

# Wealth Management in Thailand: On Track to Deliver but More Challenges Ahead

Thailand has seen tremendous growth and development within the wealth management industry in the past five to 10 years, with local and international players upgrading and enhancing their platform and propositions as they compete for a larger slice of the action. These efforts have been generally well supported by a robust and consistent approach from the regulators. But seven months into one of the most unexpected and difficult years in memory, how has the Thai wealth management sector been coping, what is the new normal, and what is the medium to longer-term outlook? In the expansive and fascinating Hubbis Digital Dialogue of July 30, a panel of experts debated the state of the Thai wealth management industry. All in all, the experts who spoke, and the respondents to our post-event survey, painted a picture of a wealth management industry travelling in the right direction towards maturity, offering both considerable optimism and also great realism about the challenges ahead.



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**The Hubbis Digital** Dialogue discussion began with an expert noting that the primary product the wealth industry distribute to customers is mutual funds, and in this sphere, there have been some positive developments in recent years. He remarked that the Thai SEC and the Bank of Thailand started off by allowing onshore players to distribute offshore funds directly to Thai clients, and added to that in more recent years, the central bank further relaxed the FX regulations to allow Thais to remit money offshore directly for investment purposes, starting at the upper echelons of wealth and now permitting anyone who wants to invest offshore to move up to USD200,000 a year offshore.

“The regulators appear to want to promote better diversification for Thai investors,” he commented. “They recognise the fact that access to a wider variety of products is something that would benefit the overall population and how we could encourage long term savings. So, from a local investor perspective, the past 5 to 10 years have seen significant improvement in terms of access to products and a variety of solutions.”

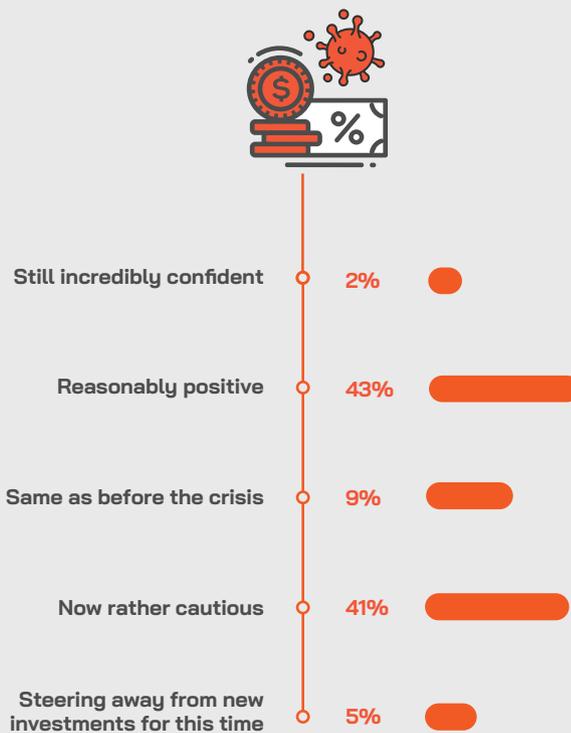
Another expert explained how the market had advanced from more of the brokerage type players dominating to more of a holistic approach to investing.

*Survey Findings: Thailand's Wealth Management Industry – Heading in the Right Direction*

*Our post-event Survey offered up a picture of a wealth management industry that is well on track toward maturity, but that still has a long way to go, understandably so.*

**THE SURVEY HIGHLIGHTED THAT THE ADVISORY COMMUNITY SEE THEIR PRIVATE CLIENT INVESTOR BASE DIVIDED ROUGHLY BETWEEN THOSE WHO REMAIN ARE REASONABLY CONFIDENT, AND THOSE WHO ARE FAIRLY CAUTIOUS ABOUT FINANCIAL INVESTMENTS OF ALL TYPES.**

**How would you characterise your private clients' appetite for mainstream financial investments in the aftermath of the worst market conditions during the pandemic?**



*Expert Opinion from our Speakers*

**ITTAPAT AKARAVEEPAKIN, Partner at Wealth Planning and Family Office Advisory firm 159 Capitals**



“The role of trusted advisor is getting more and more crucial because clients can sense which wealth consultants are working for their benefit. To truly be a trusted advisor is not a policy, it’s a mindset.”

