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ASIAN WEALTH MANAGEMENT

Issue 3, 2016

Subroto Som
Mashreq Bank

Inside the wealth management journey

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What Indonesia's scheme means for the industry

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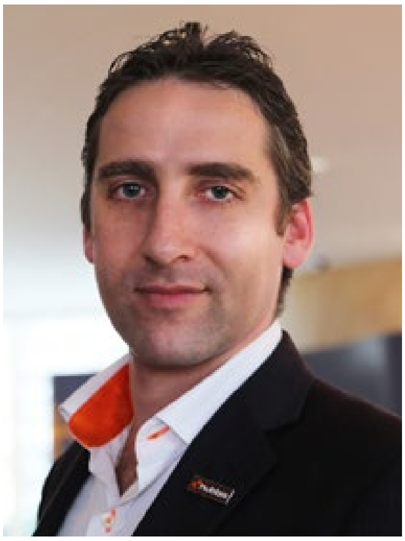
Foreword



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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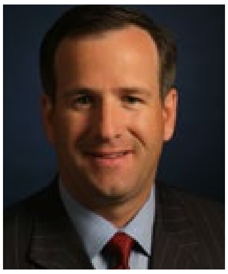

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85% to 90%

The average failure rate over the past 30 years in the US, and still to this day, in terms of people who become a financial adviser, is probably around 85% to 90%.
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300 to 400

The goal [of the Citi-Wharton School training programme] is to train 300 to 400 Citi advisers every year for the next three years.
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43%

Business succession planning is the main focus today of Chinese HNW and UHNW individuals. This is followed by a mix of insurance/ protection, estate planning, and legacy planning.
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1%

The first phase of the [Indonesian Tax Amnesty Programme], from July to September 2016, has resulted in a take up of less than 1%. This equates to just 422,000 participants or so, out of an estimated 50 million overall.
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220 million

Ivan Jaya is optimistic on the ability of Indonesia to take a digital path... in a country with 220 million mobile subscriptions from a population of 250 million.
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500 years

"We can transport 500 years of knowledge and experience in Swiss banking to Asia."
Page 26

Content colour coding - for Hubbis articles

REGULATION & COMPLIANCE	SKILLS
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Bringing better practice management to Asia

Driving and supporting more holistic advisory is something Natixis Global Asset Management has dedicated a lot of time and energy to in the US. Ted LeClair of the Natixis Advisor Academy explains how and why this is key for the firm in Asia too.

Whereas most fund management firms tend to focus on their investment products and markets, Natixis Global Asset Management chooses to focus on something different by providing the tools and coaching to enable advisers to do the right thing for their clients.

Part of the rationale, is that helping those individuals selling to the client directly to run their business better, it benefits the whole community in the end.

Increasingly, the main distributors, whether banks or IFAs, are realising this. While they have lots of product providers knocking on their door, they want more than just product, explains Ted LeClair, senior vice president and director of the Natixis Advisor Academy. "They want us to help their advisers be better."

In the US, this is a more tangible conversation, given that roughly 60% of advisers in the market now get paid fees based on their AUM. So, for example, if they create a financial plan for a client, the adviser might get paid for that plan, with a different fee structure for the execution of this plan. "The beauty of that for many advisers, is that they see it as putting them on the same side of the table as the investor," says LeClair.

While there is still a transactional business in the US to some degree, it is increasingly popular to find advisers essentially offering a one-stop-shop, where they provide the financial planning advice, but also act as a central point where the client can access a variety of related services such as tax or wealth structuring advice via one central specialist.

"This prevents a client from having to send their financial information to so many people," explains LeClair, "with those firms then all having to repeat the process of gathering so much private information."

TED LECLAIR
Natixis Advisor Academy

The US Department of Labor has also brought in a new law in relation to fiduciary responsibilities. This has created some concern among the brokerage houses, given that the standard will be benchmarked going forward to the firm's executives and the adviser.

The upshot is a trend towards outcome-based advice as opposed to trying to identify the next investment opportunity.

A similar thing can be said of the gradual progress that LeClair has observed on his trips to Asia over the past 12 to 18 months. "If I compare the meetings I had last year with the meetings I had this year, it seems there is more interest in this concept."

FORGING THE RIGHT BEHAVIOUR

Natixis has built an entire digital platform and offering around this more holistic approach to practice development. "When it comes to portfolio construction, everything we do is driven by having a durable approach that can deal with any market," explains LeClair.

It has looked to develop this globally across different markets for retail distribution channels. And after 15 years doing this in the US, in 2015 the Natixis Advisor Academy came to Asia.

More broadly, the Academy focuses on key areas: practice management, including client acquisition and retention, along with branding for individual advisers, communication skills and leadership; durable portfolio construction; and learning.

One of the things that LeClair is proudest about is the regular use of personality testing. He believes that one of the ways to make practices more valuable and successful is to make the team dynamic better. This enables him to identify their strengths and to delegate away anything which doesn't come as naturally to them.

This also fits into the fundamental Natixis philosophy of durability – although from LeClair's viewpoint, it is about a durable practice.

When it comes to training, working in teams has been increasingly important given the need to work more closely with specialists. Retirement solutions are also a priority. Investment-related training remains important too, in terms of the use of alternatives.

"Too many advisers around the world still think about portfolio construction as mainly stocks and bonds in a 60:40 split," says LeClair. "We are very passionate that the average adviser can understand more about the role of alternative investments."

This year in Asia, the Natixis Advisor Academy has rolled out close to 10 classroom-style sessions in Singapore, for around 500 people in total at private and retail banks, IFAs and insurers, and two sessions in Hong Kong, for 80 advisers.

MAKING THE BUSINESS SUSTAINABLE

The better advisers in more established wealth management centres like the US, for instance, already embrace the concept of continuing professional education.

This goes beyond what they are simply forced to do by the regulator. "Some advisers are hungry to get better," explains LeClair. "The best advisers I know in the US have an attitude of 'teach me, show me how can I learn'."

Beyond just making more money, both for themselves and their clients, the best advisers he works with in the US want to make a difference in their clients' lives.

Not bowing to digital

LeClair is adamant that despite advances in digital tools and, in particular, robo-advice, financial advisers remain very relevant.

For Natixis, for instance, one of the key tenets of its durable portfolio construction approach is risk. As long as human-to-human advice is the only way to deal with fear, greed and other emotions which clients experience, then advisers will stay integral to the planning process. "The greatest value any adviser provides any client is to keep them focused on their goals," he adds.

In line with this, he believes there is still a place for active management, rather than purely taking a passive approach just to benefit from lower fees.

Yet this doesn't apply to the majority. "The average failure rate over the past 30 years in the US, and still to this day, in terms of people who become a financial adviser, is probably around 85% to 90%," says LeClair. "This isn't because they don't pass the exams; they don't make it because they can't get enough clients to keep their business sustainable."

For Natixis, the approach to trying to address some of these challenges, is to help more advisers get paired on a team. For example, explains LeClair, an adviser who is in his 50s might work on behalf of 200 families, and manage USD300 million or so in AUM. So he can help bring in another adviser in a kind of apprenticeship to develop their skills across financial planning, investment and rain-making in terms of asset gathering via client acquisition. ■

Investing in the 'right' conversations with clients

How much of our resources and energy are we really prepared to invest in the one-and-only solution for any sustainable wealth management practice: competent, truly client-centric professionals? By Kees Stoute

How far are we really prepared to go in order to resolve one the key dilemmas in our industry?

Allow me to elaborate a little. In view of the many interviews and presentations at wealth management conferences, we are told that the industry suffers from a shortage of professionals who are able and confident to add value to the lives of their clients.

We all would love to see the industry convert from being predominantly product-focused and limited in value-add, to being client-centric, needs-based and consequently highly value-adding. We would embrace the consequential higher dependence on more stable and predictable recurring income rather than on the current transaction income and commissions.

The business environment for wealth management firms is challenging. Markets are difficult; the costs of doing the business have risen tremendously; technology enables new entrants, such as robo-advisors, to further heighten the competitive challenges, etc.

It has become tough to survive. A number of players have even already decided to pull out of Asia altogether.

Many of the threats and challenges for the wealth management industry are really difficult to manage. Yet the lack of professional, confident, value-adding professionals seems manageable.

BEING RELEVANT

To address the issue of competency and capability in wealth managers adding value to clients, we need to teach practitioners to confidently enter a client meeting without a product in mind.

We must help them to be more relevant and able to have a conversation with their clients about the things that really matter to them: what are their dreams? What are their worries? Are they living a happy life? How do they manage their wealth now? Etc.

Only once we dare to have these types of conversation, will we be able to help our clients to make their wealth instrumental for the life they want to live.

And this is precisely the type of conversation that forms the basis for long-lasting, value-adding relationships.

Back to the first question: are we – institutions and individuals – really prepared to invest the time and money into training?

ENHANCING COMPETENCE

In Singapore and Hong Kong, for example, many practitioners have Continuous Professional Development (CPD) requirements.

According to these, they are expected to study one or two hours per month. Although not a lot, for many this obligation is considered a serious and demoralising burden.

Even executives are reluctant to add pressure on their staff.

To quote one: "They all have full-time jobs. It is not realistic to expect from them to spend too much of their valuable time on training."

In short, this suggests that they are so busy doing the wrong things, that they don't have the time and energy to learn the right things.

If having higher-calibre professionals is one of the answers to coping with the difficulties in this industry and to increasing recurring income, then why not make a sincere effort to get the practitioners to the desired level of competence? ■

Contact Kees - kees.stoute@hubbis.com


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Putting clients back at the top of the agenda

OCBC Bank is making its actions speak louder than words in terms of putting its customers first. Dennis Tan explains how the bank is putting this in practice by simplifying processes to enable a better customer experience and connectivity with clients.

- *OCBC Bank understands the importance of incorporating a fair mix of both face-to-face customer interactions with the convenience of digital mobility*
- *Hand-holding customers during difficult and volatile market conditions is increasingly important, especially as this can lead to all-important portfolio reviews*
- *OCBC Bank is making wealth management even more accessible to customers by enabling them to track their portfolio on their mobile devices*
- *Much-needed industry change must start internally, via education and continued simplification – of processes, systems and the overall operating model*

Customer-centricity is widely espoused by many senior banking leaders, but all too often, it is poorly executed.

This is not a new concern and neither is it an easy one to fix. Today, bank managers often get caught up in the daily grind of servicing customers' transactional requests, and this diverts resources away from more value-adding activities.

Banks need to ensure they remain top-of-mind among its customers. In order to achieve this successfully, banks need to consistently deliver high standards of service to keep their customers satisfied.

This is the approach that OCBC Bank employs. OCBC Bank understands that it is still important to incorporate a fair mix of both face-to-face customer interactions with the convenience of digital mobility offered through continued investments in its branch network and digital wealth capabilities.

DENNIS TAN
OCBC Bank

DEALING WITH BLIND SPOTS

In light of market nervousness and heightened volatility, investors are generally holding back on engaging in further investments. Dennis Tan, head of consumer financial services for OCBC Bank in Singapore, sees this as only natural and, at such times, he feels that banks ought to handhold their customers even tighter.

"This [type of reaction] is human nature when they look at their portfolio and it is marked-to-market and they see a discrepancy [with what they expected]," says Tan.

"So it's important for us to really weather this period. We share information and need to remind the customers of their original intent."

service offering more tailored to the youth segment.

For example, OCBC Bank created its 'FRANK by OCBC' proposition five years ago. The intent for setting up 'FRANK by OCBC was to serve the under-banked youth population.

