hubbis

ASIAN WEALTH MANAGEMENT

Issue 2, 2016

Anthonia Hui, AL Wealth Partners

Hubbis Award for ‘Excellence in Asian Wealth Management’

NEW STRATEGIES
Finding a new formula for private banking

TALENT FIX
How to fill the shortage in Asia

FUND PENETRATION
Can we finally remove the blockage?

EVENT HIGHLIGHTS
A round-up of our recent forums

PROPER ADVICE
UBS approaching clients in a new way


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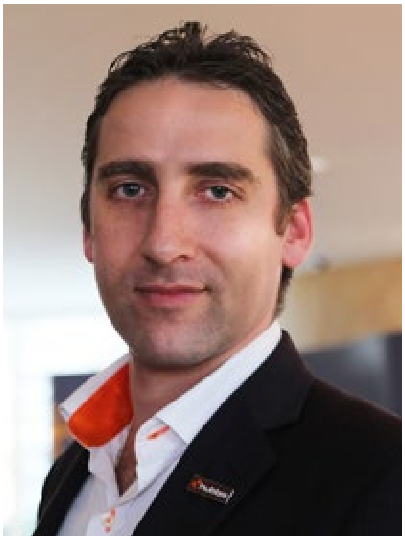
Foreword



This is the latest edition of our Quarterly publication covering Asian wealth management.

This is being produced at a time which is probably the most difficult ever for the wealth management and private banking industry in Asia.

The last 12 months have been particularly tough, and the challenges that firms face are mounting.

From the economic environment, tax amnesty and regulatory scrutiny, to the debate over onshore versus offshore, and the continued hunt for both talent and growth – chief executives are re-considering their business models, along with the strategic choices they need to make, in order to remain relevant.

The content in this issue should be relevant to anyone who is serious about building a sustainable and profitable wealth management business in Asia.

The blurring of the lines between the various types of organisations operating in this space also brings with it areas of overlap and commonality.

To cater to this, the publication covers Private Banking, Retail Banking, Independent Wealth Management, Family Offices, Insurance, Asset Management, Technology, and also Professional Services.

Asian Wealth Management is created in conjunction with – and for – senior management, product gatekeepers, business heads across compliance, operations, technology, advisory and sales, and other key stakeholders from the top international, regional and domestic organisations across the community with which Hubbis has worked hard over the past six years to build relationships and enhance connectivity.

ANDREW CROOKE
EDITORIAL AND CONTENT DIRECTOR
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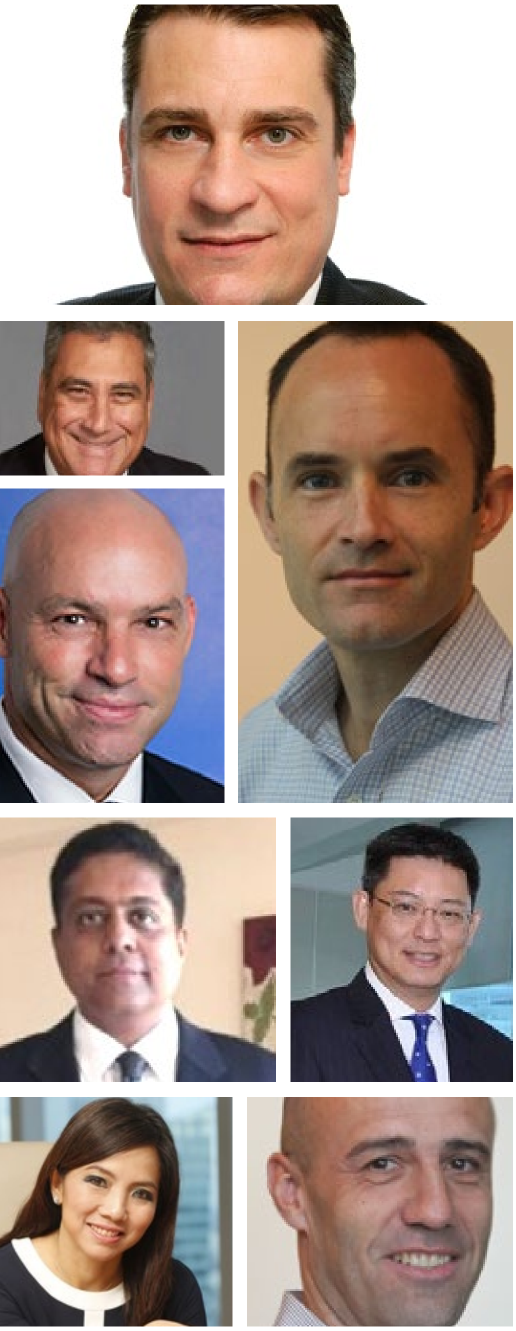

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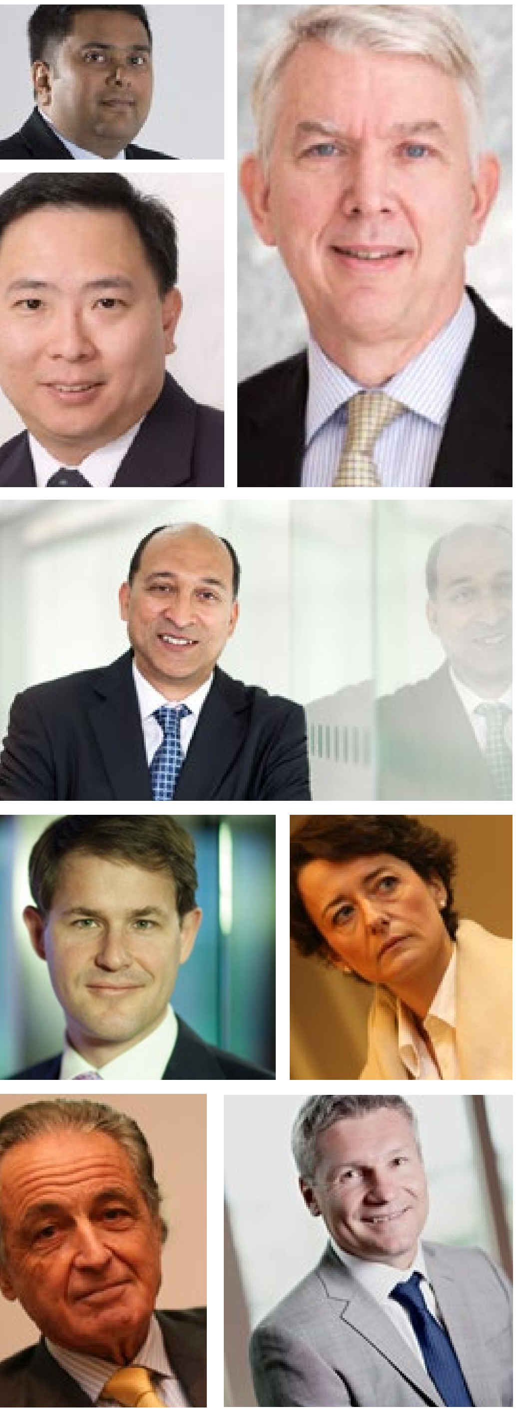

Profiles

Event Highlights

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10 years

The DBS mantra is that being fully digital is the only way the bank will survive the next 10 years.
Page 4

1,000 RMs

Noah Holdings' wealth offering covers 67 cities across mainland China via 1,000 RMs.
Page 30

75% to 80%

75% to 80% of IIFL's clients 15 years ago could hardly afford a priority bank account, let alone a private bank account.
Page 44

9%

Average funds penetration across 23 firms in Hong Kong and Singapore – with a total Asia-based AUM of USD1.5 trillion – was 9%.
Page 52

2017/2018

CRS will only be a problem for those who have not correctly reported on their tax forms by including income in an offshore structure which is attributable to them.
Page 82

USD175m

Edelweiss Global Wealth Management is growing at about INR1,000 crores (USD175 million) a month in AUM.
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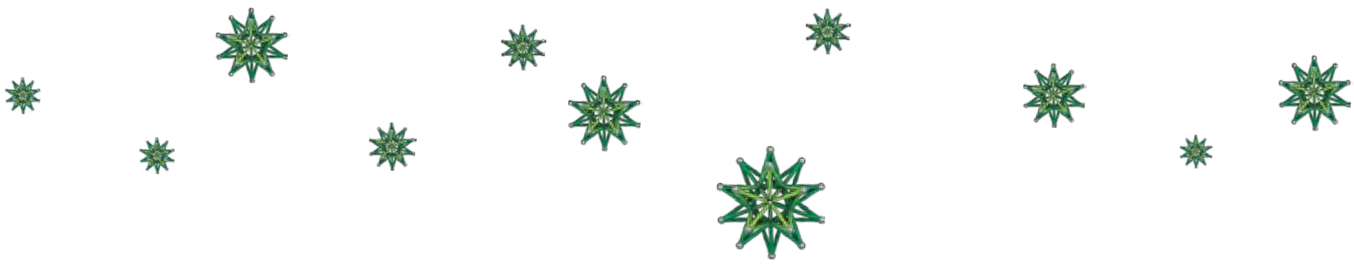

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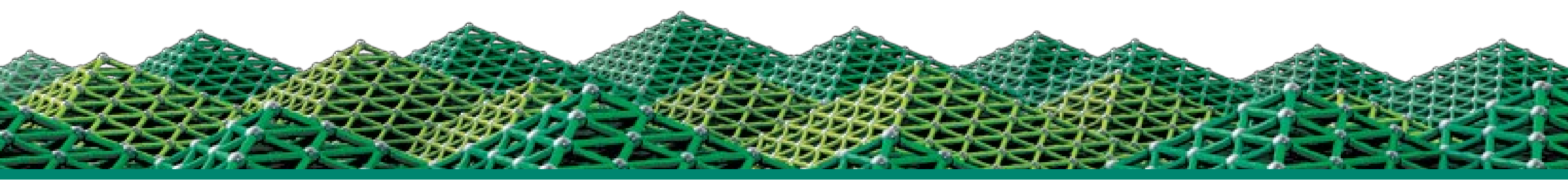

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Stuck between a rock and a hard place

The Asian private banking industry needs a new formula via digitalisation and an unrelenting focus on customers' needs and experiences, as it strives to adapt and evolve in how it interacts with clients.

"The pitfall for most banks is the fact that they don't have a unique value proposition."

BASSAM SALEM
Citi Private Bank

"2016 is likely to be the year of reckoning for private banking."

To build a profitable and sustainable platform and proposition in the years to come will only be possible if private banks are able to navigate the regulatory challenges and still add value to clients. But the reality suggests that many players won't be able to make this happen.

In particular, the industry is clearly facing one of the toughest times in its history. This stems from the combination of ultra-low interest rates, high regulation, technology innovation and changing customer behaviour.

And it is coupled with already-high cost-income ratios, given the inflation of job titles and salaries.

Yet the number of banks which seem capable of addressing the issues are few and far between.

As a result, 2016 is likely to be the year of reckoning for private banking. It is now stark to everyone that chasing net new money (NNM) for the sake of just increasing the asset base doesn't pay the bills. This is based on the assumption (of many industry insiders) that private banks, on average, will see per-

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"The winning formula for private banks as it was in the past decade won't work going forward."

MICHAEL BENZ

centage drops in revenue in the region of the high teens to 20s over the course of this year.

Against this backdrop, it is fair to predict that the winning formula that existed for private banks in the past decade won't work going forward, says Michael Benz, former group head of private banking, Standard Chartered Bank.

"For private banks to face up to their biggest challenges and understand what their clients want, organisations must then take a leaf out of the book of the world's best customer experience designers – the fintechs."

STRATEGIC RE-POSITIONING

As an industry, the focus needs to be on making a significant effort to improve the productivity of platforms. To date, most businesses in this segment have failed to adapt the back-end to the front-end, largely as management can reply on the front-end to drive revenue without the back-end being up to speed. This has been exacerbated by the fact that it requires long-term thinking within a fairly short term-focused industry.

"The pitfall for most banks is the fact that they don't have a unique value proposition," explains Bassam Salem, region head, Asia Pacific, Citi Private Bank. This forces them to continue to look to sell products to meet revenue targets, in turn leading to them pushing salaries up yet further in the hope it will bring in more clients and AUM.

According to Urs Brutsch, managing partner and founder, HP Wealth Management, the industry must shift to a purely fee-based model. "This is the only honest way to advise a client," he adds.

For private banks to face up to their biggest challenges and understand what their clients want, organisations must then take a leaf out of the book of the world's best customer experience designers – the fintechs.

How do these disruptors create a customer relationship without the face-to-face connection?

While relationship managers (RMs) will still be involved in the interaction, for example to offer a handshake to the client or be at the other end of their

"The DBS mantra is that being fully digital is the only way the bank will survive the next 10 years."

TAN SU SHAN
DBS Bank

Research Study

The Fastest One Wins: How Wealth Managers Conquer New Market Segments With Digital Onboarding

The wealth management industry in Asia is in the midst of a transformation. Appway teamed up with WealthBriefing to conduct a study on client onboarding practices and priorities in Asia. Learn about the critical challenges, trends, and opportunities that wealth managers in Hong Kong and Singapore face to attract the customer of the future.

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phone call, it will increasingly be a relationship which involves only the customer and their app.

As a result, the 'winners' of tomorrow – the trusted and safe banks – will be those firms and individuals which understand digital intimately.

This means how to connect all the dots, for both clients and partners, in terms of all aspects of the service and offering.

The requires a commitment to become relentless in the pursuit of the customer journey and knowing what the customer wants. This is key, given the hype over fintech. Banks must be careful not to take its eye off the ball and forget about the client.

"The DBS mantra is that being fully digital is the only way the bank will survive the next 10 years.," says Tan Su Shan, group head, consumer banking and wealth management, DBS Bank.

Those organisations which don't make the move to strategically re-position themselves now, will struggle to survive.

"The industry must shift to a purely fee-based model. This is the only honest way to advise a client."

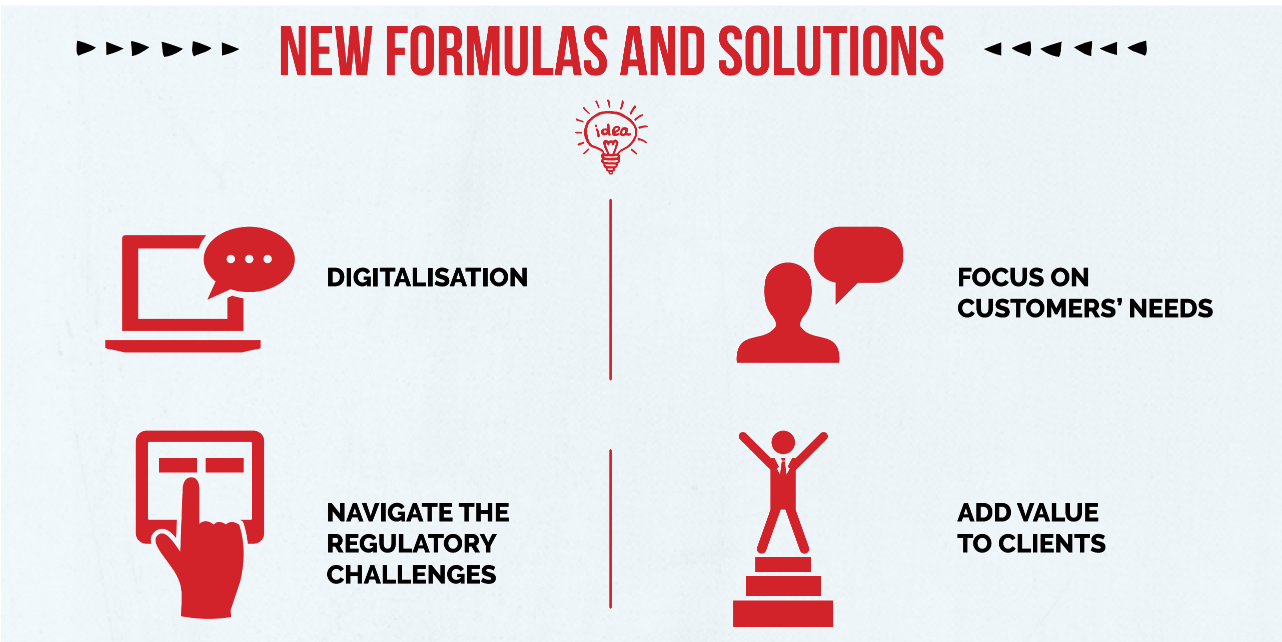
URS BRUTSCH
HP Wealth Management

"Greater digitalisation can also help banks to better navigate between the realities of doing business today and the regulatory environment."

And if the private wealth industry as a whole doesn't get this right, then the banks which will be around in five years' time won't be the banks which exist today.

GETTING DIGITAL RIGHT

There is certainly a need to digitalise more of the private banking business, especially in terms of reducing process-



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ing times and getting the messaging to the client faster.

Greater digitalisation can also help banks to better navigate between the realities of doing business today and the regulatory environment.

For example, it can support and improve processes. So if a system doesn't allow a client to do a trade, this is what the adviser follows. Combined, where required, with good human judgement, this can lead to lower costs and fewer reputational or risk management problems.

On this point, the industry needs to learn collectively. After all, it just takes one bank to do something inappropriate to tar everyone with the same brush. And this often happens when profitability falls.

Many private banks have been quick to bemoan burdensome regulatory processes, a sharp spotlight and excessive enforcement. Yet this has only become a reality because many players don't learn from their mistakes.

Indeed, the increased scrutiny from the regulators on investment suitability is entirely self-inflicted, driven by the structured products craze pre-2008. The same can be said for the AML crackdowns, based on lax controls and standards in years gone by.

"So many private clients want alternative investments, but most industry players only offer standard publicly-accessible investment products which clients can execute on their own."

