Link to Article on website
Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

Wealth in Asia – opportunities and challenges

The 9th annual Hubbis Asian Wealth Management Forum took place on May 10th 2018 in Singapore. The event enjoyed an excellent turnout from more than 350 CEOs and other senior representatives from the key areas of Asia's wealth management industry.

THE FORUM'S PANEL DISCUSSIONS, PRESENTATIONS AND WORKSHOPS produced a remarkable diversity of strategic wealth management ideas and concepts, as well as providing the audience with a broad insight into the state of the global financial markets that will help them manage their high new worth (HNW) clients as a new era of increased volatility and higher debt costs emerge.

The Forum followed the new 2018 Hubbis event programme, including presentations and workshops from wealth sector experts, as well as six panel discussions featuring a broad array of leading executives from local and international private banks, retail banks, independent financial advisers (IFAs), insurance companies, single and multi-family offices, and other wealth advisory and technology solutions businesses.

The event began with a group of top level private bank and associated wealth professionals who outlined their views on the key challenges facing private banks and other wealth firms in Asia as they strive to achieve their WM 2.0 business models.

Regulatory tightening, technology and AI, evolving client demands, compensation, competition from Fintech and Big Tech, the rise of family offices and ongoing professional learning. These are just some of the challenges for private banks and other wealth firms to overcome as they forge their new business

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models to suit the demands of the clients, and the marketplace of the future. Those who ignore the need for continual evolution and adaptation do so at their peril.

In the second panel discussion, experts agreed that the rising share of global GDP from the Asia Pacific region is virtually assured, but they conceded that somewhat less certain is the balance between onshore and offshore wealth management. Technology is an enabler for all businesses globally, but it can also potentially an impediment to progress for those wealth management businesses that fail to plan for it imaginatively and in great detail.

Digital platforms are gaining in popularity as they become more sophisticated, and indeed their flexibility is now essential to stay ahead. Fintech can facilitate collaboration and client benefits, with 'plug-and-play' solutions seen as increasingly viable options. A group of experts gathered to discuss the impact of digital platforms upon wealth management in the third panel of the May 10th event.

In the largest panel of this Forum, a group of seven experts deliberated on the key trends that are affecting and that will likely influence the wealth management industry. The focus of course was on Asia, but the touchstone was the global wealth market.

The discussion was designed to cover vital topics such as evolutionary trends in global wealth solutions, simplification of structures, the role of international financial centres (IFCs), offshore versus onshore and mid-shore, family succession planning, the development of relationship manager (RM) skills, diversification of investment portfolios as the end-of-cycle scenario looms, and how wealth managers can penetrate the Chinese market.

The penultimate panel of the day brought together a set of leading wealth management industry gate-

keepers to opine on a wide variety of ideas and theories about the different approaches to wealth management and portfolio positioning as the industry faces some existential challenges and as the financial markets transition to a more volatile end-of-cycle phase.

The consensus was that equity market volatility will drive different passive and active approaches to portfolio positioning, while the increased cost of borrowing, especially at the short end, will hamper the leveraged carry trades that for nearly a decade have become so simple.

Yet, mainstream financial market valuations are not dramatically exaggerated, one way or another and the 'new normal' of interest rates could already be near, as one- to two-year horizon predictions for 10-year US Treasuries are not much higher than the roughly 3% current yield.

The closing panel discussion highlighted some noteworthy product and investment ideas for the current, somewhat uncertain period for the global financial markets. The ideas ranged from emerging markets high yield debt, to Indian debt and equity to China and to physical gold. All ideas, the experts maintained, could boost the performance of Asia's HNW portfolios.

In the presentations and workshops during the day, the audience were treated to a wide variety of insights and advice. One wealth management services expert highlighted the boom in Asia for alternative assets such as art, fine wines, cars, yachts or other collectibles and luxury goods. And she noted that all these assets need to be carefully administered, providing great opportunity for wealth advisers and associated legal and other experts.

Another wealth professional shared some of her deep insights into wealth management trends in Asia, as the market faces the challenges of tightening tax regulations and intensifying global and local oversight.

A regional specialist from a residence and citizenship advisory firm highlighted the need for any HNW individual and their family considering alternative residence or citizenship to seek out the best professional advice for what can be a drawn-out and complex process. She noted that in an ever-volatile world secondary residence or citizenship is a compelling story for wealthy business people and families from the Asia region.

Managed accounts are growing in stature in Asia's wealth management industry. Owned by individuals, managed by a professional entity, they are now worth $5 trillion in the US alone. A workshop demystified this product and highlighted its appeal for wealth advisers and their clients.

Structured products can help HNW investors protect capital and participate in the upside potential of assets or markets. Attendees at the May 10 learned more about the value of structured products (SPs) to sophisticated investors who want to tailor solutions to suit their market outlooks, as well as hearing more about their structuring and valuation.

Gez Owen, Managing Director & General Counsel at Hubbis, had more than 22 of experience as a lawyer in the UK dealing with white collar crime. In his workshop, he expounded on his concerns that the wealth industry in Asia needs to upgrade its understanding of new global regulation and compliance demands.

In his closing remarks, Malik Sarwar, CEO of wealth management advisory firm, K2 Leaders Inc., highlighted some key takeaways he noted during the day. First was the increasing emphasis on intensive client focus.

Another highlight of the day that he noted was the concern amongst private banks and other wealth providers about the potential rise of new competitors, for example Big Tech global and even Chinese names. If they enter the wealth market and are as successful as they are in their core businesses, then the ranks of wealth firms in Asia will need to be fleet of foot to react. The millennials will drive new demand and changing demand, as will the rise of Asia's HNW women. Family succession planning is central to all this, as the creators of wealth pass on more and more wealth to the younger generations.

Sarwar also found the offshore and onshore debate fascinating, noting that Singapore and Hong Kong have major roles to play, but that Shanghai might later eclipse Hong Kong, especially as onshore investment options in China broaden and if Chinese authorities focus on building Shanghai as a wealth and investment centre. Malaysia's role as the region's Islamic financial centre means Kuala Lumpur will also play a major role in Asia's future.

Finally, selecting and incorporating the best digital and other technological solutions are vital to any wealth firm, whether a local or global player and whatever its scale. ■