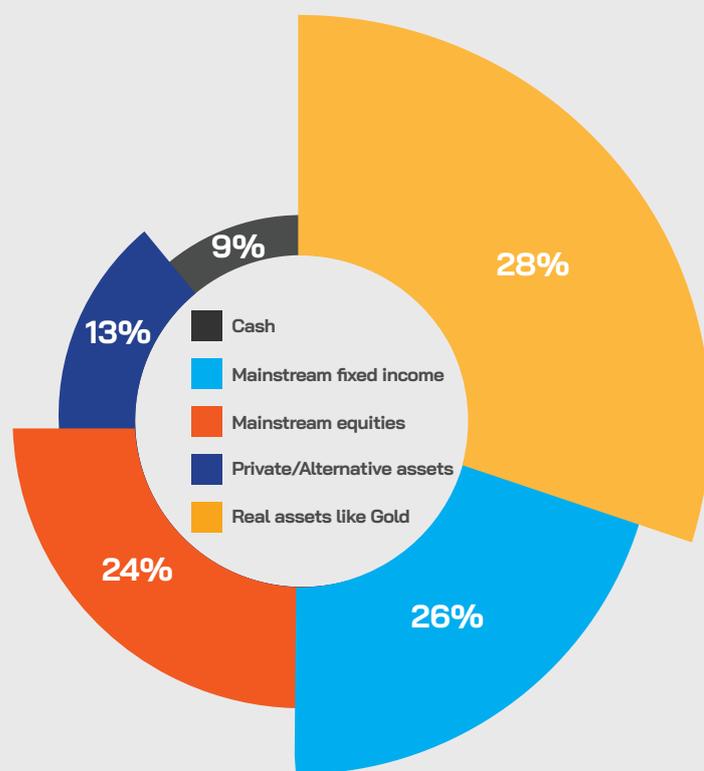
“For example,” he said, “we started off from brokerage and then moved on to do asset allocation, and then we also focused on our clients investing abroad. And in more recent years, we have seen more interest in the Thai wealth management market from global players entering into partnerships with Thai locals, and Thai locals trying to go abroad, upgrading the overall advisory capabilities. So, we have been shifting from more of a brokerage type environment to more of a full investment advisory platform, similar to the global wealth management environment.”

Another guest observed that traditionally, the Thai market has been quite happy investing in traditional asset classes, but with a double whammy hitting them in the form of ultra-low interest rates, not just locally but worldwide, and unprecedented volatility in the local and global equity markets, and in the local bond markets (with a modest liquidity crisis there at one point as well), investors are challenged to see a way forward.

“There seems to be a growing dichotomy,” he observed. “More passive fund management strategies are observed worldwide, but at the same time, there’s a growing need for more bespoke, more customised solutions for clients. For the time being, people are focusing on diversification into safer assets such as gold, and also on certain themes, for example, healthcare and also in the digital economy, and other new economy themes and sub-themes, for example, cybersecurity, genome sequencing, biotech, and so forth. We have actually been positioning ourselves in recent

**WE FOUND THAT GOLD AND OTHER REAL ASSETS HAVE CLIMBED IN IMPORTANCE TO INVESTORS, BUT THAT THEY APPEAR COMMITTED TO THE CONCEPT OF BALANCED PORTFOLIOS COMBINING EQUITIES, FIXED INCOME, ALTERNATIVES AND REAL ASSETS, WHILE INTERESTINGLY RETAINING INVESTMENTS RATHER THAN HOARDING CASH.**

**Looking ahead, rank the asset classes that are most appealing to your private clients in the following year?**



*Expert Opinion from our Speakers*

**DR JON WONGSWAN, Assistant Managing Director, Head of Investment Solutions – Wealth Management, Phatra Securities**

“The Covid-19 pandemic has accelerated the digital engagement with clients and has permanently raised expectations on the advisory delivery to be more active and concise. In addition, it has also demonstrated the value of robust risk management and disciplined investment. This should create more demand for discretionary services.”