JULIAN KWAN
InvestaCrowd

"Ultimately, if private banks can't do or offer something digitally, then they shouldn't be doing it."

It would seem some of the problems would be more easily solved were advisers to have a clearer understanding of what clients wanted to achieve with their financial assets. This would lead to a better idea of what types of products and services better fit the clients' needs.

"All energies should be on risk management on the client side, and operational excellence for banking platforms."

MARK SMALLWOOD
Deutsche Bank Wealth Management

Coming back to the role of digital, the focus for all banks should be to use the new tools available to drive change in terms of the culture of their people. And this goes way beyond coming up with funky app; it is about complete immersion in the digital world on a daily basis. Ultimately, if private banks can't do or offer something digitally, then they shouldn't be doing it.

As a result, says Mark Smallwood, North Asia coverage team head - Singapore, Deutsche Bank Wealth Management, all energies should be on risk management on the client side, to prepare for challenging times, and on operational excellence for banking platforms. ■

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Striving for sustainability

At Wealth THINK 2016 in Singapore, leading practitioners within wealth management explored some of the key themes shaping the look-and-feel for the industry going forward – as organisations rethink business models and re-define their value propositions.

On the one hand there continues to be growth in wealth in Asia. However – this is probably the most difficult time ever for the wealth management industry. The last 12 months have been particularly tough – especially for private banks.

In line with this, we hosted our Singapore-based summit, in mid-September, for industry leaders from Asia and globally.

Discussions revealed that, to build a profitable and sustainable platform and proposition in the years to come will only be possible if private banks are able to navigate the regulatory challenges and still add value to clients. But the reality suggests that many players won't be able to make this happen.

As a result, the new world of wealth management might potentially come in two forms: on the one hand with online investment platforms, delivering a low-cost, easy-access solution to mass-market client; and secondly, via niche, specialist players that provide more flexible and customised solutions that offer a valued-add and are focused on specific groups of clients.

Global players who try to do everything in-house potentially stand to lose the most.

Meanwhile, the opportunity for growth over the next decade seems to be local banks operating onshore, whether in China, the Philippines Thailand or other markets.

Another issue is the fact that Asian private banking has largely taken a short-sighted road to growth to date, by being too focused on hiring each other's staff. This has done nothing to resolve the fundamental talent shortage nor attract young, engaging and competent individuals to the industry.

Further, given that delivering performance for clients is fundamental within wealth management, especially during such difficult and uncertain market conditions, the starting point needs to be figuring out what the client needs and wants.

Although the industry as a whole has proven itself to be effective at delivering to clients what they find interesting, the real focus needs to be on the correct management and construction of the portfolio to begin with.

In line with this, rather than continuing to try to sell product, now is good time for bankers to sell a 'story' as part of a solution that they can continue to implement over time with their client. ■

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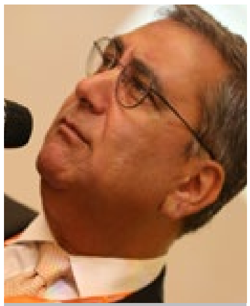

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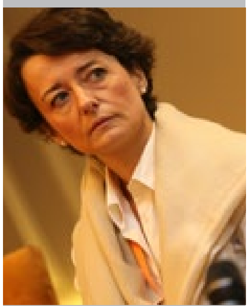

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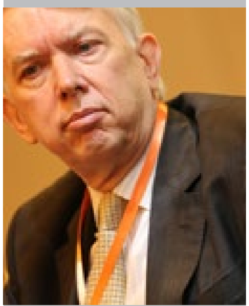

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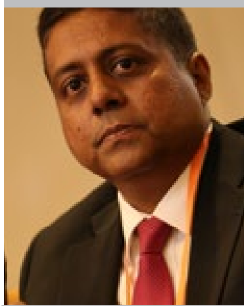

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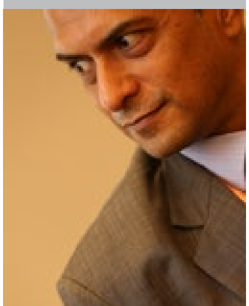

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Adapt or die-out in a new world of private banking

Private banking business models are set for a wake-up call sooner rather than later, says Michael Benz, threatening an overhaul for the industry as a whole.

Private banking is facing one of its toughest times ever as an industry.

This is due to the combination of four key challenges, which render the past growth strategies ineffective: ultra-low interest rates, high regulation, technology innovation and changing client expectations towards more tailored product and service offerings, based on past investment activities.

"The winning formula for private banks as it was in the past decade won't work going forward," says Michael Benz, former group head of private banking at Standard Chartered Bank.

Yet the number of institutions in Asia which seem capable of adapting and evolving their business model to tackle mounting challenges are few and far between.

As a result, 2016 is likely to be the year of reckoning for private banking.

UNDER THE SPOTLIGHT – IT IS ALL ABOUT COSTS

It is now stark to all players that chasing net new money (NNM) for the sake of just increasing the asset base doesn't pay the bills.

This is based on the assumption (of many industry insiders) that private banks, on average, will see percentage drops in revenue in the region of the high teens to 20s over the course of this year. And Benz concurs with these estimates.

More than ever, therefore, the challenge for the industry is centred on the management of the cost base.

And this will remain the case for at least as long as ultra-low rates persist and make it unavoidable for banks to adjust their fee levels downwards, predicts Benz.

As part of this cost crackdown, he believes that any non-client facing role, and potentially even any non-relationship manager (RM) roles in general, will come under intense scrutiny. Where possible, explains Benz, they will be streamlined, automated and outsourced.

MICHAEL BENZ

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This is one of the big opportunities which technology innovation and digitisation offer to the private banking businesses – ie. the fundamental reassessment and redesign of front-to-back processes.

Benz says this will lead to the redundancy of more and more product, middle- and back-office functions, either because of automation or outsourcing to specialist service providers. "The focus, more than ever, will now be on the RMs, especially their (lack of) high investment skills. Entrepreneurial behaviour and networking skills are just pre-conditions for RMs today."

GET THE PROPOSITION RIGHT – PERFORMANCE MATTERS MOST

Ultimately, Benz believes, only those private banks which eventually get the client proposition right, will manage to attract additional funds from clients.

This means, that management needs to keep a sharper eye on achieving the financial goals of its clients, at the heart of which lies investment performance. "High-quality NNM is not easy to get any longer," explains Benz. "Banks have to earn it by delivering the proof of helping clients to achieve their financial goals," he adds.

However, such proof, which in essence means achieving investment targets, can only be delivered if there is an explicit agreement between RMs and clients on the latter's financial goals.

"This is essentially a back-to-basics approach in today's technology-driven world," says Benz. But technology is the great facilitator.

Digitisation is not only helping to reduce costs and make the cost base of banks more flexible, it plays another very important role: use of technology to create more exciting and tailored client experiences.

Over the medium term, and with increasingly younger people getting their hands around the wealth of their parents, it is essential for private banks to deliver experiences which are more similar to what anybody today can get when shopping online. "Many clients will enjoy the new empowerment offered by digital channels, and the more relevant investment ideas suggested to them through digital channels," says Benz. "In turn, this will lead to more activities for the bank and will free-up capacity of the RMs."

"Only those private banks which eventually get the client proposition right, will manage to attract additional funds from clients."

FEES CAN ONLY GO IN ONE DIRECTION

Despite all those challenges, he sees some scope for optimism. Increasingly, he says clients are realising – driven by the very challenging investment environment – that longer-term portfolio investment approaches and fee-based compensation of banks are more successful than short-term transactional ones.

Indeed, an obvious and much talked about way for private banks to create a more sustainable and predictable revenue stream would be to make fee-for-advice more prominent as part of their offering.

But this seems a distant dream for many institutions. Not only the low interest rate environment, which Benz sees as the single biggest challenge for the industry overall, makes the prospect of charging clients an advisory fee less of a reality than before.

Further, he adds, it would seem that if advisers had a clearer understanding of what their clients wanted to achieve with their financial assets, then it would help satisfy some of the regulatory scrutiny in Hong Kong, in particular, over the suitability of products and appropriateness of fee levels.

At the same time, one of the areas where the private banking industry has indeed made progress since 2008, he believes, is in relation to the fairness and transparency of fees.

SELECTIVE SUCCESS

Ultimately, he believes, only those private banks which eventually get the client proposition right, will manage to attract additional funds from clients. This requires any bank to fully leverage the power of digitisation to rethink of their core processes and the creation of more exciting and relevant client experiences. This needs to happen while every bit of management attention is given to achieving a client's financial goals. ■

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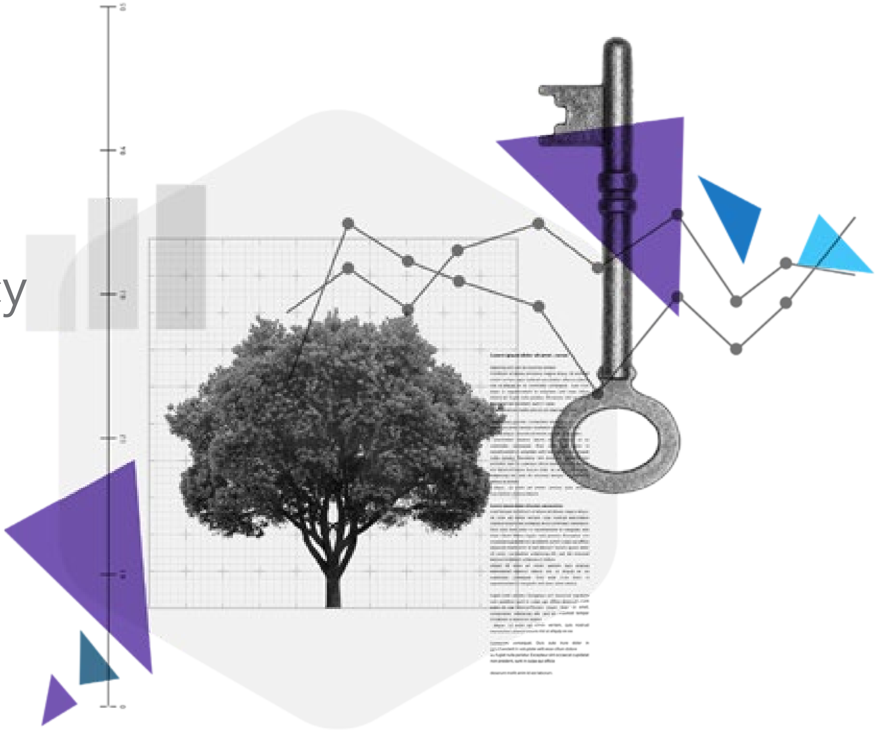

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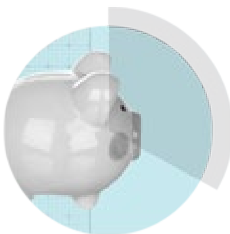

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straight through
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Doing the right thing for a bruised industry

Anthonia Hui is no stranger to taking on big challenges and sticking to her beliefs about what is best for her clients. Her tenacity, professional success and commitment to the next generation of bankers are key traits which have earned her the Hubbis Award for 'Excellence in Asian Wealth Management'.

"In over 35 years in the financial services industry, the current environment is the worst I have ever seen in all areas of banking, including private banking."

This is according to Anthonia Hui, chief executive officer of external asset management (EAM) firm, AL Wealth Partners, and also the immediate past president of the Association of Independent Asset Managers (AIAM), Singapore.

This is clearly a strong statement. But for those people who know Hui, it isn't a surprise to hear such conviction and passion from her. These are some of her defining characteristics, which have led to an impressive career to date.

Yet like many experienced industry practitioners at the moment, Hui strongly believes things can no longer continue the way they are. "Institutions need to re-think their business model, pricing and cost structure," she explains. "The industry needs to come together to acknowledge to regulators that they are prepared to change, but that they need time to rectify things in a logical manner which also doesn't destroy client confidence, either in them or the wider banking system."

"Institutions need to re-think their business model, pricing and cost structure."

ANTHONIA HUI
AL Wealth Partners

WALKING THE TALK

For Hui, this must always start with clients, and putting them first – even if this approach scuppers an individual trade.

She is adamant that nothing is worth damaging the relationship, or the individual adviser's own integrity.

Such a philosophy led Hui to eventually leave private banking. After more than 25 years working in London, Paris, Zurich, Hong Kong and Singapore, at institutions such as Coutts, BNP Paribas, Citigroup and, ultimately, Credit Suisse, her next move was to pursue the more holistic, client-centric advisory style she always championed internally – despite it not always being embraced by many revenue-driven bosses she worked under.

This drove her to co-found AL Wealth Partners, a specialty firm providing independent wealth advisory, fund management and multi-family office services, along with Leonardo Drago.

To take this model – new at the time in Asia – to the next level, she then co-founded the AIAM in early 2011 with other like-minded individuals. "The aim has been to assist members in promoting industry best practices as well as understand and meet regulatory issues related to the EAM business model," says Hui.

While she stepped down from the presidency in September 2016, Hui continues to drive the professional standards and compliance issues for the Association.

PUTTING THINGS RIGHT

Indeed, the intensely-tough environment for financial services generally stems largely from banks being subject to all kinds of regulatory obligations, coupled with the challenges that confront them from clients as well as their own staff.

"A lot of senior executives who are currently in managerial positions are unprepared. They were brought up in the heyday of private banking, so have now become fire-fighters."

One of the most worrying consequences Hui sees is that fact that it seems as if nobody knows how to bring the situation back from the edge of what feels like a cliff.

She believes that a lot of senior executives who are currently in managerial positions are unprepared.

"They were brought up in the heyday of private banking, so have now become fire-fighters. Yet most of them are not good at it," she says. "They appear to be disoriented and are simply trying to dodge as many bullets as possible."

Career highlights

- *Over three decades of experience in private banking, wealth management and family offices in London, Paris, Zurich, Hong Kong and Singapore*
- *A former high-achieving private banker at international institutions including Coutts, Credit Suisse, BNP Paribas and Citigroup*
- *Co-founded AL Wealth Partners with Leonardo Drago in 2007*
- *Co-founded the Association of Independent Asset Managers (AIAM) in Singapore in early 2011*
- *Conferred by the Institute of Banking and Finance (IBF) in Singapore the title of 'IBF Fellow' – which is to recognise key practitioners and thought-leaders in the financial industry*
- *Helped set up and implement the Financial Industry Competency Standards (FICS) in Singapore*
- *A frequent speaker at universities and investment bodies around the world*

Responsibility can no longer be passed to someone else, nor the blame solely be put on market conditions.

Many issues now are due to the operating environment and business outlook.

And collectively, the industry has been unable to come up with a suitable response or find common ground for tackling the issues that they all face. Even when it comes to hiring front-line staff, many banks continue to pay excessively, despite these individuals not bringing in the right types of clients for the bank to generate sustainable – and profitable – business. "Blindly pursuing AUM just to survive is not the answer."

And if banks cannot recuperate their costs, she says adding value to clients or the wider industry isn't possible.

POSITIVE STEPS NEEDED

In short, rectifying the current situation and restarting the trust engine requires the industry to be honest about the reality of where things are today and what needs to change.

"This needs to start from the top," says Hui. "Banks need to redefine how the CEO and senior management should act and behave. It cannot just be about making profit. They need to adapt the business model so it is no longer destructive to the industry and to clients."

This includes fixing the fundamental problem of the way business gets conducted and how people get paid. "At this point, it then becomes viable to nurture client relationships from illness back to health," adds Hui.

That should also be a benchmark by which CEOs measure their achievements, she adds. "Profitability should be secondary, so as long as the institutions isn't losing money or compromising its morality."

Perhaps most importantly as part of this broader cultural change and shift in mind-set is the fact that bankers should be incentivised to do the right thing for their clients.

A CLEAR DIFFERENCE

Hui's own experiences have been that clients can see the difference, and respond favourably – including their willingness to pay for the advice.

For example, she explains, clients are often confronted with a situation where they get presented with multiple products by their various private bankers. When they discuss and show this to a trusted adviser, Hui says the most important thing is to resist any temptation to offer a similar product but just at better terms.

"It shouldn't be about earning commission from that client in the short term and being scared to lose out on AUM," she adds.

Instead, Hui's approach, for instance, is to advise the client in the context of their existing portfolio, their outlook on

"Banks need to redefine how the CEO and senior management should act and behave. It cannot just be about making profit."

Career take-aways

- ***What's your career highlight to date?*** *"Every move I made has been important, but if I have to pick one, it would be the decision to go independent and leave banking."*
- ***What do you enjoy most about your role?*** *"Being free from the politics of large institutions, enabling me to truly make a difference in managing clients' wealth."*
- ***What do you know now that you wish you knew when you first started your career?*** *"How divorce can destroy and create wealth, along with how children can be a blessing as much as curse – and why this all matters to wealth managers like us."*
- ***What ambitions do you still have for your career?*** *"To stay relevant to the industry, especially nurturing the next generation to have the mind-set and qualities most clients are looking for to handle their wealth. I also want to cultivate client understanding about how they should look for their wealth to be managed."*
- ***What skills and attributes does anyone entering the industry today need to be successful?*** *"To have lived a life that hasn't been plan-sailing or too protected; to be driven and determined to stay resilient when things get tough; to always be humble and grounded; and to be able to empathise with your clients and stand by them in good and bad times."*

investments and their longer-term goals and objectives.

"Many times when my clients have come to me to show me the choices of investments their bankers have offered to them, I have told them this isn't what they should be doing with their portfolio," she explains.

"Many times when my clients have come to me to show me the choices of investments their bankers have offered to them, I have told them this isn't what they should be doing with their portfolio."

Using data to prove the case and explaining this to the client is often an effective technique.

Even if her clients insist and seemingly ignore this type of advice, she says that more-often-than-not they return to her, having at least acknowledged she was trying to do the right thing for them.

