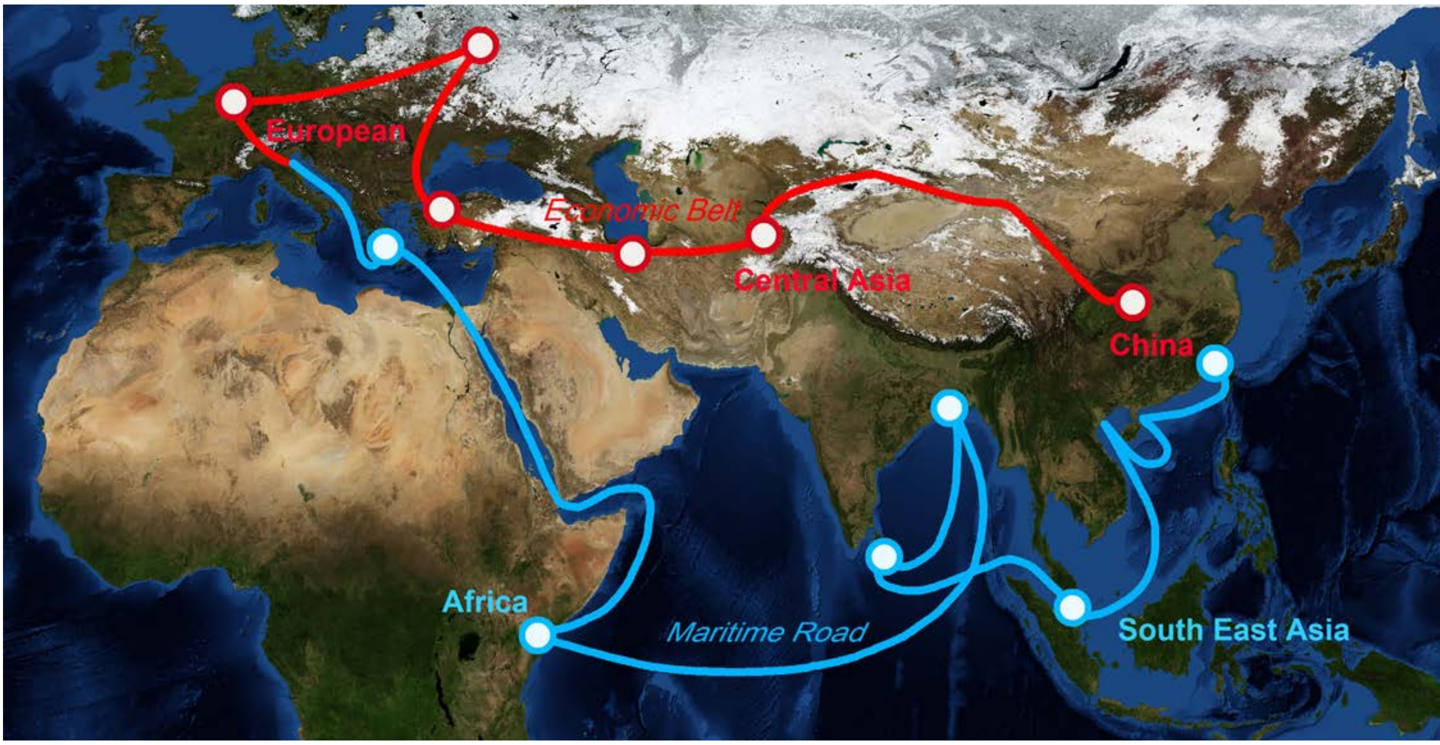
The third trend that Pun can see is that there is a growing need for skilled frontline managers to provide financial and non-financial advice to clients with diverse needs and lifestyles.

"RMs can no longer only be investment advisers, they should also be capital market product co-ordinators, and wealth planners," she says.

The fourth trend is around stricter compliance and security requirements, which will inevitably lead to higher costs of doing business and, Pun adds, "Shifted paradigms of account manage-



ment through activity transparency, and transaction monitoring."

Current challenges in the wealth industry

Going forward, Pun sees two major challenges in the private banking industry:

The first challenge involves the constraints around business growth, in terms of client acquisition and retention. She says that overall, clients have a wide selection of products and services to choose from, and have become particular in choosing the right banks and good bankers. "Homogenous product offerings and keen competition lead to fine profit margins," she observes. Talent acquisition and retention is another factor. "Due to the expansion of the industry and the limited supply of skilled talent, the costs involved in acquiring and retaining capable people are high."

The second challenge revolves around risk management constraints. "With increased global and local regulatory requirements, the cost and complexity of compliance is significantly impacting bottom lines," she says. "The operational challenges involved in KYC (Know Your Client) and transaction monitoring increase the cost of sustaining business."

Pun believes that the demographics of HNWIs will be changing in the next few years, due to the transition of wealth to the younger generations, together with an increased global awareness of climate change, and the need for environmental protection. She sees three major trends emerging in terms of investment offerings:

Firstly, Pun sees an evolution of responsible and ethical investing, such as ESG investments and impact investments.

"Sustainable investing has become a global phenomenon, driven by investors who demand more corporate accountability," she says. "Millennials and Gen-Xers are taking over from baby boomers in positions of influence, and this is changing business, financial and political landscapes. Younger generations are driving the fast growth of green bonds."

Next, she says, there will be an emergence of alternative investments in agribusiness and agri-properties, following climate change and continued urbanisation. The third shift will come from China's Silk Road Economic Belt and the 21st century Maritime Silk Road initiative.

This is ushering in a new era of infrastructural enhancements, especially in ports construction and railway transport.

"A PWC report suggests that there will be $13.9 trillion in funds available for this type of investment in 2020," Pun says.

"Significant forms of fundraising structures will become available for investors to participate in this roadmap of new territorial connectivity." ■