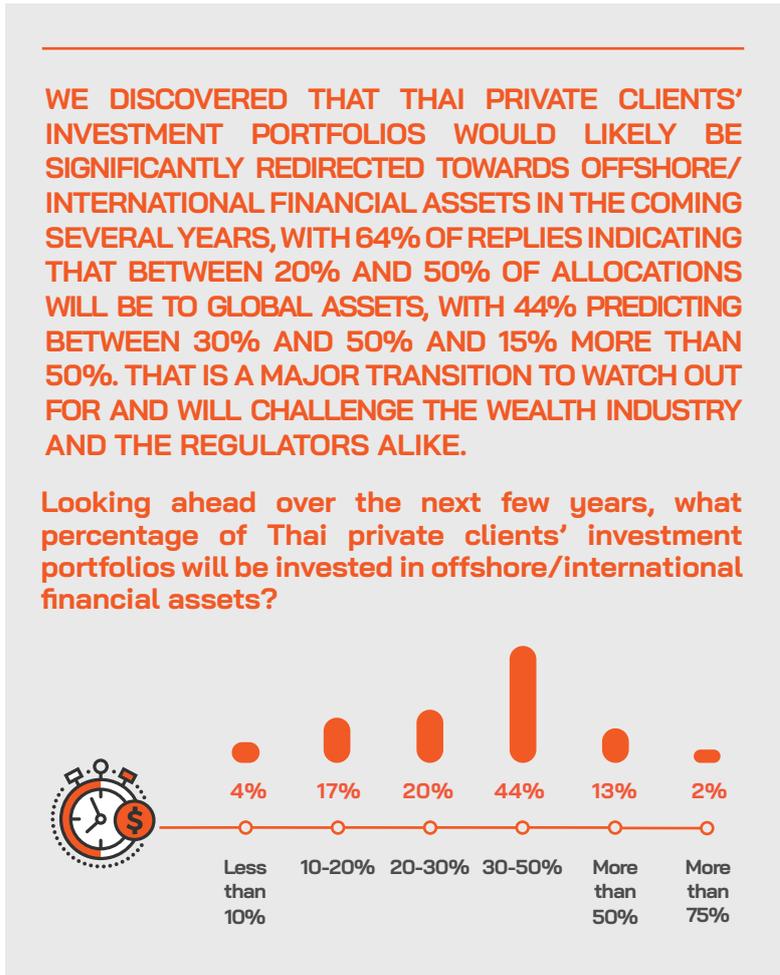


years in these areas, and we are now really seeing the client base, whether directly or through our intermediary partners, opening up a lot more to these types of themes and other ideas that they might not have traditionally invested in."

Another expert agreed, noting how a tremendous change has been seen at their bank in the portfolios, with far greater diversification, and this is also helping facilitate and also drive more open architecture.

The regulatory environment has been helpful for some years now, came another view, noting that the industry continues to evolve and investors are indeed becoming more mature, so this to some extent plays to the skills of the global brands that are present in Thailand that offer both onshore and offshore solutions and is another reason for the partnerships being seen between major Thai banks and financial institutions and some leading international boutique private banks. This is especially the case for the high net worth segment, where the more forthright global investment diversification is being seen.

He explained that the banks and other providers also need to do more in the mass-affluent space, to



bring these themes and possibilities to a wider market, in a frictionless and seamless manner. "We can continue as we are with the upper segments of wealth," he observed, "but we also need to work out how to penetrate other categories of wealth and younger clients using technology and other approaches.

That is a harder equation to crack, but something we are certainly working on as well."

A guest agreed, noting how the online experience has been boosted and needs to further improve, for example embedding a system that people plan for life stage requirements, build portfolios for their children, start thinking about retirement early, start thinking about first property investments. "That is how we can also serve the mass-affluent market going forward," he said, "and we must recognise that this group of the population are generally very used to what is available online and they prefer to find information themselves, so the way we could add value is to help

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"For the value proposition, it does not matter whether wealth managers will drive or be driven by innovation. On the other hand, we see innovation as the tools used to manage a ton of financial information in order to make the best and proper financial decision within the shortest time and with due client privacy."



them wrap all this up and really focus on specific life goals and then investment plans around those.”