"I want to be able to sleep well at night knowing that I have my clients' best interests at heart," adds Hui.

INDEPENDENCE

She eventually left the private banking environment in pursuit of exactly this.

Luckily, she also worked at a private bank with a very established platform of EAMs, so saw the appeal of this model. "I sat next to this team every day and could see the potential of this as a viable option which hadn't yet been tested in Asia."

Hui hasn't looked back since. And the concept resonated so deeply that she got together with a few Swiss bankers with knowledge of the EAM model in Switzerland to launch the AIAM.

Until Steve Knabl of Swiss Asia was named as her successor, Hui used her presidency of the Association to drive it for five years since its inception in March 2011.

This is clear evidence of the vast amount of energy and devotion she dedicated to the cause of the independent community. "She always went the extra mile to promote the EAM industry," says Knabl. She was also able to achieve this during a phase of significant regulatory change across wealth management. "Without her, it would have been difficult to achieve as much as the Association has to date," adds Knabl.

GROOMING THE NEXT GENERATION

Recognising the challenge of maintaining the appeal for young people of working within private banks or other types of wealth management organisations, Hui is also committed to grooming talent in the industry.

"Millennials are all brought up wanting to do something different and change peoples' lives," she says.

"So if they perceive that the values of the banks are in conflict with this, then the industry won't be able to attract the next generation of the workforce," she explains.

Her part in trying to change the culture and atmosphere of the working environment in this industry comes via lecturing in workshops, seminars and courses to mentor students and professionals in wealth management.

"If [Millennials] perceive that the values of banks are in conflict with this, then the industry won't be able to attract the next generation of the workforce."

"I think it is important to focus not only on sales techniques and knowledge, but also on the spirit and virtue of what wealth management means in terms of its service to the community," she adds. ■

How Thomson Reuters is driving digital wealth in Asia

The march towards digitalisation is gaining momentum within wealth management in the region. As private banks, in particular, face up to changes in regulation, advisory models and demographics, an open-platform strategy that can connect multiple information sources and deliver data-driven solutions is Thomson Reuters' way to add value.

The priority for private banks in Asia today is to become more efficient and productive against the backdrop of the various regulatory, margin and performance pressures they face.

At the same time, the changing industry landscape has made it more important than ever before to be relevant to clients.

To stand any real chance of achieving this, they need to develop or enhance their digital capabilities to reach more clients with better advice as part of an improved user experience.

To date, however, too many private banks have done relatively little of any real substance in order to move them in this direction.

As a result, Thomson Reuters is focusing on filling this ever-widening gap between where these institutions are today and where they want to be.

"Many private banks still have a lot of manual processes in place," says Peter McMillan, head of wealth management for Thomson Reuters in Asia.

"This is the main focus for us in terms of how we can help," he adds.

As part of this, the firm's master plan for the region puts the concept of partnership with its target financial institutions as a key component.

As a starting point, this involves working far more closely with customers as they flesh out what digital actually means to their business, and as they decide where and how they want to adopt a digital approach.

"We know we have the solutions across the breadth of our own enterprise and the partner network we engage, to help our clients," explains Stuart Brown, head of financial design for Thomson Reuters in Asia.

PETER MCMILLAN
Thomson Reuters

STRATEGIC PRIORITY

The firm has pinpointed Asian wealth management as one of its top-four growth bets over the next three to five years.

In three areas, in particular, the platform it has created is well-positioned to fulfil the evolving needs of customers in the region, says Ranjit Tinaikar, the firm's managing director, advisory and investment management.

First, he explains, it can increasingly help large banks and brokers improve the productivity of the adviser force, in line with clients now demanding more value.

For example, for a typical client, there are a number of stages that advisers have to go through when transacting: lead generation and prospecting, along with the use of CRM solutions; financial planning and risk profiling; fund and security selection, including determining suitable investment strategies; order management and execution; and then portfolio monitoring and rebalancing. "Advisers have to do all of these, yet the systems and solutions are often fragmented across different providers," says Tinaikar.

RANJIT TINAIKAR
Thomson Reuters

"Customers are embracing the digital wave as they realise the efficiencies they can achieve by adopting more of a digital approach to their own businesses."

For self-directed investors, meanwhile, the firm can help online brokers build and expand both the scope, as well as the depth and breadth of their services to meet customer needs.

Finally, as the spotlight shines more brightly on AML, Know Your Client and other checks and balances, Tinaikar is confident about the data, learning and other insights to support efforts by private banks to meet their regulatory requirements.

NEW APPROACH FOR A NEW LANDSCAPE

The trends shaping the industry present challenges that Thomson Reuters is well-placed to address. "Customers are embracing the digital wave as they realise the efficiencies they can achieve by adopting more of a digital approach to their own businesses," explains Brown.

Here, the firm's open-platform strategy can be part of the required integrated adviser workflow, across multiple partners and other third parties. "We don't need to own the individual pieces of software, but we can act as an integrator to allow different systems to come together," he adds.

For self-directed investors, Thomson Reuters is responding to the fact that the needs of Asia's wealthy individuals now go beyond just providing data on securities or funds, or giving them other analytics.

"We are planning to create an ecosystem of partners to use our data and research," says Tinaikar, "along with Reuters news, to build apps and widgets that can be used by banks, online brokers or even nonfinancial institutions, to build an online solution for self-directed investors, including mobile apps."

This is all part of the ambition to redefine the user experience by collaborating with a wider range of partners, which could range from robo-advisers to web development firms globally.

Also underpinning the firm's initiatives is the desire to provide wealth managers with scalability and cost-efficient delivery of data and related content. This is essential, urges Gautam Verma, head of market development for Thomson Reuters' Enterprise business in Asia, given that open platforms, fintech, digital banking technology, robo-advisory and managed services are top of the agenda for technology decision-makers at financial institutions.

He points to the fact that some of the greatest business success stories of the

GAUTAM VERMA
Thomson Reuters

21st century to date have been platform companies, connecting communities where relationships form and transactions take place directly.

"Open platforms provide access to tools and services to enable participants to meet, communicate and transact on their own terms in marketplaces which they can design, develop and operate in the way they choose," explains Verma.

MAKING THE DIFFERENCE

While many private banks in Asia are involved with accelerators, innovation labs and other "fintech" initiatives, the focus on leveraging existing platforms to improve workflows needs to become sharper.

Greater productivity is one of the biggest benefits that McMillan highlights for those private banks which take a serious approach to going digital. By getting access to the right market and investment information at the right time, for instance, relationship managers (RMs) will be able to call more clients if they are accessing and able to interpret data quicker, and with more relevance to each client. Plus, each RM can increase their client book overall if they don't need to spend as much time analysing each portfolio.

Further, if an RM can be faster at reacting to market events and give a client relevant and timely insights, this will count in their favour when the client measures the value each of their multiple bankers really provides.

SOLUTIONS

In a nutshell, Thomson Reuters' digital solutions comprise a suite of platform-orientated services. These include APIs for web/browser-based application builds, along with feed services for integration into more system-driven applications, for example, quant models and algorithms.

In response to the various challenges for private banks, the firm has been developing its wealth management proposition accordingly.

The first enhancement has been an upgrade to its traditional desktop offering in the wealth management space, moving to a platform-based concept. The firm has built on existing functionality that gives wealth managers information on multiple asset classes, in conjunction with news and other data points, to help an RM scan a client portfolio for relevant insights and action items.

Previously, this existed in isolation of the bank's internal CRM system.

Now, rather than relying on an RM proactively searching several systems for relevant information, the RM can connect to all relevant data-sets and capabilities via a single platform.

An institution can then more effectively communicate the ideas of the day, or their house views on market events, quickly to every RM, who in turn can then build out their own sales pitch to their clients.

"This creates an ecosystem where everyone can get access to the same information at the same time, and they can get their alerts immediately," explains McMillan.

"It cuts out a lot of steps as part of the effort to increase efficiencies," he adds.

> **"Greater productivity is one of the biggest benefits for those private banks which take a serious approach to going digital."**

Taking this further, a lot of private banks have been looking to build their own applications within this Thomson Reuters platform to connect market information with the wider data suite.

They want to then leverage these apps internally, in conjunction with their own information, such as investment research or client investments in the context of the client's risk profile.

"It isn't unfeasible to suggest that they can create an app which streams in their CRM information, so that an RM can see all the data combined with everything the wealth manager is working on from a market data perspective," explains McMillan. "This means less need for verification or moving constantly between different internal systems."

This stems from Thomson Reuters' focus on using open technology that forms an integral part of the new enhanced platform.

Verma also points to the quality pricing and reference data the firm can offer. This allows institutions to comply with foreign regulations for multinational corporations, he says.

"The tagging and PermID initiatives, along with the visualisation tools, represent key components of our solution to the challenge our clients face of grappling with Big Data," adds Verma.

Meanwhile, for those institutions which want to move completely away from the desktop and revamp their communication channels with their RMs and clients, McMillan says the firm has been talking to clients about building widgets and other capabilities into their existing infrastructure and platforms.

"This is to help them take advantage of streaming market data within the context of their own systems."

The key difference, he explains, is that rather than a bank taking a sub-set of its information to the Thomson Reuters environment, the firm is able to plug the exact information the bank needs into the institution's ecosystem.

"This requires a big shift in how the banks and their RMs operates," he says.

"We are looking at evolution rather than revolution," explains McMillan, "by gradually introducing this type of technology to them, and then showing them how it can enhance the bank's capabilities."

In line with many of its initiatives, Verma explains that Thomson Reuters has been growing its platform partners and developer community. "Since this summer, our developer portal has been opened to allow anyone to register to obtain full access documentation for the entire family of our APIs."

"This creates an ecosystem where everyone can get access to the same information at the same time, and they can get their alerts immediately."

JULIA WALKER
Thomson Reuters

CRACKING COMPLIANCE

Another critical component of the Thomson Reuters offering for the wealth management sector is helping it meet the multiple regulatory challenges of client on-boarding, screening, suitability and education which keep senior executives awake at night.

Many private banks, however, continue to lack sufficient processes, systems and resources to be confident about being able to avoid the pitfalls that now exist.

This highlights the fact that the biggest need for risk and compliance solutions in Asia remains education, says Julia Walker, head of market development in Thomson Reuters' risk division in Asia. "People still need to better understand why risk management is so important."

Just keeping up with the significant number of regulatory alerts is a tall order – given that they seem to be increasing year over year, and show no sign of slowing down.

Thomson Reuters estimates that there were 167 daily alerts in 2015 – which means a new one every 9 minutes.

To bridge this gap, the firm believes its 'Regulatory Intelligence' solution can helps risk and compliance professionals keep pace with change with global coverage of over 600 regulatory bodies and over 1,000 rulebooks.

The aim is to empower market practitioners to make well-informed decisions to manage regulatory risk with confidence, explains Walker. It does this via proactive alerts and an early warning system to ensure vigilance.

This highlights the constant requirement to look deeper, explains Walker. "Institutions need to know more about all their clients, so the starting point is to identify the gap between what they actually know and what regulators require them to know."

Staying informed shouldn't be a one-dimensional objective; it is not just about avoiding risk. Thomson Reuters believes those companies who most effectively navigate risk and regulation will be at a competitive advantage.

"Firms which figure out how to find regulatory and tax compliance-related opportunities for their clients will be those who survive and thrive in today's world," predicts Walker.

STUART BROWN
Thomson Reuters

"Institutions need to know more about all their clients, so the starting point is to identify the gap between what they actually know and what regulators require them to know."

At the same time, privacy laws, especially for client on-boarding, are high on the worry list for most organisations.

An inability to share data across borders creates duplication, for example, where people want to hold more than one account with the same organisation but in different locations.

And the rise of self-directed investors has exacerbated the problem. Even confirming that the person at the other end of the tablet is a customer is a cumbersome exercise filled with risk.

This also highlights the need to tailor solutions to local regulatory demands. This is where solutions must be comprehensive and practical, and also in local language. "A lot of what we provide is information about regulations and tools needed to comply," she says. "Doing this in the local language is also important to give users an extra layer of due diligence."

Yet understanding how to manage risks is just the starting point. Firms need to then be able to educate their front-line staff about the application of their own products and solutions within the regulatory environment. "They need to adopt a culture of learning," says Walker. "There must be a desire on the part of a relationship manager to want to learn and behave in the right way."

Automating the value of regulatory intelligence is a good place to start. From here, it is easier to determine what feeds and other information are relevant for advisers to digest and uitlise. Automation is also increasingly essential when it comes to logging activities such as the cross-border travel of wealth managers, along with their client entertainment and any personal dealing.

RELEVANT AND TARGETED

To help drive the relevance of any solution it offers, the five-year plan that Thomson Reuters has in place for its digital business is for it to be the trusted source for all the content and decision-support capabilities that its customers need.

PETER THAL LARSEN
Thomson Reuters

More specifically, this means helping its clients' advisers and their end-clients make more informed and better investment decisions. "Our ambition is for us to become the platform that glues the 'manufacturers' together with the investment strategists or product specialist, and in turn together with the portfolio manager and adviser and, ultimately, the end-client," says Brown.

From a content perspective, while the mission of most news services is to be first. Reuters Breakingviews has a slightly different slant – it prefers to provide financial insights that can set the agenda for the markets and people which count.

This is especially true in a world where people's inboxes get inundated by a mass of alerts, news, data and other information all vying for attention.

The goal of the Reuters Breakingviews content, according to Peter Thal Larsen, Asia editor, is to provide something which grabs attention – and gets read.

"Our views are highly-valued by the people who read it," he explains. "Having a consistency of standards is important. The idea is for anyone to be able to read a Breakingviews piece, on any topic, and take away from it a certain level of clarity and rigour."

"Our views are highly-valued by the people who read it. Having a consistency of standards is important. The idea is for anyone to be able to read a Breakingviews piece, on any topic, and take away from it a certain level of clarity and rigour."

LOCAL MATTERS

In developing and implementing various solutions, Thomson Reuters' global reach shouldn't be under-estimated.

"No market is an island, and it's our global coverage, connectivity, presence and trust that makes us stand out, even in very domestic markets," says Brown.

The firm has a unique vantage across customers and the industry, adds Kimberley Cole, head of specialist sales in Asia for the financial and risk division at Thomson Reuters. In turn, this ensures it offers education on trends and how customers can differentiate themselves – and often reframe their own thinking.

"We have experience in many emerging and mature markets, and the global perspective is something that many customers enjoy," she says.

But to take advantage of Asia's potential, the firm knows it needs to also continue to work hard to adapt the offering in local markets. "Wealth is a local business," adds Brown. "Local has implications in terms of language, depth and granularity of market data required, regulation, market practices, service and support models."

As a result, the firm's approach is always to invest into localisation in markets where size and scale exists, such as North America and Japan, and partner in other markets it deems attractive but where the return on investment on a fully-localised approach does not add up.

DELIVERING REAL SOLUTIONS

Underlying anything that Thomson Reuters brings to market, however, is an ability to deliver it effectively to its target market. And in Asia's rapidly-changing financial services landscape, selling needs to be about providing solutions not just products.

This requires industry and technical experts to be involved with customers at a very early stage in the buying journey, explains Cole. "We have a team of pre-sales people across the region who work with our customers to understand how they are looking to focus or re-focus their business, the challenges they face and where they see opportunities," she explains.

In short, it is about identifying and then delivering the right solutions for each customer.

To do this, and in response to their needs, the sales teams are increasingly able to show customers a prototyped idea to deepen discussions even further and work together to create a solution. "The team is really focused on solving not selling," adds Cole.

She is also quick to acknowledge that improvements to processes can always be made to further enhance the offering. For example, she says, Thomson Reuters has made significant investments into its pre-sales function. This can help the sales team craft solutions to customers' problems – and rapidly prototype some of those ideas.

BUILDING ON THE VISION

As an initial step, the Thomson Reuters management team has plans to have set in motion discussions with all the leading private banks in Asia about platform-based solutions by the end of 2016. And the firm hopes to be in varying stages of implementation with several institutions.

Looking a bit further ahead, McMillan sees increasing scope to use digital advisory platforms to augment an RM's day-to-day job.

This will be the next step, he explains, as part of integrating a combination of technology and data to help these wealth managers develop even deeper client relationships.

For example, this can create suggestions for an individual client based on their risk profile and investment objectives.

"Where we believe we will be by 2017," predicts McMillan, "is that by tagging our information we can then highlight those key pieces of analytics which are relevant to a particular asset class that a client might own, to make this available to the fingertips of RM at the right time."

At the same time, as more and more people get comfortable with online trading, creating full digital pathways is another important objective. Ultimately, the platform is set up to be an environment akin to a sandbox to allow developers to access it fully and leverage off our global expertise across all aspects of the business. ■

KIMBERLEY COLE
Thomson Reuters

> **"The platform is set up to be an environment akin to a sandbox to allow developers to access it fully and leverage off our global expertise across all aspects of the business."**

> **"We are looking at evolution rather than revolution, by gradually introducing this type of technology to them, and then showing how it can enhance the bank's capabilities."**

DELIVERING EXCELLENCE IN ASIAN INVESTMENT

At Fullerton, our understanding of the region comes from more than just analysis and statistics: we embrace the dynamism and energy of Asia. As committed long-term investors, we see quality beyond the trends. Our recent awards demonstrate the results.

MORNINGSTAR Awards 2016

Best Fixed Income House
2016 Morningstar Singapore Fund Awards

2016 THOMSON REUTERS LIPPER FUND AWARDS

Best SGD Bond Fund
The Edge-Lipper Singapore Fund Awards 2016

AsianInvestor ASSET MANAGEMENT AWARDS 2016

Best Local Currency Bonds
Best Hard Currency Bonds
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Developing the Noah offering in China

Kenny Lam of Noah Holdings explains the focus and approach of his firm's business in servicing China's wealthy, and discusses the priorities over the coming years.