In order to identify with the younger crowd, FRANK by OCBC branches are designed and made to feel like retail stores rather than traditional bank branches. FRANK by OCBC stores are also heavily equipped with savvy self-service digital facilities for customers to browse and apply for products.

"Digitalisation is an integral part of the development of any bank and OCBC Bank has always been at the forefront with its industry-leading innovations."

However, there is still a general lack of initiative among investors to do regular portfolio reviews. While holistic wealth management necessitates constant portfolio reviews, most investors these days are too busy to sit down and have these fundamental conversations with an adviser.

"People generally feel strongly that this is a critical need and they want to do it, but the reality is that they just don't seem to be able to devote time to that," explains Tan.

BRANDING FOR MILLENNIALS

Tan and his executive team have also been working hard at making their

"By having this kind of concept, we are able to engage younger customers for the first time," says Tan. "They may not necessarily come in for repeated visits, but we feel that it's a good showcase."

REAL CONNECTIVITY

In present times, digitalisation is an integral part of the development of any bank and OCBC Bank has always been at the forefront with its industry-leading innovations.

The bank knows the value technology can bring to their customers, such as diverting valuable time away from filtering through hordes of financial information to providing other value-creating services like portfolio management and new investments.

OCBC Bank is making wealth management even more accessible to customers by enabling them to track their portfolio on their mobile devices with the OCBC OneWealth app.

This was launched in March 2016, an investment one-stop-shop that provides customers – both beginners and seasoned investors – with convenient access to market information, investment ideas and personalised alerts on their existing investments.

The OCBC OneWealth app also enables customers to now buy unit trusts directly on their mobile device.

With this, OCBC Bank has further democratised wealth management by making access to investment information and wealth products within reach of more customers.

To that end, customers can now also share their wealth knowledge, gleaned from articles and OCBC Bank experts' analysis on the app, to their social networks, extending investment knowledge beyond individuals.

Customers can also login conveniently to the app with just the touch of their fingerprint to see all their investment holdings, thanks to OCBC Bank's OneTouch biometric authentication technology, and share articles from the OneWealth app on social media apps including Whatsapp, Facebook, LinkedIn and Twitter.

Further, OCBC Bank is the only bank in Singapore which allows customers to open an account through an app, without needing to step into a branch.

The OCBC Open Account app is the first completely remote account opening app on smart phones.

Customers can apply for the popular OCBC 360 Account on their mobile phones or tablets, without the need to visit a branch.

Technology brings about convenience and Tan has seen the many benefits it can bring. However, there will always be a need for the personal touch in the banking industry, especially in wealth management.

"The sales people in this industry are generally more focused on the 'here and now', which mean the specific pot of money, or the latest product."

His view is that change must start internally, via education and continued simplification – of processes, systems or the overall operating model.

Only when the belief is reinforced can the ideal experience be translated to the end-user, which is for all staff to place customers at the heart of the business, to understand their financial goals.

"The aim is to become more focused on goal-based advisory. This will give us a competitive advantage that will bring us closer to the client because it will speak exactly to their needs."

"The individual is still important," he explains, "because the client wants it and requires it."

Some customers still do prefer speaking to an adviser for their financial matters. Similarly, more complex transactions and high-ticket volumes still require in-person verification and can only be completed in the branch.

SIMPLIFICATION

Ultimately, the long-term vision that Tan hopes to achieve for the consumer banking industry is for it to scale greater heights of customer-centricity. He recognises that there is still a disconnect that needs to be addressed.

Available on OCBC Bank's internet banking and mobile banking app, Money In$ights is one example (see box). It automatically consolidates customers' finances into simple, interactive and insightful dashboards, enabling customers to track expenses in real-time, manage budgets and get social comparisons of financial behaviours.

"It's a journey that we have started," explains Tan. "We are definitely not there yet, but the aim is to become more focused on goal-based advisory. This will give us a competitive advantage that will bring us closer to the client because it will speak exactly to their needs." ■

OCBC Life Goals

Lunched earlier this year, this helps customers at different life stages plan and achieve their goals in a holistic way by managing their cashflow wisely, safeguarding their assets adequately and building their wealth.

It recognises that every customer is unique, each with their own aspirations and appetite for risk.

That's why OCBC Bank aims to understand every customer's needs and offer personalised solutions to help them get closer to their goals.

- *Manage - this is about customers managing their cash flow by setting aside money for their daily transactional needs, emergencies and other financial commitments, so that their accustomed lifestyle need not be compromised*
- *Safeguard - this is to protect themselves, loved ones and assets from unexpected misfortune*
- *Build Wealth - this is to create a diversified portfolio that can provide stability of returns*

To do this, OCBC Bank offers handy apps to customers to track their finances on-the-go.

For example, OCBC Money In$ights is the first fully-integrated and automated personal finance manager in South-east Asia.

Making Indonesia's tax amnesty more meaningful

While there are mixed views over the extent of the success (or not) to date of Indonesia's landmark tax amnesty scheme, there is little doubt about the positive signals it has sent about the government's intention to develop the fundamentals for a more sustainable wealth management industry.

The results and views over the extent of the success (or not) to date of Indonesia's tax amnesty scheme are mixed.

What there is little doubt about, however, are the positive signals it has sent about the government's intention to develop the fundamentals for a more sustainable wealth management industry going forward.

Ultimately, the landmark Tax Amnesty Programme is intended to accelerate economic growth and restructuring.

This should come through asset repatriation, fairer tax reforms with an expanded tax base, and increased tax revenue that is very much needed, especially to fund development and infrastructure in the country.

LIMITED INITIAL IMPACT

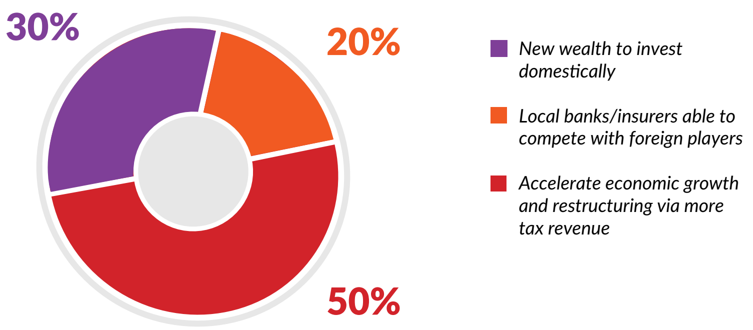
From one perspective, the first phase of the programme, from July to September 2016, has results in a take up of less than 1%. This equates to just 422,000 participants or so, out of an estimated 50 million overall.

Panel speakers

- ***Prijohandojo Kristanto**, Chairman, **PB Taxand***
- ***Lilis Setiadi**, President Director, **Batavia Prosperindo Aset Manajemen***
- ***Kylie Luo**, Executive Director, Leader, Asset & Wealth Management (Tax), **BDO Tax Advisory***
- ***Herdin Syafari**, Tax Director, **Rawlinson & Hunter (Singapore)***
- ***Shanker Iyer**, Founder & Chairman, **Iyer Practice Advisers***
- ***Yuki Diwinoto**, Tax Planner*

This indicates to some market practitioners a continued a lack of trust in the government. And for businessmen who are located further away from Jakarta in this large and geographically-dis-

IN WHICH OF THE FOLLOWING AREAS WILL THE TAX AMNESTY PROGRAMME HAVE THE BIGGEST IMPACT?



Source: Hubbis Indonesian Wealth Management Forum 2016

persed country, they don't always sense the necessity.

On the other hand, and with a perspective from Singapore as a key offshore hub for the region, Indonesian clients have gradually come around to the idea of participating in the programme.

Part of the reason is their fear of missing out, which resulted in them frantically seeking advice in August and September on whether to participate – and how much to declare. And relative to some amnesties from other countries in the past, practitioners say they are encouraged.

Where there is still concern among clients as a result of uncertainty at this stage, however, is what will happen as a result of the government knowing more about the tax situation of those participants. Such feelings are based on a history of seeing regulations change at short notice, meaning that regularising tax matters is a tough task.

TAKING ADVANTAGE

Either way, such an opportunity to declare offshore wealth without the normal consequences is something not to be ignored.

Further, there is a real danger – or at least uncertainty – of not knowing what will happen when the window closes.

HNW individuals and their advisers therefore need to think longer term, especially against the backdrop of a world which anyway is shrinking and getting more vigilant in terms of transparency.

One of the outcomes which seems likely as a result of the tax amnesty, agree practitioners, is a consolidation among Indonesian clients in the number of private bank accounts they have offshore.

The benefits of having multiple banks to benefit from 'secrecy' and reduce transparency over the asset holdings are no longer what many clients perceived them to be.

Instead, these individuals will look to banks more for the value they can bring in terms of diversifying portfolios and risk. Further, they are more likely to seek simpler structures that can enjoy tax efficiency, as well as be compliant.

REFORM MOMENTUM

Key now for the Indonesian government, it seems, is to propose some specific tax reforms or measures to set the landscape for the future. Many practitioners say such action is a necessity to ensure that the Tax Amnesty Programme can be the catalyst for the right approach going forward.

But tax reforms don't necessarily need to be about legislation. Instead, they could focus, for example, on tax administration, to streamlined procedures to reduce some of the complexities around completing required documentation.

"Key now for the government is to propose specific tax reforms or measures to set the landscape for the future."

With greater certainty to the situation post-tax amnesty, it would give greater confidence to wealthy individuals as well as advisers during the second and third phases of the programme – making them more likely to be successful.This would make it more likely that taxpayers can utilise wealth management products such as bank deposits, along with non-bank products such as mutual funds, bancassurance and derivatives. ■

Mashreq Bank maps out wealth management journey

Subroto Som of Mashreq Bank talks to Hubbis about his plans to leverage the institution's heritage and retail customer base to offer wealth management products and services to clients of all types and, eventually, across generations.

Mashreq Bank's wealth management and private banking business has quickly become one of the drivers behind the institution's growth in its overall retail banking division.

"This is a new focus for us and since I joined Mashreq about 12 months ago, I see the biggest opportunity for growth coming from the wealth management space, followed by SMEs and then personal banking," says Subroto Som, executive vice president and head of retail banking group at Mashreq Bank, and a veteran banker with more than three decades of experience in all aspects of consumer banking across Asia and the Middle East.

This is building on solid foundations in personal banking via mortgages, personal loans, credit cards, and in online, mobile and branch banking.

"There is a lot more investible wealth [in the GCC] than you see in other parts of the world, because investors hold a lot of cash and property, but the numbers invested in equities, bonds and other asset classes is relatively low," he adds. "So there is a good opportunity for more penetration of those products."

WELL MATCHED

Wealth management appeals to Som for several reasons. For one, it uses very little capital, creating a healthy return on capital.

Although cost-to-income ratios can be traditionally high in the wealth management business, Mashreq Bank operates smartly and balances the book across different parts of the business.

Secondly, Som is keen to ensure he can serve clients when they need to protect, preserve or grow their wealth.

This enables him to cross-sell various complementary products to existing customers. "These include transactional banking, online and mobile banking, and mortgages which are becoming a very big wealth product," he

SUBROTO SOM
Mashreq Bank

explains. "Property is an asset class for growth and investment property is good for people to park their money for long-term appreciation."

Another driver for Mashreq Bank's wealth management strategy is the volume of customers who come through its network and whose needs evolve towards one or a combination of protection, preservation and accumulation.

"The biggest challenge in wealth management is customer acquisition and [controlling] customer service cost," he says. "If you have the customers, you must fulfil their needs. That's why we are in the wealth business.