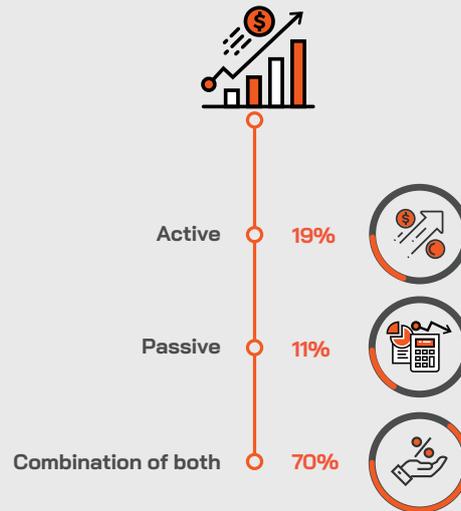
An expert commented that people need information and timely updates. “They need to receive this in a concise manner, so we, for example, have adjusted to become more timely, more dynamic, and more focused in what we offer them. And with such low rates, low growth, and higher volatility, we have more into alternative investments, starting to offer private markets to some segments of our clients, as well as liquid alternatives. Finally, the virus has highlighted the importance of risk management and disciplined investment. We are preparing to push the discretionary services to help clients manage their investments more professionally.”

As to robo-advisory, a guest highlighted how the growth in Thailand is seeing competitors serve the B2C and B2B communities. “For B2C we serve mass robo-advisory, and then we serve the high net worth segment as a hybrid robo-advisory services and also for B2B we try to partner with the banks and telcos,” he reported. “In the future, I think the market will be divided clearly into two segments, which are the most extreme side for the mass market and for the high net worth market.”

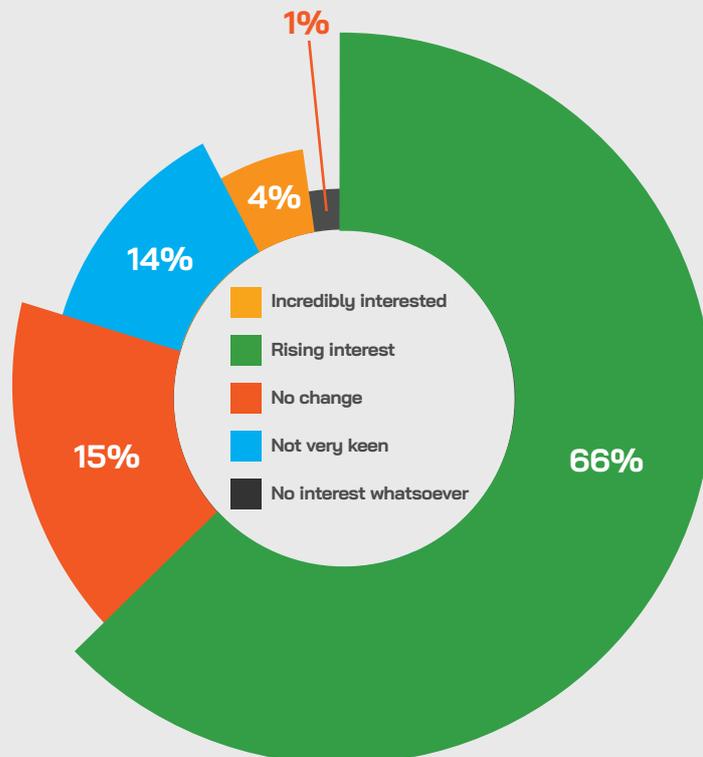
He added that the robo-advisory market in Thailand is still very young. “Right now,” he observed, “we have to expand the market to acquire more and more mass-market individuals. The minimum investment is tiny, as low as 1000 baht, but if we then build on top goal-based investing to handle both non-tax and tax investments, I think the average asset under

**WE DISCOVERED THAT THAI INVESTORS WOULD TEND TO BALANCE PASSIVE AND ACTIVE INVESTMENT STRATEGIES AND THAT SOME 70% BELIEVE THERE TO BE GROWING INTEREST IN DPM.**

**Do you think that Thai private clients are becoming more interested in active or passive investments?**



**How interested do you think Thai private clients are today in DPM?**



management would become higher and higher. And I think that's going to be the S curve for the growth of the mass market. We see more and more millennials are getting richer and richer, either from making money or inheriting it, so the market is there in the future."