As the largest independent wealth manager in China, Noah Holdings sees a new flow of business per year of around USD16 billion to USD20 billion. This offering covers 67 cities across mainland China via 1,000 relationship managers (RMs).

The other main part of the business is asset management, focusing on alternative products such as fund of funds, with private equity and real estate as the core asset classes, but also diversifying into hedge funds and credit.

SEGMENTED OFFERING

According to Kenny Lam, group president of Noah Holdings, the firm mainly focuses on two client segments: first, its core HNW – which is divided into individuals with around USD30 million in investable assets, and into its 'Super Diamond' clients which targets individuals with USD100 million and above; and secondly, its affluent client base, which it mostly services online, who have between roughly USD100,000 to USD1 million in investable assets.

DIGITAL DEVELOPMENTS

The key to developing the digital aspect of Noah's offering is understanding which technology will be able to add value to clients, says Lam. He believes that some form of investment support is useful but this needs to go further, such as enhancing asset allocation decisions. Another key focus for Lam is using data to understand clients better, as well as to facilitate deeper interactions between front-line advisers and clients.

PRIORITIES

Over the next two to three years, Lam wants to ensure the firm continues to innovate in the range of services it provides. This goes beyond investment, to include insurance and education. He also wants to ensure the front-line along with the client interface all improves further. This includes building skills in asset allocation and being able to move advisers up in terms of client segment, towards family office services and discretionary management. ■

KENNY LAM
Noah Holdings

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How to succeed in a new world of wealth management

Finding the right model for tomorrow will depend on a proper segmentation of clients which is based on a deeper understanding of their needs, and then servicing those in a way that is efficient, relevant and aligned with their best interests.

"With digital, it is a matter of how use it to ensure a competitive advantage."

AKI RANIN
Tigerspike

Creating a successful business model for the current environment relies on wealth management organisations being able to properly understand the needs of clients and then aligning themselves accordingly to service these.

One of the first aspects of this is realising that performance is lacking and being aware of the trust deficit which exists.

Those firms and individuals which can deliver on the need for value, advice and trust will be well-placed going forward, says Vineet Vohra, director and practice leader - wealth management, Arete Financial Partners. This translates to: value in their dealings, implying a level of fairness and transparency; an advisory overlay to the engagement, in line with client needs; and trust, which is a scarce commodity in banking today.

THE ROLE OF DIGITAL

Digital is inevitably a key component of a successful offering, acting as an enabler in emerging markets, especially, where clients are looking for access to asset classes and forms of advice that they haven't had before. At the same, it is an increasingly important way to support client advisers in delivering their service.

As a result, the new world of wealth management might potentially come in two forms: on the one hand with online investment platforms, delivering a low-cost, easy-access solution to mass-market client; and secondly, via niche, specialist players that provide more flexible and customised solutions that offer a valued-add and are focused on specific groups of clients. In line with this, either organisations will need to invest heavily in technology to achieve

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"The real competitors of tomorrow will be those firms which can leverage using the online platform or those that are flexible and niche/specialised in the services they provide."

LEE KAI YANG
RHB OSK Asset Management

the first type, or they need to focus on their value propositions.

Global players who try to do everything in-house potentially stand to lose the most. The real competitors of tomorrow, explains Lee Kai Yang, chief investment officer, RHB OSK Asset Management, will be those organisations which are best positioned to capture the opportunity.

Consumer brands such as tech companies will vie for the retail segment.

So more traditional financial institutions and wealth manager can better leverage their strengths, including brand, in the higher segments.

DRIVING BETTER CLIENT UNDERSTANDING

The industry also needs to do a lot more to understand the real needs of clients.

While there are some banks which are early adopters of technologies to focus on human processes and drivers, nowhere near enough has been done to make create offerings which are more pleasurable and more relevant or accessible for clients.

"Global players who try to do everything in-house potentially stand to lose the most."

Such a situation is a consequence of the fact that most institutions never felt the need to take this. Although the most successful relationship managers (RMs) might understand their clients' requirements, at an organisational level, formulas are more prescriptive – driven more by client wants than needs.

This can be seen in terms of so much wealth in Asia remaining under-invested.

Yet the potential is there for change.

This is in the form of a greater adoption of goals-based thinking rather than only servicing client appetite for risk.

Further, clients are increasingly looking at more on-the-ground expertise, for instance Asian managers from locally-based players.

REVISITING COMPENSATION

Regardless of efforts to adapt and evolve the current business model,

"Firms which stick to their values and ideas of what is a quality service will do well."

PHILIPP PIAZ
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Other much-needed changes include oversight, business metrics and the client journey.

All of these elements will help wealth management firms start to better understand what clients need – in terms of the styles of engagement they seek, their risk ability rather than risk appetite, and the required analytics to track performance.

This recognises the need for a DIY slice of a legacy solution to be managed dif-

perhaps the most significant influence will come via wealth managers getting better aligned with the interests and needs of their clients. This needs to start with a rethink of compensation systems, with changes needed in many cases to the way advisers are incentivised, says Martin Frick, regional director, Asia Pacific, Temenos.

There is a mis-perception that Asian clients are unwilling to pay for advice. However, they will do so if they receive quality, independent advice for their money.

ferently from a discretionary portfolio for the same need.

As part of this evolution, inevitably robo-advice will play a greater role in the future of wealth management, co-existing with human input, emotions and empathy.

The proof of the extent and potential of the influence of digital advice platforms will come over the next 12 to 24 months in the wake of the push to market of various offerings and solutions. ■

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Taking Singapore's independent community to the next level

Under the new stewardship of Swiss Asia's Steve Knabl, the Association of Independent Asset Managers (AIAM) in Singapore has a refreshed vision – become more inclusive and relevant in a bid to further raise awareness and credibility of this ever-more influential industry segment.

10-second take-away

- *Steve Knabl will drive version 2.0 of the AIAM in Singapore as its new president*
- *This will build on the dedicated and highly-praised work of Anthonia Hui, president since the AIAM was founded in March 2011*
- *It will be a more inclusive Association going forward – to broaden the membership base while also maintaining quality*
- *Knabl hopes to nearly double membership by encouraging over half of the current 100-or so IAMs in Singapore to join*
- *The AIAM will look to increasingly provide resources around best practices for members in terms of regulatory, digital, risk management and other key industry changes*

Steve Knabl, managing partner of Swiss Asia, has a new personal and professional goal: spearhead an evolution and streamlining of the AIAM in Singapore by building on its five-year-old foundations. "We need to go a step further," he says.

In particular, he is focused on promoting the Association with the end-goal of increasing – potentially doubling – the number of members, but without compromising the quality of firms. "By growing the member base, we can ensure we gain more credibility as an Association," he adds.

For example, out of a potential universe of around 100 IAMs in Singapore, only about 30 are currently members of the AIAM. "We need to be more representative," says Knabl.

STEVE KNABL
Swiss Asia

POISED FOR GROWTH

There is little doubt that the timing is right for independent firms to play a more meaningful and prominent role – both for Asian HNW and UHNW clients as advisers, and for private bankers as a career stepping stone.

With the private banking model increasingly challenged, yet wealthy individuals and families in need of advice and an experienced professional to help guide them, IAMs seem a logical option. This is fuelled by the demographic changes underway among private bankers and their clients alike. "This shift is key for the growth of the IAM business in general in Asia," says Knabl.

He explains this in terms of the dramatic move from the first-generation, who earned the money, to the next generation, who are more exposed and open to new approaches the world now has to offer.

bankers who want to ensure they are able to really care for a client and take care of all their needs. "They are looking beyond the confines and silos of their financial institution," he adds.

For example, he explains, a banker might want to help a client's son or daughter – regardless of their level of AUM. According to Knabl, it isn't a surprise to see a private bank discriminate the extent of the service depending on the size of the client's asset base with the bank.

"At an IAM, however, a USD2 million client gets the same level of service as a USD200 million client," he adds.

New AIAM committee roles and responsibilities

- *Steve Knabl, President – Representing the Association & Public Relations*
- *Etienne Billaud, Vice president – Communication & Events Management*
- *Lucie Hulme, Secretary – Membership Applications and Maintenance. Due Diligence and Ethics*
- *Philipp Piaz, Treasurer – Accounting, Finance and Tax filings*
- *Yash Mishra, Training – Professional Training and Practice Development*
- *Anthonia Hui, Compliance – Compliance and Professional Standards*

"Some private bankers do not want to move upwards in their own organisation, as they might need to relinquish their client contacts."

Private bankers are maturing too. A larger proportion are in the age group of 40 to 50 years old, and know they need to develop their relationships with current and potential clients.

Internally, however, they might feel quite constrained.

"Some private bankers do not want to move upwards in their own organisation," explains Knabl, "as they might then need to relinquish their client contacts, which can then make them more expendable."

This plays to the advantage of an IAM model – at least for those private

Further, the entrepreneurial mind-set of an IAM is much more aligned with the required out-of-the-box thinking needed to devise different solutions and solve a real problem for a client. The pitfall (for the majority of them) of approaching many financial institutions is often a lack of appetite to do anything more than give a standardised offering.

At the same time, clients increasingly seem to embrace the concept of not being hitched to a single platform. Instead, they welcome the opportunity to be able to access a variety of platforms with the objective of getting their needs met.

STEP BY STEP

An important way for Knabl to therefore fulfil his AIAM ambition will be a PR push. This is essential in order to communicate its initiatives with the independent community as well as the wider wealth management industry. This will also involve a greater use of social networks.

Focused events throughout the year is another element of the new vision. "We want to open up to other types of organisations, rather than closed-door gatherings," adds Knabl.

This includes the intention of seeing what partners can bring to the table to support the IAM industry.

For instance, the schedule for the next 12 months maps out a series of discussions relating to a variety of industry trends and challenges pertinent to the needs of members. These include: understanding Indonesia's tax amnesty programme; making use of portfolio risk management tools; finding a CRS solution; assessing the role of digital advice platforms; and facilitating portfolio construction.

"We plan to further engage firms and potential partners much more actively with these and other initiatives," says Knabl.

"Regulatory change is constant, and the work we do in terms of reviewing and digesting a lot of this is an added value for member firms," says Knabl.

More broadly, given that IAMs co-exist with the private banks, it is important for the industry to pull in the same direction during a time of the gradual disintermediation of banks. Plus, with growing transparency and sharing of client data across borders,

"Regulatory change is constant, and the work we do in terms of reviewing and digesting a lot of this is an added value for member firms."

The AIAM is also working on a new website to reflect a first impression of a fresh, dynamic, modern image of this segment of the community.

ALL-INCLUSIVE

Knabl sees the rational for an IAM to want to join the Association in a similar way as he explains why any private banking client would want to look around for an independent adviser. "It is about the added value that can be brought to the table."

Fundamentally, members benefit from the cost saving of the collective 'buying power' in terms of compliance counsel and other documentation – including the many processes which have already been created for members to date.

Knabl says Singapore must ensure it is one of the pioneers in this period of far-reaching change.

"It has the opportunity to become a global financial centre to bring to the forefront the quality of its banking system," he explains. "This is especially the case as clients increasingly ask questions about the safety of their money in Singapore."

TAKING THE REIGNS

Driving Knabl's interest in taking on this new role is his desire to bring a new way of doing things and a first-hand approach to promoting the AIAM, as well as the wider industry.

He has big shoes to fill. Anthonia Hui of AL Wealth Partners has driven the Association for its five years since inception.

And she has put in a tremendous amount of dedicated energy through her devotion to the cause of the independent community.

"She always went the extra mile to promote the IAM industry," says Knabl.

She was also able to achieve this during a phase of significant regulatory change across wealth management. "Without her, it would have been difficult to achieve as much as the Association has to date," he adds.

Now, though, he wants to use the experience gained in building up recognition for Swiss-Asia's own EAM business to the benefit of the segment. "We have managed to do it at Swiss Asia, and I believe I can help do it to benefit the Association, which will also help the industry as a whole," he explains. ■

"We plan to further engage firms and potential partners much more actively."

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Onshore versus offshore - what's the right model?

The onshore wealth management opportunity is only likely to continue to grow, and at a time when many traditional offshore private banking models are struggling to be profitable. The key is to find the right approach – either compete or collaborate.

The opportunity for growth over the next decade seems to be local banks operating onshore, whether in China, the Philippines, Thailand, or other markets. This is according to Vincent Magnenat, chief executive officer, Singapore and head of private banking, Asia Pacific, Lombard Odier.

In Thailand, for instance, the traditional 'red carpet', privilege-style offering to denote wealth management is evolving quickly. This is being driven by a strong willingness to move towards sophistication, based on an acceptance of foreign expertise – in terms of products, services and processes.

In India, meanwhile, the vast amount of new wealth being created is fertile ground for the right offering.

In line with these and other regional trends, the definition and scope of private banking is changing in many of these local markets – along with it the need to have access to a wider array of products and services.

"The opportunity for growth over the next decade seems to be local banks operating onshore, whether in China, the Philippines Thailand or other markets."

VINCENT MAGNENAT
Lombard Odier

FORGING PARTNERSHIPS

For many international players, their chances of competing with onshore institutions in their home markets are slim, at best. These local banks have serviced and developed deep relationships with entrepreneurs for many years. Yet they lack certain aspects of a broader offering which is increasingly important to these types of clients.

This might include, for example, the ability to help them find new ways to invest and diversify their portfolios internationally, while at the same time safeguarding some of their assets from their home markets.

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An insufficient product range is part of the challenge for local banks. Beyond this, onshore clients are also starting to need guidance when it comes to succession planning, inheritance tax and inter-generational wealth issues.

In this way, international private banks – and especially those with a European heritage – can potentially offer their many decades (sometimes centuries) of experience to local players.

Such partnership can therefore seem be a better and more viable option than the foreign bank taking the decision to go onshore – assuming the offshore player can define their added value.

“75% to 80% of our clients 15 years ago could hardly afford a priority bank account, let alone a private bank account.”

AMIT SHAH
IIFL Asset Management

WIN-WIN?

The key is to find partners which share the same views and objectives. In the case of Lombard Odier, for example, it partnered with Kasikornbank in Thailand at the end of 2014 – leading to the local institution to launch a new private banking division with a family wealth focus, around 12 months later.

More generally, firms like the Geneva-based institution provides, among other things, its investment knowledge to help set up and manage locally-domiciled funds that adopt a global risk-based approach to asset management.

“We need to encourage a move towards more long-term portfolio management. This requires more understanding and education of customers,” says Marie Ramlie, head of retail products, TMB Bank.

“The definition and scope of private banking is changing in many local markets.”

Connected with this, as a next step, is the focus on training the local institutions, both in terms of segmenting their clients as well as educating their bankers.

The local players also welcome the expertise they can get access to with a foreign partner in terms of advisory processes and developing the client relationship skills and capabilities.

“We need to encourage a move towards more long-term portfolio management. This requires more understanding and education of customers.”

MARIE RAMLIE
TMB Bank

If they are realistic, onshore banks realise this is the fastest way to get up the learning curve. They know it will take time to get their staff and service offering to the point where customers can get everything they are looking for.

This should also lead to them being able to monetise the relationship too. With greater in-house knowledge, customers


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what wealth needs next

are likely to feel more supported. In turn, the goal is to grad a bigger share of their wallet.

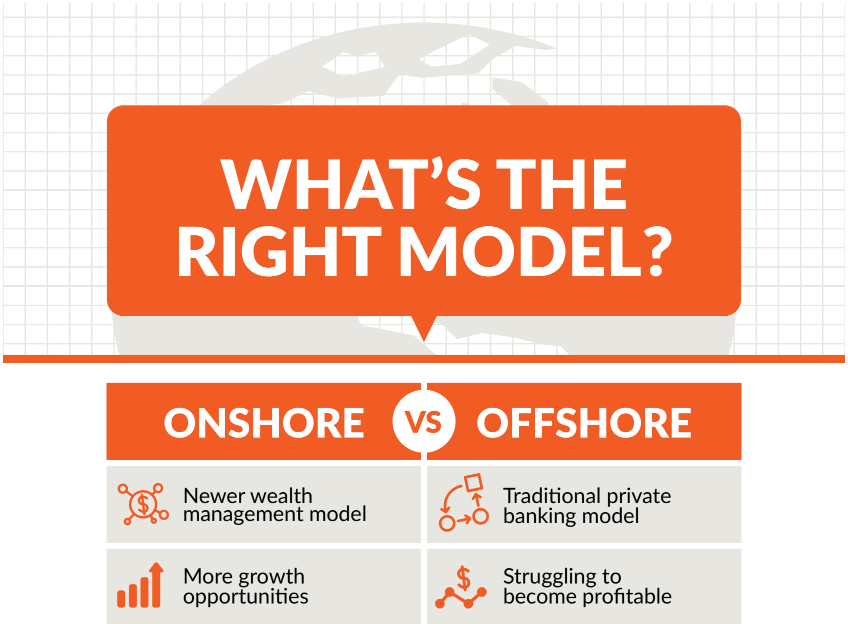
However, foreign players need to take note of some of the challenges their counterparts have faced in certain markets, for example India.

The majority of international institutions which have set up a business in India have tried to follow the same model and style as in their home country.

Yet the demographics are incomparable.

Most of the wealth in India – as with most Asian markets – has come from the newly-rich, who are often in their 40s, on average. "75% to 80% of our clients 15 years ago could hardly afford a priority bank account, let alone a private bank one," says Amit Shah, chief executive officer, co-founder and member of the board, IIFL Asset Management.

Further, the technical product expertise of a foreign bank tends to be redundant in India, along with other local markets, given the differences in regulation. This all points to onshore expertise as a critical success factor.



A winning combination, therefore, is often a mix of a strong local player with customer insight and physical presence, coupled with an offshore player to offer the processes and systems to guide this.

Yet some caution is necessary for offshore private banks.