CLEAR ROADMAP

The potential is vast, and the bank's journey of growth has only just begun. Som estimates that the penetration of wealth-related products to the bank's customers is currently just over 10%, but this is starting from a low base and growing fast.

At the moment, Som and his team are actively acquiring new customers – not even yet 'farming' them.

"I want to grow this significantly," he says, "but by some of the benchmarking we have done so far, our profit per customer is at the higher end."

To get to where Som wants the wealth management business to be, the first of his three main goals is to ensure he brings on board the right type of customers, from a KYC and AML point of view.

This requires the bank to do the right risk profiling to understand client needs well enough to service them or provide product options to match their risk appetite and returns expectations. Next for Som in ensuring a successful business is putting the right infrastructure and people in place.

"There are a lot of new technology developments today, including robo-advisory, and online statements and portfolio analysis," he explains. "We are investing in that space to get this right."

From a people perspective, this also includes certification and qualifications. The third key goal for Som is leveraging all of this to drive growth. "If you have the right people and technology, you should be able to navigate the challenges in this environment, both from the risk and return perspectives."

The reality for many clients has got increasingly harsh in recent years in this respect, changing their expectations and tolerance. "Managing expectations is a big challenge for the industry," says Som.

Where the new risk-return equation – coupled with the increasing openness of other asset classes – might have an influence on client portfolios, he adds, the key is in motivating them to become more diversified and balanced.

Ultimately, this all ties into delivering a unique customer experience, which is a key differentiating factor today in this segment of the industry.

The advent of online and mobile capabilities, in particular, have created the potential for an integrated, omni-channel experience which also allows for personalisation. And in striving to make banking simple and fun – albeit at the retail end of the spectrum – Mashreq Bank recently launched the first mobile service of its type in the region to offer

Readying for growth

Mashreq Bank is the oldest bank in the UAE and has branches across the Emirates, as well as Europe, the US, Asia and Africa.

The bank's retail network is across the UAE, Egypt and Qatar, and consists of three major segments – wealth management, personal banking and business banking. Wealth is segmented into Mashreq Gold, an affluent-focused offering, and private banking, which is relatively new.

"Mashreq Bank is quite unique in the sense that we are a local bank in the UAE and we provide all kinds of asset classes, from global to GCC," explains Som. To give the bank more firepower overall, it can count on Mashreq Capital and Mashreq Securities.

Som also bolstered his team around the middle of 2016 by appointing Rajesh Malkani as head of private banking and wealth management business, along with a team of qualified RMs, product managers, and service and execution managers, to look after the product, segment and delivery.

He also recruited Basker Rangachari who was previously Standard Chartered's global head of brand and retail marketing, and is now responsible for building the positioning of Mashreq's brand, marketing and customer experience.

"We have built a competent and sizable team, and we had some good growth in 2016," adds Som.

customers a mobile banking app which enables them to transfer funds using Siri, Apple's virtual personal assistant. Transactions get confirmed using either the user's smartphone password number or thumbprint identification.

RAISING THE BAR ON ADVICE

Another hurdle for the development of the wealth management industry in the Middle East is the ability of banks to deliver 'advice' to their clients, via needs-based conversations.

The current industry business model tends to be primarily transaction fee-based – which often leads to product pushing and the churning of portfolios.

A shift to a more portfolio or performance fee-based approach, therefore, may indeed eradicate some of these problems in the region.

"The fundamental driver of this change will come when the way in which revenue is generated in banks or other wealth management institutions moves away from transactions and towards portfolio management," says Som.

At the same time, he is realistic that the willingness of local investors to pay a fixed fee for the service and a performance fee on the outcome is limited compared with the US and Western Europe, for example. "Most private banks [in Asia and the Middle East] have an offering at the entry level which is still product and transaction-based," he adds.

At the higher end of the spectrum, by contrast, discretionary portfolio management takes a more conducive approach to aligning the needs of customers and the bank. He believes technology will help to lower the cost of managing investments and transactions. "I think we are getting to a place where that shift [in fees] will be easier, where wealth managers get paid on the outcome of a solution as opposed to just selling it."

When this will happen in any significant way is anybody's guess, but this transition is in the interest of the customer and the wider industry, adds Som.

A FAST-EVOLVING INDUSTRY

In the meantime, various dynamics are playing out as the wealth management market in the Middle East evolves – including a host of providers vying for customers' assets and attention.

> "We can bring the rest of the bank to the customer, which is the biggest plus of a more holistic commercial bank."

First, explains Som, there is more information which is readily and quickly available to individuals than ever before – possibly too much.

As a result, some level of screening is needed to control the quality, relevance and timeliness.

Secondly, technology is making transaction execution available to the customer wherever they might be, for an ever-wider number of products and asset classes.

Yet even armed with the information and online or mobile tools, there is still a vital role for wealth managers to play in reviewing the objectives and needs of different profiles of customers, to be able to deliver the right level of performance to them.

"This is where I think wealth specialists will become even more important," adds Som. "The advisory function will become more critical and will be paid for, but will be more defined in scope."

BEING MORE HOLISTIC

The next few years will also see Mashreq Bank develop its offering to provide more value-add to the overall business and personal assets of customers, at relevant points in their lifecycle. For example, this will include corporate finance for the business, transitioning of wealth to the next generation and legacy planning.

"My personal view is that there is connectivity between business owners and wealth management, and in my experience, while they may keep their accounts separate, their behavior determines how we manage them," says Som. Combining the offering also reduces operating costs significantly and creates synergies.

"We can bring the rest of the bank to the customer, which is the biggest plus of a more holistic commercial bank as opposed to a boutique wealth management house," he adds. ■

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How Citi is enhancing its advisory offering in Asia

Paul Hodes explains how Citi is developing its overall proposition for clients in the region, as well as improving the education of staff to drive more needs-based conversations.

A huge amount of work has been underway behind the scenes within Citi's wealth management business to raise the level of advice it provides for its customers.

"The real differentiation for a client is advice," explains Paul Hodes, head of consumer bank, wealth management in Asia Pacific and EMEA.

And under that banner it includes providing analytics on client portfolios and their overall wealth – not only what they have with that institution, but all of it.

The process is leading to strong sales, along with positive feedback. "Advice can lead relationships in terms of deepening understanding, and ultimately driving our wealth management business."

"Advice can lead relationships in terms of deepening understanding, and ultimately driving our wealth management business."

MORE TANGIBLE

For the bank's HNW segment, for example, clients now get access to much more in-depth and analytical tools to review their portfolios. This aims to help them to deepen their understanding, not only their holdings, but also of the extent of the diversification that exists within their investment portfolios, explains Hodes.

This also factors in the client's own company to understand whether that's privately or publicly held, and what the correlation is between their business and personal assets, he adds.

For the bank's affluent customer base, meanwhile, the Citigold Diversification Index (CDI) within the Total Wealth Advisor tool is a relatively simple way to help clients understand how well their portfolios are diversified.

The CDI measures portfolios in terms of how they are placed versus the recommended model portfolio and the underlying holdings, says Hodes. It also tests potential concentration risk – in terms of the extent (or not) to which

Education a priority

In line with the commitment to raising the bar on the advisory offering Citi delivers for its clients, Hodes knows this requires an advanced skill-set for his relationship managers (RMs).

To deliver on this, in late 2015 the bank launched an exclusive training programme with the Wharton School of the University of Pennsylvania – as part of a global initiative to better educate its front-line staff.

The goal is to train 300 to 400 Citi advisers every year for the next three years.

The programme begins two months prior to advisers' on-campus training, with a series of webinars and online courses. Following their on-campus experience, advisers participate in two additional months of on-the-job training.

The curriculum includes instruction and experiential learning to help participants enhance their business acumen and leadership skills. So, when recommending a product, for example, this should help RMs understand what the academic research is behind it. "When we talk about portfolio or manager selection, about diversification, or about risk versus returns, we try to think about what they really mean," says Hodes.

RMs need to go into the process knowing how to calculate or measure this, he adds, so that they will get into a more sophisticated level of conversations with clients to provide ideas to them.

clients' portfolios are diversified across geographies and sectors, for instance.

This changes the dynamics of the adviser-client conversation markedly.

Historically, different bankers may have had different perceptions about an individual portfolio, explains Hodes, creating a very subjective discussion on portfolio diversification.

bank, like their own company's stock, or their real estate.

"Wealth managers need to understand how the portfolio performs relative to some of [the client's] most important assets," says Hodes.

DRIVING DIVERSIFICATION

These are critical tools for wealth managers, to enable them to be able to work with their clients to reassess goals and risk tolerance, as part of efforts to ensure their portfolios really are suitable.

"Being able to implement the Total Wealth Advisor tool and being able to quantify to a client whether their portfolio is diversified or not, leads to a much richer conversation."

"Now, being able to implement the tool and being able to quantify to a client whether their portfolio is diversified or not, leads to a much richer conversation," he says.

"The next step is to take a look at the client portfolio and what they are holding versus the related model portfolio with selected premier funds."

At the same time, Hodes says the portfolios are back-tested, to understand what core relations may exist.

For example, he explains, clients may have investments in the portfolio that appear to be diversified.

But bankers need to determine the extent to which they are diversified against some of the client's largest holdings, which might not be held in the

And against the backdrop of volatile markets for the past 18 months, creating and maintaining consistent, appropriate portfolios is more important than ever.

For almost a year, many clients experiencing such uncertainty have been asking themselves questions like: 'Am I meeting my most important financial goals?' And, 'Is my portfolio really suitable?'

Hodes says it is critical for wealth management providers to be in touch with their clients during such times, to help them reassess their goals and tolerance for risk, review their portfolios, and meet the objectives that clients are comfortable with.

EFA Group is an independent asset manager providing alternative credit solutions, with a focus on real economy businesses.

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Specifically, each wealth manager needs to have a clear methodology and framework, to track what clients' have asked for, as well as their performance in respect of these goals, he explains.

Further, institutions should be able to analyse the portfolio and share these insights with their clients.

The practical implementation of such advisory tools is having the desired impact, both in terms of growth in overall AUM and net new money – for deposits and investments – as well as in diversification, notes Hodes.

"We are seeing clients in each one of our segments be much more diversified in their portfolios," he says, "away from fixed income portfolios."

He adds that while clients might be growing their equity exposure overall, that is being done by taking a more balanced or multi-asset approach.

The volatility in global markets has also led to recommendations by Citi that its clients diversify into some alternative investments.

The aim of lower correlations is to mainstream equity markets.

This has included hedge funds or liquid alternatives, as well as real estate, private equity and other diversifiers such as gold.

This is all the culmination of a three-step process: first, understanding a customer's goals to be able to set up a financial plan; secondly, having an asset allocation that dynamically re-balances; and thirdly, using the engine, which consists of the products that fit into the plan.

"Ultimately, when wealth managers review the models they use to recommend funds, they need to be able to assess whether they have provided incremental value to clients."

ADDING VALUE

According to Hodes, banks need to create tools to help advisers monitor client portfolios in this way. Plus, they need to ensure their investment specialists work closely with the front-line.

Ultimately, when wealth managers review the models they use to recommend funds, they need to be able to assess whether they have provided incremental value to clients, adds Hodes.

The goal is to give strong and holistic advice, and then be able to track it in good and bad times.

"As clients in Asia become more sophisticated and experienced with investing, they are becoming more demanding, but I think that's very good for the industry," adds Hodes.

"The key [for advisers] is to be able to make the transition from product sales to real advisory, to be able to understand clients' needs and then build financial plans around them."