For the mass market, he observed, robo-advisory and self-directed mobile applications will become the mainstream for the clients to start investing. And for the high net worth segment, he believes the RM will still be the central role for wealth management because the robo cannot show human empathy, although the RMs will be forced to scale in order to handle more clients by having automation or virtual meetings and such like.

"For the wealthier segment that we cover," said another expert, "the RM role will continue, but the clients are also getting accustomed to such good customer experience with online technology or platforms, so they expect even more from their wealth management services. The challenge then is how we enable our RMs, to be able to serve the customer using system and technology platform and thereby to provide superior customer experience."

But he said the bank had found some reluctance for its clients to engage other than through

conversations with their RMs before making any final decisions, so it had been merging the customer experience.

"So, today when a customer is talking to our RMs, they could agree on a portfolio construct,



**AND WE FOUND THAT 63% OF RESPONDENTS BELIEVE THEIR CLIENTS ARE ADOPTING AN INCREASINGLY ROBUST APPROACH TO SUCCESSION AND LEGACY PLANNING.**

**In general terms, how sophisticated and organised are Thai HNW and UHNW clients in their wealth and succession planning?**



on trades that they want to do and then our relationship manager will trigger the transaction into the mobile banking of our customer and then the customer will just go and view and then click 'Authorise,'" he reported. "That way, we continue to have

*Expert Opinion from our Speakers*



**CHONLADET KHEMARATTANA, Chief Executive Officer and Co-founder, Robowealth**

"Covid-19 has effectively triggered customers to adopt new technologies such as attending a webinar, meeting with wealth managers via video conference, and executing or confirming transactions through mobile applications."

that seamless of both the digital and the advisory experience that our clients are used to. But we also need to engage better with our emerging or younger type of customers who prefer to do everything on their own, so having a good online platform is very paramount in terms of penetrating those segments.”

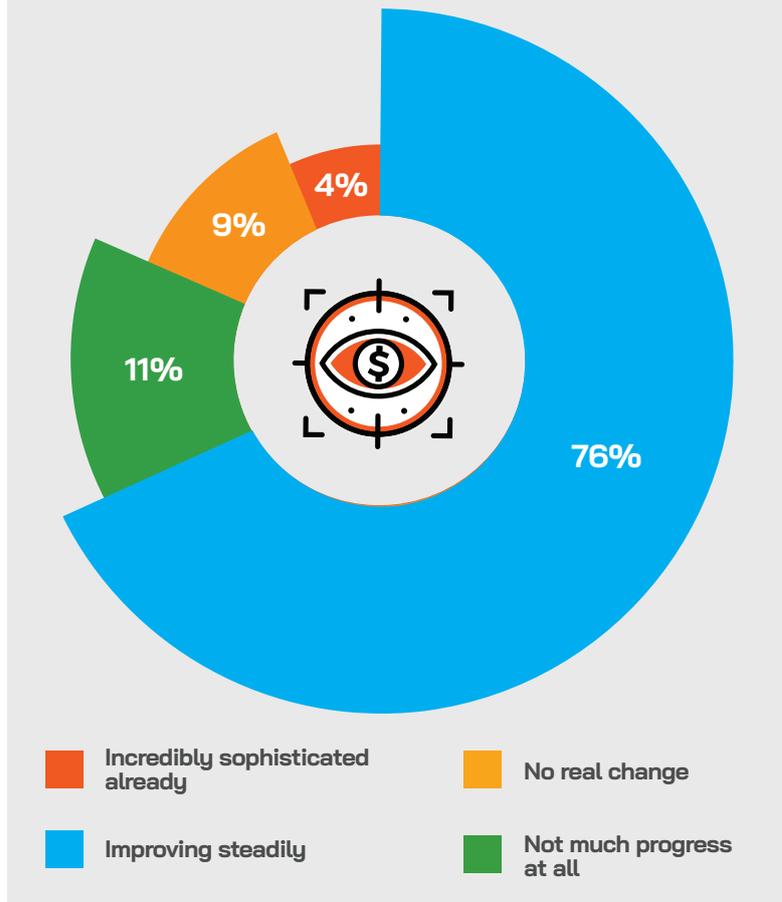
Another guest pointed to their firm’s major shift from a product-centric model more towards a customer-centric model.