They will tend to have a much greater exposure to so-called tax-haven risk, given the number of tax jurisdictions and rules the need to comply with, warns Rolf Haudenschild, country head, Singapore, BRP.

DEVELOPING LOCAL OFFERINGS

In developing their offerings onshore, local institutions need to start talking and thinking beyond the products and services. Instead, the focus should be on the business model.

This means tackling tough questions, such as how staff are rewarded; the investment growth strategies; how – and how much – customers are charged; and whether the market generally, and the financial institutions and customers, are ready to change the way they work.

Inevitably, education will be key to convincing investors of the benefit of long-term investing versus trading.

For the time being, at least, international private banks and wealth hubs such as Singapore and Hong Kong, remain aspirational change agents as trend leaders which set the regional wealth management standards. ■

"Offshore institutions will tend to have a much greater exposure to tax-haven risk."

ROLF HAUDENSCHILD
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In line with this, we designed and hosted our new-format, investment-focused event in Hong Kong in September 2016.

This brought together 260 senior individuals – including leading product & fund gatekeepers from the top international and local Private Banks, Retail Banks, Multi-Family Offices and IFAs, as well as relationship managers and investment advisers from the industry.

There are clearly many uncertainties in today's investment markets – ranging from individual economies to geo-political issues to interest rates, and more. As a result, the focus needs to be on diversification of risk and rebalancing portfolios. At the same time, it seems that whatever assumptions people have about the past might not be relevant for the future. Advisers therefore need to question their assumptions before building portfolios for their clients.

An important consideration when managing portfolios today is also to continue to move in the direction of removing the responsibility for making investment decisions from the end-clients to the investment specialists – whether via a discretionary portfolio management (DPM) model or another format.

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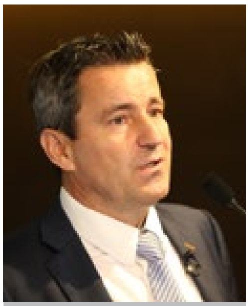
Advisers also need to re-align client expectations in terms of returns and performance with what the market is actually offering.

It seems that outcome-oriented investments is the new name of the game. Increased certainty and visibility has the most appeal today. Further, clients don't like prepared product pitches. They want someone that asks the right questions, understands their needs and provides relevant solutions. ■

Adam Cowperthwaite
Citi Private Bank



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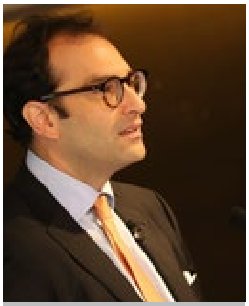

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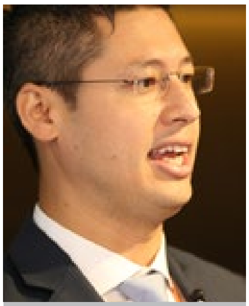

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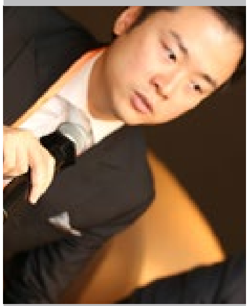

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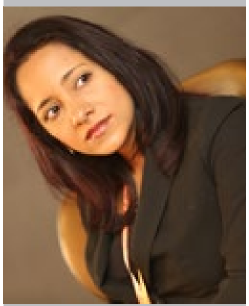

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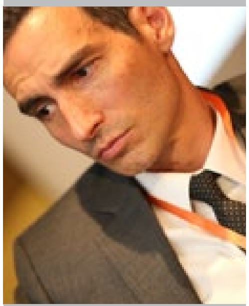

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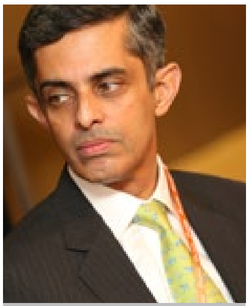

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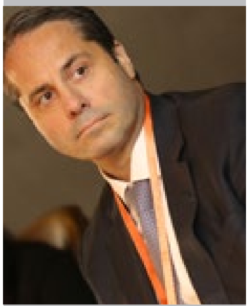

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Citi Markets & Securities Services

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Joel Gasche
Leonteq Securities

Christian Obrist
BlackRock

"Today was outstanding for providing candid and genuine insights into markets, as well as thinking about how private banking is transforming and how to add value to our clients. The discussion about a needs-based, solution-oriented way to enhance client portfolios was also really important."

Michael Levin, Head of Asset Management, Asia Pacific, Credit Suisse

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How to remove the funds blockage in Asian private banking

Despite efforts by most private banks in Asia to increase funds penetration to boost recurring fee income, a new White Paper finds average penetration across 23 firms in Hong Kong and Singapore – with a total Asia-based AUM of USD1.5 trillion – was 9%.

As far back as the early 2000s, one of the key challenges for the private banking industry in Asia was how to increase funds penetration to ensure a greater proportion of recurring fee income. Nearly 15 years on, and the conversation is still the same.

> **"One of the key challenges for the private banking industry in Asia is how to increase funds penetration to ensure a greater proportion of recurring fee income."**

In the vast majority of cases, these institutions have been struggling to move the needle in selling funds, managed solutions and discretionary mandates as part of longer-term portfolio construction.

This was the backdrop for proprietary research which Hubbis and Andrew Hendry of Westoun Advisors did in July and August 2016.

The objective was to discover successes and problems in the increasingly-urgent goal of reducing the dominance of transactional revenue.

It ultimately resulted in interviews with 38 individuals representing 23 private banks in Hong Kong and Singapore – with a total Asia-based AUM of USD1.5 trillion. Average penetration was 9%.

The output, both from the interviews and further validation research, identified six steps for success – in terms of fund AUM, given inconsistencies in discretionary portfolio management (DPM) offerings – and four obstacles.

Six steps for recurring revenue success

1. *Firm-wide tactical asset allocation*
2. *Ease of access to funds*
3. *Recommended lists*
4. *Fund-only events*
5. *RM / CA coverage*
6. *After-sales support*

And four obstacles

1. *Product economics and RM / CA KPIs*
2. *Budget constraints and outsourcing aversion*
3. *Triple-hatting*
4. *Changing staff and organisational structure*

SIX STEPS FOR RECURRING REVENUE SUCCESS

Step 1: Firm-wide tactical asset allocation (TAA) - respected and reiterated across all product silos as well as functional layers down from the chief investment officer (CIO) through product gatekeepers, advisory teams, investment counsellors (ICs) and to relationship managers (RMs) / client advisers (CAs).

Step 2: Ease of access to funds - to implement the TAA, access to funds on three levels is needed in a total of six weeks:

- Fund information – in particular the qualitative inputs of requests for proposals (RFPs), manager interviews, operational due diligence
- Operational connection
- Commercial agreement

Step 3: Recommended lists – a focused Asian recommendation list created with 25 to 40 funds, including alternatives. These are the best-in-class in terms of investment and sale support.

Step 4: Fund-only event - a half-day offsite with three to five fund managers with excellent presenters who are in line with the TAA view.

Mandatory RM / CA attendance, held (at a minimum) semi-annually in line with the selling seasons. For optimum fund penetration, repeat the same format with clients.

Step 5: RM / CA coverage - to maintain momentum after the events, promote funds in person at various internal meetings. For this to be possible, an appropriate ratio of fund specialists to ICs and RMs / CAs is necessary.

Step 6: After-sales support - to retain assets in funds, as distinct from new sales, after-sales support is needed from fund managers in addition to the effort internally.

Across all banks interviewed, few were consistently able to undertake these steps. The steps that were most challenging – even absent in some cases – were 'Ease of access to funds' and 'After-sales support'.

OBSTACLES

1. Product economics and RM / CA key performance indicators (KPIs) - to achieve revenue targets most effectively, RMs / CAs focus on the highest revenue-generating products – which are insurance and structured products. Funds, relative to these, are complicated to sell and generate much lower immediate revenues.

For the work of retaining existing funds, the economics are even poorer; as there is no longer the sweetener of the front-end load.

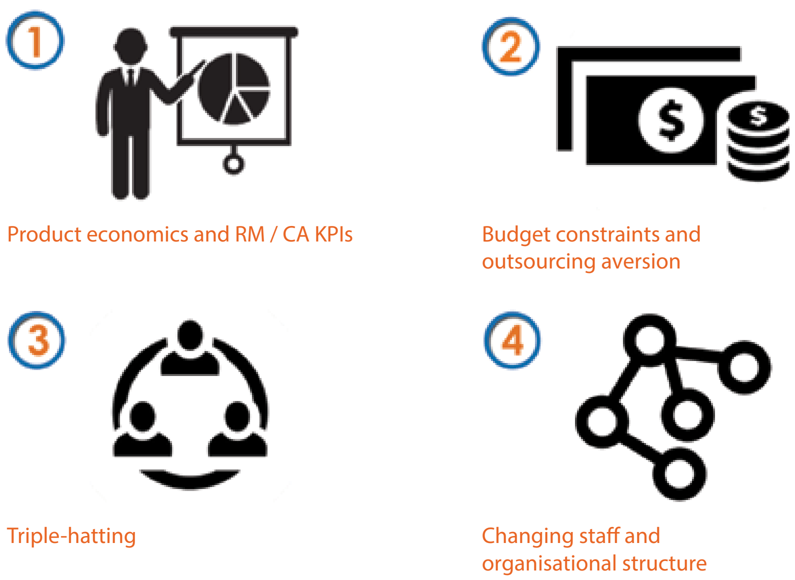
2. Budget constraints and outsourcing aversion - to effectively execute on the six steps to success as above, what's needed is either investment internally or outsourcing all but the valuable tasks.

Budgets at all banks (bar two of the largest), did not allow for appropriate internal resources. Interestingly, resource-constrained banks were unable to outsource functions.

In a few cases, this was because the bank was not aware of outsourcing solutions, but for the majority there was a corporate aversion.

The outcome was that little resources are being spent on tasks which do not contribute to fund sales or retention. Compliance and regulatory issues (in steps 2 and 3) take up increasing bandwidth.

FOUR KEY OBSTACLES TO GREATER FUNDS PENETRATION IN ASIAN PRIVATE BANKING



Further, a related challenge when it comes to the ability of RMs / CAs to engage clients with needs-based conversations about investing via managed solutions, is the lack of sales training.

This, too, partly stems from the shortfall in time and resources dedicated to such education or to continuing professional education in this area. It seems a surprise that few, if any, institutions ensure their front-line staff have formal sales and presentation skills, to ensure they fully understand and then can implement required sales processes.

3. Triple-hatting - as a consequence of budget constraints, fund specialists have to wear several hats. From the perspective of ICs and RMs / CAs, the consequence is that they are either perceived as, or in reality are, a 'jack of all trades' and 'expert of none'.

This undermines their credibility and thereby their ability to increase funds as a share of RM / CA sales versus competing products.

4. Changing staff and organisational structure - the average time that fund selectors or regional gatekeepers are in their respective role was found to be less than two-and-a-half years. Internal structures for reporting and responsibilities were changed approximately every three years – seemingly in-line with senior management changes.

Add to this M&A and HQ shifts of Asia private banking strategy (enter, expand, shrink, exit, etc) and it is no surprise to see that all firms have endured unending substantial modifications to their Asian businesses.

In this context, executing the six simple steps is understandably difficult.

WHO TO CONVINCE

The principle impediments to the goal of increasing recurring revenue were, and still are, ascribed to the end-clients in the region. Their investment behaviour, characterised by short-termism, propensity for speculation and reluctance to delegate decisions are oft-cited.

Yet this seems a convenient excuse, reinforced by regional stereotypes and media, and it has served many banks well in being able to focus on end-clients – not the industry itself – as the root cause of low recurring revenues.

As a simple way to test the validity of the above – to determine whether it is a mere excuse or explanation – one may ask whether, from a high-level, what AUM would a private bank have in the extreme if it captured all and only the assets currently invested in funds through private banks.

To arrive at this, we apply a 9% penetration rate on a conservative value of USD2 trillion AUM of Asian private banking assets – giving us USD180 billion. This would be the third-largest private bank by AUM in the region.

In extremis, this shows there is enough demand for managed assets from Asian clients to allow any bank to achieve high recurring revenue. Indeed, this number shows the industry is somewhat successful at placing assets in funds.

As another sense-check, one may look at the pure-play asset managers in the region. The assets from individual investors in Asia support a large and growing cohort of firms whose revenues are entirely recurring. If there were a true cultural aversion to managed assets, these firms would only have pension and sovereigns as clients.

Participating organisations

This was all on a strictly anonymous basis:

- *ABN AMRO Private Banking*
- *Bank Julius Baer*
- *Bank of Singapore*
- *BMO Private Bank*
- *BNP Paribas Wealth Management*
- *BOC International*
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- *CA Indosuez Wealth Management*
- *CIMB Private Banking*
- *Citi Private Bank*
- *Credit Suisse Private Banking*
- *CTBC Bank*
- *DBS Bank*
- *Deutsche Bank Wealth Management*
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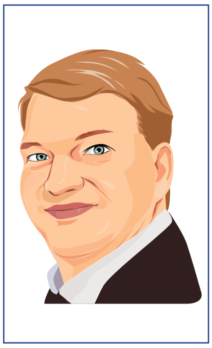
- *Maybank*
- *Morgan Stanley Private Wealth Management*
- *OCBC Bank*
- *Pictet*
- *Standard Chartered Bank*
- *UBS Wealth Management*
- *Union Bancaire Privée*
- *VP Bank*

However, structural and human capital issues are at the root of this feature of the Asian private banking industry.

As a result of current models, incentive structures, processes and policies, therefore, a combined with the underlying issues of stretched resources and consistency of people, the best efforts by firms to maintain and grow penetration of funds is undermined. ■



Yield tourists are searching for dividends

In the current environment of ultra-low interest rates, investors continue to search for dividend-paying stocks as a pseudo-replacement for bonds. By Todd James

In the hunt for yield, investors have been piling into dividend-paying stocks and funds.

This has been to such an extent that last week Vanguard announced it had to close its flagship Dividend Growth Fund to new investors, which has grown by over USD3 billion in the last six months and holds AUM of over USD31 billion.

Will this search for yield continue? There is no reason it won't. Even a US interest rate hike around the corner shouldn't deter investors. In fact, it may carry the momentum forward, as investors try to avoid the decreasing price of bonds and stock up on appreciating assets, which also provides relatively decent income.

While the demand for dividend-paying stocks has pushed prices higher, they may be seen as expensive, but with such low interest rate, the trend can – and should – continue.

Dividend yield on the Hang Seng Index (2800 HK ETF) is over 3.30%, while the yield on the S&P 500 (SPY ETF) is over 2%.

CAUTION NEEDED

While many investors are looking for dividend yield, there are a few words of caution to heed. The first is tax. For example, companies in the US may provide decent yields and a strong track record for paying and growing dividends, but as a foreign investor, the US government kindly takes away 30% of the dividend payment, so a dividend of 2% is actually 1.40% after the tax deduction.

Also, stocks denominated in foreign currencies may look attractive, but the currency risk alone may destroy any dividend benefits from the underlying stock. While it may be prudent to invest in some non-US dollar-denominated assets (for a US dollar-based investor), as always it comes down to risk. A little is good, a lot is bad (to put it simply).

Many investors look to dividend-paying stocks as a replacement for bonds, but for those that invest in single stocks, the additional risk of holding a concentrated portfolio in fact increases the risk of your portfolio rather than diversifies or decreases risk, which is one of the benefits of investing in bonds.

Thus, it would be more prudent to buy a diversified dividend-focused ETF over single stocks. In this case, ETFs are more superior to actively-managed funds for the one primary reason: lower cost. When you are trying to earn 2% to 3% in dividend yield, 40 to 70 basis points in fees makes a big difference. Saying that, not all dividend ETFs are created equal; some dividends ETFs have a high concentration of financials and energy stocks (the UK dividend ETFs are a prime example).

While I may want to avoid energy and financials, at the very least you should keep a diversified portfolio even at the expense of higher yields. In other words, don't just try to maximise yields.

For those who do invest in individual stocks, buy companies with strong cash flows, and stable (and, preferably, low) dividend payout ratios. A high dividend payout ratio may be a signal that the dividends may be cut at some point, which will have a big impact on the share price wiping out any dividend payments.

When buying dividend-paying stocks, boring is best. It is very difficult for most investors to buy stocks that are less exciting; stocks with low volatility and limited capital-gains potential, but those are the stocks you should be buying.

Don't assume you can have the best of both worlds (dividends and capital gains); greed and risk could damage your portfolio in the long run. ■

Driving a transition towards proper advice

Leong Guan (LG) Lim of UBS Wealth Management has a clear vision for how the industry should approach clients in a different way, to help them better meet their long-term financial goals. But mind-sets and fee models need to change too, he tells Hubbis.

The whole business of Asian private banking is undergoing a transition, led by the desire of regulators to move the industry forward in what they see as the right direction.

While this has cost-related implications for institutions individually, the upshot should be higher-quality advice that is in the best interests of clients as well as banks' profitability over the longer term.

"My concern is that private banks in general are not meeting the most important needs of clients – their longer term financial goals," says Leong Guan Lim, Asia Pacific head of capital markets and banking products at UBS Wealth Management, and head of investment products and services for the bank in Singapore.

This is mainly due to the transaction fee-based remuneration model at most institutions, he adds, explaining that this drives the majority of conversations about short-term investment. In reality, talking to clients about investment opportunities in Asian private banking today often just translates to short-term trading.

It is rare for a client to come to a bank and ask for the best chances of maximising their returns over a five-year investment horizon.

As a result, Lim says the industry needs to offer more of a holistic, total wealth advisory approach over the longer term. This will then require clients to be more highly diversified and to be willing to pay fees on their assets rather than their transactions – assuming that they really want the quality of advice to meet their real needs over the longer term.