They can then also help those clients understand on a day-to-day basis how they are doing against their most important goals. ■

Looking for more from product partners

For Citi to be able to deliver on its advisory ambition for its clients, Hodes is looking for a certain level and depth of support from the asset management firms and other product providers the bank partners with.

As a starting point, these firms must have people on the ground to support the RMs in local language, with an in-depth understanding of the underlying product.

Yet as the markets have matured in Asia, bankers need less support on what the funds are themselves.

Instead, they need to know more about how a manager actually differentiates itself from its peers.

This might be, for instance, in terms of management style, underlying strategy, execution capability or research.

Keeping clients at the heart of digital disruption

A successful digital strategy is one which strategically focuses on creating value for the business as well as for clients, says Ketan Samani of UBS Wealth Management.

For UBS Wealth Management, digitialisation has become a central theme that runs through all aspects of its global business – driven from the highest level in its executive ranks.

In fact, the world's largest private bank is so focused on innovation in this way that it has spent hundreds of millions of US dollars to date on various digital and IT initiatives.

Plus, as the incumbent, it has been quick to recognise the growing competitive pressures from fintechs and start-ups.

Yet the bank's digital priorities are across the board – from ensuring an impactful client experience to data security to cultural transformation to increasing productivity through innovation.

"Banks are not perceived as having agility or being innovative, but we are focused precisely on these areas," explains Ketan Samani, managing director, chief digital officer for UBS Wealth Management in APAC.

INFLUENCING HEARTS AND MINDS

The bank's Zurich office was the main hot-bed of innovation initially. But Asia Pacific has its own mission in this area and has been quick to catch up.

The overall goal, says Samani, is to "future proof" the bank's leadership in wealth management by defending its turf from competitors old and new alike.

But this is down to much more than smart ideas and new tools.

The biggest driver of a digital culture is getting all staff to live-and-breathe it without any feeling of being threatened by the power – and (lower) cost – of technology. Having the right mindset to foster and drive change is also a central theme across team collaboration and execution at UBS Wealth Management. In line with this, the bank has focused on conveying to is client

> **"Banks are not perceived as having agility or being innovative, but we are focused precisely on these areas."**

advisers (CAs) the role that digital plays not only in assisting them in getting closer to clients, but also in being able to add more value to them and standing out from the competition.

This offers a glimpse into the importance the bank places on making its digital strategy central to being able to achieve its business goals.

"Often, in large banks, digital gets left to the technology, product or servicing teams, with the C-suite trusting these line managers with the initiatives," says Samani. "At UBS Wealth Management, I often see the business head personally involved as this relates to a specific business need."

PRIORITISING

Such a spotlight from the top therefore puts digitalisation on a different footing at UBS Wealth Management, in comparison to many industry players, in terms of how it can contribute to the overall business.

"The amount we invest in digital hasn't come without being accountable for creating value for the bank," explains Samani.

More specifically, the strategic focus to make a meaningful impact is based on three elements.

And these are all critical factors when UBS Wealth Management selects its technology partners.

First, the bank looks at whether the proposed solution addresses a real need of the business and clients in a measurable way, not just conceptually. "In the lab, we deliberately create a prototype that produces a numerical measure," he explains. "This can also help get the investment buy-in from senior management."

A second key factor is scalability. This is based on the fact that the bank strives to each global consistency, yet with local deployment.

The third component to determine the value of a digital initiative is its flexibility and robustness. "We look for agility," says Samani. "And we look to be able to test and learn from it, so that we know if it will work or not."

In general, the reliability of a solution is key, which can often a questionmark over some of the fintech offerings to date.

Despite the claims to the contrary from a lot of platforms in the market, Samani says that as soon as content and data gets put through a system, the expected results don't materialise. This raises issues relating to security, for example.

MEASURING THE SUCCESS

Where Samani and his team are satisfied with the potential of a digital project, he then turns to measure its likely effectiveness.

A key way to do this is via client metrics. "We must pass the test of usability," he explains. "Whichever parts of the service are being digitised, they must actually be used and adopted by clients."

To support this and at the same time encourage a higher adoption ratio by CAs, the bank also assigns scores so that these individuals will promote the tool to drive sales.

Another benchmark relates to a mix of the level of efficiency the new initiative creates and the amount of cost-saving that becomes possible.

Connected to this is assessing whether it also provides revenue and therefore bolsters probability.

Ultimately, Samani says the focus needs to be on delivering a compelling client experience. "At the end of the day, the profitability of digitalisation only comes when the client adopts and uses the technology."

Yet he also acknowledges that a consistent client experience across service touch-points requires the bank to look beyond digital and invest also in its staff. ■

How to create a clear and differentiated digital strategy

Although many clients might voice their opinion about the product and service features they want from a digital experience, implementing something that they will really use will make the difference.

For UBS Wealth Management and Samani, it is fundamental to abide by this philosophy.

"We need to follow a very focused approach and create partnerships with clients and colleagues," he says.

This is also essential if the bank wants to earn a fee from what it delivers to clients. "We must at every point in the client experience, add value to them via our advice, specificity of content and service excellence," he adds.

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Capturing Asia's digital potential

While everyone in Asia is talking about 'going digital', speakers at Hubbis' annual event in Zurich explored what is required to service the region's vast number and variety of wealth management firms, and customers, with the right solutions.

The world of wealth management is clearly all about digitalisation at the moment, especially in Asia.

As institutions strive to bring efficient and trustworthy banking to their customers, going digital is one driver to fulfil such a mission – in combination with operational excellence and a networked financial market architecture.

According to Francisco Fernandez, group chief executive officer of Avaloq, banks have essentially been 'digital' for many years, decades even, given that they been introducing software very early.

What is happening today, he explains, is the digitalisation of what he calls "the last mile of banking".

This refers to the interaction between the consumer and the bank or individual wealth manager.

"The consumer is being integrated into the value chain," he adds.

Panel speakers

- ***Francisco Fernandez****, Group Chief Executive Officer,* ***Avaloq***
- ***Mark Buesser****, Chief Executive Officer,* ***IMTF***
- ***Michael Stemmle****, Founder and Chief Executive Officer,* ***additiv***
- ***Ralph Mogicato****, Fintech Angel Investor and Entrepreneur*

In line with this, online technologies are enabling new business models, such as fintechs.

And some of these technologies seem to have clear disruptive potential, for example blockchain.

While this movement is generally global, Fernandez says it tends to be

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even more aggressive and faster in Asia, where consumers tend to be particularly tech savvy.

TAKING A LEAD

China is perhaps the best example of this, especially in terms of the current fintech environment.

There is a willingness in the country to pump billions of US dollars into start-ups with the expectation – and acceptance – that some won't survive.

The ability to foster an innovative spirit relies on such a mentality, therefore putting China in a good position to test products that can be rolled out worldwide, and quickly.

As a result, Ralph Mogicato, fintech angel investor and entrepreneur, has little doubt that innovation going forward will come from Asia, not markets like Switzerland.

SCOPE FOR SWISS VENDORS

Yet there is certainly still a lot of scope for Swiss-based technology vendors to access the Asian wealth management space, if they approach this opportunity in the right way.

"The consumer is being integrated into the value chain."

FRANCISCO FERNANDEZ
Avaloq

"There is a willingness in China to pump billions of US dollars into start-ups with the expectation – and acceptance – that some won't survive. The ability to foster an innovative spirit relies on such a mentality."

"In Asia, we see a strong tendency for brand. Asian banks like what they see as being 'proven' and 'safe'," says Mark Buesser, chief executive officer, IMTF.

"Innovation going forward will come from Asia, not Switzerland."

RALPH MOGICATO

For his regulatory-related solutions, these are considered to be not only a requirement, but something which has also already been tried-and-tested in a competitive wealth management market.

As a result, this creates a certain level of comfort that they can be effective in Asia, too.

In addition to Switzerland's centuries of financial services history, locally-based vendors have also learnt to work with niches and in a variety of languages, creating similarities with Asia.

"Asian markets are learning from more established countries," says Michael Stemmle, founder and chief executive officer, additiv.

"We can transport 500 years of knowledge and experience in Swiss banking to Asia," he adds.

MAKING IT SIMPLE

One of the key factors expected to determine which wealth managers are most successful is likely to be simplicity.

"Clients don't want to use complex systems," says Mogicato. "Everything needs to simplified at the front end."

According to Buesser, digitalisation means automation and 'uberisation'.

However, the Asian wealth management industry still has some way to go, in his opinion, to creating the required convenience.

"In Asia, we see a strong tendency for brand. Asian banks like what they see as being 'proven' and 'safe'."

MARK BUESSER
IMTF

Keeping things simple can also help banks to tackle some of their biggest problems – namely ensuring transparency.

"One of Avaloq's approaches is the creation of an innovation ecosystem.... This enables innovation for banks and wealth managers as well as access to a global community for innovative ideas from fintechs and developers."

"Asian markets are learning from more established countries. We can transport 500 years of knowledge and experience in Swiss banking to Asia."

MICHAEL STEMMLE
additiv

Many of these issues, however, are no different in Asia than they are in other parts of the world, including in Switzerland.

These include cost, regulation and the ability to do cross-border business efficiently and without (regulatory) incident, adds Fernandez.

One of Avaloq's approaches, for example, is the creation of an innovation ecosystem, explains Fernandez, both for technology as well as for financial products.

"This enables innovation for banks and wealth managers as well as access to a global community for innovative ideas from fintechs and developers."

Going forward, those start-ups which will be successful, according to Mogicato, will be those that have a few key characteristics.

These include: a good team with experienced people; a reasonably solid idea (not necessarily the most innovative one); effective execution; and a business plan worth taking to market.


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A strategic approach to application development in banking

Software is becoming increasingly critical to most wealth management organisations, so adjusting strategies accordingly is a top priority, says Appway's Hanspeter Wolf.

In its effort to address the growing problem of outdated banking processes in the era of demanding, technically-savvy customers, Appway has built a solution for universal banks, private banks, and wealth managers. "Our goal has been to become the global leader in a specific part of the market and we are really happy we achieved that for client onboarding in wealth management," says Hanspeter Wolf, chief executive officer of the Switzerland-based software firm.

Appway Onboarding allows firms to manage the entire client lifecycle, including data discovery, profiling, advisory, account opening, sending out welcome packages and account activation. It also covers the activities of all stakeholders involved, including customers, employees and partners.

APPWAY IN ACTION

The firm follows an open-system architecture approach and integrates with multiple third-party software and services. For instance, says Wolf, Appway Onboarding integrates digital signature capabilities of partners such as eSignLive and DocuSign, providing clients with a digital alternative to manual signatures.

The solution automates tasks related to client accounts, making processes efficient, accurate and traceable. It also provides stakeholders with the tools they need to guarantee full compliance.

The solution's main objective is to empower businesses to adapt to a changing world as they continue to attract new customers and sustain company growth. "However," adds Wolf, "to continue growing their businesses, wealth managers will need to offer clients a complete digital onboarding experience and full mobile support."

In line with this, he explains that Appway provides clients with a seamless native

HANSPETER WOLF
Appway

experience for both iOS and Android systems, enabling a smooth onboarding experience across devices, channels and interaction modes. "In this way, Appway merges the traditional physical world with today's digital world," adds Wolf.

DRIVING CHANGE

He believes that Appway is the right choice for companies seeking to increase revenue and build loyalty by providing seamless digital and physical experiences for both customers and employees.

For example, institutions can enhance the user experience by giving customers and employees access to Appway-based applications anytime, anywhere.