“We are making more effort to understand the client in the larger sense, and then see what’s appropriate for them. We are focusing on a long-term time horizon, to understand what the drivers are for growth globally going forward, especially as we can see zero marginal growth ahead and zero interest rates for some time. We see the likelihood of a huge divergence towards a select group of winners, so we are moving towards that in DPM and advisory, with diversification away from just funds to private markets and alternative investments, both areas where Thailand is now in its infancy in terms of investor adoption. At the other end of the spectrum as well, the lower end of the wealth range, we see a more concerted effort towards passive investments, including of course ETFs, with the creation of a more efficient passive strategy.”

A fellow panellist agreed on the private investments point, adding that at to availability of alternative investment products onshore, he notes the availability of a private market wrapper in mutual fund format, albeit with a certain requirement for a type of client who can purchase it. “We

**AND WE SAW THAT THAI BANKS AND WEALTH MANAGEMENT FIRMS ARE SIGNIFICANTLY IMPROVING THEIR DIGITAL ENGAGEMENT AND SOLUTIONS.**

**How would you characterise the digital proposition offered by the Thai wealth industry for Thai private clients?**



*Expert Opinion from our Speakers*

**CHONLADET KHEMARATTANA, Chief Executive Officer and Co-founder, Robowealth**

“Robo-advisor and self-directed mobile applications with proper actionable thematic investment content will become the mainstream for the mass market to start investing. The number of investors will be drastically increased, especially for millennials. However, both incumbents and start-ups will face escalated customer acquisition costs due to more intensified competitions. Therefore, they might consider expanding the services to the mass affluent segment whose Life Time Value can cover all the costs.”



also have seen a private fund is wrapping the hedge funds from global names," he added. "These are available onshore, but perhaps not to the wider public."

The panel agreed that much needs to be done. "If you look at the overall size of bankable asset in wealth management in Thailand, right now, penetration rates for the wealth industry are still quite low, so there is still huge room to grow in terms of the new clients, and also to win more share of wallet from existing clients. One area that we have focused on is how can we serve our clients better in a more holistic way, including for the families, helping them with their businesses, for example spinning assets off, or financing, in short customising our approach more. We are generally heading more towards solution-based type of advisory, meaning we understand the client and then we package the advisory for the whole solution for the clients."

There is some considerable debate surrounding onshore and offshore structures and investments amongst the wealthier families; the experts agreed there is a preference for holding more assets offshore, but agreed it does depend on the family, with some of them preferring to hold most assets at home.

"I think it all depends on the customer journey and to understand why they choose to invest onshore versus offshore," said a guest. "For example, in terms of customer journey, some of them have to be handheld to a certain extent, perhaps at the inception of the process, some prefer more hands-off approach, some prefer certain

*Post-Event Perspectives from the audience on the likely investment themes and asset allocation strategies in the foreseeable future amongst mass affluent and HNW investors.*

**We discovered that despite the near-term anxieties over the pandemic, there is overwhelming positivity amongst the delegates surveyed regarding the opportunities ahead for private wealth management in Thailand. We have edited their replies to provide the following insights from the wealth management community.**

### **HUBBIS: AMONGST THE MASS AFFLUENT AND HNW PRIVATE CLIENTS IN THAILAND, WHAT ARE THE MAIN INVESTMENT THEMES AND PRODUCTS (INCLUDING PUBLIC AND PRIVATE MARKET ASSETS) THAT RESONATE WITH CLIENTS TODAY?**

- » I have found Thai clients to be one of the most conservative in terms of risk appetite within the ASEAN region. Capital preservation tends to take priority.
- » Income generation.
- » Safe haven assets like precious metals.
- » Mutual funds and alternative investment products.
- » High Yield Bonds.
- » Yield-enhancement products.
- » Investment themes are resonating well, with themes such as the digital economy or health & science very popular.
- » Themes such as sustainability, technology, US-China relations, real estate, Artificial Intelligence.
- » Robotics is an interesting theme.
- » Digitised Asset Classes - tradeable on global exchanges, not restricted to Bitcoin and others.
- » ESG is gaining considerable traction.
- » Fixed income and unit trusts.
- » Limited downside risk, uncorrelated returns.
- » China.
- » India.
- » Technology.
- » Gold/silver.
- » Generally wider international asset allocation/exposure.
- » Private equity, equities including ESG, and fixed income.