> **"My concern is that private banks in general are not meeting the most important needs of clients – their longer term financial goals."**

LONG-TERM WIN-WIN

Aspirationally, and as a leading industry player, UBS Wealth Management wants to move as many clients as possible towards a proper contractual arrangement where the bank is required to give them advice. "With this obligation, we would look to clients to pay us a fee for the assets on which we are providing

advice, rather than for the transactions we do for them," explains Lim.

"This truly puts us on the same side as our clients," he adds.

The bank also wants to be more and more transparent with its clients in terms of how it approaches them to do business and make money from them in this way, he adds.

To be able to put all this into practice, Lim wants to develop a more holistic shelf of products and solutions which are longer-term focused and highly-diversified.

At the same time, they must also have a variety of styles to suit clients' views or risk profiles, for instance.

For example, they could potentially mandate the bank to do asset allocation based on a risk-weighted perspective, rather than the traditional asset class weightings.

More specifically, in this way it could then adjust portfolio allocations to fixed income or equity, for example, based on the market outlook and riskiness of these assets.

UNITED FRONT

Yet for UBS Wealth Management to be able to make this approach to advice really work, the bank also relies on some external forces.

"A mind-set change is needed among all stakeholders in the industry, in terms of what is really in clients' best interests," says Lim.

This also includes clients being made aware that banks need to be paid for providing them with advice that matters. And banks need to play their part in that, he explains, by not creating the illusion that they work for free.

"With more transparency, I hope that clients will see that they should be prepared to pay a fair fee for advice – assuming they can get back a better understanding of the value they get for the fees they pay," says Lim.

In turn, they should then become more focused on meeting their longer-term needs rather than short-term trading.

PROVIDING PROOF

Being able to prove the value and quality of advice will be the key over time for banks like UBS Wealth Management to achieve the longer-term, fee-for advice model that Lim knows is the right way to go.

One would think that having such a conversation would result in an obvious outcome.

Yet Lim explains that a surprisingly large number of clients still veer towards – and often insist upon – short-term transactions.

This is despite the fact that the bank can show how its different strategy funds – or broader solutions – have performed versus any client's individual portfolio.

"Many clients believe that maximising short-term returns equals maximising long-term returns. But that is a fallacy," explains Lim.

This further highlights the pressing need to change investor and broader industry mind-sets within Asia, he adds. ■

Adapting to changing times

Until the transition towards fee-for-advice and long-term investing is complete, Lim and his colleagues still need to help their clients tackle a challenging market environment.

Today's low interest rates, for example, requires investors to raise their allocations to alternatives such as private equity, hedge funds and real estate.

"The normal return environment is challenged, and therefore having a higher allocation to alternatives can raise returns over a longer-term timeframe without raising risks too much," explains Lim.

In line with this, UBS Wealth Management has been increasingly looking to give its clients greater access to all kinds of alternative investments, including bringing on board more expertise to highlight the importance of the bank's global scale and reach.

In particular, this includes a sharp focus on manager due diligence and selection.

"This is how we can really bring value to our clients," adds Lim.

This is especially important for UHNW individuals, who need more than just traditional banking services.

This makes it key to provide them with a mix of investment banking, asset management and wealth management.

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Needs-based conversations with clients are a basic but essential way for wealth managers to stand out in such a challenging investment climate. They must offer the right advice at the right time to deliver solutions which clients actually need.

Given that delivering performance for clients is fundamental within wealth management, especially during difficult and uncertain market conditions, the starting point needs to be figuring out what the client needs and wants.

Yet these might not be the same thing, so relationship managers (RMs) and client advisers need to be able to assist clients in this discovery process.

Although the industry as a whole has proven itself to be effective at delivering to clients what they find interesting, the real focus needs to be on the correct management and construction of the portfolio to begin with. This needs to be based on a premise of delivering returns for clients across a realistic time frame that is agreed upon – not just what can make money for them in the next few months.

With this in place, it then becomes possible to manage client expectations about what they expect their bankers to help them achieve in terms of results, explains Adam Cowperthwaite, head of equities - Asia Pacific, Citi Private Bank.

"With the correct management and construction of a portfolio to begin with, we will deliver returns for clients, and across a realistic time frame."

ADAM COWPERTHWAITE
Citi Private Bank

"Today's era of instant gratification when seeking information applies to investments too. As a result, the advice game has changed."

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Today's era of instant gratification when seeking information applies to investments too. As a result, the advice game has changed.

As a result, speedy responses and relevant information, delivered as efficiently as possible, is now part and parcel of the expected client service.

Yet a mid-2016, Hubbis-commissioned survey of the gatekeepers and fund selectors at 23 private banks (representing 77% of AUM in Asia at more than USD1.5 trillion) show the reality of their challenges in evolving the advisory proposition in Asia.

Part of this is moving conversations with clients beyond short-term performance towards what is good for their portfolios. For the next 12 months, this probably means a bias towards capital preservation, even if this isn't popular.

In line with this, rather than continuing to try to sell product, now is good time for to sell a 'story' as part of a solution that they can continue to implement over time with their clien, adds John Cappetta, head, managed solutions advisory for Singapore, Bank Julius Baer. By reinforcing this with clients, the RM

"We need to have conversations with clients with a bias towards capital preservation."

MICHAEL THOMPSON
PIMCO

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Some of the best advice that RMs and client advisers can offer their clients in uncertain and volatile markets include:

- *Having conversations with their clients on a daily basis*
- *Being available and not shying away from clients or staying silent until there is a specific development to inform them about*
- *Focusing discussions on the driver(s) for them to invest in the first place*
- *Knowing where the investment is going to go, over what timeframe, and the justification for that*
- *Delivering solutions that address their needs*

"Depending on risk tolerance, investors should probably aim for mix of strategies where they can generate some yield."

GEBHARD GISELBRECHT
Credit Suisse

"Market environments like today's potentially call for at least half – if not more – of the advice that bankers give their clients to be focused on what isn't working in their portfolio."

can follow a more structured approach to the client portfolio and more clearly communicate with them in this way.

At the same time, more of the traditional asset managers might need to start changing how they manage client money. With massive inflows into ETFs, and away from long-only active equity strategies, there is a need to think outside the box to help clients meet their future performance expectations.

"We need to sell a 'story' and solution clients that we will continue to implement and reinforce."

JOHN CAPPETTA
Bank Julius Baer

This also needs to include them trying to get better and more consistent in terms of talking about outcomes, not products.

PORTFOLIO POSITIONING

Further highlighted by the challenges in finding attractive investment opportunities, a needs-based conversation with client needs to start to incorporate the word 'sell'.

Rather than continuing to focus on buying, market environments like today's potentially call for at least half – if not more – of the advice that bankers give their clients to be focused on what isn't working in their portfolio.

This will enable them to exit investments that perhaps no longer fit with their goals or portfolio objectives. ■


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BNP Paribas finds opportunities amid negativity

Far from taking a step back in the current environment of negative interest rates, Stephane Honig has embarked on a redesign of BNP Paribas' value proposition to reach out to new clients who are unimpressed by today's investment prospects.

The term "crisis" is not on Stephane Honig's mind.

As head of sales for wealth management and family offices, global markets, Asia Pacific, within BNP Paribas' corporate and institutional banking business, he argues that with only a small fraction of private banking clients in Asia still investing in capital markets, the opportunities even in a challenging year for those serious about expanding their business are immense.

"We have been growing so far just because the wealth in Asia has been growing," he explains. "But if we want to grow faster, we have to increase the penetration of capital market products from 10% today to between 20% and 30%, or even more."

To succeed in this way, however, the bank must be able to create value for its customers by providing them what they want.

This means it should be able to cater to the idiosyncrasies of Asian investors.

"If we want to grow faster, we have to increase the penetration of capital market products from 10% today to between 20% and 30%, or even more."

Honig sees the needs of an investor today as akin to those of an airline passenger; just as they no longer care only about getting to their destination, but also about punctuality, in-flight service and cleanliness, investors too want more

STEPHANE HONIG
BNP Paribas

than a good product with a great yield. He says they also want ownership of their portfolio, investment decisions and the ability to earn more and more.

THE SHAPE OF THINGS TO COME

BNP Paribas is currently implementing several changes to achieve this goal.

This year, it has shifted its business focus from one driven by reverse inquiry to one led by solutions, and being proactive by reaching out to new customers.

"We are now presenting to clients investments that they are not used to buying, or have never shown any interest in," explains Honig. "That is what we have been engaging in quite heavily over the past year."

investment case, we need to over-communicate to engage clients," he says.

In line with this, technology is being infused into the bank's services to help private bankers engage their clients more effectively. "Digital should be there to help the private banker perform most of the milestones of the advisory process," says Honig.

These changes are aimed not only at keeping its current customers loyal, but also at attracting new clients who currently are not investing in the capital markets.

It has already enjoyed some success with its new strategy. Even while the markets have been going through tough

"People are receptive to change and they are keen to explore.... The challenge, though, is to change the way we present and promote them."

The bank's value proposition has also evolved from simply offering products to engaging clients on a deeper level – and beyond marketing platitudes.

For example, it has replaced standard emails exalting the features of products and their pricing by screening potential clients to first learn about their investment philosophy and determine whether their idea of investment is in sync with the bank's own one, before introducing them to a possible product.

"We now need to have investment rationale, we need to over-articulate the

times, structured products have continued to do well over the past year.

"People are receptive to change and they are keen to explore," adds Honig. "They are definitely open to all types of investments; the challenge, though, is to change the way we present and promote them."

GAINING VISIBILITY

Going forward, BNP Paribas' goal will also be to introduce products with maturity periods longer than five years, plus add more options to its fixed income offering.

In addition, it is keen to provide its clients a fresh way to invest in the new China economy.

For example, it recently introduced the S&P New China Sectors Index for clients who are willing to look past the current turmoil in the country and stay invested for the long-term.

"It will provide an interesting window to any investor who wants to keep exposure in the new China economy, which is likely to benefit from the transition that is currently under way," explains Honig.

Ultimately, his goal is to generate top-of-mind awareness about the BNP Paribas brand by continuously engaging potential clients through email updates on major global events, along with comments from central banks, regulators and market movements to keep them up-to-date and also more likely to reach out to the bank for their investment needs.

Further, while Honig sees opportunities everywhere in Asia, one area he is particularly excited about is in catering to the latent onshore demand for wealth management.

"Not only is there a lot of wealth that is locked onshore, but also the younger investors and newer generation is more likely to capture the opportunities in their own country rather than offshore," he explains.

"These young people have the network, the contacts and the ability to get things done," he adds. "For these reasons, compared with the previous generation, their desire to invest money overseas is going to be lower." ■

Can we fix the talent problem?

Getting more competent professionals into the industry – and keeping them – requires institutions to take a close look at business models, digitisation, retention strategies and compensation models. It is also essential to bring the fun back to private banking.

Asian private banking has largely taken a short-sighted road to growth to date by being too focused on hiring each other's staff.

This has done nothing to resolve the fundamental talent shortage nor attract young, engaging and competent individuals to the industry.

And amid an environment where the role of a private banker or wealth manager is changing, including the greater administrative burden, the need to tackle these challenges and plug the gap is pressing.

"We need more patience, time and energy at looking at other talent options."

DAVID KOAY
Standard Chartered Private Bank

Self-reflection is an important element of this, to ensure that the industry has given private bankers enough time and resources to service clients in the way they are supposed to.

Some of the questions along these lines that all banks are grappling with, include whether growth has been too fast, whether they have hired talent from the right places, whether they have given the sufficient support through the right infrastructure, and whether they have used technology enough and in the right ways.

FILLING THE SHORTFALL

The industry first needs to address the root causes of why the numbers of private bankers have been dropping. Are fewer people entering the industry, or more people leaving it? If the growing regulatory tasks, lower margins and stiffer targets are among the causes, then this will take time to resolved.

Over the longer term, therefore, replacement should be thought through in terms of innovation in a combination

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BVI HOUSE ASIA: The Official BVI Government Office in Asia of factors: business models, digitisation, relationship manager (RM) retention and compensation models.

Looking at the business model, there should be a focus on segmenting and optimising RM loading, assessing in reality how much onshore wealth is truly being managed. When it comes to digitisation, more time needs to be spent determining how some RM and client self-serve activities can be offloaded through various tools.

The strategic priority for firms should be RM retention. While talk is of 'client centricity', more thought needs to be paid to the concept of 'RM centricity', says Murli Adury, head Citigold Private Client, APAC & EMEA, Citi Singapore.

To help address this, training must be adapted to ensure it is focused on 'learning', by tying together processes and knowledge to make it educational. This also means offering a more obvious path of career progression.

As one example, Citi has tied up with the Wharton School of the University of Pennsylvania, with a goal to deepen the understanding of wealth management among RMs, across skills, leadership, company values, behavioural finance and asset allocation.

"As an organisation, we need to pay attention when we hire people to whether we have the capability to give them a career path over next 5 years."

VIKRAM NIMKAR
Westpac

"Rather than [compensation models] being overly-skewed, they need to be based on the non-financial factors that should matter to the bank other and then incentivise RMs to drive those activities."

Compensation models are also an important element of this. Rather than them being overly-skewed, they need to be based on the non-financial factors that should matter to the bank other and then incentivise RMs to drive those activities.

"While talk is of 'client centricity', more thought needs to be paid to the concept of 'RM centricity'."

MURLI ADURY
Citi

At the same time, however, this is an opportunity for organisations to be clear about whether they actually need to replace private bankers.

In some cases, given the fact that operating costs will continue to increase, some service providers will implement ways to increase efficiency. This might come via investments in robotics and automation. Although this will have the most impact in the middle- and back-office, the front office can gain if the manual workload can be reduced.

Further, technology can also help to 'free up' time and create more capacity

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for bankers, says says Urs Palmieri, , financial services advisory, performance improvement strategy, EY. Communication channels are obvious catalysts to balance the lack of individuals.

"I believe technology will also help to 'free up' time and create more capacity for bankers."

URS PALMIERI
EY

PIPELINE

To attract the next-generation bankers, meanwhile, organisations must be more open to non-traditional but adjacent pipelines. This means individuals from other segments of financial services, such as corporate banking, asset management, insurance, fintech and financial consulting.

Management associate programmes can also be an effective route, especially in creating a career-progression stream and making the route to leadership transparent, if people want to take it.

Other approaches might include rotations to fresh recruits, and apprenticeship models, including calling on more senior bankers to help nurture younger and newer staff.

While not all great bankers turn into good managers, organisations need to find and motivate individuals who can be effective mentors, if the industry as a whole is to increase overall quality.

"We need to be careful [when hiring]. Someone who has been in banking a long time might have some bad habits," says Herwig Van Hove, chief executive officer and founder, Vahoca.

Management also needs to keep bankers engaged by ensuring they are culturally aligned with the goals of the organisation. "As an organisation, we need to pay attention when we hire people to whether we have the capability to give them a career path over next 5 years," says Vikram Nimkar, head of premium & private wealth, international, Westpac.

"We need to be careful [when hiring]. Someone who has been in banking a long time might have some bad habits."

HERWIG VAN HOVE
Vahoca

In short, more time, patience, time and energy needs to be at looking at existing and alternative talent options, adds David Koay, managing director, head of relationship management, ASEAN, private bank, Standard Chartered Bank.

ADAPTING THE ROLE

As part of fixing the talent problem, the private banking industry also needs to re-think the role it plays in terms of advice.

The starting point should be to be introspective in terms of how well it does in fulfilling its implied promises through the value proposition offered to clients. Bankers should be financial educators first, not sales people.

Individual bankers must also embrace technology and innovation, becoming stronger advocates of change within.

More broadly, there is still a glamour to being a 'private banker', in terms of a degree of fulfillment by being truly client facing and working with successful people.

It also enables individuals to develop in mentors to others, to give something back to an industry that has nurtured them. ■

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Setting high standards for private bankers of tomorrow

In recalling five decades of experience in global wealth management, Richard Piliero offers some well-honed insights and ideas on how up-and-coming advisers can rise to excellence in an ever-demanding and fast-changing industry.

Looking back and reflecting on 75 years of his life and career, Richard Piliero can see where and how he learned from his mistakes – as well as enjoyed the choices that have turned out well.

Career-wise, fundamentally he believes that if someone is not happy in their work over a period of time, then they should conclude that they are most likely in the wrong profession or job. Or they might be in the wrong company for their skill-set and personality.

Either way, they need to consider this carefully and make necessary changes.

While his career progression wasn't due to changing roles to find happiness necessarily, it highlights the importance of being willing and open to new challenges and opportunities.

"Be opportunistic, even if it means leaving your comfort zone, in terms of location, new ventures and career change," says Piliero, who is today an executive of Finaport, a Swiss-based independent asset manager with an office in Singapore.

ADAPTING AND GROWING

Not being afraid to make choices and changes, particularly in this rapidly-changing environment, is a philosophy which becomes evident when mapping his career to date.

Born in New York, Piliero went to law school there before starting his career in the same industry on Wall Street.

Around 15 years later, and driven by a can-do, entrepreneurial attitude which has come to characterise his persona, he was chosen to be the first non-broker to manage a branch office for Merrill Lynch, based in Geneva, Switzerland.

"When I face problems, I would say that although you might not be able to solve them in the way you want to, you can always look at it in another way," explains Piliero. "I think this convinced them to choose me."

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He moved to Switzerland in July 1973, after marrying an English lady and working in London for eight months. At that point, he became the international general counsel at Merrill Lynch.

PURSUING PASSION

Over the years, Piliero formed a passion for wealth management and advising clients directly.

It got a kick-start in 1986, when he became a deputy head of private banking of the Trade Development Bank in Geneva. Then, in 1990, he joined the American Express Bank.

Back in those days, Swiss banks were managing wealth for people from all over the world, but mainly for European countries. "Wealth management was about managing others' money."