"Work automation supports better interactions between customers and employees across the work spectrum," says Wolf, "which frees up time for employees to engage in the most important business activity: serving customers."

Meanwhile, Appway's support for agile methodologies enables the rapid development of new releases and improvements. Companies can release applications according to their needs while continuing to deliver smooth, uninterrupted digital experiences.

In addition to its technology, Wolf says that Appway places a lot of value on community building by working with an extensive network of partners and developers.

"We have a website that provides tutorials and instructions to all those involved in developing business applications, from business analysts and applications architects, to software developers," he adds.

This website – developer.appway.com – is open to the public, giving people around the world access to information about what Appway is currently working on. "It also lets us know what people are doing and what they are thinking," explains Wolf. "It's what we call 'sharing by default'."

OPPORTUNITY

In 2015, Appway's bookings showed an 81% increase, which corresponded with the global expansion of its client base and network. This included the opening of new offices in Toronto, London and Geneva.

Asia now comprises around one-fifth of the company's overall business, with further growth expected in Hong Kong and Singapore.

Wolf suggests that Hong Kong, in particular, can help Chinese banks take their first step into international waters.

For example, in November 2015, Huatai Financial Holdings, a subsidiary of Huatai Securities, one of China's largest brokerage firms in Hong Kong, implemented Appway Onboarding. The solution has been pivotal in supporting the firm's international growth.

Appway's expertise and experience working with large international banks has made it a likely choice for firms with global outlooks like Huatai, says Wolf.

"We chose Appway over competitors for the company's ability to understand our goals and requirements quickly," said Lucy Sun, chief operating officer of Huatai Hong Kong at the time of the implementation.

CHALLENGES REMAIN, BUT PROSPECTS LOOK GOOD

According to Wolf, building the right experience for customers and employees is essential. And today, having a good experience requires the digitalisation of operations.

He believes that organisations are searching for the tools they need to manage continuous change. But a one-step transformation is hardly feasible, and for companies looking to make sweeping changes, the challenges are numerous.

For Wolf, meanwhile, the company has more to offer than just technology. "Digitalisation is about strategy and change. A large part of digital thinking is about change management. Many people forget that," he explains.

"People who have worked with a company for 30 years will have to adjust their outlook," he adds. "So real change will only be possible when the right incentive structures are in place."

One way to support a culture of change, Wolf suggests, is to avoid large releases or a single, company-wide transformation. Instead, continuous, incremental adjustments is the best path toward successful digitalisation.

"We guide our customers to adopt a digital mind-set, which has helped them establish track records of ongoing and effective change," he says.

Wolf adds that these practices apply to banks both small and large.

"We may serve some of the largest banks out there, but what we offer works for local and regional banks as well. Client onboarding has proven to be a great first step on the journey toward becoming a digital bank. That's the beauty of our business." ■

The internationalisation of Chinese wealth

Chinese HNW and UHNW clients are looking for new options, especially cross-border solutions, to diversify, protect and grow their wealth in today's complex world. A new White Paper by Hubbis and Jersey Finance identifies the way forward.

They are increasingly aware of the various challenges they face in relation to business succession planning and the transfer of their personal wealth to the next generation.

This has brought with it a growing demand in terms of diversification of product, channel and destination.

Indeed, the 2015 version of the China Merchants Bank-Bain & Company China Private Wealth Report identified wealth preservation as the top wealth management objective, followed by wealth inheritance, which surged from the fifth priority in 2013 to the second last year, particularly among the UHNW.

The report also identified the new meaning of 'wealth inheritance' as part of the Mainland market's evolution. Increasingly, China's wealthy value a legacy of both material as well as spiritual wealth; they expect good virtues and capabilities, such as education, hard work and business philosophy, as part of their legacy. These trends present significant opportunities for wealth

"There appear to be two primary needs for China's HNW and UHNW populations... to diversify and protect their wealth... and to have proper succession planning."

Research scope and context

The objectives of this research were to highlight key trends and topics linked to the demand for advice and solutions, amid the flow of assets and people from the Mainland, and to help provide answers to questions such as:

- *What are drivers and also risks for Chinese HNW and UHNW clients in trying to diversify, protect and grow their wealth?*
- *What is the impact of transparency and tax initiatives on appetite for solutions and advice among Chinese clients?*
- *How will assets transfer across generations?*
- *What advice do Chinese families need in today's complex world?*

managers and professional services firms targeting this growing segment.

This was the backdrop for proprietary research conducted by Hubbis and Jersey Finance in September 2016, via an online survey, one-on-one interviews and a roundtable discussion.

MEETING CLIENT NEEDS

There appear to be two primary needs for China's HNW and UHNW populations. The first is to diversify and protect their wealth in an increasingly-complex world; the second is to have proper succession planning for family businesses and personal wealth.

Indeed, according to our survey of 45-plus industry practitioners across Hong Kong and Singapore who service these individuals, business succession planning is their main focus today (43%).

This is followed by a mix of insurance / protection, estate planning, and legacy planning – which are roughly equally weighted.

The challenges in meeting these requirements, however, are highlighted by the general lack of diversification of assets, along with a limited knowledge of managing risks and available solutions.

Further, specific issues that some of these individuals might face include: the depreciation of the RMB against the US dollar; investment in unfamiliar markets (overseas real estate and financial products); and understanding the implications of inheritance taxes in mature markets.

Of increasing concern and uncertainty to many of these individuals are the expected developments in relation to estate and inheritance taxes, along with the global drive towards tax transparency.

Perhaps most notably, however, the two most significant hurdles which are holding Chinese clients back when it comes to wealth transition are: where to even start the discussion; and what is seen as a lack of good advice or options. Combined, these difficulties account for roughly 80%, based on survey respondents.

A GROWING ROLE FOR SERVICE PROVIDERS

As the China market continues to open and the wealthy become more sophisticated, HNW and UHNW clients are increasingly looking to diversify their holdings outside of the Mainland.

These individuals also see overseas investments as a way to achieve more diversified (and potentially higher) returns through access to a broader selection of products and services than is available domestically, due to recent stock market performance in China.

In line with this, wealthy individuals and families are turning to wealth management specialists, both foreign and onshore, to help them achieve their objectives. It is therefore becoming necessary for these individuals to access a full suite of wealth management services – including estate and wealth planning, and real estate.

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While China's HNW and UHNW prefer to take a predominantly active role in their own investments and looking after their assets, there are signs that more of them are entrusting a larger share to professionals.

Perhaps most exciting for wealth managers and other advisers over the long-term, meanwhile, is the fact that the recent volatile environment has heightened awareness and demand among HNW and UHNW Chinese for financial planning and wealth structuring expertise.

At the same time, wealth managers need to be aware of what matters to these clients in terms of what they are looking for from their fiduciary providers.

According to respondents to the online survey, the three most important elements (roughly equally weighted) are: offering tailored approaches; delivering a high degree of personalisation; and creating confidence for the clients that they feel in safe hands.

MORE STRUCTURING NEEDED

Ultimately, there are various drivers behind Chinese clients increasingly looking to engage wealth structuring options and solutions, often linked to their various concerns about how to protect their wealth and legacy amid the existing framework.

But while most wealthy individuals in China understand the use of a will, the understanding and utilisation of other planning ideas such as pre-nuptial agreements, trusts and foundations are still in a relatively developmental stage. This might be explained by the fact, according to the survey's respondents, that the biggest misconception Chinese families have with wealth structuring is a 'loss of control' (72%).

Another issue for these clients to contend with is family business succession. For instance, practitioners see a growing number of situations where children, especially if they have been abroad to study, are not keen to take on responsibilities of family businesses.

In some cases, family governance can help. Anecdotally, according to several professional services advisers during the research process, they say that the creation of family charters and setting up family councils has been well-received by Chinese clients.Philanthropy is also a concept which is gaining some traction among families, although domestic laws are not well developed yet in this respect.

When it comes to trusts, most of the planning done to date has been based on foreign models where overseas-based trusts own overseas assets. Domestic PRC trusts are not being used in any material way for such planning yet and clients still face difficulties transferring onshore assets into overseas-based trusts.

Asset planning, family succession and the diversification of wealth are often the key drivers for much of the cross-border structuring out of China.

A smaller proportion of it, some practitioners say around 25%, is done for tax purposes.

As more Chinese wealth moves across borders in search of protection and other wealth solutions, (subject to currency controls) growth in the overseas-based trust market is expected, at least in the near term. This is pending the anticipated amendment of the individual income tax laws and possible introduction of gift/inheritance tax. ■

Educated and prepared

There are various ways that the wealth management industry can help further develop and support the trend of the internationalising of Chinese wealth.

For many UHNW clients from China, for instance, they need to be educated on how wealth should be managed overseas, properly and professionally, with optimal results.

More specifically when it comes to estate and succession planning, pre-empting any issues is crucial when advising Chinese clients.

Survey respondents pinpointed the use of 'wrong or unnecessary structures' as the most likely aspect of the process to create problems for clients (45%).

This is closely followed by a mix of 'wrong advice about what clients need' (24%) and 'family disputes' (24%).

Such friction is inevitable, so more time and attention needs to be spent than many clients think on how they pass on their wealth without destroying the family unit.

Further, and more broadly, many clients from China are not fully aware of the implications of FATCA and the Common Reporting Standard (CRS).

Yet at the same time, advisers, too, need to be cautious about exposing themselves to offences or charges under relevant CRS or other regimes by taking too proactive a role in structuring advice.

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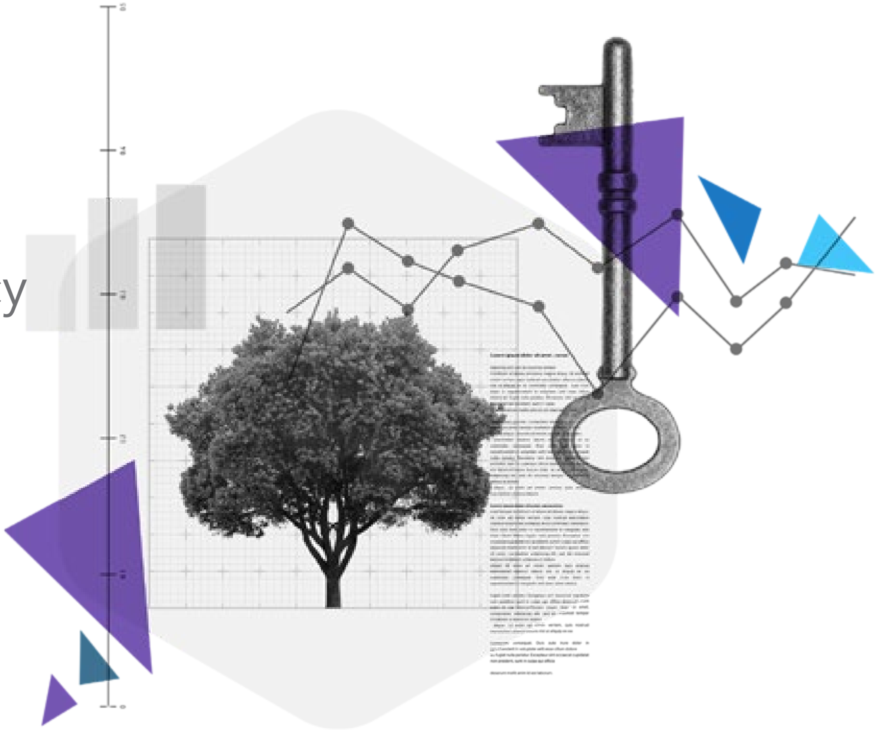

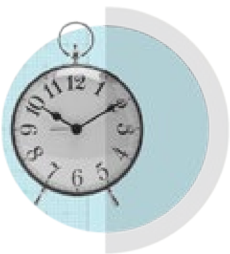

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A growing need for an even playing field

As the global wealth management industry continues to undergo sweeping changes in terms of both regulation and client behaviour, standards need to be consistent and conducive to doing the right type of business, says Globaleye's Tim Searle.