*Expert Opinion from our Speakers*

### **CHONLADET KHEMARATTANA, Chief Executive Officer and Co-founder, Robowealth**



"RMs will still play a crucial role in serving the HNW segment as there is no additional fee for having this human advisor, and the robot cannot show genuine empathy. Private banks will apply a hybrid robo-advisory business model to solve scalability problems. This strategy will enhance efficiency and provide excellent transparency to all stakeholders."

requirements, need little bit more information for them to digest, some like to decide by themselves. For us, the important thing is actually to understand what the customer journey is, understand their pain points, and then help them along the way, whether it's onshore or offshore."

Another expert opined that if you look like five years from now, it is quite clear that global investment will be one of the biggest trends if you compare the prospect of the economy in Thailand versus abroad. "The second key trend is theme investing," he commented. "From this crisis, thematic in terms of technology adoption, and how the world would have changed, for example, our supply chain globally from we used to think about everything in the global connected world, but after Covid I think could be more localisation. And the third trend I see is solution based - given that there are many products, many ideas that clients can invest in, I think it's going to be quite hard for clients to decide on which one to invest, and how much. So, people would prefer more customisation and solution-based investment."

A panellist agreed, adding that anecdotally in the past three to four months, online activity had exploded. "This trend is irreversible," he said, "as people will continue to look for a better

*Post-Event Perspectives from the audience on whether private money will be moving back from offshore to onshore, or remaining offshore, or even whether more private wealth will migrate offshore, and also whether the local onshore model is now catching up with the offshore or international offering.*

**There was some considerable diversity of opinion here. We have edited the replies to provide the following insights from the wealth management community.**

### **DO YOU THINK THAI HNW INVESTORS WILL BE MOVING MORE AUM BACK ONSHORE – FROM WHERE THEY CAN ACCESS MORE INTERNATIONAL INVESTMENT ANYHOW? AND DO YOU THINK THE LOCAL PRIVATE WEALTH OFFERING IS CATCHING UP WITH INTERNATIONAL FIRMS?**

- » No. The gap between offshore and onshore local private wealth offering is still too big to attract AUM repatriation. Higher tax rates in Thailand on investment is an additional impediment to the re-shoring of AUM.
- » It depends. For those Thai investors with access to good private banking channels, it is much easier for them to gain access to offshore investment.
- » No, I do not believe so. I believe that the Thai HNW investors are still looking at different channels to move their funds offshore. The local private wealth offering is still at least a decade behind their international peers.
- » No. I think Thai HNW investors will still keep the majority of their wealth offshore (less capital control, more diversified product offering, tax reasons). However, a majority of them will start to move increasing amounts onshore.
- » Yes, to some extent. There is the possibility due to concerns over the CRS, but the magnitude would not be significant.

and better experience online and how the institution could serve their needs on a seamless basis becomes even more important. The race is on to provide the advice and solution online, potentially in a partnership between larger institution and new FinTechs, and others, that achieves a great customer experience across all categories and great execution and a great platform.”

“Yes,” came the final comment. “The overarching trend is going to be that the customers are going to be the heart of everything. So, from the whole customer journey be it whether that’s a mass retail client, or a highly customised high net worth individual or an institution, the entire customer journey from inception, from getting information, from account opening to accessing and rebalancing the portfolio, the entire value chain is going to evolve as customers become a lot more savvy and demand from all aspects of the value chain for the providers to justify their fees.”

He said this is actually a good thing because then the providers have an opportunity to showcase their nimbleness, their skills and their expertise across a wider array of investments. “We can bring to the forefront a lot of solutions that otherwise would not emerge, but in a manner that’s transparent, that’s accountable,” he said. “And that puts the customer experience and a journey at the heart of the entire ecosystem.”