While Piliero had thought he wanted to live in Switzerland forever, he later changed his mind because he wanted to be where the real action was. "The timing was absolutely superb because if you couldn't grow there you couldn't grow anywhere," he says.

However, he was always careful, whenever possible, to seek the advice of trusted friends, yet be decisive in making his own decisions, and being accountable and responsible.

In terms of career potential, meanwhile, he realised in Asia that there was a lot of competition among bankers.

He then met Adam Green, a prominent headhunter, thus enabling Piliero to approach more aspiring bankers to attract customers. "I said to him 'I want you to know that I want to create the best private bank in all of South-east Asia'."

SELECTIVE

Piliero says he has chosen his career to hire bankers based on several factors.

Discipline is an important one. "We were disciplined about what we wanted," he says. "We wanted relationship-oriented bankers who could use the strengths which have now become popular among investment and fiduciary specialists. All the things that are important in private banking and insurance."

Education is also key. Piliero says the firms he has worked with have invested a lot in continuing education, which really is the glue to keeping the relationship between customers and bankers.

This is in contrast to what he sees happening a lot in Asia – where senior management often doesn't consider clients, and instead focus on revenue.

In addition, integrity is critical too. "Always maintain a high ethical standard," he adds. "Of course, decisions oftentimes have to be made when the choices are not clear. One benchmark I have found helpful, is never do anything you would not like to read about in the newspaper (or online) the next day."

Yet Piliero believes wealth management in Asia is more regarded as a business rather than a profession.

To change this perception, he says the focus needs to be on clients' needs as a higher priority that just creating profit. "Asia needs time to accumulate AUM, and they'd better do that by working hard to bring ideas to clients based on their needs, not competing on price."

Regardless, he is adamant about the need to maintain a policy of hiring and promoting the best people one can find. "Don't hesitate to surround yourself with people who are smarter than you."

BANKERS OF TOMORROW

As someone who likes to be held to high standards, Piliero says there is no quick way to success in private banking; it is step-by-step up the career ladder.

The driver must be the fact that wealth management is, like in many other industries, a way to bring satisfaction and happiness to a client's life. "Careers in wealth management are similar to others we see in our daily lives - lawyers, teachers and doctors," he says. "Wealth management is about improving someone's financial health, and it is a worthy profession."

As a result, good leadership should encourage bankers to continually develop their skills and knowledge to focus on the needs of their clients – often needs they have but are unaware of.

For Piliero, probably most satisfying in his career has been helping mentor and develop young professionals, in turn breeding more experienced bankers. "Take care of the careers of others, particularly your subordinates, and be a good mentor," he says. "Your own career will likely benefit from that behaviour."

But there is no short-cut. A good private banker really has to start right at the beginning, at the bottom, he adds. "They have to know the cores of the business, which is much more than selling products."

At the same time, professional respect is a critical success factor. "Remember," says Piliero, "the people you meet on the way up in your career and life, treat everyone with dignity and respect, particularly remembering that you may see them again, on the way down." ■

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New realities, new proposition for Hong Kong IFAs

The changing nature of clients and shifts in the competitive landscape are re-shaping the playing field for financial advisers. IFAs need to respond with a new approach to service customers as well as a strategy for how they recruit and train the right people to succeed in this environment.

IFAs in Hong Kong need to review their value propositions to ensure they stay relevant and keep up with the demands of customers.

According to the views of local and expat IFAs at discussions held by Hubbis in collaboration with Old Mutual International – they can no longer stick to current models and approaches to building their businesses.

In evolving in line with market requirements, some firms might need to completely abandon their full-service offering – and instead carve out a more basic value proposition for customers.

But in the face of this new reality, IFAs also have an opportunity to take advantage of the need for trust and transparency in their advice.

Although regulatory reforms in the Hong Kong landscape will impact local and expat IFAs to different degrees, everyone knows they need to respond with a more professional approach to the selling and advisory processes. They can then build further trust with their clients, gain greater visibility and penetration as an industry as a result.

The short answer, it seems, to countering the lack of transparency and need for higher standards, is education – both for customers and advisers. This is two-fold: on the one hand, educating clients about the importance of independent advice and understanding the value propositions advisers offer; and on the other hand, educating the advisers to clearly define their value propositions and the importance of holistic wealth planning.

There appears to be a desire within the community to enhance levels of professionalism, which in turn will attract more qualified and competent professionals to the industry.

"IFAs have an opportunity to incorporate trust and transparency into their client value proposition, and make it the foundation of their advice."

TALENT PIPELINE

IFAs across the board need to find, hire and train more educated individuals who can learn the market and help grow the business. Yet finding enough skilled and experienced financial advisers to live up to customer expectations continues to be a challenge.

In fact, strictly speaking, challenges to growing the business in Hong Kong come less from regulatory reforms – since these are non-negotiable – and more from the capacity of the local market.

Many firms bemoan the fact that recruitment poses a big cost hurdle – and therefore overall impediment – to the development of the industry.

The more limited and restrictive commission structure, coupled (for expat IFAs in particular) with a high cost of living in Hong Kong, drive qualified people to look to other markets.

Other issues advisers highlight are less well-defined value proposition, the different skill-sets required in Hong Kong, onerous pre-sales and post-sales requirements, and agency dominance. Further, industry leaders only want to bring on board advisers with high ethical and professional standards.

Target recruits also need to be able to generate new leads and understand how to meet client needs in a consistent way – also requiring strong technical knowledge and market experience.

Given these barriers to growth, IFAs in Hong Kong are moving toward alternative solutions. One of these involves hiring more junior advisers.

This is also a way to try to engender more loyalty, as management can look to train staff to perform the role required. From a quality-cost benefit analysis, this can also potentially be a more efficient approach.

A stronger focus on educating staff also leads to a more sustainable future for IFAs. This also applies to organic growth by up-skilling existing advisers, as well as hiring new ones.

ENHANCING PROFESSIONALISM

These efforts mark an important step towards improving the credibility of the local industry.

As financial advisers are increasingly expected to assume a more professional approach to the management of their customers' wealth, IFAs also recognise the value in achieving professional recognition.

To achieve this, they must be focused on representing the best interests of the client. This demands that they adhere to higher ethical standards and improve their knowledge and skills. They must also understand the demands and changing appetite of customers.

Rising professionalism and credibility across the whole industry would also help attract more talent to it.

Unfortunately, in some cases, the fierce levels of competition and lack of visibility or representation as part of the regulatory reform process, make it less likely that the needs of IFAs get recognised and taken into account.

A LOUDER VOICE

Many industry players believe in greater collaboration. Cooperation and unity are required to create a more powerful voice in the market – especially for local firms. And this is important as they strive for a level playing field.

With a single, independent insurance regulator on the horizon in Hong Kong, IFAs have the opportunity to gain more awareness for their needs as an industry.

At the moment, the largest firms stand more chance of influencing the direction of reforms.

As a result, more players should take the opportunity of turbulent times to engage in dialogue to drive discussion about changes needed and adapt their propositions accordingly. ■

A new type of customer

According to a recent report by Old Mutual International, entitled 'Adapting For The New World of Advice', customer expectations are forcing advisers to move beyond meeting prescribed standards set by local regulators.

The report says that greater availability of information is aiding customer awareness.

Increased means of sharing information are improving customers' understanding.

As a result, remuneration models that thrived in the past on a lack of clarity of costs are becoming less sustainable as clients have more information available to assess the value of the service.

Customers are also becoming increasingly mobile, moving to and from different markets.

This is leading to the globalisation of the standards they expect, especially with regards to disclosure and transparency.

Why size matters for IFA success in Singapore

There is a clear shift in the influence of IFAs on the distribution of life insurance products in the city-state. This gives Christopher Teo of Professional Investment Advisory Services (PIAS) even more impetus to further scale-up his business.

When Aviva, the UK insurer, launched Aviva Financial Advisers in Singapore in July 2016, it became the third product manufacturer to enter this space, following Great Eastern and Manulife.

This highlighted a notable trend in the local insurance landscape: the growing influence on distribution of the financial advisor (FA) channel.

Its market share in terms of contribution of insurance sales to the life industry certainly reflects this. According to the Life Insurance Association Singapore (LIA Singapore), FA representatives as a distribution channel now account for around 20% by weighted premium. By contrast, the tied-agency channel has declined steadily from 68% in 2006 to just over one-third of the market today, by weighted premium.

Such statistics will also be good news for end-investors, given that they can now expect to get better advice and more options to implement products and services, says Christopher Teo, chief executive officer of PIAS.

"The next 18 to 24 months will see a big change in the way FA business is conducted," he adds.

DUCKS IN A ROW

In preparing for such a shift, Teo is focusing on how he repositions PIAS so it can maintain value-add for customers.

This will be in three key areas, he explains. First, it is about offering the right product research, advice and distribution. Secondly, he needs to ensure the firm can better leverage on its technology platform to make the business more efficient for its current crop of advisers.

And thirdly, he needs to reinforce the brand recognition, which he believes will be increasingly important – both to attract and retain advisers as well as to give clients comfort.

CHRISTOPHER TEO
PIAS

This also points to the importance of size and scale. "Companies owned by bigger institutions are a naturally good fit for advisers as they look to be part of platforms which can offer them the right type of brand franchise, as well as the financial backing and the range of products and services," explains Teo.

With over 400 advisers, managing close to SGD800 million (USD595 million) of assets under advice from around 70,000 clients, he is confident the firm is well-positioned in this way as the industry evolves.

BIG IS BEAUTIFUL

There are several factors behind Teo's view that size and scale are key to success and profitability in Singapore's FA space today.

One of the most important – and in line with the new regulatory regime in Singapore – is to have adequate standards of corporate governance and infrastructure in place, to ensure clients' interests are well-protected.

Being institutionally-owned by Aviva, therefore, offers PIAS some tangible benefits. "We have a big financial institution supporting us financially, so we have been able to set up a better operational infrastructure, for example by way of IT enhancement and also the human capital resources, to meet the greater requirements in terms of risk management and compliance," explains Teo.

In this way, he says the regulatory changes in Singapore actually help firms like PIAS differentiate itself from the smaller players.

At the same time, he adds that by having bigger pools of competent advisers, this stimulates a competitive spirit within a firm that can act as a catalyst in making FAs strive to be more productive. "The average income per adviser at PIAS is higher than the industry average."

Another benefit from scale is the ability to offer clients a more diversified range of products, services and advice.

Inevitably, he explains, those distributors which contribute more sales to a product provider tend to garner more resources from that firm to further support the efforts of the advisers at the front-end. This also creates the necessary economies of scale to ensure greater profitability. "We have so far been in the privileged position to benefit from these dynamics, which can also give us more power to negotiate on fees," adds Teo.

PROMISING PROSPECTS

Given such dynamics of the FA landscape in Singapore, Teo predicts the market to get increasingly concentrated among bigger players.

For those firms which survive, there should be plenty of business to focus on.

The outlook of LIA Singapore, for example, based on its review of the industry in the first half of 2016, is that the life insurance sector is expected to be resilient amidst continuing economic challenges and uncertainties faced by major economies and a sluggish domestic market.

It said it believes that individuals should seek to ensure that they are adequately protected and remain protected as a priority in managing their finances.

Teo agrees. "Despite the economy, the demographics don't change. Singapore has an ageing population, but GDP per capita income is growing year-on-year.

Yet his priority isn't just life insurance.

Already, around two-thirds of PIAS' business revenue comes from life insurance protection, with the remainder derived from a mix of investment funds (mainly) plus general insurance and other auxiliary services such as wills and trusts.

"I would like more of a balance, so investment revenue is an area we will focus on over the next one to two years," he says.

"Investment revenue is an area we will focus on over the next one to two years."

This will require the firm to work with certain providers to design and white-label more niche products.

This will be similar to what PIAS has done with Fullerton Fund Management, where the asset manager looks after a portfolio of balanced and aggressive funds. And in the first 18 months of the business, Teo says the fund size grew to around SGD60 million, generating an average return of between 8% and 12%. "Hopefully clients can see this as one form of a value-add," he explains. ■

Time to do things properly

With nowhere to hide from the glare of regulators and tax authorities around the world, Howard Bilton of Sovereign Group is adamant about the need for a pragmatic approach.

HOWARD BILTON
Sovereign Group

Never a day goes by without another story about tax. Tax reporting, transparency, avoidance, evasion and, most recently, aggressive avoidance.

Tax is, in fact, a very simple subject according to C. Northcote Parkinson, then Raffles Professor of History at the new University of Malaya in Singapore, and a writer for The Economist.

His famous Parkinson's Law was followed in 1960 by a study of taxation in all its forms – trade, property, capital, inheritance – and the frequent words are 'blackmail', 'complex' and 'excessive'.

The only way not to pay tax, he concluded, is to go where there is no tax.

But modern taxation is more complicated. The arrival of the US Foreign Account Tax Compliance Act (FATCA) and the OECD-sponsored Common Reporting Standard (CRS) means there is nowhere to go.

This has important implications for the wealth management industry; some players may be rushing to catch up but for others there are great opportunities.

The impact of FATCA on financial institutions is already well underway.

It has proven to be such a headache for that many firms have decided they will no longer accept US persons – although the definition is very widely drawn – as clients; some banks have even told existing clients to take their business elsewhere.

Going beyond this, the new CRS sets out rules and procedures for the automatic exchange of information on financial accounts beneficially owned by residents of foreign countries.

While it took effect from January 2016, the reporting itself will begin in 2017 or 2018, depending on which country one is referring to.

"CRS will only be a problem for those who have not correctly reported on their tax forms by including income in an offshore structure which is attributable to them," says Howard Bilton, chairman of Sovereign Group.

In fact, the challenge for most people as a result of CRS, is that it will – like FATCA – be just another layer of complexity and, inevitably, cost in terms of time and money.

"It's going to be lot of filling out forms which many people won't really understand," says Bilton.

Given that the business model at Sovereign has been built on transparency, he can look to the current and future international regulatory regime with some confidence.

The firm's core business is setting up and managing companies, trusts, pensions, insurance and other structures to meet specific personal and business needs.

These include foreign market entry, tax planning, wealth protection, property ownership and cross-border business.

Since opening its first office in Gibraltar in 1987, Sovereign is now one of the largest independent trust firms in the world. It manages more than 12,000 structures for a wide variety of clients – companies, entrepreneurs, private investors and HNW individuals. Its assets under administration amount to more than USD5 billion.

HEEDING THE WAKE-UP CALL

Yet there is another ramification of the new regime which follows the law of unintended consequences.

Just as with FATCA, the arrival of CRS has put a focus on the role of banks as gatekeepers between customers and governments, primarily in terms of tax.

As a result, reluctance has turned into rejection in many cases.

"The main difference now, is only if you haven't really been doing things properly and being fully compliant. There is now a certainty of getting caught with the arrival of CRS."

In Hong Kong, for instance, Bilton says that banks are noticeably hesitant to deal with anything which has a hint of being 'offshore'.

This applies to big, medium and small businesses alike, he explains, and even to long-standing customers who want to invest outside their home jurisdictions.

"A mainstay of the Hong Kong economy has been its position as the service centre for the Far East, and Hong Kong is now losing business to Singapore primarily because the banks in Singapore are much more receptive to international business.

"Indeed," says Bilton, "banking in Hong Kong has become more difficult than in every other international finance centre in the world, and this is bound to have a serious impact on the Hong Kong economy down the road."

He adds: "The businesses that are being turned away and refused banking facilities may not be large, but there are lots of them and the cumulative effect is bound to be felt at some stage."

COMPETING AS A HUB OF THE FUTURE

He praises the work being done by InvestHK – the department of the Hong Kong SAR Government responsible for foreign direct investment, to support overseas, mainland and Taiwan businesses to set up and expand in Hong Kong.

"They have got 13 offices around the world whose sole job is to round up business from people who want to do business through Hong Kong," explains Bilton.

The problem remains, though, that they too are being frustrated and thwarted by the fact that businesses which want to come to Hong Kong are unable to bank there.

This should therefore be a time for enthusiastic and intelligent lobbying, believes Bilton.

"We need to get this debate going at the front of mind," he adds. "More talking, more writing and the more the merrier." ■

Tapping the wealth management potential in India

Our 6th annual event in Mumbai emphasised the fact that the industry continues to offer vast opportunities for all players. But creating an effective value proposition in a competitive environment is challenging, in turn leading to an increasingly-polarised industry.

Wealth management firms of all types in India face a huge upside.

However, at the same time, these organisations continue to struggle with how to manage costs that are constantly rising across all aspects of the business, including to acquire clients.

Private banks, in particular, are finding growth to be difficult to come by, highlighted by exits over the past 12 to 24 months of several foreign players.

Senior management, in general, are striving to find something akin to a future-proof business model.

The uncertainty, still, around how to adapt and evolve the advisory offering is holding back progress for many organisations.

Until they can change the mind-set of advisers and get them thinking longer term – and in turn, alter client behaviour – encouraging clients to pay for the advice they get is an unlikely concept.

Yet the more time that traditional market players take in order to resolve these and other challenges they face, then the more realistic that the threat becomes from robo-advisers and other digital disruptors – at least among the emerging affluent.

The combination of these trends places even more emphasis than ever before on the importance of finding the right staff – and then providing a career path and compensation structure to both make them stick and build a talent pipeline.

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This also relies on firms overcoming the hurdles they face in relation to higher levels of adviser competency.

But the regulator should also play a role, but creating more barriers of entry for anyone who wants to be an adviser.