Many international advisory firms in the financial planning space face a growth dilemma: they want to be present and operate in as many markets as possible to service their clients, yet this subjects them to a host of different regulatory environments.

The upshot, explains Tim Searle, chairman and chief executive officer of Globaleye, is that firms like his, which has 350-plus people spread across 10 offices in Europe, the Middle East and Asia, can be held back in what they can offer clients.

And in turn, those individuals might look at markets elsewhere.

"Compared with the US, the UK or Australia, where the IFA industry has flourished, we have to operate in multiple jurisdictions with many regulators," he explains. "The local regulator [in each market] should take note of changes happening around the world."

This is particularly true in Asia and the Middle East, where Globaleye is headquartered, and Searle has worked for the last 18 years.

In this region, the firm is only allowed to provide clients with a limited range of products, inhibiting its preferred, best-of-breed approach.

The same even applies in Singapore, he adds, although to a lesser extent.

Yet if a client who lives in Singapore wants to buy a certain product, but this isn't licensed there, they can still approach a firm in another market. "We are now looking at reverse client acquisition," says Searle.

While such individual regulatory standards ensure that investors in a particular jurisdiction only get sold investments which have been authorised by the local authorities, the cross-border nature of clients' portfolios and assets means their needs are much more global today. And nobody wants to even test the boundaries, given the consequences which now exist.

TIM SEARLE
Globaleye

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ADAPTING TO CHANGE

To date, Globaleye's business model has been based on classic financial planning solutions. But the firm has realised the need to evolve in line with clients' needs and the wider investment and regulatory climates.

In line with this, in August 2016 it launched a new platform, AEON, in partnership with investment management firm Quilter Cheviot, part of UK FTSE 100 company Old Mutual, and also with Fidelity International.

In what Globaleye believes is a first-of-its-kind partnership, AEON aims to support the development of regulation and compliance in offshore financial services by leveraging the experience and expertise of the two investment managers.

In short, the aim is to offer discretionary fund management to offshore investors, currently available to Globaleye clients across its offices in the Middle East, Asia and Europe.

"We have created this new proposition as we recognise the need to provide dynamic asset management in line with clients' risk profiles, and by using professionals as part of an enhanced service," explains Searle.

It also stems from the fact that clients increasingly realise it is unrealistic for them to rely on – or expect – a financial adviser to manage their money in the way they need, given the complexities of the markets.

To play its part in this way, the platform gives clients access to instruments like ETFs, single stocks, funds and trackers at an institutional rate.

Further, every portfolio is consistently reviewed to guarantee each investment remains within the clients' risk parameters and is adapted to global economic situations as they occur.

Typically, offshore financial planning firms charge entrance costs and exit fees to clients who wish to buy a new fund or sell a fund within the first five years of purchase.

By contrast, he says that AEON has pricing structures to guarantee the client's assets remain liquid.

"There is often a disconnect between what [most] fund management firms offer and what clients want and can tolerate," he adds.

The emphasis has also been on ensuring a low total expense ratio, which Searle says is important given the challenge in getting alpha if inherent charges on funds are high in an environment of low interest rates.

ENHANCED SERVICE

AEON is a clear sign of Globaleye's philosophy to give its clients comfort, control and flexibility.

Going further, to offer access to view the performance of their investments, the firm has also designed and launched Globaleye Valuation Service (GVS), which is a free tool.

This enables the firm's clients to be able to build up a complete picture of all their assets and liabilities – not just financial investments.

In turn, it also enables the respective financial adviser to monitor and adjust the assets, if the client wishes. ■

Driving global diversity

In Searle's view, the mis-match he sees between what clients need and want, and what firms like Globaleye are allowed to deliver, is a challenge for such global players.

On the other hand, however, its reach provides certain advantages over many competitors.

This is especially the case when it comes to being able to access a greater number of clients around the world.

This enables the firm to target clientele who understand the importance of financial planning, regardless of where they come from.

"The needs of someone from Egypt compared with a guy from Singapore are similar," says Searle.

"They have both got aspirations to retire one day, and ensure their family and business are protected. So they want us to deliver solutions to meet these needs," he adds.

However, since the penetration of insurance in all markets continues to be relatively low, greater involvement from regulators would be a welcome development.

"[We want them] to raise the importance of financial planning and make people confident to go to a provider who delivers a solution they want," he adds.

New wealth management dawn beckons for Indonesia

Our 5th annual event for the wealth management community in Indonesia came at a time of much excitement in the local market, especially in the wake of the new tax amnesty programme and lower bank deposit rates.

While it is difficult to predict what the real impact will be on Indonesia of tax reforms and greater investment incentives, consensus based on this and other regulatory initiatives is that this should be a good thing for the further development of the wealth and asset management industries locally.

Practitioners predict that many Indonesians will increasingly bring money back onshore – assuming the government lays more foundations for the future. There even seems to be evidence of some private bankers wanting to relocate to Jakarta in preparation for the expected growth.

This should, therefore, be the catalyst to now kick-start the country's wealth management sector. At the same time, technology – especially via mobile, digital and social channels – can be increasingly harnessed, along with product innovation and education of both clients and advisers alike, hopefully helping to drive more awareness, growth and engagement.

This all presents a tangible opportunity to build a longer-lasting wealth management business. In line with this, it should be more realistic that local banks can start to close the gap that has existed to date in terms of the quality of advisers, connectivity, processes and access to investments that are commonplace within universal banks.

But a combination of economic growth, demographics and future financial needs is expected to result in growth in the number of people who will invest in mutual funds – to surpass the relatively small 370,000 or so currently. Yet while some of the opportunities are exciting for all participants, there is a hesitation to more broadly say that things are at a 'tipping point' just yet – mainly due to the lingering limitation from regulatory restrictions, talent, professional standards and relatively traditional business models.

The need of the hour is for the regulator to work more closely with the industry to shore up the fundamentals and increase capacity.

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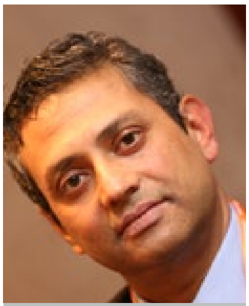
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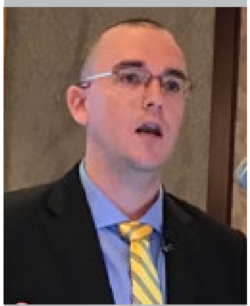

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"As the wealth management industry in Indonesia is still relatively new, this forum provides a good opportunity for us to learn, especially from practitioners from other countries."

Tri Djoko Santoso, Chairman, FPSB Indonesia


Powering the Future of Trading

Customer-centricity at heart of a winning Indonesia strategy

Wealth management in Indonesia could be at a tipping point. From a relatively low base, government initiatives plus digital solutions look set to create the catalyst for more diversified portfolios and a better customer experience, says Ivan Jaya of Commonwealth Bank.

Indonesia's wealth management market is still at a nascent stage of development; the fact that mutual funds have a market penetration of less than 1% is evidence of this.

But practitioners are optimistic about the potential in this large market with a growing middle class.

The opportunities in Indonesia are huge, driven by the key wealth drivers of consistently positive GDP growth (currently 5.2% GDP growth compared with 4.9% in Q1, 2016).

Further, the recent Tax Amnesty Programme is sending some positive signals to the market.

Ivan Jaya, executive vice president and head of wealth management and customer segments for Commonwealth Bank in Indonesia, believes the tax initiatives will see more HNW assets head back onshore.

Consequently, bankers have to be prepared for the expected growth.

READY TO PROVIDE THE RIGHT SOLUTIONS

In preparation for this, the key challenge for the industry is creating and sustaining the resources required to offer a professional and efficient service to end-clients.

To provide more sophisticated solutions, wealth managers should offer diversified portfolios with strong investment instruments to absorb the expected excess liquidity expected by inflows.

In line with this, local banks should also be able to close the gap with big players in terms of the quality of advisers and relationship managers, as well as in terms of digital solutions, processes and diversification. "There is a change in the wealth management paradigm," explains Jaya. "Relationship managers who usually focus on client needs and provide tailored solutions for them now should be familiar with the client's ability to transact by themselves with digital solutions."

IVAN JAYA
Commonwealth Bank

GAME-CHANGER IN CLIENT EXPERIENCE

Worldwide, wealth management firms are reshaping their strategy to focus on client needs.

For Jaya, the recent changing market in Indonesia offers the opportunity to incorporate digital solutions and reinforce the adviser-client relationship.

He is optimistic on the ability of Indonesia to take a digital path. Indeed, for him, digital possibilities are vast in a country with 220 million mobile subscriptions from a population of 250 million.

Moreover, the average age across the population is relatively young, at around 28 years old.

"Wealth managers should offer diversified portfolios with strong investment instruments to absorb the expected excess liquidity expected by inflows."

New clients in Asia are also relatively sophisticated and required more time and attention. They are also comfortable with using mobile and internet channels for their banking services.

The Association of Internet Service Providers in Indonesia (APJII), for example, said internet penetration in Indonesia has now reached 40% of the population, or 100 million users.

Growing penetration is also supported by the government's plan to develop an information highway with broadband services for all 514 regency and municipal capital cities across the country by 2019. Moreover, with experience banking in Singapore, HNW clients are more and more tech savvy.

As a result, wealth managers have to be focused on their clients in order to be able to translate and identify their needs. "We need to tailor our services based on customer needs," says Jaya.

To meet client expectations, Commonwealth Bank has a unique feature that other players don't – the capability to allow customers to buy and sell mutual funds online through mobile banking.

This capability provides an opportunity for customers to transact mutual funds anywhere after getting advice from their relationship manager.

A BLENDED FUTURE BECKONS

According to Jaya, what's needed now in Indonesia's wealth management market, is implementation of an omni-channel strategy by combining human and technology advice.

Robo-advisors could fill the financial advice gap. Indeed, Indonesian banks could take advantage of the fintech phenomenon to build their credibility in the market, he explains.

Going forward, he says the most successful financial advisory firms will be those which combine the best of client-centered technology and the benefits of the human touch in providing advice.

He also sees the local banking landscape being reshaped by domestic consolidation.

To meet clients' expectations and increase market penetration, local players have to reinforce and diversify their fund and insurance propositions.

To close the gap with the bigger players, local banks also need to consolidate the knowledge of their relationship managers, so that they can give the right advice to customers.

And by using technology and diversifying the product offering, wealth managers will be able to deliver advisory services about investments and provide tailored solutions to meet customers' needs. ■

"The most successful financial advisory firms will be those which combine the best of client-centered technology and the benefits of the human touch in providing advice."

Accessing and capitalising on the Asian wealth story

With unrelenting growth in wealth across Asia, our annual event in Zurich explored the real risks and challenges of investing in region as well as the issues and opportunities in terms of managing family wealth.

Many people based outside Asia often don't understand the reality of the opportunity that the region's ever-growing numbers and overall amount of wealth represents. Being profitable has been a constant challenge for international private banks in Asia. And with cost income-ratios increasingly under pressure, the complex regulatory landscape, and clients reluctant to invest in today's uncertain and low-yield environment, the pressure for many players is increasing.