- » Thai HNWI are unlikely to move their AUM back onshore, but increasingly, more HNWI will be willing to invest locally if more global products are available locally.
- » I think that money will move in both directions. UHNW clients still understand that diversification is key and some of the sophisticated clients will still look to places like Singapore and Hong Kong. Most of the really good bankers are still based offshore.
- » The offerings in the Thai or ASEAN markets have a long way to go before they reach the capabilities of hubs such as Singapore and Hong Kong.
- » Not really, as wealthy Thais with offshore funds prefer diversifying their wealth outside the country.
- » I am not sure if Thai HNWI investors will be moving back more AUM back onshore as I have not noticed yet big flows but certainly the local private wealth offering is gradually catching up with international firms.
- » The local private wealth offering has a lot to catching up to do.
- » Not immediately, although the Central Bank (BOT) and regulators have relaxed regulations to entice funds to flow back and solution providers like private banks, securities houses, brokerage and financial services firms are focusing on appealing to these clients with more customer-focused, bespoke solutions. It takes time to be fully developed and to be on par with the international financial centres like Hong Kong and Singapore standard in terms of product offerings and sophistication. Most UHNW Thai are fully entrenched outside of Thailand because of the attractive tax regimes with no capital gain tax and other factors. They are well-banked, satisfied, and happy with the service, products and liquidity coverage by the international community of private banks and independent asset management companies. Thailand is still an emerging market, not fully internationalised. The capital controls and restriction on currencies are other factors deterring the UHNWI from returning funds from offshore. In fact, for the ultra-rich, leaving funds outside is an excellent hedge to diversify the asset allocation away from the home country.
- » No, as local advisors and banks cannot offer the same products and services. Wealthy Thai investors would prefer to be covered offshore from Hong Kong or Singapore.

*Expert Opinion from our Speakers*



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“Covid-19 has effectively triggered customers to adopt new technologies. Robo-advisor will become the mainstream for the mass market to start investing. Private banks will apply a hybrid robo-advisory business model to increase both efficiency and transparency.”



- » I think that it really depends on what type of investor they already are, just as some panellists mentioned during the seminar. In my opinion, there would be some groups of investors who previously mainly had assets and investments offshore in which the economy and current trends may not have as much of an influence to have them move onshore. However, there are also groups of investors whom I think may move more AUM back onshore as they may feel like this may be a more secure way to manage their assets, especially if they are based in Thailand and if they have adequate access to more international investments. In a sense, local private wealth offerings although might not be up to par as of now, but seem to have been making progress to catch up with international firms.
- » The general trend seems to be the movement of liquid capital offshore while retaining control of that capital via private banks of their liking to access said international investment selections freely. To that point, whether those investors choose local firms or international firms is their personal choice. Seeing as most local private wealth firms these days are manned by former international firm bigshots; it may be hard to tell the difference between the two regarding offerings.
- » I am on the fence here. Some may want to move the money back onshore given more flexibility, but some may want to move it out for more opportunities and diversification. What the local private wealth community offers is slowly catching up, but mostly is still not on par with international firms.
- » I think that more of the newly generated wealth is going to stay onshore but what's already offshore is going to stay offshore. Local wealth management firms are catching up with global firms but still have some distance, particularly in the expatriate market.

*Expert Opinion from our Speakers*

**ITTAPAT AKARAVEEPKIN, Partner at Wealth Planning and Family Office Advisory firm 159 Capitals**

“We have to make sure our clients reach their goals rather than drive that by return expectations. The plan should make sure that we can generate enough cash flows for our clients without downgrading their objectives or sourcing for other funds. The majority of our clients are referred from the existing clients, so therefore we decide to engage clients through understanding and long-term relationship. No matter what happens, we and our clients are ready to get through this together.”



### CONCLUSION

The discussion closed with a broad consensus amongst our experts that the Thai wealth management industry is not only heading in the right direction, but that its journey is being more facilitated than hampered by the Thai regulators. Nobody knows how long the pandemic will endure, or how the world will cope with it, so there are clearly challenges ahead that are outside the remit of the wealth industry. But for those challenges that competitors and the players in the wealth management ecosystem can address, there is clearly energy, clarity of thought and robustness of action that will all stand Thailand's private wealth segment in good stead in the years to come. ■