These were among the views of senior management, product gatekeepers and business heads from local and universal Private Banks and Retail Banks, along with NBFCs, national distributors, IFAs and Registered Investment Advisers. ■

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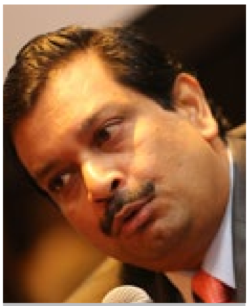

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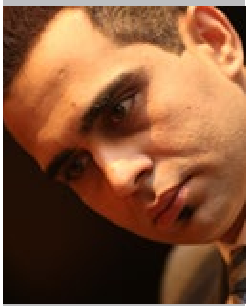

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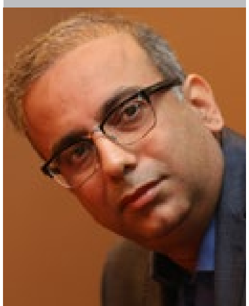

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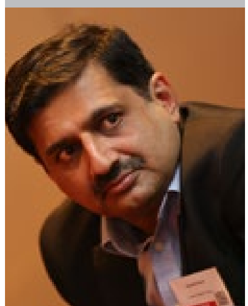

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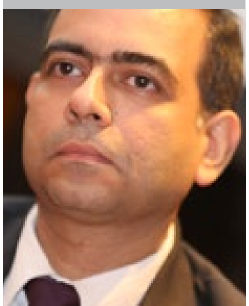

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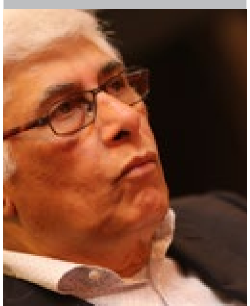

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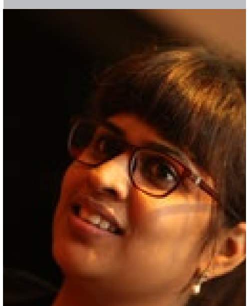

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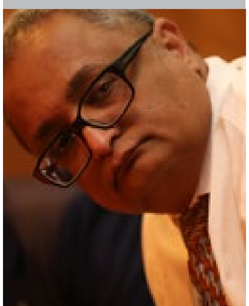

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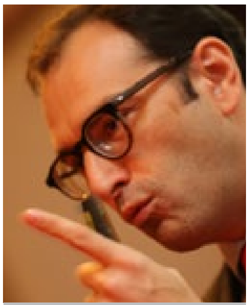

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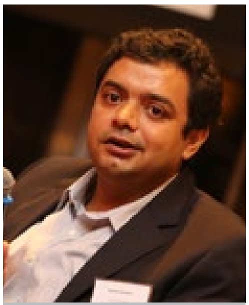

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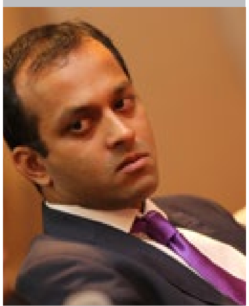

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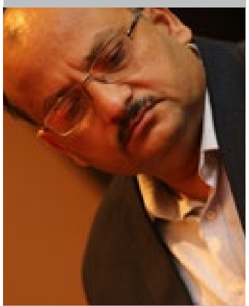

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"The event gives you an opportunity to pause and reflect on your own strategies and the way forward. There is a lot of food for thought and a lot of take-ways."

Ashish Shanker, Head - Investment Advisory, Motilal Oswal

Edelweiss' targeted approach to tapping India's wealthy

Anshu Kapoor of Edelweiss Global Wealth Management explains how the firm is focusing on three specific client segments to ensure that what it provides are relevant to the needs of its clients.

Indian wealth manager Edelweiss Global Wealth Management has grown to a 100-person business over the last few years, including nearly 50 advisers, on the back of a strategy of segmenting its clients to properly understand and cater to their needs.

According Anshu Kapoor, head of private wealth management, the firm focuses on three categories of clients: entrepreneurs plus the next generation; family offices; and institutions.

To service the needs of each group, Kapoor has built teams of specialists for these segments. For example, there is an UHNW advisory team which looks at the needs of the new generation as well as the next generation of entrepreneurs.

For family offices, Edelweiss has a mix of specialists, including ex-investment bankers, ex-currency traders, ex-commodity guys and ex-real estate experts, as well as wealth structurers. "These individuals have come together to build the capability to offer holistic solutions to clients," explains Kapoor.

When it comes to the institutions, he says the opportunity is huge, given that this segment is largely untapped.

PRIORITIES

On the back of the firm's strategy, Kapoor says the results have been quite encouraging. "We are growing at about INR1,000 crores (USD175 million) a month in AUM."

At the same time, he says the firm is building a digital core. The aim is to remove a lot of the friction which exists when clients interact with any wealth manager – from onboarding to getting their various requests serviced. "We are trying to create a digital pipe, so we are investing a lot at the front end, to drive client engagement," explains Kapoor. "And at the back end, we have an association with IBM."

ANSHU KAPOOR
Edelweiss

This also ties in to how the firm is trying to deliver content to clients, as part of efforts to improve the overall quality of advice. ■

One of the last frontiers for wealth management

Vietnam is not quite ready for wealth management yet, but there is great potential. The signs point to an emerging market which, in a decade or so, might outstrip most others in terms of a pipeline for wealth management and insurance products.

To say there is a limited understanding in Vietnam of the business models and product offerings associated with wealth management, is an under-statement. Practitioners across banking, securities, insurance and asset management point to a notable immaturity within this segment of financial services.

This is to be expected. Overall sophistication is low, talent pools are shallow, regulation is lacking and without sufficient clarity in many instances, understanding is basic, and market depth and liquidity is minimal. All of this is a natural consequence of the fact the market is so new and experience is limited.

Yet the country's dynamics suggest that it's ready for explosive growth. The population, for example, is approaching 100 million – half of which is under 30.

For the time being, however, in the absence of wealth management products and services that are common in other markets, transaction banking dominates. In fact, only around 30% or so of the population even has a bank account. Trust remains an issue, creating a barrier to how institutions can access Vietnam's growing wealth.

Further, banks, are not allowed to sell mutual funds unless they have a securities licence. And they cannot offer dual-currency investments. At the same time, with mutual funds only really available to retail investors for the last few years, banks yet haven't developed the processes and expertise to sell them.

To overcome these and other hurdles, a key component is education for everyone – from institutions to customers – around the basic concepts of wealth management. This will also depend on the hope that regulation will change, to enable a wider variety of products.

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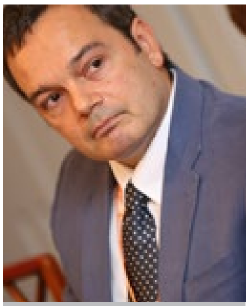
So while Vietnam might be barely a blip on the wealth management landscape today, but arguably it should be higher on the agenda for many local and foreign banks and other service providers. This is especially the case for life insurance companies, which have seen their businesses grow by a factor of two or even three over the past 12 months.

Against this backdrop, we held our inaugural event in Ho Chi Minh in early September – focused on understanding the longer term potential for wealth management in this fast-growing economy, and how to prepare for it. ■



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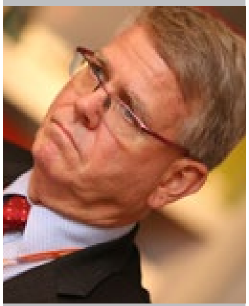

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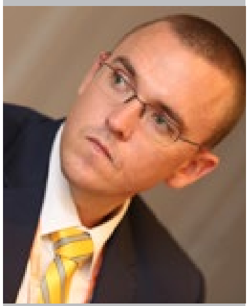

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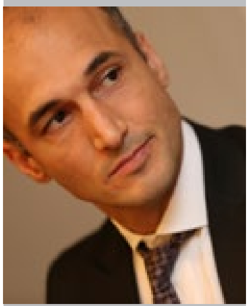

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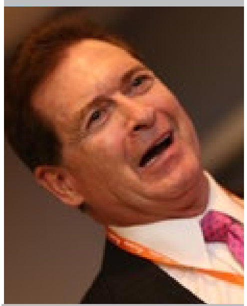

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"Hubbis has managed to make the first Vietnam forum as inquisitive and informative as its well-established regional peers. A new great platform to learn, meet and explore business opportunities."

Stephan Repkow, Founder & CEO, Wealth Management Allianc

Helping your clients be less biased

Some market practitioners argue that behavioural coaching is probably the area where the added value of a professional wealth manager is most pronounced. By Kees Stoute

Daniel Kahneman and Amos Tversky are considered to be the founding fathers of behavioural finance.

Already in the 1970s they convincingly made the point that it's only human mental confusion that attributes random movements in the market to some kind of underlying purpose. To put it simply, they showed us that people don't act rationally.

Their contributions to the field of economics led Kahneman to become the first-ever psychologist to win a Nobel Prize in Economics. That is both unusual and remarkable.

Since then, many cognitive biases have been researched, such as anchoring, mental accounting, gambler's fallacy, prospect theory, familiarity bias, etc.

All these concepts refer to different biases, but all share one element: they confirm the point that people don't take decisions the way they think they take decisions. Or, the put it differently: people are irrational.

For the professional wealth manager, the insights derived from behavioural finance are essential in helping clients to limit the damage of their actions, which tend to be the result of irrational investor behaviour.

ENCOURAGING THE RIGHT BEHAVIOUR

Based on knowledge and understanding of human behaviour, we can help our clients to stick to simple and basic investment principles, and to base their investment decisions consistently on underlying fundamentals.

Yet this only applies to those individuals who want to aspire to be a wealth management professional.

The product-oriented salesperson can also benefit from behavioural finance insights as they provide a rich source of ideas how best to capitalise on the proven concept of instilling greed and fear.

So if you consider your clients as sources of revenue, then there is no issue whatsoever in warning them about an impending collapse of the market, which requires them to buy some high-commission products.

To put it another way, if the main purpose of having clients is to help you meet your KPIs, you will inevitably encourage them to be irrational so that you can financially benefit from it.

Further, if you are the kind of salesperson who pretends to adopt a fiduciary standard, whilst in reality are in the relationship to benefit personally from your clients, you are in unethical territory. And you are simply fooling your clients by trying to make them believe that you have their best interests at heart.

True fiduciaries, meanwhile – ie. professionals instead of plain salespeople – apply their superior knowledge about investing, psychology, structuring and insurance to educate their clients.

They help their clients be explicit about their goals and dreams, and to have a plan in place to achieve these goals.

They furthermore help their clients benefit from the many scientific insights related to professional and responsible wealth management.

These are the professionals who ensure that wealthy individuals benefit from Kahneman's legacy.

And in doing so, they deserve to earn a good living in this highly value-adding wealth management profession. ■

Contact Kees - kees.stoute@hubbis.com

Ready to tap a golden opportunity

As more of Asia's wealthy realise the value of holding physical gold within their portfolio, Global Precious Metals has what it believes is a reliable and robust network to help clients make the most of this type of wealth insurance.

Having grown out of a family office, Global Precious Metals knows well the decision-making process and considerations around HNW and UHNW clients allocating part of their portfolio to physical precious metals.

After all, explains Malherbe, most of the world is over-leveraged, whether talking about governments, banks or other providers. "People realise that the saying is true, gold is money and everything else is credit," he says.

VINCENT MALHERBE
Global Precious Metals

"People realise that the saying is true, gold is money and everything else is credit."

Today, as a niche player in this space, the right approach, according to managing partners Nicolas Mathier and Vincent Malherbe, is to view physical gold as a kind of 'wealth insurance'.

In line with this, interest and appetite are starting to grow and gain momentum.

A MORE TANGIBLE OFFERING

Malherbe and Mathier believe that demand from wealthy individuals for gold in a physical form will continue to grow as they start to better understand the importance of holding this type of physical asset. For example, many investors own unallocated gold within their banks, which is essentially an accounting entry in the institution's ledger.

NICOLAS MATHIER
Global Precious Metals

therefore changed to physical gold. This might happen when investors realise that their unallocated accounts don't give them anything of any substance."

As a result, with gold being what Malherbe calls "the enemy of leverage", the financial sector is increasingly looking to get out of this business.

NETWORK

The ability to remove the physical gold from storage, and transport it to wherever an investor wants it, is a key differentiator in the Global Precious Metals offering.

Indeed, an entire chain of integrity exists in the industry, made up of approved vaults and accredited refineries.

On the flipside, the more clarity and transparency, the higher the price.

Yet what comes with this, emphasises Mathier, is the benefit of an existing network of refineries, transport companies and storage options.

He adds that the firm ensures that it does its due diligence to get comfort around the fact that the client's funds come from a trustworthy source.

GETTING ALLOCATED

An important trend that Malherbe and Mathier have seen more recently has been the impact of the growth in wealth in Asia on the number of individuals becoming more interested in buying gold in physical form.

The bank therefore effectively owes the client an unsecured amount of money that is tied to the price of gold, explains Malherbe.

"This is just credit, as there is no underlying," he adds.

If investors ask their bank for physical gold, the bank would need to convert the unallocated account into an allocated account backed by physical bullion – which can be difficult in times of financial panic.

Clients might also then want to move the physical gold to a private storage outside of the bank.

"This leads to an outflow of liquidity for the bank," explains Mathier.

"Banks don't want to be left with a situation where clients might request large chunks of gold be allocated and

"Banks don't want to be left with a situation where clients might request large chunks of gold be allocated and therefore changed to physical gold."

Gold from such sources is deemed to be what Malherbe calls "good delivery", meaning it maintains high integrity and is therefore the most liquid form of the physical metal, which can easily enter the financial system and be sold or exchanged.

"Investors should only buy gold in this way," he adds.

The danger for any client is that they walk into a shop that doesn't have a good reputation.

They must be, given that clients have to spend at least USD500,000 with Global Precious Metals. This is based on the idea that the client would look to hold anything from between 2% and 10% of their portfolio into gold.

This is encouraging the firm to look beyond Singapore.

It is starting to market itself across Southeast Asia, including Hong Kong, Thailand, Indonesia and the Philippines. ■

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We appreciate the participation and contribution of key individuals and organisations across the wealth management community to the content in this publication.

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Hubbis digital learning solution

We help practitioners at Private Banks, Retail Banks, Insurance Companies, IFAs, Multi-Family Offices and Independent Asset Managers meet their professional education obligations via various digital learning content, event presentations, videos and more.

100+ assessed courses

Digital learning modules

Hubbis offers 100+ proprietary training courses covering core topics relevant to compliance obligations, investment and product knowledge, advising families on long-term wealth structuring, and generally building and improving effective & appropriate advisory skills in an Asian industry context.

Analyse results

Reporting

The Hubbis system allows the recording and reporting of all online and offline internal and third-party training in order to provide a complete training record for each individual. The Hubbis digital learning platform also offers a dedicated reporting feature enabling HR and / or compliance managers to generate customised data sets to match both internal and regulatory training reporting requirements.

200+ hours of 'live' content

Presentations, video Q&As

Hubbis augments formal digital courses with over 200 hours of live-learning content that ranges from videos to engaging presentations from Hubbis' highly-acclaimed Wealth Management events. Each training course and many of the additional materials are in modules of 30 and 60 minutes for CPT/CPD/OPT. And all Hubbis modules are assessed prior to completion to assist in demonstrating user's learning success for regulatory reporting.

Hubbis events

Access to our Forums

Attendance at any of the Hubbis events throughout the year at no additional cost - including forums in 10 markets across Asia, plus in Switzerland and Dubai.

Why we are different

- **ASIA-SPECIFIC CONTENT** - Hubbis is the only provider of online learning that is solely dedicated to the Asian wealth management industry
- **VALUE FOR MONEY** - We want to ensure learning is affordable and accessible to everyone in the wealth management industry. We never charge any fees for on-boarding or end-user training
- **GOVERNANCE** - We constantly review & upgrade the relevance and timeliness of the platform – this includes adding new courses every week, adapting functionality to the needs of different markets and types of institutions, and improving the technology. We also regularly bring together - via our events and private thought-leadership discussions - market experts on all topics. This enables us to check our existing content and plan new courses
- **COLLABORATION** - We collaborate with more than 100 existing partners on the learning platform – getting feedback and incorporating new ideas for content, functionality and technology. Plus, we work, across the overall Hubbis business, with more than 375 partners – continually discussing with them their problems to understand the reality of the market
- **EDUCATION** - The material we produce is USEFUL and USEABLE. It helps wealth managers and other practitioners meet their continuing professional development needs in a practical and robust way
- **CONTENT DEVELOPMENT** - We source content and insights from the most respected and experienced practitioners at the leading firms in the market and package it for our learning platform
- **REPORTING** – We enable users to generate individual, team and annual training records on demand. We offer built-in, customised reporting tools to quickly meet regulatory requirements

Our learning platform

HR & compliance → Administrators → LEARNING PLAN ← The user ← Live learning

LEARNING PLAN

↓

Online courses

↓

Tracking

↓

Reporting

↓

Consolidated record

Online

Simple access through an internet portal that is available 24 hours a day, 365 days a year. You will have access to 100+ engaging e-learning courses that enable users to conveniently earn CPT / CPD / OPT points.

Tracking

We give HR & compliance managers the ability to build learning plans, and apply those plans to defined groups, and track and record each individual's learning progress.

Reporting

Not all e-learners are at the same stage in their professional development or training lifecycle. The integrated reporting system allows HR & compliance managers to monitor employee progress - highlighting areas of weakness / strength.

Records

The e-learning reporting function also allows all offline and 3rd-party training to be uploaded to give a single, consolidated history for each user. It also enables organisations to report this training to the regulator in a fast, accurate and consistent format.

Meeting your critical compliance requirements

Contact us: learning@hubbis.com

hubbis

Helping Asia lead the world in wealth management

Our products

Hubbis is the leading provider of ***independent content***, ***learning solutions*** and ***training*** for companies providing wealth management-related products and services in Asia. Our ***ambition*** is to ***help you*** become more competent and capable - so that you can provide ***suitable*** and ***trusted*** advice for your clients.

If you would like to participate in our events, publications or need online training, lets talk.

Get in touch

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