Despite these challenges and the trends in consolidation and down-sizing over the past two to three years, the allure of Asia continues to attract investment from institutions trying to access existing and new HNW and UHNW clients.

For the international players which can get it right, the potential for recurring fee income is growing, especially in Hong Kong and Singapore, where there is now a much higher willingness among clients to put more money into managed or discretionary solutions. Further, big brands still seem to count among Asia's wealthy, so some of the well-known Swiss names can leverage this.

Asia also offers European-based clients much more hope in terms of generating returns than they have closer to home.

Some of the factors for this include high GDP versus the rest of world and other EM regions, plus strong consumer balance sheets and governments in good financial shape to support reforms. Generally, India and Indonesia are favoured countries, outside of China, due to structural reform underway to the benefit of consumers.

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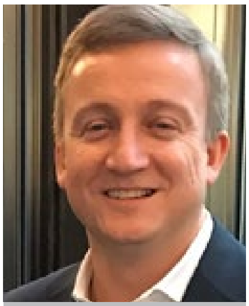
Beyond their investment portfolios, there is also a lot of scope for helping Asian clients address growing concerns over confidentiality, transparency, security and asset protection.

The impact of automatic exchange of information (AEOI), the Common Reporting Standard (CRS) and other regulatory initiatives has led to more questions than answers. Amid the hunt for new solutions so far, there has been a significant fall in demand for pure 'offshore companies', replaced by a move to mid-shore and onshore companies; Singapore and Hong Kong have been beneficiaries of this trend.

Alessandro Caironi
Credit Suisse



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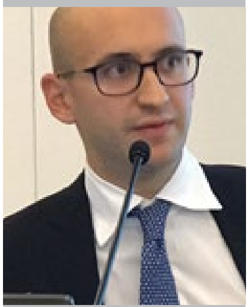

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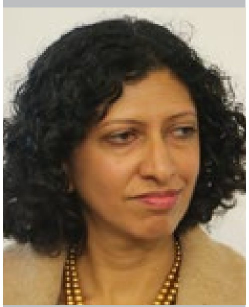

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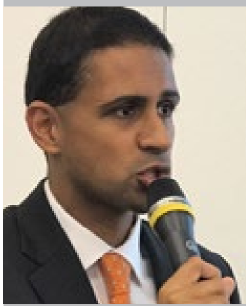

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"A great event and good to see bridges being built between Wealth Management professionals from Asia and Switzerland – where there is a lot to be learned for mutual benefit."

Bryan Henning, Head of Investment Services and Product Solutions, Continental Europe and MENA, HSBC Private Bank

Uncovering hidden gems in the Middle East

As private clients from Gulf Cooperative Council strive to diversify their investments away from oil and local securities they will require more advice and expert portfolio management, says Vic Malik of Barclays.

The rise of a new generation of entrepreneurs across the Middle East is creating optimism that the various local economies can finally diversify.

This is due to most of the rising stars of industry being focused on using the region's unique geographical location as a trading hub between East and West.

VIC MALIK
Barclays

"Wealth is being generated not solely by investing in oil or commodities, but through providing services and products meant for consumption."

In turn, as these individuals mature in sophistication and get wealthier, they are creating significant opportunities for wealth managers across the GCC to serve their financial and investment needs.

"There is a virtuous cycle where private wealth is being generated not solely by investing in oil or commodities, but through providing services and products meant for consumption," explains Vic Malik, head of investment advisory for Barclays in the Middle East, Singapore and Asia. To benefit from this exciting phase and deliver something relevant, practitioners first need to understand the motivations and needs of these clients.

THE DIFFERENCE WITH ADVICE

One of the stumbling blocks holding back broader demand across the Middle East for wealth management services has been the general mind-set towards investing.

For example, says Malik, clients are not oriented towards alternative investments; they tend to ask only for a simple income-oriented portfolio or one that may demonstrate a local bias.

It is crucial, therefore, for wealth managers to put in more effort and planning at the outset to prepare for the asset allocation discussions they should be having with clients.

Wealth managers, however, have had to tweak their propositions to offer clients greater flexibility and tailoring in Discretionary Portfolio Management.

Barclays' discretionary portfolio proposition, for example, is tailored to its more sophisticated clients, allowing them to meet their managers as much as they want and even give specific direction on portfolio allocation at the outset. The idea, says Malik, is to engage clients in portfolio set up discussions such as allocations to specific asset classes.

"Allocation to fixed income mutual funds is higher than 10%, and closer to 20%."

They could also even combine the product offering with customised advice on the merits of broad-based global investing. "[Clients in the Middle East] have a lot of wealth to deploy, but there is still an element of us needing to work with them to articulate what certain investment strategies, other than simple income-paying ones, can do for them," explains Malik.

For example, beyond the common priority of capital preservation, new opportunities are emerging in needs-based investing. So instead of simply saving, funds are directed towards achieving a specific goal – such as buying a property overseas.

"That's important at the upper end of the segment, because it allows clients to relate emotionally to their portfolio in a much better way than when they invest in a portfolio that is modeled and implemented across multiple customers," he explains.

In short, a multi asset class model portfolio, despite its merits, may not appeal to these types of clients in the Middle East. Malik sees most clients sticking to a choice of assets and preferring to design their portfolio in a manner that helps them reach a specific goal. Fixed income portfolios, designed to earn a yield, can be used to fund a residential mortgage overseas or other things that matter to them.

WARMING UP TO DISCRETIONARY

On the portfolio side, while discretionary investments are still to catch on in any meaningful way, such ideas are gaining in popularity.

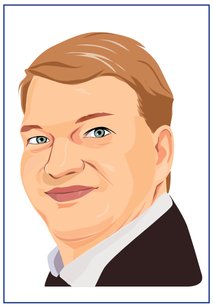
NEW IDEAS GAINING GROUND

Although small in total AUM relative to fixed income funds, hedge funds and private equity investments are increasingly finding takers in the region. The biggest selling point of these strategies, explains Malik, is their ability to generate returns even in an environment where alpha generation is difficult to achieve.

Additionally these strategies are un correlated to typical long only investments. "In the current economy, where equity markets look expensive and there are macro uncertainties with regards growth, a smart manager with the right orientation can extract a lot of value in hedge funds and private equity," he adds. Yet, while there is an obvious appeal to these strategies, finding an audience remains a challenge.

According to Malik, a typical portfolio in this time zone has 10% to 15% assets sitting in cash, with most of the rest invested in ideas that generate income, whether through structured products or fixed income funds. "Allocation to fixed income mutual funds is higher than 10%, and closer to 20%," he says. "This is simply because these funds have the ability to put on take positions where investors otherwise would not because of lack of familiarity."

For Barclays, however, currency management and trading is emerging as an important area of priority. This can also be an effective way to build trust with clients. "GCC is a classic multicurrency environment. The local currencies are pegged to USD, several clients own or wish to own assets in GBP and increasing number desire to acquire EUR and SGD for personal or business needs. The conversations about FX allow the wealth manager to gain credibility with clients," says Malik. "This way they may end up directing some of their personal FX business via the wealth manager." ■



All that glitters is not gold

Investors and advisers should be more cautious about the value in buying gold during market downturns. By Todd James

I generally do not like gold as an investment, but investment strategists all around the world suggest holding gold within a portfolio as an insurance policy against hyper-inflation or social unrest.

The logic is that If the world collapses, at least owning gold will be one asset that does well in bad times.

However, it turns out gold isn't a very good hedge against crises.

For example, in September 2008, when Lehman Brothers declared bankruptcy and the global financial crisis was in full swing, US stocks lost 17% while the gold price fell 16%. In September 2011, when Standard & Poor's downgraded the US government's credit rating, US stocks fell 7% and gold dropped 11%.

The gold price at the end of October 2008 was around 44% below where it is now. So if we use gold as a crisis or inflation scale, today is much worse than it was in 2008.

WEIGHING THE INVESTMENT

If you did own gold as an insurance hedge, how much would you need to hold?

Having 5% to 10% of your portfolio in gold cannot do much if 90% of your assets are losing between 30% and 50% in value.

So while it may sound like a good strategy, practically it doesn't add up.

Another argument for owning gold is that it maintains its purchasing power over time, unlike cash, which loses it.

That is true to a degree – over a very long time (I mean hundreds of years) but on a time scale more relevant to investors, such as 10 to 30 years, gold is actually a bad hedge against inflation. Adjusting for inflation, gold is still 44% below its peak in 1980.

The fundamental problem with owning gold is that it isn't a productive or growing asset. If you buy an ounce today, 20 years from now you will still have just an ounce.

Gold does have some industrial uses, but demand for these purposes is low compared with gold production.

Warren Buffett put it best: "I have no views as to where [gold] will be, but the one thing I can tell you, is it won't do anything between now and then except look at you. Whereas Coca-Cola will be making money, and I think Wells Fargo will be making a lot of money.... It's a lot better to have a goose that keeps laying eggs than a goose that just sits there and eats insurance and storage and a few things like that."

Ultimately, the gold price is driven by investor sentiment. Buying gold is a speculation that someone else will someday pay more for it than you did.

While I do not see gold as an inflation or crisis hedge, I do feel it is a decent hedge against the US dollar (USD). Gold seems to be (at least more recently) the anti-USD; if you think the USD will weaken, buy gold.

But again. I'm not too sure how useful this relationship is in practical terms.

You cannot read or watch the financial news today without some investment guru calling for a sharp correction in the financial markets.

With uber-low interest rates and stagnant growth, we are bound for a financial crisis.

Many of these same strategists suggest investing in gold as a way to hedge against such a crisis. but before you jump on the bandwagon, think twice. ■

Creating a world-class client experience

Digitalisation to drive a superior client experience is the holy grail for private banks grappling with how to stay relevant and stand out in a highly-competitive market. But achieving this requires a clear roadmap for innovation, investment and information.

Speed, agility and customisation are critical components of a successful digital platform in private banking – if institutions are to deliver on the new expectations of existing and future clients.

"What is consistent, however, is their understanding and increasing commitment to innovation in the business."

Among their various preferences, wealthy individuals both young and old round the world want information delivered in multiple ways, and in formats and which are accessible and relevant.

Delivering on this is easier said than done. Digital means different things to different people, both on the client side and for the banks themselves.

So while every institution recognises the importance of digital and platforms to their business – and most are investing fairly heavily in these areas – there is little consensus about the direction to take or what is the right model or approach. What is consistent, however, is their understanding and increasing commitment to innovation in the business.

Plus, they have no doubt over the significance of not keeping up. Evidence of this can be seen by recent research which says clients are even willing to switch their accounts to a different private bank on the basis of the extent of a digital offering.

Yet digitalisation itself is not that new; instead, it is the interaction between the client, the bank and RM, where the client is integrated into the value chain. At the same time, embracing innovation also requires banks to undergo a cultural and mind-set change.

These were some of the take-aways at a discussion co-hosted with FactSet in Singapore involving senior management, heads of technology and other leaders in Asian private banking.

EFFICIENT AND TANGIBLE

Private banks have been working hard to determine how best to create, position and deliver a more digitised offering. And much of this is dedicated to ensuring that their engagement with clients is not just cost-efficient, but meaningful too.

Various industry research has shown that the average relationship manager (RM) or client adviser in Singapore looks after about 60 clients at any one time. This inevitably results in limited touch points. And with the tougher compliance burden, RMs have even less time or scope to talk with their clients and give them advice.

