

Writing a new chapter for wealth management in Thailand

Amid the broader push to bring product and service offerings in the country closer to global standards, Phatra Securities is enhancing what it brings onshore clients. This includes a pioneering deal to access the reach and diversity of Credit Suisse's platform.

As local and foreign banks alike vie for a greater share of the fast-growing and increasingly liberalised market for wealthy Thais, Phatra Securities can boast something which is rather unique.

The firm has inked a path-breaking agreement with the part of Credit Suisse's business which covers external asset managers (EAMs).

It essentially provides onshore clients with access to the suite of investment products available on the Swiss bank's platform.

This follows the desire more broadly among Thai investors – and the wealth managers servicing them – for greater product diversity and depth in their portfolios.

It is all in response to the long-term plan of the Bank of Thailand (BOT) and the country's Securities and Exchange Commission have been gradually easing some

of the previously-tight regulations to allow investors in Thailand to directly invest offshore in certain asset classes.

And in line with this new regulatory mind-set, Phatra has wanted to develop more of a direct offshore investment option for clients of its wealth management unit.

The Credit Suisse tie-up is the Thai firm's answer to how it can leverage this for the benefit of its clients – and, more broadly, to be able to create a clear point of differentiation.

"We are now able to offer a more efficient and effective platform to help wealthy Thais to invest from onshore," says Kulnan Tsanthaiwo, who spearheads Phatra's wealth management business across all segments.

It is also a logical extension of the firm's mantra of providing an 'international standard with a Thai touch'



KULNAN TSANTHAIWO
Phatra Securities

CREATING UNIQUE CONNECTIVITY

The Phatra-Credit Suisse agreement took a year of discussions between both



NARIT KOSALATHIP
Phatra Securities

a wider range of products, to a desire to keep revenue already created offshore outside of the country.

“But there are still a lot of rich people with large chunks of money onshore who want and need to diversify into a wider range of products, geographies and asset classes,” says Narit Kosalathip, who looks after the private client segment within the wealth management side of Phatra’s business.

Being realistic, Tsanthaiwo knows that building an equivalent platform internally would take four to five years.

Today, as a result of the perseverance on both sides, an existing Phatra client in Thailand who successfully passes the

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parties until the deal came to fruition. This was down to the fact that the Thai firm is an institutional client for Credit Suisse’s EAM desk; whereas this team more commonly deals with individuals as part of the independent firms in Singapore or Hong Kong,

Part of the appeal to Phatra was to accelerate the firm’s step along the path towards liberalisation by implementing a best-in-class investment arrangement.

Money from wealthy Thais has moved offshore over the years to meet various needs. These range from political and investment diversification, to access to

Credit Suisse KYC test can now buy the majority of the products on its investment platform, booked in Singapore.

More specifically, this includes equities, bonds, mutual funds and even some hedge funds for certain types of clients.

GREATER CHOICE

Yet this is certainly not the end-game. Instead, it is the first step of a grander plan for Phatra in order to be able to create a truly open-architecture platform for its clients.

In practice, the Phatra product team will take the investment view of the

Servicing all segments

Phatra focuses on servicing clients across the various segments, according to their net worth.

Within the commercial bank, a priority banking service with around 60 relationship managers (RMs) looks after upper mass affluent clients with deposits of THB10 million (USD 285,000) or more with the bank.

In addition, Phatra Edge was launched three years ago, as an online investment portal to target white-collar individuals with a new account of at least THB2 million. It currently has around 20 RMs.

They can also then use the firm’s open-architecture platform, and the bank can offer more specific financial planning needs to them. This is mostly to deliver these clients with mutual funds, plus they can be more self-directed.

The private wealth business, meanwhile, for clients with THB30 million or above, has around 60 RMs.

firm’s CIO office to discuss with the product specialists within the Credit Suisse EAM business to determine what type of product or solution makes sense to help implement the view.

“It isn’t about individual products, but rather how to use them for clients as a solution for their needs and goals,” explains Tsanthaiwo. But this is more than just selling a Credit Suisse product to the client, she adds. “It involves discuss-

ing an idea with the client and then we will source the product to put it into the mix of what we offer clients.”

Credit Suisse will therefore be one of the investment platforms that Phatra accesses, with the Thai firm emphasising that the client is dealing with Phatra. “We believe we can pursue this type of agreement on an open-architecture basis,” adds Kosalathip.

Already, for example, the firm works closely with Phatra’s own capital markets and investment platform via the securities business.

This is an important component, given the firm was the first local house to provide investment banking services – to help clients in strategic plans such as fund raising activities and M&A.

Further, it seeks to add to its services the credit and structured products through the cooperation with Kiatnakin Bank. And with cooperation from Bank of America Merrill Lynch, it is able to offer clients with global products.

CATERING TO NEW NEEDS

The evolution of Phatra’s wealth management offering is also likely to soon come in terms of a move which Tsanthaiwo says the firm is contemplating into wealth solutions. This is in line with the aim diversify the business beyond simply advising clients on their investment strategy. Plus, it follow client interest in real estate, tax planning and other wealth planning services.

The shift in this direction is still under discussion, adds Tsanthaiwo, given that this is a relatively conservative organisation. “To help clients to transfer wealth across generations is a big move to make.” But given the precedent set with Credit Suisse in terms of the willingness

to collaborate with partners to achieve specific objectives, this is another option going forward.

What’s already underway is a service advising clients on their real estate transactions. Portfolio for property investments, or PPF, as the firm refers to this financing, is also an extension of the step taken in late 2015 to introduce Lombard Loans. “We are the first and the only bank in Thailand to offer this collateralised loan for HNW clients,” explains Kosalathip.

Given the sizable real estate and property investment portfolios its clients have, and the passion many of them share in these areas, Phatra realised the opportunity to take the Lombard Loan offering to another level.

“We have developed PPF as a solution for clients either to unlock liquidity from their current property holdings or to leverage in their future property investment,” says Kosalathip.

In fact, PPF is just another variation of a Lombard Loan. What makes it a unique solution, he explains, is that the firm can count property as additional collateral to financial assets in a client portfolio. “We can only offer this solution because we leverage Kiatnakin Bank’s capability in real estate lending,” he adds. “We have pilot-launched this solution since the beginning of 2017 and we have been officially offering it to our client since early March.”

CLEAR PRIORITIES

The current game plan for Phatra will make the next 12 months an exciting journey for the firm.

Initially, it is focused on make sure it gets the offshore relationship and connectivity right with Credit Suisse. It

Building on solid foundations

The underlying philosophy across the wealth management offerings at Phatra is to deliver what the firm describes as a sincere quality of service. “We never have a KPI on the product level, as this is not in the clients’ interest,” explains Kosalathip.

The approach seems to have worked to date. The firm reports the equivalent of roughly USD11 billion in AUM, which Kosalathip says it purely made up of client assets held in investment products – it doesn’t count money held on deposit.

This has increased due to steady growth in the private wealth business of around 20% annually in terms of AUM over the last few years.

wants to then develop and evolve the Phatra Edge offering via some wider marketing to lure white collar workers in need of financial planning. “This is more than just way to get clients for our private wealth business, but to give them the planning advice they need,” says Tsanthaiwo.

In line with these goals, she then wants to build on a recently-established investment solutions team – launched with the view of being able to diagnose what HNW clients need, and then propose solutions other than transactions. “We will use this approach to help further grow our AUM and fee income,” adds Tsanthaiwo. “A lot of our clients could be doing more with the wealth they have, but we are not offering them the scope of solutions yet.” ■