The banks are looking to digital, therefore, to enable them to give clients access to relevant information more easily, but with context that can offer a certain amount of guidance – and without this taking up as much of an RM's time as before.

Pushing it directly from product specialists to the client in terms of the investment ideas also ensures an additional touch point from the institution's point of view.

For example, this can be done in the form of alerts relating to stock positions and market movements that are connected to the investment content of their portfolio.

Further, if enough material is delivered to pique a client's interest, it makes it more likely that the follow-up conversation between the RM and client becomes more tangible and might lead to more transactions.

COMPLEMENTARY NOT COMPETITIVE

At the same time, private banks are under no illusion about how far digital can transform the business.

The direction in which digital should be going, believe many practitioners, is not to simply automate processes and replace people altogether, but rather to complement them.

> **"The direction in which digital should be going, is not to simply automate processes and replace people altogether, but rather to complement them."**

Behavioural finance is one example. There needs to be a way to incorporate this in terms of pre-empting and responding to how clients are likely to react to market movements, given their risk profiles coupled with any past behaviours they might have displayed.

In line with this, ranking products should become an important feature of a digital platform, which would also help to give more guidance to clients – as well as bankers – at the times when they need it most.

Complementing and enhancing this advisory element is a priority for many institutions in terms of the way they are thinking about digital.

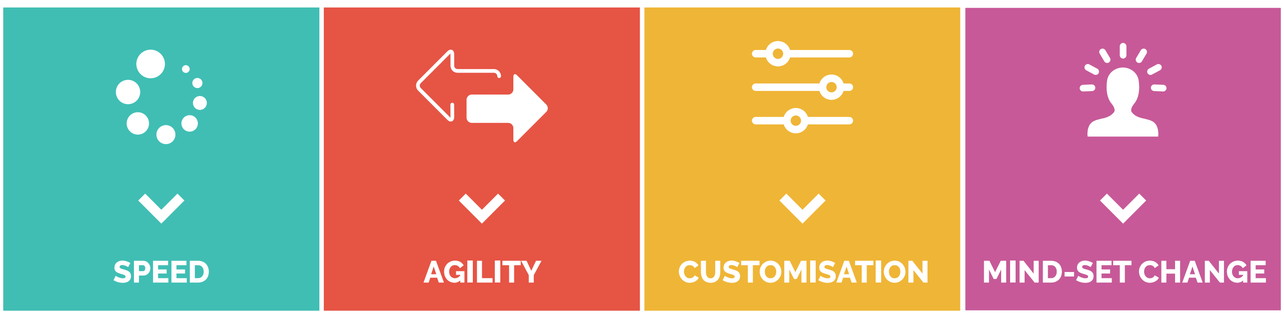
Their overall aim is to make sure the right advice is going to the right client via the use of technology, rather than an 'all-singing, all-dancing' platform that caters in a uniform way to all client needs across multiple segments. Industry players acknowledge that this is an unrealistic ambition.

Instead, the priority should be – for each client segment that an institution wants to service – to determine which elements are better delivered digitally, and which of them make more sense to offer via a face-to-face approach.

MAKING DIGITAL COUNT

Tempering some of the excitement around developing a more comprehensive digital offering, however, is the

COMPONENTS OF A SUCCESSFUL DIGITAL PLATFORM IN PRIVATE BANKING



uncertainty over the results of efforts to date.

The assumption that banks will do more business with each client still needs to be proven. Further, these institutions need to more closely identify and specify what they are trying to address in their digital journey.

Whether it is the client experience, transactional services, or advice, for example, determines the type of tools, planning and timeframe needed. Again, a one-size-fits-all approach isn't practical.

INFLUENCED BY FINTECH

Where there is also debate among private banks is the potential for robo-advisory and its ability to infiltrate the client-RM relationship.

Although there is no doubt about the value of such digital platforms at the lower end of the wealth pyramid, for the traditional HNW client (and above), practitioners seem to want to wait-and-see until robo-advisory services start to replicate more of the role of an RM. Yet there seems to be broad agreement that once fintech is there and banks can see the results end-to-end, then everyone will join the bandwagon.

"The assumption that banks will do more business with each client [due to digital] still needs to be proven."

The key, ultimately, is driving a win-win: from a client perspective, the demand is to know what is going on without having to rely on an immediate response from their RM, especially in a world where speed of information and transparency is the norm.

Equally, RMs don't want large numbers of clients contacting them with the same or similar questions when this information can quickly and conveniently be delivered to these clients, and in context.

There is also a need for private banks to define what they will be doing with all the data that will be created as a result of their more digitised business. To date, this has been a goal for institutions that many have found hard to make work in practice.

On its side, it seems, is the fact that the fintech journey is an industry-wide, collaborative effort – which also includes and has the support of the regulators. This has created a fast-moving – and relatively inexpensive – landscape in terms of innovation and then integration into business models. This is in stark contrast to the typically slow approval processes that are commonplace within individual banks with many new systems.

Regardless of the extent of the influence of fintech within private banking specifically, those institutions which don't adapt and change with the digital demands of customers today, and which don't embrace this journey, know that they will be left behind. ■

Four emerging HNW expectations wealth managers must meet

FactSet, together with Scorpio Partnership, surveyed over 1,000 HNWIs/UHNWIs across Singapore, Switzerland, the UK, and the US regarding their expectations of wealth management and how they envision their experience with their wealth manager evolving over time.

- *The HNW community is increasingly focused on the effective flow of information from their advisers and receiving key insights on their terms. This means wealth managers must prepare to serve their clients more proactively and offer more frequent communications on their clients' wealth.*
- *Another trend captured by the survey is a shift in attitudes regarding regulators; 86% of HNWIs said regulator efforts should be directed toward minimising risk for end clients by ensuring secure technology at wealth management firms.*
- *Responsibility is a prized brand attribute for wealth managers. In the survey, investors primarily define responsibility as honesty about the firm's business practices and investment processes.*
- *Another clear takeaway is that HNWIs want their advisers to embrace innovation as a means of distinguishing themselves against the competition.*

How to optimise the family wealth opportunity in Asia

Our annual family wealth event in Singapore saw leading practitioners from across private banks, family offices and professional services firms discuss the fact that practitioners need a balance of soft skills and technical knowledge to be able to help clients navigate the many business and personal-related issues they face today.

Given that a significant proportion of the wealth in Asia resides with family businesses, it is essential to understand what they and the next generation need, and how to service them effectively.

This requires advisers to know how to approach conversations with UHNW families in Asia, to create the values, vision and shared purpose for family businesses – and also what is required in educating them about transitioning from one generation to the next.

At the same time, with the ongoing drive towards tax transparency, helping UHNW families choose the right structures and jurisdictions is critical.

These clients need to assess – and find solutions for – their complex business and personal assets via wealth structuring, business succession, legacy planning and inter-generational wealth transfer.

And under the watchful eye of regulators around the world, the consequences of not doing this properly are evermore severe.

These were some of the themes discussed among a mix of senior management and wealth planning / structuring specialists working in private banks, multi-family offices and other independent firms on the one hand, and also relationship managers and client advisers.

TIPPING POINT

Against the backdrop of various challenges stemming from regulatory, tax, compliance and personnel pressures, private banks and wealth management firms around the world face a uncertainty over the strategic positioning of their fiduciary services businesses within their broader wealth management offering.

It ultimately comes down to what's core versus what isn't.

As a result, many banks around the world are at tipping point in their decision-making around whether to remain in the business of wealth structuring.

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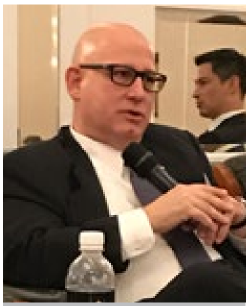
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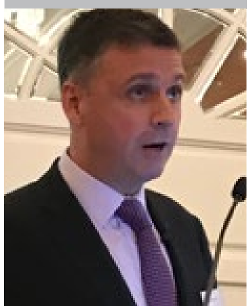
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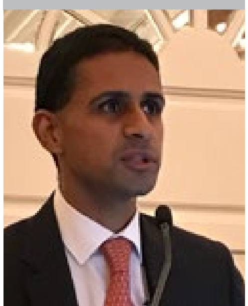
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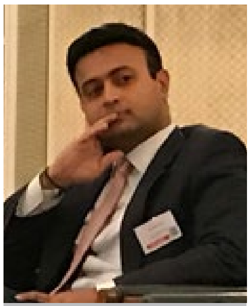

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Catering to Chinese investment appetite

Ashley Dale of Harvest Global Investments discusses some of the trends in terms of investment habits and demands from mainland Chinese investors, and how to deliver products to meet it.

As the Chinese economy continues to evolve at a fast pace, understanding the rate of change is key to servicing investment and buying appetite.

For example, wealthy consumers are no longer just spending their money by going to Hong Kong to buy luxury goods. They are now travelling around the world and are consuming a wider variety of products and services.

More specifically in terms of investing, there is greater sophistication among these individuals when it comes to buying product – beyond just a simple Chinese equity or fixed income fund, explains Ashley Dale, chief business development officer and chief marketing officer for Harvest Global Investments.

And with money held offshore, Chinese investors are increasingly looking to diversify their risk, as well as seek the kinds of returns they used to get in the past, he adds. This includes via real estate and developed market equities, for example.

DEALING WITH VOLATILITY

With the mainland's financial markets being volatile for the last 12 months or so, most allocators have gone underweight China.

But this doesn't impact the Harvest strategy. "In many ways, this shows where and how we can make a difference," says Dale. "We have 200 investment professionals on the ground, so we see the trends early, as well as the sectors and areas of differentiation."

From a product perspective, the firm can beat the broad market indices on a relatively consistent basis, he adds. Harvest is also taking advantage of the various government initiatives between Hong Kong and mainland China.

Further, in addition to traditional product, the firm is looking to develop more tailored offerings. ESG is appealing to Chinese investors, for instance, given the spotlight on the environment, says Dale. ■

ASHLEY DALE
Harvest Global Investments

2017 Events schedule

Event	Date	City
Compliance in Asian Wealth Management Forum	Thursday 19th January	Singapore
Middle East Wealth Management Forum	Tuesday 24th January	Dubai
Asian Wealth Management Forum	Tuesday 21st February	Hong Kong
Independent Wealth Management Forum	Thursday 9th March	Singapore
Indian Family Wealth Forum	Wednesday 26th April	Mumbai
Asian Wealth Management Forum	Thursday 11th May	Singapore
Thailand Wealth Management Forum	Thursday 18th May	Bangkok
Philippines Wealth Management Forum	Thursday 25th May	Manila
Investment Solutions Forum	Thursday 8th June	Singapore
Digital Wealth - Asia	Thursday 15th June	Singapore
Malaysian Wealth Management Forum	Thursday 13th July	Kuala Lumpur
Indian Wealth Management Forum	Thursday 24th August	Mumbai
Investment Solutions Forum	Thursday 31st August	Hong Kong
Vietnam Wealth Management Forum	Thursday 7th September	Ho Chi Minh
Indonesian Wealth Management Forum	Thursday 19th October	Jakarta
Asian Wealth Management Forum	Tuesday 24th October	Zurich
Asian Family Wealth Forum	Thursday 2nd November	Singapore
Digital Wealth - Asia	Thursday 9th November	Hong Kong
Taiwan Wealth Management Forum	Tuesday 21st November	Taipei
China Wealth Management Forum	Thursday 23rd November	Shanghai









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

LEARNING PLAN

↓

Online courses

↓

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